ICBC

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

2011 Interim Report

Our Mission

Excellence for You

Excellent services to clients, Maximum returns to shareholders

Real success for our people, Great contribution to society

Our Vision

A global leading bank with the best profitability, performance and prestige

Our Value

Integrity Leads to Prosperity

Integrity, Humanity, Prudence, Innovation and Excellence

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Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of Industrial and Commercial Bank of China Limited undertake that the information in this report 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 report.

The 2011 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 25 August 2011. There were 16 directors eligible for attending the meeting, of whom 15 directors attended the meeting in person and one director by proxy. Ms. Wang Lili appointed Mr. Li Xiaopeng to attend the meeting and exercise the voting right on her behalf.

The 2011 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 the Chinese and international standards on review engagements, respectively.

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

25 August 2011

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.

Corporate Information

Legal name in Chinese

中國工商銀行股份有限公司（“中國工商銀行”）

Legal name in English

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED (“ICBC”)

Legal representative

Jiang Jianqing

Registered address and office address

No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Postal code: 100140
Website: www.icbc.com.cn
www.icbc-ltd.com

Principal place of business in Hong Kong

ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorized representatives

Yang Kaisheng, Hu Hao

Board Secretary and Company Secretary

Hu Hao
Address: No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Telephone: 86-10-66108608
Facsimile: 86-10-66106139
E-mail: ir@icbc.com.cn

Qualified accountant

Yeung Manhin

Selected newspapers for information disclosure

China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by China Securities Regulatory Commission for publication of the interim report in respect of A Shares

www.sse.com.cn

The “HKExnews” website of The Stock Exchange of Hong Kong Limited for publication of the interim report in respect of H Shares

www.hkexnews.hk

Legal advisors

Mainland China

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

Jun He Law Offices
20th Floor China Resources Building, 8 Jianguomenbei Avenue, Dongcheng District, Beijing, PRC

Hong Kong, China

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

Share Registrars

A Share

China Securities Depository and
Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building,
No. 166 Lujiazui Dong Road,
Pudong New Area, Shanghai, PRC

H Share

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Center, 183 Queen's Road East,
Wanchai, Hong Kong

Location where copies of this Interim Report are kept

Office of the Board of Directors of the Bank

Place where shares are listed, stock name and stock code

A Share

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

H Share

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

Other relevant information of the Bank

Date of change of registration: 13 April 2011
Registration authority: State Administration for Industry and Commerce, PRC
Corporate business license number: 100000000003965
Financial license institution number: B0001H111000001
Tax registration certificate number:
Jing Shui Zheng Zi 110102100003962
Organizational code: 10000396-2

Name and address of auditors

Domestic auditors

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

International auditors

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

This report is prepared in both Chinese and English languages; in case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

Financial Highlights

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

Financial Data

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
Operating results (in RMB millions)			
Net interest income	174,504	143,312	303,749
Net fee and commission income	53,791	36,889	72,840
Operating income	231,160	180,928	380,748
Operating expenses	73,255	61,869	139,480
Impairment losses	16,881	9,693	27,988
Operating profit	141,024	109,366	213,280
Profit before tax	142,345	110,616	215,426
Net profit	109,575	84,965	166,025
Net profit attributable to equity holders of the parent company	109,481	84,603	165,156
Net cash flows from operating activities	237,491	483,477	278,176
Per share data (in RMB yuan)			
Basic earnings per share(1)	0.31	0.25	0.48
Diluted earnings per share(1)	0.31	0.25	0.48
Net cash flows per share from operating activities	0.68	1.45	0.80

Financial Data (continued)

	30 June 2011	31 December 2010	31 December 2009
Balance sheet items (in RMB millions)			
Total assets	14,896,048	13,458,622	11,785,053
Total loans and advances to customers	7,334,040	6,790,506	5,728,626
Allowance for impairment losses on loans	181,453	167,134	145,452
Net investment in securities	3,729,597	3,732,268	3,599,173
Total liabilities	14,036,433	12,636,965	11,106,119
Due to customers	12,047,138	11,145,557	9,771,277
Due to banks and other financial institutions	1,284,008	1,048,002	1,001,634
Equity attributable to equity holders of the parent company	858,391	820,430	673,893
Net assets per share(2) (in RMB yuan)	2.46	2.35	2.02
Net capital base	999,280	872,373	731,956
Net core capital base	795,613	709,193	586,431
Supplementary capital	214,418	174,505	172,994
Risk-weighted assets(3)	8,105,103	7,112,357	5,921,330
Credit rating			
S&P(4)	A/Stable	A/ Stable	A-/Positive
Moody's(4)	A1/ Stable	A1/ Stable	A1/ Positive

Notes: (1) In consideration of the rights issue in 2010, the data for the six months ended 30 June 2010 have been restated. Please refer to "Note 13. to the Financial Statements: Earnings per share".

(2) 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.

(3) Being risk-weighted assets and market risk capital adjustment. Please refer to the section headed "Discussion and Analysis — Capital Management".

(4) The rating results are in form of "long-term foreign currency deposits rating/outlook".

Financial Indicators

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
Profitability (%)			
Return on average total assets[1]	1.55*	1.37*	1.32
Return on weighted average equity[2]	25.12*	23.90*	22.79
Net interest spread[3]	2.49*	2.28*	2.35
Net interest margin[4]	2.60*	2.37*	2.44
Return on risk-weighted assets[5]	2.88*	2.69*	2.55
Ratio of net fee and commission income to operating income	23.27	20.39	19.13
Cost-to-income ratio[6]	25.82	28.47	30.99
	30 June 2011	**31 December 2010**	**31 December 2009**
Asset quality (%)			
Non-performing loans ("NPL") ratio[7]	0.95	1.08	1.54
Allowance to NPL[8]	261.14	228.20	164.41
Allowance to total loans ratio[9]	2.47	2.46	2.54
Capital adequacy (%)			
Core capital adequacy ratio[10]	9.82	9.97	9.90
Capital adequacy ratio[10]	12.33	12.27	12.36
Total equity to total assets ratio	5.77	6.11	5.76
Risk-weighted assets to total assets ratio	54.41	52.85	50.24

Notes: * indicates annualized ratios.

(1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

(2) Calculated by dividing profit attributable to equity holders of the parent company by the weighted average balance of equity attributable to equity holders of the parent company, which is calculated in accordance with the "Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)" issued by 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 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 NPL 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 NPL.

(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 Management".

This year, the global financial crisis has continued to have deep impact on the global economy, still impeding the path of global economic recovery. Though the Chinese economy has maintained a steady and rapid growth, unbalanced, uncoordinated and unsustainable contradictions amid its development remain outstanding, along with a relatively high pressure of inflation. In the complicated, volatile international and domestic contexts, the Bank has focused on transforming the mode of development and actively promoted operational restructuring and business innovation, maintaining the steady development of business and stable growth of profit, which have made it the top listed bank in the world in terms of profits, market capitalization, customers' deposits and brand value. In the first half of 2011, the Bank generated a net profit of RMB109,575 million, representing an increase of 28.96% over the same period in 2010. Annualized return on average total assets (ROA) and annualized return on weighted average equity (ROE) reached 1.55% and 25.12%, respectively, up 0.23 percentage point and 2.33 percentage points from 2010. Both of the balance and the ratio of non-performing loans (NPL) continued to drop. NPL ratio dropped to 0.95%, while allowance to NPL reached 261.14%, up 32.94 percentage points from 2010. The Bank has constantly improved in capital management and successfully issued RMB38.0 billion of RMB subordinated bonds in the interbank bond market, with capital adequacy ratio and core capital adequacy ratio reaching 12.33% and 9.82%, respectively. In the tier-1 capital ranking of the Top 1000 World Banks, the Bank has ranked sixth for the financial year ended 2010.

The Bank has laid emphasis on seizing opportunities in China's shift of economic development mode and continuously pushed forward credit restructuring. Different periods of economic development call for credit structures befitting different economic structures. Currently, as the Chinese economy is going back to its normal track, the needs for investment, consumption and export grow in a balanced manner. The main impetus to economic growth has gradually transformed from policy-stimulated to self-sustained growth. The Bank has watched the trends in economic restructuring, scientifically regulated the total volume and pace of lending in accordance with the movement of economic development, stepped up restructuring in the loan terms, customers, varieties and regions, and channeled more credit resources to China's most dynamic fields of real economy such as advanced manufacturing, modern service sector, strategic emerging industries, small and medium-sized enterprises (SMEs) and household consumption as well as key areas in line with the Bank's strategic development needs. Though the growth of loans has slowed down in the first half of 2011, some important areas of its credit business development, particularly small enterprise loans, personal loans and trade finance, have maintained a fairly rapid growth. The Bank has conscientiously performed its social responsibilities as a large financial enterprise, adhered to and improved the policies of green credits and low-carbon finance, strictly restricted and orderly withdrew loans to industries of high energy consumption, highly pollution and over-capacity. By giving play to the leverage effect of finance in resource allocation, the Bank has promoted resource conservation and environmental protection as well as the harmonious development between enterprises and society, between man and nature.

The Bank has paid attention to addressing customers' rapidly increasing need of financial services, and constantly improved the capability of developing towards diversification, integration and internationalization. Keeping in mind customers' increasingly diversified financial needs, relying upon powerful technological strength, the Bank has actively developed new financial products and instruments, and strengthened the capabilities of sustainable development while continuously exploring new markets and improving customer services. As a result, the Bank has maintained a lead in the vast majority of fundamental businesses, as well as in intermediary and emerging businesses, and established a capital-efficient business development mode and a diversified pattern of profit growth. The Bank has vigorously guided and supported the development of its subsidiaries, increased its support to ICBC Credit Suisse Asset Management, ICBC Leasing and ICBC International, and the subsidiaries in turn have continuously increased their consolidated contributions to the Group. The Bank has actively entered into the insurance market. ICBC AXA

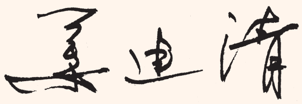
Insurance Company, which the Bank is actively establishing, will soon venture into the area of financial insurance. The Bank has accelerated the construction of its global service network. In the first half of 2011, the Bank formally opened branches in five European countries and two branches in Pakistan; pushed forward the acquisition of shares of The Bank of East Asia (U.S.A.) National Association; completed the voluntary delisting tender offer for ICBC (Thai); and obtained the business license for Mumbai Branch in India. So far, the Bank has 220 overseas institutions with its service network covering 29 countries and regions all over the world. Leveraging on the integrated technological platform shared by both domestic and overseas operations, the Bank has extended its domestic competitive product lines overseas, thereby promoting localized development of overseas institutions; availing of the opportunities brought about by RMB internationalization, the Bank has brought to full play its own status as the largest RMB bank, accelerated the development of overseas RMB business, established a safe, highly efficient global RMB interbank clearing network, and improved responsiveness of the Bank in global services.

The Bank attaches importance to advancing institutional reform, continuously injects abundant and lasting vigor into development. Being concerned with customer service experience, the Bank has launched a campaign to "reform procedures and improve services" and taken the initiative to adapt itself to the new situation of the burgeoning financial products and business volume. Applying advanced ideas and technologies and focusing on improving procedures and the efficiency of business operations, the Bank has stepped up the reform of integrated businesses and the comprehensive transformation of business processes. The Bank has made special efforts to construct a large-scale, specialized, world-class back-office integrated processing platform and to build efficient integrated procedures. New changes have been taking place in service efficiency and customer experience. The Bank has actively advanced the reform of the profit centers focusing on improving value creation of specialized lines by expanding the scope of reform to include six key product lines and established the business pattern characterized by the coordinated development between branches and product lines. The Bank has fully launched the reform of the management system of banking departments of provincial (regional) branches. By adjusting the mechanisms of business licensing, business procedures and incentives and constraints, by centralising back-office operations and increasing the strength of front-office marketing and customer service, the Bank has effectively improved business vitality and competitiveness of its presence in medium and large cities. The Bank continues to deepen the reform of county-level sub-branches, increases investment of resources in important counties, improved packages of products suiting specific financial demands of counties, established the incentive system for the healthy development of county-level sub-branches, and strengthened their influence on county-level economies and rural financial services. As a result, the competiveness in the development of county-level sub-branches and their contributions to the Bank as a whole are gradually improving. The Bank has established a brand new performance evaluation platform (MOVA), which performs refined evaluation and customized management of all business units of the Group from five aspects of institution, departments, products, customers, and staff. The Bank actively promoted the reform of human resources management, advocated the practice of competitively selecting and employing personnel, provided more training opportunities for outstanding managers to work at different levels, in different posts and in different domestic and overseas locations, and implemented the internationalized talent training program. The Bank has tried every means to explore the potential and value of the staff, thereby further strengthening the supportive role played by human resources to the operations and development of the entire bank.

The Bank has placed emphasis on the construction of the corporate governance mechanism and continuously improved the level of management of the Group. The Bank has persisted in constantly improving the corporate governance mechanism in business practice. In the first half of 2011, the Bank has further standardized the performance assessment system for directors, supervisors and senior management members and thus facilitated the effective operation of corporate governance. In accordance with the strategy of group-based development, the Bank has constantly improved the management mechanism of the Group, and sent full-time directors and supervisors to subsidiaries so as to manage and control them effectively and ensure that their operation is in strategic coordination with the development of the Group. The Bank has made risk management as the core of corporate governance, accelerated the promotion and application of the measurement results of the New Capital Accord according to the requirements of the Basel III, so as to continuously strengthen the capability of self-discipline and risk management. By constantly improving the foresight of risk management, the Bank has focused on risk prevention and control in key areas such as local government financing vehicles and the real estate industry and thus ensured stable quality of assets and healthy development of businesses in the complex, volatile market environment.

In the first half of 2011, the Bank's good market performance was recognized by society, and won 107 international and domestic awards and honors. In *Fortune's* 2011 ranking of the "Global 500", the Bank ranked first among all banks and fourth among all companies in the world in terms of net profit. In the "Top 100 Most Valuable Global Brands" published by Millward Brown Optimor, the Bank ranked first among financial institutions once again.

As the saying goes, "One who is determined can accomplish the most difficult; one who does not stop travelling can reach the farthest places." Though currently the global economy is staggering on the path of recovery, we have heeded positive factors nurtured by the complex environment, in which new business opportunities are conceived. By addressing challenges and controlling risks in a more effective manner, the Bank will actively seize new market opportunities, lose no time to promote operational restructuring and business innovation, strive to serve customers, reward shareholders, help employees succeed, and contribute to society, and continue to firmly step forward in our bid to build the Bank into a modern financial enterprise with the best profitability, performance and prestige.



Chairman: Jiang Jianqing

25 August 2011

In the first half of 2011, the domestic and global economic situation has remained very complex, market competition has intensified and financial regulation has tightened. In the face of multiple challenges, the Bank has committed to promoting the transformation while accelerating the innovation and to seeking development while stepping up restructuring. Both our operation and management have maintained a good momentum of development.

Business benefits continued to grow steadily. In the first half of 2011, the Bank reaped a net profit of RMB109,575 million, registering an increase of 28.96% over the same period of last year. The Bank's annualized return on weighted average equity (ROE) reached 25.12%, 2.33 percentage points higher than that in 2010. Through the constant optimization of loan structure and improvement of return on investment in securities, the Bank's net interest margin climbed steadily back to 2.60%, up 16 basis points over the previous year; by vigorously creating fee-based business products and improving services, the Bank registered a 45.5% increase in fee and commission income. As a result, the Bank's proportion of net fee and commission income to operating income reached 23.27%, up 2.88 percentage points as compared to the same period of 2010.

The Bank significantly accelerated its optimization of credit structure. In the first half of 2011, RMB loans of the Bank's domestic branches increased by RMB410,867 million, up 6.6%. While controlling the total volume and pace of lending, the Bank further increased its effort in the optimization of credit structure. Through a comprehensive use of credit policy tools, the Bank actively channeled credit resources to areas with a proper match in terms of benefits and risks, better liquidity and lower capital consumption, so as to promote the sustained development of credit. In the first half of 2011, the Bank also registered rapid growth in small enterprise loans, trade finance, and personal loans, up 25.2%, 21.2% and 10.9% respectively over the end of 2010, significantly higher than the Bank's overall growth rate of credit. Customers of small enterprise loans accounted for 70% of all customers of corporate loans and the growth of small enterprise loans represented 4.5 times of the growth of all corporate loans granted by domestic operations. The increment of non-housing loans accounted for 75.6% of the total increment of personal loans, surpassing personal housing loans for the first time. At the same time, the increment of property loans dropped by RMB87,141 million as compared to the same period of 2010. Loans in relation to the local government financing vehicle (LGFV) were put under effective control. Loans to over-capacity industries continued to decrease. Since the beginning of this year, the Bank has achieved a significant result in its optimization of credit structure by further improving the structure of customers, varieties, industries and terms of credit business.

All businesses maintained a good momentum of development. In the first half of 2011, the Bank's deposits increased by RMB901,581 million, with the increment in volume leading its peers, the Bank has further secured its position as the world's top bank in terms of deposits. Additionally, its fee-based business and new business have been gaining a competitive edge. With over 70 million credit cards in issue, the Bank became the leading bank in terms of number of credit card issued, the amount of consumption and overdraft. It also invented and launched a new type of credit card based on personal payroll accounts and linkage with merchants, which can be used directly for consumption. With the net value of assets under the Bank's custody reaching RMB3.26 trillion, the Bank became the only custodian bank which had in its custody assets worth over RMB3 trillion. The volume of precious metal business was 3.5 times that of the entire year in 2010. The Bank was also the only Chinese bank that had more than 100 million personal Internet banking customers. With the volume of domestic international settlement business reaching USD506.5 billion, the Bank's market share in this regard was further increased. Its cross-border RMB business realized prominently rapid development and handled in total RMB406.0 billion in the first half of 2011, three times that of the previous year. Besides, the Bank also maintained its lead in businesses such as investment banking, settlement and cash management, private banking, pension, and underwriting of enterprise debt financing instruments among its peers.

New breakthroughs were accomplished in product and service innovation. In the first half of 2011, the Bank continued to make it one of its strategic undertakings to carry out product innovation and improve services so as to attain sustainable development. To gain an "intergeneration" advantage in its technical development, the Bank stepped up the construction of the fourth-generation comprehensive service system (NOVA+), thereby creating an application system that is more flexible, advanced and risk-resistant. Keenly aware of customers' need for financial services, it released in succession a series of key new products including mobile banking service on iPhone and Internet banking on iPad, thereby opening up new markets and winning new customers. The Bank committed itself to upgrading its network of outlets and service channels, and improving their distribution, accelerated the extension of its arm to areas with no or little presence of banking services, including new urban areas, and fast-developing counties, villages and towns. The Bank's outlets now have a more pleasant environment, provide a wider range of improved services and a broader service coverage. The Bank increased its bid to construct the self-service bank and various self-service banking facilities; with the continuous improvement of its electronic service system, its service capability has grown significantly. In the first half of 2011, the proportion of business volume handled via E-banking reached 62%. New service patterns such as SMS and online customer services were rapidly in the making.

Risk management and internal control were further strengthened. In face of a complex and volatile economic situation and fluctuations in the international financial market, the Bank paid high attention to the evolution of various risk factors and constantly improved its capability of risk prevention and control in terms of mechanism and technology. It further advanced the construction and application of internal rating system, conducted the assessment following the implementation of the New Capital Accord, and earnestly followed the requirements concerning capital constraints throughout the process of operation and management. In the interbank bond market, the Bank successfully issued RMB38.0 billion of RMB subordinated bonds. By the end of June, the Bank's capital adequacy ratio reached 12.33%, and the core capital adequacy ratio stood at 9.82%. Its capital strength has been further strengthened. The Bank paid special attention to the changes in the real estate market under macro-control, took a series of risk management measures such as exerting reasonable control over total credit, tightening customer access standards and intensifying post-loan management. Additionally, it also recognized and cleared risks regarding to the loans in relation to LGFV and took measures such as confirming the legitimacy and validity of collateral and pledged assets by loan, thus effectively controlling the risks in the loans in relation to LGFV. By the end of June, both of the Bank's non-performing loan balance and non-performing loan ratio were on the decrease, with the non-performing loan ratio decreasing to 0.95%. The Bank's allowance to NPL hit 261.14%, 32.94 percentage points higher than the end of 2010, which indicated that its capability of risk prevention and compensation was further improved. The Bank built a new risk quality-oriented supervision mode based on data analysis as the foundation, with supervision models as the engine of risk recognition, and continued to improve the working mechanism of operational risk examination and rectification. As a result, both accuracy of risk recognition and efficiency of supervision have improved significantly, and internal control and case prevention have become more clearly targeted and more effective. The favorable trend of lower case incidence in recent years has been maintained.

Currently, the global economy is still struggling to recover, and the international financial system is getting increasingly fragile. While the Chinese economy has generally been running smoothly, we have also encountered some new circumstances. However, while clearly seeing a full picture of the challenges confronting us, we should also see new opportunities. The Bank will continue to strengthen its foresight, sharpen its competitiveness, improve its capability of risk prevention and control and ensure its sustainable development through measures like restructuring, deepening reform, strengthening of management and improvement of services, continue its momentum for transformation and development, and lay a solid foundation and establish new advantages for sustained development.

President: Yang Kaisheng

25 August 2011

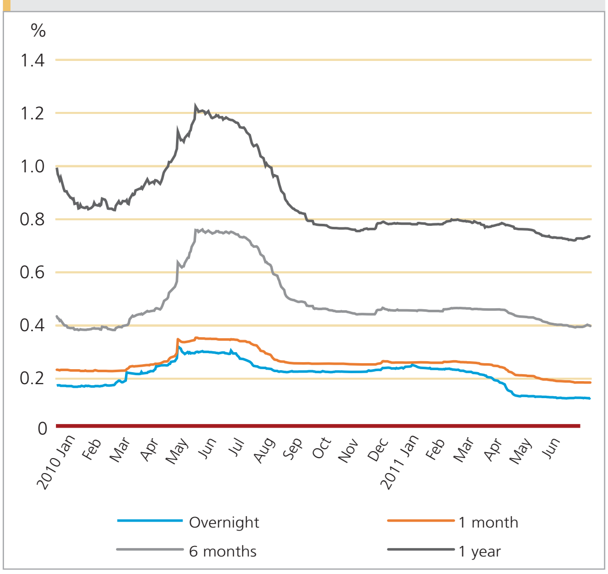
ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

International Economic, Financial and Regulatory Environments

In the first half of 2011, global economic recovery slowed down and remained unbalanced. The U.S. and European sovereign debt crisis dragged on global economic recovery, drastically pushed up energy prices and added stagflation risk in the global economy. By regions, the U.S. economic growth was lower than expected due to high unemployment rate, huge public debts and weak real estate market; although the overall European economy remained on the track of recovery, there was an economic disparity among Germany, France and other countries in the region; Japanese economy shrunk as a result of earthquake, tsunami and nuclear disaster; the growth of emerging economies slightly slowed down due to rising inflationary pressure and continued tight monetary policy.

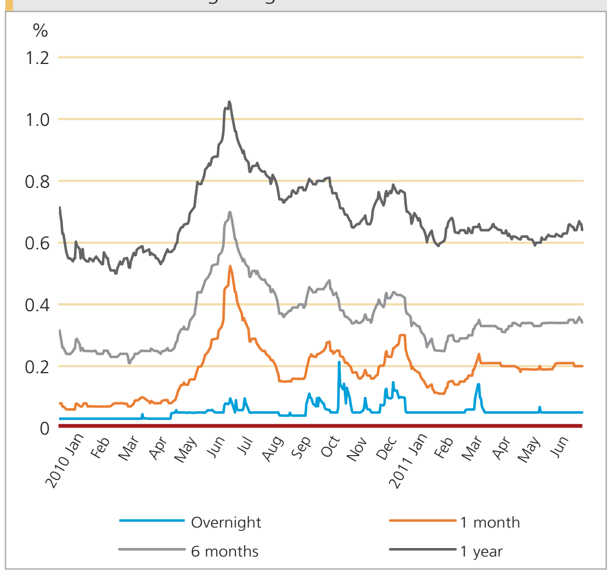
In the first half of 2011, the turbulence in the Middle East and North Africa, occurrence of Japanese earthquake, escalating sovereign debt crisis in the U.S. and Europe, weak global economic data and uncertainties in monetary policy trend of the U.S. Federal Reserve accelerated the fluctuations on global financial markets. The US dollar exchange rate dropped sharply before a weak rebound. At the end of June 2011, the US Dollar Index (USDX) closed at 74.303 points, representing a decline of 5.98% from the end of 2010; the exchange rate of US dollar against Euro closed at USD1.4502/Euro, representing a depreciation of 7.71% of US dollar; the exchange rate of US dollar against Japanese yen closed at JPY80.56/USD, representing a depreciation of 0.69% of US dollar. Global stock markets moved up first and then downwards. The MSCI All-country World Index closed at 1331.18 points, representing a rise of 3.99% from the end of 2010; U.S. Dow Jones Industrial Average, S&P 500 Index and NASDAQ rose by 7.23%, 5.01% and 4.55%, respectively; global market capitalization increased by 4.15% from the end of 2010 to USD54.15 trillion. Commodity prices began to fall in late April after a strong surge. Spot gold price closed at USD1,500.35/ounce, representing an increase of 5.60% from the end of 2010; New York WTI crude oil price increased by 4.42% to USD95.42/barrel. Ample global liquidity kept interest rates of major financial markets at a low level. US dollar LIBOR remained steady with a slight drop; Hong Kong dollar HIBOR stabilized after volatility in the first quarter. The one-year US dollar LIBOR dropped to 0.7335% at the end of June 2011 from 0.7809% at the end of 2010; and the one-year Hong Kong dollar HIBOR fell to 0.6407% at the end of June 2011 from 0.7007% at the end of 2010. As continuously influenced by the European debt crisis, the treasury yields of most Euro Zone members tended to increase, in contrast to a decline in the overall yield rate of U.S. treasury bonds, which were favored by hedge funds.

Movements of US Dollar LIBOR since 2010



Data source: Bloomberg.

Movements of Hong Kong Dollar HIBOR since 2010



Data source: Bloomberg.

In the first half of 2011, developed economies continued a loose monetary policy overall. The U.S., the U.K. and Japan kept low interest rate policy unchanged, whilst the European Central Bank raised interest rate by 25 basis points in April. Emerging economies including Brazil, India, South Korea, Russia and Indonesia accelerated their tightening pace.

Economic, Financial and Regulatory Environments in China

In the first half of 2011, China adhered to a proactive fiscal policy and a prudent monetary policy to continuously strengthen and improve macro-controls in response to the complicated, ever-changing international situation and emerging issues in the operation of the Chinese economy. Chinese economy grew well towards the direction laid down by macro-control policies.

According to preliminary estimation, China's gross domestic products (GDP) for the first half of 2011 amounted to RMB20.45 trillion, representing an increase of 9.6% over the same period of last year, and the growth rate was 1.5 percentage points lower than that in the first half of 2010. Industrial output grew steadily, and enterprise profits increased continuously; the growth in fixed asset investment remained relatively rapid, and fixed asset investment (excluding rural households) stood at RMB12.46 trillion in the first half of 2011, representing a growth of 25.6%. Income of urban and rural households and consumption increased steadily. Total retail sales of consumer goods increased by 16.8% as compared to the same period of 2010 to RMB8.58 trillion. The consumer price index (CPI) increased by 5.4% and the producer price index (PPI) increased by 7.0% over the same period of last year. Imports and exports totaled USD1.70 trillion, representing an increase of 25.8% over the same period of last year; trade surplus was USD44.9 billion, representing a decline of 18.5% from the same period of last year.

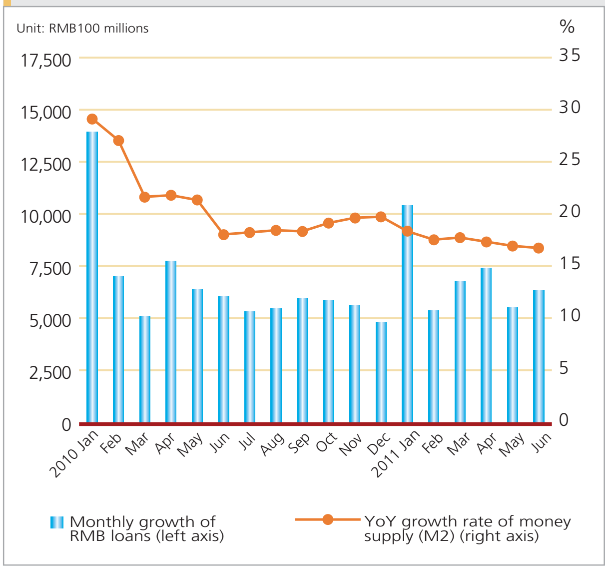
Shifting from the "moderately loose" monetary policy to a "prudent" one, PBOC further intensified its efforts on liquidity buy-back; the mandatory reserve ratio on RMB deposits of deposit-taking financial institutions was raised by 0.5 percentage point for six times, or by 3 percentage points accumulatively; the benchmark RMB deposit and lending rates of financial institutions were raised on 9 February and 6 April successively, in which, the one-year benchmark deposit rate increased from 2.75% to 3.25%, and the one-year benchmark lending rate increased from 5.81% to 6.31%, each being raised by 0.5 percentage point accumulatively.

At the end of June 2011, M2 balance increased by 15.9% over the same period of last year to RMB78.08 trillion, with the growth rate being decelerated by 3.8 percentage points when compared to the end of 2010; M1 balance increased by 13.1% to RMB27.47 trillion, with the growth being decelerated by 8.1 percentage points when compared to the end of 2010. Total balance of loans denominated in RMB and foreign currencies extended by financial institutions was RMB54.65 trillion, representing an increase of 16.8% over the same period of last year. The balance of RMB loans was RMB51.40 trillion, representing an increase of 16.9% over the same period of last year, down 3.0 percentage points from the end of 2010; the balance of foreign currency loans was USD501.8 billion, representing an increase of 22.2% over the same period of last year. Total balance of deposits denominated in RMB and foreign currencies taken by financial institutions was RMB80.30 trillion, representing an increase of 17.5% over the same period of last year. The balance of RMB deposits was RMB78.64 trillion, representing an increase of 17.6% over the same period of last year, down 2.6 percentage points from the end of 2010; the balance of foreign currency deposits was USD256.4 billion, representing an increase of 17.9% over the same period of last year.

According to statistics from CBRC, at the end of June 2011, total assets of banking institutions (in accordance with the corporate-caliber) denominated in RMB and foreign currencies totaled RMB105.67 trillion, representing an increase of 10.9% from the end of 2010. NPL balance of commercial banks continued to drop and allowance to NPL further increased. NPL balance was RMB422.9 billion, representing a decrease of RMB10.7 billion; NPL ratio decreased by 0.1 percentage point to 1.0%; the allowance to NPL reached 248.9%, up 31.2 percentage points. Capital adequacy ratio was 12.2%, maintaining at the same level with the end of 2010; core capital adequacy ratio was down 0.2 percentage point to 9.9%.

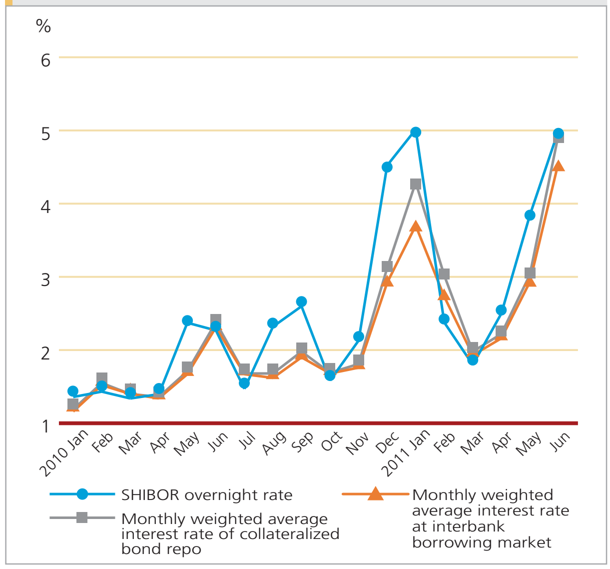
PBOC further improved the RMB exchange rate regime to significantly increase the flexibility of RMB exchange rate, clearly demonstrating the characteristics of bilateral volatility. At the end of June 2011, the mean exchange rate of RMB against USD was RMB6.4716/USD, representing an appreciation of 2.33% from the end of 2010 and a cumulative appreciation of 27.89% since the exchange rate reform in 2005. Foreign exchange reserves of China amounted to USD3.20 trillion, representing a growth of 30.3% over the same period of last year.

RMB Loan Growth of Domestic Financial Institutions since 2010



Data source: PBOC.

Movements of Interest Rate in Interbank Market since 2010



Data source: PBOC.

The financial market functioned stably overall, trading in the money market was active and market interest rates fluctuated and grew. In the first half of 2011, RMB transactions in the interbank market amounted to RMB91.76 trillion in aggregate; average daily trading increased by RMB145.6 billion to RMB752.1 billion, representing a growth of 24.0% over the same period of last year. Monthly weighted average interbank offered rate and collateralized bond repo rate were 4.56% and 4.94% in June, up 1.64 and 1.82 percentage points from last December, respectively. There was a noticeable expansion in the scale of bond issuance and a cumulative total of RMB3.19 trillion of various types of bonds (excluding PBOC bills) were issued, representing a growth of 38.9% over the same period of last year; the bond market index dropped and bond yield curves showed an overall upward move.

The stock market trading volume expanded by a small margin, and Shanghai and Shenzhen stock indices dropped slightly. In the first half of 2011, the Shanghai and Shenzhen stock markets recorded total trading of RMB24.7 trillion, representing a growth of 9.1% over the same period of last year; average daily trading reached RMB207.5 billion, representing an increase of RMB15.6 billion over the same period of last year. At the end of June 2011, free float market capitalization stood at RMB20.1 trillion, up 4.0% from the end of 2010; the Shanghai Stock Composite Index and the Shenzhen Component Index closed at 2762 points and 12111 points, representing a decline of 1.6% and 2.8% from the end of 2010, respectively. In the first half of 2011, various types of enterprises and financial institutions raised RMB336.2 billion in aggregate through IPOs, stock issue, rights issue, exercise of stock options and convertible bonds in domestic and overseas stock markets, representing a decrease of RMB66.7 billion over the same period of last year. The number of securities investment funds reached 810, representing an increase of 15.1% from the end of 2010.

According to preliminary statistics, total financing from market sources amounted to RMB7.76 trillion in the first half of 2011, representing a decline of RMB384.7 billion over the same period of last year. Specifically, RMB loans grew by RMB4.17 trillion, with the increment declined by RMB449.7 billion over the same period of last year; foreign currency loans increased by RMB336.1 billion, with the increment increased by RMB117.9 billion over the same period of last year; entrusted loans rose by RMB702.8 billion, with the increment increased by RMB382.9 billion over the same period of last year; trust loans increased by RMB91.3 billion, with the increment declined by RMB510.2 billion over the same period of last year; bank acceptances rose by RMB1.33 trillion, with the increment declined by RMB44.1 billion over the same period of last year; net financing from corporate bonds stood at RMB658.8 billion, with the increment increased by RMB9.0 billion over the same period of last year; domestic stock financing of non-financial corporations was RMB267.7 billion, with the increment increased by RMB27.4 billion over the same period of last year.

Financial regulation reform was advanced. The Basel Committee on Banking Supervision promulgated the international regulatory framework for banks (Basel III) at the end of 2010. Basel III establishes a new mode of financial regulation that combines micro-prudence and macro-prudence and significantly raises capital requirements for commercial banks. In April 2011, CBRC issued the "Guidelines on Implementation of New Regulatory Standards in China's Banking Industry" that set out regulatory requirements with respect to areas such as capital adequacy ratio, leverage ratio, loan provision ratio, liquidity ratio, supervision of systematically important banks and time of implementation. Implementation of new regulatory standards will enhance banks' self-discipline, enhance risk management and place external regulatory pressure forcing banks to accelerate transformation of the development mode.

Outlook for the Second Half of 2011

Looking into the second half of 2011, global economy is expected to sustain an overall recovery trend. However, the downgrade long-term sovereign credit rating of the U.S. and the continuous worsening of the European debt crisis have added to the uncertainties of economic prospects. Whether energy prices can be curbed and whether employment in developed economies can be improved are also major challenges for recovery. Macro-economic policies will tend to be differentiated across the globe: huge public debts will force the U.S. and European countries into fiscal consolidation, but Japan will continue an expansive fiscal policy to support post-disaster reconstruction; the Euro Zone may continue to raise rates to curb inflation, whilst the U.S., the U.K. and Japan will leave the low rates and loose monetary policies unchange; emerging economies are expected to maintain proactive fiscal policies despite broad tightening of their monetary policies. As predicted by the International Monetary Fund (IMF) on 17 June 2011, global economy will grow at 4.3% in 2011, down 0.8 percentage point from 2010, of which, the economic growth rate will be 2.2% for developed economies and 6.6% for emerging and developing economies.

