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

2012 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

CONTENTS

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 2012 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 30 August 2012. All the Directors attended the meeting.

The 2012 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

30 August 2012

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: 86-10-66107571
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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

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Jun He Law Offices
20/F, China Resources Building, 8 Jianguomen North Street, 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 and convertible bonds are listed, and their names and codes

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

A Share Convertible Bonds

Shanghai Stock Exchange
Convertible bond name: 工行轉債
Convertible bond code: 113002

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
22/F, CITIC Tower, 1 Tim Mei Avenue,
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 2012	Six months ended 30 June 2011	Year ended 31 December 2011
Operating results (in RMB millions)			
Net interest income	204,058	174,504	362,764
Net fee and commission income	54,804	53,791	101,550
Operating income	262,828	231,160	470,601
Operating expenses	84,531	73,255	169,613
Impairment losses	19,237	16,881	31,121
Operating profit	159,060	141,024	269,867
Profit before tax	160,212	142,345	272,311
Net profit	123,241	109,575	208,445
Net profit attributable to equity holders of the parent company	123,160	109,481	208,265
Net cash flows from operating activities	821,025	237,491	348,123
Per share data (in RMB yuan)			
Basic earnings per share	0.35	0.31	0.60
Diluted earnings per share	0.35	0.31	0.59
Net cash flows per share from operating activities	2.35	0.68	1.00

Financial Data (continued)

	30 June 2012	31 December 2011	31 December 2010
Balance sheet items (in RMB millions)			
Total assets	17,073,050	15,476,868	13,458,622
Total loans and advances to customers	8,424,037	7,788,897	6,790,506
Allowance for impairment losses on loans	211,401	194,878	167,134
Net investment	3,988,381	3,915,902	3,732,268
Total liabilities	16,055,602	14,519,045	12,636,965
Due to customers	13,180,597	12,261,219	11,145,557
Due to banks and other financial institutions	1,604,095	1,341,290	1,048,002
Equity attributable to equity holders of the parent company	1,016,318	956,742	820,430
Share capital	349,322	349,084	349,019
Net asset value per share(1) (in RMB yuan)	2.91	2.74	2.35
Net capital base	1,224,368	1,112,463	872,373
Net core capital base	937,124	850,355	709,193
Supplementary capital	297,220	271,830	174,505
Risk-weighted assets(2)	9,031,850	8,447,263	7,112,357
Credit rating			
S&P(3)	A/Stable	A/Stable	A/Stable
Moody's(3)	A1/Stable	A1/Stable	A1/Stable

Notes: (1) Calculated by dividing equity attributable to equity holders of the parent company at the end of the reporting period by the number of shares issued at the end of the reporting period.

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

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

Financial Indicators

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
Profitability (%)			
Return on average total assets[1]	1.51*	1.55*	1.44
Return on weighted average equity[2]	24.31*	25.12*	23.44
Net interest spread[3]	2.48*	2.49*	2.49
Net interest margin[4]	2.66*	2.60*	2.61
Return on risk-weighted assets[5]	2.82*	2.88*	2.68
Ratio of net fee and commission income to operating income	20.85	23.27	21.58
Cost-to-income ratio[6]	25.57	25.82	29.91
	30 June 2012	**31 December 2011**	**31 December 2010**
Asset quality (%)			
Non-performing loans ("NPL") ratio[7]	0.89	0.94	1.08
Allowance to NPL[8]	281.40	266.92	228.20
Allowance to total loans ratio[9]	2.51	2.50	2.46
Capital adequacy (%)			
Core capital adequacy ratio[10]	10.38	10.07	9.97
Capital adequacy ratio[10]	13.56	13.17	12.27
Total equity to total assets ratio	5.96	6.19	6.11
Risk-weighted assets to total assets ratio	52.90	54.58	52.85

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 net 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 market risk capital adjustment 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 profound impact of the international financial crisis continued to linger on, in particular, the European debt crisis kept deteriorating, and the global economic growth has slowed down. The operation of China's economy has remained smooth as a whole, but it is facing higher pressure from the economic downturn, and structural issues are coming more to the fore. In face of the difficulties and challenges brought by the severe and complex situation, the Bank has improved its operating strategies and measures, maintained healthy development and showed a good beginning of a new three-year plan. In the first half of 2012, the Bank realized a net profit of RMB123,241 million, representing an increase of 12.5% over the same period of last year; the annualized return on average total assets (ROA) and the annualized return on weighted average equity (ROE) was 1.51% and 24.31%, respectively, representing an increase of 0.07 and 0.87 percentage points as compared to the whole of last year; non-performing loan (NPL) ratio dropped by 0.05 percentage points to 0.89%, while allowance to NPL increased by 14.48 percentage points to 281.40%. The Bank successfully issued RMB20.0 billion of RMB-denominated subordinated bonds in the inter-bank bond market, raising its capital adequacy ratio (CAR) and core CAR to 13.56% and 10.38%, respectively. Despite the drastic volatility of capital market, the Bank continued to be the top bank in the world in terms of market capitalization. According to the latest ranking of the Top 1000 World Banks in terms of tier-1 capital published by *The Banker*, the Bank ranked among the top three. In the selection of the "Top 100 Most Valuable Global Brands" for 2012 by the renowned research institution Millward Brown, the Bank ranked first among financial institutions with the most valuable brand value in the world for the fourth consecutive time.

Integrity Leads to Prosperity. The healthy development of the Bank in the severe and complex environment is attributable to the following factors:

Persistence in serving the real economy. The prosperity and stability of finance should depend on those of the other sectors. The banking industry and the real economy have a reciprocal and win-win dialectical relationship. In practice, the Bank has earnestly analyzed and seized the economic development trend and the financial need for the transformation of economic development mode, and strengthened the support for advanced manufacturing, modern services, cultural industries and strategic emerging sectors pursuant to the principles of controllable risk and sustainable business. The proportion represented by these industries in the Bank's total corporate loan balance increased to 48%. While continuously and actively supporting large enterprises and major projects, the Bank has further enhanced the financial services for SMEs, people's livelihood and consumption. Living up to the responsibility of "Green Bank", the Bank has strictly controlled loans to industries with high energy consumption, high pollution and over-capacity. Besides, the continuously optimized credit structure has helped to improve the condition of its credit operation and the quality and efficiency support for the development of the real economy.

Persistence in the transformation of development mode. The Bank was aware, at a relatively early stage, of the importance of the transformation of the development mode to sustainable development. In recent years, it has continued to promote the adjustment of operation structure, reinforced capital constraint and management and optimized resources allocation, in an effort to realize the transformation from capital-intensive to less capital-intensive activities, from a traditional financing intermediary to a universal financial service provider, and from a local commercial bank to a large global financial group. Despite many difficulties facing the global banking industry, slowdown of China's economic growth, interest rate becoming market-driven and acceleration of financial supervision reform, the Bank has demonstrated strong sustainable development capability. In the first half of 2012, the Bank's credit card business and high-end investment banking business, including merger, acquisition and restructuring with relatively more advanced knowledge and technology, continued to develop rapidly; financial asset services, which was a priority of the Bank's transformation, featuring low capital consumption and strong customer demand, achieved fast growth in terms of both scale and income. Internationalization and diversification have taken on a new look. As an important achievement in the fourth round of Sino-US strategic and economic dialog, the Bank's acquisition of shares in The Bank of East Asia (U.S.A.) National Association was officially approved and completed, which is the first time that the US Federal Reserve has allowed a Chinese bank to acquire a controlling stake in a US bank; the application for the establishment of the Warsaw Branch in Poland was approved, and the applications for enterprise establishment in Peru, Brazil, Saudi Arabia and Kuwait are in progress. This year is the 20th anniversary of the Bank's implementation of its cross-border operation strategy. Through persistent, active and prudent strategy implementation, the Bank has established 252 overseas branches in 34 countries and regions, which account for about 70% of China's total imports and exports. In the first half of 2012, the growth of total assets and profit of overseas institutions was much higher than that of domestic institutions, further demonstrating the role of internationalized operation in stabilizing profit and diversifying risks. After acquiring a controlling stake in ICBC-AXA Assurance Co., Ltd., the Bank formally entered into the insurance sector, and its diversified service system has further improved. Subsidiaries such as ICBC Credit Suisse Asset Management, ICBC Leasing and ICBC International played an increasingly important role in contributing profit to and coordinating strategic implementation with the Group.

Persistence in reform and innovation. The Bank has insisted on accelerating the reform and innovation of focused areas and key links and breaking the bottlenecks that restrict scientific development. The Bank has actively pushed forward the practical implementation of its service improvement strategy and has actively implemented business process optimization, counter business segregation and outlet channels upgrade, effectively improving service efficiency and customer experience. More than 70% of the Bank's business is completed by electronic channels with lower costs and higher efficiency. At the same time, the Bank has attached great importance to the protection of consumers' rights and interests, and has taken the lead among financial institutions to set up special departments to routinize, standardize and institutionalize its work. The Bank continued to deepen technological innovation, and became the first domestic bank to establish a multi-currency, multi-lingual and cross-time zone global integrated technology platform, and has enhanced the degree of innovation in its financial products in a manner which is technology-based, market-oriented and value creation-targeted. In line with the new requirements of financial services and new characteristics of transformation, the Bank promoted the reform of product line management system, centralized credit approval, and the branches in large and medium cities and sub-branches in counties, thereby fostering new competitive edge. The Bank has broadened its vision of competitive selection and recruitment of employees, and enhanced staff training with focus on internationalized talent programs, and highlighted the buttressing role of human resources for its operation and development.

Persistence in risk control. Risk prevention and mitigation is an eternal theme for a banking business. Particularly under the current circumstances where the effects of the financial crisis have intensified and various risk factors have intertwined with each other, risk control has become the key to healthy development. The Bank insists on treating risk management as the kernel of corporate governance and risk control as the prerequisite of all operating activities. It has made overall preparation for the implementation of the New Capital Accord, fully improved the level of management and control of various risks, and maintained asset quality and level of control over various risks under the severe and complex environment. The Bank has standardized the performance appraisal for directors, supervisors and senior management members, and promoted the effective operation of corporate governance. The Bank has improved the system of dispatching full-time directors and supervisors to subsidiaries and enhanced the effective management of subsidiaries and strategic synergy with Group development.

In 2012, Independent Non-executive Directors Mr. Leung Kam Chung, Antony and Mr. Qian Yingyi retired at the expiry of their term, and Mr. Or Ching Fai and Mr. Hong Yongmiao were newly appointed as the Bank's Independent Non-executive Directors. The Board of Directors expresses gratitude to Mr. Leung Kam Chung, Antony and Mr. Qian Yingyi for their work and believes that Mr. Or Ching Fai and Mr. Hong Yongmiao will each play an active role in enhancing the development of the Board.

"Range far your eye over long vistas". The banking industry is facing an in-depth reform and adjustment in terms of operating environment, market structure and development mode. The serious challenges are also accompanied by new opportunities and nurturing new hopes. The Bank will actively adapt itself to changes in economic and financial development trends, rise to the challenges, seize the opportunities, bravely strive forward and create new glory in history!

Chairman: Jiang Jianqing

30 August 2012

In the first half of 2012, economic operation at home and abroad remained complex. Insisting on the principle of prudent operation and sustainable development, the Bank actively responded to many new difficulties and challenges, and overall maintained healthy business development as evidenced by profit growth, business development, structure optimization, control of risk level and service improvement.

Profit grew in the severe and complex business environment. In the first half of 2012, through accelerated restructuring, deepened reform and innovation, enhancement of operational management, increase of income and reduction of expenditure, the Bank effectively overcame the influence of multiple factors, including China’s economic slowdown, regulatory policy changes and interest rate policy adjustment. Its net profit reached RMB123,241 million, representing an increase of 12.5% over the same period of last year, and continued to stay on top among domestic and foreign banks. Net interest margin (NIM) maintained steady growth, increasing by 6 basis points to 2.66% over the same period of last year, which remained at a relatively good level. Net fee and commission income continued to go up within regulation, accounting for 20.85% of total operating income; the structure of fee-based business income was further optimized, greatly amplifying the sustainability of its development. The internationalization strategy consistently implemented by the Bank has continued to show its effect. In the first half of 2012, profit before tax of overseas institutions increased by 17.6% over the same period of last year, higher than that of domestic institutions. Meanwhile, the Bank’s expenditure management and cost control were further enhanced, with a cost-to-income ratio of as low as 25.57%.

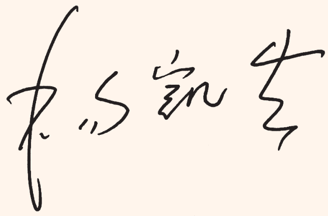
The Bank’s credit business better served the needs of the real economy and transformation development. In face of the complex and volatile external business environment in the first half of 2012, the Bank placed more emphasis on the adjustment of credit structure and reasonably controlled the credit scale and orientation. In terms of credit scale, RMB loans of domestic branches grew by RMB451,224 million in the first half of 2012, representing an increase of RMB40,357 million or 6.4% over the same period of last year. The loan growth not only provided strong support to the development of the real economy, but also embodied the Bank’s consistent prudent credit operation concept. In terms of credit orientation, more than 95% of the Bank’s new project loans were extended to a number of significant ongoing or renewed projects; new loans extended to strategic areas such as advanced manufacturing, modern services, cultural industries and strategic emerging sectors in line with China’s industry policy and economic restructuring orientation accounted for 105% of the Bank’s corporate loan growth; key businesses including trade finance and credit card overdraft maintained rapid growth. The continuous optimization and adjustment of credit structure effectively reduced the degree of loan concentration and the level of use of capital, improved the return on loan risk and enhanced credit sustainability.

Deposits and various new businesses achieved healthy and rapid development. In the first half of 2012, the Bank’s domestic deposits increased by RMB1,120,085 million, and the Bank continued to rank first among domestic banks in terms of deposit balance and growth size. In response to the severe challenges of financial disintermediation, interest rate becoming more market-driven and capital supervision reform, the Bank has actively pushed forward innovative development in financial asset services and accelerated its transformation from a large asset holding bank into a large asset management bank. In the first half of 2012, the business balance, accumulated transaction value and income of financial asset services such as asset management, entrusted management, agency transaction, underwriting and advisory services achieved relatively rapid growth. Income of investment banking businesses such as equity financing, restructuring and merger and acquisition grew by 114.2% over the same period of last year. Credit card business income increased by 41.3%, further consolidating the Bank’s leading advantage amongst peers. The Bank continued to rank first among banks in terms of the underwriting of corporate bonds. In the first half of 2012, the Bank handled cross-border RMB business of RMB790.1 billion, representing an increase of 94.6% over the same period of last year, and its market share amongst peers in international settlement hit a record high. Paper Precious Metals transaction income maintained a significant leading advantage in the market. Businesses such as asset management, settlement and cash management, pension and private banking also maintained steady growth.

Overall operation was stable and healthy. Since uncertainties in economic operation and pressure of risk prevention and control increased in the first half of 2012, the Bank further strengthened its enterprise risk management and strictly complied with its risk management policies to guarantee its safe and sound operation. Focusing on the implementation of the New Capital Accord, the Bank has continuously reinforced its enterprise risk management system covering credit risk, market risk, liquidity risk and operational risk. The Bank has further refined and improved its credit risk prevention and control measures, optimized its risk early warning system, strengthened the monitoring, analysis and management of key areas and industrial risks, and accelerated the recovery and disposal of non-performing loans. Though non-performing loans increased slightly in some industries and areas due to the economic volatility, the Bank's overall risks were controllable, credit assets maintained good quality, and preparations for preventing and mitigating risks were sufficient. The Bank's non-performing loans ratio was 0.89% at the end of June 2012, representing a decrease of 0.05 percentage points compared to the beginning of this year; allowance to NPL reached 281.40%, representing an increase of 14.48 percentage points over the end of last year; allowance to total loans ratio was 2.51%. The Bank has continued to entrench the uniform monitoring of operational risk and carried out effective management of operational risk. Internal risk exposure indicator dropped to the lowest level and case incidence continued to remain low.

The Bank's services and customer satisfaction continued to improve. The Bank has promoted the activity with the theme "Satisfaction with ICBC", paid particular attention to and studied, in a timely manner, customer needs and society concerns, and improved its services more pertinently and more efficiently. The Bank has set up a financial consumer rights and interests protection department, actively promoting the routinization and standardization of the protection of the financial consumers' rights and interests. The Bank has observed laws and regulations in the course of its operation, and strived to safeguard a sound market environment and fair competition order. The Bank has fully accelerated the innovation of mechanisms, channels, technologies and products, and quickened a new round of outlet optimization and construction that had commenced last year. A number of new outlets and out-of-branch self-service banking facilities came into operation, and development of the service system with mutually complementary physical channels and electronic channels has been accelerated. The Bank has successfully completed the building of a global integrated technology platform to realize global sharing and interconnection with its customers, products, businesses and data resources. The Bank has launched digital TV banking, Medi-banking Card and such other new products tailored to market needs, and endeavored to provide more advanced, more practicable and more convenient financial services for its customers. The Bank has continued to push forward the centralized business process reform, integrated business process re-engineering and optimization and business line, and kept improving new customer service modes. More than 70% of its businesses were completed through electronic channels with lower costs and higher efficiency, further improving the Bank's service capacity and efficiency.

Currently, the recovery of the world economy is slow and faces complex situation, domestic economic growth has slowed down and structural contradictions still stood out. Meanwhile, financial reform has accelerated, and the market environment of the banking industry is experiencing a profound change. All these posed new and higher requirements on the development and enhancement of operational management for commercial banks. In response to the external environment changes, the Bank will adjust its business strategy and improve the foresight, pertinence and flexibility of its various policies and measures. Besides, adhering to the basic requirement of the principle of "making progress while maintaining stability" adopted earlier this year for the Bank's work, the Bank will persist in its commitment to restructuring, improvement of profitability, enhancement of risk management, and following the path to innovation. Despite the complex business environment, the Bank strives to maintain the momentum of healthy and steady development of various business lines and to continue to move towards the strategic objective of developing into a world-class modern financial institution.



President: Yang Kaisheng

30 August 2012

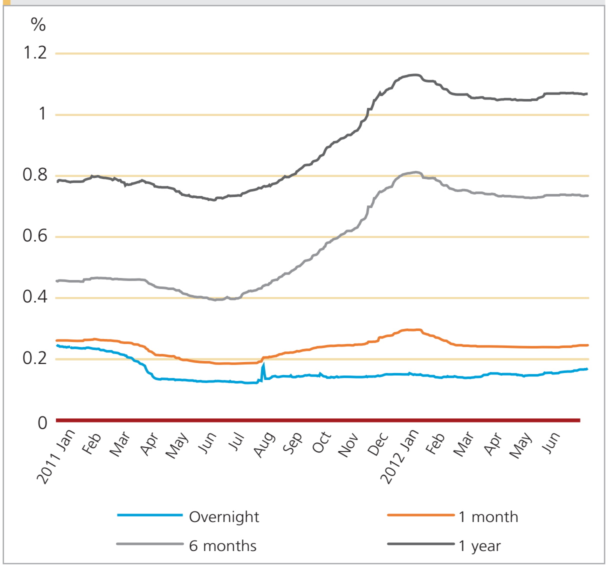
ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

International Economic, Financial and Regulatory Environments

The world economy was difficult and complicated in the first half of 2012. The European debt crisis is still the biggest destabilizing factor facing the global economic recovery and it has further showed a long-term trend and increased complexities. By regions, the growth momentum of the US economy was weakening amid an increasing number of uncertain factors encountered during its economic operation. The Eurozone economy was further depressed, and the downward risk of the economy increased sharply. The Japanese economy showed signs of recovery, yet still unstable, with the deficit and debt problem becoming the most uncertain factor affecting the Japanese economy. The growth rate of main emerging economies slowed down in the face of challenges in cross-border capital outflows and currency depreciation. With respect to macro policy, main developed countries continued a relaxed monetary policy. The US Federal Reserve decided to maintain the federal funds rate at 0-0.25% until the end of 2014 and declared in June to extend "Operation Twist" until the end of 2012. The European Central Bank continued to undertake the three-month long-term refinancing operations (LTROs) and it reduced main refinancing rate by 25 basis points to 0.75% on 5 July. The central bank of Japan continued to maintain the "zero interest rate" policy and increased its asset purchase fund to JPY70 trillion. Emerging economies further relaxed their monetary policies to stimulate economic growth. From early 2012 to mid-July, Brazil and India reduced their respective benchmark interest rate by 300 basis points and 50 basis points.