The Chinese economy will face both opportunities and challenges. With respect to challenges, in the second half of 2011, the biggest challenge will be how to better deal with the relationships among stable and rapid economic growth, economic restructuring and inflation expectation management; price control and restructuring will remain under great pressure. On the opportunity side, the long-term landscape for China's economic development remains unchanged; industrialization, urbanization and marketization imply a huge potential for growth. In the second half of 2011, China's economic growth will slow down moderately. However, given the relatively strong impetus to the growth of the Chinese economy, there will be a low risk of sharp economic contraction, laying a solid foundation for China to further restructure its economy.

China will still adhere to "proactive, sound, prudent and flexible" macro-policies, continue to stabilize the overall price level as the top priority of macro-controls, increase the pertinence, flexibility and farsightedness in line with situation changes, effectively control the intensity, rhythm and focus of macro-controls and properly deal with the relationships among stable and rapid economic growth, economic restructuring and inflation expectation management. China will continue to implement prudent monetary policy and ensure reasonable growth in total social financing volume; spare no efforts to optimize credit structure, improve financial service level and step up credit supports for agriculture and small enterprises; improve the framework of prudent macro-policies, strengthen supervision on off-balance-sheet operations of banks and intensify effective control on cross-border capital; further advance reforms regarding market-based interest rates and exchange rate regime; reasonably use a variety of monetary policy tools to increase the pertinence of policies and prevent the effects from the lag of monetary policy and various other factors from materially affecting the real economy in the next stage. The proactive fiscal policy will be fully implemented to strengthen efforts in increasing revenues and cutting expenditures and to optimize spending structure; regulation on local government debts will be enhanced to additionally discipline LGFVs, strictly control new lending, gradually digest existing loans, and to effectively mitigate credit risk; debt repayment and post-financing of continuing projects will be properly addressed on the principles of classified management and differentiated treatment.

FINANCIAL STATEMENTS ANALYSIS

Income Statement Analysis

In the first half of 2011, in response to the volatile operating environment and increasingly fierce competition, the Bank has proactively seized the market opportunities, accelerated the transformation of growth pattern, deepened the reform and innovation, continuously pushed forward the diversification of income structure, strictly controlled cost, strengthened risk management and maintained sustainable growth in profit. Net profit reached RMB109,575 million, representing an increase of RMB24,610 million or 29.0% over the same period of last year. The annualized return on weighted average equity was 25.12%, representing an increase of 1.22 percentage points over the same period of last year. Operating income rose by 27.8% to RMB231,160 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 21.8% to RMB174,504 million. Non-interest income grew by 50.6% to RMB56,656 million, of which, net fee and commission income kept growing quickly. Operating expenses increased by 18.4% to RMB73,255 million. Cost-to-income ratio was 25.82%, representing a decrease of 2.65 percentage points, maintaining at a low level. Due to the implementation of prudent provisioning policy together with the steady improvement of assets quality, impairment losses increased by 74.2% over the same period of last year to RMB16,881 million.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	Six months ended 30 June 2011	Six months ended 30 June 2010	Increase/ (decrease)	Growth rate (%)
Net interest income	174,504	143,312	31,192	21.8
Non-interest income	56,656	37,616	19,040	50.6
Operating income	231,160	180,928	50,232	27.8
Less: Operating expenses	73,255	61,869	11,386	18.4
Less: Impairment losses	16,881	9,693	7,188	74.2
Operating profit	141,024	109,366	31,658	28.9
Share of profits and losses of associates and jointly-controlled entities	1,321	1,250	71	5.7
Profit before tax	142,345	110,616	31,729	28.7
Less: Income tax expense	32,770	25,651	7,119	27.8
Net profit	109,575	84,965	24,610	29.0
Attributable to: Equity holders of the parent company	109,481	84,603	24,878	29.4
Non-controlling interests	94	362	(268)	(74.0)

Net Interest Income

In the first half of 2011, the Bank actively promoted the adjustment of the credit structure, increased the loan yield, optimized the investment portfolio structure, and also adopted various measures to control the liability cost and realized a relatively rapid growth of net interest income. Net interest income increased by RMB31,192 million or 21.8% over the same period of 2010 to RMB174,504 million, accounting for 75.5% of operating income. Interest income increased by RMB52,854 million or 24.0% over the same period of last year to RMB272,719 million, and interest expense increased by RMB21,662 million or 28.3% over the same period of last year to RMB98,215 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

	Six months ended 30 June 2011			Six months ended 30 June 2010		
Item	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	7,076,342	190,883	5.39	6,120,030	149,722	4.89
Investment in securities	3,635,115	56,751	3.12	3,581,321	51,114	2.85
Investment in securities not related to restructuring	3,232,985	52,272	3.23	2,740,756	42,255	3.08
Investment in securities related to restructuring(2)	402,130	4,479	2.23	840,565	8,859	2.11
Due from central banks	2,266,068	17,927	1.58	1,745,274	13,494	1.55
Due from banks and other financial institutions(3)	471,709	7,158	3.03	637,708	5,535	1.74
Total interest-generating assets	**13,449,234**	**272,719**	**4.06**	**12,084,333**	**219,865**	**3.64**
Non-interest-generating assets	674,016			498,887		
Allowance for impairment losses	(179,000)			(153,695)		
Total assets	**13,944,250**			**12,429,525**		
Liabilities						
Deposits	11,148,747	84,222	1.51	10,095,715	67,982	1.35
Due to banks and other financial institutions(3)	1,218,612	11,957	1.96	1,110,332	7,282	1.31
Debt securities issued	121,807	2,036	3.34	75,000	1,289	3.44
Total interest-bearing liabilities	**12,489,166**	**98,215**	**1.57**	**11,281,047**	**76,553**	**1.36**
Non-interest-bearing liabilities	578,134			384,513		
Total liabilities	**13,067,300**			**11,665,560**		
Net interest income		**174,504**			**143,312**	
Net interest spread			**2.49**			**2.28**
Net interest margin			**2.60**			**2.37**

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 allowance for impairment losses represent the average of beginning balances and ending balances of the reporting period.

(2) Investment in securities related to restructuring includes Huarong bonds, special government bonds, MOF receivables and special PBOC bills. Please refer to "Note 21.(a) to the Financial Statements: Receivables" for details.

(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.

The table below sets out the changes in interest income and interest expense brought by changes in volume and interest rate.

In RMB millions

Item	Comparison between six months ended 30 June 2011 and 30 June 2010		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	25,861	15,300	41,161
Investment in securities	3,077	2,560	5,637
Investment in securities not related to restructuring	7,961	2,056	10,017
Investment in securities related to restructuring	(4,884)	504	(4,380)
Due from central banks	4,171	262	4,433
Due from banks and other financial institutions	(2,490)	4,113	1,623
Changes in interest income	**30,619**	**22,235**	**52,854**
Liabilities			
Deposits	8,163	8,077	16,240
Due to banks and other financial institutions	1,066	3,609	4,675
Debt securities issued	785	(38)	747
Changes in interest expenses	**10,014**	**11,648**	**21,662**
Changes in net interest income	**20,605**	**10,587**	**31,192**

Note: Changes in volume are measured by the changes in average balances, while the changes in interest rate are measured by the changes in average interest rates. Changes resulted from the combination of volume and interest rate are allocated to the changes resulted from volume.

◆ *Net Interest Spread and Net Interest Margin*

In the first half of 2011, the Bank strived to improve the management of interest rate, enhanced the loan negotiation capability, adjusted and optimized the investment portfolio structure, thus continued to increase assets yields. Meanwhile, the Bank took various measures to reduce the adverse impact of interest hike policy on liability cost, so that profitability was further strengthened. Net interest spread and net interest margin stood at 2.49% and 2.60%, respectively, representing an increase of 21 and 23 basis points respectively as compared to the same period of last year, and an increase of 14 and 16 basis points respectively as compared to the whole year of 2010.

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 2011, the first half of 2010 and the year of 2010, respectively.

Percentages

Item	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
Yield of interest-generating assets	4.06	3.64	3.72
Cost of interest-bearing liabilities	1.57	1.36	1.37
Net interest spread	2.49	2.28	2.35
Net interest margin	2.60	2.37	2.44

Interest Income

◆ *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB190,883 million, representing an increase of RMB41,161 million or 27.5% over the same period of last year, due to the growth in the average balance and an increase of 50 basis points in the average yield. The growth of average yield was mainly because (1) from the second half of 2010 to the first half of 2011, PBOC raised the RMB loan benchmark interest rate for four times, of which, one-year term RMB loan benchmark interest rate increased by 100 basis points. Due to the impact of interest hike policy, the newly issued loans and repriced stock loans applied a relatively higher interest rate in the first half of 2011; and (2) the management on the Bank's loan interest rate and the negotiation capability was improved, and the average floating level of loan interest rate rose to some extent.

In terms of maturity structure, the average balance of short-term loans was RMB1,894,227 million, interest income derived therefrom was RMB48,917 million, and the average yield was 5.16%. The average balance of medium to long-term loans was RMB5,182,115 million, interest income arising therefrom was RMB141,966 million, and the average yield was 5.48%.

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

In RMB millions, except for percentages

	Six months ended 30 June 2011			Six months ended 30 June 2010		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	4,844,073	135,258	5.58	4,250,234	110,729	5.21
Discounted bills	107,792	4,213	7.82	247,836	3,945	3.18
Personal loans	1,730,019	44,829	5.18	1,349,622	32,049	4.75
Overseas and others	394,458	6,583	3.34	272,338	2,999	2.20
Total loans and advances to customers	**7,076,342**	**190,883**	**5.39**	**6,120,030**	**149,722**	**4.89**

In terms of the business line, interest income on corporate loans increased by 22.2% over the same period of last year to RMB135,258 million, accounting for 70.9% of the interest income on loans and advances to customers. The increase resulted from the expansion of volume of corporate loans and the rise of average yield. The rise of 37 basis points in average yield was mainly due to (1) the impact of interest rate hike policy; and (2) the improvement in the Bank's loan interest rate management and negotiation capability.

Interest income on discounted bills increased by 6.8% over the same period of last year to RMB4,213 million. The increase was caused by the rise of average yield. The large increase of 464 basis points in the average yield was mainly because (1) there was a remarkable increase in SHIBOR-based market interest rate for discounting compared to the same period of last year; and (2) the Bank intensified both the buying and selling operation on bills, accelerated the discounting assets turnover and promoted the steady enhancement in yield of discounting assets. The decrease in average balance was mainly because the Bank cut down the bill discounting scale to support other credit businesses.

Interest income on personal loans increased by 39.9% over the same period of last year to RMB44,829 million. The increase was caused mainly by the rise in personal loans and average yield. The increase of 43 basis points in the average yield was mainly due to (1) the impact of interest hike policy; (2) the improvement in the Bank's loan interest rate management level and negotiation capability; and (3) the initiative adjustment in personal loan structure by the Bank and the growth in the percentage of personal consumption loans and personal business loans with relatively higher average yield.

Interest income on overseas and other loans increased by 119.5% over the same period of last year to RMB6,583 million. The increase was caused mainly by the increasing pace of the Bank in internationalized and integrated development as well as the fast growth in loans of overseas branches and of both domestic and overseas subsidiaries.

- *Interest Income on Investment in Securities*

Interest income on investment in securities was RMB56,751 million, representing an increase of RMB5,637 million or 11.0% over the same period of last year. Interest income on investment in securities not related to restructuring increased by 23.7% to RMB52,272 million, and the rise was because the Bank properly increased investment in policy bank bonds, government bonds and quality corporate bonds which led to a rapid increase in the average balance as compared to the same period of last year. The rise of 15 basis points in the average yield of investment in securities not related to restructuring was principally because the yield curve of RMB bonds market for the reporting period shifted up as compared to the same period of last year while the yield of newly increased investment in RMB bonds was relatively high.

Interest income on investment in securities related to restructuring decreased by RMB4,380 million or 49.4% from the same period of last year to RMB4,479 million, which was mainly attributable to the normal maturity and repayment of non-transferable special PBOC bills with par value of RMB430,465 million in June 2010 and the relatively large decrease in the average balance of investment in securities relating to restructuring compared to the same period of last year.

- *Interest Income on Due from Central Banks*

Due from central banks of the Bank mainly include mandatory reserve deposits and excess reserve deposits. Interest income on due from central banks reached RMB17,927 million, representing an increase of RMB4,433 million or 32.9% over the same period of last year. The growth was due to the relatively fast increase of mandatory reserve deposits with high yield, led by the raise of the mandatory reserve deposits ratio by PBOC and the increase of customer deposits.

- *Interest Income on Due from Banks and Other Financial Institutions*

Interest income on due from banks and other financial institutions was RMB7,158 million, representing an increase of RMB1,623 million or 29.3% over the same period of last year. The increase was mainly caused by the hike of average interest rate on the domestic money market in the first half of 2011 as compared with the same period of last year. The Bank actively seized this favorable market opportunity, improved pricing capacity, which resulted in the rise of average yield of due from banks and other financial institutions by 129 basis points.

Interest Expense

- *Interest Expense on Deposits*

Interest expense on deposits amounted to RMB84,222 million, representing an increase of RMB16,240 million or 23.9% over the same period of last year, and accounted for 85.8% of the total interest expense. The increase in interest expense was mainly due to the increase in the deposit volume and average cost. Average balance increased by RMB1,053,032 million or 10.4%, mainly attributed to that the Bank unleashed the comprehensive competitive advantages and promoted stable growth in deposit business. From the second half of 2010 and the first half of 2011, PBOC raised the RMB deposit benchmark interest rate for four times, of which, one-year RMB deposit benchmark interest rate increased by 100 basis points accumulatively, and the demand deposit interest rate increased by 14 basis points accumulatively; and due to the time lag in the repricing of time deposits and high proportion of demand deposits, average cost only increased by 16 basis points to 1.51%.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	Six months ended 30 June 2011			Six months ended 30 June 2010		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	2,001,320	24,365	2.43	1,763,274	18,629	2.11
Demand deposits[1]	3,567,215	13,466	0.75	3,291,916	10,287	0.62
Subtotal	**5,568,535**	**37,831**	**1.36**	**5,055,190**	**28,916**	**1.14**
Personal deposits						
Time deposits	3,126,775	39,678	2.54	2,884,005	34,810	2.41
Demand deposits	2,191,831	5,272	0.48	1,919,444	3,455	0.36
Subtotal	**5,318,606**	**44,950**	**1.69**	**4,803,449**	**38,265**	**1.59**
Overseas and others	**261,606**	**1,441**	**1.10**	**237,076**	**801**	**0.68**
Total deposits	**11,148,747**	**84,222**	**1.51**	**10,095,715**	**67,982**	**1.35**

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 RMB11,957 million, representing an increase of RMB4,675 million or 64.2% over the same period of last year, which was resulted from the rise of average cost and average balance. Average cost increased by 65 basis points, mainly because (1) in the first half of 2011, average level of domestic money market interest rate rose dramatically; and (2) volatility in the capital market and decrease in overall fund size of new share subscription resulted from the decline in the yield of new share subscription led to the drop in the proportion of due to banks and other financial institutions with relatively low average cost.

◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB2,036 million, representing an increase of RMB747 million or 58.0% over the same period of last year, primarily because the Bank issued RMB25.0 billion A share convertible bonds in August 2010. Please refer to "Note 31. to the Financial Statements: Debt securities issued" for details about the subordinated bonds and A share convertible bonds issued by the Bank.

Non-Interest Income

In the first half of 2011, non-interest income of the Bank reached RMB56,656 million, representing an increase of RMB19,040 million or 50.6% over the same period of last year, accounting for 24.5% of operating income, and 3.7 percentage points higher as compared to the same period of last year.

COMPOSITION OF NON-INTEREST INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2011	Six months ended 30 June 2010	Increase/ (decrease)	Growth rate (%)
Fee and commission income	56, 844	39,055	17,789	45.5
Less: Fee and commission expense	3,053	2,166	887	41.0
Net fee and commission income	53,791	36,889	16,902	45.8
Other non-interest related gain	2,865	727	2,138	294.1
Total	**56,656**	**37,616**	**19,040**	**50.6**

In response to the changes in market environment and customer demands, the Bank expanded the market and deeply explored customer resources and potential to consolidate competitive advantages over its peers through product innovation and service enhancement. In the first half of 2011, net fee and commission income was RMB53,791 million, representing a growth of RMB16,902 million or 45.8% as compared to the same period of last year and accounting for 23.27% of total operating income, an increase of 2.88 percentage points over the same period of last year. The Bank realized a relatively fast growth in income from settlement, clearing business and cash management, investment banking, personal wealth management and private banking services, asset custody, guarantee and commitment business. During the reporting period, income from the entrusted wealth management services amounted to RMB5,072 million and income from various agency services amounted to RMB3,874 million.

COMPOSITION OF NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2011	Six months ended 30 June 2010	Increase/ (decrease)	Growth rate (%)
Settlement, clearing business and cash management	13,582	9,546	4,036	42.3
Investment banking business	13,155	8,666	4,489	51.8
Personal wealth management and private banking services	10,552	7,166	3,386	47.3
Bank card business	8,058	6,186	1,872	30.3
Corporate wealth management services	4,394	3,436	958	27.9
Asset custody business	3,007	1,499	1,508	100.6
Guarantee and commitment business	2,925	1,518	1,407	92.7
Trust and agency services	746	524	222	42.4
Others	425	514	(89)	(17.3)
Fee and commission income	**56,844**	**39,055**	**17,789**	**45.5**
Less: Fee and commission expense	**3,053**	**2,166**	**887**	**41.0**
Net fee and commission income	**53,791**	**36,889**	**16,902**	**45.8**

Income from settlement, clearing business and cash management business was RMB13,582 million, representing an increase of RMB4,036 million or 42.3% as compared to the same period of last year, mainly because the Bank sustained relatively rapid growth in income from RMB settlement, international settlement, agency treasury operation and trade finance.

Income from investment banking business increased by RMB4,489 million or 51.8% over the same period of last year to RMB13,155 million, mainly because the Bank achieved rapid increase in income from innovative businesses such as M&A and reorganization, PE lead manager while seeing continuous growth in income from investment and financing advisory service, enterprise information service and regular financial advisory service.

Income from personal wealth management and private banking business was RMB10,552 million, representing an increase of RMB3,386 million or 47.3% over the same period of last year. This was mainly due to the rapid growth in income from personal loans, personal banking wealth management products, personal precious metal business and private banking.

Income from bank card business increased by RMB1,872 million or 30.3% over the same period of last year to RMB8,058 million, mainly due to the growth in bank card issuance and consumption which raised fee income such as settlement charges on bank cards and consumption rebate income.

Income from corporate wealth management services amounted to RMB4,394 million, representing an increase of RMB958 million or 27.9% over the same period of last year. The increase was mainly due to the growth in agency precious metal trade services and banking wealth management services.

Income from asset custody business amounted to RMB3,007 million, representing an increase of RMB1,508 million or 100.6% over the same period of last year, mainly attributable to the large increase in the scale of agency asset custody services.

Income from guarantee and commitment business amounted to RMB2,925 million, representing an increase of RMB1,407 million or 92.7% over the same period of last year, mainly due to the fast growth in the income from loan commitment.

Income from trust and agency services amounted to RMB746 million, representing an increase of RMB222 million or 42.4% over the same period of last year, mainly driven by the development of entrusted loan business.

OTHER NON-INTEREST RELATED GAIN

In RMB millions, except for percentages

Item	Six months ended 30 June 2011	Six months ended 30 June 2010	Increase/ (decrease)	Growth rate (%)
Net trading expense	(21)	(322)	301	(93.5)
Net loss on financial assets and liabilities designated at fair value through profit or loss	(224)	(124)	(100)	80.6
Net gain on financial investments	309	89	220	247.2
Other operating income, net	2,801	1,084	1,717	158.4
Total	**2,865**	**727**	**2,138**	**294.1**

Other non-interest income was RMB2,865 million, an increase of RMB2,138 million or 294.1% over the same period of last year. Other net operating income amounted to RMB2,801 million, representing an increase of RMB1,717 million or 158.4% over the same period of last year, mainly due to the increase of RMB730 million in net gain from foreign exchange and foreign exchange products and the increase of RMB512 million in leasing income compared to the same period of last year.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	Six months ended 30 June 2011	Six months ended 30 June 2010	Increase/ (decrease)	Growth rate (%)
Staff costs	36,969	30,784	6,185	20.1
Premises and equipment expenses	9,959	8,896	1,063	11.9
Business tax and surcharges	13,574	10,350	3,224	31.1
Amortization	687	652	35	5.4
Others	12,066	11,187	879	7.9
Total	**73,255**	**61,869**	**11,386**	**18.4**

Operating expenses were RMB73,255 million, representing an increase of RMB11,386 million or 18.4% over the same period of last year. Staff costs amounted to RMB36,969 million, representing an increase of RMB6,185 million or 20.1%. Business tax and surcharges increased by RMB3,224 million or 31.1% to RMB13,574 million, mainly motivated by the growth in taxable interest income and fee and commission income. Cost to income ratio was 25.82%, representing a decrease of 2.65 percentage points from the same period of last year and maintaining at a relatively low level.

Impairment Losses

Impairment losses increased by RMB7,188 million or 74.2% over the same period of last year to RMB16,881 million, of which, impairment loss on loans increased by RMB7,051 million or 72.4% to RMB16,794 million. The Bank strengthened the control over loan risks, thereby the loan quality was improved gradually. The net reversal of individually assessed impairment losses increased by RMB1,608 million over the same period of last year to RMB2,647 million. In the meantime, the Bank adhered to sound and prudent provisioning policy to strengthen the ability of risk compensation, and collectively assessed impairment losses increased by RMB8,659 million. Please refer to "Note 20. to the Financial Statements: Loans and advances to customers" and "Note 10. to the Financial Statements: Impairment losses on assets other than loans and advances to customers" for details.

Income Tax Expense

Income tax expense increased by RMB7,119 million or 27.8% over the same period of last year to RMB32,770 million, and the effective income tax rate was 23.0%. Please refer to "Note 11. to the Financial Statements: Income tax expense" for the reconciliation of the income tax expense at the statutory income tax rate and the income tax expense at the effective rate.

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 OF OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

	Six months ended 30 June 2011		Six months ended 30 June 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	118,017	51.0	93,933	51.9
Personal banking	80,878	35.0	56,745	31.4
Treasury operations	30,205	13.1	29,317	16.2
Others	2,060	0.9	933	0.5
Total operating income	**231,160**	**100.0**	**180,928**	**100.0**

Please refer to the section headed "Discussion and Analysis — Business Overview" for the details of the development of each of these operating segments.

SUMMARY OF GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

	Six months ended 30 June 2011		Six months ended 30 June 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	17,239	7.5	2,745	1.5
Yangtze River Delta	49,333	21.3	41,361	22.9
Pearl River Delta	32,200	13.9	26,941	14.9
Bohai Rim	46,457	20.1	39,474	21.8
Central China	30,708	13.3	25,300	14.0
Western China	34,793	15.0	28,451	15.7
Northeastern China	13,581	5.9	11,884	6.6
Overseas and others	6,849	3.0	4,772	2.6
Total operating income	**231,160**	**100.0**	**180,928**	**100.0**

Note: Please refer to "Note 42. to the Financial Statements: Segment information" for the Bank's classification of geographic regions.

Balance Sheet Analysis

In the first half of 2011, domestic and international macro-economic and financial situations were complicated and volatile, and domestic market experienced tightened liquidity, continuous market interest rate hike and increasingly fierce competition in the banking industry. The Bank strictly complied with the requirements of macro and regulatory policies and utilized multiple management measures in a comprehensive manner to ensure the stable operation and optimized structure of assets and liabilities. The Bank adhered to a prudent credit development strategy, reasonably controlled the aggregate loan volume, structure, orientation and the pace of lending, optimized the loan structure and steadily enhanced the quality of loans. The Bank timely adjusted its investment strategy and optimized its investment portfolio by closely monitoring the trends of the domestic and international financial markets. It actively adopted measures to optimize the liability structure. While maintaining steady growth in due to customers, the Bank actively expanded other liabilities, thereby ensuring a stable and sustainable growth of funding sources.

Assets Deployment

As at the end of June 2011, total assets amounted to RMB14,896,048 million, representing an increase of RMB1,437,426 million or 10.7% over the end of 2010, of which gross loans and advances to customers (collectively referred to as "loans") increased by RMB543,534 million or 8.0%, net investment in securities decreased by RMB2,671 million or 0.1%, cash and balances with central banks increased by RMB562,903 million or 24.7%. In terms of the asset structure, net loans accounted for 48.0% of total assets, representing a decrease of 1.2 percentage points from the end of 2010; net investment in securities accounted for 25.0%, representing a decrease of 2.7 percentage points; and cash and balances with central banks accounted for 19.1%, representing an increase of 2.1 percentage points.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	7,334,040	—	6,790,506	—
Less: Allowance for impairment losses on loans	181,453	—	167,134	—
Loans and advances to customers, net	7,152,587	48.0	6,623,372	49.2
Investment in securities, net	3,729,597	25.0	3,732,268	27.7
Cash and balances with central banks	2,845,902	19.1	2,282,999	17.0
Due from banks and other financial institutions, net	461,686	3.1	248,860	1.8
Reverse repurchase agreements	357,829	2.4	262,227	2.0
Others	348,447	2.4	308,896	2.3
Total assets	**14,896,048**	**100.0**	**13,458,622**	**100.0**

Loans

In the first half of 2011, by closely following macro-control policies and financial regulatory requirements and taking the needs from the operation of real economy as well as household consumption and financing into consideration, the Bank reasonably managed volume and pace of credit granting, actively adjusted credit structure, optimized credit resource allocation and promoted coordinated development of regional credits. The Bank continued to support key projects under construction and continuing projects which comply with the orientation of national industrial policies, actively bolstered the development of advanced manufacturing industry, modern service industry and strategic emerging industries, supported credit and trade finance needs of small enterprises, and strengthened credit support to the rational demand of household consumption, so the credit supply maintained steady and moderate and the adjustment of credit structure gradually showed its effects. As at the end of June 2011, loans amounted to RMB7,334,040 million, representing an increase of RMB543,534 million or 8.0% from the end of 2010, and the decrease in the loan increment was RMB82,224 million as compared to the same period of the previous year. In particular, RMB-denominated loans of domestic branches reached RMB6,622,780 million, representing an increase of RMB410,867 million or 6.6%, and the growth rate fell by 3.3 percentage points as compared to the same period of the previous year and was 2.2 percentage points lower than that of all domestic financial institutions.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans of domestic branches	**6,879,243**	**93.8**	**6,450,670**	**95.0**
Corporate loans	4,963,135	67.7	4,700,343	69.2
Discounted bills	105,331	1.4	117,135	1.7
Personal loans	1,810,777	24.7	1,633,192	24.1
Overseas and others	**454,797**	**6.2**	**339,836**	**5.0**
Total	**7,334,040**	**100.0**	**6,790,506**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	1,511,409	30.5	1,350,106	28.7
Medium to long-term corporate loans	3,451,726	69.5	3,350,237	71.3
Total	**4,963,135**	**100.0**	**4,700,343**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY PRODUCT LINE

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Working capital loans	1,726,711	34.8	1,514,918	32.2
Of which: Trade finance	592,344	11.9	488,730	10.4
Project loans	2,702,425	54.4	2,659,093	56.6
Property loans	533,999	10.8	526,332	11.2
Total	**4,963,135**	**100.0**	**4,700,343**	**100.0**

Corporate loans increased by RMB262,792 million or 5.6%. In terms of the structure of maturity, short-term corporate loans increased by RMB161,303 million or 11.9%, while its percentage increased by 1.8 percentage points to 30.5%, and medium to long-term corporate loans added by RMB101,489 million or 3.0%. In terms of the product line, working capital loans grew by RMB211,793 million or 14.0%, of which trade finance increased by RMB103,614 million or 21.2%, mainly due to the continuous strengthening of the support to credit demand of enterprises in production and circulation areas. Project loans increased by RMB43,332 million or 1.6%, and the increment decreased by RMB162,582 million as compared to the same period of last year, mainly invested in national key projects under construction and continuing projects. Property loans increased by RMB7,667 million or 1.5%, and the increment decreased by RMB87,141 million as compared to the same period of last year.

Discounted bills decreased by RMB11,804 million, mainly because the Bank proactively adjusted the business volume of discounted bills in accordance with the credit supply of the Bank, to achieve balanced credit supply and earnings target.

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Personal housing loans	1,133,346	62.6	1,090,095	66.7
Personal consumption loans	322,653	17.8	267,565	16.4
Personal business loans	224,873	12.4	183,971	11.3
Credit card overdrafts	129,905	7.2	91,561	5.6
Total	**1,810,777**	**100.0**	**1,633,192**	**100.0**

Personal loans increased by RMB177,585 million or 10.9%, accounting for 24.7% of loans, up 0.6 percentage point from the end of 2010, mainly because the Bank implemented the differentiated housing credit policy and supported the growth of personal consumption loans and personal business loans in response to national macro-economic policy. Personal housing loans added by RMB43,251 million or 4.0%, accounting for 62.6% of personal loans and representing a decrease of 4.1 percentage points from the end of 2010; personal consumption loans grew by RMB55,088 million or 20.6%, mainly because the Bank made more efforts to innovate personal consumption loan products and actively supported reasonable consumption demands of individuals; personal business loans increased by RMB40,902 million or 22.2%, mainly because the Bank strengthened marketing efforts and services and actively promoted rapid development of related businesses; credit card overdrafts increased by RMB38,344 million or 41.9%, mainly due to vigorous development of credit card installment business as well as rapid growth in credit card issuance volume and consumption amount.

DISTRIBUTION OF LOANS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 30 June 2011 Amount	At 30 June 2011 Percentage (%)	At 31 December 2010 Amount	At 31 December 2010 Percentage (%)
Impaired or overdue	78,049	1.1	81,015	1.2
Less than 1 year	2,775,035	37.8	2,335,124	34.4
1 to 5 years	1,884,968	25.7	1,923,254	28.3
Over 5 years	2,595,988	35.4	2,451,113	36.1
Total	**7,334,040**	**100.0**	**6,790,506**	**100.0**

Note: Overdue loans refer to the loans of which principal or interest has become overdue. For loans repaid on an installment basis, only the amount which is not repaid upon maturity date is deemed overdue. Please refer to "Note 43.(a) to the Financial Statements: Credit risk" for the definition of impaired loans.

Remaining maturity structure of loans was further improved. The loans with a remaining maturity of more than 1 year amounted to RMB4,480,956 million, accounting for 61.1% of the loans which represents a decrease of 3.3 percentage points; loans with a remaining maturity of less than 1 year amounted to RMB2,775,035 million, accounting for 37.8% of the loans which represents an increase of 3.4 percentage points and mainly comprising corporate working capital loans; and the impaired or overdue loans amounted to RMB78,049 million and accounting for 1.1% of the loans which represents a decrease of 0.1 percentage point.

Please refer to "Discussion and Analysis — Risk Management" for further analysis of loans and loan quality of the Bank.

Investment

In the first half of 2011, domestic and international macro-economic and financial environments were complicated and volatile. The Bank accurately grasped policies and seized favorable market opportunities, arranged for reasonable investment schedule, optimized the investment structure and continuously raised the return on portfolios on the basis of ensuring liquidity needs and controllable risks in accordance with the trends in financial markets. As at the end of June 2011, net investment in securities amounted to RMB3,729,597 million, representing a decrease of RMB2,671 million or 0.1% as compared to the end of the previous year.

INVESTMENT

In RMB millions, except for percentages

Item	At 30 June 2011 Amount	At 30 June 2011 Percentage (%)	At 31 December 2010 Amount	At 31 December 2010 Percentage (%)
Investment in securities not related to restructuring	3,255,163	87.3	3,322,915	89.0
Investment in securities related to restructuring	397,996	10.7	402,321	10.8
Other debt instruments	71,645	1.9	1,850	0.1
Equity instruments	4,793	0.1	5,182	0.1
Total	**3,729,597**	**100.0**	**3,732,268**	**100.0**

Investment in securities not related to restructuring amounted to RMB3,255,163 million, representing a decrease of RMB67,752 million or 2.0% from the end of 2010. In terms of distribution by issuers, investment in government bonds increased by RMB48,422 million or 6.6%; investment in central bank bonds decreased by RMB425,982 million or 36.0%; investment in policy bank bonds increased by RMB230,123 million or 23.5%; and investment in other bonds increased by RMB79,685 million or 18.5%, mainly because during the reporting period, PBOC bills held by the Bank matured, and the Bank properly strengthened the investment in treasury bonds, policy bank bonds and quality debenture bonds. In terms of distribution by remaining maturity, bonds not related to restructuring with a term of less than 1 year decreased by RMB390,967 million or 36.5%, and their percentage fell by 11.4 percentage points; bonds not related to restructuring with a term of 1 to 5 years increased by RMB235,271 million or 16.2%, and their percentage increased by 8.1 percentage points, mainly because the Bank seized investment opportunities arising from the changes in bond yield curve to actively adjust its investment strategy, properly invest in medium-term bonds, stabilize yields of portfolios and control the duration of portfolios so as to prevent interest rate risk. In terms of distribution by currency, RMB bonds decreased by RMB58,332 million or 1.8%; the RMB equivalent of investment in USD bonds decreased by RMB7,223 million or 10.6%; and the RMB equivalent of investment in other foreign currency bonds decreased by RMB2,197 million or 8.2%, mainly because the Bank reduced the holding of some low-yield and risky foreign currency bonds at an opportune time.

Investment in securities related to restructuring was RMB397,996 million, representing a decrease of RMB4,325 million from the end of 2010, because non-transferable special PBOC bills with par value of RMB4,325 million was matured and repaid in June 2011. For details of investment in securities related to restructuring, please refer to "Note 21.(a) to the Financial Statements: Receivables".

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY ISSUER

In RMB millions, except for percentages

Item	At 30 June 2011 Amount	At 30 June 2011 Percentage (%)	At 31 December 2010 Amount	At 31 December 2010 Percentage (%)
Government bonds	776,821	23.9	728,399	21.9
Central bank bonds	758,735	23.3	1,184,717	35.7
Policy bank bonds	1,208,026	37.1	977,903	29.4
Other bonds	511,581	15.7	431,896	13.0
Total	**3,255,163**	**100.0**	**3,322,915**	**100.0**

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY REMAINING MATURITY

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Remaining maturity	Amount	Percentage (%)	Amount	Percentage (%)
Undated[(1)]	2,694	0.1	6,884	0.2
Less than 3 months	170,708	5.2	351,405	10.6
3 to 12 months	509,069	15.6	719,339	21.6
1 to 5 years	1,688,608	51.9	1,453,337	43.8
Over 5 years	884,084	27.2	791,950	23.8
Total	**3,255,163**	**100.0**	**3,322,915**	**100.0**

Note: (1) Represents impaired bonds.

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY CURRENCY

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
RMB	3,169,681	97.3	3,228,013	97.1
USD	61,029	1.9	68,252	2.1
Other foreign currencies	24,453	0.8	26,650	0.8
Total	**3,255,163**	**100.0**	**3,322,915**	**100.0**

DISTRIBUTION OF INVESTMENT IN SECURITIES BY HOLDING PURPOSE

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	131,496	3.5	12,986	0.4
Available-for-sale financial assets	829,832	22.2	904,795	24.2
Held-to-maturity investments	2,274,928	61.1	2,312,781	62.0
Receivables	493,341	13.2	501,706	13.4
Total	**3,729,597**	**100.0**	**3,732,268**	**100.0**

As at the end of June 2011, the Group held RMB1,324,145 million of financial bonds[1], including RMB1,208,026 million of policy bank bonds and RMB116,119 million of bonds issued by commercial banks and non-bank financial institutions, accounting for 91.2% and 8.8% of financial bonds, respectively.

1 Financial bonds refer to the debt securities issued by financial institutions in the bond market, including bonds issued by policy banks, commercial banks and non-banking financial institutions but excluding bonds related to restructuring and PBOC bills.

TOP 10 FINANCIAL BONDS HELD BY THE GROUP

In RMB millions, except for percentages

Debt securities	Nominal value	Annual interest rate	Maturity date	Impairment loss
Policy bank bonds 2006	20,000	3.15%	27 November 2011	–
Policy bank bonds 2006	20,000	3.26%	7 December 2013	–
Policy bank bonds 2010	17,310	3.60%	3 February 2015	–
Policy bank bonds 2008	16,650	4.83%	4 March 2015	–
Policy bank bonds 2009	13,700	2.95%	18 November 2012	–
Policy bank bonds 2007	11,200	5.07%	29 November 2017	–
Policy bank bonds 2010	11,050	3.51%	27 July 2020	–
Policy bank bonds 2008	10,940	4.95%	11 March 2018	–
Policy bank bonds 2007	10,740	4.94%	20 December 2014	–
Policy bank bonds 2010	10,450	Benchmark interest rate + 0.59%	25 February 2020	–

Note: The benchmark interest rate refers to the interest rate published by PBOC for one-year lump-sum time deposits applicable on the day of the bond issuance and the value date of each of the remaining interest bearing years.

Due from Banks and Other Financial Institutions, Net

The net balance of due from banks and other financial institutions was RMB461,686 million, representing an increase of RMB212,826 million or 85.5% from the end of 2010, mainly because the Bank strengthened fund operation in light of changes in market liquidity so that due from banks and other financial institutions increased by a large margin.

Liabilities

As at the end of June 2011, total liabilities amounted to RMB14,036,433 million, representing an increase of RMB1,399,468 million or 11.1% from the end of the previous year.

LIABILITIES

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	12,047,138	85.8	11,145,557	88.2
Due to banks and other financial institutions	1,284,008	9.2	1,048,002	8.3
Debt securities issued	145,248	1.0	102,264	0.8
Repurchase agreements	61,901	0.4	84,888	0.7
Others	498,138	3.6	256,254	2.0
Total liabilities	**14,036,433**	**100.0**	**12,636,965**	**100.0**

Due to Customers

Customer deposits are the Bank's main source of fund. In the first half of 2011, the State implemented proactive fiscal policy and sound monetary policy, the household income grew continuously and the market competition for deposits was fierce. The Bank leveraged on its comprehensive competitive advantages to boost the steady growth of deposits, thus maintaining the top position in terms of both balance and increment of deposits. As at the end of June 2011, the balance of due to customers was RMB12,047,138 million, representing an increase of RMB901,581 million or 8.1% from the end of 2010, of which, corporate deposits increased by RMB429,298 million or 7.8%; personal deposits increased by RMB435,398 million or 8.3%. In terms of the maturity structure, the balance of demand deposits grew by RMB442,855 million or 7.6%, and the balance of time deposits increased by RMB421,841 million or 8.6%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Deposits of domestic operations	**11,776,047**	**97.7**	**10,907,842**	**97.9**
Corporate deposits	5,900,607	49.0	5,471,309	49.1
Time deposits	2,112,556	17.5	1,925,605	17.3
Demand deposits	3,788,051	31.5	3,545,704	31.8
Personal deposits	5,679,055	47.1	5,243,657	47.0
Time deposits	3,225,835	26.8	2,990,945	26.8
Demand deposits	2,453,220	20.3	2,252,712	20.2
Others(1)	196,385	1.6	192,876	1.8
Overseas and others	**271,091**	**2.3**	**237,715**	**2.1**
Total	**12,047,138**	**100.0**	**11,145,557**	**100.0**

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

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	148,510	1.2	135,352	1.2
Yangtze River Delta	2,576,091	21.4	2,373,874	21.3
Pearl River Delta	1,577,015	13.1	1,471,751	13.2
Bohai Rim	3,085,332	25.6	2,877,659	25.8
Central China	1,709,860	14.2	1,559,480	14.0
Western China	1,892,728	15.7	1,757,818	15.8
Northeastern China	786,511	6.5	731,908	6.6
Overseas and others	271,091	2.3	237,715	2.1
Total	**12,047,138**	**100.0**	**11,145,557**	**100.0**

DISTRIBUTION OF DUE TO CUSTOMERS BY REMAINING MATURITY

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Remaining maturity	Amount	Percentage (%)	Amount	Percentage (%)
Demand[(1)]	6,601,599	54.8	6,134,482	55.1
Less than 3 months	1,755,149	14.6	1,697,494	15.2
3 to 12 months	3,013,502	25.0	2,527,394	22.7
1 to 5 years	667,251	5.5	772,418	6.9
Over 5 years	9,637	0.1	13,769	0.1
Total	**12,047,138**	**100.0**	**11,145,557**	**100.0**

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

In terms of the currency structure, the balance of RMB deposits amounted to RMB11,669,079 million, accounting for 96.9% of the total balance of due to customers, representing an increase of RMB877,594 million or 8.1% from the end of 2010. The balance of foreign currency deposits was equivalent to RMB378,059 million, representing an increase of RMB23,987 million or 6.8%.

Due to Banks and Other Financial Institutions

The balance of due to banks and other financial institutions was RMB1,284,008 million, representing an increase of RMB236,006 million or 22.5% from the end of the previous year. In the first half of 2011, domestic monetary market witnessed tightened liquidity. The Bank actively adopted measures and effectively supported the development of assets operations by attracting short-term deposits from banks at the same time of controlling interest payment cost.

Shareholders' Equity

At the end of June 2011, shareholders' equity totaled RMB859,615 million, representing an increase of RMB37,958 million or 4.6% from the end of 2010, of which equity attributable to equity holders of the parent company increased by RMB37,961 million or 4.6% to RMB858,391 million. Please refer to "Unaudited Interim Condensed Consolidated Financial Statements: Consolidated Statement of Changes in Equity".

SHAREHOLDERS' EQUITY

In RMB millions

Item	At 30 June 2011	At 31 December 2010
Share capital	349,020	349,019
Equity component of convertible bonds	2,985	2,985
Reserves	260,216	267,269
Retained profits	246,170	201,157
Equity attributable to equity holders of the parent company	**858,391**	**820,430**
Non-controlling interests	**1,224**	**1,227**
Total shareholders' equity	**859,615**	**821,657**

For details of off-balance-sheet items, please refer to "Note 37. to the Financial Statements: Commitments and contingent liabilities".

Other Financial Information To Be Disclosed According To Regulatory Requirements

Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and those under IFRSs

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 2011 and equity attributable to equity holders of the parent company as at 30 June 2011 have no differences.

MAJOR REGULATORY INDICATORS

Item		Regulatory criteria	30 June 2011	31 December 2010	31 December 2009
Liquidity ratio (%)	RMB	>=25.0	30.3	31.8	30.7
	Foreign currency	>=25.0	50.7	53.4	61.1
Loan-to-deposit ratio (%)	RMB and foreign currency	<=75.0	61.2	62.0	59.5
Percentage of loans to single largest customer (%)		<=10.0	3.4	3.5	2.8
Percentage of loans to top 10 customers (%)			20.6	22.8	20.9
Loan migration rate (%)	Pass		1.0	2.6	3.5
	Special mention		3.8	4.8	9.9
	Substandard		23.3	43.4	31.3
	Doubtful		2.4	10.9	18.1

Note: The regulatory ratios in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the corresponding period. The comparative figures have not been restated.

BUSINESS OVERVIEW

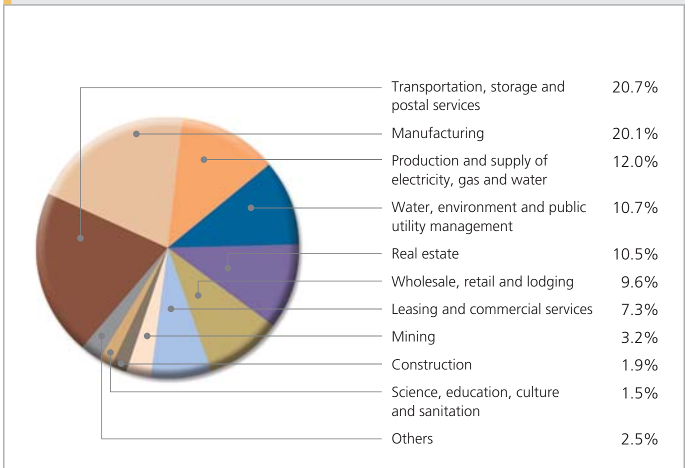
Corporate Banking

In the first half of 2011, the Bank seized opportunities in macro-economic changes to advance transformation of corporate banking and optimize business structure. The multi-tiered customer marketing system was reformed to establish a differential customer service system, improve the marketing and service quality for key customers, and boost the expansion of small and medium enterprise (SME) customers. The Bank stepped up business innovation and marketing for all products with a view to facilitating the interacted business development of commercial banks and investment banks and satisfy the comprehensive financial services needs of customers. It enhanced the team of customer managers and intensified business training, aiming to raise the service level and risk prevention capability of customer managers. The Bank actively expanded its overseas market. Relying on the global service network and the integrated technological platform of domestic and overseas operations, it accelerated the development of global cash management and cross-border RMB business, and enhanced its global service capability. At the end of June 2011, the Bank had 4.36 million corporate customers, representing an increase of 240 thousands customers over the end of the previous year; 116 thousands corporate customers had loan balances with the Bank, representing an increase of 14 thousands customers. According to statistics from PBOC, at the end of June 2011, the Bank ranked first in the banking industry in terms of corporate loans and corporate deposits, with a market share of 12.1% and 12.9%, respectively.

Corporate Deposits and Loans

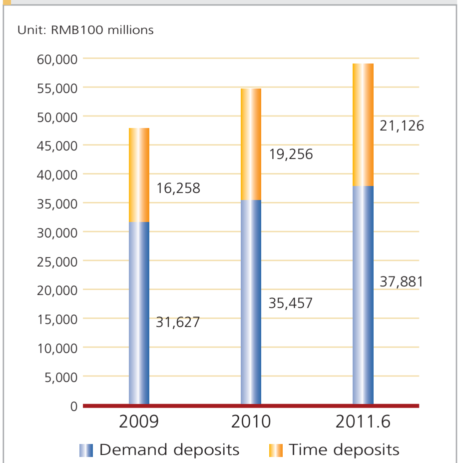
The Bank controlled the total volume and pace of lending and further adjusted the credit structure. The Bank maintained the growth of infrastructure loans at a reasonable pace, threw greater support to strategic emerging industries, modern services and advanced manufacturing industries, and strictly controlled the volume of property loans. By accelerating product innovation and promoting financing for supply chain of enterprises, the Bank achieved a rapid growth in trade finance and small enterprise loans. The credit customer expansion project was launched, and a balanced growth of various customers was realized. The Bank's syndicated loan business was granted the "Best Performance Award" and "Best Transaction Award" by China Banking Association. At the end of June 2011, the balance of domestic corporate loans reached RMB4,963,135 million, representing an increase of RMB262,792 million or 5.6% over the end of the previous year.

Balance of Corporate Loans



Note: Domestic operations data

Growth of Corporate Deposits



Note: Domestic operations data

The Bank strengthened marketing efforts aimed at industry chain customer groups and customer groups in urban circles to absorb and accumulate customers' funds. The advantages of the integrated financial services including corporate wealth management, cash management, E-banking and credit asset custody were unleashed to enhance the Bank's competitiveness in corporate deposits market. At the end of June 2011, the balance of domestic corporate deposits amounted to RMB5,900,607 million, representing an increase of RMB429,298 million or 7.8% over the end of the previous year.

Small and Medium Enterprise Business

The Bank stepped up product innovation and launched special financing products such as small enterprise revolving loans, online revolving loans, standard plant mortgage loans and equipment mortgage loans to satisfy the financing needs of small enterprises of different industries in different development phases. The online revolving loan was titled as "Feature Financial Service Product for Small Enterprises by National Banking Institutions" by CBRC. The Bank launched SME equipment leasing business and provided lease factoring services for leasing enterprises. Over 1,200 specialized small enterprise institutions contributed to the team building for specialized small enterprise credit and enhanced the professional operation and management level. At the end of June 2011, 75,982 small enterprise customers had loan balances with the Bank, representing an increase of 12,901 customers over the end of the previous year.

Institutional Banking

The Bank launched joint marketing efforts with many securities firms, introducing new products such as reservation for the opening of third party depository accounts, and secured its leading status among peers in terms of the number of customers and the volume of funds of third party depository service. The Bank promoted interbank platform business and extended the scope of interbank cooperation with peers. The domestic correspondent bank network was also extended to cover seven more banks. The Bank also furthered cooperation with insurance companies in business fields such as asset custody, cash management and bank cards. It promoted centralized bank-futures transfer service and its scale of futures deposits ranked first in the market. The Bank also strengthened the partnerships with its government agency customers, and provided them with integrated financial service programs to enhance its service level.

Settlement and Cash Management

The Bank pushed forward the "E Express for Industrial and Commercial Capital Verification" program to seize opportunities arising from customer development. Supply chain marketing was carried out to expand upstream and downstream customers of core enterprises. Settlement point marketing was promoted and product functions such as the Caizhi Account cards, corporate self-service machines and equipment and Collection Manager were optimized to increase the volume of settlement transactions. In the first half of 2011, the Bank recorded the volume of corporate RMB settlement of RMB835 trillion. The Bank deepened cooperation with large enterprise groups on cash management business to consolidate its status in the high-end cash management market. It put more efforts in building the overseas service network, improved the integrated global service mode, and optimized system functions as well as its product systems such as global accounts management, liquidity management, risk mitigation and value added services, hence enhancing its global cash management service capability. The Bank has been awarded the "Best Cash Management Bank in China" by the magazines *The Asset* and *FinanceAsia* for five consecutive years, and won *The Asian Banker* award for "Best Domestic Cash Management Bank in China". At the end of June 2011, the Bank had 602 thousands cash management customers, representing an increase of 18.5% over the end of the previous year.

Investment Banking

The Bank was engaged in PE lead manager services to broaden the scope of cooperation with PE and expand the channel of enterprises' equity financing. Domestic and overseas institutions cooperated more closely to provide financial services for overseas M&A and direct investment of Chinese-funded enterprises. The online Financial Advisor Section was launched to enhance the level of investment banking research product and promote the development of investment and financing consultancy and regular financial advisory. By actively developing the bond underwriting business, the Bank led the underwriting of RMB133.6 billion debt financing instruments issued by non-financial enterprises in the first half of 2011, ranking first in the domestic market. Owing to the increasing brand influence of the investment banking, the Bank has been awarded the "Best Bank in Investment Banking" by the *Securities Times* for three consecutive years. In the first half of 2011, income from investment banking amounted to RMB13,155 million, representing an increase of 51.8% over the same period of last year.

International Settlement and Trade Finance

The Bank enriched foreign exchange payment financing, foreign exchange trading and settlement and deposit products portfolio, and allocated local and foreign currency resources across the world, to improve the standard of import trade finance services. The Bank launched new products such as export financing jointly offered by both domestic and overseas branches and invoice discounting within foreign exchange limit, and optimized processing mode for export credit insurance financing, enhancing the capability for servicing export enterprises, especially small and medium enterprises. The Bank extended its cross-border RMB clearing network and established a settlement-based cross-border RMB product system covering international settlement, trade finance, wealth management and fund derivatives. In the first half of 2011, domestic branches disbursed an aggregate of RMB657.5 billion in trade finance, representing an increase of 58.1% over the same period of last year, of which international trade finance increased by 85.5% to USD38.4 billion. Domestic branches handled international settlement of USD506.5 billion in aggregate, representing an increase of 44.1%.

Asset Management

- *Asset Custody Services*

The Bank intensified marketing for key insurance companies, and the insurance asset under its custody increased rapidly, leading its peers in terms of market share. The Bank stepped up efforts in services such as third party payment asset custody, resulting in sharp increase in the scale of "Anxin Account" funds under custody. Global custody services developed steadily, the number of QFII customers continued to rank the first among Chinese banks, and the scale of QDII's assets under custody continued to lead the banking industry. Due to capital market volatility, the net value of securities investment funds under the Bank's custody decreased slightly, but the total number of funds under the Bank's custody sustained stable growth and continued to maintain a leading position in the market. The Bank was awarded the best custodian bank in China for two consecutive years by many popular financial media, including *Global Custodian, Global Finance* and *The Asset*, further adding to its brand influence. At the end of June 2011, the total net value of assets under the Bank's custody reached RMB3,259.8 billion, representing an increase of 13.4% over the end of last year.

- *Pension Services*

The Bank made more detailed market segmentation, and provided differentiated marketing and services for different types of customer groups. Tailor-made service programs were prepared to enhance the level of services for large customers, and enterprise annuity products such as "Ruyi Pension Management" were promoted to tap into the SME annuity market. At the end of June 2011, the Bank provided pension management services for 26,444 enterprises, representing an increase of 3,654 enterprises over the end of last year; enterprise annuity funds under the Bank's trusteeship amounted to RMB28.6 billion; 8.65 million individual enterprise annuity accounts were managed by the Bank; the enterprise annuity funds under the Bank's custody stood at RMB144.5 billion, all leading the market.

◆ *Precious Metal Business*

During the Spring Festival, the Bank launched several physical precious metal products such as "Ruyi" gold ingot and "Dragon & Phoenix" silver ingot. Gold Accumulation Products service was available on Internet banking to offer more processing channels. By improving the system functions, the Bank raised the processing efficiency for transactions in relation to Paper Precious Metals and Agency Service of Physical and Deferred Precious Metals in Shanghai Gold Exchange. The Bank set special services areas in outlets for precious metal customers, enhancing the influence of "ICBC Gold Elite" brand. In the first half of 2011, the volume of precious metal transactions reached 85.5 thousands tons, representing a 54-fold increase over the same period of last year, of which Paper Precious Metal transactions increased 122 times to reach 46.9 thousands tons. The Bank cleared RMB101.5 billion worth of transactions in relation to Agency Service of Precious Metals in Shanghai Gold Exchange, maintaining the leading position in the industry.

◆ *Corporate Wealth Management*

The Bank enhanced its investment management capability and risk management level in respect of its wealth management products, and intensified innovation in wealth management products, thereby further consolidating its leading position in the banking industry. The Bank introduced "Win-Win" series of fixed income wealth management products to satisfy customers' wealth management demands for different periods. New wealth management products such as "Weekly Dividend" were developed to enrich the wealth management product line, and "ICBC Wealth Management" brand was promoted to build up an excellent and sound brand image. In the first half of 2011, sales of the Bank's corporate banking wealth management products reached RMB1,095.9 billion in aggregate.

Personal Banking

In the first half of 2011, the Bank continued to accelerate the transformation of personal banking operation system and promoted the implementation of the "strong personal banking" strategy. Aiming to expand to new markets and attracting new customers, the Bank strengthened coordinated marketing between public and private departments and accelerated the building of a batch personal customer development mechanism, to spread products among target customer base. The Bank pushed forward the building of ICBC Business Friendship Club and Celebrity Wealth Management Club, established new marketing platforms, and had in place a bank-trader cooperation mechanism. The accelerated product innovation and promotion propelled the harmonious development of wealth management and savings services, and the rapid development of personal consumption loans and business loans helped to optimize the adjustment of personal credit structure. The Bank ranked top among peers in terms of savings deposits, personal loans, banking wealth management and credit card, bringing the honor of the "Best Retail Bank in China" by *The Asian Banker*. At the end of June 2011, the Bank had 269 million personal customers, including 7.13 million personal loan customers. According to the PBOC statistics, the Bank ranked first in the industry both in terms of the balance of savings deposits and personal loans at the end of June 2011, with a market share of 16.9% and 14.2%, respectively.

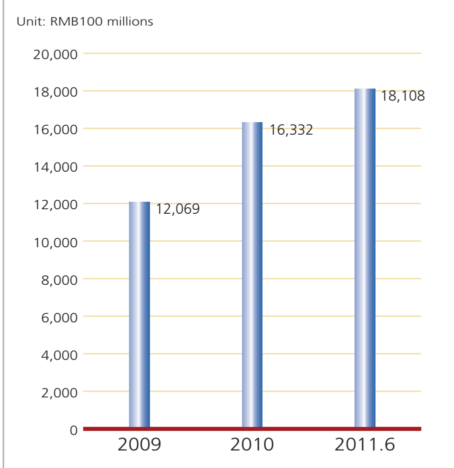
Savings Deposits

The Bank enhanced coordinated marketing with corporate banking and increased personal customers in batches through the development of payroll payment agency service. Focusing on commodity trading market, the Bank explored new customers and expanded the source of savings deposits. The Bank made use of its advantages in wealth management services and sped up product innovation to attract and secure customers based on quality wealth management products, making customer funds circulate orderly in the system of the Bank. At the end of June 2011, the balance of the Bank's domestic savings deposits amounted to RMB5,679,055 million, representing an increase of 8.3% over the end of the previous year, of which, demand savings deposits increased by 8.9%, and time savings deposits grew by 7.9%.

Personal Loans

The Bank adopted the differentiated housing credit policies and supported the development of personal consumption loans and personal business loans according to the national macro-economic policy. The Bank enriched personal loan services by launching new products such as the personal remote asset mortgage (pledge) loans, personal petty credit loans, personal construction machinery loans and agriculture-related petty loans. The Bank also optimized functions of personal operating loans, "Card-Based Loan Express" and "Deposit-Based Loan Express" etc., hence enhancing its influence in the personal credit product market. At the end of June 2011, the Bank's domestic personal loans amounted to RMB1,810,777 million, representing an increase of RMB177,585 million or 10.9% over the end of the previous year, of which, personal consumption loans increased by RMB55,088 million or 20.6%, and personal business loans increased by RMB40,902 million or 22.2%.

Growth of Personal Loans



Note: Domestic operations data

Personal Wealth Management

The Bank designed a scientific wealth management product structure, arranged reasonable pace for issuance, and developed customized products for different customers, regions and markets, thereby consolidating the Bank's leading edge in the wealth management market. It achieved rapid development in personal wealth management services by launching special festive wealth management products for the New Year's Day and the Spring Festival and for different type of customers and promoting the issuance of regional wealth management products. The Bank expanded the agency fund sales product line, and distributed RMB223.9 billion worth of open-ended funds, maintaining the leading edge in the banking industry. It also expanded the key county markets by making full use of the low-risk features of treasury bonds, and distributed RMB44.8 billion worth of treasury bonds, maintaining top position in the banking industry. In the first half of 2011, domestic sales volume of personal wealth management products amounted to RMB2,001.7 billion, representing an increase of 82.8% over the same period of last year, of which, banking wealth management products in a value of RMB1,686.4 billion were sold cumulatively, representing a growth of 107.2%.

The Bank improved the services for Elite Club Account customers by delivering various special investment and wealth management products and services. It provided one-to-one wealth consultancy services to wealth management customers, boosted the establishment of the Celebrity Wealth Management Club, and enriched the services for such customers. The Bank promoted the chip cards for Elite Club Accounts and raised the security and convenience of bank cards by launching ICBC Elite Club Account Cards — special media for wealth management customers. It also strengthened the management of professional qualifications held by its personal customers' management team, thereby creating a high quality service team. The number of employees with certificates of Associate Financial Planner (AFP) and Certified Financial Planner (CFP) was 14,247 and 2,799, respectively, sustaining the leading position in the banking industry. The number of Elite Club Account customers and wealth management customers as well as the volume of their financial assets maintained rapid growth.

Private Banking

The Bank had in place a financial service system with asset management as the core and consultancy as the focus, and established three business lines including wealth management, agency and consultancy services. The Bank developed asset management with full entrustment service, thereby enriching the exclusive product line for private banking customers, and provided customized programs for customers' asset management. It cooperated with quality financial service providers to develop securities agency products and trust agency payment services. Besides, it provided advisory and consultancy services for customers in PE investment funds and overseas IPO, and launched personalized products and services meeting customers' needs. The Bank was awarded the "Best Private Bank in China" by *Euromoney*. At the end of June 2011, the Bank had over 22 thousands private banking customers and managed RMB421.2 billion worth of assets.

Bank Card Business

The Bank boosted its market expansion measures, accelerated product innovation and service upgrading in terms of its bank card business, and consolidated its leading position in the banking industry. At the end of June 2011, the number of issued bank cards was 390 million, representing an increase of 34.25 million over the end of last year. In the first half of 2011, consumption volume of bank cards stood at RMB1,484.0 billion, representing an increase of 56.6% over the same period of last year. Income from bank card business grew by 30.3% to RMB8,058 million.

◆ *Credit Card Business*

The Bank promoted the application of chip credit cards in areas such as transportation and aviation, and expanded small-value quick mode payment market by accelerating the promotion of non-contact chip credit cards. It innovated personal consumer loan mode and promoted the concept of financing consumption. In April 2011, the Bank launched the first domestic credit card exclusively for installment payment — "Easy Loan Credit Card", and issued over 900 thousands cards cumulatively. Besides, the Bank promoted the installment payment service in industries such as automobile, household appliance and retail department store, and enriched the credit card consumption loan product system. It continued to expand the scale of merchants such as large department stores, hotels, restaurants and supermarkets, and improved the credit card acceptance network. The Bank enhanced its service capability and level by launching SMS customer service and accelerating the construction of the VIP customer service centers. The Bank was recognized as the "Trusted Brand-Credit Card Issuing Bank: Gold (China)" by *Reader's Digest* of the United States for two consecutive years, and was granted the "Platinum Card Excellence Award" by VISA. At the end of June 2011, the number of issued credit cards was 70.79 million, representing an increase of 7.13 million over the end of last year. The balance of domestic credit card overdrafts amounted to RMB129,905 million, representing an increase of RMB38,344 million or 41.9%. Credit card consumption amounted to RMB431.8 billion in the first half of 2011, representing an increase of 59.9% over the same period of last year. The Bank held a leading position among its peers in terms of number of cards issued, card consumption amount and balance of overdrafts.

◆ *Debit Card Business*

The Bank pushed forward the marketing of Baby Growth Card, ICBC Business Friendship Card, Yang Lan • Moneylink Card and Smile Angel Foundation Moneylink Card, and issued hundreds of regional co-brand cards, such as social security card, provident fund card, transport card, medical treatment card and school campus card. The Bank strengthened cooperation in fields of social security, public transport and hospital, and accelerated the promotion of PBOC 2.0 standard debit chip card. Services such as online application for debit cards and customization of transaction limit were available, and promotional activities for consumption with cards were carried out to increase the card consumption amount. At the end of June 2011, the number of issued debit cards reached 318 million, representing an increase of 27.12 million over the end of last year. Debit card consumption amounted to RMB1,052.2 billion in the first half of 2011, representing an increase of 55.3% as compared to the same period of last year.

Item	At 30 June 2011	At 31 December 2010	Growth rate (%)
Issued bank cards (unit: 10,000)	38,895	35,470	9.7
Debit cards	31,816	29,104	9.3
Credit cards	7,079	6,366	11.2
	January–June 2011	January–June 2010	Growth rate (%)
Consumption volume (In RMB100 million)	14,840	9,475	56.6
Average consumption volume per card[1] (In RMB yuan)	3,962	3,105	27.6

Note: (1) Average consumption volume per card = Consumption volume during the reporting period/Average monthly card issuance for the reporting period.

Treasury Operations

Money Market Activities

In the first half of 2011, PBOC raised the RMB deposit reserve ratio of financial institutions for six times, resulting in a sharp rise in interest rate in the money market. The Bank strengthened liquidity management and borrowed in time to stabilize fund position and ensure liquidity security. It also actively carried out fund-arbitrage trade to improve the efficiency of treasury operations and increase the income from financing. In the first half of 2011, RMB borrowing and lending of domestic branches totaled RMB7,192.8 billion, including lending of RMB4,715.9 billion.

In respect of foreign currencies, the Bank strengthened foreign exchange position management, shortened trading period, and safeguarded foreign exchange payment security when domestic foreign exchange liquidity continued to be strained. The Bank paid close attention to market trend and carefully selected counterparties to mitigate credit risk. In the first half of 2011, the foreign currency transaction volume in the money markets reached USD209.7 billion.

Trading Book Business

In the first half of 2011, RMB bond price decreased amid fluctuations. The Bank increased the short-term bond position limit and controlled debt portfolio duration. It conducted portfolio management for bond activities and interest rate derivatives to mitigate pressure in bond valuation and the risk of rising cost of funds. In addition, the Bank seized opportunities arising from the volatility of bond prices and increased trading gains by adopting flexible positions in the market and intraday arbitrage. In the first half of 2011, the transaction volume of RMB trading book bonds reached RMB415.5 billion, representing an increase of 23.2% over the same period of last year.

In respect of foreign currencies, the movement in the yield of US treasury bonds was volatile. The Bank reasonably arranged the duration of the portfolios, and strictly controlled trading risks. It carried out short-term trading of medium and short-term US treasury bonds in due time, with an aggregate trade volume amounting to USD4.0 billion.

Banking Book Investment

In the first half of 2011, RMB bond market yield curve showed an overall flat yet upward trend. The Bank focused on medium-term products investment based on the yield curve changes to increase the portfolio yield, and increased investment in debenture bonds such as corporate bonds against the rapid development of debenture bond market to optimize portfolio structure. It also actively released bonds upon maturity to satisfy the Bank's liquidity management needs.

In respect of foreign currencies, the increasingly volatile international financial markets contributed to a complicated foreign currency bonds investment situation. The Bank seized opportunity arising from the market and flexibly operated to enhance portfolio yield and dispose some higher-risk foreign currency bonds, continued to maintain a diversified currency investment strategy and enhanced portfolio security.

Franchise Treasury Business

In the first half of 2011, RMB exchange rate became more flexible. The Bank actively promoted foreign exchange settlement and sales and foreign exchange hedging derivatives to satisfy customer needs for mitigating exchange rate risk. The Bank paid close attention to the trend of foreign exchange prices, and steadily conducted and expanded foreign exchange trading. In the first half of 2011, the volume of agency foreign exchange settlement and sales and foreign exchange trading amounted to USD273.2 billion, representing an increase of 44.6% as compared to the same period of last year. The Bank steadily launched structured deposit business and intensified the promotion of standardized hedging exchange rate and interest rate risk management products. The Bank also pushed forward the development of its in-house derivative pricing system to constantly enhance its derivative pricing ability and service level. In the first half of 2011, the transaction volume of agency structured products reached USD49.0 billion.

Distribution Channels

Domestic Branch Network

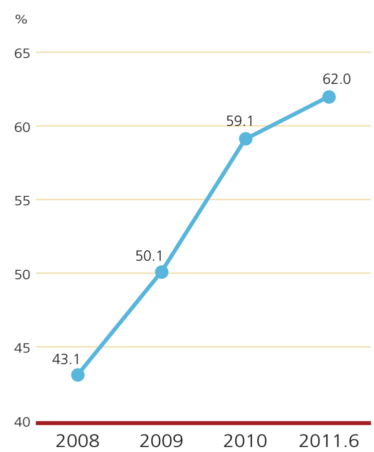
The Bank implemented the project on optimization of institutional network layout and stepped up the construction of new outlets and the adjustment of layout and functional structure of existing ones. Outlets were set up in new city areas, key county areas and economic developed towns with rich financial resources and huge development potential in a reasonable order, to further optimize the institutional network layout of the Bank. In the first half of 2011, 44 new outlets were established and commenced operation, and 137 outlets with low efficiency were reconstructed. These efforts helped to supplement and improve the service network in county areas, economic developed towns and economic development zones and propel local business development. Moreover, the Bank sped up the construction of self-service banking and the installment of self-service equipment to enhance the service level of self-service channels and the synergy of marketing services of various channels.

At the end of June 2011, the Bank had 16,267 domestic institutions, including the Head Office, 31 tier-1 branches, five branches directly controlled by the Head Office, 26 banking offices of tier-1 branches, 397 tier-2 branches, 3,060 tier-1 sub-branches, 12,709 front line business outlets, 34 institutions directly controlled by the Head Office and their branch offices, and four major controlling subsidiaries.

E-banking

The Bank intensified product innovation in new fields based on new technologies to meet new demands, and enhanced functions of the integrated E-banking platform combining trading, marketing and services. It carried out customer experience activities to solicit customers' opinions and to investigate customers' needs, in order to improve E-banking product functions and customer service level. Besides, the Bank raised the market influence of E-banking services by conducting a series of E-banking marketing activities. In the first half of 2011, the transaction volume of E-banking increased steadily. The proportion of the number of E-banking transactions increased to 62.0% of total number of transactions of the Bank, up 2.9 percentage points compared to the previous year.

Proportion of E-banking Business



Note: The proportion of E-banking business refers to the number of E-banking transactions against the total number of transactions of the Bank

◆ *Internet Banking*

The Bank launched the industry version of corporate Internet banking, added new features such as provident fund to corporate Internet banking, and optimized the functions of VIP room and electronic commercial bills of corporate Internet banking. Besides, personal Internet banking for iPad users was available to ensure the provision of more convenient and secure financial services to its customers. The Bank also provided all-round Internet ticketing service program for the Ministry of Railways, realizing online ticket sales and payment for tickets through Internet banking of the Bank. At the end of June 2011, the number of the Bank's corporate Internet banking customers reached 2.73 million, representing an increase of 14.2% over the end of last year. The number of the Bank's personal Internet banking customers exceeded 100 million and reached 107 million, representing an increase of 11.4%. The Bank was awarded the "Best Internet Banking in China" by *The Asian Banker*.

◆ *Telephone Banking*

The Bank standardized the telephone banking service process, and improved the solution and feedback mechanism for key problems expressed by customers through phone, to enhance the telephone banking service level. The Bank also promoted SMS customer service and online customer service, expanded service channels and enhanced the remote and intensified service capability.

◆ *Mobile Banking*

The Bank launched mobile banking for iPhone users, providing financial services such as account management, transfer, investment and wealth management, bill payment and outlet inquiry. Mobile banking customers who are iPhone users were provided with security media in the form of electronic password device or password card to ensure transaction security. At the end of June 2011, mobile banking (WAP) customers increased by 30.8% over the end of last year, and the transaction volume went up by 3.9 times over the same period of last year.

◆ *Self-service Banking*

Catering to the needs of business development, the Bank standardized the location selection, type and number of self-service banking and self-service equipment. It optimized transaction process and enriched business functions of self-service terminals, thus improved service level of self-service equipment. It also intensified the diversion of over-the-counter business in outlets to self-service banking to increase utilization efficiency of self-service equipment. At the end of June 2011, the Bank owned 11,867 self-service banking outlets, representing an increase of 453 outlets over the end of last year. The Bank owned 46,181 ATMs, representing an increase of 3,313. In the first half of 2011, the volume of ATM transactions amounted to RMB2,267.5 billion, representing an increase of 52.8% over the same period of last year.

Internationalized and Diversified Operation

The Bank seized the favorable opportunities in the international financial market to steadily implement its internationalized and diversified operation strategy. It accelerated the expansion of global operating network through balanced development between emerging and mature markets, establishment and strategic M&As. In the first half of 2011, Paris Branch, Brussels Branch, Amsterdam Branch, Milan Branch and Madrid Branch under ICBC (Europe) and Pakistan-based institutions successively commenced business; Mumbai Branch obtained official approval from overseas regulators; ICBC Peru, ICBC Brazil and ICBC Africa Representative Office were under approval by overseas regulators; the establishment proposals for Vientiane Branch and Phnom Penh Branch were approved by CBRC. Besides, the Bank entered into the agreement on the acquisition of the shares of The Bank of East Asia (U.S.A.)

National Association, and completed the voluntary delisting tender offer of ICBC (Thai). At the end of June 2011, the Bank had 220 overseas institutions in 29 countries and regions, and established correspondent bank relationship with 1,516 overseas banks in 134 countries and regions, further strengthening its global network covering Asia, Africa, Europe, America and Australia.

The Bank innovated distinctive development patterns for overseas institutions to improve localization operation level, and launched a comprehensive business processing system for overseas institutions (FOVA) in 27 overseas institutions. The Bank extended advantageous product lines such as retail business, bank card and E-banking in overseas institutions to support the "going global" strategy of Chinese-funded enterprises, and spared no efforts in developing cross-border RMB business by grasping the opportunities arising from RMB internationalization. The Bank also intensified integrated operation of RMB and foreign currencies and the coordination between domestic and overseas institutions, and enhanced its global financial service capability.

- Retail business: Overseas institutions of the Bank had 424 thousands personal customers, representing an increase of 31.8% over the same period of last year. The balances of personal deposits and personal loans amounted to USD12,147 million and USD5,044 million, representing an increase of 28.7% and 22.8%, respectively.

- Bank card: The Bank provided payment by installment services in Hong Kong and Macau for credit cards issued by domestic branches, established the telephone service center for overseas bank cards, and issued the first overseas UnionPay dual-currency credit card in Singapore. The total number of credit cards issued by overseas institutions reached 207 thousands cards.

- E-banking: As at the end of 30 June 2011, 17 overseas institutions launched Internet banking, and five offered telephone banking services. In the first half of 2011, E-banking Center (Guangzhou) was set up to offer integrated telephone banking services for overseas customers. The number of Internet banking personal customers and corporate customers of overseas institutions increased by 19.7% and 16.5% respectively over the end of last year.

- Clearing: Three cross-border clearing centers for USD, EURO and JPY were respectively established to enhance the Bank's clearing ability. The Bank promoted the centralized reform of financial markets business management of overseas institutions, improved fund operation efficiency and effectiveness, and enhanced risk control capability of its financial markets operations.

- Financing: The Bank supported the "going global" efforts of Chinese-funded enterprises by providing financing support to overseas M&A and investment projects of quality customers. The Bank backed the M&A project of Yantai Wanhua in Europe, registering breakthrough in syndicated loans for overseas M&A. Besides, the Bank promoted the resource-for-loan business mode.

- Global cash management: The Bank established the Asia Pacific Cash Management Center in Hong Kong, deepened cooperation with Standard Bank, and actively established the China-Africa Cash Management Framework. It also accelerated the network building with overseas partner banks to expand the coverage of services. The global cash management customers increased by 466 to 1,508.