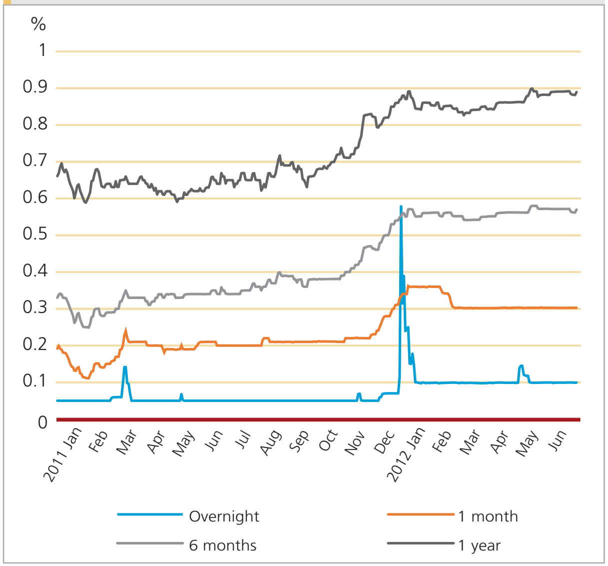
Against factors such as escalating European debt crisis, increased uncertainties in the global economic recovery and geopolitical turmoil, capital flow between risk assets and hedging assets was in disorder and the international financial market suffered a huge volatility. Firstly, the global equity market fluctuated persistently. The performance of American equity was slightly better in the first half of 2012, with the Dow Jones Industrial Average, S&P 500 Index and NASDAQ up 5.4%, 8.3% and 12.7%, respectively, compared to the end of last year. There were differentiation of trends in the European equity market. The German DAX30 rose by 8.8%, the French CAC40 and the UK FTSE rose slightly or remained flat, and the Madrid Stock Exchange General Index (MADX) slumped by 16.2%. Nikkei 225 and MSCI emerging markets index rose by 6.5% and 2.3%, respectively. The global equity market capitalization rose from the end of the previous year by USD2 trillion to USD48 trillion. Secondly, the global foreign exchange market fluctuated significantly. The USD exchange rate showed an upward trend. The US Dollar Index closed at 81.58 points at the end of June, up 1.7% over the end of last year. Euro fell by 2.3% against US dollar, while Japanese Yen fell by 3.7% against US dollar. Brazil, India, Russia and other emerging markets saw significant depreciation of their currencies due to international capital flight. Thirdly, commodity markets experienced violent fluctuations. The New York crude benchmark WTI dropped by 13.7% to close at USD84.96 per barrel at the end of June, and the New York spot gold price increased by 2.1% to close at USD1,597.45 per ounce. Fourthly, the global liquidity has loosened. The one-year US Dollar LIBOR stood at 1.07%, down 0.06 percentage points from the end of the previous year; the one-year EURIBOR was 1.21%, down 0.74 percentage points.

Movements of US Dollar LIBOR since 2011



Data source: Bloomberg.

Movements of Hong Kong Dollar HIBOR since 2011



Data source: Bloomberg.

Economic, Financial and Regulatory Environments in China

In the first half of 2012, in the face of complicated and severe economic situations at home and abroad, China adhered to the principle of steady progress, properly dealt with the relationship between steady and rapid economic growth, economic restructuring and management of inflation expectations, gave higher priority to stabilizing growth and enhanced fine-tuning of policies. The national economic operation remained stable as a whole with steady development.

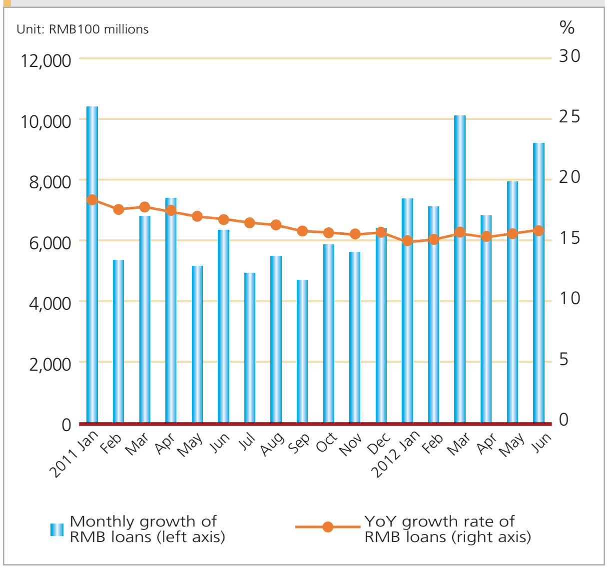
According to preliminary estimate result of the National Bureau of Statistics of China, China's gross domestic products (GDP) amounted to RMB22.71 trillion in the first half of 2012, representing an increase of 7.8% compared to the same period of last year. Of which, China's GDP grew by 8.1% and 7.6%, respectively in the first quarter and the second quarter, as compared to the same period of last year. Capital formation, final consumption expenditure and net export contributed 3.9, 4.5 and -0.6 percentage points, respectively, to the GDP growth. Industrial output grew steadily and moderately, and enterprise profits decreased compared to the same period of last year. Industrial added value of above-scale enterprises grew by 10.5%, considered to be within a reasonable growth interval. Above-scale enterprises realized a profit of RMB2.31 trillion, decreased by 2.2%. Fixed asset investment maintained a stable growth. The fixed asset investment (excluding peasant household) for the first half of 2012 amounted to RMB15.07 trillion, representing a growth of 20.4%. Consumption maintained a steady pace of increase. Total retail sales of consumer goods amounted to RMB9.82 trillion, representing an increase of 14.4%. With inflation curbed, the consumer price index (CPI) and the producer price index (PPI) recorded an increase of 3.3% and a decrease of 0.6%, respectively. Total imports and exports increased moderately by 8.0% to reach USD1.84 trillion in the first half of 2012.

Monetary policy continued to be prudent, pre-tuned and fine-tuned from time to time as appropriate. Since November last year, PBC cut the mandatory reserve ratio on RMB deposits of deposit-taking financial institutions three times, each time by 0.5 percentage points, cutting the mandatory reserve ratio cumulatively by 1.5 percentage points. In addition, PBC lowered the benchmark interest rate of RMB deposits and loans of financial institutions twice in June and July 2012, in which the benchmark rate of one-year deposits was cut from 3.50% to 3.00% and the benchmark rate of one-year loans was decreased from 6.56% to 6.00%, representing a cumulative decrease of 0.50 and 0.56 percentage points, respectively. In addition, the ceiling for deposit rates fluctuation of financial institutions was adjusted to 1.1 times the benchmark rate, and the floor for lending rates fluctuation of financial institutions was adjusted to 0.7 time the benchmark rate.

Money supply grew steadily and moderately, while the monetary credit level was reasonable. At the end of June, the M2 balance was RMB92.50 trillion, representing an increase of 13.6% over the same period of last year, with the growth rate remained flat over the end of last year; the M1 balance was RMB28.75 trillion, representing an increase of 4.7% with the growth rate decreased by 3.2 percentage points compared to the end of 2011. The outstanding RMB and foreign currency-denominated loans of financial institutions reached RMB63.33 trillion, representing an increase of 15.9% over the same period of last year. The balance of RMB loans was RMB59.64 trillion, representing an increase of 16.0%. The balance of foreign currency loans was USD582.3 billion, representing an increase of 16.0%. The total balance of deposits denominated in RMB and foreign currency of financial institutions was RMB90.88 trillion, representing an increase of 13.2% over the same period of last year, with the growth rate decreased by 0.3 percentage points compared to the end of last year. The balance of RMB deposits increased by 12.3% to RMB88.31 trillion, and the balance of foreign currency deposits increased by 58.0% to USD405.1 billion.

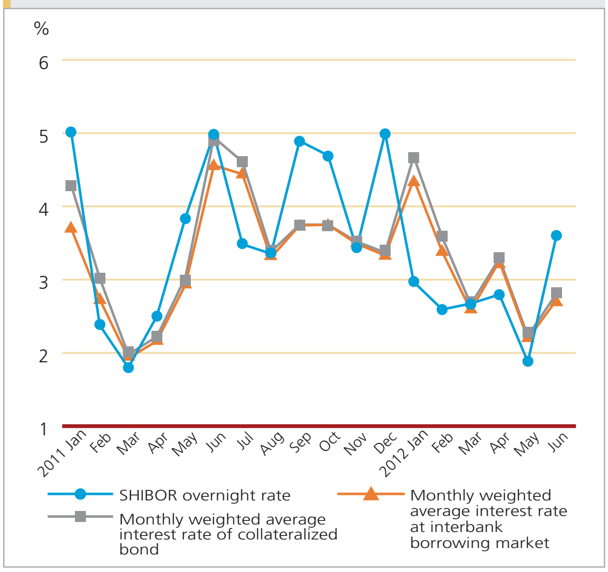
The social financing scale was slightly larger than the same period of last year. According to the preliminary statistics of PBC, the social financing scale for the first half of 2012 was RMB7.78 trillion, representing an increase of RMB13.5 billion compared to the same period of 2011. RMB loans increased by RMB4.86 trillion, with the growth amount rising by RMB683.3 billion. Foreign currency-denominated loans increased by the equivalent of RMB276.5 billion, with the growth amount falling by RMB59.6 billion. Entrusted loans increased by RMB482.7 billion with the growth amount falling by RMB220.1 billion. Trust loans rose by RMB343.2 billion, with the growth amount rising by RMB251.9 billion. Undiscounted banker's acceptance bills increased by RMB608.9 billion, with the growth amount falling by RMB717.8 billion. The net financing amount of enterprise bonds was RMB824.4 billion, with the growth rate rising by RMB165.6 billion, while domestic equity financing amount of non-financial enterprises decreased by RMB118.2 billion to RMB149.5 billion.

RMB Loan Growth of Domestic Financial Institutions since 2011



Data source: PBC.

Movements of Interest Rate in Domestic Interbank Market since 2011



Data source: PBC.

According to CBRC data, at the end of June, the total assets of banking financial institutions (corporate) was RMB126.78 trillion, representing an increase of 11.9% from the end of the previous year. The balance of non-performing loans (NPL) for commercial banks increased slightly with allowance to NPL further increased. Balance of NPLs stood at RMB456.4 billion, up RMB28.5 billion from the end of the previous year; NPL ratio dropped by 0.1 percentage points to 0.9%; allowance to NPL rose by 12.1 percentage points to 290.2%; capital adequacy ratio increased by 0.2 percentage points to 12.9%; core capital adequacy ratio increased by 0.2 percentage points to 10.4%.

The financial regulatory reform was promoted. CBRC issued the Regulation Governing Capital of Commercial Banks (Provisional) (hereinafter referred to as the "Capital Regulation") on 8 June 2012. The Capital Regulation adheres to the overall principle of combining international standards with China's national conditions, implementing both Basel II and Basel III and integrating financial regulation with macro and micro prudence. Firstly, the definitions of capital adequacy ratio indicators were refined to raise the regulatory requirements on capital adequacy ratio. After the implementation of the Capital Regulation, China's systemically important banks are normally subject to a capital adequacy ratio of 11.5%, a tier-one capital adequacy ratio of 9.5% and a core tier-one capital adequacy ratio of 8.5%. Secondly, the definition of capital is strictly clarified. Debt-based capital instruments must include write-down and write-off provisions. Thirdly, the capital coverage of risks is extended. Fourthly, scientific classification and discrepancy regulation are emphasized. Fifthly, transitional arrangements for capital adequacy ratio compliance are clarified. The Capital Regulation sets forth a six-year transitional period for compliance, requiring commercial banks to start implementation on 1 January 2013 and achieve full compliance by the end of 2018. Banks which meet the relevant conditions are encouraged to achieve compliance ahead of schedule.

PBC further improved the reform of the RMB exchange rate formation regime and strengthened the flexibility of RMB exchange rate fluctuation. Starting from 16 April, the range of fluctuation for the RMB price against US dollar in the interbank spot foreign exchange market expanded from 0.5% to 1%. The RMB exchange rate remained stable basically, the characteristic of moving in both directions was obvious and the elasticity of exchange rate was enhanced markedly. At the end of June 2012, the central parity of RMB against US dollar was RMB6.3249 per USD1, representing a depreciation of 0.4% from the end of the previous year and an accumulative appreciation of 30.9% since the exchange rate reform in 2005. The balance of foreign exchange reserves of China grew by 1.3% compared to the same period of last year to USD3.24 trillion.

Operation of the financial market has remained stable. Trades on the monetary market grew significantly where the market rate dropped markedly. The cumulative RMB trades on the interbank market for the first half of 2012 amounted to RMB127.58 trillion, representing an average daily turnover of RMB1.05 trillion and an increase of 39.0% over the same period of last year. In June, the monthly weighted average interest rate at the interbank borrowing market was 2.72%, representing a decrease of 0.61 percentage points from last December, whereas the monthly weighted average interest rate of collateralized repo was 2.81%, representing a decrease of 0.56 percentage points from December of last year. A cumulative total of RMB3.49 trillion worth of bonds (excluding central bank notes) were issued on the bond market, representing an increase of RMB302.2 billion over the same period of last year. The bond market index rose, and the government bond yield curve in the interbank market moved down generally.

The stock market indices stabilized and equity financing reduced significantly. Combined turnover on the Shanghai and Shenzhen stock markets was RMB17.49 trillion in the first half of 2012, representing a decrease of 29.2% over the same period of last year, whereas the average daily turnover was RMB149.5 billion, representing a decrease of RMB58.0 billion over the same period of last year. At the end of June, capitalization of the free float stocks on the Shanghai and Shenzhen stock markets amounted to RMB17.31 trillion, representing an increase of 5.0% from the end of the previous year. The Shanghai Composite Index and the Shenzhen Component Index closed at 2225.43 points and 9500.32 points, representing an increase of 1.2% and 6.5%, respectively. Enterprises and financial institutions accumulatively raised RMB199.4 billion through public offerings, additional issues, allotment of shares and warrant exercises on the domestic and foreign equity markets, representing a decrease of RMB136.8 billion over the same period of last year.

Outlook for the Second Half of 2012

Looking into the second half of 2012, the global economic activities will remain at a relatively low level and the economic outlook shows a relatively high degree of uncertainty. The European debt crisis will remain the primary risk in the global economy, likely to trigger another recession in the global economy. "Deleveraging" of major developed economies at the same time escalates the downside risk of economy. Fluctuation in the global financial markets increases and emerging economies face exchange rate volatility and higher risk in capital liquidity. Some countries may take trade protection measures to drive up the trend of global trade protectionism. According to the IMF report issued on 16 July 2012, the global economy is expected to grow by 3.5% in 2012, which is lower than the 3.9% in 2011. Developed economies are projected to grow by 1.4%, while emerging and developing economies are projected to grow by 5.6%. Taking into account factors such as the escalated sovereign debt crisis and the global economic slowdown, WTO expects the world trade to expand by merely 3.7% in 2012, which is lower than the average level for the past 20 years.

Opportunities and challenges coexist in China's economy. With respect to challenges, current domestic and foreign economic environments are complicated and severe. The global economy may remain in a relatively weak and volatile environment for a prolonged period of time. China's economy faces the heavy task of restructuring and expanding the domestic demand, profits in some enterprises decline, the real estate market is being adjusted and potential risks in the economic and financial fields should not be ignored. With respect to opportunities, the fundamental growth momentum underlying the steady and rapid development of China's economy remains unchanged. China is undergoing the process of urbanization, informatization, industrialization and agricultural modernization, its growth momentum and potential remains relatively strong.

China will focus on accelerating transformation of the economic development, adhere to the fundamental principle of moving forward with steady steps, further properly deal with the relationships among stable and rapid economic growth, economic restructuring and inflation expectation management, give higher priority to stabilizing growth, continuously strengthen and improve macro control and promote the stable and rapid growth of the national economy. China will continue to implement a proactive fiscal policy and a prudent monetary policy, increase the farsightedness, pertinence and flexibility of control, strengthen the policy on structured tax cuts and maintain steady and moderate growth of monetary credit; endeavor to expand domestic demand, improve residents' consumption capability and environment, actively promote the consumption of green products and services, expand effective investment while optimizing investment structure, implement policy measures to promote private investments and step up support for major national key projects under construction; accelerate economic restructuring, enhance the driving role of innovation, promote industrial upgrading, manage energy conservation and emission reduction properly, provide strong support for the development of small and micro businesses and service sectors and push forward the coordinated development of regions and urbanization; properly regulate the demand and supply of important commodities to ensure overall stability of prices; promote the stable development of foreign-related economic activities, implement the market diversification strategy and actively foster new edges in international competition; deepen reforms in areas such as taxation, finance, price, health care, education and culture and further improve systems and mechanisms; implement the real estate market control policy to rein in speculations, prevent rebounding of property prices, increase the supply of ordinary residential properties, particularly those of small and medium-size, properly manage government-subsidized housing projects and meet reasonable demand for housing used as own residences; safeguard and improve people's livelihood, stabilize and expand employment, implement and improve the social security policies, increase the availability of basic public services including education, culture and health care, introduce innovative social management and maintain harmony and stability of the society.

FINANCIAL STATEMENTS ANALYSIS

Income Statement Analysis

In the first half of 2012, faced with complicated and rigorous operating environment, the Bank aimed at serving the real economy and satisfying the financial needs of its customers, persisted in promoting the transformation of development mode and operation, strengthened product innovation and enhanced service level, and pushed forward sound and steady development of all businesses, resulting in further improvement on cost control and risk management. Net profit reached RMB123,241 million, representing an increase of RMB13,666 million or 12.5% over the same period of last year. Operating income rose by 13.7% to RMB262,828 million, of which, net interest income increased by 16.9% to RMB204,058 million, and non-interest income grew by 3.7% to RMB58,770 million. Operating expenses increased by 15.4% to RMB84,531 million. Cost-to-income ratio declined to 25.57%, maintaining at a lower level. Impairment losses increased by 14.0% to RMB19,237 million. Income tax expense amounted to RMB36,971 million, representing an increase of RMB4,201 million or 12.8%.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	Six months ended 30 June 2012	Six months ended 30 June 2011	Increase/ (decrease)	Growth rate (%)
Net interest income	204,058	174,504	29,554	16.9
Non-interest income	58,770	56,656	2,114	3.7
Operating income	262,828	231,160	31,668	13.7
Less: Operating expenses	84,531	73,255	11,276	15.4
Less: Allowance for impairment losses	19,237	16,881	2,356	14.0
Operating profit	159,060	141,024	18,036	12.8
Share of profits of associates and jointly-controlled entities	1,152	1,321	(169)	(12.8)
Profit before tax	160,212	142,345	17,867	12.6
Less: Income tax expense	36,971	32,770	4,201	12.8
Net profit	123,241	109,575	13,666	12.5
Attributable to: Equity holders of the parent company	123,160	109,481	13,679	12.5
Non-controlling interests	81	94	(13)	(13.8)

Net Interest Income

In the first half of 2012, the Bank continued to actively adjust the credit structure, increased the loan yield, optimized the investment portfolio structure, meanwhile, strived to control the liability cost and realized a relatively rapid growth of net interest income. Net interest income increased by RMB29,554 million or 16.9% over the same period of 2011 to RMB204,058 million, accounting for 77.6% of operating income. Interest income increased by RMB81,803 million or 30.0% over the same period of last year to RMB354,522 million, and interest expense increased by RMB52,249 million or 53.2% over the same period of last year to RMB150,464 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 2012			Six months ended 30 June 2011		
Item	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	8,137,254	255,736	6.29	7,076,342	190,883	5.39
Investment	3,801,637	67,864	3.57	3,635,115	56,751	3.12
Investment in bonds not related to restructuring	3,438,300	63,799	3.71	3,232,985	52,272	3.23
Investment in bonds related to restructuring(2)	363,337	4,065	2.24	402,130	4,479	2.23
Due from central banks	2,582,450	20,412	1.58	2,266,068	17,927	1.58
Due from banks and other financial institutions(3)	815,285	10,510	2.58	471,709	7,158	3.03
Total interest-generating assets	**15,336,626**	**354,522**	**4.62**	**13,449,234**	**272,719**	**4.06**
Non-interest-generating assets	796,729			674,016		
Allowance for impairment losses	(206,647)			(179,000)		
Total assets	**15,926,708**			**13,944,250**		
Liabilities						
Deposits	12,026,736	120,005	2.00	11,148,747	84,222	1.51
Due to banks and other financial institutions(3)	1,794,719	25,362	2.83	1,218,612	11,957	1.96
Debt securities issued	248,902	5,097	4.10	121,807	2,036	3.34
Total interest-bearing liabilities	**14,070,357**	**150,464**	**2.14**	**12,489,166**	**98,215**	**1.57**
Non-interest-bearing liabilities	850,909			578,134		
Total liabilities	**14,921,266**			**13,067,300**		
Net interest income		**204,058**			**174,504**	
Net interest spread			**2.48**			**2.49**
Net interest margin			**2.66**			**2.60**

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 balances at the beginning and at the end of the reporting period.

(2) Investment in bonds related to restructuring includes Huarong bonds and special government bonds during the reporting period. 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 2012 and 30 June 2011		
	Increase/(decrease) due to		Net Increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	33,009	31,844	64,853
Investment	3,334	7,779	11,113
Investment in bonds not related to restructuring	3,768	7,759	11,527
Investment in bonds related to restructuring	(434)	20	(414)
Due from central banks	2,485	–	2,485
Due from banks and other financial institutions	4,413	(1,061)	3,352
Changes in interest income	**43,241**	**38,562**	**81,803**
Liabilities			
Deposits	8,469	27,314	35,783
Due to banks and other financial institutions	8,104	5,301	13,405
Debt securities issued	2,598	463	3,061
Changes in interest expenses	**19,171**	**33,078**	**52,249**
Changes in net interest income	**24,070**	**5,484**	**29,554**

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 have been allocated to the changes resulted from business volume.

◆ *Net Interest Spread and Net Interest Margin*

Interest yield continued to increase, net interest spread and net interest margin was 2.48% and 2.66%, representing a decrease of 1 basis point and an increase of 6 basis points, respectively, as compared to the same period of last year, and representing a decrease of 1 basis point and an increase of 5 basis points, respectively, as compared to the whole year of 2011.

PBC lowered the benchmark interest rate of RMB deposits and loans twice in June and July, and meanwhile expanded the fluctuation range for deposit and loan interest rates. As interest rate reduction policy was launched at the late phase of and after the reporting period, its impact on net interest spread and net interest margin during the reporting period was small.

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 2012, the first half of 2011 and the whole year of 2011.

Percentages

Item	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
Yield of interest-generating assets	4.62	4.06	4.25
Cost of interest-bearing liabilities	2.14	1.57	1.76
Net interest spread	2.48	2.49	2.49
Net interest margin	2.66	2.60	2.61

Interest Income

◆ *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB255,736 million, representing an increase of RMB64,853 million or 34.0% as compared to the same period of last year, of which, increase due to the growth in scale was RMB33,009 million, accounting for 50.9% of the total increase, and increase due to rise of average yield was RMB31,844 million, accounting for 49.1% of the total increase. The rise of 90 basis points in average yield was mainly because PBC raised the benchmark interest rate of RMB loans three times in 2011, and the effective rate level of new loans granted in the first half of 2012 and repriced stock loans was higher than the same period of previous year. In addition, the Bank continuously carried forward credit structure adjustment, resulting in improvement of interest rate management level.

In terms of maturity structure, the average balance of short-term loans was RMB2,699,448 million, interest income derived therefrom was RMB82,122 million, and the average yield was 6.08%. The average balance of medium to long-term loans was RMB5,437,806 million, interest income arising therefrom was RMB173,614 million, and the average yield was 6.39%.

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 2012			Six months ended 30 June 2011		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	5,380,460	176,289	6.55	4,844,073	135,258	5.58
Discounted bills	158,371	7,623	9.63	107,792	4,213	7.82
Personal loans	2,039,961	60,990	5.98	1,730,019	44,829	5.18
Overseas and others	558,462	10,834	3.88	394,458	6,583	3.34
Total loans and advances to customers	**8,137,254**	**255,736**	**6.29**	**7,076,342**	**190,883**	**5.39**

In terms of business line, interest income on corporate loans amounted to RMB176,289 million, representing an increase of RMB41,031 million or 30.3% as compared to the same period of last year and accounting for 68.9% of total interest income on loans and advances to customers, mainly due to the rise of 97 basis points in the average yield of corporate loans and the increase of RMB536,387 million in the average balance.

Interest income on discounted bills was RMB7,623 million, representing an increase of RMB3,410 million or 80.9% as compared to the same period of last year, principally due to the increase of RMB50,579 million in the average balance of discounted bills and the rise of 181 basis points in the average yield, which resulted from the increased buying and selling of bills by the Bank at appropriate time based on market supply and demand.

Interest income on personal loans was RMB60,990 million, representing an increase of RMB16,161 million or 36.1% as compared to the same period of last year, mainly due to the increase of RMB309,942 million in the average balance of personal loans and the rise of 80 basis points in the average yield.

Interest income on overseas and other loans was RMB10,834 million, representing an increase of RMB4,251 million or 64.6% as compared to the same period of last year, benefiting from the continuous advancement of the Bank's internationalized and integrated development strategy, as well as the relatively rapid growth in loans from the overseas branches and subsidiaries of the Group.

◆ *Interest Income on Investment*

Interest income on investment was RMB67,864 million, representing an increase of RMB11,113 million or 19.6% as compared to the same period of last year, of which, interest income on investment in bonds not related to restructuring was RMB63,799 million, representing an increase of RMB11,527 million or 22.1%, mainly because the Bank increased investment in bonds at the high position of yield based on market movement and the yield of new investment in bonds was relatively high, resulting in the rise of 48 basis points in the average yield of bonds not related to restructuring.

Interest income on investment in bonds related to restructuring decreased by RMB414 million or 9.2% to RMB4,065 million as compared to the same period of last year, mainly because MOF repaid the Huarong bonds of RMB53.0 billion in the first half of 2012, resulting in a decrease in average balance.

◆ *Interest Income on Due from Central Banks*

Due from central banks mainly includes the mandatory reserves with central banks and the surplus reserves with central banks. Interest income on due from central banks was RMB20,412 million, representing an increase of RMB2,485 million or 13.9% as compared to the same period of last year, mainly due to the increase in the size of due from central banks resulted from the steady growth in customer deposits of the Bank.

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

Interest income on due from banks and other financial institutions was RMB10,510 million, representing an increase of RMB3,352 million or 46.8% as compared to the same period of last year, mainly because the Bank proactively seized the favorable market opportunity to enhance its capital operations and raise its capital operation yield on the premise of ensuring its liquidity needs, resulting in the increase of RMB343,576 million in the average balance of due from banks and other financial institutions as compared to the same period of last year.

Interest Expense

◆ *Interest Expense on Deposits*

Interest expense on deposits amounted to RMB120,005 million, representing an increase of RMB35,783 million or 42.5% as compared to the same period of last year, and accounted for 79.8% of total interest expense, mainly due to the accumulated impact of PBC's increase in the benchmark interest rate of RMB deposits three times in 2011 and the rise of 49 basis points in the average cost resulted from the increase in the average balance of time deposits. Meanwhile, the Bank proactively expedited the steady growth of deposits, resulting in the increase of RMB877,989 million in the average balance as compared to the same period of last year.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	Six months ended 30 June 2012			Six months ended 30 June 2011		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	2,241,789	36,878	3.29	2,001,320	24,365	2.43
Demand deposits(1)	3,544,438	15,276	0.86	3,567,215	13,466	0.75
Subtotal	**5,786,227**	**52,154**	**1.80**	**5,568,535**	**37,831**	**1.36**
Personal deposits						
Time deposits	3,476,638	59,297	3.41	3,126,775	39,678	2.54
Demand deposits	2,434,085	5,590	0.46	2,191,831	5,272	0.48
Subtotal	**5,910,723**	**64,887**	**2.20**	**5,318,606**	**44,950**	**1.69**
Overseas and others	**329,786**	**2,964**	**1.80**	**261,606**	**1,441**	**1.10**
Total deposits	**12,026,736**	**120,005**	**2.00**	**11,148,747**	**84,222**	**1.51**

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 RMB25,362 million, representing an increase of RMB13,405 million or 112.1% as compared to the same period of last year, mainly due to a relatively large increase in the average level of domestic money market interest rate in the first quarter as compared to the same period of last year, and a drop in the percentage of due to banks and other financial institutions with relatively lower average cost resulted from fluctuation and adjustment of capital market in the first half of 2012, which resulted in the rise of 87 basis points in the average cost. Meanwhile, average balance increased by RMB576,107 million or 47.3% as compared to the same period of last year.

◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB5,097 million, representing an increase of RMB3,061 million or 150.3% over the same period of last year, mainly attributable to the Bank's issuance of RMB-denominated subordinated bonds of RMB38.0 billion, RMB50.0 billion and RMB20.0 billion in June and December 2011 and June 2012, respectively. Please refer to "Note 31. to the Financial Statements: Debt Securities Issued" for details of the subordinated bonds issued by the Bank.

Non-Interest Income

In the first half of 2012, non-interest income was RMB58,770 million, representing an increase of RMB2,114 million or 3.7% over the same period of last year.

COMPOSITION OF NON-INTEREST INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2012	Six months ended 30 June 2011	Increase/ (decrease)	Growth rate (%)
Fee and commission income	58,836	56,844	1,992	3.5
Less: Fee and commission expense	4,032	3,053	979	32.1
Net fee and commission income	54,804	53,791	1,013	1.9
Other non-interest related gain	3,966	2,865	1,101	38.4
Total	**58,770**	**56,656**	**2,114**	**3.7**

In response to the changes in market environment, regulatory requirements and customer demands, the Bank carried forward the transformation and development of the fee-based business, proactively developed product and service innovation, cultivated core competitiveness and provided cost-effective service for customers. Meanwhile, the Bank actively implemented the regulatory requirements, substantially protected consumers' interests and consolidated the advantage in customer base. In the first half of 2012, net fee and commission income was RMB54,804 million, representing a growth of RMB1,013 million or 1.9% as compared to the same period of last year, of which, income from bank card business, brand investment banking business, private banking service and enterprise annuity service realized relatively quick growth; fee and commission expense went up by RMB979 million or 32.1%, mainly attributable to the increase in expense on bank card business. During the reporting period, income from the entrusted wealth management services amounted to RMB6,170 million and income from various agency services amounted to RMB3,241 million.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2012	Six months ended 30 June 2011	Increase/ (decrease)	Growth rate (%)
Investment banking business	14,950	13,155	1,795	13.6
Settlement, clearing business and cash management	13,784	13,582	202	1.5
Bank card business	10,505	8,058	2,447	30.4
Personal wealth management and private banking services	8,886	10,552	(1,666)	(15.8)
Corporate wealth management services	4,792	4,394	398	9.1
Asset custody business	2,806	3,007	(201)	(6.7)
Guarantee and commitment business	1,463	2,925	(1,462)	(50.0)
Trust and agency services	895	746	149	20.0
Others	755	425	330	77.6
Fee and commission income	**58,836**	**56,844**	**1,992**	**3.5**
Less: Fee and commission expense	**4,032**	**3,053**	**979**	**32.1**
Net fee and commission income	**54,804**	**53,791**	**1,013**	**1.9**

Income from investment banking business increased by RMB1,795 million or 13.6% as compared to the same period of last year to RMB14,950 million, mainly attributable to increase in relevant income driven by rapid expansion of brand investment banking business including merger and acquisition and restructuring, equity financing, advisory service for issue of bonds, syndicated arrangement and high-end financial advisory service.

Income from bank card business increased by RMB2,447 million or 30.4% as compared to the same period of last year to RMB10,505 million, mainly due to the increase in the consumption commission income and installment service fee income driven by the growth in bank card consumption.

Income from trust and agency services increased by RMB149 million or 20.0% as compared to the same period of last year to RMB895 million, mainly benefiting from the increase in relevant income driven by the development of entrusted loan business.

According to the macro environmental changes and financial regulatory requirements, the Bank stepped up the support for the development of small and micro enterprises, ceased to charge multiple fees such as commitment fee and treasury management fee, and strictly limited the charging of financial advisory fee and consultation fee for loans to small and micro enterprises. Meanwhile, the Bank comprehensively streamlined and regularized the management on fee charges, and started to implement the Price List for Services of Industrial and Commercial Bank of China (2012 Version) from 1 April. During the reporting period, income from asset custody business, guarantee and commitment business, part of personal wealth management and investment banking business decreased as compared to the same period of last year. Affected by decelerated growth in total volume of imports and exports as well as exchange rate fluctuation, the increase of income from settlement and clearing business has slowed down. Due to volatility and adjustment in capital market, income from fund sales, trust and third-party custody business dropped as compared to the same period of last year.

OTHER NON-INTEREST RELATED GAIN

In RMB millions, except for percentages

Item	Six months ended 30 June 2012	Six months ended 30 June 2011	Increase/ (decrease)	Growth rate (%)
Net trading expense	(248)	(21)	(227)	N/A
Net loss on financial assets and liabilities designated at fair value through profit or loss	(1,463)	(224)	(1,239)	N/A
Net gain on financial investments	454	309	145	46.9
Other operating income, net	5,223	2,801	2,422	86.5
Total	**3,966**	**2,865**	**1,101**	**38.4**

Other non-interest related gain was RMB3,966 million, representing an increase of RMB1,101 million or 38.4% as compared to the same period of last year, of which, net of other operating income was RMB5,223 million, representing an increase of RMB2,422 million or 86.5% as compared to the same period of last year, mainly resulting from an increase of RMB2,775 million in net gain from foreign exchange and exchange rate products driven by the increase in exchange gains from trading of derivative products by the Bank. Net loss on financial assets and liabilities designated at fair value through profit or loss increased by RMB1,239 million, mainly due to the increase in expenses of financial liabilities designated at fair value through profit or loss.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	Six months ended 30 June 2012	Six months ended 30 June 2011	Increase/ (decrease)	Growth rate (%)
Staff costs	42,309	37,649	4,660	12.4
Of which: Salaries and bonuses	28,792	27,069	1,723	6.4
Premises and equipment expenses	10,997	9,947	1,050	10.6
Business tax and surcharges	17,327	13,574	3,753	27.6
Amortization	807	687	120	17.5
Others	13,091	11,398	1,693	14.9
Total	**84,531**	**73,255**	**11,276**	**15.4**

The Bank implemented rigid cost management and control. Operating expenses were RMB84,531 million, representing an increase of RMB11,276 million or 15.4% as compared to the same period of last year, and cost-to-income ratio was reduced to 25.57%, maintaining at a lower level. Among the operating expenses, staff salaries and bonuses increased by 6.4%. Business tax and surcharges increased by 27.6% to RMB17,327 million, mainly driven by the increase in taxable interest income. Other operating expenses increased by 14.9% to RMB13,091 million.

Impairment Losses

Impairment losses on assets increased by RMB2,356 million or 14.0% to RMB19,237 million as compared to the same period of last year, of which, impairment losses on loans increased by RMB2,235 million or 13.3% as compared to the same period of last year to RMB19,029 million, principally because the Bank continuously strengthened risk prevention and control on loans, maintained stable loan quality, and adhered to sound and prudent provisioning policy to enhance its capability of resisting risks at the same time. 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 RMB4,201 million or 12.8% over the same period of last year to RMB36,971 million. The effective tax rate was 23.1%. Please refer to "Note 11. to the Financial Statements: Income Tax Expense" for the reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax rate.

Segment Information

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

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	145,940	55.5	118,017	51.0
Personal banking	80,564	30.7	80,878	35.0
Treasury operations	35,405	13.5	30,205	13.1
Others	919	0.3	2,060	0.9
Total operating income	**262,828**	**100.0**	**231,160**	**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 GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	24,417	9.3	17,239	7.5
Yangtze River Delta	53,190	20.2	49,333	21.3
Pearl River Delta	34,812	13.3	32,200	13.9
Bohai Rim	52,564	20.0	46,457	20.1
Central China	34,625	13.2	30,708	13.3
Western China	39,969	15.2	34,793	15.0
Northeastern China	14,786	5.6	13,581	5.9
Overseas and others	8,465	3.2	6,849	3.0
Total operating income	**262,828**	**100.0**	**231,160**	**100.0**

Note: Please refer to "Note 43. to the Financial Statements: Segment Information" for the Bank's classification of geographic regions.

Balance Sheet Analysis

In the first half of 2012, international and domestic economy continued the complicated operating structure, China continuously implemented the proactive financial policy and prudent monetary policy, PBC cut the benchmark interest rate of RMB deposits and loans of financial institutions and adjusted the fluctuation range of the interest rate of deposits and loans, making the banking competition increasingly fierce. In order to ensure the steady performance of its assets and liabilities businesses, the Bank continued to promote credit structure adjustment, reasonably control the aggregate amount, orientation and pace of lending and optimize the loan structure. The Bank closely monitored the trends of the domestic and international financial markets, accurately seized favorable market opportunities, reasonably arranged investment size, and optimized investment portfolio structure. The Bank proactively adopted measures to promote steady growth in customer deposits while striving to expand the size of other liabilities to guarantee the stable and sustainable growth of funding sources.

Assets Deployment

As at the end of June 2012, total assets of the Bank was RMB17,073,050 million, representing an increase of RMB1,596,182 million or 10.3% from the end of the previous year, of which, total loans and advances to customers (collectively referred to as "loans") increased by RMB635,140 million or 8.2%, net investment increased by RMB72,479 million or 1.9%, and cash and balances with central banks increased by RMB265,882 million or 9.6%. In terms of structure, the proportion of net loans, net investment and cash and balances with central banks in the Bank's total assets decreased slightly over the end of last year; and the proportion of net of due from banks and other financial institutions and reverse repurchase agreements increased slightly.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	8,424,037	—	7,788,897	—
Less: Allowance for impairment losses on loans	211,401	—	194,878	—
Loans and advances to customers, net	8,212,636	48.1	7,594,019	49.1
Net investment	3,988,381	23.4	3,915,902	25.3
Cash and balances with central banks	3,028,038	17.7	2,762,156	17.8
Due from banks and other financial institutions, net	885,417	5.2	478,002	3.1
Reverse repurchase agreements	532,764	3.1	349,437	2.3
Others	425,814	2.5	377,352	2.4
Total assets	**17,073,050**	**100.0**	**15,476,868**	**100.0**

Loans

In the first half of 2012, the Bank further adjusted its credit structure, proactively optimized its credit resources allocation, promoted the coordinated development of regional credit in accordance with changes in the macroeconomic environment and financial regulatory requirements as well as the development needs of the real economy. The Bank continued to actively bolster the development of advanced manufacturing, modern services, cultural industries and strategic emerging sectors, intensified support to SMEs, trade finance and reasonable credit demand of individuals, and attached importance to both credit structure adjustment and risk prevention, thus the level of lending was stable and appropriate. At the end of June 2012, loans amounted to RMB8,424,037 million, representing an increase of RMB635,140 million or 8.2% from the end of the previous year, and representing an increase of RMB91,606 million as compared to the same period of last year, of which, RMB-denominated loans of domestic operations increased by RMB451,224 million or 6.4% to RMB7,474,801 million.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans of domestic operations	**7,821,956**	**92.9**	**7,313,436**	**93.9**
Corporate loans	5,545,509	65.9	5,215,605	66.9
Discounted bills	202,833	2.4	106,560	1.4
Personal loans	2,073,614	24.6	1,991,271	25.6
Overseas and others	**602,081**	**7.1**	**475,461**	**6.1**
Total	**8,424,037**	**100.0**	**7,788,897**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	2,051,769	37.0	1,764,558	33.8
Medium to long-term corporate loans	3,493,740	63.0	3,451,047	66.2
Total	**5,545,509**	**100.0**	**5,215,605**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY PRODUCT LINE

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Working capital loans	2,281,632	41.1	2,000,392	38.4
Of which: Trade finance	853,394	15.4	729,407	14.0
Project loans	2,765,507	49.9	2,696,187	51.7
Property loans	498,370	9.0	519,026	9.9
Total	**5,545,509**	**100.0**	**5,215,605**	**100.0**

Corporate loans increased by RMB329,904 million or 6.3%. In terms of maturity, short-term corporate loans increased by RMB287,211 million or 16.3%, and its percentage increased by 3.2 percentage points to 37.0%; medium to long-term corporate loans increased by RMB42,693 million or 1.2%, mainly resulting from the Bank's active adjustment to its credit structure. In terms of product type, working capital loans increased by RMB281,240 million or 14.1%, of which, trade finance increased by RMB123,987 million or 17.0%, mainly because the Bank continued to support the credit demands of enterprises in the production and circulation areas; project loans increased by RMB69,320 million or 2.6%, representing an increase of RMB25,988 million as compared to the same period of last year, mainly granted to national key projects under construction and continuing projects; and property loans decreased by RMB20,656 million or 4.0%.

Discounted bills increased by RMB96,273 million or 90.3%, mainly because the Bank actively adjusted the scale of its discounted bill business in accordance with the bank-wide loan lending schedule to satisfy the need of asset and liability portfolio management.

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Personal housing loans	1,201,653	58.0	1,176,564	59.1
Personal consumption loans	382,488	18.4	373,368	18.8
Personal business loans	282,360	13.6	263,539	13.2
Credit card overdrafts	207,113	10.0	177,800	8.9
Total	**2,073,614**	**100.0**	**1,991,271**	**100.0**

Based on the macro control policy, the Bank implemented the differentiated housing loan policy, strengthened credit product innovation, enriched the product line of personal credit business and promoted the development of personal credit business. Personal loans increased by RMB82,343 million or 4.1%, of which, personal housing loans increased by RMB25,089 million or 2.1%; personal consumption loans increased by RMB9,120 million or 2.4%; personal business loans increased by RMB18,821 million or 7.1%; and credit card overdrafts increased by RMB29,313 million or 16.5%, mainly due to the rapid development of credit card installment repayment business as well as the continual growth of credit card issuance and consumption volume.

DISTRIBUTION OF LOANS BY REMAINING MATURITY

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Remaining maturity	Amount	Percentage (%)	Amount	Percentage (%)
Impaired or overdue	97,945	1.2	86,172	1.1
Less than 1 year	3,649,187	43.3	3,168,485	40.7
1–5 years	1,876,422	22.3	1,848,131	23.7
Over 5 years	2,800,483	33.2	2,686,109	34.5
Total	**8,424,037**	**100.0**	**7,788,897**	**100.0**

Note: The 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 is deemed overdue. Please refer to "Note 44.(a) to the Financial Statements: Credit risk" for definition of impaired loans.

Loans with a remaining maturity of more than 1 year amounted to RMB4,676,905 million, accounting for 55.5% of the loans, and the percentage declined by 2.7 percentage points; and loans with a remaining maturity of less than 1 year amounted to RMB3,649,187 million, accounting for 43.3% of the loans, and the percentage rose by 2.6 percentage points, mainly due to the increase in corporate working capital loans.

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 2012, the Bank strictly adhered to the trends in the financial markets, accurately seized favorable opportunities in the market, reasonably arranged the size of its investments, optimized its investment structure, and constantly enhanced its investment portfolio yield level on the basis of guaranteeing its liquidity and controlling risks. At the end of June 2012, net investment amounted to RMB3,988,381 million, representing an increase of RMB72,479 million or 1.9% as compared to the end of last year.