- Investment banking: In the first half of 2011, overseas institutions generated an income of RMB392 million from investment banking business, representing an increase of 18.7% over the same period of last year. Core restructuring and M&A projects such as the acquisition of domestic power plants by GCL Group were completed, and progress was made in the M&A of Madagascar iron ore project by Hong Kong Wuhan Iron & Steel.

- Asset management: The Bank established the global asset management application platform, strengthened domestic and overseas business cooperation, and hence improved its design and investment capabilities for overseas asset management products. It launched a series of innovative products such as credit-linked bills, IPO-linked wealth management and index funds. Precious metals sold through overseas institutions reached 351 kilograms.

- Trade finance: Through joint product innovation by domestic and overseas institutions, the Bank has established a trade finance service system covering upstream and downstream industrial chains and trading chains of cross-border customers. In the first half of 2011, overseas institutions transacted international settlement worth USD208.8 billion, representing an increase of 69.1% over the same period of the previous year.

- Cross-border RMB business: The Bank has formed a full coverage, cross-border RMB product system relying on its domestic RMB business and FOVA advantages. In the first half of 2011, the volume of cross-border RMB transactions reached RMB406.0 billion, of which settlement business valued RMB280.4 billion and trade finance amounted to RMB120.6 billion.

As at the end of the reporting period, total assets of overseas institutions (including overseas branches, overseas subsidiaries and investments in Standard Bank) of the Bank were USD103,869 million, representing an increase of USD28,142 million or 37.2% over the end of the previous year; profit before tax was USD735 million, representing an increase of 43.0% over the same period of the previous year.

DISTRIBUTION OF ASSETS, PROFIT BEFORE TAX AND INSTITUTIONS BY OVERSEAS REGION

	Assets (in USD millions)		Profit before tax (in USD millions)		Numbers of institutions	
Item	30 June 2011	31 December 2010	January–June 2011	January–June 2010	30 June 2011	31 December 2010
Hong Kong and Macau	64,210	48,411	336	257	138	126
Asia-Pacific region (except Hong Kong and Macau)	20,027	13,568	123	39	61	56
Europe	15,363	6,216	54	26	12	12
America	10,266	6,592	21	9	9	9
Africa [(1)]	5,885	5,971	201	183	–	–
Eliminations	(11,882)	(5,031)				
Total	**103,869**	**75,727**	**735**	**514**	**220**	**203**

Note: (1) Refers to investments in Standard Bank. The assets represent the balance of the Bank's investment and the profit before tax represents the Bank's gain on investment recognized by the Bank during the reporting period.

Information Technology

Revolving around the overall objective of reform and development, the Bank comprehensively implemented the "technology-oriented" strategy to ensure stable and secure operation of its information systems. The Bank made great efforts to promote the construction of the fourth-generation application system (NOVA+) to create an application system that is more flexible, advanced, efficient and risk-resistant, with the purpose to continuously enhance the Bank's core competitiveness using advanced information technologies. In the first half of 2011, the Bank won "Best Data Center Initiative in China" by *The Asian Banker*.

Continuous innovations were made in application products. The Bank vigorously boosted the "1031" project and accelerated research and development and optimization of application products. The Bank improved the uniform assessment system for personal and legal-entity customers, providing technological support for targeted and refined marketing services. It designed and formulated the implementation plan for comprehensive business process optimization, and improved transaction processes in terms of customer experience, teller experience and service efficiency. The Bank also established a SMS customer service platform, integrated processing flow, enriched business types and improved service efficiency. It launched mobile banking for iPhone users and became the first domestic bank to launch Internet banking for iPad users, further broadening E-banking service channels. The performance evaluation management platform (MOVA) was initially in place, helping to further improve the Bank's integrated operation and management. FOVA was launched in ICBC (Canada) and Karachi Branch, making the total number of overseas institutions with FOVA reached 27. In the first half of 2011, the Bank created 198 new products, with the total products numbering 3,013. Twenty patents of the Bank were authorized by the State Intellectual Property Office, increasing the total number of patents owned by the Bank to 135.

The information system maintained secure and stable operation. With the secure and stable operation of the information system, it satisfyingly completed the secure operation tasks for key periods such as the Spring Festival and the National People's Congress and the Chinese People's Political Consultative Conference. The Bank launched the refined management project for operational management and focused on monitoring system building, performance capacity management and automatic production and operation to push forward various key projects. The Bank also pushed forward the implementation of the application system disaster recovery project, completed disaster recovery implementation of key application systems, and accelerated the construction of "Two Cities and Three Sites" project, further enhancing the Bank's overall disaster recovery level and the consistent operation capability of the information system.

Human Resources Management

The Bank further promoted the strategy of invigorating bank based on talents, established and improved the employee working system to further increase their motivation and initiative, and improved competitiveness of talents. As required by a Group-based market-oriented and diversified management, the Bank made new progress in areas such as cadre system building, cadre training mechanism and cadre recruitment mechanism. Cadres were exchanged between institutions of different levels and between branches across the Bank to broaden their career path and improve human resources allocation efficiency. The Bank intensified the reform of the performance evaluation system and compensation incentive mechanism, improved the overseas human resources management system, stepped up the introduction, reserve, training and recruitment of international talents, and selected personnel for overseas institutions with a broadened vision.

The Bank made full use of internal and external resources and channels, prioritized the trainings targeting at international talents, operation capabilities improvement of branch heads, certification of professional qualifications, senior-level professionals and middle-aged staff, and helped to continuously enhance competency and overall quality of the staff. The Bank facilitated the construction of database for training centers, teachers, teaching materials, cases, examination questions and archives, and continued to optimize online training platform and expand the training channels.

The Bank consistently pushed forward the profit center reform, and incorporated the Corporate Banking Department II and Pension Business Department into the pilot programme of the profit center reform. It also kept improving the evaluation indicator system, cost accounting mechanism and incentive and restraint mechanism for the profit center with profit as the core while considering the competitiveness, risk control and product line development. In the first half of 2011, the six profit centers realized profit before tax of RMB20,876 million. The reform of banking departments of provincial (regional) branches went on smoothly, and the reform in the banking departments of five provincial (regional) branches including Shanxi and Sichuan were completed and showed initial effects. The Bank deepened the reform at county branches, invested more in institutions in key county areas and economic developed towns, and developed featured financial products appropriate for county economic development. The Bank actively promoted the reform of centralized vertical management mechanism for credit facility approval, and applied such management in branches such as the Shanxi, Guizhou and Heilongjiang branches.

RISK MANAGEMENT

Enterprise Risk Management System

In the first half of 2011, the Bank proactively improved its enterprise risk management system and accelerated the enhancement of the enterprise risk management capability at the Group level. Specifically, the Bank strengthened the establishment of its enterprise risk management framework and improved the Group's concentration risk and country risk management. The Bank completed the internal capital adequacy assessment process (ICAAP) program and further enhanced the enterprise risk management.

During the reporting period, the Bank steadily promoted various preparation work for the implementation of the New Capital Accord (Basel II), and expanded the application throughout the risk management process. The Bank further optimized the internal rating model of credit risk, enhanced the development of the internal rating system, and continually made the efforts to apply the internal rating results. The Bank accelerated the establishment of market risk management system based on internal model approach, launched its in-house global market risk management (GMRM) system, and improved market risk measurement instruments and management capacity comprehensively. The Bank promoted the application of the outputs of the operational risk advanced measurement approach (AMA) program and actively developed the control and management functions of the AMA application and management system.

Credit Risk

Credit Risk Management

In the first half of 2011, in response to changes in the macro-economy as well as financial regulatory requirements, the Bank adjusted and improved its credit policies and continued to advance the establishment of credit regulations and improve the credit policy system. The Bank increased the intensity of credit structure adjustment, intensified the credit business review and guidance, maintained stringent controls over credit risks in key areas, standardized its credit processes and strengthened post-lending management and credit supervision. The Bank also continued to reinforce credit risk monitoring and analysis, strengthened the management of loans with potential risks and recovery and disposal of non-performing loans, with a view to enhancing credit risk management comprehensively.

- The Bank continued to enhance the establishment of the credit regulations to further improve the overall credit policy system. In accordance with the State's strategic planning in key regions, the Bank formulated and implemented regional credit policies and actively satisfied the credit demand for regional development. In compliance with regulatory requirements, the Bank continued to strengthen its management of "disbursement of credit on actual demand" and "entrusted disbursement", improved loan disbursement procedures and strengthened supervision and management of loan disbursements. The Bank pushed ahead the global credit management system, advanced the application of the post-lending early warning system and promoted differentiated approval on personal housing loans system.
- The Bank improved and adjusted industry credit policy and strengthened industry risk management. In line with the national macro-control and industry policies, the Bank properly adjusted the entry thresholds for several industries, strengthened industry classification management and industry limit management, and further expanded the coverage of its industry credit policy. The Bank focused on the adjustment of credit scale in certain industries which the concentration is relatively high and increased credit support to advanced manufacturing, modern service and emerging industries. The Bank continued to promoted the establishment of green credit policy, strictly controlled credit to industries with high energy consumption, high pollution and over-capacity, and actively recovered loans to enterprises with low productivity.

- The Bank strengthened its risk management of the LGFV loans. In alignment with the relevant regulatory requirements, the Bank strengthened the regulatory work on disposal and recovery of the LGFV loans, strictly enforced the list system for access management of LGFV loans customers. The Bank also strictly controlled the extension of new LGFV loans, restricted the scope of the loan authorization, and conducted systematic control to every customer in the LGFV list. The Bank carried out specialized examinations on LGFV loans, took risk mitigation measures for reducing risks of LGFV loans, intensified recovery and upgrading of LGFV loans and ensured security of credit assets.

- The Bank strengthened risk management of the real estate industry. In response to changes in real estate control policies and real estate market, the Bank timely adjusted and improved its credit policy for real estate industry, and continued to implement industry limit management. The Bank strictly controlled the scale of real estate loans with priority given to projects under construction and continuing projects. The Bank strictly implemented customer list-based management to specify customer entry thresholds, adjusted and optimized customer structure. The Bank adjusted the product mix of property loans, increased credit support to low-income housing construction. In addition, the Bank implemented real estate closed loan management, strengthened the management of independent sale proceeds account, and recovered the loans strictly in line with the sale progress.

- The Bank strengthened risk management of trade finance services. In line with the features of trade finance risks, the Bank formulated special post-lending management measures to specify relevant requirements for post-lending management. The Bank focused on the examination of transaction validity and the relationship of underlying documents, logistics and cash flow to prevent false trading. The Bank enhanced the business analysis and risk monitoring for trade finance and controlled the use of proceeds and recovery of loans.

- The Bank strengthened risk management of personal loans. In accordance with relevant national policies, the Bank continued to implement differentiated credit policy on personal housing loans, controlled the use of loans, strengthened key monitoring and management of personal housing mortgage related loans, enhanced the management of cash flow of loans proceeds, intensified collateral management with respect to personal loans, and took asset preservation measures based on the loan risks. The Bank also improved its internal regulations on personal credit products, strictly implemented entry thresholds for borrowers, strengthened pre-lending investigation and review, improved credit management of overdue personal loans, and enhanced refined post-lending management.

- The Bank strengthened its credit asset quality management. The Bank achieved a continuous decrease in both the NPL balance and the NPL ratio by intensifying efforts in terminating loans with potential risks and disposal of NPLs. The Bank set out and implemented an exit plan for loans with potential risks, enhanced dynamic management of loans with potential risks, improved the accountability mechanism for NPL management, optimized the structure of NPL recovery and disposal, and improved the efficiency of NPL recovery and disposal.

Credit Risk Analysis

DETAILS OF THE BANK'S MAXIMUM EXPOSURE TO CREDIT RISK WITHOUT TAKING ACCOUNT OF ANY COLLATERAL AND OTHER CREDIT ENHANCEMENTS

In RMB millions

Item	At 30 June 2011	At 31 December 2010
Balances with central banks	2,788,114	2,234,075
Due from banks and other financial institutions	461,686	248,860
Financial assets held for trading	34,151	10,051
Financial assets designated at fair value through profit or loss	97,179	2,798
Derivative financial assets	13,803	13,332
Reverse repurchase agreements	357,829	262,227
Loans and advances to customers	7,152,587	6,623,372
Financial investments	3,593,474	3,714,237
Receivables	493,341	501,706
Held-to-maturity investments	2,274,928	2,312,781
Available-for-sale financial assets	825,205	899,750
Others	120,600	86,256
Subtotal	**14,619,423**	**13,195,208**
Credit commitments	**2,034,911**	**1,649,157**
Maximum credit risk exposure	**16,654,334**	**14,844,365**

DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

In RMB millions, except for percentages

Item	At 30 June 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	7,042,146	96.02	6,489,450	95.57
Special mention	222,408	3.03	227,815	3.35
Non-performing loans	69,486	0.95	73,241	1.08
Substandard	18,884	0.26	18,932	0.28
Doubtful	40,362	0.55	41,765	0.62
Loss	10,240	0.14	12,544	0.18
Total	**7,334,040**	**100.00**	**6,790,506**	**100.00**

Loan quality continued to improve. As at the end of June 2011, according to the five-tier classification, pass loans amounted to RMB7,042,146 million, representing an increase of RMB552,696 million from the end of the previous year and accounting for 96.02% of total loans. Special mention loans stood at RMB222,408 million, representing a decrease of RMB5,407 million and accounting for 3.03% of total loans. NPL balance amounted to RMB69,486 million, down RMB3,755 million, and NPL ratio was 0.95%, down 0.13 percentage point, continuing on the downtrend in both NPL balance and NPL ratio. This is mainly attributable to the Bank's continued efforts in strengthening the withdrawal of loans with potential risks and NPL collection and disposal.

DISTRIBUTION OF LOANS AND NPLs BY BUSINESS LINE

in RMB millions, except for percentages

	At 30 June 2011				At 31 December 2010			
Item	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Corporate loans	4,963,135	67.7	57,367	1.16	4,700,343	69.2	61,610	1.31
Discounted bills	105,331	1.4	–	–	117,135	1.7	–	–
Personal loans	1,810,777	24.7	9,592	0.53	1,633,192	24.1	9,656	0.59
Overseas and others	454,797	6.2	2,527	0.56	339,836	5.0	1,975	0.58
Total	**7,334,040**	**100.0**	**69,486**	**0.95**	**6,790,506**	**100.0**	**73,241**	**1.08**

The balance of non-performing corporate loans stood at RMB57,367 million, down RMB4,243 million from the end of the previous year, and NPL ratio was 1.16%, down 0.15 percentage point. The balance of non-performing personal loans stood at RMB9,592 million, down RMB64 million, and NPL ratio was 0.53%, down 0.06 percentage point.

DISTRIBUTION OF LOANS AND NPLs BY GEOGRAPHIC AREA

In RMB millions, except for percentages

	At 30 June 2011				At 31 December 2010			
Item	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Head Office	197,339	2.7	1,229	0.62	163,606	2.4	1,039	0.64
Yangtze River Delta	1,655,263	22.6	10,455	0.63	1,583,758	23.3	11,978	0.76
Pearl River Delta	1,036,437	14.1	9,592	0.93	979,399	14.4	8,901	0.91
Bohai Rim	1,339,115	18.3	12,895	0.96	1,253,538	18.5	14,907	1.19
Central China	985,300	13.4	12,766	1.30	919,738	13.6	12,079	1.31
Western China	1,230,282	16.8	14,196	1.15	1,142,027	16.8	15,011	1.31
Northeastern China	435,507	5.9	5,826	1.34	408,604	6.0	7,351	1.80
Overseas and others	454,797	6.2	2,527	0.56	339,836	5.0	1,975	0.58
Total	**7,334,040**	**100.0**	**69,486**	**0.95**	**6,790,506**	**100.0**	**73,241**	**1.08**

The Bank continuously optimized the allocation of credit resources for different geographic areas and promoted a balanced development of its lending within each geographic area. The Bank continued to support the growth of the credit business in Yangtze River Delta, Pearl River Delta and Bohai Rim, where new loans amounted to RMB214,120 million, accounting for 39.4% of total increment of loans. The Bank also actively supported regional development of Central China, Western China and Northeastern China, where new loans amounted to RMB180,720 million, accounting for 33.2% of total increment of loans. Overseas and other loans increased by RMB114,961 million, up 33.8% and accounting for 21.2% of total increment of loans, mainly as a result of the continued advancement in the internationalized and diversified operation which led to the rapid business development of the overseas institutions.

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

In RMB millions, except for percentages

	At 30 June 2011				At 31 December 2010			
Item	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Transportation, storage and postal services	1,028,453	20.7	9,638	0.94	990,916	21.1	9,075	0.92
Manufacturing	996,807	20.1	24,513	2.46	940,641	20.0	26,844	2.85
Machinery	155,677	3.1	2,444	1.57	134,355	2.8	3,004	2.24
Chemicals	151,493	3.1	3,661	2.42	141,007	3.0	4,816	3.42
Metal processing	129,818	2.6	1,437	1.11	114,635	2.4	1,319	1.15
Textiles and apparels	104,735	2.1	3,670	3.50	96,769	2.1	4,488	4.64
Iron and steel	95,684	1.9	2,044	2.14	92,866	2.0	973	1.05
Transportation equipment	57,118	1.2	1,509	2.64	49,557	1.0	1,513	3.05
Telecommunications equipment, computer and other electronic equipment	46,120	0.9	1,873	4.06	51,334	1.1	2,017	3.93
Non-metallic mineral	45,775	0.9	1,783	3.90	40,317	0.9	2,000	4.96
Petroleum processing, coking and nuclear fuel	39,576	0.8	276	0.70	69,577	1.5	299	0.43
Others	170,811	3.5	5,816	3.40	150,224	3.2	6,415	4.27
Production and supply of electricity, gas and water	597,959	12.0	4,858	0.81	571,072	12.1	5,275	0.92
Water, environment and public utility management	528,866	10.7	261	0.05	549,326	11.7	208	0.04
Real estate	523,414	10.5	4,472	0.85	512,018	10.9	5,355	1.05
Wholesale, retail and lodging	478,076	9.6	9,011	1.88	388,023	8.3	10,117	2.61
Leasing and commercial services	360,176	7.3	953	0.26	357,624	7.6	1,105	0.31
Mining	158,070	3.2	349	0.22	129,488	2.8	297	0.23
Construction	96,530	1.9	1,147	1.19	84,048	1.8	1,168	1.39
Science, education, culture and sanitation	71,980	1.5	912	1.27	68,102	1.4	845	1.24
Others	122,804	2.5	1,253	1.02	109,085	2.3	1,321	1.21
Total	**4,963,135**	**100.0**	**57,367**	**1.16**	**4,700,343**	**100.0**	**61,610**	**1.31**

In the first half year of 2011, the Bank granted relatively more loans to the wholesale, retail and lodging, manufacturing and transportation, storage and postal services industries, in which the increment of loans in these industries accounted for 69.9% of the total increment of corporate loans, of which, loans to the wholesale, retail and lodging industry increased by RMB90,053 million or 23.2%, principally driven by the growth in trade finance and small enterprises loan business; loans to the manufacturing industry increased by RMB56,166 million, mainly benefiting from the Bank's intensified effort towards supporting the credit demand of the advanced manufacturing industry; and loans to the transportation, storage and postal services industry grew by RMB37,537 million, mainly lent to transportation projects under construction and continuing projects.

A relatively more significant decrease in NPL balance occurred to the manufacturing, wholesale, retail and lodging and real estate industries. The NPL balance in relation to the iron and steel industry grew by RMB1,071 million, mainly as a result of production and operation difficulties encountered by very few enterprises due to multiple factors; and the NPL balance in relation to the transportation, storage and postal services industry grew by RMB563 million, largely because of the increase of NPL of certain highway enterprises.

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
At the beginning of the period	**41,300**	**125,834**	**167,134**
Charge for the period	(2,647)	19,441	16,794
Including: Impairment allowances charged	3,856	53,632	57,488
Impairment allowances transferred	207	(207)	-
Reversal of impairment allowances	(6,710)	(33,984)	(40,694)
Accreted interest on impaired loans	(240)	-	(240)
Write-offs	(2,479)	(261)	(2,740)
Recoveries of loans and advances previously written off	461	44	505
At the end of the period	**36,395**	**145,058**	**181,453**

At the end of June 2011, allowance for impairment losses on loans stood at RMB181,453 million, up RMB14,319 million over the end of the previous year. Allowance to NPL increased by 32.94 percentage points to 261.14%, further strengthening its capability of resisting and offsetting risks; and allowance to total loans ratio was 2.47%.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	3,007,260	41.0	2,780,346	40.9
Including: Personal housing loans(1)	1,133,346	15.5	1,090,095	16.1
Pledged loans	719,951	9.8	665,641	9.8
Including: Discounted bills(1)	105,331	1.4	117,135	1.7
Guaranteed loans	1,166,709	15.9	1,070,211	15.8
Unsecured loans	2,440,120	33.3	2,274,308	33.5
Total	**7,334,040**	**100.0**	**6,790,506**	**100.0**

Note: (1) Data of domestic branches.

Loans secured by mortgages stood at RMB3,007,260 million, representing an increase of RMB226,914 million or 8.2% from the end of the previous year. Unsecured loans amounted to RMB2,440,120 million, representing an increase of RMB165,812 million or 7.3% from the end of the previous year.

OVERDUE LOANS

In RMB millions, except for percentages

	At 30 June 2011		At 31 December 2010	
Overdue periods	Amount	% of total	Amount	% of total
3 to 6 months	4,401	0.1	3,264	0.0
6 to 12 months	4,156	0.0	5,248	0.1
Over 12 months	50,807	0.7	55,836	0.8
Total	**59,364**	**0.8**	**64,348**	**0.9**

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 installments, the total amount of loans is deemed overdue if part of the installments is overdue.

RENEGOTIATED LOANS

Renegotiated loans and advances amounted to RMB9,544 million, representing a decrease of RMB1,172 million or 10.9% as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB6,498 million, down RMB1,104 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 3.4% and 20.6% of the Bank's net capital, respectively. The total amount of loans granted to the top ten single customers was RMB206,075 million, accounting for 2.8% of the total loans. The table below shows the details of the loans of the top ten single borrowers of the Bank as at the end of June 2011.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total
Borrower A	Transportation, storage and postal services	33,700	0.5
Borrower B	Transportation, storage and postal services	24,396	0.3
Borrower C	Transportation, storage and postal services	22,915	0.3
Borrower D	Transportation, storage and postal services	21,588	0.3
Borrower E	Transportation, storage and postal services	21,094	0.3
Borrower F	Mining	19,000	0.3
Borrower G	Production and supply of electricity, gas and water	18,813	0.2
Borrower H	Transportation, storage and postal services	17,160	0.2
Borrower I	Manufacturing	14,217	0.2
Borrower J	Transportation, storage and postal services	13,192	0.2
Total		**206,075**	**2.8**

Market risk

In the first half of 2011, the Bank further strengthened consolidated management of market risk, improved market risk management and control at the Group level. The Bank advanced the preparatory work for implementation of the internal model approach to market risk and accelerated the establishment of market risk management system based on the internal model approach. The Bank set up its in-house pricing and valuation model and market risk measurement methodology. The Bank launched its in-house GMRM system, established a centralized data management platform and risk measurement management system, and realized the unified measurement and monitoring of the trading book associated market risk. The Bank also actively promoted the implementation of the GMRM system to be extended to overseas institutions and gradually carried out the verification of valuation model of financial products.

Market Risk Management of the Banking Book

The Bank proactively improved the market risk management system of the banking book, further enhanced the ability to measure interest rate and exchange rate risks and improved the capability of interest rate and exchange rate risk management at the Group level. The Bank strengthened loan interest rate negotiation management and fixed rate loan management while interest rates are in upward cycle, optimized the loan repricing structure and prevented repricing risks.

Market Risk Management of the Trading Book

The Bank continued to strengthen and enhance the risk measurement and product control of the trading book, and adopted various approaches including Value at Risk (VaR), sensitivity analysis and exposure analysis for measurement and management of trading book products. The Bank optimized and improved the system of market risk limit management based on trading portfolios and carried out market risk measurement and monitoring of the trading book using the GMRM system.

The Bank has applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of one day and historical data of 250 days) to measure the VaR of the underlying financial products and standard derivatives in the Head Office trading book in terms of interest rate, exchange rate and commodity risks.

VALUE AT RISK (VaR) OF THE TRADING BOOK

In RMB millions

	Six months ended 30 June 2011				Six months ended 30 June 2010			
Item	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
Interest rate risk	29	54	103	27	8	14	30	7
Foreign exchange rate risk	45	19	81	4	47	60	112	47
Commodity risk	2	10	63	1	–	–	–	–
Total portfolio VaR	**63**	**57**	**101**	**26**	**47**	**63**	**109**	**47**

Note: The Bank has adopted the GMRM system to measure VaR since 2011, with the measurement scope being expanded further to cover commodity risk in April 2011. The comparative figures have not been restated. Please refer to "Note 43.(c)(i) to the Financial Statements: Value at Risk (VaR)".

Market Risk Analysis

◆ *Interest Rate Risk Analysis*

In the first half of 2011, PBOC raised the deposit reserve ratio and benchmark interest rates on deposit and loan several times, pushing up interest rates in the money market continually. The Bank paid close attention to changes in monetary policy and domestic and international financial markets, enhanced the management of loan interest rate, strengthened the management of medium and long term fixed interest rate loan quota, adjusted the repricing structure of loan interest rate, and reduced the repricing risk in an upward cycle in interest rates. In addition, the Bank optimized deposit structure to coordinate the growth of deposits and control of interest expenses.

At the end of June 2011, the cumulative interest rate sensitivity negative exposure within three months amounted to RMB3,470,750 million, representing a decline of RMB533,718 million from the end of 2010, which was mainly due to the increase in repriced or matured loans within three months. The cumulative interest rate sensitivity positive exposure from three months to one year amounted to RMB2,268,922 million, representing a decline of RMB902,816 million, which was mainly due to the increase in customer deposits and maturity of certain bond investments. The cumulative interest rate sensitivity positive exposure over one year amounted to RMB1,986,144 million, representing an increase of RMB380,999 million, which was mainly due to the increase in investment in medium-term bonds during the reporting period. The structure of the Bank's interest rate risk exposure according to the contractual repricing date or maturity date (whichever is earlier) is shown in the following table:

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than three months	Three months to one year	One to five years	More than five years
30 June 2011	(3,470,750)	2,268,922	843,816	1,142,328
31 December 2010	(4,004,468)	3,171,738	513,833	1,091,312

Note: Please refer to "Note 43.(c)(iii) to the Financial Statements: Interest rate risk".

The following table illustrates the interest rate sensitivity analysis of the Bank on the assumption that the overall interest rate in the market moves in parallel without taking into account any possible risk management actions that may be taken by the management to mitigate interest rate risk:

INTEREST RATE SENSITIVITY ANALYSIS

In RMB millions

	At 30 June 2011		At 31 December 2010	
Changes of interest rate in basis points	Changes in net interest income	Changes in equity	Changes in net interest income	Changes in equity
+100 basis points	(21,709)	(18,700)	(23,156)	(18,848)
–100 basis points	21,709	19,909	23,156	20,130

Note: Please refer to "Note 43.(c)(iii) to the Financial Statements: Interest rate risk".

◆ *Exchange Rate Risk Analysis*

In the first half of 2011, PBOC further advanced the reform of RMB exchange rate regime, the flexibility of RMB exchange rate was further increased and the exchange rate of RMB against US dollar appreciated by 2.3% over the beginning of 2011. By closely monitoring external market changes and internal funding position, the Bank took a combination of measures such as price leverage to maintain coordinated development of foreign currency deposits and loans while the exchange rate risk was maintained at a manageable level.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

	At 30 June 2011		At 31 December 2010	
Foreign exchange exposure	**RMB**	**USD equivalent**	**RMB**	**USD equivalent**
Exposure of on-balance sheet foreign exchange items, net	221,727	34,262	231,896	35,015
Exposure of off-balance sheet foreign exchange items, net	(115,972)	(17,920)	(163,326)	(24,662)
Total foreign exchange exposure, net	**105,755**	**16,342**	**68,570**	**10,353**

Please refer to "Note 43.(c)(ii) to the Financial Statements: Currency risk" for the exchange rate sensitivity analysis.

Liquidity Risk

In response to macro-economic conditions and financial regulatory policy changes, the Bank further enhanced the establishment of liquidity risk system and continued to strengthen and improve the management of liquidity risk. In accordance with the CBRC's Guideline for Liquidity Risk Management of Commercial Banks and the relevant requirements, the Bank conducted liquidity risk response drills, streamlined offline trading procedures and emergency payment procedures and effectively improved the capability of liquidity risk management and emergency response. The Bank upgraded liquidity management techniques, continued to improve the system of liquidity risk limit indicators and the IT system of liquidity risk management and upgraded the cash flow monitoring and management system. The Bank made continuous improvements in the internal fund transfer pricing mechanism and increased pertinence and flexibility of internal fund transfer prices. The Bank improved the consolidated management mechanism and further enhanced liquidity risk management.

Liquidity Risk Analysis

In the first half of 2011, PBOC adhered to the implementation of a prudent monetary policy, raised the mandatory deposit reserve ratio for six times and increased benchmark interest rates on deposit and loan twice and strengthened liquidity management of the banking system, which resulted in tightened market liquidity from time to time and sharply fluctuating interest rates in the interbank money market. The Bank paid close attention to the trend of market liquidity, dynamically adjusted the liquidity management strategy and the pace of capital operation according to the Bank's asset and liability development and liquidity position and established multi-level liquidity reserves, with an aim to improve the ability to respond to liquidity risk by effectively reducing inefficient capital utilization and increasing the efficiency of fund use without compromising the security of liquidity.

As for foreign currencies, the Bank paid close attention to the changes in market interest rates and fund situation, flexibly adjusted the foreign currency liquidity management strategy and internal and external funding prices and strove for a balanced growth in foreign currency assets and liabilities while ensuring the security of liquidity.

The Bank assessed liquidity risk through liquidity exposure analysis. As at the end of June 2011, relatively significant changes in liquidity exposures were mainly related to maturities of three months to one year, one to five years and more than five years. The liquidity negative exposure for maturities of three months to one year was expanded due to the increased customer deposits with corresponding maturities; the liquidity positive exposure continued to widen for maturities of one to five years and more than five years due to the increased medium to long term loans and bonds not related to restructuring and decreased customer deposits with corresponding maturities. The demand deposits of the Bank grew rapidly with a relatively high sedimentation rate, and by holding a large amount of highly-liquid PBOC bills and government bonds, the Bank had adequate liquidity reserve and further expanded positive liquidity exposure compared with the end of 2010; therefore, the overall liquidity of the Bank was safe. The table below sets out the liquidity exposure of the Bank at the end of June 2011:

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
30 June 2011	(6,660,754)	(315,989)	(418,605)	(862,920)	2,868,175	3,718,605	2,531,103	859,615
31 December 2010	(6,585,303)	(162,433)	(301,119)	(383,368)	2,537,639	3,515,949	2,200,292	821,657

Note: Please refer to "Note 43.(b) to the Financial Statements: Liquidity risk".

At the end of June 2011, indicators reflecting liquidity status of the Bank all met regulatory requirements, and the table below sets out the details:

Item		Regulatory criteria	30 June 2011	31 December 2010	31 December 2009
Liquidity ratio (%)	RMB	>=25.0	30.3	31.8	30.7
	Foreign currency	>=25.0	50.7	53.4	61.1
Loan-to-deposit ratio (%)	RMB and foreign currency	<=75.0	61.2	62.0	59.5

Note: The regulatory ratios in the table are calculated in accordance with relevant regulatory requirements and accounting standards applicable to the reporting period. The comparative figures have not been restated.

Internal Control and Operational Risk Management

Internal Control

During the reporting period, the Bank implemented further development of its internal control system under the overall requirements of "disciplined behaviors, proper authorization, time-bound monitoring, effective examination and valid control". The Bank continued implementing the Internal Control System Building Plan for 2009-2011. Internal control rules and regulations were amended to reflect the latest regulatory requirements and internal management practices for improved internal control management of the Bank. The compliance review mechanism was standardized for new businesses, new products and new rules, efforts were intensified in implementing and promoting business operation guidelines and internal transaction management was standardized. The Bank carried out bank-wide special examinations to ensure the operations are in compliance. The Bank amended the internal control evaluation system for tier-one branches and branches directly managed by the Head Office, adjusted and optimized the application criteria for evaluation grades and rating results, reinforced the evaluation quality control mechanism, deepened the connotation of evaluation indicators and further improved the evaluation mode. During the reporting period, the Bank has further improved its internal control system and has progressively enhanced the integrity, reasonableness and effectiveness of its internal control.

Operational Risk Management

The Bank advanced refined management in key areas and points in line with the latest banking regulatory requirements and changes in operational risk of banks and further improved the mechanism of operational risk prevention and control. The Bank vigorously promoted the implementation of advance measurement approach (AMA) of operational risk and expanded pilot outlets for operational risk control and self-assessment and advanced the operational risk control and self-assessment for 2011. The Bank strengthened the operational risk monitoring, formulated the administrative measures for operational risk loss events and established a reporting system for major operational risk events. The Bank also promoted the use of chip cards to strengthen prevention of external credit card frauds. The Bank carried out a mechanism of segregating front, middle and back offices from one another for the financial markets business, thereby effectively prevented the operational risk in trading business. The Bank further standardized operational risk examination to effectively reduce potential cases and paid extra attention to key areas and links to reduce potential risks. In the reporting period, the Bank made continuous improvement in operational risk management and further enhanced its risk control capability.

Legal Risk

The Bank further intensified efforts in building the legal risk management system and process, made continuous improvements in the Group's consolidated management mechanism for legal risk, developed and launched the related party transaction management system, developed contract management procedures, used legal techniques to support internationalization, diversification and innovation of business operations, continued to strengthen management of customer services and complaints management, strengthened monitoring and management of lawsuits, in particular those against the Bank, steadily pushed forward the work on the protection of consumer rights and interests, enhanced trademark management and intellectual property protection and actively carried out legal risk management in all respects.

Anti-money Laundering

The Bank strictly complied with laws and regulations on anti-money laundering (AML) and counter-terrorist financing, actively implemented regulatory requirements, duly performed AML obligations of commercial banks and further improved AML and counter-terrorist financing enforcement. The Bank improved the AML management system by developing AML confidentiality rules, modifying AML internal control procedures and standardizing AML work. The Bank continued to push forward AML information system development, optimized the AML monitoring system, implemented the new-generation blacklist detection system in phases and improved the capability of monitoring money laundering and terrorist financing risks. The Bank carried out surveys on the mode of centralized AML processing, continuously improved the quality of AML monitoring system data and continued to adequately carry out monitoring, reporting, analysis and risk warning of key suspicious transactions. The Bank strengthened AML compliance management and guidance of overseas institutions, gave timely reports on the latest developments of international AML regulations to provide compliance service for implementation of the Bank's internationalization strategy. The Bank also organized publicity and training relating to AML, introduced the international AML specialist certification system and improved expertise and professional skills of AML staff. The Bank assisted regulatory authorities in AML investigation and strengthened exchanges and cooperation with foreign peers.

During the reporting period, none of the Bank's domestic or overseas branches or employees was found to be or suspected to be involved in any money laundering and terrorist financing activities.

Reputational Risk

The Bank took active efforts in reputational risk management, continuously enhanced the system and working mechanism for reputational risk management, identified and analyzed reputational risk factors and stepped up efforts in monitoring, preventing, controlling and handling reputational events. The reputational risk remained under control across the Bank. The Bank managed to gain understanding from customers, investors and the media by taking a number of actions such as enhancing financial services, strengthening investor relations management and actively discharging social responsibility. The Bank also listened to comments from customers and the public and continued to improve its services and management, thereby maintaining the good reputation of the Bank.

CAPITAL MANAGEMENT

In the first half of 2011, the Bank developed the annual capital management plan, optimized the allocation of capital among risk areas, regions and products through economic capital limit management, and restricted the expansion of risk scale to fulfill the targets for capital return. In addition, the Bank improved the economic capital measurement standards and upgraded the capital management system to further enhance the application of economic capital measurement indicators among outlets.

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 2011, capital adequacy ratio of the Bank was 12.33%, representing an increase of 0.06 percentage point from the end of 2010; and core capital adequacy ratio was 9.82%, representing a decrease of 0.15 percentage point from the end of 2010, mainly because (1) various businesses of the Bank developed rapidly during the reporting period, thus risk-weighted assets grew accordingly as compared to the end of 2010; (2) the Bank successfully issued RMB subordinated bonds of RMB38.0 billion in the interbank bond market during the reporting period and used all of the net proceeds to replenish the supplementary capital.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 30 June 2011	At 31 December 2010
Core capital	**834,799**	**750,970**
Share capital	349,020	349,019
Reserves[(2)]	484,555	400,724
Minority interests	1,224	1,227
Supplementary capital	**214,418**	**174,505**
General provisions for loan impairment	73,340	67,905
Long term subordinated bonds	116,211	78,286
Convertible bonds	24,867	24,870
Other supplementary capital	–	3,444
Total capital base before deductions	**1,049,217**	**925,475**
Deductions	**49,937**	**53,102**
Goodwill	26,121	27,369
Unconsolidated equity investments	21,501	22,649
Others	2,315	3,084
Net capital base	**999,280**	**872,373**
Net core capital base	**795,613**	**709,193**
Risk-weighted assets and market risk capital adjustment	**8,105,103**	**7,112,357**
Core capital adequacy ratio	**9.82%**	**9.97%**
Capital adequacy ratio	**12.33%**	**12.27%**

Notes: (1) Please refer to "Note 43.(d) to the Financial Statements: Capital management".