INVESTMENT

In RMB millions, except for percentages

Item	At 30 June 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	**3,984,024**	**99.9**	**3,911,633**	**99.9**
Investment in bonds not related to restructuring	3,608,038	90.5	3,402,795	86.9
Investment in bonds related to restructuring	344,996	8.6	397,996	10.2
Other debt instruments	30,990	0.8	110,842	2.8
Equity instruments	**4,357**	**0.1**	**4,269**	**0.1**
Total	**3,988,381**	**100.0**	**3,915,902**	**100.0**

Investment in bonds not related to restructuring amounted to RMB3,608,038 million, representing an increase of RMB205,243 million or 6.0% as compared to the end of last year. Investment in bonds related to restructuring amounted to RMB344,996 million, representing a decrease of RMB53,000 million as compared to the end of last year, because MOF and China Huarong Asset Management Corporation established a jointly-managed fund and the Bank honored Huarong bonds in the amount of RMB53,000 million in the first half of 2012. For details of the investment in bonds related to restructuring, please refer to "Note 21.(a) to the Financial Statements: Receivables".

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY ISSUERS

In RMB millions, except for percentages

Item	At 30 June 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	847,828	23.5	858,194	25.2
Central bank bills	637,016	17.7	682,676	20.1
Policy bank bonds	1,490,589	41.3	1,318,582	38.7
Other bonds	632,605	17.5	543,343	16.0
Total	**3,608,038**	**100.0**	**3,402,795**	**100.0**

In terms of issuer structure, government bonds reduced by RMB10,366 million or 1.2%, central bank bills decreased by RMB45,660 million or 6.7%, policy bank bonds increased by RMB172,007 million or 13.0%, and other bonds increased by RMB89,262 million or 16.4%, principally because part of central bank bills matured during the reporting period, meanwhile, the Bank moderately reduced its investment scale of government bonds and increased its investment in policy bank bonds and quality unsecured bonds.

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

In RMB millions, except for percentages

Remaining maturity	At 30 June 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Undated(1)	388	0.0	391	0.0
Less than 3 months	212,746	5.9	96,420	2.8
3–12 months	609,192	16.9	498,240	14.6
1–5 years	1,783,093	49.4	1,868,781	55.0
Over 5 years	1,002,619	27.8	938,963	27.6
Total	**3,608,038**	**100.0**	**3,402,795**	**100.0**

Note: (1) Refers to impaired bonds.

In terms of remaining maturity structure, the increase in bonds not related to restructuring within 1-year maturity was mainly because part of central bank bills would become mature soon. Without taking into account such factor, medium to long-term bonds not related to restructuring increased over the end of last year, mainly because the Bank moderately increased its investment in medium to long-term bonds in the first half of 2012 in order to boost its yield level.

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY CURRENCY

In RMB millions, except for percentages

Item	At 30 June 2012 Amount	At 30 June 2012 Percentage (%)	At 31 December 2011 Amount	At 31 December 2011 Percentage (%)
RMB	3,531,856	97.9	3,329,079	97.8
USD	51,927	1.4	52,213	1.6
Other foreign currencies	24,255	0.7	21,503	0.6
Total	**3,608,038**	**100.0**	**3,402,795**	**100.0**

In terms of currency structure, RMB-denominated bonds not related to restructuring increased by RMB202,777 million or 6.1%; and USD-denominated bonds decreased by the equivalent of RMB286 million, and other foreign currency bonds increased by the equivalent of RMB2,752 million.

DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

In RMB millions, except for percentages

Item	At 30 June 2012 Amount	At 30 June 2012 Percentage (%)	At 31 December 2011 Amount	At 31 December 2011 Percentage (%)
Financial assets at fair value through profit or loss	131,837	3.3	152,208	3.9
Available-for-sale financial assets	869,836	21.8	840,105	21.5
Held-to-maturity investments	2,525,686	63.3	2,424,785	61.9
Receivables	461,022	11.6	498,804	12.7
Total	**3,988,381**	**100.0**	**3,915,902**	**100.0**

At the end of June 2012, the Group held RMB1,636,902 million of financial bonds[1], including RMB1,490,589 million of policy bank bonds and RMB146,313 million of bonds issued by banks and non-bank financial institutions, accounting for 91.1% and 8.9% of financial bonds, respectively.

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 2010	20,510	3.60%	3 February 2015	–
Policy bank bonds 2006	20,000	3.26%	7 December 2013	–
Policy bank bonds 2007	17,660	5.07%	29 November 2017	–
Policy bank bonds 2008	16,700	4.83%	4 March 2015	–
Policy bank bonds 2009	13,900	2.95%	18 November 2012	–
Policy bank bonds 2008	13,540	4.95%	11 March 2018	–
Policy bank bonds 2007	11,380	4.94%	20 December 2014	–
Policy bank bonds 2010	11,320	3.97%	20 January 2017	–
Policy bank bonds 2010	11,050	3.51%	27 July 2020	–
Policy bank bonds 2011	10,870	4.68%	26 September 2016	–

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

Net of Due from Banks and Other Financial Institutions

Net of due from banks and other financial institutions was RMB885,417 million, representing an increase of RMB407,415 million or 85.2% from the end of the previous year. The significant increase in due from banks and other financial institutions was mainly because the Bank strengthened the effort in fund operation to enhance the fund use efficiency.

Reverse Repurchase Agreements

Reverse repurchase agreements were RMB532,764 million, representing an increase of RMB183,327 million or 52.5% from the end of the previous year. This was mainly because the Bank's funds at the end of the reporting period was more sufficient than the end of last year, and the Bank lent a large amount of funds to the market through bonds under reverse repurchase agreements.

Liabilities

At the end of June 2012, total liabilities of the Bank amounted to RMB16,055,602 million, representing an increase of RMB1,536,557 million or 10.6% from the end of the previous year.

LIABILITIES

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	13,180,597	82.1	12,261,219	84.5
Due to banks and other financial institutions	1,604,095	10.0	1,341,290	9.2
Repurchase agreements	176,975	1.1	206,254	1.4
Debt securities issued	231,731	1.4	204,161	1.4
Others	862,204	5.4	506,121	3.5
Total liabilities	**16,055,602**	**100.0**	**14,519,045**	**100.0**

Due to Customers

Customer deposits are the Bank's main source of fund. In the first half of 2012, the Bank accelerated channel building and customer expansion, and implemented dynamic and differentiated management on deposit interest rates, realizing steady growth in deposits business. At the end of June 2012, the balance of due to customers was RMB13,180,597 million, representing an increase of RMB919,378 million or 7.5% as compared to the end of the previous year, of which, corporate deposits increased by RMB442,852 million or 7.5%; and personal deposits increased by RMB462,606 million or 7.9%. In terms of maturity structure, demand deposits increased by RMB195,175 million or 3.1%, while time deposits increased by RMB710,283 million or 13.0%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Deposits of domestic operations	**12,845,297**	**97.5**	**11,949,927**	**97.5**
Corporate deposits	6,371,601	48.3	5,928,749	48.4
Time deposits	2,533,194	19.2	2,169,089	17.7
Demand deposits	3,838,407	29.1	3,759,660	30.7
Personal deposits	6,306,465	47.9	5,843,859	47.7
Time deposits	3,642,363	27.7	3,296,185	26.9
Demand deposits	2,664,102	20.2	2,547,674	20.8
Other deposits[(1)]	167,231	1.3	177,319	1.4
Overseas and others	**335,300**	**2.5**	**311,292**	**2.5**
Total	**13,180,597**	**100.0**	**12,261,219**	**100.0**

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

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	149,758	1.1	144,770	1.2
Yangtze River Delta	2,804,356	21.3	2,614,237	21.3
Pearl River Delta	1,699,430	12.9	1,609,536	13.1
Bohai Rim	3,313,386	25.1	3,085,768	25.2
Central China	1,891,512	14.4	1,727,284	14.1
Western China	2,144,725	16.3	1,981,823	16.2
Northeastern China	842,130	6.4	786,509	6.4
Overseas and others	335,300	2.5	311,292	2.5
Total	**13,180,597**	**100.0**	**12,261,219**	**100.0**

DISTRIBUTION OF DUE TO CUSTOMERS BY REMAINING MATURITY

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Remaining maturity	Amount	Percentage (%)	Amount	Percentage (%)
Demand[1]	6,865,426	52.1	6,660,720	54.4
Less than 3 months	1,880,615	14.2	1,896,819	15.5
3–12 months	3,160,310	24.0	2,615,102	21.3
1–5 years	1,251,616	9.5	1,071,244	8.7
Over 5 years	22,630	0.2	17,334	0.1
Total	**13,180,597**	**100.0**	**12,261,219**	**100.0**

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

In terms of the currency structure, the balance of RMB deposits amounted to RMB12,588,026 million, which accounted for 95.5% of the total balance of due to customers, representing an increase of RMB758,775 million or 6.4% as compared to the end of the previous year. The balance of foreign currency deposits was equivalent to RMB592,571 million, representing an increase of RMB160,603 million or 37.2%, mainly because RMB exchange rate fluctuated increasingly in both directions since 2012, the Bank further improved the competitiveness of its foreign exchange business through enhancing its foreign exchange pricing capability to achieve relatively rapid growth in foreign exchange deposits.

Due to Banks and Other Financial Institutions

Due to banks and other financial institutions was RMB1,604,095 million, representing an increase of RMB262,805 million or 19.6% as compared to the end of the previous year. To ensure stability in its source of fund, the Bank proactively took measures to absorb short-term inter-bank deposits, thereby supporting the development of each asset business effectively.

Debt Securities Issued

Debt securities issued amounted to RMB231,731 million, representing an increase of RMB27,570 million or 13.5% from the end of the previous year. This was mainly because the Bank issued RMB-denominated subordinated bonds in the amount of RMB20.0 billion in June 2012. For particulars of subordinated bonds issued by the Bank, please refer to "Note 31. to the Financial Statements: Debt Securities Issued".

Shareholders' Equity

As at the end of June 2012, shareholders' equity amounted to RMB1,017,448 million in aggregate, representing an increase of RMB59,625 million or 6.2% as compared to the end of the previous year, of which, equity attributable to equity holders of the parent company amounted to RMB1,016,318 million, representing an increase of RMB59,576 million or 6.2%. Please refer to the "Unaudited Interim Condensed Consolidated Financial Statements: Consolidated Statement of Changes in Equity" for details.

SHAREHOLDERS' EQUITY

In RMB millions

Item	At 30 June 2012	At 31 December 2011
Share capital	349,322	349,084
Equity component of convertible bonds	2,842	2,954
Reserves	298,866	291,370
Retained profits	365,288	313,334
Equity attributable to equity holders of the parent company	**1,016,318**	**956,742**
Non-controlling interests	**1,130**	**1,081**
Total shareholders' equity	**1,017,448**	**957,823**

For details of off-balance-sheet items, please refer to "Note 38. to the Financial Statements: Commitments and Contingent Liabilities".

Other Financial Information Disclosed Pursuant 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, net profit for the period attributable to equity holders of the parent company for the six months ended 30 June 2012 and equity attributable to equity holders of the parent company as at 30 June 2012 have no differences.

MAJOR REGULATORY INDICATORS

Item		Regulatory criteria	At 30 June 2012	At 31 December 2011	At 31 December 2010
Liquidity ratio (%)	RMB	>=25.0	32.7	27.6	31.8
	Foreign currency	>=25.0	80.3	90.6	53.4
Loan-to-deposit ratio (%)	RMB and foreign currency	<=75.0	63.1	63.5	62.0
Percentage of loans to single largest customer (%)		<=10.0	3.4	3.6	3.5
Percentage of loans to top 10 customers (%)			17.6	19.3	22.8
Loan migration rate (%)	Pass		1.4	2.0	2.6
	Special mention		3.9	7.3	4.8
	Substandard		16.3	32.8	43.4
	Doubtful		2.8	4.9	10.9

Note: The regulatory indicators 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 retrospectively.

BUSINESS OVERVIEW

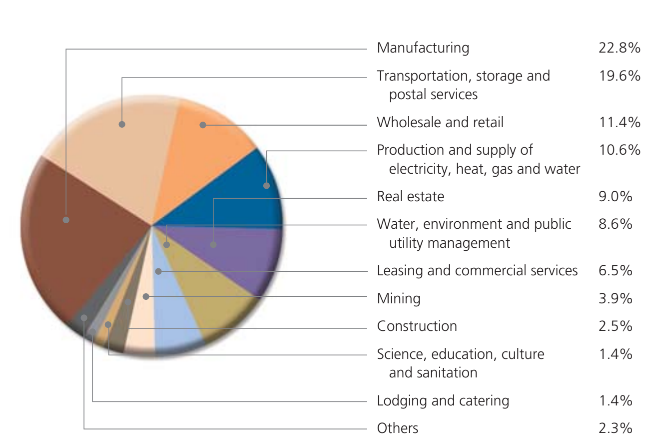
Corporate Banking

In the first half of 2012, the Bank seized opportunities in macro-economic changes to advance transformation of corporate banking and optimize business structure to realize balanced and sustainable development of corporate banking. The Bank also accelerated the business interaction between commercial banking and investment banking, the development of bonds underwriting, syndicated loan, restructuring and M&A, equity financing, financial advisory, entrusted loan, and the improvement of comprehensive financial service capacity so as to satisfy customers' diversified financing needs. It also enhanced business innovation and boosted the development of customer financial assets services such as asset management, entrusted management, agency trade, underwriting and consultancy, sales agency etc. Making use of the tiered marketing system, the Bank provided differentiated customer service, enhanced the marketing and service quality for key customers, and boosted the expansion of small and medium enterprise (SME) customers. The Bank also optimized the customer structure by industry to ensure a higher proportion of customers of good qualities. Relying on the global service network and the integrated technological platform of domestic and overseas operations, the interaction accelerated the development of global cash management and cross-border RMB business, and enhanced its global service capability and brand's international influence. At the end of June 2012, the Bank had 4.37 million corporate customers, representing an increase of 260 thousands customers over the end of the previous year; 138 thousands corporate customers had loan balances with the Bank, representing an increase of 11 thousands customers. According to statistics from PBC, at the end of June 2012, the Bank ranked first in the banking industry in terms of corporate loans and corporate deposits, with a market share of 11.9% and 12.6%, respectively.

Corporate Deposits and Loans

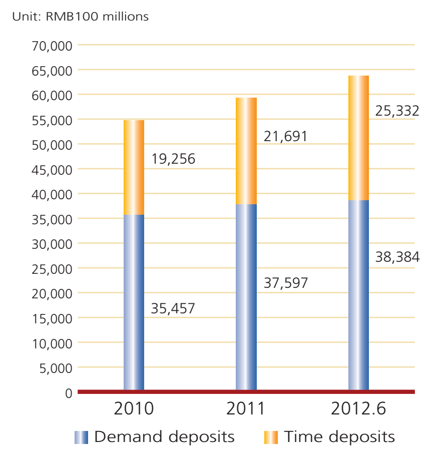
The Bank controlled the total volume and distribution of lending and further optimized the credit structure for the healthy and sustainable development of the credit business. It proactively provided services for the real economy, satisfied capital needs of key national investment projects under construction and continuing construction, offered greater financing support for advanced manufacturing, modern services, cultural industries and strategic emerging sectors, and strictly controlled property loans and lending to government financing vehicles. The Bank input more efforts to boost the increase of credit customers and realized the balanced development of large, medium and small customers to drive credit structure adjustment. It also enhanced product innovation and accelerated the development of high-profit and capital-saving loan products. The Bank promoted financing to the supply chain of enterprises to optimize business models, and to drive the development of trade finance and SMEs credit business. At the end of June 2012, the balance of domestic corporate loans reached RMB5,545,509 million, representing an increase of RMB329,904 million or 6.3% over the end of the previous year.

Breakdown of Corporate Loans by Industry



Note: Domestic operations data

Growth of Corporate Deposits



Note: Domestic operations data

In response to challenges of the marketization of interest rates, the Bank improved its interest rates management system and scientific deposit pricing, and leveraged on its advantages in integrated financial services such as corporate wealth management, cash management, E-banking and assets custody to raise its market competitiveness in corporate deposits business. The Bank strengthened marketing efforts towards supply chain customers, customer bases in urban circles and special customers, to expand customer base and to absorb and accumulate customers' funds. At the end of June 2012, the balance of domestic corporate deposits amounted to RMB6,371,601 million, representing an increase of RMB442,852 million or 7.5% from the end of the previous year.

Small and Medium Enterprise Business

The Bank proactively provided support for the development of SMEs, and devoted to provide professional, efficient and convenient financial services to SME customers through building an independent and complete SME credit policy regime, business procedures and product systems, and giving priority to resource allocation in this regard. The Bank accelerated the promotion of exclusive financing products such as small business revolving loans, online revolving loans and standard plant mortgage loans to meet diverse financing needs of small enterprise customers. It also improved the building of specialized operating institutions, bringing the number of specialized operating institutions for small enterprise financial services to over 1,400. Starting with the supply chain finance, the Bank strove to expand upstream and downstream customers around leading enterprises and replenish its SME customer base. Moreover, it also increased support for the development of small and micro enterprises through exempting or reducing multiple business charges. The Bank strengthened management over entrusted payment of lending funds, and strictly controlled small enterprise credit risks to ensure the healthy development of small enterprise credit business. At the end of June 2012, the balance of loans to small (micro) and medium-sized enterprises was RMB3,988,213 million, representing an increase of 8.6% over the end of the previous year, among which loans to medium-sized enterprises were RMB2,188,806 million and those to small and micro enterprises were RMB1,799,407 million, up 10.5% and 6.5%, respectively.

LOANS TO DOMESTIC SMALL (MICRO) AND MEDIUM-SIZED ENTERPRISES

In RMB millions, except for percentages

Item	At 30 June 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans to small (micro) and medium-sized enterprises	**3,988,213**	**51.0**	**3,671,696**	**50.2**
Of which: Medium-sized enterprises	2,188,806	28.0	1,981,619	27.1
Small and micro enterprises	1,799,407	23.0	1,690,077	23.1

Note: The percentage refers to the proportion in loans of domestic branches. Loans to small and micro enterprises include personal business loans.

Institutional Banking

The Bank intensified efforts in providing comprehensive financial services in the fields of public finance and people's livelihood. Through customized comprehensive financial service schemes, the Bank promoted the rapid development in business such as agency services in respect of centralized payments, business cards for central budget units, social security cards, co-branded cards for housing allowances and centralized distribution of agency social security and social insurance funds. The Bank deepened the cooperation with securities companies, improved customers' capital management level, and expanded business of third-party depository, margin trading, wealth management products sales and assets custody, among which the number of customers and volume of funds involved in the third-party depository continued to maintain the leading status. The Bank promoted the inter-bank cooperation, and actively conducted RMB financing, payment and settlement agency, foreign exchange clearing, international settlement and trade finance, and built a platform for agency business cooperation with medium-sized and small banks, increasing the number of domestic correspondent banks by 15 to 131. In addition, the Bank intensified the cooperation with insurance companies to further develop bancassurance business and expand cooperation of business fields. The Bank also explored cooperation with financial institutions such as futures companies and trust companies, resulting in expansion of its business scale and enhanced its influence in the market.

Settlement and Cash Management

The Bank accelerated the application of the "E Express for Industrial and Commercial Capital Verification" to expand its customer base, and adopted a cluster marketing strategy to consolidate its advantage in customer scale. The Bank worked on value hedge and addition of customers' financial assets, developing customized comprehensive financial service schemes and improving services for customers, in an effort to enhance the brand influence of "Caizhi Account". At the end of June 2012, the Bank had 5.35 million corporate settlement accounts, representing an increase of 300 thousands accounts over the end of the previous year; the transaction volume of corporate RMB settlement reached RMB823 trillion in the first half of 2012, enabling the Bank to maintain its position as an industry leader.

The Bank expanded the coverage of cash management products and services, and promoted high-end cash management services such as Collection Manager, bill pool and fund pool, raising its competitive edge in the cash management market. It stepped up efforts to enhance cooperative marketing with overseas branches to extend the multinational enterprise cash management service from domestic headquarters of enterprises to their regional or global headquarters. The Bank has been awarded the "Best MNC/Large Corporate Treasury & Working Capital Bank (China)" by *The Asset*, and the "Leading Counterparty Bank in Asia Pacific" and the "Best Cash Management Bank in China" by *The Asian Banker*. At the end of June 2012, the Bank had 747 thousands cash management customers, representing an increase of 13.0% from the end of the previous year.

Investment Banking

The Bank tapped its advantages in "consulting + financing" comprehensive restructuring and M&A service, and explored business opportunities in cross-border M&A, integration of the coal industry, M&As in the energy and resources industry to expand the customer base for restructuring and M&A business. In the first half of 2012, nearly RMB50.0 billion worth of restructuring and M&A transactions have been completed. It accelerated the development of equity financing, and improved the equity financing products system consisting of equity investment funds lead bank, enterprise listing advisory, private equity advisory and arrangement right for available shares to satisfy corporate needs for equity financing. The Bank enriched the investment banking research products system, broadened channels for electronic services and improved its investment banking services. It also expanded its bond underwriting business and underwrote RMB154.1 billion worth of debt financing instruments as a lead arranger in the first half of 2012, continuing to be an industry leader. Given the ever-increasing awareness of its investment banking brand, the Bank was awarded the "Best Bank in Investment Banking" by the *Securities Times* for four consecutive years. In the first half of 2012, investment banking income was RMB14,950 million, representing an increase of 13.6% over the same period of last year.

International Settlement and Trade Finance

The Bank leveraged on its advantages in local and foreign currency resources allocation and joint efforts between domestic and overseas branches, enhanced the promotion of new products such as export financing and wealth management product portfolios and export financing under foreign exchange limit, and optimized business procedures of export credit insurance financing to improve its service capabilities for export enterprises. It also enhanced intensive operation of international settlement documents to improve the international settlement service, and promoted international settlement and financing via Internet banking to expand the business channel. Relying on the global supply chain, the Bank proactively developed the trade finance targeted at medium-sized customers to expand the customer scale. In the first half of 2012, domestic branches disbursed an aggregate of USD66.3 billion in international trade finance, representing an increase of 72.7% over the same period of last year. International settlement by domestic branches reached USD644.2 billion, representing an increase of 27.2%.

Asset Management

◆ *Asset Custody Services*

In order to mitigate the influences of capital market volatility, the Bank strengthened cooperation with securities and investment fund companies to increase the types of trust funds and the number of funds under custody. As a result, the scale of funds under custody increased by 14.2% from the end of the previous year, keeping the Bank a leading position in the market. Global custody services developed steadily, the number of customers using the Bank's QFII custodian services ranked top among all the Chinese banks, and the scale of QDII assets under the Bank's custody continued to lead the banking industry. The traditional custody services such as insurance assets, enterprise annuity and trusted assets grew steadily; while the emerging custody services such as the schemes on customer asset management for securities firms and the wealth management custody for fund accounts are developing rapidly, resulting in a continuously optimized custody business structure. The Bank was recognized as the best custodian bank in China by renowned financial journals, including the *Global Custodian, Global Finance* and *The Asset* once again. At the end of June 2012, the total net value of assets under the Bank's custody reached RMB3,738.8 billion, representing an increase of 5.9% over the end of last year.

◆ *Pension Services*

The Bank continuously broadened the types of pension services and expanded the customer base by leveraging on its comprehensive competitive advantages. It promoted integrated enterprise annuity schemes such as the "Ruyi Pension Management" to develop the standardized enterprise annuity business market. The "Ruyi Life" benefit scheme and pension wealth management products were launched to meet the needs of enterprises and public institutions for managing employees benefit funds. At the end of June 2012, the Bank provided pension management services for 32,051 enterprises, representing an increase of 2,627 from the end of the previous year; the pension funds under the Bank's trusteeship amounted to RMB48.5 billion; the Bank managed 11.08 million individual pension accounts, and the pension funds under the Bank's custody totaled RMB207.0 billion. The Bank led the market in terms of the scale of individual enterprise annuity accounts and enterprise annuity funds under the Bank's custody.

◆ *Precious Metal Business*

To effectively respond to changes in the market, the Bank made more efforts in developing its precious metal accumulation business and leasing business. It upgraded the Gold Accumulation Products trading system to increase the trading efficiency, and stepped up the promotion of the gold leasing business for branches located in regions with abundant gold reserves to increase gold leasing business volume. Moreover, the Bank accelerated the establishment of special services areas for precious metal business in outlets, improved the physical channel distribution, and provided precious metal trading via the popular mobile phone platforms and tablet PC platforms to build a convenient and quick electronic trading channel. Leveraging on the "ICBC Gold Elite", an investor club platform, the Bank improved services for high-end customers. During the first half of 2012, the total amount of precious metal business reached RMB568.3 billion.

◆ *Corporate Wealth Management*

The Bank launched new products at an appropriate pace and arranged product maturity with regard to customers' needs for investment products with diverse terms. The Bank intensified efforts in product innovation and launched new products such as A-share structured quantitative products linked to the CSI 300 Index to satisfy customers' diverse investment needs. To broaden the channels of product sales, the Bank realized sales of non-specialized account wealth management products via the Internet and promoted the agency sales of the Bank's wealth management products by other banks in an orderly manner. In the first half of 2012, sales of the Bank's corporate wealth management products reached RMB1,302.8 billion in aggregate, representing an increase of 18.9% over the same period of last year.

Personal Banking

In the first half of 2012, in response to the fierce peer competition and challenges of the marketization of interest rates, the Bank continued to implement the "strong personal banking" strategy and transformed the personal banking operation. Through strengthening coordinated marketing between public and private departments, the Bank explored new markets and developed new customers to broaden its customer base. It also leveraged on the ICBC Business Friendship Club and Celebrity Wealth Management Club, and built new marketing channels to enlarge the business scale. The Bank proactively accelerated the product innovation and the promotion and application of financial products in the people's livelihood field, and enhanced the competitive edge of personal banking business, securing its leading position among peers in terms of savings deposits, personal loans, banking wealth management and credit card. The Bank also worked on the star assessment service system for personal customers to expedite the transformation of customer service mode, enhance the ability to identify and develop customers of good qualities, and increase customers' satisfaction. The Bank was awarded the "Best Large-Scale Retail Bank in China" by *The Asian Banker*. At the end of June 2012, the Bank had 292 million personal customers, including 7.49 million personal loan customers, representing an increase of 10.46 million and 100 thousands from the end of the previous year, respectively. According to statistics from PBC, at the end of June 2012, the Bank ranked first in the banking industry both in terms of the size of savings deposits and personal loans, with a market share of 16.6% and 14.0%, respectively.

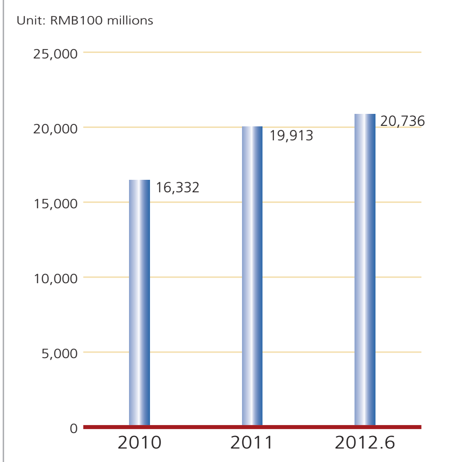
Savings Deposits

The Bank pushed forward the coordinated marketing between public and private departments, explored source markets such as commodity trading markets and payroll payment agency service, expanded the size of customers and consolidated the basis for savings deposits business. To adapt to the marketization of interest rates, the Bank made great efforts to improve its precision management of interest rates, and promoted a coordinated development of savings deposits and wealth management business through setting reasonable deposits interest rate and prices of wealth management products. At the end of June 2012, the balance of the Bank's domestic savings deposits amounted to RMB6,306,465 million, representing an increase of RMB462,606 million or 7.9% from the end of the previous year, of which, demand savings deposits increased by 4.6% and time savings deposits increased by 10.5%.

Personal Loans

The Bank implemented the differentiated housing credit policy and supported the reasonable credit demands of customers to ensure the stable development of the personal housing loans. To cater to needs in the cultural and emerging consumption markets, the Bank proactively promoted new consumption loans such as personal loan for studying abroad, personal household consumption loan, personal cultural consumption loan through accelerating product innovation and upgrading. Relying on the platform of the ICBC Business Friendship Club and targeting at the large commodity trading market, the Bank launched innovative personal business loans of small amounts of money. The personal "Happiness Loan" product system consisting of personal housing loans, personal consumption loans and personal business loans includes more products and covers more business fields. At the end of June 2012, the Bank's domestic personal loans amounted to RMB2,073,614 million, representing an increase of RMB82,343 million or 4.1% from the end of the previous year, of which, personal consumption loans increased by RMB9,120 million or 2.4%, and personal business loans increased by RMB18,821 million or 7.1%.

Growth of Personal Loans



Note: Domestic operations data

Personal Wealth Management

To meet the market needs, the Bank strengthened wealth management products innovation to attract customers with competitive products. It established differentiated exclusive product launch mechanism for customers of different regions and markets to enlarge its market share and solidify its industry leading position in personal wealth management business. Meanwhile, it strengthened cooperation with fund management companies in enriching types of fund products sold through the Bank's channel, and developed economically advanced towns and county-level markets, resulting in fund sales revenue of RMB318.8 billion and an industry leading position. Emphasizing on the stable return of treasury bonds, the Bank expanded key county-level markets, and distributed RMB28.6 billion worth of treasury bonds, remaining top in the market. In the first half of 2012, sales of various personal wealth management products amounted to RMB2,403.2 billion, representing an increase of 20.1% over the same period of last year, of which, sales of personal banking wealth management products increased by 19.3% to RMB2,012.5 billion.

Relying on the star assessment service system for personal customers, the Bank expedited its development of Elite Club Account customers. By bringing into play the leading technological advantages of chip card business, the Bank promoted the chip cards of Elite Club Accounts to uplift the customer service quality. It launched the "Trip of Wealth and Culture" activity to build a communication platform for wealthy customers and enrich the value of services. To boost the rapid growth in the scale of financial assets of wealthy customers, the Bank propelled cross-selling of products and increased the penetration of the core businesses amid wealthy customers. The Bank also built a high quality service team and enhanced its service capability. The number of employees with certificates of Associate Financial Planner (AFP) and Certified Financial Planner (CFP) was 18,099 and 3,285, respectively, keeping the leading position in the banking industry. At the end of June 2012, the number of Elite Club Account customers and wealth management customers stood at 17.97 million and 3.75 million, respectively.

Private Banking

The Bank established around ten private banking centers in Hubei and Ningbo, etc. in addition to the existing ten private banking branches, making the business gradually cover all national markets of high-end customers. It also enriched the exclusive product line of private banking to offer exclusive products in a normalized and systematic manner. Business such as agency and trusteeship, advisory and consultancy etc. were vigorously developed to satisfy the needs of private banking customers for customized products and services. Bringing into full play the service platform for globalized assets allocation in Private Banking Center (Hong Kong), the Bank upgraded its services in overseas investment for domestic private banking customers. The Bank was awarded the best private bank in China by *Euromoney* and *The Asian Banker*, respectively. At the end of June 2012, the Bank had over 24 thousands private banking customers and managed RMB461.7 billion worth of assets.

Bank Card Business

The Bank accelerated product innovation and improved customer service in the bank card business and expedited developing new market to further consolidate its leading position in the banking industry. At the end of June 2012, the number of issued bank cards was 440 million, representing an increase of 26.72 million over the end of last year. In the first half of 2012, consumption volume of bank cards stood at RMB1,787.3 billion, representing an increase of 20.4% over the same period of last year. Income from the bank card business amounted to RMB10,505 million, representing an increase of 30.4%.

- *Credit Card Business*

The Bank increased the number of credit cards issued and the consumption volume by strengthening the cooperation of credit card projects with renowned enterprises. The Bank solidified its advantages in installment payment services for auto purchase, and expanded new consumption loans services for household electrical appliances, house ornamentation, education and tourism, in an effort to boost the rapid development of installment payment services. It also expanded the scale of large merchants such as auto sellers, department stores, large supermarkets and hotels as well as small merchants such as chain convenience stores and fast-food restaurants, enlarging the acquiring merchants groups. Moreover, the Bank launched new products such as ICBC Anbang Credit Card, ICBC Monetary Fund Credit Card and multi-currency ICBC Peony Credit Card, enriching and perfecting the product line of credit cards. In order to make it convenient for customers to choose repayment date, the Bank completed the multi-repayment-date reform on the credit card business. Besides, it increased the put-through rate of telephone services for credit card customers and introduced SMS and online services to increase the service convenience. Differentiated services and 24-hour one-to-one exclusive services were provided for high-end customers. The Bank was awarded the honorary title of "Best Promotion" by China UnionPay. At the end of June 2012, 73.04 million credit cards were issued, representing an increase of 2.39 million from the end of the previous year; the balance of domestic credit card overdrafts amounted to RMB207,113 million, representing an increase of RMB29,313 million or 16.5%. In the first half of 2012, the consumption volume stood at RMB586.3 billion, representing an increase of 35.8% over the same period of last year, evidencing the leading edge of the Bank in terms of volume of cards issued, consumption volume and overdrafts.

- *Debit Card Business*

Focusing on the issuance of debit cards, the Bank intensified industry cooperation and joint marketing to attract new customers and compete for new markets. It accelerated the promotion of chip cards and launched the innovative single chip debit card, making the chip card product line to cover Elite Club Account Cards, ICBC Moneylink Card and ICBC Elite Club Account Cards, and further consolidating its leading status in the market. It optimized the chip card business procedures and launched the "chip card experience day" campaign to improve service experience for customers in application and usage of chip cards. At the end of June 2012, 370 million debit cards were issued, representing an increase of 24.33 million from the end of the previous year. Debit card consumption amounted to RMB1,201.0 billion in the first half of 2012, representing an increase of 14.1% over the same period of last year.

Item	At 30 June 2012	At 31 December 2011	Growth rate (%)
Issued bank cards (unit: 10,000)	43,928	41,256	6.5
Debit cards	36,624	34,191	7.1
Credit cards	7,304	7,065	3.4
	Six months ended 30 June 2012	Six months ended 30 June 2011	Growth rate (%)
Consumption volume (in RMB100 millions)	17,873	14,840	20.4
Average consumption volume per card[(1)] (in RMB yuan)	4,180	3,962	5.5

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

Treasury Operations

Money Market Activities

In the first half of 2012, the interest rate on the money market significantly declined amid fluctuations. In consideration of the increase in liabilities, the Bank carried out capital operation flexibly based on improved predictions on the market. In terms of capital borrowing, the Bank seized the opportunity to reserve relatively long-term funds amid low interest rates in the market to reduce borrowing costs, thereby ensuring the liquidity security and supporting the development of assets businesses. In terms of capital lending, it proactively expanded capital lending channels, broadened the customer base and increased yield on capital lending. In the first half of 2012, domestic operations of the Bank traded RMB11.90 trillion, of which lending amounted to RMB7.26 trillion, taking the first place in the market by trading volume.

In respect of foreign currencies, in respond to gradually loose liquidity of foreign exchange funds at home, the Bank strengthened the position management for foreign exchange funds, arranged term structure rationally and appropriately lengthened terms of inter-bank lending and borrowing to improve the yield of foreign exchange funds. The Bank closely observed market developments and selected counterparties prudently to mitigate credit risk. In the first half of 2012, the Bank’s foreign currency transaction volume in money market amounted to USD151.8 billion.

Trading Book Business

In the first half of 2012, indicators in the RMB bond market witnessed an upturn. The Bank adopted the strategies of duration control and market timing. Amid the higher interest rate at the beginning of the year, the Bank appropriately expanded the scale of trading book bonds; amid the downward interest rate, the Bank employed the strategy of cutting its holding and gained investment returns through reducing the duration of bond portfolios in trading book. At the same time, it strictly controlled the general position of interest rate swaps to mitigate fluctuations in gains/losses of interest rate swaps. In the first half of 2012, the transaction volume of RMB bonds in trading book was RMB143.3 billion and the transaction volume on counter-based book-entry treasury bonds stood at RMB400 million.

In respect of foreign currencies, the yields on government bonds of major developed economies were volatile and dropped substantially. The Bank closely observed the trend of the yields, and adjusted the positions of government bonds held in a flexible manner. It conducted short-term trading amid price fluctuations, realizing an aggregate trade volume amounting to USD2.3 billion.

Banking Book Investment

In the first half of 2012, the yield curve of inter-bank bonds declined after a rise, showing an overall sharp downturn. The Bank made greater efforts to study the market trend, reasonably arranged investment and made more bond investments when the yield showed an upward trend to increase the yield on investment portfolios. It insisted on higher value investing, arranging durations of bonds reasonably, and investing in medium and short-term bonds with higher value when the yield curve showed a flat trend at the beginning of the year. The Bank increased investment in policy financial bonds, quality corporate bonds to increase the proportion of debentures and optimize the structure of investment portfolios. The Bank also seized the investment opportunities on the secondary market while there was frequent fluctuation of interest rates in the bonds market, thereby increasing the yield on investment.

In respect of foreign currencies, the sovereign debt crisis in Europe gave rise to turbulence and volatility in international financial markets. The Bank paid close attention to market developments, bought more high-yield bonds in a timely manner, and lengthened the duration of bond portfolios appropriately to improve yield on investment portfolios. In addition, it continued to maintain the diversity of investment currencies and to enhance portfolio security.

Franchise Treasury Business

Relying on the 24-hour global trading system, the Bank stepped up efforts in the promotion of its foreign exchange purchase and sales and foreign exchange products, and launched some currencies of emerging countries to sharpen its market edge of the business. It introduced palladium account trading and automatic investment plan business, and enriched the trading types of account precious metals. In the first half of 2012, the volume of agency foreign exchange purchase and sales and foreign exchange trading amounted to USD263.6 billion. In addition, the Bank conducted the derivatives business with a focus on standard hedging exchange rate and interest rate risk management products to satisfy customers' hedging needs. Moreover, it continued to advance systematic construction to enhance its trading capacity, pricing capacity and services in the financial derivatives business. The transaction volume of structured derivatives for customers reached USD98.7 billion in the first half of 2012, representing an increase of 101.4% over the same period of last year.

Distribution Channels

Domestic Branch Network

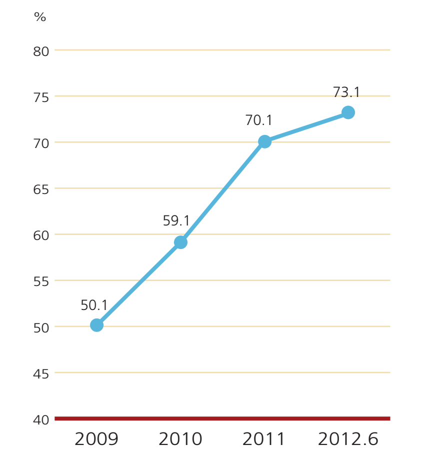
The Bank pushed forward the channel optimization construction and optimized the network layout and upgraded the transformation of functions of outlets. It balanced the urban-rural network of outlets through decoration, overhaul, relocation, rebuilding and staffing at outlets. In addition to expanding the service coverage of its outlets, the Bank increased the number of outlets in new urban districts and the "top 100" counties, 185 outlets were newly established in the first half of 2012. Besides, it continued to advance the transformation and upgrading of outlets with small business area, few employees and low performance, effectively enhancing their existing customer service capability at outlets through reforms on business procedures. The Bank strengthened the distribution of physical outlets and independent self-service banking outlets, further enhancing the service level of self-service channels.

At the end of June 2012, the Bank had 16,825 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, 400 tier-2 branches, 3,075 tier-1 sub-branches, 13,249 outlets, 34 institutions directly controlled by the Head Office and their branches, and 4 major subsidiaries.

E-banking

The Bank expedited developing new fields, new markets and new customers, expanded E-banking business volume, propelled the application of innovative products and services, took advantages of E-banking to absorb part of over-the-counter business and expand overseas business, and further reinforced risk prevention and control to ensure the balanced and rapid development of E-banking business in scale, quality and efficiency. The Bank launched several large-scale themed marketing events, promoted the recognition of the brand "ICBC Mobile Banking". In the first half of 2012, the transaction volume of E-banking increased steadily, and the proportion of the number of E-banking transactions increased to 73.1% of total number of transactions of the Bank, representing an increase of 3.0 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 services such as foreign exchange trading via corporate internet banking and large-sum withdrawal reservation for corporate customers, and improved the functions of "Easy Financing Express", a lending product for micro business and electronic commercial bills. Moreover, it introduced personal internet banking on iPad and personal internet banking on Android Pad, and optimized payment services and Paper Precious Metals modules for personal internet banking. The Bank provided the "ICBC e-Payment" service for the internet ticketing of the Ministry of Railways. The Bank was awarded the "Best Internet Banking in Asia" by *The Asian Banker*.

◆ *Telephone Banking*

The Bank introduced the "Medi-banking Card" for telephone banking, private banking financial consultancy, and interaction and communication with customers to improve service quality. It also accelerated developing other efficient emerging channels such as SMS banking and online customer service. 16 new features have been added to SMS banking, including account details inquiry, customized notice of balance changes and exchange rate inquiry, and SMS banking now has 27 self-service features, effectively absorbing part of telephone banking business. SMS banking has become the first-choice channel for inquiry of precious metals, foreign exchange, mobile banking, personal star-rate services and fund business.

◆ *Mobile Banking*

The Bank accelerated the innovation of mobile financial products, and launched "Mobile Life" for iPhone mobile banking and physical precious metal trading, inter-bank express remittance and withdrawal reservation services for WAP mobile banking. To boost the development of corporate mobile banking, the Bank introduced the corporate mobile banking on iPhone to satisfy corporate customers' needs for financial services such as account inquiry, transfer and remittance, foreign exchange, investment via mobile phone.

◆ *Self-service Banking*

The Bank improved the business planning and management on self-service banking and self-service equipment, expanded the coverage of self-service channels, focused on building the self-service channels in new urban districts, urban fringes and key counties with low coverage or absence of physical outlets, and created innovative independent self-service banking service mode. At the end of June 2012, the Bank owned 15,300 self-service banking outlets, representing an increase of 1,528 outlets over the end of last year, and the Bank owned 59,356 ATMs, representing an increase of 216. The volume of ATM transactions amounted to RMB2,955.1 billion in the first half of 2012, representing an increase of 30.3% over the same period of last year.

Service Enhancement

In the first half of 2012, the Bank proactively promoted the "Satisfaction with ICBC" campaign. With a focus on improving over-the-counter services, the Bank started with solving those prominent problems, built a long-term effective working mechanism as protection and advanced the service enhancement in a coordinated manner to improve its services and customer experience.

Customer service channels were more convenient. The Bank optimized its outlet network and services at outlet through facility establishment, relocation and decoration, optimization and restructuring. Barrier-free facilities were set up at outlets to improve services for disabled customers; more self-service devices were installed with enhanced operation maintenance to further increase the user-friendliness and appeal of self-service to customers.