(2) Mainly includes the valid portion of capital reserve, surplus reserves, general reserve and the valid portion of retained profits.

Capital Financing Management

The Proposal on the Issuance of Subordinated Bonds was reviewed and approved at the First Extraordinary General Meeting of the Bank in 2008 held on 27 October 2008, and the Bank was authorized to issue subordinated bonds in an amount not exceeding RMB100.0 billion in different series by the end of 2011 to replenish the supplementary capital. The Bank publicly issued RMB40.0 billion and RMB22.0 billion RMB subordinated bonds in the national interbank bond market in July 2009 and September 2010, respectively. The RMB22.0 billion RMB subordinated bonds issued in September 2010 were issued on a revolving basis within the limit approved by CBRC.

Upon approval by CBRC and PBOC, the Bank successfully issued RMB38.0 billion RMB subordinated bonds in the national interbank bond market on 29 June 2011 to further expand the Bank's capital base for business development. For details of the subordinated bond issuance, please refer to the Bank's announcements published on the websites of SEHK and SSE.

OUTLOOK

In the second half of 2011, the Chinese economy will transform from policy-stimulated to self-sustained growth in an orderly way and continue to grow towards the anticipated direction of macro-controls. Economic growth will remain stable and rapid, prices are expected to be controlled effectively and macro-economic control policies will not undergo significant changes, which will provide a favorable external environment for the Bank to maintain a rapid growth.

The Bank will embrace the following opportunities in the second half of 2011. Firstly, sustained and stable growth of national economy will continue to generate sufficient financial needs and underpin continued business development of the Bank. Secondly, full-scale implementation of the National Twelfth Five-year Plan and supporting industrial and regional development strategies will accelerate a new round of industrial upgrading and coordinated regional development and provide the Bank with a broader potential for new services, new customers and new markets. Thirdly, a stable monetary policy will continue to tighten market liquidity and improve commercial banks' bargaining power, thereby providing a good opportunity for the Bank to optimize asset structure and increase rate of return. Lastly, the acceleration of "going global" of Chinese companies and continued RMB internationalization create favorable conditions for the Bank to expand global presence and advance internationalized development.

In the second half of 2011, the Bank will face the following challenges: Firstly, the regulators are developing new domestic standards for capital regulation in accordance with Basel III. New capital standards will place stronger capital restrictions on the Chinese banking industry and raise more stringent requirements for banks' business restructuring and capital management enhancement. In recent years, the Bank has adhered to a relatively low capital consumption approach in its development. Therefore, even if new standards are promulgated, the Bank will be able to respond effectively. However, capital regulation reform also requires the Bank to focus on balancing the relationship between capital and other factors when it formulates its business strategies and expands its business activities. Secondly, effects of macro-control measures introduced earlier will add to one another and increasingly severe peer competition for deposits will entail higher requirements for asset and liability management and liquidity management of the Bank in the second half of 2011. Thirdly, inflation control will remain an important element of macro-controls in the foreseeable future. PBOC may continue to implement its monetary policy using price-based or quantitative instruments. Interest spread between deposits and loans for commercial banks may narrow. Lastly, as strategic emerging industries and modern service sectors develop at a fast pace, how to accelerate the establishment of a system of financial services that caters for needs and characteristics of emerging industries while effectively monitoring and controlling related risks has become a crucial agenda that the Bank must deal with.

In the first half of 2011, the Bank recorded stable growth in its operating results, laying a good foundation for smoothly achieving the full-year operating targets. In the second half of 2011, the Bank will continue to follow established development strategies, respond to changes in economic and market conditions at home and abroad effectively and flexibly, continuously strengthen the capability of enterprise risk management, accelerate business development, continue to maintain stable and rapid profit growth, fulfill annual operating objectives, further consolidate and enhance the Bank's overall competitiveness in domestic and overseas markets and push up the Bank's operating results to a higher level. Specifically, the Bank will carry out works in the following aspects in the second half of 2011:

Firstly, the Bank will take the opportunity of the present reform of capital regulation to conduct an in-depth analysis of the impact of new capital regulatory rules on development of the Bank, develop a farsighted capital management plan appropriate for the development objectives and actual operations of the Bank, explore strategies for and approaches to strengthen capital management and achieve a balance among overall risk, rate of return and capital occupation. Secondly, the Bank will continue to strengthen the management of the matching of assets and liabilities and optimize the efficiency of capital allocation and operation, respond to market volatilities flexibly, maintain a good liquidity and continuously increase the rate of return on capital. Thirdly, the Bank will fully unleash its competitive advantages, continuously step up the efforts in seeking new customers and tapping into new markets, expand fee-based business vigorously, further optimize the structure of business and profit and enhance the Bank's capability of sustainable development. Fourthly, the Bank will make strong efforts to advance its credit restructuring and continuously optimize credit distribution in terms of industries, regions, customers, product types and maturities in line with the trends and requirements of China's transformation of economic development mode. The Bank will strengthen innovation of credit products, continuously improve the financing service system for emerging industries and small and medium customers and effectively increase the overall rate of return on credit. Fifthly, the Bank will continue to aggressively push forward the reform of operating mechanisms and business processes, further enhance quality of services and efficiency of business processing and effectively improve customer experience and increase customer satisfaction. Sixthly, the Bank will advance the internationalization strategy actively and steadily. The Bank will devote more resources and policy supports to existing outlets of overseas institutions, accelerate extension of FOVA to overseas institutions, significantly enhance overseas service functions and operational strengths and improve influence in the local markets. The Bank will seize policy and market opportunities to expand preferential overseas outlets prudently and make continuous improvements in the overseas network of presence. Lastly, the Bank will strengthen risk monitoring of risk sensitive areas and take a broad range of measures to ensure good asset quality across the Bank.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Share Capital

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

		At 31 December 2010		Increase/decrease during the reporting period (+, -)	At 30 June 2011	
		Number of shares	Percentage (%)	Convertible bond to equity	Number of shares	Percentage (%)
I.	Shares not subject to restrictions on sales	349,018,545,827	100.0	917,353	349,019,463,180	100.0
	1. RMB-denominated ordinary shares	262,224,501,277	75.1	917,353	262,225,418,630	75.1
	2. Foreign shares listed overseas	86,794,044,550	24.9	0	86,794,044,550	24.9
II.	Total number of shares	349,018,545,827	100.0	917,353	349,019,463,180	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.

Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 1,042,947 shareholders, including 156,232 holders of H shares and 886,715 holders of A shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 SHAREHOLDERS OF THE BANK

Unit: Share

Total number of shareholders	1,042,947 (number of holders of A shares and H shares on the register of shareholders as at 30 June 2011)

Particulars of shareholding of the top 10 shareholders
(The following data are based on the register of shareholders as at 30 June 2011)

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
Huijin	State-owned	A shares	35.4	123,641,072,864	0	None
MOF	State-owned	A shares	35.3	123,316,451,864	0	None
HKSCC Nominees Limited	Foreign legal person	H shares	24.5	85,340,276,931	0	Unknown
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.4	1,382,510,286	0	None
ICBC Credit Suisse Asset Management Co., Ltd. — Asset management for specific customers	Other domestic entities	A shares	0.3	1,053,190,083	0	None
American Express	Foreign legal person	H shares	0.2	638,061,117	0	None
Anbang Property & Casualty Insurance Company Ltd. — Traditional insurance products	Other domestic entities	A shares	0.1	502,499,792	0	None
China Huarong Asset Management Corporation	Other domestic entities	A shares	0.1	472,889,000	0	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic entities	A shares	0.1	419,539,119	0	None
Ping An Life Insurance Company of China, Ltd. — Traditional — High interest rate policy products	Other domestic entities	A shares	0.1	414,841,549	0	None

Notes: (1) The Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

(2) 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.

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.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 30 June 2011, the Bank had received notices from the following persons stating that they had interests or short positions in shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
MOF(1)	Beneficial owner	118,006,174,032	Long position	45.00	33.81
Huijin(2)	Beneficial owner	118,006,174,032	Long position	45.00	33.81

Notes: (1) According to the register of shareholders as at 30 June 2011, MOF held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders as at 30 June 2011, Huijin held 123,641,072,864 shares in the Bank.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
SSF	Beneficial owner	14,733,859,524	Long position	16.98	4.22
Goldman Sachs	Beneficial owner	10,139,783,324	Long position	11.68	2.91
	Interest of controlled corporations	159,943,599	Long position	0.18	0.05
	Total	10,299,726,923		11.86	2.96
Nomura Holdings, Inc.	Interest of controlled corporations	4,909,233,950	Long position	5.66	1.41
	Interest of controlled corporations	3,862,033,001	Short position	4.45	1.11
Capital Research and Management Company	Investment manager	5,198,629,239	Long position	5.99	1.49

Convertible Bonds

PARTICULARS OF HOLDING OF THE TOP 10 HOLDERS OF THE A SHARE CONVERTIBLE BONDS

Unit: RMB yuan

Name of bond holder	Nominal value of Bonds Held
New China Life Insurance Company Limited — Dividend distribution — Group dividend — 018L — FH001 Hu	792,052,000
Bosera Enhanced Convertible Bond-type Securities Investment Fund	682,696,000
China Credit Trust Co., Ltd. — Single trust for fixed income of Bank of Communications	655,623,000
CITIC Trust Co., Ltd. — Double Profit No. 10	586,774,000
Fullgoal Convertible Bonds and Securities Investment Fund	540,000,000
China AMC Growth Securities Investment Fund	520,255,000
Annuity Plan of China National Petroleum Corporation	502,574,000
National Social Security Fund 202 Portfolio	451,122,000
Harvest Solid Open End Securities Investment Fund	419,173,000
Bosera Theme Industry Equity Securities Investment Fund	396,562,000

Note: The above data are based on the register of holders of the A share convertible bonds as at 30 June 2011.

- *Convertible Bonds Guarantors*

There is no guarantor for the convertible bonds of the Bank.

- *Changes in Conversion Prices of Convertible Bonds*

On 31 August 2010, the Bank issued A share convertible bonds ("ICBC Convertible Bonds") with an aggregate nominal value of RMB25.0 billion and an initial conversion price of RMB4.20 per share.

In 2010, as approved by domestic and overseas regulatory authorities, the Bank issued 11,262,153,213 A shares to the then existing A shareholders and 3,737,542,588 H shares to H shareholders, respectively. Upon completion of the rights issue of A shares and since 26 November 2010, the conversion price of ICBC Convertible Bonds has been adjusted to RMB4.16 per share from RMB4.20 per share. Upon completion of the rights issue of H shares and since 27 December 2010, the conversion price of ICBC Convertible Bonds has been adjusted to RMB4.15 per share from RMB4.16 per share.

On 31 May 2011, the Annual General Meeting for the Year 2010 of the Bank considered and approved the 2010 ICBC Profit Distribution Plan for payment of cash dividends of RMB1.84 (pre-tax) per ten shares to holders of A shares and H shares whose names appear on the register of shareholders of the Bank after trading hours on 14 June 2011. Pursuant to relevant undertakings in the Prospectus of the Public Offering of A Share Convertible Corporate Bonds of Industrial and Commercial Bank of China Limited and relevant laws and regulations, the conversion price of ICBC Convertible Bonds has been adjusted to RMB3.97 per share from RMB4.15 per share since 15 June 2011.

- *Conversion of Convertible Bonds*

Conversion period of ICBC Convertible Bonds commenced on 1 March 2011. As at 30 June 2011, a total of 37,930 ICBC Convertible Bonds were converted to A shares of the Bank, that is, a total of 917,353 converted shares; there are still 249,962,070 ICBC Convertible Bonds trading in the market, accounting for 99.98% of the total number of bonds in issue.

Basic Information on 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, Ms. Wang Lili and Mr. Li Xiaopeng; 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, Sir Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung.

The Board of Supervisors of the Bank comprises six supervisors, 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, namely Mr. Zhang Wei and Mr. Zhu Lifei.

The senior management of the Bank consists of twelve members, namely Mr. Jiang Jianqing, Mr. Yang Kaisheng, Ms. Wang Lili, Mr. Li Xiaopeng, Mr. Luo Xi, Mr. Liu Lixian, Mr. Yi Huiman, Mr. Zhang Hongli, Mr. Wang Xiquan, Mr. Wei Guoxiong, Mr. Lin Xiaoxuan and Mr. Hu Hao.

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.

Appointment and Removal

On 31 May 2011, Mr. Zhao Lin was elected to continue to serve as the shareholder supervisor in the Board of Supervisors of the Bank, as considered and approved by the Annual General Meeting for the Year 2010 of the Bank. His term of office commenced from the date on which the resolution is passed at the general meeting.

Changes in Information of Directors and Supervisors

Changes in biographical details of directors and supervisors of the Bank which are required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules are set out below:

Ms. Wang Lili, Executive Director and Senior Executive Vice President of the Bank, assumed the office of Vice Chairperson of the Board of Directors of Hong Kong Mercantile Exchange since June 2011; Mr. Gao Jianhong, Non-executive Director of the Bank, assumed the office of Deputy Director of the Banking Department of Central Huijin Investment Ltd. since April 2011; and Mr. Kenneth Patrick Chung, Independent non-executive Director of the Bank, is a member of the Hong Kong Institute of Certified Public Accountants.

Basic Information on Employees and Institutions

As at the end of June 2011, the Bank had 394,801 employees[1], representing a decrease of 2,538 employees from the end of 2010. The Bank had 16,267 domestic operations and 220 overseas institutions, totaling 16,487, representing an increase of 57 from the end of 2010.

1 Does not include labor dispatched for services totaling 36,168 persons.

Corporate Governance

Corporate Governance during the Reporting Period and Measures for Improvement

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

- Improving the corporate governance system. The Bank improved the performance assessment system of directors, supervisors and senior management members. It formulated the Rules on the Assessment of the Performance of Duties of Directors by the Board of Directors of Industrial and Commercial Bank of China Limited (Trial), Rules on the Assessment of the Performance of Duties of the Board of Directors, the Senior Management and their Members by the Board of Supervisors of Industrial and Commercial Bank of China Limited (Trial) and Rules on the Assessment of the Performance of Duties of Supervisors by the Board of Supervisors of Industrial and Commercial Bank of China Limited (Trial). The Bank carried out performance assessment work and submitted and listened to the 2010 Assessment Report on the Performance of Duties of the Directors of Industrial and Commercial Bank of China Limited and the 2010 Work Report of Independent Directors of Industrial and Commercial Bank of China Limited at the shareholders' general meeting. The Bank formulated the Accountability System of Material Information Disclosure Errors in Annual Reports of Industrial and Commercial Bank of China Limited. The Bank amended the Articles of Association of Industrial and Commercial Bank of China Limited pursuant to relevant laws and regulations and based on the results of the issuance of the A share convertible bonds and the rights issue of A shares and H shares in 2010.

- Continuously promoting enterprise risk management. The Bank actively pushed forward the preparation for the implementation of Basel II, and strengthened credit risk rating and liquidity risk management. The Bank amended or formulated internal systems and measures such as the Enterprise Risk Management Framework of Industrial and Commercial Bank of China Limited, the Internal Rating Management System on Credit Risks of Industrial and Commercial Bank of China Limited, the 2011 Liquidity Risk Management Strategy of Industrial and Commercial Bank of China Limited, the Evaluation Measures for Risk Management of Industrial and Commercial Bank of China Limited, thus constantly enhancing its risk management techniques, optimizing the risk management process and continuously strengthening the risk management capability of the Group.

- Strengthening internal audit and internal control. In accordance with the principles of risk orientation and materiality, the Bank formulated the internal audit plan for 2011, in an effort to meet the needs of bank-wide risk management, harmonize with the implementation of reform and development strategies and optimize the effectiveness of audit resources to the fullest extent. The Bank continued to implement the Basic Standard for Enterprise Internal Control and its supporting guidelines promulgated by MOF and other four ministries and commissions, the Guidelines for Internal Control of Commercial Banks promulgated by CBRC and the Guidelines for Internal Control of Listed Companies promulgated by SSE. As a result, the internal control level throughout the Bank has been constantly strengthened.

- Promoting the reform of various businesses of the Bank and the reform of its operational management system. The Bank actively promoted and deepened the reform of profit center mechanism and continuously enhanced the innovation capability of its products and business modes, thus providing solid support for further increasing the profit margin of its profit centers. The Bank steadily advanced the centralized reform of the finance functions of the Head Office and directly-controlled institutions, thereby achieving integration in the financial management systems between the Head Office and the branches. The Bank further broadened and deepened the transformation of county sub-branches and promoted innovation in their management modes and operational mechanisms through comprehensive reform measures, such as optimizing business processes, improving resource allocation, extending the scope of operational authorization, and strengthening its incentives and controls.

Compliance with the Code on Corporate Governance Practices (Appendix 14 to the 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).

Profits and Dividends Distribution

Upon the approval by shareholders at the Annual General Meeting for the Year 2010 on 31 May 2011, the Bank has distributed cash dividends totaling approximately RMB64.2 billion, or RMB1.84 (pre-tax) per ten shares, for the period from 1 January 2010 to 31 December 2010 to the shareholders whose names appeared on the register of shareholders after trading hours on 14 June 2011. The Bank will not distribute interim dividends for 2011, nor will it convert any reserves to share capital.

Use of Proceeds from Fundraising Activities

The funds raised from the Bank's fundraising activities were used for the purposes as disclosed in the prospectuses, namely, strengthening the capital base to support the ongoing growth of the Bank.

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 2011, the amount of pending proceedings which the Bank and/or its subsidiaries acted as defendant totaled RMB2,041 million. The Bank does not expect any material adverse effect from the abovementioned pending legal proceedings on the Bank's business, financial position or operating results.

Material Asset Acquisition, Sale and Merger

Acquisition of Shares in The Bank of East Asia (U.S.A.) National Association

On 21 January 2011, the Bank, BEA and East Asia Holding Company, Inc. (referred to as "EAHC", a wholly-owned subsidiary of BEA in the United States, through which BEA held 100% equity interest in The Bank of East Asia (U.S.A.) National Association) entered into a share sale agreement on the acquisition of the shares of The Bank of East Asia (U.S.A.) National Association. The Bank agreed to purchase 80% of the shares of The Bank of East Asia (U.S.A.) National Association for a consideration of approximately USD140 million payable to BEA. Upon completion of this transaction, the Bank will hold 80% of the shares of The Bank of East Asia (U.S.A.) National Association, while EAHC will hold 20%. Pursuant to the terms of the agreement, EAHC will have a put option to sell to the Bank the remaining shares held by it pursuant to their mutual agreement at any time from the date that is 18 months after the date of completion of the transaction to the tenth anniversary of the date of completion of the transaction. As at the end of the reporting period, the transaction was still in the process of obtaining regulatory approvals.

Delisting of ICBC (Thai)

On 8 March 2011, the Bank completed the voluntary delisting tender offer for ICBC (Thai). The Bank acquired 7,276,848 ordinary shares and 73,533 preferred shares of ICBC (Thai) (in aggregate representing approximately 0.46% of the total issued shares of ICBC (Thai)) under the voluntary delisting tender offer. Upon completion of the voluntary delisting tender offer, the Bank held approximately 97.70% of the total issued shares of ICBC (Thai). The shares of ICBC (Thai) were listed and traded on The Stock Exchange of Thailand until 18 March 2011.

Acquisition of Equity in Standard Bank Argentina S.A.

On 5 August 2011, the Bank entered into a memorandum of agreement with Standard Bank London Holdings Plc ("SBL"), Holding W-S De Inversiones S.A. ("Holding W-S", and together with SBL collectively referred to as the "Sellers"), and Standard Bank, Sielecki family members and Werthein family members as guarantors for the Sellers, on the acquisition of shares in Standard Bank Argentina S.A. ("Standard Bank Argentina"), Standard Investments S.A. Sociedad Gerente de Fondos Comunes de Inversión ("Standard Investments") and Inversora Diagonal Sociedad Anónima (together with Standard Investments, collectively referred to as "Related Companies") by the Bank. Pursuant to the memorandum of agreement entered into among the parties, the Bank shall purchase from SBL 55% of the shares of Standard Bank Argentina and 50% of the shares of each of its Related Companies held by SBL, and from Holding W-S 25% of the shares of Standard Bank Argentina and 30% of the shares of each of its Related Companies held by Holding W-S, for a consideration of approximately USD600 million to be paid to the Sellers. Upon completion of this transaction, the Bank will hold 80% of the shares in each of Standard Bank Argentina and its Related Companies, and SBL will hold the remaining 20% of the shares. Pursuant to the shareholders' agreement, SBL will have a put option, exercisable at any time during the period between the second anniversary and the seventh anniversary of the date of completion of the transaction, to require the Bank to purchase the remaining 20% of the shares held by SBL in each of Standard Bank Argentina and its Related Companies. After completion of the transaction, the Bank and SBL intend to make a capital contribution of an aggregate amount of USD100 million in Standard Bank Argentina by way of share subscription in proportion to their respective shareholding in Standard Bank Argentina in due time. Final completion of the transaction is subject to the obtaining of approvals from domestic and foreign regulatory authorities.

Investment in AXA-Minmetals Assurance Co., Ltd.

On 28 October 2010, the Board of Directors of the Bank approved the investment by the Bank in AXA-Minmetals Assurance Co., Ltd. On the same day, the Bank, AXA CHINA (a subsidiary of AXA Group) and China Minmetals Corporation entered into relevant agreement on the purchase of equity interest in AXA-Minmetals Assurance Co., Ltd. As at the end of the reporting period, the transaction was still undergoing approval procedures by regulatory authorities.

Related Party Transactions

During the reporting period, the Bank had not entered into any material related party transactions. Please refer to "Note 41. to the Financial Statements: Related party disclosures" for the details of related party transactions under the accounting standards.

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 sub-contract 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 sub-contract 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 or Entrusted Loans

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

Occupation of Funds by Controlling Shareholders

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

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

During the reporting period, the Bank and its shareholders holding 5% shares or above did not make any new commitments. As at 30 June 2011, all of the commitments made by shareholders were properly fulfilled.

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

None.

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 and members of the senior management was subject to any investigation, administrative penalty and criticism in a circulated notice by CSRC, public reprimand by the stock exchanges or punishment by other regulatory authorities that had material impact on the operation of the Bank.

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.

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.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors

As at 30 June 2011, the following supervisor is regarded to possess the interests as defined in Part XV of the Securities and Futures Ordinance of Hong Kong for the shares held by his spouse:

Name of supervisor	Capacity	Amount of A shares held (share)	Nature of Interests	Approximate percentage of issued A shares of the Bank (%)	Approximate percentage of total issued shares of the Bank (%)
Zhu Lifei	Spouse interests	18,000	Long position	0.000007	0.000005

Save as disclosed above, as at 30 June 2011, 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.

Review of the Interim Financial Report

The 2011 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.

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.

Other Major Events

SECURITIES INVESTMENT

S/N	Stock (Fund) code	Stock name	Holding at the end of the period (10,000 shares/units)	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)	Accounting item
1	MY (U.S.)	Mingyang Wind Power	1,098.54	341,450,000	445,042,898	835,204,538	Available-for-sale financial assets
2	966 (Hong Kong, China)	CHINA TAIPING	2,688.55	95,490,974	391,244,723	546,291,912	Available-for-sale financial assets
3	485105	ICBCCS Enhanced Income Bond Fund A	14,186.32	150,000,000	153,992,460	162,615,000	Available-for-sale financial assets
4	1115 (Hong Kong, China)	TIBET 5100	4,693.60	55,502,511	143,644,259	54,288,121	Available-for-sale financial assets
5	2468 (Hong Kong, China)	TRONY SOLAR	4,411.76	102,130,671	124,362,048	212,275,834	Available-for-sale financial assets
6	601998	CNCB	2,586.20	149,999,600	122,844,500	135,775,500	Available-for-sale financial assets
7	1299 (Hong Kong, China)	AIA	539.80	92,556,985	120,971,812	100,485,362	Trading financial assets
8	1688 (Hong Kong, China)	ALIBABA	1,002.80	131,782,620	103,068,352	119,266,431	Available-for-sale financial assets
9	871 (Hong Kong, China)	XIANGYU DREDG	4,590.00	121,752,858	92,399,993	–	Available-for-sale financial assets
10	2099 (Hong Kong, China)	CHINA GOLD INTL	173.48	66,674,242	42,698,923	62,049,522	Available-for-sale financial assets
Total			—	**1,307,340,461**	**1,740,269,968**	**2,228,252,220**	—

Notes: (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-ended fund or close-ended fund (top 10 in terms of book value at the end of the period).

(2) The shares in Mingyang Wind Power, TIBET 5100, TRONY SOLAR, XIANGYU DREDG and CHINAGOLDINTL were held by ICBC International, a controlling subsidiary of the Bank; the shares in CHINA TAIPING, AIA and ALIBABA were held by ICBC (Asia), a controlling subsidiary of the Bank; and the ICBCCS Enhanced Income Bond Fund A was held by ICBC Credit Suisse Asset Management, a controlling subsidiary of the Bank.

SHARES IN UNLISTED FINANCIAL INSTITUTIONS

Company	Initial investment cost (RMB yuan)	Number of shares held (10,000 shares)	Shareholding percentage (%)	Book value at the end of the period (RMB yuan)
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	52,465,475	2,498.18	0.16	52,465,475
Joint Electronic Teller Services Limited	8,208,370	0.0024	0.03	7,518,999
Bangkok BTMU Ltd.	4,272,984	20.00	10.00	4,283,199
Huarong Xiangjiang Bank	3,500,000	353.64	0.09	3,617,582
Luen Fung Hang Insurance Co., Ltd.	1,518,440	2.40	6.00	1,400,677
Guilin Bank	420,000	124.97	0.19	1,289,934
Bank of Nanchang	300,000	39.00	0.03	522,646
Taiping General Insurance Co., Ltd.	243,550,678	N/A	12.45	–
Total	**562,787,447**	—	—	**319,650,012**

Note: The shares in Joint Electronic Teller Services Limited were held by ICBC (Asia) and ICBC (Macau), controlling subsidiaries of the Bank; shares in Bangkok BTMU Ltd. were held by ICBC (Thai), 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.

ICBC

Unaudited Interim Condensed Consolidated Financial Statements

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

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ERNST & YOUNG

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

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

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

Introduction

We have reviewed the accompanying interim financial information set out on pages 81 to 161, which comprises the consolidated statement of financial position of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries as at 30 June 2011 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

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

Scope of review

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

Conclusion

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

Ernst & Young

Certified Public Accountants

Hong Kong

25 August 2011

Unaudited Interim Consolidated Income Statement

For the six months ended 30 June 2011
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Interest income	3	272,719	219,865
Interest expense	3	(98,215)	(76,553)
NET INTEREST INCOME	3	174,504	143,312
Fee and commission income	4	56,844	39,055
Fee and commission expense	4	(3,053)	(2,166)
NET FEE AND COMMISSION INCOME	4	53,791	36,889
Net trading expense	5	(21)	(322)
Net loss on financial assets and liabilities designated at fair value through profit or loss	6	(224)	(124)
Net gain on financial investments	7	309	89
Other operating income, net	8	2,801	1,084
OPERATING INCOME		231,160	180,928
Operating expenses	9	(73,255)	(61,869)
Impairment losses on:			
Loans and advances to customers	20	(16,794)	(9,743)
Others	10	(87)	50
OPERATING PROFIT		141,024	109,366
Share of profits and losses of associates and jointly-controlled entities		1,321	1,250
PROFIT BEFORE TAX		142,345	110,616
Income tax expense	11	(32,770)	(25,651)
PROFIT FOR THE PERIOD		109,575	84,965
Attributable to:			
Equity holders of the parent company		109,481	84,603
Non-controlling interests		94	362
		109,575	84,965
EARNINGS PER SHARE			
— Basic (RMB yuan)	13	0.31	0.25
— Diluted (RMB yuan)	13	0.31	0.25

Details of the dividends declared and paid are disclosed in note 12 to the financial statements.

Unaudited Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011
(In RMB millions, unless otherwise stated)

	Note	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Profit for the period		109,575	84,965
Other comprehensive income (after-tax, net):			
Net gain/(loss) on available-for-sale financial assets	35	(4,752)	4,491
Net gain/(loss) on cash flow hedges	35	102	(70)
Share of other comprehensive income of associates and jointly-controlled entities	35	138	(94)
Foreign currency translation differences	35	(2,812)	(1,757)
Others	35	11	—
Subtotal of other comprehensive income for the period		(7,313)	2,570
Total comprehensive income for the period		102,262	87,535
Total comprehensive income attributable to:			
Equity holders of the parent company		102,182	87,188
Non-controlling interests		80	347
		102,262	87,535

Unaudited Interim Consolidated Statement of Financial Position

30 June 2011
(In RMB millions, unless otherwise stated)

	Notes	30 June 2011 (unaudited)	31 December 2010 (audited)
ASSETS			
Cash and balances with central banks	14	2,845,902	2,282,999
Due from banks and other financial institutions	15	461,686	248,860
Financial assets held for trading	16	34,317	10,188
Financial assets designated at fair value through profit or loss	17	97,179	2,798
Derivative financial assets	18	13,803	13,332
Reverse repurchase agreements	19	357,829	262,227
Loans and advances to customers	20	7,152,587	6,623,372
Financial investments	21	3,598,101	3,719,282
Investments in associates and jointly-controlled entities	22	38,530	40,325
Property and equipment	23	103,719	103,412
Deferred income tax assets	24	20,949	21,712
Other assets	25	171,446	130,115
TOTAL ASSETS		**14,896,048**	**13,458,622**
LIABILITIES			
Due to central banks		100	51
Financial liabilities designated at fair value through profit or loss	26	130,876	6,670
Derivative financial liabilities	18	11,025	10,564
Due to banks and other financial institutions	27	1,284,008	1,048,002
Repurchase agreements	28	61,901	84,888
Certificates of deposit	29	27,645	9,314
Due to customers	30	12,047,138	11,145,557
Income tax payable		21,684	33,759
Deferred income tax liabilities	24	231	318
Debt securities issued	31	145,248	102,264
Other liabilities	32	306,577	195,578
TOTAL LIABILITIES		**14,036,433**	**12,636,965**
EQUITY			
Equity attributable to equity holders of the parent company			
Issued share capital	33	349,020	349,019
Equity component of convertible bonds	31	2,985	2,985
Reserves	34	260,216	267,269
Retained profits		246,170	201,157
		858,391	820,430
Non-controlling interests		1,224	1,227
TOTAL EQUITY		**859,615**	**821,657**
TOTAL EQUITY AND LIABILITIES		**14,896,048**	**13,458,622**

Jiang Jianqing
Chairman

Yang Kaisheng
Vice Chairman and President

Shen Rujun
General Manager of Finance and Accounting Department

Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
			Reserves											
	Issued share capital	Equity component of convertible bonds	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2011	349,019	2,985	131,923	53,782	93,071	(6,303)	581	(4,248)	(1,537)	267,269	201,157	820,430	1,227	821,657
Profit for the period	—	—	—	—	—	—	—	—	—	—	109,481	109,481	94	109,575
Other comprehensive income	—	—	11	—	—	(4,752)	(2,798)	102	138	(7,299)	—	(7,299)	(14)	(7,313)
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	(4,752)	—	—	—	(4,752)	—	(4,752)	—	(4,752)
Cash flow hedges, net of tax	—	—	—	—	—	—	—	102	—	102	—	102	—	102
Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	—	138	138	—	138	—	138
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(2,798)	—	—	(2,798)	—	(2,798)	(14)	(2,812)
Others	—	—	11	—	—	—	—	—	—	11	—	11	—	11
Total comprehensive income	—	—	11	—	—	(4,752)	(2,798)	102	138	(7,299)	109,481	102,182	80	102,262
Dividend — 2010 final (note 12)	—	—	—	—	—	—	—	—	—	—	(64,220)	(64,220)	—	(64,220)
Appropriation to surplus reserves (i)	—	—	—	111	—	—	—	—	—	111	(111)	—	—	—
Appropriation to general reserves (ii)	—	—	—	—	137	—	—	—	—	137	(137)	—	—	—
Conversion of convertible bonds (notes 31 and 33)	1	—	3	—	—	—	—	—	—	3	—	4	—	4
Change in shareholdings in subsidiaries	—	—	(5)	—	—	—	—	—	—	(5)	—	(5)	(14)	(19)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(69)	(69)
Balance as at 30 June 2011 (unaudited)	**349,020**	**2,985**	**131,932**	**53,893**	**93,208**	**(11,055)**	**(2,217)**	**(4,146)**	**(1,399)**	**260,216**	**246,170**	**858,391**	**1,224**	**859,615**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB17 million and RMB94 million, respectively.

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

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company												
		Reserves											
	Issued share capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2010	334,019	107,790	37,484	84,222	(897)	(1,919)	(4,082)	(655)	221,943	117,931	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
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	4,503	—	—	—	4,503	—	4,503	(12)	4,491
Cash flow hedges, net of tax	—	—	—	—	—	—	(62)	—	(62)	—	(62)	(8)	(70)
Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	(94)	(94)	—	(94)	—	(94)
Exchange differences on translation of foreign operations	—	—	—	—	—	(1,762)	—	—	(1,762)	—	(1,762)	5	(1,757)
Total comprehensive income	—	—	—	—	4,503	(1,762)	(62)	(94)	2,585	84,603	87,188	347	87,535
Dividend — 2009 final (note 12)	—	—	—	—	—	—	—	—	—	(56,783)	(56,783)	—	(56,783)
Appropriation to surplus reserves (i)	—	—	43	—	—	—	—	—	43	(43)	—	—	—
Appropriation to general reserves (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)	334,019	107,771	37,527	84,279	3,606	(3,681)	(4,144)	(749)	224,609	145,651	704,279	5,321	709,600

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

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

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
			Reserves											
	Issued share capital	Equity component of convertible bonds	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2010	334,019	—	107,790	37,484	84,222	(897)	(1,919)	(4,082)	(655)	221,943	117,931	673,893	5,041	678,934
Profit for the year	—	—	—	—	—	—	—	—	—	—	165,156	165,156	869	166,025
Other comprehensive income	—	—	114	—	—	(5,406)	2,500	(166)	(882)	(3,840)	—	(3,840)	(232)	(4,072)
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	(5,406)	—	—	—	(5,406)	—	(5,406)	(104)	(5,510)
Cash flow hedges, net of tax	—	—	—	—	—	—	—	(166)	—	(166)	—	(166)	(45)	(211)
Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	—	(882)	(882)	—	(882)	—	(882)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	2,500	—	—	2,500	—	2,500	(126)	2,374
Others	—	—	114	—	—	—	—	—	—	114	—	114	43	157
Total comprehensive income	—	—	114	—	—	(5,406)	2,500	(166)	(882)	(3,840)	165,156	161,316	637	161,953
Dividend — 2009 final (note 12)	—	—	—	—	—	—	—	—	—	—	(56,783)	(56,783)	—	(56,783)
Appropriation to surplus reserves (i)	—	—	—	16,298	—	—	—	—	—	16,298	(16,298)	—	—	—
Appropriation to general reserves (ii)	—	—	—	—	8,849	—	—	—	—	8,849	(8,849)	—	—	—
Rights issue	15,000	—	29,621	—	—	—	—	—	—	29,621	—	44,621	—	44,621
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	230	230
Change in shareholdings in subsidiaries	—	—	(5,602)	—	—	—	—	—	—	(5,602)	—	(5,602)	(4,373)	(9,975)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(308)	(308)
Issue of convertible bonds	—	2,985	—	—	—	—	—	—	—	—	—	2,985	—	2,985
Balance as at 31 December 2010 (audited)	349,019	2,985	131,923	53,782	93,071	(6,303)	581	(4,248)	(1,537)	267,269	201,157	820,430	1,227	821,657

(i) Includes the appropriation made by subsidiaries in the amount of RMB133 million.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB109 million.