Business procedures were further optimized. The Bank continued to carry out cross-department, cross-institution, cross-platform and cross-business procedure reform and optimization, and launched a series of procedure optimization projects on customer scheduling management, customer reservation service management and corporate settlement account management etc. Great efforts have been made to optimize the queuing policy for personal customers, improve the personal customer identification mechanism and expand the reservation service for corporate customers. In the first half of 2012, the Bank resolved 162 problems over-the-counter which were relatively prominent, affected the experience of customers and employees, thereby greatly improving customers' and tellers' experience.

The service efficiency of the outlets was further improved. The Bank carried out the service efficiency improvement campaign, and improved its service capacity over-the-counter through increasing the operating area and counters at outlets and refining functional segmentation, resulting in an increase of 21% over-the-counter service efficiency from the end of the previous year. It also strengthened management on customer complaints, enhanced the complain prevention mechanism, and built vertical complaint handling channels to respond to customer complaints in a timely and effective manner, keeping an over 96% customer satisfaction degree with the handling result.

The long-term effective service enhancement mechanism was gradually improved. The Bank further intensified the supervision and monitoring on the implementation of service regulations at outlets, and conducted off-site inspections on the service at outlets, aiming to improve the service standardization at outlets. It also introduced third party institutions to monitor personal customers' satisfaction, find out key factors affecting customer satisfaction and loyalty, and provide data support for customer service enhancement. Moreover, the Bank strengthened the construction of the service system, and developed measures for management on products after-sales services to improve the after-sales services.

Internationalized and Diversified Operation

During the reporting period, the Bank continued to steadily carry forward the development of its internationalized and diversified operation. Relying on the global financial service network, the Bank strengthened cooperative interaction between domestic and overseas branches, and built the overseas distribution network of key product lines to improve its global financial service capacity. The synergy of internationalization and diversified operation played a bigger role in continuously increasing the profitability.

Operating Results for the Reporting Period

At the end of the reporting period, total assets of the Bank's overseas institutions (including overseas branches, overseas subsidiaries and investments in Standard Bank) were USD166,647 million, representing an increase of USD41,918 million or 33.6% from the end of last year, and they accounted for 6.2% of the Group's total assets, representing an increase of 1.1 percentage points. Total loans amounted to USD83,893 million, representing an increase of USD18,368 million or 28.0%; total deposits were USD52,780 million, representing an increase of USD3,646 million or 7.4%. Profit before tax during the reporting period was USD864 million, representing an increase of 17.6% over the same period of last year.

MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

	Assets (in USD millions)		Profit before tax (in USD millions)		Number of institutions	
Item	At 30 June 2012	At 31 December 2011	Six months ended 30 June 2012	Six months ended 30 June 2011	At 30 June 2012	At 31 December 2011
Hong Kong and Macau	74,760	69,035	388	336	161	150
Asia-Pacific region (except Hong Kong and Macau)	35,136	23,753	167	123	66	65
Europe	27,441	14,324	101	54	14	13
America	34,345	21,976	32	21	10	10
Africa(1)	4,933	5,122	176	201	1	1
Eliminations	(9,968)	(9,481)				
Total	**166,647**	**124,729**	**864**	**735**	**252**	**239**

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

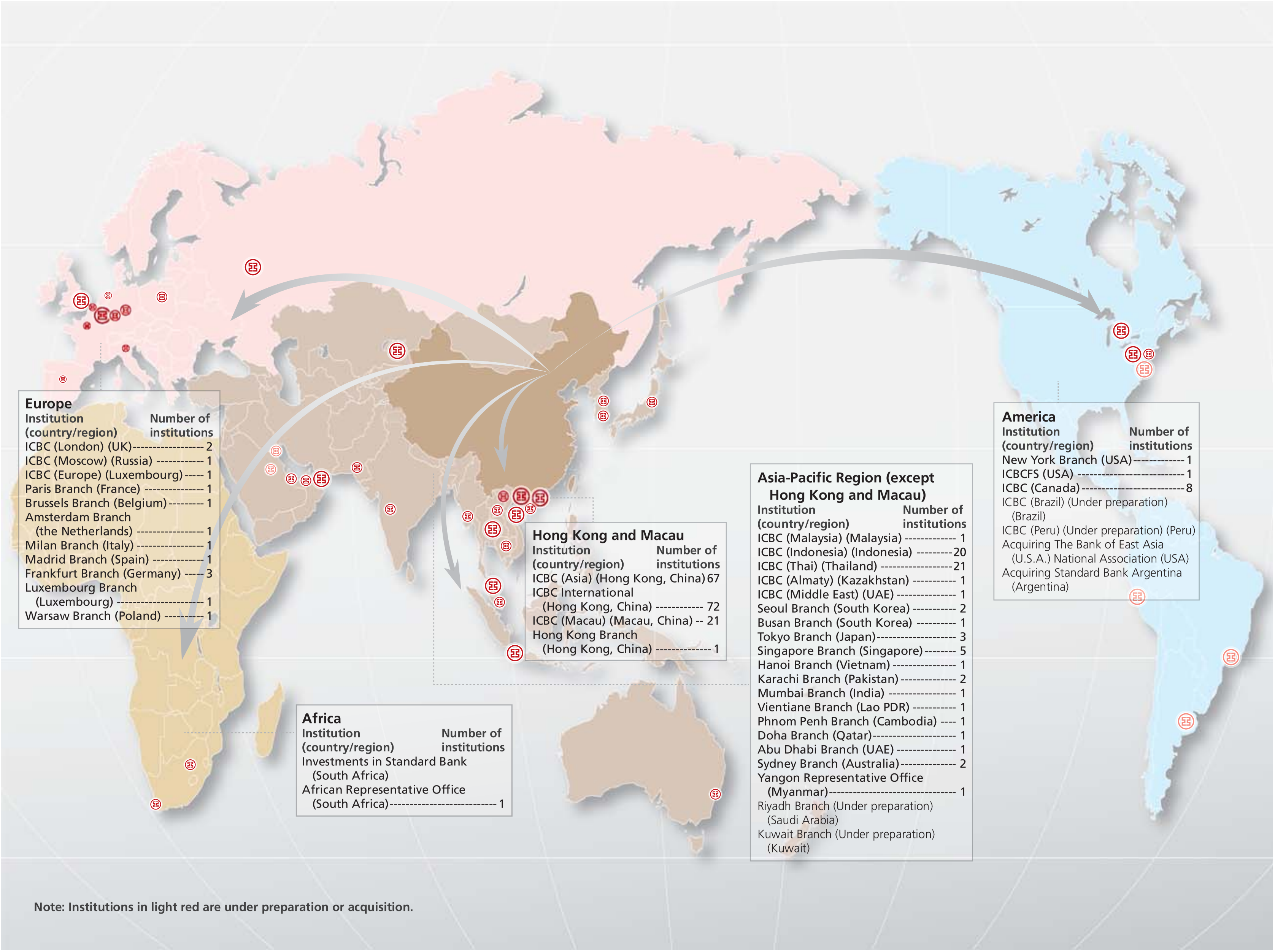
Global Network Building

The application for establishing ICBC (Europe) Warsaw Branch was approved by the overseas regulator, and the Bank became the first Chinese bank approved for setting up institutions in Poland. The Bank stepped up the approval for establishing institutions in Brazil, Peru, Riyadh and Kuwait by overseas regulators. The share delivery had been completed for the acquisition of The Bank of East Asia (U.S.A.) National Association, making the Bank a controlling shareholder of The Bank of East Asia (U.S.A.) National Association. The share delivery was also completed for the acquisition of AXA-Minmetals Assurance Co., Ltd., which was renamed to ICBC-AXA Assurance Co., Ltd.[1]

At the end of June 2012, the Bank established 252 overseas institutions in 34 countries and regions, and built correspondent banking relationship with 1,591 overseas banking institutions in 137 countries and regions, with a service network covering five continents of Asia, Africa, Europe, America and Australia as well as major international financial centers. A global financial service network with complete license, diversified channels, well-defined layout, reasonable positioning and efficient operation has been basically established.

1 The share deliveries for the acquisition of The Bank of East Asia (U.S.A.) National Association and AXA-Minmetals Assurance Co., Ltd. were completed on 6 July and 5 July 2012, respectively. Please refer to "Significant Events — Material Asset Acquisition, Sale and Merger".

NETWORK LAYOUT OF OVERSEAS INSTITUTIONS



Europe

Institution (country/region)	Number of institutions
ICBC (London) (UK)	2
ICBC (Moscow) (Russia)	1
ICBC (Europe) (Luxembourg)	1
Paris Branch (France)	1
Brussels Branch (Belgium)	1
Amsterdam Branch (the Netherlands)	1
Milan Branch (Italy)	1
Madrid Branch (Spain)	1
Frankfurt Branch (Germany)	3
Luxembourg Branch (Luxembourg)	1
Warsaw Branch (Poland)	1

Hong Kong and Macau

Institution (country/region)	Number of institutions
ICBC (Asia) (Hong Kong, China)	67
ICBC International (Hong Kong, China)	72
ICBC (Macau) (Macau, China)	21
Hong Kong Branch (Hong Kong, China)	1

Asia-Pacific Region (except Hong Kong and Macau)

Institution (country/region)	Number of institutions
ICBC (Malaysia) (Malaysia)	1
ICBC (Indonesia) (Indonesia)	20
ICBC (Thai) (Thailand)	21
ICBC (Almaty) (Kazakhstan)	1
ICBC (Middle East) (UAE)	1
Seoul Branch (South Korea)	2
Busan Branch (South Korea)	1
Tokyo Branch (Japan)	3
Singapore Branch (Singapore)	5
Hanoi Branch (Vietnam)	1
Karachi Branch (Pakistan)	2
Mumbai Branch (India)	1
Vientiane Branch (Lao PDR)	1
Phnom Penh Branch (Cambodia)	1
Doha Branch (Qatar)	1
Abu Dhabi Branch (UAE)	1
Sydney Branch (Australia)	2
Yangon Representative Office (Myanmar)	1
Riyadh Branch (Under preparation) (Saudi Arabia)	
Kuwait Branch (Under preparation) (Kuwait)	

America

Institution (country/region)	Number of institutions
New York Branch (USA)	1
ICBCFS (USA)	1
ICBC (Canada)	8
ICBC (Brazil) (Under preparation) (Brazil)	
ICBC (Peru) (Under preparation) (Peru)	
Acquiring The Bank of East Asia (U.S.A.) National Association (USA)	
Acquiring Standard Bank Argentina (Argentina)	

Africa

Institution (country/region)	Number of institutions
Investments in Standard Bank (South Africa)	
African Representative Office (South Africa)	1

Note: Institutions in light red are under preparation or acquisition.

Business Overview of Global Key Product Lines

◆ *Retail Banking*

To expedite the development of overseas retail banking business, the Bank continued to authorize more overseas institutions to conduct the witnessing service for overseas account opening, improved the facility of handling overseas debit cards at home, and accelerated product innovation to ensure the sustainable growth of all key performance indicators. At the end of June 2012, overseas institutions had a total of 613 thousands personal customers, representing an increase of 58 thousands personal customers over the end of last year; the balance of personal deposits in overseas institutions reached USD9,729 million, representing an increase of USD1,037 million over the end of last year; the balance of personal loans were USD4,143 million, representing an increase of USD436 million.

◆ *Bank Cards*

The Bank further enriched the types of bank cards in the overseas market through introducing UnionPay and Visa credit cards to satisfy different needs of overseas card holders. The Bank improved the facility of handling credit cards issued overseas at home, through promoting the linkage between FOVA and NOVA bank card business, improved the level of acceptance services for domestic cards by overseas institutions. At the end of June 2012, the Bank issued 260 thousands credit cards abroad, representing an increase of 20 thousands cards over the end of last year; the Bank issued 168 thousands debit cards abroad, representing an increase of 25 thousands cards over the end of last year.

◆ *E-banking*

Adopting the principles of "promoting comprehensive and tiered development under classified guidance and by making breakthrough in key points", the Bank steadily pushed forward the construction of E-banking channels, including portal websites of overseas institutions, internet banking, telephone banking and mobile banking. It also proactively boosted overseas E-banking product innovation, launched key innovative products such as overseas internet banking compatible with multiple browsers, overseas electronic password device and overseas mobile banking, and put into operation the French, Spanish, Italian and Vietnamese versions of internet banking, providing services for customers in 12 languages. At the end of June 2012, 33 overseas institutions launched their portal websites; 24 overseas institutions launched internet banking services; 11 overseas institutions started CSR services via telephone banking; personal internet banking customers of overseas institutions increased by 17.9% as compared with the end of the previous year and corporate customers increased by 13.1% over the end of last year.

◆ *Clearing*

The cross-border RMB clearing system has been successfully put into operation in domestic and overseas branches, laying down a solid foundation for the continuous operation of the 7x24-hour global cross-border RMB clearing services. The innovative service of Euro "Full Remittance" has been introduced, further enhanced the EUR clearing service capability of the Bank. The USD, EUR and JPY clearing centers were operating well; the cross-time-zone clearing ability of the clearing center of the Head Office was remarkably enhanced for USD and JPY. The Bank improved management on the rules and procedures for the financial markets business as well as investment strategies of overseas institutions. The Bank further optimized the resource allocation and improved efficiency through centralized trading and management on the financial markets business of overseas institutions. In the first half of 2012, the New York, Frankfurt, Tokyo Clearing Centers cleared USD717.3 billion, EUR539.0 billion and JPY620.2 billion, respectively.

◆ *Specialized Financing*

Through providing branded financing products and services, the Bank provided greater lending support for overseas projects of "going global" enterprises, successfully signed on the loan for the acquisition of Energias de Portugal by Three Gorges Corporation and the syndicated loan to the Indian Reliance Communications, and steadily advanced the merger and acquisition project of the German Putzmeister by SANY Group. At the end of June 2012, the Bank's lending business supporting Chinese-funded enterprises "going global" had covered over 30 countries and regions throughout the five continents.

◆ *Global Cash Management*

After establishing a cash management center in Europe, the Bank further improved its three-tier service system of the Head Office, regional centers and overseas institutions and enhanced its ability to develop and support the European market. It also established business partnership with five foreign banks, including Royal Bank of Canada and Garanti Bank of Turkey, and continuously optimized the global cash management system to satisfy customers' needs for cross-border RMB cash management. In addition, it carried out an in-depth campaign to develop overseas corporate accounts to further solidify the foundation for business development of overseas institutions. At the end of June 2012, the Bank had 2,879 global cash management customers and 33 cooperative banks on cash management business.

◆ *Investment Banking*

With joint efforts of domestic and overseas institutions, phasal achievements have been made on key cross-border restructuring and M&A projects, including the acquisition of the Suba nickel mine in Indonesia by State Development & Investment Corporation; the CITIC Silver Fund Lead Manager Project has been put into operation successfully, and other cross-border equity financing projects have been successfully completed, such as the M&A Fund Lead Manager Project with Happy-Silicon Capital Management Group; the Bank proactively conducted business exchanges with Qatar Investment Authority and the Stock Exchange of Thailand. Amid the adverse external market environment, ICBC International, through making the most of the overseas investment banking platform, participated in the initial public offering of H shares of Haitong Securities worth HKD14.4 billion, the largest IPO on the Hong Kong market in the first half of 2012, and the HKD46.7 billion refinancing project of A.I.A. Insurance, the biggest refinancing on the Hong Kong market, and completed several bond issuances, including China Overseas Land & Investment Ltd., China National Petroleum Corporation (CNPC), Beijing Enterprises Holdings Limited, China Petroleum & Chemical Corporation and Bank of Communications.

◆ *Asset Management*

The Bank proactively expanded overseas investment channels, launched innovative global commodity arbitrage quantitative wealth management products, stepped up the research and development on off-shore wealth management products, and researched on expanding RMB asset management of overseas institutions to satisfy customers' needs for global asset allocation. It also set out to build a global investment management platform to provide better systematic support for overseas investments, thereby facilitating the development of overseas investment business. It also expedited the construction of overseas centers for precious metals business to expand the physical goods business abroad. In the first half of 2012, overseas institutions sold 615 kilos of precious metals.

◆ *Trade Finance*

Through joint efforts of domestic and overseas institutions, the Bank profoundly explored needs for cross-border and cross-currency services out of the current businesses, and broadened and depended bank-enterprise cooperation. Through target marketing to regional and supply chain customers, industrial customers and special customers, the Bank developed supply chain financing platforms and quality upstream and downstream enterprises around core customers to increase the number of international banking customers in a large-scale and intensive manner, and optimize the customer structure. The trade finance business has been playing a greater role as a profit growth point for overseas institutions. In the first half of 2012, overseas institutions handled international settlement of USD251,840 million, representing an increase of USD43,040 million over the same period of last year.

◆ *Cross-border RMB Business*

Seizing the opportunity of RMB internationalization benefiting from domestic RMB business and the FOVA system's advantages, the Bank proactively constructed the cross-border RMB clearing network and boosted product innovation, improved the cross-border RMB product system covering financing, wealth management and treasury operations and improved the brand influence of "ICBC Cross-border Express". Vientiane Branch obtained the qualification as the sole RMB clearing bank in Laos; and ICBCFS made a breakthrough in off-shore RMB bond clearing. In the first half of 2012, the Bank's cross-border RMB business amounted to RMB790.1 billion. At the end of June 2012, the Bank had nearly 300 cross-border RMB inter-bank current accounts, and its RMB clearing network covered 59 countries and regions.

◆ *Risk Management*

The Bank strove to improve a centralized, efficient enterprise risk management system, further unified the risk management framework and risk appetite, improved the consolidated risk management, and enhanced the consolidated management and business guidance on subsidiaries. The Bank has put the Global Credit Management System (GCMS) into operation, and accelerated the building of the Group's credit management system for world-wide unified management on credit facility. Moreover, it also expedited introducing the global market risk management system to abroad, improved the concentration and vertical management scheme over market risk limits for the Group, and improved market risk monitoring and reporting tools. The Bank strengthened liquidity risk monitoring and analysis of the Group, improved the management framework for the Group's assets and liabilities, and consolidated the fund raising ability of overseas institutions. Meanwhile, the Bank made efforts to enhance the operational risk management and control system for overseas institutions, eliminated potential risks through system control and institutional constraints, and detailed the compliance management rules and regulations of all overseas institutions. It also improved the monitoring of operational risk, reporting of major events and data collection for risk event losses in overseas institutions and boosted the application of country risk management tools in overseas institutions.

◆ *Information Technology*

The Bank was committed to carrying forward FOVA construction, and had FOVA cover all of its overseas institutions after completing the FOVA integration project in ICBC (Asia). With the aid of FOVA, specialized systems were used more and more widely by overseas institutions, such as Global Credit Management System (GCMS), global cash management system, anti-money laundering monitoring system and financial market business management system, which helped improve the business and product systems, compliant operation and risk control ability of overseas institutions. The FOVA system was continuously optimized and improved with a focus on diverse customer services, greater interaction of systems, better business procedures and better user-friendliness of products. Moreover, the Bank propelled the building of comprehensive information systems for controlled subsidiaries relating to investment banking, fund management, leasing and insurance, and completed the relocation of the product plants and telephone customer service system of ICBC Credit Suisse Asset Management.

◆ *Human Resources*

The Bank employed differentiated dynamic authorization management on overseas institutions in accordance with the operating characteristics, institution setting and local regulatory requirements. It also strove to optimize human resources allocation, improve management and services for global employees; accelerate training and pool building of international talents through exchanges and cooperation with internationally well-known universities and colleges, steadily conducting international talent training programs and proactively expanding overseas practice channels for trainees. The Bank continuously conducted overseas trainings for managerial personnel and enhanced training and pool building of overseas managerial personnel. Besides, the Bank made an effort to foster corporate culture for overseas institutions through distributing the Corporate Culture Manual in both Chinese and English languages.

Information Technology

The Bank abided by the "technology-driven" development strategy, insisted on the principle of independent innovation, vigorously pushed forward the research and development on application systems, increased efforts in product innovation and reinforced value-creation capability, providing powerful support for accelerating operation reform, improving customer services, boosting internationalization process and consolidating risk management.

The Bank intensified the product & service innovation in key fields based on its business development. It pushed forward the innovation of customers' financial asset services, developed and launched products and services such as two-way foreign exchange trading, corporate accumulation, precious metals conversion for personal accounts, reservation for wealth management and target marketing for high-end customers, pre-payment deposits for third party payment institutions, comprehensive management of housing allowance, in an effort to turn the Bank into an asset and management specialist. It also deepened the innovation of credit products, and promoted personal cultural consumption loan, personal household consumption loan, small business account card-based revolving loan to promote credit structure adjustment and the development of real economy. Through innovating electronic services, it launched Android internet banking, corporate mobile banking on iPhone, overseas mobile banking etc, optimized SMS banking products, and provided 48 types of self-services to customers through the SMS channel, enhancing its service capacity. It reinforced the innovation of business procedures, products and service models, launching beforehand form-filling service and one-time password entry and one-time signature for confirmation of some related transactions to improve the outlets' service efficiency. In the first half of 2012, the Bank introduced 772 new products, bringing the total number of products to 4,015.