Unaudited Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2011
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		142,345	110,616
Adjustments for:			
Share of profits of associates and jointly-controlled entities		(1,321)	(1,250)
Depreciation	9	5,983	5,396
Amortisation	9	687	652
Amortisation of financial investments		(4,384)	(4,080)
Impairment losses on loans and advances to customers	20	16,794	9,743
Impairment losses on assets other than loans and advances to customers	10	87	(50)
Unrealised foreign exchange loss		4,013	823
Interest expense on bonds issued		1,935	1,289
Accreted interest on impaired loans	3	(240)	(506)
Gain on disposal of available-for-sale financial assets, net	7	(277)	(56)
Net trading (gain)/loss on equity investments	5	(23)	5
Net loss on financial assets and liabilities designated at fair value through profit or loss	6	224	124
Net gain on disposal of property and equipment and other assets (other than repossessed assets)		(350)	(82)
Dividend income	7	(32)	(33)
		165,441	122,591
Net decrease/(increase) in operating assets:			
Due from central banks		(392,913)	(314,443)
Due from banks and other financial institutions		(68,726)	9,754
Financial assets held for trading		(23,499)	4,367
Financial assets designated at fair value through profit or loss		(94,641)	221
Reverse repurchase agreements		2,116	196,622
Loans and advances to customers		(562,595)	(620,246)
Other assets		(25,897)	(19,877)
		(1,166,155)	(743,602)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated at fair value through profit or loss		124,328	(8,621)
Due to central banks		49	—
Due to banks and other financial institutions		240,071	98,859
Repurchase agreements		(22,987)	(26,960)
Certificates of deposit		18,638	(3,033)
Due to customers		909,994	1,053,044
Other liabilities		10,892	22,362
		1,280,985	1,135,651
Net cash flows from operating activities before tax		280,271	514,640
Income tax paid		(42,780)	(31,163)
Net cash flows from operating activities		237,491	483,477

(In RMB millions, unless otherwise stated)

	Note	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(3,871)	(4,468)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		1,080	502
Purchases of financial investments		(808,119)	(1,244,773)
Proceeds from sale and redemption of financial investments		947,076	1,122,604
Investments in associates and jointly-controlled entities		(3)	(823)
Acquisition of subsidiaries		—	(2,929)
Proceeds from disposal of a subsidiary		—	(528)
Dividends received		809	607
Net cash flows from investing activities		136,972	(129,808)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of subordinated bonds		38,000	—
Proceeds from issuance of other bonds		2,926	—
Interest paid on subordinated bonds		(83)	(119)
Acquisition of non-controlling interests		(18)	—
Dividends paid on ordinary shares		(1,323)	(56,783)
Dividends paid to non-controlling shareholders		(34)	(135)
Net cash flows from financing activities		39,468	(57,037)
NET INCREASE IN CASH AND CASH EQUIVALENTS		413,931	296,632
Cash and cash equivalents at beginning of the period		528,971	409,394
Effect of exchange rate changes on cash and cash equivalents		(2,111)	(1,334)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	36	940,791	704,692
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDES:			
Interest received		259,733	212,693
Interest paid		(87,897)	(67,880)

1. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the "Bank"), which was previously known as Industrial and Commercial Bank of China ("ICBC"), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People's Bank of China (the "PBOC") of the People's Republic of China (the "PRC"). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring.

The Bank obtained its finance permit No. B0001H111000001 from the China Banking Regulatory Commission (the "CBRC") of the PRC. The Bank obtained its business license No. 100000000003965 from the State Administration for Industry and Commerce of the PRC. The legal representative is Jiang Jianqing and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank's A Shares and H Shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and the stock codes are 601398 and 1398, respectively.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established inside Mainland China. Overseas establishments refer to branches and subsidiaries established under local jurisdictions outside Mainland China.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

Accounting judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2010.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of subsidiaries, for the purpose of preparation of these consolidated financial statements, are prepared for the same reporting period as the Bank, using consistent accounting policies.

(i) Subsidiaries

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

(a) derecognises the assets (including goodwill) and liabilities of the subsidiary;

(b) derecognises the carrying amount of any non-controlling interest;

(c) derecognises the cumulative translation differences recorded in equity;

(d) recognises the fair value of the consideration received;

(e) recognises the fair value of any investment retained;

(f) recognises any resulting surplus or deficit in profit or loss; and

(g) reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement, and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the parent company. An acquisition of non-controlling interests is accounted for as an equity transaction.

(ii) Special purpose entities

Special purpose entities ("SPEs") are consolidated if they are in substance controlled by the Bank. When assessing whether the Bank has a control over the SPEs, the Bank evaluates a range of factors, including whether:

(a) the activities of the SPE are being conducted on behalf of the Bank and according to the Bank's specific business needs so that the Bank obtains benefits from the SPE's operations;

(b) the Bank has the decision-making powers to obtain the majority of the benefits of the activities of the SPE;

(c) the Bank has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or

(d) the Bank retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

(In RMB millions, unless otherwise stated)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Particulars of the Bank's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest directly attributable to the Bank 30 June 2011 %	Percentage of equity interest directly attributable to the Bank 31 December 2010 %	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration and operations	Principal activities
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia")	100	100	HK$2,704 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	HK$939 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company (i)	100	100	USD60.89 million	Almaty, Kazakhstan	Commercial banking
ICBC (London) PLC (ii)	100	100	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. *	55	55	RMB200 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China (Europe) S.A.	100	100	EUR115 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia	97.50	97.50	IDR1,500 billion	Jakarta, Indonesia	Commercial banking
ZAO Industrial and Commercial Bank of China (Moscow)	100	100	RUB1,000 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd. *	100	100	RMB5,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited	89.33	89.33	MOP461 million	Macau, the PRC	Commercial banking
Industrial and Commercial Bank of China (Middle East) Limited	100	100	USD50 million	Dubai, United Arab Emirates	Commercial and investment banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd. *	60	60	RMB200 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd. *	100	100	RMB100 million	Chongqing, the PRC	Commercial banking
Industrial and Commercial Bank of China (Canada)	70	70	CA$58 million	Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	MYR331 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai") (iii)	97.70	97.24	THB15,905 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	USD50 million	Delaware and New York, United States	Broker dealer

* These subsidiaries incorporated in Mainland China are all limited liability companies.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

(i) On 8 June 2011, the Bank made an additional capital injection of USD34.20 million into Industrial and Commercial Bank of China (Almaty) Joint Stock Company and its total registered and paid-in capital increased to USD60.89 million.

(ii) On 26 May 2011, Industrial and Commercial Bank of China, (London) Limited officially changed its name to ICBC (London) PLC.

(iii) On 8 March 2011, the Bank completed the voluntary delisting tender offer, which was made for ICBC Thai on 27 December 2010. The Bank held approximately 97.70% of the total issued shares of ICBC Thai.

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length. Apart from the above, the Bank has consolidated SPEs which are controlled by the Bank.

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 2010, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs")) and IFRIC interpretations as of 1 January 2011. The principal effects of adopting these new and revised IFRSs and IFRIC interpretations are as follows:

IAS 24 *Related Party Disclosures* clarified the definition of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group. The Group reevaluates the disclosures, both qualitatively and quantitatively, for transactions entered into between government related entities that are individually significant or collectively significant but individually not. The level of detail of disclosures is determined by considering the closeness of related parties and assessing the level of significance of these transactions based on whether these transactions are 1) significant in terms of size, 2) carried out on non-market terms, 3) outside normal day-to-day operations, 4) disclosed to regulatory authorities, 5) reported to senior management, and 6) subject to shareholders' approval. Please refer to note 41 for related party disclosures.

IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues* has been amended to amend the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment had no effect on the financial position nor performance of the Group.

IFRIC 14 *Prepayments of a Minimum Funding Requirement* has been amended to provide guidance on assessing the recoverable amount of a net pension asset. The amendments permit an entity to treat the prepayment of a minimum funding requirement as an asset. The interpretation had no effect on the financial position nor performance of the Group.

(In RMB millions, unless otherwise stated)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The interpretation had no effect on the financial position nor performance of the Group.

Apart from the above, in May 2010, the IASB has issued its third 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 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 were applied from 1 January 2011 by the Group. Except the change in accounting policy described below resulted by the adoption of the amendment of IFRS 1, none of other amendments had impact on the financial position or performance of the Group.

IFRS 1 improvement in the special event such as privatisation or initial public offering, an entity may use fair value measurements at the valuation date as deemed cost to determine the book value of assets. For entity which has adopted IFRS can conduct a retroactive adjustment. The Group changed the accounting policies related to assets revaluation and deemed cost applied on stock reform in 2005 and made the related adjustment retroactively in accordance with the amendment. As the result, the balance of reserves as at 31 December 2010 increased by RMB829 million, while the balance of retained profits decreased by RMB829 million. The amendment had no impact on the income statement for the six months ended 30 June 2010.

* *Improvements to IFRSs* contain amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13.

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

3. NET INTEREST INCOME

	Six months ended 30 June	
	2011 (unaudited)	**2010 (unaudited)**
Interest income on:		
Loans and advances to customers (i)		
— Corporate loans and advances	141,720	113,660
— Personal loans	44,927	32,114
— Discounted bills	4,236	3,948
Financial investments (ii)	56,751	51,114
Due from central banks	17,927	13,494
Due from banks and other financial institutions	7,158	5,535
	272,719	219,865
Interest expense on:		
Due to customers	(84,222)	(67,982)
Due to banks and other financial institutions	(11,957)	(7,282)
Debt securities issued	(2,036)	(1,289)
	(98,215)	(76,553)
Net interest income	174,504	143,312

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

(In RMB millions, unless otherwise stated)

3. NET INTEREST INCOME (CONTINUED)

(i) Included in interest income on loans and advances to customers for the period is an amount of RMB240 million (six months ended 30 June 2010: RMB506 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 RMB54 million (six months ended 30 June 2010: RMB178 million) with respect to interest income on impaired debt securities.

4. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Settlement, clearing business and cash management	13,582	9,546
Investment banking business	13,155	8,666
Personal wealth management and private banking services (i)	10,552	7,166
Bank card business	8,058	6,186
Corporate wealth management services (i)	4,394	3,436
Assets custody business (i)	3,007	1,499
Guarantee and commitment business	2,925	1,518
Trust and agency services (i)	746	524
Others	425	514
Fee and commission income	56,844	39,055
Fee and commission expense	(3,053)	(2,166)
Net fee and commission income	53,791	36,889

(i) Included in personal wealth management and private banking services, corporate wealth management services, assets custody business and trust and agency services above is an amount of RMB5,424 million (six months ended 30 June 2010: RMB3,857 million) with respect to trust and other fiduciary activities.

5. NET TRADING EXPENSE

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Debt securities	384	540
Equity investments	23	(5)
Derivatives	(428)	(857)
	(21)	(322)

The above amounts mainly include gains and losses arising from the buying and selling of, interest income and expense on and changes in the fair value of financial assets and liabilities held for trading.

(In RMB millions, unless otherwise stated)

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

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Financial assets	998	36
Financial liabilities	(1,222)	(160)
	(224)	(124)

The above amounts represent gains and losses arising from the buying and selling of, interest income and expense on and changes in the fair value of financial assets and liabilities designated at fair value through profit or loss upon initial recognition.

7. NET GAIN ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Dividend income from unlisted investments	29	32
Dividend income from listed investments	3	1
Dividend income	32	33
Gain on disposal of available-for-sale investments, net	277	56
	309	89

8. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Gain from foreign exchange and foreign exchange products, net	849	119
Net gain on disposal of property and equipment, repossessed assets and others	644	238
Sundry bank charge income	91	79
Leasing income	641	129
Others	576	519
	2,801	1,084

(In RMB millions, unless otherwise stated)

9. OPERATING EXPENSES

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Staff costs:		
Salaries and bonuses	25,168	20,834
Staff benefits	7,463	5,927
Contributions to defined contribution schemes	4,338	4,023
	36,969	30,784
Premises and equipment expenses:		
Depreciation	5,983	5,396
Minimum lease payments under operating leases in respect of land and buildings	2,211	1,833
Repairs and maintenance charges	766	743
Utility expenses	999	924
	9,959	8,896
Amortisation	687	652
Other administrative expenses	9,273	8,261
Business tax and surcharges	13,574	10,350
Others	2,793	2,926
	73,255	61,869

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

		Six months ended 30 June	
	Notes	2011 (unaudited)	2010 (unaudited)
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	15	12	1
Financial investments:			
Held-to-maturity investments	21(d)	(20)	(86)
Available-for-sale financial assets		(422)	(115)
Investments in associates and jointly-controlled entities	22	348	—
Other assets		169	150
		87	(50)

(In RMB millions, unless otherwise stated)

11. INCOME TAX EXPENSE

(a) Income tax

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Current income tax expense:		
Mainland China	32,743	24,922
Hong Kong and Macau	399	245
Overseas	235	125
	33,377	25,292
Adjustment in respect of current income tax of prior years	(2,672)	474
	30,705	25,766
Deferred income tax expense	2,065	(115)
	32,770	25,651

(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:

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Profit before tax	142,345	110,616
Tax at the PRC statutory income tax rate	35,586	27,654
Effects of different applicable rates of tax prevailing in other countries/regions	(119)	(50)
Non-deductible expenses (i)	644	320
Non-taxable income (ii)	(3,271)	(2,593)
Profits and losses attributable to associates and jointly-controlled entities	(328)	(313)
Adjustment in respect of current and deferred income tax of prior years	164	474
Others	94	159
Tax expense at the Group's effective income tax rate	32,770	25,651

(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.

12. DIVIDENDS

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Dividends on ordinary shares declared and paid:		
Final dividend for 2010: RMB0.184 per share (2009: RMB0.17 per share)	64,220	56,783

13. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	109,481	84,603
Shares:		
Weighted average number of ordinary shares in issue (in million shares) (i)	349,020	340,028
Basic earnings per share (RMB yuan)	0.31	0.25

Basic earnings per share was calculated as the profit for the period attributable to ordinary equity holders of the Bank divided by the weighted average number of ordinary shares in issue.

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

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	109,481	84,603
Add: Interest expense on convertible bonds (net of tax)	320	—
Profit used to determine diluted earnings per share	109,801	84,603
Shares:		
Weighted average number of ordinary shares in issue (in million shares) (i)	349,020	340,028
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	6,296	—
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	355,316	340,028
Diluted earnings per share (RMB yuan)	0.31	0.25

Diluted earnings per share was computed from dividing the profit attributable to ordinary equity holders of the parent company (after adjusting for interest expense on the convertible bonds) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

(i) The weighted average number of ordinary shares in issue during the six months ended 30 June 2010 were adjusted to reflect the effect of the rights issue in 2010.

(In RMB millions, unless otherwise stated)

14. CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2011 (unaudited)	31 December 2010 (audited)
Cash and unrestricted balances with central banks:		
Cash on hand	57,788	48,924
Surplus reserves with central banks (i)	230,486	69,222
Unrestricted balances with central banks of overseas countries or regions	6,685	6,823
	294,959	124,969
Restricted balances with central banks:		
Mandatory reserves with central banks (ii)	2,320,433	1,982,575
Fiscal deposits with the PBOC	228,889	173,843
Mandatory reserves with central banks of overseas countries or regions (ii)	1,529	1,520
Other restricted balances with PBOC (ii)	92	92
	2,550,943	2,158,030
	2,845,902	2,282,999

(i) Surplus reserves include a deposit in the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.

(ii) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations. Mandatory reserve deposits mainly consist of deposits placed with the PBOC. As at 30 June 2011, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.

15. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2011 (unaudited)	31 December 2010 (audited)
Nostro accounts:		
Banks operating in Mainland China	265,343	139,915
Other financial institutions operating in Mainland China	8,645	2,036
Banks and other financial institutions operating outside Mainland China	64,951	42,025
	338,939	183,976
Less: Allowance for impairment losses	(35)	(34)
	338,904	183,942
Placements with banks and other financial institutions:		
Banks operating in Mainland China	47,754	11,775
Other financial institutions operating in Mainland China	49,274	24,066
Banks and other financial institutions operating outside Mainland China	25,796	29,108
	122,824	64,949
Less: Allowance for impairment losses	(42)	(31)
	122,782	64,918
	461,686	248,860

(In RMB millions, unless otherwise stated)

15. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

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

	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2010	34	28	62
Charge for the year	—	3	3
At 31 December 2010 and 1 January 2011 (audited)	34	31	65
Charge for the period	1	11	12
At 30 June 2011 (unaudited)	35	42	77

16. FINANCIAL ASSETS HELD FOR TRADING

	30 June 2011 (unaudited)	31 December 2010 (audited)
Debt securities	34,151	10,051
Equity investments	166	137
	34,317	10,188
Debt securities analysed into:		
Listed in Hong Kong	77	72
Listed outside Hong Kong	1,559	1,958
Unlisted	32,515	8,021
	34,151	10,051

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

	30 June 2011 (unaudited)	31 December 2010 (audited)
Debt securities	25,534	948
Other debt instruments		
Banks and other financial institutions	45,450	—
Corporate entities	26,195	1,850
	97,179	2,798
Analysed into:		
Listed in Hong Kong	69	—
Listed outside Hong Kong	812	138
Unlisted	96,298	2,660
	97,179	2,798

(In RMB millions, unless otherwise stated)

18. 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 2011 (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
Exchange rate contracts:							
Forward and swap contracts	567,097	513,901	29,851	6,064	1,116,913	9,871	(6,767)
Option contracts purchased	3,935	14,838	1,745	—	20,518	232	—
Option contracts written	3,472	2,554	1,745	—	7,771	—	(50)
	574,504	531,293	33,341	6,064	1,145,202	10,103	(6,817)
Interest rate contracts:							
Swap contracts	29,643	148,681	257,699	30,455	466,478	2,885	(4,040)
Forward contracts	2,718	2,459	7,468	—	12,645	167	(167)
	32,361	151,140	265,167	30,455	479,123	3,052	(4,207)
Other derivative contracts	162	1,672	127	—	1,961	648	(1)
	607,027	684,105	298,635	36,519	1,626,286	13,803	(11,025)

	31 December 2010 (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
Exchange rate contracts:							
Forward and swap contracts	427,922	422,225	33,400	6,179	889,726	9,551	(6,194)
Option contracts purchased	2,739	10,326	698	—	13,763	186	—
Option contracts written	1,989	2,242	698	—	4,929	—	(102)
	432,650	434,793	34,796	6,179	908,418	9,737	(6,296)
Interest rate contracts:							
Swap contracts	16,321	83,121	185,975	37,197	322,614	2,695	(4,089)
Forward contracts	3,559	1,470	5,364	—	10,393	178	(178)
Option contracts purchased	—	—	430	—	430	—	—
Option contracts written	—	—	430	—	430	—	—
	19,880	84,591	192,199	37,197	333,867	2,873	(4,267)
Other derivative contracts	226	526	1,386	—	2,138	722	(1)
	452,756	519,910	228,381	43,376	1,244,423	13,332	(10,564)

(In RMB millions, unless otherwise stated)

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 assets and floating rate foreign currency denominated liabilities during the period/year.

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

	30 June 2011 (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	—	337	—	—	337	1	—
Interest rate swap contracts	—	762	3,949	3,430	8,141	18	(160)
	—	1,099	3,949	3,430	8,478	19	(160)

	31 December 2010 (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
Currency swap contracts	—	—	344	—	344	1	—
Interest rate swap contracts	—	661	3,874	3,311	7,846	—	(247)
	—	661	4,218	3,311	8,190	1	(247)

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 2010: 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:

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	111	(350)
— Hedged items attributable to the hedged risk	(109)	352
	2	2

(In RMB millions, unless otherwise stated)

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hedges (continued)

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

	30 June 2011 (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	53	186	612	—	851	—	(124)
Interest rate swap contracts	797	2,039	9,271	1,338	13,445	—	(620)
	850	2,225	9,883	1,338	14,296	—	(744)

	31 December 2010 (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
Currency swap contracts	—	53	817	—	870	1	(83)
Interest rate swap contracts	377	2,922	10,711	1,628	15,638	8	(716)
	377	2,975	11,528	1,628	16,508	9	(799)

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:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Currency derivatives	10,268	8,267
Interest rate derivatives	2,178	2,066
Other derivatives	749	858
	13,195	11,191

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.

(In RMB millions, unless otherwise stated)

19. REVERSE REPURCHASE AGREEMENTS

	30 June 2011 (unaudited)	31 December 2010 (audited)
Analysed by counterparty:		
Banks	123,255	117,045
Other financial institutions	234,574	145,182
	357,829	262,227
Analysed by collateral:		
Securities	297,955	199,443
Bills	52,702	54,346
Loans	7,172	8,438
	357,829	262,227

As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. At 30 June 2011, the Group had received securities with a fair value of approximately RMB122,976 million on such terms (31 December 2010: RMB82,076 million). Of these, securities with a fair value of approximately RMB80,559 million have been repledged under repurchase agreements (31 December 2010: RMB81,204 million). The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

20. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2011 (unaudited)	31 December 2010 (audited)
Corporate loans and advances	5,393,739	5,017,281
Personal loans	1,834,360	1,655,719
Discounted bills	105,941	117,506
	7,334,040	6,790,506
Less: Allowance for impairment losses	(181,453)	(167,134)
	7,152,587	6,623,372

(In RMB millions, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	Individually assessed	Collectively assessed	Total
At 1 January 2010	45,500	99,952	145,452
Impairment loss:	1,807	26,081	27,888
— impairment allowances charged	13,481	69,971	83,452
— impairment allowances transferred	12	(12)	—
— reversal of impairment allowances	(11,686)	(43,878)	(55,564)
Accreted interest on impaired loans	(754)	—	(754)
Write-off	(6,394)	(510)	(6,904)
Recoveries of loans and advances previously written off	913	176	1,089
Others	228	135	363
At 31 December 2010 and 1 January 2011 (audited)	41,300	125,834	167,134
Impairment loss:	(2,647)	19,441	16,794
— impairment allowances charged	3,856	53,632	57,488
— impairment allowances transferred	207	(207)	—
— reversal of impairment allowances	(6,710)	(33,984)	(40,694)
Accreted interest on impaired loans (note 3)	(240)	—	(240)
Write-off	(2,479)	(261)	(2,740)
Recoveries of loans and advances previously written off	461	44	505
At 30 June 2011 (unaudited)	36,395	145,058	181,453

Movements of allowance for impairment losses during the period/year analysed into those attributable to corporate loans and advances and discounted bills, and personal loans are as follows:

	Corporate loans and advances and discounted bills	Personal loans	Total
At 1 January 2010	120,793	24,659	145,452
Impairment loss:	17,654	10,234	27,888
— impairment allowances charged	66,416	17,036	83,452
— reversal of impairment allowances	(48,762)	(6,802)	(55,564)
Accreted interest on impaired loans	(754)	—	(754)
Write-off	(6,394)	(510)	(6,904)
Recoveries of loans and advances previously written off	913	176	1,089
Others	353	10	363
At 31 December 2010 and 1 January 2011 (audited)	132,565	34,569	167,134
Impairment loss:	9,235	7,559	16,794
— impairment allowances charged	43,199	14,289	57,488
— reversal of impairment allowances	(33,964)	(6,730)	(40,694)
Accreted interest on impaired loans (note 3)	(240)	—	(240)
Write-off	(2,479)	(261)	(2,740)
Recoveries of loans and advances previously written off	461	44	505
At 30 June 2011 (unaudited)	139,542	41,911	181,453

(In RMB millions, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	30 June 2011 (unaudited)	31 December 2010 (audited)
Loans and advances for which allowance for impairment losses are:		
Individually assessed	59,815	63,500
Collectively assessed	7,274,225	6,727,006
	7,334,040	6,790,506
Less: Allowance for impairment losses:		
Individually assessed	36,395	41,300
Collectively assessed	145,058	125,834
	181,453	167,134
Net loans and advances for which allowance for impairment losses are:		
Individually assessed	23,420	22,200
Collectively assessed	7,129,167	6,601,172
	7,152,587	6,623,372
Identified impaired loans and advances	69,486	73,241
Percentage of impaired loans and advances	0.95%	1.08%

Securitisation business

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to SPEs which issue asset-backed securities to investors. The Group may retain interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group exposes to changes in the value of the transferred assets.

As at 30 June 2011, loans with an original carrying amount of RMB8,011 million (31 December 2010: RMB12,032 million) have been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets. As at 30 June 2011, the amount of assets that the Group continues to recognise was RMB383 million (31 December 2010: RMB395 million), and the assets were classified as available-for-sale financial assets.

21. FINANCIAL INVESTMENTS

	Notes	30 June 2011 (unaudited)	31 December 2010 (audited)
Receivables	(a)	493,341	501,706
Held-to-maturity investments	(b)	2,274,928	2,312,781
Available-for-sale financial assets	(c)	829,832	904,795
		3,598,101	3,719,282

(In RMB millions, unless otherwise stated)

21. FINANCIAL INVESTMENTS (CONTINUED)

(a) Receivables

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

	Notes	30 June 2011 (unaudited)	31 December 2010 (audited)
Huarong bonds	(i)	312,996	312,996
Special government bond	(ii)	85,000	85,000
Special PBOC bill	(iii)	—	4,325
Other bills and bonds	(iv)	95,345	99,385
		493,341	501,706

Notes:

(i) The Huarong bonds are a series of long term bonds issued by China Huarong Asset Management Corporation ("Huarong") in 2000 to 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-transferable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. In 2010, the Bank received a notice from the Ministry of Finance of the People's Republic of China (the "MOF") that the maturity dates of the Huarong bonds are extended for another ten years and the interest rate remains unchanged. Besides, the MOF will continue providing funding in support of the repayment of the principal and interest of the bonds.

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

(iii) Special PBOC bill is a non-transferable bill issued by the PBOC with a nominal value of RMB4,325 million as at 31 December 2010, which matured in the first half year of 2011.

(iv) Other bills and bonds include the PBOC bills, government, financial and corporate bonds. The balance represents non-transferable debt securities with fixed or determinable payments, which will mature in August 2011 to June 2021 and bear interest rates of 2.60% to 6.30% per annum.

(b) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Debt securities	2,276,350	2,314,255
Less: Allowance for impairment losses	(1,422)	(1,474)
	2,274,928	2,312,781

	30 June 2011 (unaudited)	31 December 2010 (audited)
Analysed into:		
Listed in Hong Kong	390	432
Listed outside Hong Kong	583,135	379,760
Unlisted	1,691,403	1,932,589
	2,274,928	2,312,781
Market value of listed debt securities	569,538	372,725

(In RMB millions, unless otherwise stated)

21. FINANCIAL INVESTMENTS (CONTINUED)

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Debt securities, at fair value (i)	825,205	899,750
Equity investments:		
At fair value (i)	2,603	2,986
At cost (ii):		
Debt for equity swaps	1,627	1,627
Others	1,359	1,468
Less: Allowance for impairment losses on equity investments	(962)	(1,036)
	2,024	2,059
Subtotal for equity investments	4,627	5,045
	829,832	904,795
Debt securities analysed into:		
Listed in Hong Kong	4,431	3,645
Listed outside Hong Kong	106,062	99,845
Unlisted	714,712	796,260
	825,205	899,750
Equity investments analysed into:		
Listed in Hong Kong	900	940
Listed outside Hong Kong	598	1,004
Unlisted	3,129	3,101
	4,627	5,045
Market value of listed securities:		
Debt securities	110,493	103,490
Equity investments	1,498	1,944
	111,991	105,434

(i) When impairment of an available-for-sale investment measured at fair value occurs, any impairment loss recognised is recorded in the carrying amount directly. As at 30 June 2011, the available-for-sale financial assets measured at fair value include debt securities which are individually assessed to be impaired whose carrying amount is RMB670 million (31 December 2010: RMB4,296 million), with the reversal of impairment loss recognised in the income statement for the period of RMB537 million (six months ended 30 June 2010: the reversal of impairment loss recognised for the period of RMB115 million) on available-for-sale financial assets.

(ii) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise. During the six months ended 30 June 2011, the Group disposed of part of these equity investments with a carrying value of RMB69 million (six months ended 30 June 2010: RMB389 million). There was no gain or loss recognised for such a disposal during the period (six months ended 30 June 2010: Nil).

(In RMB millions, unless otherwise stated)

21. FINANCIAL INVESTMENTS (CONTINUED)

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

	Held-to-maturity debt securities	Available-for-sale investments	Total
At 1 January 2010	1,846	962	2,808
Charge for the year	4	7	11
Reversal for the year	(207)	—	(207)
Others	48	84	132
Disposals	(217)	(17)	(234)
At 31 December 2010 and 1 January 2011 (audited)	1,474	1,036	2,510
Charge for the period	44	—	44
Reversal for the period	(64)	—	(64)
Disposals	(32)	(74)	(106)
At 30 June 2011 (unaudited)	1,422	962	2,384

22. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

	30 June 2011 (unaudited)	31 December 2010 (audited)
Share of net assets	19,067	19,417
Goodwill	19,811	20,908
	38,878	40,325
Less: Allowance for impairment losses	(348)	—
	38,530	40,325

The following table illustrates the summarised financial information of the Group's associates and jointly-controlled entities:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Assets	1,307,593	1,341,448
Liabilities	(1,203,505)	(1,235,634)
Net assets	104,088	105,814

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Revenue	47,286	39,215
Profit for the period	7,488	6,135

The financial information above was extracted from the financial statements of the associates and jointly-controlled entities.

(In RMB millions, unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (CONTINUED)

The following table illustrates the market value of the Group's listed investments in associates and jointly-controlled entities:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Market value of listed investments	29,875	28,503

Particulars of the Group's principal associates and jointly-controlled entities are as follows:

Name	Percentage of equity interest 30 June 2011 %	Percentage of equity interest 31 December 2010 %	Voting rights 30 June 2011 %	Place of incorporation/ registration	Principal activities
Associates:					
Listed investment directly held:					
Standard Bank Group Limited ("Standard Bank")	20.05	20.06	20.05	Johannesburg, Republic of South Africa	Commercial banking
Listed investment indirectly held:					
Finansia Syrus Securities Public Company Limited (i)	23.95	23.83	24.51	Bangkok, Thailand	Securities
Unlisted investments indirectly held:					
IEC Investments Limited (ii)	40.00	40.00	40.00	Hong Kong, the PRC	Investment
All Winwin Holdings Limited (iii)	20.00	20.00	20.00	British Virgin Islands	Investment
Tianjin ICBCI IHG Equity Investment Fund Management Limited ("ICBCI IHG") (iv)	30.00	—	30.00	Tianjin, the PRC	Fund management
Jointly-controlled entities:					
Unlisted investments indirectly held:					
Jiangxi Poyanghu Industry Investment Management Company Limited (v)	50.00	50.00	50.00	Jiangxi, the PRC	Investment management
COLI ICBCI China Investment Management (Cayman Islands) Limited (vi)	45.00	45.00	Note 1	Cayman Islands	Investment management
Harmony China Real Estate Fund L.P. (vii)	27.91	27.91	Note 2	Cayman Islands	Fund
ICBCI HNA (Tianjin) Equity Investment Fund Management Limited ("ICBCI HNA") (viii)	50.00	50.00	50.00	Tianjin, the PRC	Fund management

Note 1: According to the articles of association, the Group and other shareholders jointly control the entity.

Note 2: The Fund is a limited partnership; under the partnership agreement, the Group and other partners jointly control the Fund.

(In RMB millions, unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (CONTINUED)

(i) The shareholding of a 24.51% equity interest in this associate is held by a non-wholly-owned subsidiary, ICBC Thai. The percentage of equity interest disclosed represents the effective percentage of equity held by the Group.

(ii) The shareholding of a 40% equity interest in this associate is held by a wholly-owned subsidiary, ICBC Asia. The percentage of equity interest disclosed represents the effective percentage of equity held by the Group.

(iii) The shareholding of a 20% equity interest in this associate is held by a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage of equity held by the Group.

(iv) The shareholding of a 30% equity interest in this associate is held by a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage of equity held by the Group.

(v) Jiangxi Poyanghu Industry Investment Management Company Limited is a jointly-controlled entity of a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage held by the Group.

(vi) COLI ICBCI China Investment Management (Cayman Islands) Limited is a jointly-controlled entity of a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage held by the Group.

(vii) Harmony China Real Estate Fund L.P. is a jointly-controlled limited partnership of a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage held by the Group.

(viii) ICBCI HNA is a jointly-controlled entity of a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage held by the Group.

23. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improve-ments	Office equipment and computers	Aircraft and motor vehicles	Total
Cost:						
At 1 January 2010	84,728	8,801	3,928	32,584	3,020	133,061
Additions	2,363	6,759	1,013	5,833	2,899	18,867
CIP transfer in/(out)	4,625	(5,098)	—	473	—	—
Acquisition of subsidiaries	4	—	—	45	11	60
Other transfer in/(out)	153	(52)	—	—	—	101
Disposals	(390)	(86)	(95)	(1,136)	(136)	(1,843)
At 31 December 2010 and 1 January 2011 (audited)	91,483	10,324	4,846	37,799	5,794	150,246
Additions	381	1,570	151	720	4,248	7,070
CIP transfer in/(out)	1,138	(1,495)	—	357	—	—
Disposals	(113)	(118)	(56)	(550)	(641)	(1,478)
At 30 June 2011 (unaudited)	92,889	10,281	4,941	38,326	9,401	155,838
Accumulated depreciation and impairment:						
At 1 January 2010	15,945	108	1,563	18,741	1,020	37,377
Depreciation charge for the year	4,588	—	749	5,220	287	10,844
Impairment allowance charge for the year	—	—	—	—	61	61
Disposals	(147)	(54)	(39)	(1,084)	(124)	(1,448)
At 31 December 2010 and 1 January 2011 (audited)	20,386	54	2,273	22,877	1,244	46,834
Depreciation charge for the period (note 9)	2,429	—	403	2,856	295	5,983
Impairment allowance charge for the period	—	4	—	—	—	4
Disposals	(54)	—	(46)	(536)	(66)	(702)
At 30 June 2011 (unaudited)	22,761	58	2,630	25,197	1,473	52,119
Net carrying amount:						
At 31 December 2010 (audited)	71,097	10,270	2,573	14,922	4,550	103,412
At 30 June 2011 (unaudited)	70,128	10,223	2,311	13,129	7,928	103,719

(In RMB millions, unless otherwise stated)

23. PROPERTY AND EQUIPMENT (CONTINUED)

The Group leases certain aircrafts and aircraft engines which were included in "Aircraft and motor vehicles" to third parties under operating lease arrangements. Details are analysed as follows:

	At 30 June 2011 (unaudited)	At 31 December 2010 (audited)
Cost	7,495	3,861
Accumulated depreciation	(196)	(112)
Impairment	(59)	(61)
Net carrying amount	7,240	3,688

As at 30 June 2011, the process of obtaining the titleship for the Group's properties and buildings with an aggregate net carrying value of RMB6,182 million (31 December 2010: RMB6,520 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operations of the Group.

24. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

	At 30 June 2011 (unaudited)		At 31 December 2010 (audited)	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	64,387	16,073	57,279	14,297
Change in fair value of available-for-sale financial assets	16,736	4,195	11,489	2,885
Change in fair value of financial instruments at fair value through profit or loss	(2,735)	(684)	(2,979)	(745)
Accrued staff costs	19,734	4,934	19,709	4,927
Others	(14,269)	(3,569)	1,366	348
	83,853	20,949	86,864	21,712

(In RMB millions, unless otherwise stated)

24. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(a) Analysed by nature (continued)

	At 30 June 2011 (unaudited)		At 31 December 2010 (audited)	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)
Deferred income tax liabilities:				
Allowance for impairment losses	(280)	(46)	(338)	(56)
Change in fair value of available-for-sale financial assets	1,288	213	1,872	309
Change in fair value of financial instruments at fair value through profit or loss	161	27	227	37
Others	123	37	40	28
	1,292	231	1,801	318

(b) Movements of deferred income tax

	At 1 January 2011	Credited/ (debited) to the income statement	Credited to other comprehensive income	At 30 June 2011 (unaudited)
Deferred income tax assets:				
Allowance for impairment losses	14,297	1,776	—	16,073
Change in fair value of available-for-sale financial assets	2,885	—	1,310	4,195
Change in fair value of financial instruments at fair value through profit or loss	(745)	61	—	(684)
Accrued staff costs	4,927	7	—	4,934
Others	348	(3,917)	—	(3,569)
	21,712	(2,073)	1,310	20,949

	At 1 January 2010	Credited/ (debited) to the income statement	Credited to other comprehensive income	At 31 December 2010 (audited)
Deferred income tax assets:				
Allowance for impairment losses	12,290	2,007	—	14,297
Change in fair value of available-for-sale financial assets	776	—	2,109	2,885
Change in fair value of financial instruments at fair value through profit or loss	368	(1,113)	—	(745)
Accrued staff costs	5,127	(200)	—	4,927
Others	135	213	—	348
	18,696	907	2,109	21,712

(In RMB millions, unless otherwise stated)

24. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Movements of deferred income tax (continued)

	At 1 January 2011	Debited/ (credited) to the income statement	Debited/ (credited) to other comprehensive income	At 30 June 2011 (unaudited)
Deferred income tax liabilities:				
Allowance for impairment losses	(56)	10	—	(46)
Change in fair value of available-for-sale financial assets	309	—	(96)	213
Change in fair value of financial instruments at fair value through profit or loss	37	(10)	—	27
Others	28	(8)	17	37
	318	(8)	(79)	231

	At 1 January 2010	Debited/ (credited) to the income statement	Debited/ (credited) to other comprehensive income	At 31 December 2010 (audited)
Deferred income tax liabilities:				
Allowance for impairment losses	(43)	(13)	—	(56)
Change in fair value of available-for-sale financial assets	185	—	124	309
Change in fair value of financial instruments at fair value through profit or loss	36	1	—	37
Others	—	34	(6)	28
	178	22	118	318

The Group did not have significant unrecognised deferred income tax assets and liabilities as at the end of the reporting period.

(In RMB millions, unless otherwise stated)

25. OTHER ASSETS

	30 June 2011 (unaudited)	31 December 2010 (audited)
Interest receivable	66,924	58,616
Settlement accounts	26,970	11,037
Land use rights	21,787	22,090
Precious metal	17,927	10,226
Advance payments	16,250	8,720
Goodwill	6,310	6,461
Repossessed assets	2,326	2,317
Others	12,952	10,648
	171,446	130,115

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

	Notes	30 June 2011 (unaudited)	31 December 2010 (audited)
Structured deposits	(i)	27,398	3,961
Wealth management products	(ii)	102,747	1,862
Certificates of deposit	(iii)	731	754
Notes payable		—	93
		130,876	6,670

Notes:

(i) The fair value of structured deposits as at 30 June 2011 was RMB32.24 million less than the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity as at 30 June 2011 (31 December 2010: RMB6.6 million above).

(ii) The principal guaranteed wealth management products issued by the Group and the financial assets invested by the aforesaid product form part of a group of financial instruments that together are managed on a fair value basis, and are classified as financial liabilities and financial assets designated at fair value through profit or loss, respectively. As at 30 June 2011, the fair value of the wealth management products was RMB79.48 million (31 December 2010: similar) less than the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity.

(iii) The certificates of deposit were all issued by ICBC Asia to financial institutions and retail customers at fixed rates and were classified as financial liabilities designated at fair value through profit or loss. The fair value of the certificates of deposit in excess of the amount that the Group would be contractually required to pay to the holders of these certificates of deposit upon maturity as at 30 June 2011 was RMB2.07 million (31 December 2010: RMB6.01 million above).

There were no significant changes in the credit spread of the Bank and ICBC Asia and therefore the amounts of changes in fair value of the financial liabilities that were attributable to changes in credit risk were considered not significant during the period/year presented and cumulatively as at 30 June 2011 and 31 December 2010. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

(In RMB millions, unless otherwise stated)

26. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Certain structured deposits, certificates of deposit and notes payable have been matched with derivatives as part of a documented risk management strategy to mitigate market risk, such as interest rate risk. An accounting mismatch would arise if these financial liabilities were accounted for at amortised cost, because the related derivatives are measured at fair value with movements in the fair value taken through the income statement. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values is recorded in the income statement.

27. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2011 (unaudited)	31 December 2010 (audited)
Deposits:		
Banks and other financial institutions operating in Mainland China	1,061,400	907,686
Banks and other financial institutions operating outside Mainland China	11,983	14,683
	1,073,383	922,369
Money market takings:		
Banks and other financial institutions operating in Mainland China	76,408	55,211
Banks and other financial institutions operating outside Mainland China	134,217	70,422
	210,625	125,633
	1,284,008	1,048,002

28. REPURCHASE AGREEMENTS

	30 June 2011 (unaudited)	31 December 2010 (audited)
Analysed by counterparty:		
Banks	11,544	52,495
Other financial institutions	50,357	32,393
	61,901	84,888
Analysed by collateral:		
Securities	56,413	83,163
Bills	468	—
Loans	5,020	1,725
	61,901	84,888

29. CERTIFICATES OF DEPOSIT

Certificates of deposit were mainly issued by Hong Kong Branch, Sydney Branch, New York Branch of the Bank, ICBC Asia and ICBC Macau, and were recognised at amortised cost.

(In RMB millions, unless otherwise stated)

30. DUE TO CUSTOMERS

	30 June 2011 (unaudited)	31 December 2010 (audited)
Demand deposits:		
Corporate customers	3,830,588	3,582,149
Personal customers	2,472,520	2,273,322
Time deposits:		
Corporate customers	2,284,857	2,070,994
Personal customers	3,262,443	3,026,122
Others	196,730	192,970
	12,047,138	11,145,557

31. DEBT SECURITIES ISSUED

	Notes	30 June 2011 (unaudited)	31 December 2010 (audited)
Subordinated bonds issued by:			
The Bank	(1)(a)	113,000	75,000
A subsidiary	(1)(b)	3,211	3,286
		116,211	78,286
Convertible bonds	(2)	22,485	22,124
Other debt securities issued	(3)	6,552	1,854
		145,248	102,264

(1) Subordinated bonds

(a) As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds through open market bidding in 2005, 2009, 2010 and 2011. These subordinated bonds were traded in the bond market among banks. The Bank has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds during the period (six months ended 30 June 2010: None). The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue price (RMB)	Coupon rate	Value date	Maturity date	Circulation date	Issue amount (RMB)	Notes
05 ICBC 02 Bond	2005-8-19	100	3.77%	2005-9-6	2020-9-6	2005-10-11	13,000 million	(i)
09 ICBC 01 Bond	2009-7-16	100	3.28%	2009-7-20	2019-7-20	2009-8-20	10,500 million	(ii)
09 ICBC 02 Bond	2009-7-16	100	4.00%	2009-7-20	2024-7-20	2009-8-20	24,000 million	(iii)
09 ICBC 03 Bond	2009-7-16	100	Base rate +0.58%	2009-7-20	2019-7-20	2009-8-20	5,500 million	(iv)
10 ICBC 01 Bond	2010-9-10	100	3.90%	2010-9-14	2020-9-14	2010-11-03	5,800 million	(v)
10 ICBC 02 Bond	2010-9-10	100	4.10%	2010-9-14	2025-9-14	2010-11-03	16,200 million	(vi)
11 ICBC 01 Bond	2011-6-29	100	5.56%	2011-6-30	2031-6-30	To be determined	38,000 million	(vii)

(In RMB millions, unless otherwise stated)

31. DEBT SECURITIES ISSUED (CONTINUED)

(1) Subordinated bonds (continued)

(i) The Bank has the option to redeem all or part of the bonds at face value on 6 September 2015. If the Bank does not exercise this option, the annual coupon rate will increase by 300 basis points ("bps") thereafter.

(ii) The Bank has the option to redeem all or part of the bonds at face value on 20 July 2014. If the Bank does not exercise this option, the annual coupon rate will increase by 300 bps thereafter.

(iii) The Bank has the option to redeem all or part of the bonds at face value on 20 July 2019. If the Bank does not exercise this option, the annual coupon rate will increase by 300 bps thereafter.

(iv) The base rate for the bonds is the one-year lump-sum deposit and withdrawal time deposit rate published by the PBOC which is applicable on the date of issue or the first value date in each interest-bearing year. The spread in the first five interest-bearing years (i.e., initial spread) is 0.58%. The Bank has the option to redeem all or part of the bonds at face value on 20 July 2014. If the Bank does not exercise this option, the interest margin will increase by 300 bps thereafter.

(v) The Bank has the option to redeem all of the bonds at face value on 14 September 2015 upon the approval of the relevant regulatory authorities.

(vi) The Bank has the option to redeem all of the bonds at face value on 14 September 2020 upon the approval of the relevant regulatory authorities.

(vii) The Bank has the option to redeem all of the bonds at face value on 30 June 2026 upon the approval of the relevant regulatory authorities. The application for the Circulation of the Bond Transactions of 11 ICBC 01 Bond has been approved by the PBOC, and the circulation date is to be determined.

(b) On 30 November 2010, ICBC Asia, a subsidiary of the Bank, issued subordinated notes in an aggregate nominal amount of USD500 million, with a fixed interest rate of 5.125% per annum. The subordinated notes were issued at the price fixed at 99.737% of the nominal amount maturing on 30 November 2020. The notes were listed on the Singapore Exchange Securities Trading Limited. ICBC Asia has not had any defaults of principal or interest or other breaches with respect to the subordinated notes during the period.

(2) Convertible bonds

As approved by the CBRC and the China Securities Regulatory Commission ("CSRC"), the Bank issued RMB25 billion A share convertible bonds on 31 August 2010.

Name	Issue date	Issue price	Coupon rate	Value date	Maturity date	Circulation date	Issue amount
ICBC convertible bonds	31 August 2010	RMB100	Step-up interest rate	31 August 2010	31 August 2016	10 September 2010	RMB25 billion

The convertible bonds have a term of six years. From the first year to the sixth year, the bonds are paying annual coupon at the rates of 0.5%, 0.7%, 0.9%, 1.1%, 1.4% and 1.8% respectively. The conversion period of the bonds commences on 1 March 2011, which is the first trading day immediately following the expiry of the six-month period after the date of issuance of the convertible bonds, and ends on 31 August 2016, which is the maturity date of the bonds. Within five trading days after the maturity of the bonds, the Bank shall redeem all the outstanding convertible bonds which have not been converted into shares by then at 105% of the nominal value of these convertible bonds (including the interest last accrued). RMB3.79 million convertible bonds have been converted into shares from 1 March 2011 to 30 June 2011.

During the conversion period of the convertible bonds, if the closing prices of the A Shares of the Bank in at least 15 trading days out of 30 consecutive trading days are equal to or higher than 130% of the prevailing conversion price, the Bank shall have the right to redeem all or any part of the outstanding convertible bonds which have not been converted into the shares, at a price equal to the nominal value of the convertible bonds plus the interest accrued. When the nominal value of the balance of the outstanding convertible bonds is less than RMB30 million, the board of the Bank shall have the right to decide whether to redeem all the outstanding convertible bonds at a price equal to the nominal value plus the interest accrued.

(In RMB millions, unless otherwise stated)

31. DEBT SECURITIES ISSUED (CONTINUED)

(2) Convertible bonds (continued)

If, during the term of the convertible bonds, the closing prices of the A Shares of the Bank in any 15 trading days out of any 30 consecutive trading days are lower than 80% of the prevailing conversion price, the board of the Bank may propose a downward adjustment to the conversion price to the shareholders for their consideration and approval at a shareholders' general meeting.

The initial conversion price was RMB4.20 per share. The conversion price is subject to adjustment, upon the occurrence of certain events which affect the share capital of the Bank, such as distribution of share dividend, capitalisation, and issuance of new shares, rights issue or distribution of cash dividend. Upon the occurrence of the abovementioned events, the conversion price was RMB3.97 per share on 30 June 2011.

The convertible bonds issued during the period have been split as to the liability and equity components, as follows:

	Liability component	Equity component	Total
Nominal value of convertible bonds	21,998	3,002	25,000
Direct transaction costs	(113)	(17)	(130)
Balance as at the issuance date	21,885	2,985	24,870
Accretion of interest	239	—	239
Balance as at 31 December 2010 (audited)	22,124	2,985	25,109
Conversion	(4)	—	(4)
Accretion of interest	365	—	365
Balance as at 30 June 2011 (unaudited)	22,485	2,985	25,470

(3) Other debt securities issued

Other debt securities issued mainly include notes payable issued by Sydney branch, Singapore branch and ICBC Asia and were recognised at amortised cost.

32. OTHER LIABILITIES

	30 June 2011 (unaudited)	31 December 2010 (audited)
Interest payable	104,972	95,103
Settlement accounts	63,221	47,884
Dividend payable (i)	62,932	—
Payables for bonds purchased	21,837	77
Salaries, bonuses, allowances and subsidies payables	13,282	12,572
Sundry tax payables	7,419	7,158
Early retirement benefits	5,610	7,462
Bank drafts	2,311	3,180
Others	24,993	22,142
	306,577	195,578

(i) The dividend payable has been settled in July 2011.

33. SHARE CAPITAL

	30 June 2011		31 December 2010	
	Number of shares (million) (unaudited)	Nominal value (unaudited)	Number of shares (million) (audited)	Nominal value (audited)
Issued and fully paid:				
H shares of RMB1 each	86,795	86,795	86,795	86,795
A shares of RMB1 each (i)	262,225	262,225	262,224	262,224
	349,020	349,020	349,019	349,019

Except for the dividends for H shares which are payable in HK$, all of the H shares and A shares rank pari passu with each other in respect of dividends.

(i) According to the "Announcement in relation to the Conversion of ICBC Convertible Bonds", the 250 million A share convertible bonds (with a nominal value of RMB100 each, amounting to RMB25 billion in aggregate), which were issued by the Bank on 31 August 2010, can be converted into the Bank's A Shares commencing from 1 March 2011. As at 30 June 2011, a total of 37,930 convertible bonds were converted into A shares of the Bank, resulting in an increase of 917,353 A shares. The number of the Bank's A shares was 262,225,418,630 at the end of the reporting period.

34. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the articles of association to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

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

(ii) Discretionary surplus reserve

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

(iii) Other surplus reserve

The Bank's overseas entities appropriate their profits to the surplus reserves in accordance with the relevant regulations promulgated by the local regulatory bodies.

(In RMB millions, unless otherwise stated)

34. RESERVES (CONTINUED)

(c) General reserve

The Bank is required to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1% of the year-end balance of its risk assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

(d) Investment revaluation reserve

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

(e) Foreign currency translation reserve

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

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the gain or loss on a hedging instrument.

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and jointly-controlled entities other than the items listed above.

35. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Available-for-sale financial assets:		
Changes in fair value recorded in other comprehensive income	(6,079)	6,026
Less: Transfer to the income statement arising from disposal/impairment	(79)	8
Income tax effect	1,406	(1,543)
	(4,752)	4,491
Cash flow hedges:		
Gain/(loss) during the period	117	(78)
Less: Transfer to the income statement	—	2
Income tax effect	(15)	6
	102	(70)
Share of other comprehensive income of associates and jointly-controlled entities	138	(94)
Less: Transfer to the income statement	—	—
Income tax effect	—	—
	138	(94)
Foreign currency translation differences	(2,812)	(1,757)
Less: Transfer to the income statement	—	—
	(2,812)	(1,757)
Other	13	—
Less: Income tax effect	(2)	—
	11	—
	(7,313)	2,570

(In RMB millions, unless otherwise stated)

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of balances of cash and cash equivalents

	30 June 2011 (unaudited)	30 June 2010 (unaudited)
Cash on hand	57,788	49,040
Balances with central banks other than restricted deposits	237,171	184,887
Nostro accounts with banks and other financial institutions with original maturity of three months or less	249,249	121,083
Placements with banks and other financial institutions with original maturity of three months or less	54,471	149,950
Reverse repurchase agreements with original maturity of three months or less	342,112	199,732
	940,791	704,692

37. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

	30 June 2011 (unaudited)	31 December 2010 (audited)
Authorised, but not contracted for	2,104	1,507
Contracted, but not provided for	6,602	6,730
	8,706	8,237

(b) Operating lease commitments

At the end of the reporting period, the Group leases certain of its office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases are as follows:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Within one year	2,903	2,859
After one year but not more than five years	6,697	6,606
After five years	1,885	1,700
	11,485	11,165

(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.

(In RMB millions, unless otherwise stated)

37. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Credit commitments (continued)

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.

	30 June 2011 (unaudited)	31 December 2010 (audited)
Bank acceptances	330,679	249,522
Guarantees issued		
Financing letters of guarantees	82,845	67,035
Non-financing letters of guarantees	186,811	172,179
Sight letters of credit	90,945	60,513
Usance letters of credit and other commitments	265,895	207,117
Loan commitments		
With original maturity of not more than one year	220,404	179,087
With original maturity of more than one year	534,649	469,675
Undrawn credit card limit	322,683	244,029
	2,034,911	1,649,157

	30 June 2011 (unaudited)	31 December 2010 (audited)
Credit risk weighted amounts of credit commitments	785,593	677,500

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

As at 30 June 2011, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB2,041 million (31 December 2010: RMB2,048 million).

In the opinion of 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.

(In RMB millions, unless otherwise stated)

37. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(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 2011, the Bank had underwritten and sold bonds with an accumulated amount of RMB149,585 million (31 December 2010: RMB167,744 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

As at 30 June 2011, the Group had unexpired securities underwriting obligations of RMB2,640 million (31 December 2010: Nil).

38. DESIGNATED FUNDS AND LOANS

	30 June 2011 (unaudited)	31 December 2010 (audited)
Designated funds	541,833	395,216
Designated loans	541,214	394,407

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrust agreements signed by the Group and the trustors. The Group does not bear any risk.

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

39. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as security for liabilities or contingent liabilities, mainly the repurchase agreements and derivative contracts. As at 30 June 2011, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB13,800 million (31 December 2010: RMB54,240 million).

40. FIDUCIARY ACTIVITIES

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in "Net fee and commission income" set out in note 4 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

(In RMB millions, unless otherwise stated)

41. RELATED PARTY DISCLOSURES

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

(a) Shareholders with significant influence

(i) The MOF

The MOF is a ministry under the State Council, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 30 June 2011, the MOF directly owned approximately 35.33% (31 December 2010: approximately 35.33%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, including the subscription and redemption of government bonds issued by the MOF. Details of the material transactions are as follows:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Balances at end of the period/year:		
The PRC government bonds and the special government bond	788,463	735,716

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Transactions during the period:		
Subscription of the PRC government bonds	93,929	102,260
Redemption of the PRC government bonds	38,969	57,310
Interest income on the PRC government bonds	12,930	10,009
Repayment of the MOF receivable	—	62,520
Interest income on the MOF receivable	—	153

	%	%
Interest rate ranges during the period are as follows:		
MOF receivable	N/A	3.00
Bond investments	1.00 to 6.34	1.06 to 6.80

The related parties transactions between enterprises under the control or joint control of the MOF and the Group are disclosed in note 41(g) "Transactions with state-owned entities in the PRC".

(ii) Huijin

As at 30 June 2011, Central Huijin Investment Ltd ("Huijin") directly owned approximately 35.43% (31 December 2010: approximately 35.43%) of the issued share capital of the Bank. Huijin is a state-owned investment company established on 16 December 2003 under the Company Law of the PRC. Huijin has a total registered and paid-in capital of RMB552,117 million, and its legal representative is Mr. Lou Jiwei. Huijin is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation by the State, Huijin makes equity investments in the key state-owned financial institutions, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

(In RMB millions, unless otherwise stated)

41. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Shareholders with significant influence (continued)

(ii) Huijin (continued)

As at 30 June 2011, the Huijin Bonds held by the Bank are of an aggregate face value of RMB21.63 billion (31 December 2010: RMB21.43 billion), with terms ranging from 5 to 30 years and coupon rates ranging from 3.14% to 4.20% per annum. The Huijin Bonds are government-backed and the Bank's subscription of the Huijin Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory requirements and the corporate governance of the Bank.

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

	30 June 2011 (unaudited)	31 December 2010 (audited)
Balances at end of the period/year:		
Debt securities purchased	19,863	20,407
Interest receivable	618	238
Deposits	1,002	3,642
Interest payable	—	1

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Transactions during the period:		
Interest income on debt securities purchased	384	N/A
Interest expense on deposits	16	19

	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	3.14 to 4.20	N/A
Deposits	0.36 to 1.49	0.02 to 1.98

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Significant transactions during the period conducted with these banks and financial institutions, and the corresponding balances as at 30 June 2011 are as follows:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Balances at end of the period/year:		
Debt securities purchased	783,111	659,589
Due from these banks and financial institutions	59,779	18,955
Derivative financial assets	1,332	1,213
Due to these banks and financial institutions	110,372	76,955
Derivative financial liabilities	1,140	1,101

(In RMB millions, unless otherwise stated)

41. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Shareholders with significant influence (continued)

(ii) Huijin (continued)

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Transactions during the period:		
Interest income on debt securities purchased	12,497	9,920
Interest income on amounts due from these banks and financial institutions	194	154
Interest expense on amounts due to these banks and financial institutions	398	362

	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	0 to 8.25	0.7 to 5.5
Due from these banks and financial institutions	0.0001 to 7.6	0.0001 to 4.0
Due to these banks and financial institutions	0.0001 to 8.0	0.0001 to 3.9

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

(b) Subsidiaries

	30 June 2011 (unaudited)	31 December 2010 (audited)
Balance at end of the period/year:		
Debt securities purchased	16,013	9,765
Due from banks and other financial institutions	90,830	36,682
Derivative financial assets	22	153
Due to banks and other financial institutions	36,172	16,824
Derivative financial liabilities	71	65
Commitments	104,289	62,189

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Transactions during the period:		
Interest income on debt securities purchased	54	47
Interest income on amounts due from banks and other financial institutions	285	106
Interest expense on amounts due to banks and other financial institutions	88	61
Net trading income	37	4
Fee and commission income	112	70

	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	0.35 to 0.76	0.5 to 1.85
Due from banks and other financial institutions	0 to 8.72	0 to 4.2
Due to banks and other financial institutions	0 to 8.74	0 to 5.6

The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.

(In RMB millions, unless otherwise stated)

41. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Associates and affiliates

	30 June 2011 (unaudited)	31 December 2010 (audited)
Balances at end of the period/year:		
Due from banks	495	404
Loan to an associate	1,416	1,467
Other receivables	526	552
Due to banks	2,203	927
Deposits	20	6

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
Transactions during the period:		
Interest income on amounts due from banks	1	7
Interest income on loans to an associate	17	58
Interest expense on amounts due to banks	6	3

	%	%
Interest rate ranges during the period are as follows:		
Due from banks	9.5	14.5
Loan to an associate	2.29 to 6.77	2.87 to 6.77
Due to banks	0.75 to 1.35	0 to 1.35
Deposits	0 to 0.45	0 to 0.51

The major transactions between the Group and the associates and their affiliates mainly comprised taking and placing interbank balances, lending and deposit taking and the corresponding interest income and interest expense. In the opinion of management, the transactions between the Group and the associates and their affiliates were conducted under normal commercial terms and conditions.

(d) Jointly-controlled entities and affiliates

	30 June 2011 (unaudited)	31 December 2010 (audited)
Balances at end of the period/year:		
Deposits	149	212

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

41. RELATED PARTY DISCLOSURES (CONTINUED)

(e) Key management personnel

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

The aggregate compensation for the period is as follows:

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	**2010 RMB'000 (unaudited)**
Short term employment benefits	7,345	5,398
Post-employment benefits	492	416
	7,837	5,814

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

The transaction balances between the Group and the aforementioned parties for the period/year are as follows:

	30 June 2011 (unaudited)	**31 December 2010 (audited)**
Loans	100	114
Deposits	—	395

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, no transactions were conducted between the Group and the Annuity Fund during the period (six months ended 30 June 2010: Nil).

(g) Transactions with state-owned entities in the PRC

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

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

42. 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)". Net 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.

(In RMB millions, unless otherwise stated)

42. SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (continued)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2011 (unaudited)					
External net interest income/(expense)	107,178	(782)	68,108	—	174,504
Internal net interest income/(expense)	(24,264)	62,591	(38,327)	—	—
Net fee and commission income	34,538	19,068	185	—	53,791
Other income, net (i)	565	1	239	2,060	2,865
Operating income	118,017	80,878	30,205	2,060	231,160
Operating expenses	(34,196)	(29,425)	(6,765)	(2,869)	(73,255)
Impairment losses on:					
Loans and advances to customers	(9,235)	(7,559)	—	—	(16,794)
Others	(99)	—	430	(418)	(87)
Operating profit/(loss)	74,487	43,894	23,870	(1,227)	141,024
Share of profits and losses of associates and jointly-controlled entities	—	—	—	1,321	1,321
Profit before tax	74,487	43,894	23,870	94	142,345
Income tax expense					(32,770)
Profit for the period					109,575
Other segment information:					
Depreciation	2,814	2,396	634	139	5,983
Amortisation	345	223	105	14	687
Capital expenditure	3,532	2,971	809	174	7,486
As at 30 June 2011 (unaudited)					
Segment assets	5,486,061	1,870,943	7,433,549	105,495	14,896,048
Including: Investments in associates and jointly-controlled entities	—	—	—	38,530	38,530
Property and equipment	43,959	37,456	9,892	12,412	103,719
Other non-current assets (ii)	14,320	7,539	3,777	6,999	32,635
Segment liabilities	6,487,235	5,832,233	1,643,781	73,184	14,036,433
Other segment information:					
Credit commitments	1,712,228	322,683	—	—	2,034,911

(i) Including net trading expense, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

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

(In RMB millions, unless otherwise stated)

42. SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (continued)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2010 (unaudited)					
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	22,674	14,065	150	—	36,889
Other income/(expense), net (i)	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
As at 31 December 2010 (audited)					
Segment assets	5,103,058	1,690,881	6,567,786	96,897	13,458,622
Including: Investments in associates and jointly-controlled entities	—	—	—	40,325	40,325
Property and equipment	41,773	35,246	15,309	11,084	103,412
Other non-current assets (ii)	13,175	7,577	5,229	7,132	33,113
Segment liabilities	5,970,540	5,393,918	1,262,381	10,126	12,636,965
Other segment information:					
Credit commitments	1,405,128	244,029	—	—	1,649,157

(i) Including net trading expense, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

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

42. SEGMENT INFORMATION (CONTINUED)

(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, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi and Islamabad).

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.

(In RMB millions, unless otherwise stated)

42. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (continued)

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
Six months ended 30 June 2011 (unaudited)										
External net interest income	67,392	27,348	16,642	14,913	15,238	21,300	7,151	4,520	—	174,504
Internal net interest income/(expense)	(53,693)	8,532	6,276	21,699	7,506	6,010	3,723	(53)	—	—
Net fee and commission income	1,499	13,532	9,526	9,769	7,869	7,348	2,593	1,728	(73)	53,791
Other income/(expense), net (i)	2,114	(79)	(244)	76	95	135	114	654	—	2,865
Operating income	17,312	49,333	32,200	46,457	30,708	34,793	13,581	6,849	(73)	231,160
Operating expenses	(5,343)	(13,427)	(9,370)	(13,528)	(11,636)	(12,634)	(5,174)	(2,216)	73	(73,255)
Impairment losses on:										
Loans and advances to customers	(1,560)	(2,946)	(2,586)	(3,252)	(2,657)	(3,174)	(286)	(333)	—	(16,794)
Others	89	(17)	(1)	(35)	47	(5)	(76)	(89)	—	(87)
Operating profit	10,498	32,943	20,243	29,642	16,462	18,980	8,045	4,211	—	141,024
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	—	—	—	1,321	—	1,321
Profit before tax	10,498	32,943	20,243	29,642	16,462	18,980	8,045	5,532	—	142,345
Income tax expense										(32,770)
Profit for the period										109,575
Other segment information:										
Depreciation	644	968	670	872	987	1,089	480	273	—	5,983
Amortisation	240	100	48	59	99	97	28	16	—	687
Capital expenditure	610	480	367	397	444	655	146	4,387	—	7,486

(i) Including net trading expense, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
As at 30 June 2011 (unaudited)										
Assets by geographical area	7,197,432	2,846,036	1,954,216	3,459,115	1,862,863	2,049,693	842,776	821,488	(6,158,520)	14,875,099
Including: Investments in associates and jointly-controlled entities	—	—	—	—	—	—	—	38,530	—	38,530
Property and equipment	8,815	18,580	10,818	15,539	15,606	16,966	8,821	8,574	—	103,719
Other non-current assets (i)	7,605	6,228	2,203	4,048	5,077	4,262	1,910	1,302	—	32,635
Unallocated assets										20,949
Total assets										14,896,048
Liabilities by geographical area	6,540,986	2,812,653	1,935,627	3,430,441	1,848,434	2,032,753	834,693	737,451	(6,158,520)	14,014,518
Unallocated liabilities										21,915
Total liabilities										14,036,433
Other segment information:										
Credit commitments	329,029	458,590	383,976	368,704	135,202	148,806	53,917	156,687	—	2,034,911

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

(In RMB millions, unless otherwise stated)

42. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (continued)

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
Six months ended 30 June 2010 (unaudited)										
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	1,396	9,274	6,287	6,910	5,127	4,876	1,758	1,331	(70)	36,889
Other income/(expense), net (i)	(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) Including net trading expense, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
As at 31 December 2010 (audited)										
Assets by geographical area	6,416,616	2,647,319	1,816,317	3,204,012	1,687,592	1,861,269	767,301	588,788	(5,552,304)	13,436,910
Including: Investments in associates and jointly-controlled entities	—	—	—	—	—	—	—	40,325	—	40,325
Property and equipment	9,059	19,197	11,172	16,059	16,179	17,513	9,135	5,098	—	103,412
Other non-current assets (i)	7,763	6,230	2,228	4,044	5,312	4,270	1,932	1,334	—	33,113
Unallocated assets										21,712
Total assets										13,458,622
Liabilities by geographical area	5,792,020	2,608,612	1,794,891	3,173,023	1,674,977	1,845,875	760,387	505,407	(5,552,304)	12,602,888
Unallocated liabilities										34,077
Total liabilities										12,636,965
Other segment information:										
Credit commitments	253,436	369,051	323,712	319,667	94,448	107,885	46,026	134,932	—	1,649,157

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

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

The board of directors (the "Board") has the ultimate responsibility for the risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The Group has also assigned departments monitoring financial risks within the Group, including the Credit Management Department to monitor credit risk; the Risk Management Department together with the Asset and Liability Management Department to monitor market and liquidity risks; and the Internal Control and Compliance Department to monitor operational risk. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to both the corresponding risk management departments at the head office and management of the relevant branches.

(a) Credit risk

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

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

- Centralised credit management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval, granting of loans and post-disbursement loan monitoring;
- Stringent qualification system for the loan approval officers; and
- Information management systems designed to enable a real time risk monitoring.

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

In addition to the credit risk exposures on credit-related assets and amounts due from or lending to banks and other financial institutions, credit risk also arises in other areas. For instance, credit risk exposure also arises from derivative financial instruments which is, however, limited to those with positive fair values, as recorded in the statement of financial position. In addition, the Group also makes available to its customers guarantees which may require the Group to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the Group to similar risks as loans and these are mitigated by the same control processes and policies.

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

The Group will normally sign an ISDA Master Agreement, a China Interbank Market Financial Derivatives Master Agreement ("NAFMII master agreement") or a China Interbank RMB-FX Derivatives Master Agreement ("CFETS master agreement") with its counterparties for documenting over-the-counter derivative activities. Each of these master agreements provides the contractual framework within which derivative dealing activities are conducted. Under each of these master agreements, close-out netting shall be applied across all outstanding transactions covered by the agreement if either party defaults.

Risk concentration

Credit risk is often greater when counterparties are concentrated in one single industry or geographical location or have comparable economic characteristics.

Impairment assessment

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

Individually assessed loans

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

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

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

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

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Impairment assessment (continued)

Collectively assessed loans

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

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

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

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

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

Homogenous groups of loans not considered individually significant

For homogeneous groups of loans, the Group uses a collective assessment approach for impairment losses. The approach analyses historical trends of probability of default and the amount of the consequential loss, as well as evaluates current economic conditions that may have a consequential impact on inherent losses in the portfolio.

Individually assessed loans with no objective evidence of impairment

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

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

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

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Collateral

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

The main types of collateral obtained are as follows:

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

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

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is set out below:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Balances with central banks	2,788,114	2,234,075
Due from banks and other financial institutions	461,686	248,860
Financial assets held for trading	34,151	10,051
Financial assets designated at fair value through profit or loss	97,179	2,798
Derivative financial assets	13,803	13,332
Reverse repurchase agreements	357,829	262,227
Loans and advances to customers	7,152,587	6,623,372
Financial investments		
— Receivables	493,341	501,706
— Held-to-maturity investments	2,274,928	2,312,781
— Available-for-sale investments	825,205	899,750
Others	120,600	86,256
	14,619,423	13,195,208
Credit commitments	2,034,911	1,649,157
Total maximum credit risk exposure	16,654,334	14,844,365

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. Besides, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

By geographical distribution

The following tables set out the breakdown of the Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical distribution.

30 June 2011 (unaudited)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	2,471,388	62,309	50,772	120,282	20,876	36,726	13,647	12,114	2,788,114
Due from banks and other financial institutions	163,306	38,240	107,747	31,241	37,245	8,697	17,913	57,297	461,686
Financial assets held for trading	33,544	—	—	—	—	—	—	607	34,151
Financial assets designated at fair value through profit or loss	96,445	—	—	—	—	—	—	734	97,179
Derivative financial assets	9,135	439	679	479	59	220	618	2,174	13,803
Reverse repurchase agreements	217,364	18,131	4,259	38,351	9,471	4,122	12,276	53,855	357,829
Loans and advances to customers	192,638	1,615,962	1,010,176	1,304,099	958,182	1,197,293	422,032	452,205	7,152,587
Financial investments									
— Receivables	487,341	—	—	—	—	—	6,000	—	493,341
— Held-to-maturity investments	2,193,166	31,937	27,681	12,828	—	—	1,000	8,316	2,274,928
— Available-for-sale investments	455,336	60,286	27,815	198,138	10,752	11,156	3,488	58,234	825,205
Others	43,287	13,373	7,478	13,220	7,748	9,179	3,023	23,292	120,600
	6,362,950	1,840,677	1,236,607	1,718,638	1,044,333	1,267,393	479,997	668,828	14,619,423
Credit commitments	329,029	458,590	383,976	368,704	135,202	148,806	53,917	156,687	2,034,911
Total maximum credit risk exposure	6,691,979	2,299,267	1,620,583	2,087,342	1,179,535	1,416,199	533,914	825,515	16,654,334

The compositions of each geographical distribution above are set out in note 42(b).

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

By geographical distribution (continued)

31 December 2010 (audited)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	2,010,309	50,589	26,648	81,346	14,514	28,265	11,265	11,139	2,234,075
Due from banks and other financial institutions	108,249	24,159	6,156	26,787	18,731	8,608	24,742	31,428	248,860
Financial assets held for trading	6,959	—	—	—	—	—	—	3,092	10,051
Financial assets designated at fair value through profit or loss	1,850	—	—	—	—	—	—	948	2,798
Derivative financial assets	7,433	634	865	699	71	258	691	2,681	13,332
Reverse repurchase agreements	165,691	25,600	1,806	13,734	2,361	1,702	17,607	33,726	262,227
Loans and advances to customers	160,032	1,547,691	955,623	1,221,346	894,731	1,111,895	394,666	337,388	6,623,372
Financial investments									
— Receivables	495,706	—	—	—	—	—	6,000	—	501,706
— Held-to-maturity investments	2,184,996	61,403	35,337	20,372	—	—	1,000	9,673	2,312,781
— Available-for-sale investments	550,264	43,016	21,419	205,465	9,066	11,819	3,657	55,044	899,750
Others	40,251	8,272	3,943	7,265	5,279	6,000	1,684	13,562	86,256
	5,731,740	1,761,364	1,051,797	1,577,014	944,753	1,168,547	461,312	498,681	13,195,208
Credit commitments	253,436	369,051	323,712	319,667	94,448	107,885	46,026	134,932	1,649,157
Total maximum credit risk exposure	5,985,176	2,130,415	1,375,509	1,896,681	1,039,201	1,276,432	507,338	633,613	14,844,365

The compositions of each geographical distribution above are set out in note 42(b).

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers and investments in securities. Details of the composition of the Group's investments in debt securities are set out in note 43(a)(iv) to the financial statements. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Transportation, storage and postal services	1,082,165	1,039,929
Manufacturing	1,032,488	970,184
Real estate	625,306	586,654
Production and supply of electricity, gas and water	622,249	597,189
Wholesale, retail and lodging	559,151	430,954
Water, environment and public utility management	532,726	552,886
Leasing and commercial services	371,561	378,568
Mining	163,024	133,358
Construction	101,824	89,188
Science, education, culture and sanitation	74,710	69,265
Others	228,535	169,106
Subtotal for corporate loans and advances	5,393,739	5,017,281
Personal mortgage and business loans	1,373,612	1,288,683
Others	460,748	367,036
Subtotal for personal loans	1,834,360	1,655,719
Discounted bills	105,941	117,506
Total for loans and advances to customers	7,334,040	6,790,506

(iii) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Neither past due nor impaired	7,218,757	6,680,206
Past due but not impaired	45,797	37,059
Impaired	69,486	73,241
	7,334,040	6,790,506
Less: Allowance for impairment losses	(181,453)	(167,134)
	7,152,587	6,623,372

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Loans and advances to customers (continued)

Neither past due nor impaired

The loans and advances to customers of the Group that are neither past due nor impaired are classified as "Pass" or "Special mention" under the five-tier loan classification system maintained by the Group. Management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of the reporting period.