The Bank stepped up efforts in building system application. To promote centralized business processing, it deepened centralized handling of corporate banking, personal banking, E-banking, bank card business and other businesses. It built a uniform customer view for the cash management system and integrated corporate internet banking group customers. It greatly supported the application of services such as agency fiscal payment, housing allowance, medi-banking cards and financial IC card, and built financial cooperative channels and trading platforms in the people's livelihood field. It also innovated and built a pre-control system for financial markets business to exert pre-control on market-making transactions between the Bank and foreign exchange trading centers and transactions with VIP banks such as account precious metal transactions and foreign exchange trading with Swiss Bank. The Bank reinforced the supportive role of database in the marketing system to provide convenient techniques for the Bank's precision marketing and event marketing services. It also completed the centralization of application systems and information within the Group through launching a new version of Internet information system, mobile office system and uniform communication platform. In the first half of 2012, the Bank obtained 27 patents from the State Intellectual Property Office, bringing the total number to 190.

The Bank continuously reinforced IT infrastructure construction to improve IT management. It implemented the production and operational management accountability in an all-round manner, proactively advanced the network enhancement program and special monitoring and rectification of production systems, and completed the construction of local computer room for domestic tier-one branches to ensure safe and sound operation of information systems in the whole Bank. To effectively control the leakage channels for sensitive information, the Bank built the customer-end information security technology system, and employed technical measures such as secure Internet access, e-document control and management and USB flash drive security control. Meanwhile, it continued to increase input into ATMs and other self-service terminals to expedite the building of service channels throughout the whole Bank.

Human Resources Management

The Bank further stressed the concept of people-oriented, service collaboration and scientific management, continuously reformed the leadership system into being group-wide, market-oriented and diversified, and stepped up innovation on young talent development and psychological health of leaders. It also worked hard on talent and personnel building and promoted systematic and refined work style to further boost proactive and effective performance of employees. A market-based talent selection mechanism was established and pushed forward continuous improvement of personnel recruitment and management. The Bank endeavored to optimize allocation and intensify pool building of international talents to meet overseas institutions' thirst for talents in transformation and development. It also accelerated building a compensation governance mechanism for the Group, aiming to establish and perfect a compensation incentive mechanism that complies with the Bank's governance requirements and the goal of sustainable development, fits the risk management system and the talent development strategy and reflects employees' value and contribution.

Sticking to the principle of staff growth and business development, the Bank continuously stepped up efforts in the all-staff training system mainly for the managerial, professional and business personnel, emphasized on international talent training, professional qualification training and senior account manager training, improved training methods and enhanced training management. It also continuously solidified the training resources system, set up ICBC-featured training facilities and upgraded the implementation systems of training bases, cyber universities, simulated banks and international cooperation in an all-round manner. With a focus on system management, the Bank continuously boosted the quality and efficiency of training, providing effective training support and intellectual guarantee for the whole Bank's transformation and development.

The Bank continuously pushed forward reform on the profit center, included the Investment Banking Department into the pilot reform program on the profit center, and separated management from operation in a reasonable manner, which contributed to increasing the Bank's sustainable development capacity and competitiveness in investment banking and promoting its operational transformation. In the first half of 2012, the profit center realized profit before tax of RMB33,463 million. In addition, the Bank continued to deepen and perfect reform on county-level sub-branches, and took advantage of local conditions to transfer reform on the management system to the operation system in banking offices of provincial (district) branches. It also gave priority to county-level institution in outlet installation, human and financial resource allocation, innovated and promoted county-market-featured financial products and services and improved a long-term effective mechanism for development ability enhancement of county-level institutions. The Head Office set up a consumer's rights protection office to further strengthen consumer's rights protection capability. The Bank also attached importance to building private banking brand, built a bank-wide uniform private banking customer development map, and established private banking centers in 18 tier-one branches directly under the Head Office in Hebei and Suzhou, etc.

Moreover, the Bank strengthened spread of the corporate culture within and outside the Bank. It distributed the Corporate Culture Manual in bilingual version to overseas institutions and conducted trainings on corporate culture for new staff. It also prepared the "ICBC in Pictures" e-book, interpreting ICBC's cultural beliefs with cartoons and making the cultural transmission more appealing. The Bank also made greater efforts to promote its core value "Integrity Leads to Prosperity" on its portal website to draw customers' attention in order to make its corporate culture known by the society. It steadily advanced the establishment of professionalism culture, and stepped up efforts in building risk culture through holding subject seminars on risk culture. The "Corporate Culture Building Parade" activity was launched, to review and conclude the corporate culture building work across the Bank and display the results of corporate culture building. The third "Touching ICBC" Employees Award Ceremony was initiated.

RISK MANAGEMENT

Enterprise Risk Management System

In the first half of 2012, the Bank proactively improved its enterprise risk management system and further accelerated the enhancement of the enterprise risk management capability at the Group level. Specifically, the Bank strengthened the establishment of its enterprise risk management system and developed management measures for CARPALs implementation. It also launched the substantial risk assessment system, the risk appetite and capital adequacy forecast system as well as the integrated stress testing system, further enhancing the enterprise risk management level.

During the reporting period, the Bank steadily promoted various preparatory work for the implementation of the New Capital Accord in terms of risk governance, policies and process, measurement models, IT system and application of measurement, pursuant to the planning of CBRC for the implementation of the Basel II and the Basel III. The Bank further promoted the application of credit risk internal rating results in the economic capital measurement, carried out internal rating business validation across domestic branches and continued to improve the quality of internal rating data. The Bank deepened the comprehensive application of measurement results of the market risk internal model approach in core areas including limit management, stress testing, risk reporting and capital measurement, to further enhance the market risk management level. The Bank continuously improved the operational risk governance framework, optimized the operational risk management system and made more efforts to apply the operational risk advanced measurement approach.

Credit Risk

Credit Risk Management

In the first half of 2012, in response to changes in the macroeconomic environment and financial regulatory requirements, the Bank continued to serve the real economy, timely adjusted and improved its credit policies, further advanced the establishment of credit regulations and improved the credit policy system. It increased the intensity of credit structure adjustment, maintained stringent controls over credit risks in key areas, standardized its credit operational processes and strengthened post-lending check and credit supervision. The Bank also continued to reinforce credit risk monitoring and analysis, strengthened the management of loans with potential risks and the 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 and accelerated the innovation and optimization of credit processes. It improved loan disbursement management and enhanced the support to the real economy by making full use of various credit guarantee measures that can mitigate substantial risks. The Bank gave play to the risk control effect of credit approval centralized management, continuously boosted the building of the Global Credit Management System (GCMS) and the overseas application thereof and improved the functions of the assets management system (CM2002/PCM2003), to further strengthen risk management.

- The Bank adjusted industry credit policies and strengthened industry-specific risk management. In line with the national macro-control and industry policies, the Bank strengthened industry classification management and industry limit management and further expanded the coverage of its industry credit policies. The Bank further expanded the credit business in relation to advanced manufacturing, modern services, cultural industries and strategic emerging sectors, and promoted the construction of a "green credit" system and loans' environmental risk monitoring and warning. The Bank also strictly controlled credits to industries with "high energy consumption, high pollution and over-capacity", and actively recovered loans to enterprises with low productivity.

- The Bank strengthened risk management of loans to local government financing vehicles (LGFVs). It timely adjusted the policies regarding loans to LGFVs and paid close attention to the rectification and credit enhancement of loans to LGFVs, according to the relevant regulatory requirements and the principle of "controlling the aggregate amount, mitigating the existing risk exposure, supporting projects under construction and implementing rectification and credit enhancement". The Bank exited the LGFVs in a prudential manner, strictly controlled new loans to LGFVs, and continued to withdraw the approval authority on loans to LGFVs.

- The Bank strengthened risk management of the real estate industry. It continued to implement industry limit management, exercised strict control over the scale of property loans with the majority of new loans given to projects under construction and continuing projects limits of which had been used in part as well as general commercial housing and government-subsidized housing projects in conformity with the national control policies. The Bank strictly implemented customer list-based management, raised customer and project entry thresholds, and adjusted and optimized customer structure. In addition, the Bank strengthened the loan collateral management, strictly implemented closed management of loans, and recovered the loans strictly in line with the project sale progress.

- The Bank strengthened risk management of trade finance business. In response to the complicated external environment, the Bank developed stringent entry criteria for trade finance business, carried out list-based access management of related enterprises, and set observation periods for customers first applying for the business. It also enhanced dynamic management of and comprehensively sorted out qualifications of core enterprises, and optimized the system functions to improve anti-false trading capacity of the system. Moreover, the Bank consolidated risk prompt and warning management.

- 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, enhanced monitoring on policy implementation, and paid attention to the direction of new loans and overall risk status of loans. It improved the collection management of overdue personal loans by optimizing the related collection mechanism, and reinforced collateral risk management by regularly re-assessing the collateral value to ensure the full value, legitimacy and validity of collaterals. The Bank controlled the uses of loans and executed consignment payment management requirements strictly.

- The Bank strengthened risk management of small enterprise loans. It enhanced the management of small enterprise loans with related parties, conducted risk checks on small enterprise loans, refined customer classification management, and intensified key monitoring on customers with risk potential. The Bank also carried out rigid consignment payment management of loans and special examinations on the uses of loans, closely followed the cash flow changes of enterprises, and strengthened the management of enterprises' sales proceeds.

- The Bank strengthened risk management of credit card business. It implemented more prudent credit management, and included the credit policy of credit cards into the credit policy system of the Bank, to improve the accurate credit extension level of credit card business. The Bank also strengthened the collection business management, improved collection coverage and repayment rate, and increased NPL recovery and disposal efforts. Besides, it intensified the limit control of high-risk customers, continued to optimize the system functions, enhanced hard control of the risk management system.

- The Bank strengthened credit risk management of treasury operations. It established more complete credit risk management policies, systems and processes for treasury operations of domestic institutional customers. It also took risk management measures including defining customers' entry criteria, controlling credit limit, controlling investment limit (scale), controlling margin proportion, rating management and controlling authorization limit for single transactions, in order to optimize the management method of entry review for financial institutional customers and to reinforce credit risk management of the treasury operations.

- The Bank strengthened its credit asset quality management. It maintained stable credit asset quality by intensifying efforts in terminating loans with potential risks and NPL recovery and disposal. The Bank set out and implemented exit plans for loans with potential risks, enhanced dynamic management of loans with potential risks, and improved the accountability mechanism for NPL management. It boosted the efficiency of NPL recovery and disposal, made innovation in the NPL disposal business, and pushed forward the NPL management, 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 2012	At 31 December 2011
Balances with central banks	2,963,952	2,702,011
Due from banks and other financial institutions	885,417	478,002
Financial assets held for trading	27,419	30,675
Financial assets designated at fair value through profit or loss	104,234	121,386
Derivative financial assets	14,484	17,460
Reverse repurchase agreements	532,764	349,437
Loans and advances to customers	8,212,636	7,594,019
Financial investments	3,852,371	3,759,572
Receivables	461,022	498,804
Held-to-maturity investments	2,525,686	2,424,785
Available-for-sale financial assets	865,663	835,983
Others	170,711	114,909
Subtotal	**16,763,988**	**15,167,471**
Credit commitments	**2,107,133**	**1,976,592**
Maximum credit risk exposure	**18,871,121**	**17,144,063**

DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Pass	8,100,251	96.16	7,484,060	96.09
Special mention	248,661	2.95	231,826	2.97
Non-performing loans	75,125	0.89	73,011	0.94
Substandard	25,895	0.31	24,092	0.31
Doubtful	39,725	0.47	38,712	0.50
Loss	9,505	0.11	10,207	0.13
Total	**8,424,037**	**100.00**	**7,788,897**	**100.00**

Loan quality remained stable. As at the end of June 2012, according to the five-tier classification, pass loans amounted to RMB8,100,251 million, representing an increase of RMB616,191 million from the end of the previous year and accounting for 96.16% of total loans. Special mention loans stood at RMB248,661 million, representing an increase of RMB16,835 million and accounting for 2.95% of total loans. NPL balance amounted to RMB75,125 million, up RMB2,114 million, and NPL ratio was 0.89%, down 0.05 percentage points.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2012				At 31 December 2011			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Corporate loans	5,545,509	65.9	59,325	1.07	5,215,605	66.9	59,816	1.15
Discounted bills	202,833	2.4	—	—	106,560	1.4	—	—
Personal loans	2,073,614	24.6	13,220	0.64	1,991,271	25.6	10,686	0.54
Overseas and others	602,081	7.1	2,580	0.43	475,461	6.1	2,509	0.53
Total	**8,424,037**	**100.0**	**75,125**	**0.89**	**7,788,897**	**100.0**	**73,011**	**0.94**

The balance of non-performing corporate loans stood at RMB59,325 million, down RMB491 million from the end of the previous year, and NPL ratio was 1.07%, down 0.08 percentage points. The balance of non-performing personal loans stood at RMB13,220 million, up RMB2,534 million, and NPL ratio was 0.64%, up 0.10 percentage points. This is mainly attributable to the increase of non-performing amounts of personal consumption loans, bank card overdrafts and personal business loans due to the decline in operating income or wage income of some borrowers.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 30 June 2012				At 31 December 2011			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Head Office	284,177	3.4	2,806	0.99	248,044	3.2	2,105	0.85
Yangtze River Delta	1,853,084	22.0	13,958	0.75	1,743,851	22.4	11,367	0.65
Pearl River Delta	1,168,861	13.9	10,192	0.87	1,090,247	14.0	10,802	0.99
Bohai Rim	1,488,251	17.7	12,996	0.87	1,409,314	18.1	12,826	0.91
Central China	1,125,885	13.3	13,810	1.23	1,047,939	13.5	13,564	1.29
Western China	1,414,250	16.8	13,581	0.96	1,311,132	16.8	14,622	1.12
Northeastern China	487,448	5.8	5,202	1.07	462,909	5.9	5,216	1.13
Overseas and others	602,081	7.1	2,580	0.43	475,461	6.1	2,509	0.53
Total	**8,424,037**	**100.0**	**75,125**	**0.89**	**7,788,897**	**100.0**	**73,011**	**0.94**

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, thereby maintaining general stability in loan quality. 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 RMB266,784 million, accounting for 42.0% 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 RMB205,603 million, accounting for 32.4% of total increment of loans. Overseas and other loans increased by RMB126,620 million, up 26.6% and accounting for 19.9% of total increment of loans, mainly as a result of handling of cross-border trade finance and "going global" businesses of overseas institutions through domestic customers and institutions.

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

In RMB millions, except for percentages

Item	At 30 June 2012				At 31 December 2011			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Manufacturing	1,264,341	22.8	23,289	1.84	1,121,413	21.5	23,432	2.09
Chemicals	194,714	3.5	3,759	1.93	174,423	3.3	3,506	2.01
Machinery	190,490	3.4	2,598	1.36	180,605	3.5	2,328	1.29
Metal processing	164,067	3.0	1,911	1.16	143,597	2.8	1,698	1.18
Iron and steel	128,348	2.3	1,882	1.47	106,396	2.0	1,946	1.83
Textiles and apparels	127,537	2.3	3,115	2.44	114,382	2.2	3,365	2.94
Computer, telecommunications equipment, and other electronic equipment	71,911	1.3	1,465	2.04	56,920	1.1	1,721	3.02
Transportation equipment	71,191	1.3	1,342	1.89	63,189	1.2	1,469	2.32
Non-metallic mineral	59,595	1.1	1,827	3.07	52,047	1.0	1,726	3.32
Petroleum processing, coking and nuclear fuel	49,604	0.9	293	0.59	41,687	0.8	301	0.72
Others	206,884	3.7	5,097	2.46	188,167	3.6	5,372	2.85
Transportation, storage and postal services	1,087,243	19.6	9,839	0.90	1,052,529	20.2	12,173	1.16
Wholesale and retail	629,555	11.4	11,067	1.76	535,270	10.2	8,212	1.53
Production and supply of electricity, heat, gas and water	589,774	10.6	3,544	0.60	587,723	11.3	5,099	0.87
Real estate	499,118	9.0	5,040	1.01	512,178	9.8	4,775	0.93
Water, environment and public utility management	477,588	8.6	1,162	0.24	499,196	9.6	1,102	0.22
Leasing and commercial services	362,555	6.5	996	0.27	349,508	6.7	747	0.21
Mining	215,443	3.9	504	0.23	179,474	3.4	524	0.29
Construction	136,261	2.5	1,322	0.97	115,047	2.2	1,054	0.92
Science, education, culture and sanitation	78,007	1.4	617	0.79	67,673	1.3	693	1.02
Lodging and catering	77,712	1.4	901	1.16	60,849	1.2	907	1.49
Others	127,912	2.3	1,044	0.82	134,745	2.6	1,098	0.81
Total	**5,545,509**	**100.0**	**59,325**	**1.07**	**5,215,605**	**100.0**	**59,816**	**1.15**

Note: Industries have been adjusted according to the newly issued Industrial Classification for National Economic Activities (GB/T 4754-2011). For details of new industry standards, please refer to the website of the National Bureau of Statistics. The comparative figures are not adjusted retrospectively.

In the first half of 2012, the Bank actively supported the development of real economy, continuously carried forward credit structure adjustment and strived to meet the financing demands of manufacturing and service industries. Loans to the manufacturing industry increased by RMB142,928 million, and loans to the wholesale and retail industry representing the majority of loans to the service industry increased by RMB94,285 million. The increment of loans to the above two industries accounted for 71.9% of that of new corporate loans. Loans to the water, environment and public utility management industry and the real estate industry decreased by RMB21,608 million and RMB13,060 million, respectively, which was mainly because that the Bank proactively adjusted its credit structure and continued to control the lending to urban construction and implement strict limit management of loans to the real estate industry in accordance with the changes in macroeconomic environment.

A relatively more significant decrease in NPL balance occurred to the industries of transportation, storage and postal services, and production and supply of electricity, heat, gas and water. Affected by a more obvious economic downward trend, prices of steel products and building materials declined, which led to difficulties in sales and fund shortage of related wholesale enterprises. As a result, the NPL balance in relation to the wholesale and retail industry increased due to more defaults in loan repayment.

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
At the beginning of the period	**35,409**	**159,469**	**194,878**
Charge for the period	486	18,543	19,029
Including: Impairment allowances charged	5,021	64,817	69,838
Impairment allowances transferred	57	(57)	–
Reversal of impairment allowances	(4,592)	(46,217)	(50,809)
Accreted interest on impaired loans	(419)	–	(419)
Write-offs	(2,269)	(232)	(2,501)
Recoveries of loans and advances previously written off	388	26	414
At the end of the period	**33,595**	**177,806**	**211,401**

At the end of June 2012, allowance for impairment losses on loans stood at RMB211,401 million, up RMB16,523 million over the end of the previous year. Allowance to NPL increased by 14.48 percentage points to 281.40%, further strengthening its capability of resisting and offsetting risks; and allowance to total loans ratio was 2.51%.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	3,446,847	40.9	3,234,332	41.5
Including: Personal housing loans[1]	1,201,653	14.3	1,176,564	15.1
Pledged loans	1,011,298	12.0	792,016	10.2
Including: Discounted bills[1]	202,833	2.4	106,560	1.4
Guaranteed loans	1,260,379	15.0	1,201,184	15.4
Unsecured loans	2,705,513	32.1	2,561,365	32.9
Total	**8,424,037**	**100.0**	**7,788,897**	**100.0**

Note: (1) Data of domestic branches.

Loans secured by mortgages stood at RMB3,446,847 million, representing an increase of RMB212,515 million or 6.6% from the end of the previous year. Pledged loans amounted to RMB1,011,298 million, representing an increase of RMB219,282 million or 27.7%, which was mainly due to the increase in discounted bills. Unsecured loans amounted to RMB2,705,513 million, representing an increase of RMB144,148 million or 5.6%.

OVERDUE LOANS

In RMB millions, except for percentages

	At 30 June 2012		At 31 December 2011	
Overdue periods	Amount	% of total	Amount	% of total
3 to 6 months	9,422	0.11	4,475	0.06
6 to 12 months	7,701	0.09	6,539	0.08
Over 12 months	44,927	0.54	47,001	0.60
Total	**62,050**	**0.74**	**58,015**	**0.74**

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 RMB8,105 million, representing a decrease of RMB207 million or 2.5% as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB4,995 million, down RMB729 million.

EXTENDED LOANS

The balance of extended loans amounted to RMB16,125 million, representing a decrease of RMB1,092 million from the end of the previous year, of which the NPL balance was RMB3,500 million, a decrease of RMB507 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 17.6% of the Bank's net capital, respectively. The total amount of loans granted to the top ten single customers was RMB214,961 million, accounting for 2.6% of the total loans. The table below shows the details of the loans granted to the top ten single borrowers of the Bank as at the end of June 2012.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total
Borrower A	Transportation, storage and postal services	41,500	0.5
Borrower B	Transportation, storage and postal services	22,783	0.3
Borrower C	Transportation, storage and postal services	22,743	0.3
Borrower D	Transportation, storage and postal services	22,682	0.3
Borrower E	Mining	19,500	0.2
Borrower F	Transportation, storage and postal services	18,940	0.2
Borrower G	Transportation, storage and postal services	18,929	0.2
Borrower H	Production and supply of electricity, heat, gas and water	18,257	0.2
Borrower I	Transportation, storage and postal services	15,579	0.2
Borrower J	Transportation, storage and postal services	14,048	0.2
Total		**214,961**	**2.6**

Market risk

In the first half of 2012, the Bank further strengthened consolidated management of market risk, and comprehensively improved market risk management and measurement at the Group level. The Bank actively advanced the preparatory work for implementation of the internal model approach to market risk, perfected the market risk management policy at the Group level, and completed the market risk reporting and limit management system of the Group. The Bank accelerated the overseas extension of the global market risk management system (GMRM), vigorously carried out the verification work for the internal model approach to market risk, and optimized the market risk measurement model and data management. The Bank also promoted the core applications of the internal model approach and laid foundation for applying for the implementation of the internal model approach to market risk under the New Capital Accord.