The following table presents the types of loans and advances to customers which are neither past due nor impaired as at the end of the reporting period:

	30 June 2011 (unaudited)			31 December 2010 (audited)		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	2,370,186	58,529	2,428,715	2,208,160	58,018	2,266,178
Guaranteed loans	1,084,248	54,472	1,138,720	986,943	54,996	1,041,939
Loans secured by mortgages	2,879,474	58,943	2,938,417	2,647,311	66,646	2,713,957
Pledged loans	690,239	22,666	712,905	633,469	24,663	658,132
	7,024,147	194,610	7,218,757	6,475,883	204,323	6,680,206

Past due but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group that are subject to credit risk which are past due but not impaired as at the end of the reporting period:

	30 June 2011 (unaudited)			31 December 2010 (audited)		
	Corporate loans and advances	Personal loans	Total	Corporate loans and advances	Personal loans	Total
Past due for:						
Less than one month	3,458	32,571	36,029	3,365	24,720	28,085
One to two months	516	5,040	5,556	250	4,647	4,897
Two to three months	118	3,653	3,771	95	3,548	3,643
Over three months	439	2	441	426	8	434
Total	4,531	41,266	45,797	4,136	32,923	37,059
Fair value of collateral held	2,626	90,573	93,199	5,263	73,598	78,861

Impaired

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

The fair value of collateral that the Group holds relating to loans individually determined to be impaired as at 30 June 2011 amounted to RMB14,454 million (31 December 2010: RMB13,408 million). The collateral mainly consists of land and buildings, equipment and also others.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Loans and advances to customers (continued)

Renegotiated loans and advances to customers

The Group has formulated a set of loan restructuring policies to renegotiate the contractual terms with customers, to maximise the collectibility of loans and to manage customer relationships.

The carrying amount of renegotiated loans and advances to customers is as follows:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Renegotiated loans and advances to customers	9,544	10,716
Impaired loans and advances to customers included in above	8,097	9,047

Collateral repossessed

During the period, the Group took possession of collateral held as security with a carrying amount of RMB584 million (six months ended 30 June 2010: RMB892 million). Such collateral mainly comprises land and buildings, equipment and also others.

(iv) Debt securities

The credit risk of debt securities mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities by type of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities by type of issuer and investment:

30 June 2011 (unaudited)

	Receivables	Held-to-maturity investments	Available-for-sale investments	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Government and central banks	122,035	1,299,140	197,798	296	1,287	1,620,556
Policy banks	47,000	913,551	231,817	1,677	13,981	1,208,026
Public sector entities	—	21,757	72,351	574	104	94,786
Banks and other financial institutions	322,256	27,377	75,591	1,102	952	427,278
Corporate entities	2,050	10,964	246,978	30,502	9,210	299,704
Subtotal	493,341	2,272,789	824,535	34,151	25,534	3,650,350
Impaired (i)						
Public sector entities	—	858	283	—	—	1,141
Banks and other financial institutions	—	2,671	339	—	—	3,010
Corporate entities	—	32	48	—	—	80
	—	3,561	670	—	—	4,231
Less: Allowance for impairment losses	—	(1,422)	—	—	—	(1,422)
Subtotal	—	2,139	670	—	—	2,809
Total	493,341	2,274,928	825,205	34,151	25,534	3,653,159

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Debt securities (continued)

31 December 2010 (audited)

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	134,850	1,501,434	364,569	1,588	—	2,002,441
Policy banks	47,000	742,532	187,130	1,241	—	977,903
Public sector entities	—	22,157	63,865	145	106	86,273
Banks and other financial institutions	319,856	28,961	72,916	1,254	299	423,286
Corporate entities	—	15,109	206,974	5,823	543	228,449
Subtotal	501,706	2,310,193	895,454	10,051	948	3,718,352
Impaired (i)						
Public sector entities	—	1,065	3,875	—	—	4,940
Banks and other financial institutions	—	2,965	420	—	—	3,385
Corporate entities	—	32	1	—	—	33
	—	4,062	4,296	—	—	8,358
Less: Allowance for impairment losses	—	(1,474)	—	—	—	(1,474)
Subtotal	—	2,588	4,296	—	—	6,884
Total	501,706	2,312,781	899,750	10,051	948	3,725,236

(i) Impaired debt securities above are all determined based on individual assessments. In determining whether a debt security is impaired, the Group considers the evidence of a loss event and the decreases in estimated future cash flows. The majority of the Group's impaired debt securities are U.S. mortgage-backed securities. No collateral was held by the Group as security of the impaired debt securities.

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at a reasonable cost in a timely manner to meet the need of asset growth or repayment of debts due, although remains solvency. This may arise from amount or maturity mismatches of assets and liabilities.

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

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

The Group's expected remaining maturity of its financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the Group's assets and liabilities is set out below:

30 June 2011 (unaudited)

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	523,848	—	—	—	—	—	2,322,054	2,845,902
Due from banks and other financial institutions (i)	76,953	557,505	70,328	47,317	67,412	—	—	819,515
Financial assets held for trading	—	152	2,923	21,162	7,416	2,498	166	34,317
Financial assets designated at fair value through profit or loss	—	36,564	1,258	17,661	37,065	4,631	—	97,179
Derivative financial assets	16	2,663	2,207	4,962	2,511	1,444	—	13,803
Loans and advances to customers	7,430	400,971	553,851	1,767,258	1,848,999	2,546,451	27,627	7,152,587
Financial investments	—	41,716	123,559	481,875	1,668,429	1,275,201	7,321	3,598,101
Investments in associates and jointly-controlled entities	—	—	—	—	—	—	38,530	38,530
Property and equipment	—	—	—	—	—	—	103,719	103,719
Others	71,492	24,468	12,833	26,256	15,681	9,979	31,686	192,395
Total assets	679,739	1,064,039	766,959	2,366,491	3,647,513	3,840,204	2,531,103	14,896,048
Liabilities:								
Due to central banks	—	—	—	100	—	—	—	100
Financial liabilities designated at fair value through profit or loss	—	38,884	47,850	44,142	—	—	—	130,876
Derivative financial liabilities	16	1,269	1,685	2,952	3,162	1,941	—	11,025
Due to banks and other financial institutions (ii)	625,190	495,279	96,832	84,014	44,054	540	—	1,345,909
Certificates of deposit	—	5,342	6,519	6,795	8,989	—	—	27,645
Due to customers	6,601,599	740,524	1,014,625	3,013,502	667,251	9,637	—	12,047,138
Debt securities issued	—	665	1,563	1,394	37,726	103,900	—	145,248
Others	113,688	98,065	16,490	76,512	18,156	5,581	—	328,492
Total liabilities	7,340,493	1,380,028	1,185,564	3,229,411	779,338	121,599	—	14,036,433
Net liquidity gap	(6,660,754)	(315,989)	(418,605)	(862,920)	2,868,175	3,718,605	2,531,103	859,615

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the Group's assets and liabilities is set out below: (continued)

31 December 2010 (audited)

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	298,812	—	—	—	—	—	1,984,187	2,282,999
Due from banks and other financial institutions (i)	55,178	348,602	14,295	36,923	56,089	—	—	511,087
Financial assets held for trading	—	95	2,477	1,732	4,025	1,722	137	10,188
Financial assets designated at fair value through profit or loss	—	—	600	1,388	649	161	—	2,798
Derivative financial assets	—	1,198	3,365	4,249	2,804	1,716	—	13,332
Loans and advances to customers	6,129	348,951	455,760	1,489,022	1,889,164	2,407,668	26,678	6,623,372
Financial investments	—	96,360	252,473	721,794	1,448,663	1,188,063	11,929	3,719,282
Investments in associates and jointly-controlled entities	—	—	—	—	—	—	40,325	40,325
Property and equipment	—	—	—	—	—	—	103,412	103,412
Others	34,267	21,532	15,241	30,816	8,615	7,732	33,624	151,827
Total assets	394,386	816,738	744,211	2,285,924	3,410,009	3,607,062	2,200,292	13,458,622
Liabilities:								
Due to central banks	—	—	1	50	—	—	—	51
Financial liabilities designated at fair value through profit or loss	—	3,476	578	2,547	69	—	—	6,670
Derivative financial liabilities	—	804	1,340	3,250	2,845	2,325	—	10,564
Due to banks and other financial institutions (ii)	765,833	222,444	54,014	51,033	36,855	2,711	—	1,132,890
Certificates of deposit	—	894	1,513	1,109	5,798	—	—	9,314
Due to customers	6,134,482	730,545	966,949	2,527,394	772,418	13,769	—	11,145,557
Debt securities issued	—	75	348	1,431	34,800	65,610	—	102,264
Others	79,374	20,933	20,587	82,478	19,585	6,698	—	229,655
Total liabilities	6,979,689	979,171	1,045,330	2,669,292	872,370	91,113	—	12,636,965
Net liquidity gap	(6,585,303)	(162,433)	(301,119)	(383,368)	2,537,639	3,515,949	2,200,292	821,657

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group expected that cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

30 June 2011 (unaudited)

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	523,848	—	1,080	—	—	—	2,322,054	2,846,982
Due from banks and other financial institutions (i)	77,110	558,674	71,373	49,121	77,533	—	—	833,811
Financial assets held for trading	—	157	3,060	21,700	8,554	2,890	166	36,527
Financial assets designated at fair value through profit or loss	—	36,808	3,116	18,372	43,100	5,903	—	107,299
Loans and advances to customers (ii)	8,459	484,851	668,571	2,317,734	3,115,751	3,890,823	66,819	10,553,008
Financial investments	—	48,861	142,682	567,320	1,968,458	1,530,927	9,710	4,267,958
Others	66,463	136	419	1,072	4,116	—	—	72,206
	675,880	1,129,487	890,301	2,975,319	5,217,512	5,430,543	2,398,749	18,717,791

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

30 June 2011 (unaudited)

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	—	—	—	103	—	—	—	103
Financial liabilities designated at fair value through profit or loss	—	39,404	48,027	44,277	—	—	—	131,708
Due to banks and other financial institutions (i)	625,207	497,079	97,528	85,961	47,397	737	—	1,353,909
Certificates of deposit	—	5,397	6,554	6,841	9,071	—	—	27,863
Due to customers	6,603,381	753,961	1,042,755	3,094,728	709,165	10,534	—	12,214,524
Debt securities issued	—	667	1,587	6,768	57,370	130,773	—	197,165
Others	101,595	11	13	221	1,254	5,079	—	108,173
	7,330,183	1,296,519	1,196,464	3,238,899	824,257	147,123	—	14,033,445
Derivative cash flows:								
Derivative financial instruments settled on a net basis	(4)	(26)	(118)	772	(713)	(187)	—	(276)
Derivative financial instruments settled on a gross basis:								
— Cash inflow	5,109	328,244	222,502	503,703	30,704	164	—	1,090,426
— Cash outflow	(5,109)	(327,159)	(221,719)	(502,923)	(31,097)	(164)	—	(1,088,171)
	—	1,085	783	780	(393)	—	—	2,255

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

31 December 2010 (audited)

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	298,812	—	899	—	—	—	1,984,187	2,283,898
Due from banks and other financial institutions (i)	55,240	349,829	14,476	37,036	62,871	—	—	519,452
Financial assets held for trading	—	111	2,535	1,904	4,576	1,850	137	11,113
Financial assets designated at fair value through profit or loss	—	6	620	1,434	716	625	—	3,401
Loans and advances to customers (ii)	7,174	376,542	523,409	1,707,765	2,633,490	3,388,618	61,951	8,698,949
Financial investments	—	100,073	270,232	802,576	1,708,727	1,413,431	25,527	4,320,566
Others	31,492	5,121	516	684	1,538	—	—	39,351
	392,718	831,682	812,687	2,551,399	4,411,918	4,804,524	2,071,802	15,876,730

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2010 (audited)

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	—	—	1	51	—	—	—	52
Financial liabilities designated at fair value through profit or loss	—	3,479	578	2,632	87	—	—	6,776
Due to banks and other financial institutions (i)	765,839	223,061	54,545	52,387	39,721	3,232	—	1,138,785
Certificates of deposit	—	894	1,518	1,120	5,968	—	—	9,500
Due to customers	6,136,119	744,212	988,524	2,594,560	818,850	14,948	—	11,297,213
Debt securities issued	—	75	349	3,793	43,476	72,105	—	119,798
Others	61,950	10	83	88	1,144	6,393	—	69,668
	6,963,908	971,731	1,045,598	2,654,631	909,246	96,678	—	12,641,792
Derivative cash flows:								
Derivative financial instruments settled on net basis	(2)	(14)	(52)	(115)	347	(386)	—	(222)
Derivative financial instruments settled on gross basis:								
— Cash inflow	1,240	211,555	222,707	417,415	30,552	274	—	883,743
— Cash outflow	(1,243)	(211,550)	(220,605)	(415,414)	(30,751)	(272)	—	(879,835)
	(3)	5	2,102	2,001	(199)	2	—	3,908

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of commitments.

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
30 June 2011 (unaudited)							
Credit commitments	502,346	132,505	253,096	522,933	394,650	229,381	2,034,911
31 December 2010 (audited)							
Credit commitments	406,297	100,223	211,154	378,978	320,778	231,727	1,649,157

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

The Group considers the market risk arising from commodity or stock prices fluctuations in respect of its investment portfolios as immaterial.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk ("VaR") analysis is a major tool used by the Bank since the second quarter of 2008 to measure and monitor the market risk of its trading portfolios at the HO level. The following sections include a VaR analysis by risk type of the Group's trading portfolios at the HO level and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) VaR

The VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a given level of confidence. The Bank adopts a historical simulation model to calculate and monitor the trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

A summary of the VaR by risk type of the Bank's trading portfolios at the HO level is as follows:

	Six months ended 30 June 2011 (unaudited)			
	30 June 2011	Average	Highest	Lowest
Interest rate risk	29	54	103	27
Foreign exchange risk	45	19	81	4
Commodity risk*	2	10	63	1
Total portfolio VaR	63	57	101	26

	Six months ended 30 June 2010 (unaudited)			
	30 June 2010	Average	Highest	Lowest
Interest rate risk	8	14	30	7
Foreign exchange risk	47	60	112	47
Total portfolio VaR	47	63	109	47

* The Bank calculated the VaR of commodity risk from April 2011.

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there was diversification effect due to the correlation amongst the risk factors, the individual VaR did not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, mainly including the following:

(1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose of positions within that period without restriction, the price of the financial instruments will fluctuate in the given range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

(2) Even though positions may change throughout the day, VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and

(3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HK$ and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealings and overseas investments.

The exchange rate of RMB to USD is managed under a floating exchange rate system. The HK$ exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HK$ has fluctuated in line with the changes in the exchange rate of RMB to USD.

The Group manages its currency risk through various methods, including limitation management and risk hedging to hedge foreign exchange risk, and performing currency risk sensitivity analysis and stress testing regularly.

The table below indicates a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the period/year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

		Effect on profit before tax		Effect on equity	
Currency	Change in currency rate	30 June 2011 (unaudited)	31 December 2010 (audited)	30 June 2011 (unaudited)	31 December 2010 (audited)
USD	-1%	(237)	149	(41)	(42)
HK$	-1%	(116)	(5)	(214)	(212)

While the table above indicates the effect on profit before tax and equity of 1% depreciation of USD and HK$, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Currency risk (continued)

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

30 June 2011 (unaudited)

	RMB	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	2,824,545	9,501	5,353	6,503	2,845,902
Due from banks and other financial institutions (i)	677,856	94,716	3,156	43,787	819,515
Financial assets held for trading	33,506	413	250	148	34,317
Financial assets designated at fair value through profit or loss	96,445	646	88	—	97,179
Derivative financial assets	8,955	2,049	138	2,661	13,803
Loans and advances to customers	6,570,742	422,389	111,690	47,766	7,152,587
Financial investments	3,511,634	61,361	5,271	19,835	3,598,101
Investments in associates and jointly-controlled entities	28	707	170	37,625	38,530
Property and equipment	95,856	7,077	369	417	103,719
Others	156,695	8,701	6,093	20,906	192,395
Total assets	13,976,262	607,560	132,578	179,648	14,896,048
Liabilities:					
Due to central banks	100	—	—	—	100
Financial liabilities designated at fair value through profit or loss	129,376	433	999	68	130,876
Derivative financial liabilities	2,825	6,680	140	1,380	11,025
Due to banks and other financial institutions (ii)	1,087,917	190,194	20,107	47,691	1,345,909
Certificates of deposit	9,173	9,903	4,330	4,239	27,645
Due to customers	11,669,079	176,138	112,392	89,529	12,047,138
Debt securities issued	135,499	7,237	1,355	1,157	145,248
Others	304,405	14,853	2,801	6,433	328,492
Total liabilities	13,338,374	405,438	142,124	150,497	14,036,433
Long/(short) position	637,888	202,122	(9,546)	29,151	859,615
Credit commitments	1,562,830	358,391	75,228	38,462	2,034,911

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Currency risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows (continued):

31 December 2010 (audited)

	RMB	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	2,261,743	9,154	5,641	6,461	2,282,999
Due from banks and other financial institutions (i)	407,659	75,633	3,222	24,573	511,087
Financial assets held for trading	6,921	467	2,436	364	10,188
Financial assets designated at fair value through profit or loss	1,850	663	285	—	2,798
Derivative financial assets	7,416	3,983	87	1,846	13,332
Loans and advances to customers	6,108,135	353,869	115,688	45,680	6,623,372
Financial investments	3,625,676	69,045	5,141	19,420	3,719,282
Investments in associates and jointly-controlled entities	25	707	164	39,429	40,325
Property and equipment	99,659	2,918	329	506	103,412
Others	127,041	4,983	5,983	13,820	151,827
Total assets	12,646,125	521,422	138,976	152,099	13,458,622
Liabilities:					
Due to central banks	50	—	—	1	51
Financial liabilities designated at fair value through profit or loss	5,367	299	685	319	6,670
Derivative financial liabilities	3,880	4,842	174	1,668	10,564
Due to banks and other financial institutions (ii)	945,965	144,041	11,528	31,356	1,132,890
Certificates of deposit	2,172	3,423	3,719	—	9,314
Due to customers	10,791,485	166,357	126,104	61,611	11,145,557
Debt securities issued	97,124	3,667	1,336	137	102,264
Others	210,321	9,729	2,957	6,648	229,655
Total liabilities	12,056,364	332,358	146,503	101,740	12,636,965
Long/(short) position	589,761	189,064	(7,527)	50,359	821,657
Credit commitments	1,203,417	334,126	74,380	37,234	1,649,157

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB interest policy, which include a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

A principal part of the Group's management of interest rate risk is to analyze the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net interest income and equity.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at period/year end that are subject to repricing within the coming year, including the effect of hedging instruments. The sensitivity of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate available-for-sale financial assets held at period/year end, including the effect of any associated hedges.

	Sensitivity of net interest income		Sensitivity of equity	
Change in basis points	**30 June 2011 (unaudited)**	**31 December 2010 (audited)**	**30 June 2011 (unaudited)**	**31 December 2010 (audited)**
+ 100 basis points	(21,709)	(23,156)	(18,700)	(18,848)
- 100 basis points	21,709	23,156	19,909	20,130

The interest rate sensitivities set out in the table above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

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

30 June 2011 (unaudited)

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	2,551,757	—	—	—	294,145	2,845,902
Due from banks and other financial institutions (i)	707,853	96,682	13,719	—	1,261	819,515
Financial assets held for trading	4,229	21,597	6,285	2,040	166	34,317
Financial assets designated at fair value through profit or loss	70,771	9,511	12,516	4,381	—	97,179
Derivative financial assets	—	—	—	—	13,803	13,803
Loans and advances to customers	2,296,796	4,691,101	26,467	103,116	35,107	7,152,587
Financial investments	322,281	627,054	1,497,623	1,146,516	4,627	3,598,101
Investments in associates and jointly-controlled entities	—	—	—	—	38,530	38,530
Property and equipment	—	—	—	—	103,719	103,719
Others	15,000	—	—	—	177,395	192,395
Total assets	5,968,687	5,445,945	1,556,610	1,256,053	668,753	14,896,048
Liabilities:						
Due to central banks	—	100	—	—	—	100
Financial liabilities designated at fair value through profit or loss	86,734	44,142	—	—	—	130,876
Derivative financial liabilities	—	—	—	—	11,025	11,025
Due to banks and other financial institutions (ii)	1,218,036	117,694	7,879	188	2,112	1,345,909
Certificates of deposit	15,408	4,365	7,872	—	—	27,645
Due to customers	8,109,104	3,009,328	667,244	9,637	251,825	12,047,138
Debt securities issued	10,155	1,394	29,799	103,900	—	145,248
Others	—	—	—	—	328,492	328,492
Total liabilities	9,439,437	3,177,023	712,794	113,725	593,454	14,036,433
Interest rate mismatch	(3,470,750)	2,268,922	843,816	1,142,328	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's assets and liabilities (continued):

31 December 2010 (audited)

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	2,053,031	—	—	—	229,968	2,282,999
Due from banks and other financial institutions (i)	431,688	74,549	2,758	—	2,092	511,087
Financial assets held for trading	3,463	2,446	2,896	1,246	137	10,188
Financial assets designated at fair value through profit or loss	1,850	138	649	161	—	2,798
Derivative financial assets	—	—	—	—	13,332	13,332
Loans and advances to customers	1,693,741	4,822,637	4,264	102,730	—	6,623,372
Financial investments	455,651	886,647	1,305,385	1,066,554	5,045	3,719,282
Investments in associates and jointly-controlled entities	—	—	—	—	40,325	40,325
Property and equipment	—	—	—	—	103,412	103,412
Others	7,494	—	—	—	144,333	151,827
Total assets	4,646,918	5,786,417	1,315,952	1,170,691	538,644	13,458,622
Liabilities:						
Due to central banks	1	50	—	—	—	51
Financial liabilities designated at fair value through profit or loss	4,054	2,547	69	—	—	6,670
Derivative financial liabilities	—	—	—	—	10,564	10,564
Due to banks and other financial institutions (ii)	1,054,575	77,420	71	—	824	1,132,890
Certificates of deposit	8,471	546	297	—	—	9,314
Due to customers	7,583,862	2,527,185	772,382	13,769	248,359	11,145,557
Debt securities issued	423	6,931	29,300	65,610	—	102,264
Others	—	—	—	—	229,655	229,655
Total liabilities	8,651,386	2,614,679	802,119	79,379	489,402	12,636,965
Interest rate mismatch	(4,004,468)	3,171,738	513,833	1,091,312	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(d) Capital management

The Group's objectives on capital management are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To allocate capital in an efficient and risk-based approach to optimise risk adjusted return to the shareholders; and
- To maintain an adequate capital base to support the development of its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem own shares, long term subordinated bonds, convertible bonds and hybrid instruments.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBRC. The required information is filed with the CBRC by the Group and the Bank semiyearly and quarterly.

The CBRC requires each bank to maintain the capital adequacy ratio and core capital adequacy ratio not below the minimum of 8% and 4%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk capital adjustment is calculated using the standardised approach.

The Group computes the capital adequacy ratio and core capital adequacy ratio in accordance with the "Regulations Governing Capital Adequacy of Commercial Banks" and related regulations promulgated by the CBRC. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the period, the Group has complied in full with all its externally imposed capital requirements.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(d) Capital management (continued)

	30 June 2011 (unaudited)	31 December 2010 (audited)
Core capital adequacy ratio	**9.82%**	**9.97%**
Capital adequacy ratio	**12.33%**	**12.27%**
Components of capital base		
Core capital:		
Share capital	349,020	349,019
Reserves (i)	484,555	400,724
Minority interests	1,224	1,227
Total core capital	834,799	750,970
Supplementary capital:		
General provisions for loan impairment (ii)	73,340	67,905
Long term subordinated bonds	116,211	78,286
Convertible bonds (iii)	24,867	24,870
Other supplementary capital	—	3,444
Total supplementary capital	214,418	174,505
Total capital base before deductions	1,049,217	925,475
Deductions:		
Goodwill	(26,121)	(27,369)
Unconsolidated equity investments (iv)	(21,501)	(22,649)
Others (v)	(2,315)	(3,084)
Net capital base	999,280	872,373
Net core capital base	795,613	709,193
Risk weighted assets and market risk capital adjustment	8,105,103	7,112,357

(i) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, reserves include the valid portion of capital reserve and retained profits, surplus reserves and general reserve.

(ii) Pursuant to the Notice on Specifying the Calculating Method of General Provisions for Loan Impairment issued by the CBRC, the general provisions for loan impairment included in supplementary capital should not exceed 1% of the total loans balance since the second quarter of 2010.

(iii) On 31 August 2010, as approved by the relevant regulators, the Bank issued convertible bonds of RMB25 billion. All funds raised from the issuance are utilised to enhance the Bank's supplementary capital after deducting direct transaction costs.

(iv) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, 100% and 50% of unconsolidated equity investments were deducted when calculating the net capital base and net core capital base, respectively.

(v) Included in the amount was the asset securitisation risk exposure deducted according to relevant regulations issued by the CBRC.

(In RMB millions, unless otherwise stated)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarises the carrying values and the fair values of receivables, held-to-maturity investments, subordinated bonds and convertible bonds whose fair values have not been presented or disclosed above:

	Carrying value	Fair value
30 June 2011 (unaudited)		
Receivables	493,341	492,795
Held-to-maturity investments	2,274,928	2,244,068
Subordinated bonds	116,211	109,805
Convertible bonds	22,485	21,146
31 December 2010 (audited)		
Receivables	501,706	501,310
Held-to-maturity investments	2,312,781	2,291,074
Subordinated bonds	78,286	72,721
Convertible bonds	22,124	20,990

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

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

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

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

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

Assets

Balances with central banks

Due from banks and other financial institutions

Reverse repurchase agreements

Loans and advances to customers

Other financial assets

Liabilities

Due to banks and other financial institutions

Repurchase agreements

Due to customers

Other financial liabilities

45. EVENTS AFTER THE REPORTING PERIOD

Acquisition of equity in Standard Bank Argentina

Approved by the Board of Directors, on 5 August 2011, the Bank entered into the Memorandum of Agreement with Standard Bank London Holdings Plc ("SBL"), Holding W-S De Inversiones S.A. ("Holding W-S") and the sellers' guarantors, Standard Bank and Sielecki and Werthein Family Members, under which the Bank agreed to purchase 80% of the shares of Standard Bank Argentina, Standard Investments and Inversora Diagonal (the "Target Companies") respectively. The consideration for the acquisition is approximately USD600 million (equivalent to approximately RMB3,863.16 million) in aggregate, which will be adjusted after the completion of the acquisition to reflect any increase or decrease in net asset value of the Target Companies between 31 December 2010 and the completion date of the acquisition. Completion of the Acquisition is still subject to the approval from domestic and foreign regulators.

Upon completion of the acquisition, SBL will still hold 20% of the total shares of each of the Target Companies, and have a put option, exercisable at any time during the period between the second anniversary of the closing date of the acquisition and the seventh anniversary of the closing date of the acquisition, to require the Bank to purchase the remaining 20% of the shares held by SBL in each of the Target Companies.

The Bank and SBL propose to make a capital contribution of an aggregate amount of USD100 million (equivalent to approximately RMB643.86 million) in Standard Bank Argentina, by way of share subscription in proportion to their respective shareholding in Standard Bank Argentina, after completion of the acquisition.

46. COMPARATIVE AMOUNTS

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

47. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2011.

(In RMB millions, unless otherwise stated)

(a) Illustration of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for the six months ended 30 June 2011 (for the six months ended 30 June 2010: no differences). There are no differences between the equity attributable to equity holders of the parent company under PRC GAAP and IFRSs as at 30 June 2011 (as at 31 December 2010: no differences).

(b) Liquidity ratios

	As at 30 June 2011	Average for the period ended 30 June 2011	As at 31 December 2010	Average for the year ended 31 December 2010
RMB current assets to RMB current liabilities	30.25%	31.02%	31.78%	31.24%
Foreign currency current assets to foreign currency current liabilities	50.67%	52.02%	53.37%	57.26%

The above liquidity ratios are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

The Hong Kong Banking (Disclosure) Rules took effect on 1 January 2007. It requires the disclosure of an average liquidity ratio, which is the arithmetic mean of each calendar month liquidity ratio. The Group prepared the liquidity ratio on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

(c) Foreign currency concentrations

	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
As at 30 June 2011				
Spot assets	599,776	132,039	141,624	873,439
Spot liabilities	(405,438)	(142,124)	(150,497)	(698,059)
Forward purchases	443,224	56,139	83,517	582,880
Forward sales	(605,618)	(12,279)	(72,447)	(690,344)
Net option position	(8,423)	(7)	(78)	(8,508)
Net long position	23,521	33,768	2,119	59,408
Net structural position	7,784	539	38,024	46,347
As at 31 December 2010				
Spot assets	517,797	138,483	112,315	768,595
Spot liabilities	(332,358)	(146,503)	(101,740)	(580,601)
Forward purchases	333,195	44,986	49,516	427,697
Forward sales	(526,173)	(15,301)	(46,033)	(587,507)
Net option position	(3,808)	(1)	293	(3,516)
Net long/(short) position	(11,347)	21,664	14,351	24,668
Net structural position	3,625	493	39,784	43,902

(In RMB millions, unless otherwise stated)

(c) Foreign currency concentrations (continued)

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and jointly-controlled entities.

(d) Cross-border claims

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

Cross-border claims include loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions and debt investments.

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

	Banks and other financial institutions	Public sector entities	Others	Total
As at 30 June 2011:				
Asia Pacific excluding Mainland China	103,366	10,177	160,894	274,437
— of which attributed to Hong Kong	63,306	7,609	111,018	181,933
Europe	66,477	412	16,650	83,539
North and South America	60,887	2,163	23,642	86,692
	230,730	12,752	201,186	444,668
As at 31 December 2010:				
Asia Pacific excluding Mainland China	65,601	15,609	146,391	227,601
— of which attributed to Hong Kong	25,616	8,798	90,463	124,877
Europe	50,709	1,875	16,567	69,151
North and South America	44,835	6,423	33,972	85,230
	161,145	23,907	196,930	381,982

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers

(i) Analysis by industry sector

30 June 2011

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses		
					Individually assessed	Collectively Assessed	Total
Transportation, storage and postal services	1,082,165	276,388	8,060	9,670	4,855	10,463	15,318
Manufacturing	1,032,488	442,399	23,558	25,558	16,681	15,935	32,616
Real estate	625,306	467,685	6,341	5,362	3,369	13,387	16,756
Production and supply of electricity, gas and water	622,249	88,874	4,369	4,861	2,367	10,359	12,726
Wholesale, retail and lodging	559,151	327,081	9,035	9,228	5,750	8,477	14,227
Water, environment and public utility management	532,726	122,343	271	261	110	18,555	18,665
Leasing and commercial services	371,561	137,507	1,974	958	638	17,804	18,442
Mining	163,024	18,032	276	349	215	334	549
Construction	101,824	45,126	1,320	1,204	732	1,165	1,897
Science, education, culture and sanitation	74,710	11,856	755	923	671	336	1,007
Others	228,535	71,060	1,220	1,441	1,007	4,292	5,299
Subtotal for corporate loans and advances	5,393,739	2,008,351	57,179	59,815	36,395	101,107	137,502
Personal mortgage and business loans	1,373,612	1,293,888	35,317	—	—	37,400	37,400
Others	460,748	315,953	15,464	—	—	4,511	4,511
Subtotal for personal loans	1,834,360	1,609,841	50,781	—	—	41,911	41,911
Discounted bills	105,941	105,941	190	—	—	2,040	2,040
Total for loans and advances to customers	7,334,040	3,724,133	108,150	59,815	36,395	145,058	181,453
Current market value of collateral held against the covered portion of overdue loans and advances*							120,081
Covered portion of overdue loans and advances*							55,193
Uncovered portion of overdue loans and advances*							52,957

* Please see section (e)(ii) for details of the definition of overdue loans and advances to customers.

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

(i) Analysis by industry sector (continued)

31 December 2010

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses Individually assessed	Collectively Assessed	Total
Transportation, storage and postal services	1,039,929	272,298	8,384	9,105	5,403	3,171	8,574
Manufacturing	970,184	397,667	25,507	27,336	19,404	21,333	40,737
Real estate	586,654	441,884	5,987	5,724	3,345	9,278	12,623
Production and supply of electricity, gas and water	597,189	82,106	4,810	5,278	2,570	1,473	4,043
Wholesale, retail and lodging	430,954	259,584	10,253	10,460	6,453	4,686	11,139
Water, environment and public utility management	552,886	108,679	186	208	137	31,344	31,481
Leasing and commercial services	378,568	130,404	1,036	1,201	762	13,791	14,553
Mining	133,358	15,825	273	297	209	274	483
Construction	89,188	39,000	1,200	1,231	942	824	1,766
Science, education, culture and sanitation	69,265	9,012	774	846	689	212	901
Others	169,106	85,287	1,269	1,814	1,386	2,802	4,188
Subtotal for corporate loans and advances	5,017,281	1,841,746	59,679	63,500	41,300	89,188	130,488
Personal mortgage and business loans	1,288,683	1,223,922	30,313	—	—	30,404	30,404
Others	367,036	259,489	12,208	—	—	4,165	4,165
Subtotal for personal loans	1,655,719	1,483,411	42,521	—	—	34,569	34,569
Discounted bills	117,506	117,506	98	—	—	2,077	2,077
Total for loans and advances to customers	6,790,506	3,442,663	102,298	63,500	41,300	125,834	167,134
Current market value of collateral held against the covered portion of overdue loans and advances *							104,832
Covered portion of overdue loans and advances *							48,023
Uncovered portion of overdue loans and advances *							54,275

* Please see section (e)(ii) for details of the definition of overdue loans and advances to customers.

(ii) Overdue loans and advances to customers

	30 June 2011	31 December 2010
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	4,401	3,264
Between 6 and 12 months	4,156	5,248
Over 12 months	50,807	55,836
	59,364	64,348
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.06%	0.05%
Between 6 and 12 months	0.05%	0.1%
Over 12 months	0.7%	0.8%
	0.81%	0.95%

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

(ii) Overdue loans and advances to customers (continued)

The definition of overdue loans and advances to customers is set out as follows:

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

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

(iii) Overdue and impaired loans and advances to customers by geographical distribution

30 June 2011

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	4,816	186	86	184	116	4,585
Yangtze River Delta	16,042	7,187	4,975	9,258	5,745	33,556
Pearl River Delta	15,607	7,568	4,402	8,460	5,222	21,039
Bohai Rim	18,506	10,730	6,649	10,945	7,002	28,014
Central China	18,840	9,917	4,924	11,239	6,438	20,680
Western China	22,658	11,382	5,905	12,472	7,140	25,849
Northeastern China	7,638	4,334	3,603	4,809	3,825	9,650
Overseas and others	4,043	1,535	420	2,448	907	1,685
Total	108,150	52,839	30,964	59,815	36,395	145,058

31 December 2010

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	4,176	189	86	194	119	3,455
Yangtze River Delta	15,031	9,099	5,544	10,880	6,761	29,306
Pearl River Delta	13,384	6,906	4,583	7,731	5,540	18,236
Bohai Rim	19,177	12,026	7,315	12,873	8,085	24,107
Central China	17,729	9,158	5,312	10,478	6,939	18,068
Western China	20,788	12,109	6,282	13,337	7,850	22,282
Northeastern China	8,715	5,751	5,044	6,117	5,225	8,713
Overseas and others	3,298	399	180	1,890	781	1,667
Total	102,298	55,637	34,346	63,500	41,300	125,834

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

(iv) Renegotiated loans and advances to customers

	30 June 2011		31 December 2010	
		% of total loans and advances		% of total loans and advances
Renegotiated loans and advances	9,544	0.13%	10,716	0.16%
Less: Renegotiated loans and advances overdue for more than three months	(6,498)	(0.09%)	(7,602)	(0.11%)
Renegotiated loans and advances overdue for less than three months	3,046	0.04%	3,114	0.05%

(f) Overdue placements with banks and other financial institutions

	30 June 2011	31 December 2010
The Group's gross placements with banks and other financial institutions which have been overdue with respect to either principal or interest for a period of:		
Over 12 months	29	28
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.02%	0.04%

(g) Exposures to non-bank entities in Mainland China

	30 June 2011	31 December 2010
On-balance sheet exposure	9,509,957	9,009,721
Off-balance sheet exposure	1,872,478	1,497,421
	11,382,435	10,507,142
Individually assessed allowance for impairment losses	35,518	40,926

In addition to those disclosed above, exposures to other non-bank counterparties outside Mainland China to which the credit is granted for use in Mainland China are considered insignificant to the Group.

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

HIBOR	Hong Kong Interbank Offered Rate
LIBOR	London Interbank Offered Rate
SHIBOR	Shanghai Interbank Offered Rate
the Bank/the Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries
Standard Bank	Standard Bank Group Limited
MOF	Ministry of Finance of the People's Republic of China
BEA	The Bank of East Asia, Limited
Goldman Sachs	The Goldman Sachs Group, Inc.
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC Brazil	ICBC do Brasil Banco Múltiplo S/A
ICBC Peru	ICBC Peru Bank
ICBC International	ICBC International Holdings Limited
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBC (Europe)	ICBC (Europe) S.A.
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
Huijin	Central Huijin Investment Ltd.
convertible bonds	convertible corporate bonds
American Express	American Express Company
PBOC	The People's Bank of China
SSE	Shanghai Stock Exchange
SSF	National Council for Social Security Fund
SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
PRC GAAP	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by the Ministry of Finance in 2006, as well as other relevant regulations
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission

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