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 deposit and loan interest rates pricing management while interest rates were in a downward cycle, proactively adjusted asset repricing term structure, reasonably controlled long-term liability businesses, and prevented interest rate 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 further improved the system of market risk limit management based on trading portfolios, expanded the coverage of the limit management in overseas institutions and realized dynamic limit monitoring and management by using the GMRM.

The Bank 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 derivatives in the trading books of the Head Office and six overseas branches 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 2012				Six months ended 30 June 2011			
Item	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
Interest rate risk	36	34	43	27	29	54	103	27
Foreign exchange rate risk	31	17	37	3	45	19	81	4
Commodity risk	14	9	20	1	2	10	63	1
Total portfolio VaR	**47**	**36**	**48**	**29**	**63**	**57**	**101**	**26**

Note: The VaR measurement range expanded in the first half of 2012 compared to the same period of last year. The comparative figures are not adjusted retrospectively. Please refer to "Note 44.(c)(i) to the Financial Statements: VaR".

Market Risk Analysis

◆ *Interest Rate Risk Analysis*

In the first half of 2012, PBC cut the benchmark interest rate of deposits and loans for financial institutions and expanded the floating ranges, further accelerating the marketization of interest rates. The Bank paid close attention to changes in monetary policies and domestic and international financial markets, strengthened the management of deposit and loan rates pricing, optimized deposit terms and interest rate structure to reduce the repricing risk in the downward cycle of interest rates; further improved internal funds transfer pricing management, and actively responded to the challenges of the interest rate market, to promote the sustained and healthy development of the deposit and loan business.

At the end of June 2012, the Bank had a cumulative interest rate sensitivity negative exposure within one year of RMB460,311 million, representing a decrease of RMB450,540 million from the end of the previous year, which was mainly due to the increase in repriced or matured loans within one year. The cumulative interest rate sensitivity positive exposure over one year amounted to RMB1,438,370 million, representing a decrease of RMB335,734 million, which was mainly due to the significant increase in medium and long-term deposits and some central bank bills to be matured. 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 3 months	3 months to 1 year	1 to 5 years	More than 5 years
30 June 2012	(2,992,687)	2,532,376	264,576	1,173,794
31 December 2011	(1,887,041)	976,190	584,145	1,189,959

Note: Please refer to "Note 44.(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

Changes of interest rate in basis points	At 30 June 2012 Changes in net interest income	At 30 June 2012 Changes in equity	At 31 December 2011 Changes in net interest income	At 31 December 2011 Changes in equity
+ 100 basis points	(14,248)	(20,818)	(12,509)	(19,151)
– 100 basis points	14,248	22,122	12,509	20,417

Note: Please refer to "Note 44.(c)(iii) to the Financial Statements: Interest rate risk".

◆ *Exchange Rate Risk Analysis*

In the first half of 2012, PBC further advanced the reform of the RMB exchange rate formation regime. The RMB exchange rate was kept stable with obvious characteristics of two-way fluctuations and significantly enhanced exchange rate elasticity. The exchange rate of RMB against US dollar depreciated by 0.38% over the end 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 controllable.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

Foreign exchange exposure	At 30 June 2012 RMB	At 30 June 2012 USD equivalent	At 31 December 2011 RMB	At 31 December 2011 USD equivalent
Exposure of on-balance sheet foreign exchange items, net	224,307	35,464	265,290	42,104
Exposure of off-balance sheet foreign exchange items, net	(133,813)	(21,157)	(183,307)	(29,092)
Total foreign exchange exposure, net	**90,494**	**14,307**	**81,983**	**13,012**

Please refer to "Note 44.(c)(ii) to the Financial Statements: Currency risk" for the exchange rate sensitivity analysis.

Liquidity Risk

According to the macroeconomic environment and the changes to financial regulatory policies, the Bank continued to strengthen the development of its liquidity risk management system and further enhanced the management of its liquidity risk. In accordance with the Guideline on Liquidity Risk Management of Commercial Banks issued by CBRC and relevant requirements, the Bank established the RMB funds management mechanism at the Group level and formulated the annual limit management plan for the RMB treasury operations of overseas institutions. The Bank continued to improve the building of its liquidity risk management information system, and enhance the monitoring and management capacity of its liquidity risk regulatory indicators with a view to further upgrade the liquidity risk prevention capacity of the Group.

Liquidity Risk Analysis

In the first half of 2012, PBC continued to implement a stable monetary policy, pre-tuned and fine-tuned the monetary policy by flexibly applying various policy instruments including open market operations and adjustment of deposit reserve ratio and benchmark interest rate of deposits and loans, to strengthen the liquidity management of the banking system. The Bank paid close attention to the trends of market funds and interest rates, and dynamically adjusted its liquidity management strategy and fund operation tempo in accordance with its assets and liabilities business development and liquidity status. The Bank also coordinated the development of all its treasury operations, while ensuring bank-wide liquidity security, it effectively reduced the low efficient use of funds, raised its fund utilization rate and practically improved its ability to deal with liquidity risk.

As for foreign currencies, the Bank paid close attention to the changes in market interest rates and fund situation, flexibly adjusted its foreign currency liquidity management strategy and internal and external pricing of funds and coordinated the balanced development of 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 2012, relatively significant changes in liquidity exposure of the Bank mainly occurred for the following terms: less than 1 month, 1 to 3 months, 3 months to 1 year and 1 to 5 years. Due from banks and other financial institutions increased, resulting in narrowed liquidity negative exposure for the 1 month category; the liquidity negative exposure for the 1 to 3 months category was narrowed due to the increased customer loans and decreased customer deposits with corresponding terms; the liquidity negative exposure for the 3 months to 1 year category was expanded due to the increased customer deposits with corresponding terms; the liquidity positive exposure was narrowed for the 1 to 5 years category due to some PBC bills to be matured and increased customer deposits. The demand deposits of the Bank grew continuously with a relatively high sedimentation rate, and by holding a large amount of highly-liquid PBC bills and government bonds, the Bank had adequate liquidity reserve and further expanded its cumulative positive liquidity exposure as compared to the end of 2011; therefore, the overall liquidity of the Bank was safe. The table below sets out the liquidity exposure analysis of the Bank at the end of June 2012:

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undated	Total
30 June 2012	(6,965,973)	(155,446)	(262,875)	(545,312)	2,344,936	3,907,595	2,694,523	1,017,448
31 December 2011	(6,707,099)	(459,158)	(618,315)	(311,001)	2,613,952	3,815,715	2,623,729	957,823

Note: Please refer to "Note 44.(b) to the Financial Statements: Liquidity risk".

At the end of June 2012, all relevant indicators reflecting the Bank's liquidity status have met regulatory requirements, details of which are set out in the table below:

Item		Regulatory criteria	30 June 2012	31 December 2011	31 December 2010
Liquidity ratio (%)	RMB	>=25.0	32.7	27.6	31.8
	Foreign currency	>=25.0	80.3	90.6	53.4
Loan-to-deposit ratio (%)	RMB and foreign currency	<=75.0	63.1	63.5	62.0

Note: The regulatory ratios shown in this table are calculated in accordance with relevant regulatory requirements and accounting standards applicable during the reporting period. The comparative figures have not been adjusted retrospectively.

Internal Control and Operational Risk Management

Internal Control

During the reporting period, the Bank further promoted the building of its internal control system under the overall requirements of "disciplined behaviors, proper authorization, time-bound monitoring, effective examination and valid control". The Bank formulated the Development Plan of the Internal Control System for 2012-2014, amended the Internal Control Policy, and the Compliance Policy according to the external regulatory requirements and its internal control management practices. The Bank studied and improved internal control evaluation measures to comprehensively enhance the internal control evaluation level, promptly followed up the external regulatory rules, and issued compliance management bulletins in a timely manner for compliance risk warning. The Bank comprehensively updated the compliance management manual, reinforced the update and management of its business operation guide, actively implemented measures for review and management of the Group's rules and regulations, and developed basic policy for the management of business rules and regulations. During the reporting period, the Bank further improved its internal control system and progressively enhanced the completeness, reasonableness and effectiveness of its internal control.

Operational Risk Management

In line with the latest banking regulatory requirements and changes in operational risk of banks, the Bank further improved its operational risk management mechanism, strengthened refined management in key areas and points and promoted the implementation of the advance measurement approach (AMA). The Bank formulated operational risk management regulations, actively set up three lines of defense for operational risk, and drew up management measures and rules on the AMA to operational risk so as to facilitate the application of the AMA. The Bank enhanced the management of operational risk loss events, speeded up the process of clearing historical data of loss events and pushed forward the application of internal loss data system at the Group level. The Bank revised key risk indicator system, realized extension of operational risk monitoring to overseas institutions and affiliates; revised management measures on the operational risk and control self-assessment, optimized the functions of the self-assessment management system to improve the systematic nature, standardization and forward-lookingness of self-assessment work; revised the measures on reporting management of major operational risk events, and strengthened the major operational risk events reporting, monitoring and analysis. In addition, the Bank comprehensively strengthened its management of fee charge, standardized various types of contracts; perfected consignment payment standards, boosted the capital flows monitoring, strictly controlled the use of loan proceeds; optimized the financial market transactions review workflow, launched and applied the global product control system to enhance the operational risk management and control of financial market transactions; further improved the assets management business framework, established the inter-departmental and independently managed business management and risk control system where the front, middle and back offices were separated. During 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, deepened the Group's legal risk consolidated management, and improved the consolidated management mechanism and process for legal risk. The Bank made continuous improvement in the quality of the legal consulting review, actively supported internationalized and diversified operating strategy and the development and innovation of various businesses by legal means. The Bank strengthened monitoring and management of lawsuits, in particular those against the Bank, and effectively increased the effect of successful lawsuits execution. The Bank further standardized contract management, strengthened the trademark management and related intellectual property protection, and actively implemented various legal risk management works.

Anti-Money Laundering

The Bank earnestly implemented the "risk-based" anti-money laundering regulatory requirements, formed a scientific and efficient anti-money laundering system, constantly improved the management system, prevention mechanisms and control measures for anti-money laundering and anti-terrorist financing risk, and further enhanced anti-money laundering and anti-terrorist financing work. The Bank actively explored the reform of large and suspicious transactions reporting model, improved anti-money laundering reporting mechanisms and work processes, further strengthened the construction of anti-money laundering centers at all levels, implemented the reform of anti-money laundering centralized processing, and improved the quality and the level of centralization of anti-money laundering. The Bank enhanced its anti-money laundering management policy system, strengthened anti-money laundering confidential information management, established and optimized the anti-money laundering incentives mechanism. The Bank further implemented the protection of customer information, promoted the application of institutional credit codes to further enhance the integrity and authenticity of customer information and consolidate the basis of anti-money laundering. The Bank optimized relevant functions of the anti-money laundering information system, accelerated the promotion of integrated anti-money laundering monitoring system for domestic and overseas operations in overseas institutions, reinforced the risk control of key anti-money laundering links and areas; initiated the cultivation of anti-money laundering experts team, and organized qualification trainings for financial industry anti-money laundering posts and professional skills trainings for staff in anti-money laundering posts to promote the advancement of anti-money laundering compliance awareness and professional skills.

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

Reputational Risk

The Bank continuously strengthened its reputational risk management, further enhanced the system and working mechanism for reputational risk management and improved the reputational risk consolidated management. The Bank stepped up its efforts in identifying, assessing, monitoring and disposing of reputational risk factors and reputational events and controlled and mitigated reputational risk from the very source, thereby keeping the Bank's reputational risk at a controllable level. The Bank industriously promoted the understanding and recognition of customers, investors and news media on the Bank by enhancing the level of its financial services, strengthening the management of its investor relations, actively fulfilling its social responsibilities, etc. The Bank also listened to comments from customers and the public and continued to improve its services and management, thereby maintaining its good reputation.

Country Risk

In the first half of 2012, in the face of the complex and volatile international situation, the Bank continued to strengthen its country risk management and improve its country risk management system. The Bank actively improved its country risk management policies and procedures, reinforced its country risk pre-warning mechanism, and improved its country risk contingency plan. The Bank also closely monitored changes in risk exposure, conducted continuous tracking, monitoring and reporting of country risk, and effectively controlled country risk while steadily advancing its internationalized development strategy by making full use of internal rating, limit management, stress testing and other tools.

CAPITAL MANAGEMENT

In the first half of 2012, 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 adequacy and capital return. In addition, the Bank improved the economic capital management system and the economic capital measurement standards and upgraded the capital management system to enhance its comprehensive capital management.

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 2012, capital adequacy ratio of the Bank was 13.56%, representing an increase of 0.39 percentage points from the end of 2011; and core capital adequacy ratio was 10.38%, representing an increase of 0.31 percentage points from the end of 2011, mainly because (1) profit of the Bank maintained stable growth, effectively supplementing the core capital; (2) the Bank issued RMB-denominated subordinated bonds of RMB20.0 billion during the reporting period to replenish the supplementary capital; (3) the growth rate of risk-weighted assets was effectively controlled.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 30 June 2012	At 31 December 2011
Core capital	**968,960**	**882,300**
Share capital	349,322	349,084
Reserves[(2)]	618,508	532,135
Minority interests	1,130	1,081
Supplementary capital	**297,220**	**271,830**
General provisions for loan impairment	84,241	77,889
Long term subordinated bonds	187,625	167,655
Convertible bonds	23,675	24,615
Other supplementary capital	1,679	1,671
Total capital base before deductions	**1,266,180**	**1,154,130**
Deductions	**41,812**	**41,667**
Goodwill	21,860	22,223
Unconsolidated equity investments	19,767	18,957
Others	185	487
Net capital base	**1,224,368**	**1,112,463**
Net core capital base	**937,124**	**850,355**
Risk-weighted assets and market risk capital adjustment	**9,031,850**	**8,447,263**
Core capital adequacy ratio	**10.38%**	**10.07%**
Capital adequacy ratio	**13.56%**	**13.17%**

Notes: (1) Please refer to "Note 44.(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 First Extraordinary General Meeting of the Bank in 2011 held on 29 November 2011 approved the Proposal on the Issue of Subordinated Bonds of Not Exceeding RMB70.0 Billion before 30 June 2012.

Upon approval by CBRC and PBC, the Bank issued RMB50.0 billion RMB subordinated bonds in December 2011 and RMB20.0 billion RMB subordinated bonds between 11–13 June 2012 in the national interbank bond market 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 2012, it is predicted that the global economy would maintain a weak growth while the Chinese economy would gradually show some stable growth, and the reform of the Chinese financial system would continue to be implemented steadily. Development opportunities available for the Bank are as follows: Firstly, with the stable economic recovery, there will be more demands for financing to support the development of various businesses of the Bank. Secondly, the counter-cyclical fiscal policy, monetary policy and industry policy will gradually take effect, which will provide a good opportunity for the Bank to expand its business development space and promote business structure restructuring. Thirdly, a number of major projects within the planning framework of the 12th Five-Year Plan have been advanced, providing favorable conditions for the Bank to adjust and optimize its business structure and implement business product innovation. Fourthly, with the increasing pace of Chinese enterprises in "going global", the cross-border use of RMB has increasingly intensified, which creates good opportunity for the Bank to expand overseas markets and develop cross-border business.

In the second half of 2012, the Bank will also be faced with the following challenges: Firstly, with the faster progress of reform of interest rate to become more market-oriented, the benchmark deposit and lending interest spreads may be further narrowed, restricting the growth of bank profitability, which requires banks to further strengthen their asset-liability management and improve their ability to manage the pricing of their products and services. Secondly, commercial banks face more stringent demands when developing fee-based businesses and promoting product and service innovation. Thirdly, the Regulation Governing Capital of Commercial Banks (Provisional) released by CBRC will further strengthen the capital constraints of commercial banks. Confronted with a policy of tighter capital regulation, the Bank needs to constantly optimize its capital management tools and continue to enhance its capital management standards.

In the first half of 2012, the Bank overcame many challenges to maintain a steady growth of operating results, and laid a good foundation for achieving the annual business objectives. In the second half of 2012 the Bank will continue, in accordance with the established strategic plan, to progress credit structure adjustment and business innovation, strengthen enterprise risk management and strive to successfully complete its various business objectives, so as to further consolidate and enhance its overall competitiveness in the domestic and overseas markets. Specifically, the Bank will implement the following strategies and measures in the second half of 2012:

Firstly, the Bank will seize the opportunities presented by the implementation of the country's 12th Five-Year Plan, make steady progress in credit structure adjustment, vigorously expand potential markets in industries such as advanced manufacturing, modern services, cultural industries and strategic emerging sectors, make greater efforts in expanding SME and consumer credit business, continuously push forward credit product innovation, continue to optimize the distribution structure of the industries, regions, customers, types and terms of the Bank's credit products, and effectively increase the overall yield of credits. Secondly, the Bank will follow the direction of the regulatory polices, actively and steadily promote the innovation and market expansion of its fee-based businesses, further optimize its business and income structure and enhance its ability to achieve sustainable development. Thirdly, the Bank will strive to adapt to the process of the country's interest rates becoming market-oriented, intensify its studies on the pricing of RMB deposits and loans, and continue to enhance its level of the fine management of its interest rates. Fourthly, the Bank will analyze in depth the new capital regulation's impact on its business development, be well prepared for the implementation of the New Capital Accord as soon as possible, and actively explore long-term strategies and means to strengthen its capital management. Fifthly, the Bank will respond flexibly to changes in the domestic and international macroeconomic environment, intensify its risk monitoring in risk-sensitive areas and continuously strengthen its enterprise risk management, so as to ensure that the quality of its assets can be maintained. Sixthly, the Bank will continue to steadily push forward the globalization process, increase the degree of extension of key domestic product lines to overseas markets, and promote the enhancement of the Bank's cross-border service capabilities.

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 2011		Increase/decrease during the reporting period (+, -)	At 30 June 2012	
		Number of shares	Percentage (%)	Convertible bond to equity	Number of shares	Percentage (%)
I.	Shares subject to restrictions on sales	0	0.0	0	0	0.0
II.	Shares not subject to restrictions on sales	349,083,252,791	100.0	237,981,804	349,321,234,595	100.0
	1. RMB-denominated ordinary shares	262,289,208,241	75.1	237,981,804	262,527,190,045	75.2
	2. Foreign shares listed overseas	86,794,044,550	24.9	0	86,794,044,550	24.8
III.	Total number of shares	349,083,252,791	100.0	237,981,804	349,321,234,595	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 973,366 shareholders, including 152,131 holders of H shares and 821,235 holders of A shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 SHAREHOLDERS OF THE BANK

Unit: Share

Total number of shareholders	973,366 (number of holders of A shares and H shares on the register of shareholders as at 30 June 2012)

Particulars of shareholding of the top 10 shareholders
(The following data are based on the register of shareholders as at 30 June 2012)

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	123,751,449,674	0	None
MOF	State-owned	A shares	35.3	123,316,451,864	0	None
HKSCC Nominees Limited	Foreign legal person	H shares	24.6	86,009,395,600	0	Unknown
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.8	2,806,269,049	0	None
ICBC Credit Suisse Asset Management Co., Ltd. — ICBC — Asset management for specific customers	Other domestic entities	A shares	0.3	1,053,190,083	0	None
An-Bang Insurance Group Co., Ltd. — Traditional insurance products	Other domestic entities	A shares	0.2	544,890,787	0	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic entities	A shares	0.2	512,225,975	0	None
China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu	Other domestic entities	A shares	0.1	448,834,766	0	None
Sino Life Insurance Co., Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.1	386,771,556	0	None
China Pacific Life Insurance Co., Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.1	283,287,898	0	None

Notes: (1) 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.

(2) Huijin has increased its shareholding in the Bank through on-market purchase on SSE since 10 October 2011. According to the Announcement in relation to Increase in Shareholding of the Bank by Huijin dated 10 October 2011, Huijin intends to continue to increase, in its own capacity, its shareholding in the Bank by acquiring shares from the secondary market within 12 months from 10 October 2011. During the first half of 2012, Huijin increased its holding by 57,323,520 A shares of the Bank accumulatively, accounting for 0.016% of the total shares issued by the Bank as at 30 June 2012.

(3) Both "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" and "China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu" are managed by China Life Insurance Company Limited. Apart from these, the Bank is not aware of any connected relations or concerted action among the afore-mentioned shareholders.

Changes of the Controlling Shareholders and De Facto Controller

During the reporting period, the Bank's controlling shareholders and 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 2012, 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	44.95	33.78
Huijin[(2)]	Beneficial owner	118,006,174,032	Long position	44.95	33.78

Notes: (1) According to the register of shareholders of the Bank as at 30 June 2012, MOF held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 30 June 2012, Huijin held 123,751,449,674 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	12,144,577,524	Long position	13.99	3.48
Temasek Holdings (Private) Limited	Interest of controlled corporations	5,235,843,470	Long position	6.03	1.50
JPMorgan Chase & Co.	Beneficial owner	625,642,597	Long position	0.72	0.18
	Investment manager	968,153,910	Long position	1.12	0.28
	Custodian corporation/ approved lending agent	3,615,967,035	Long position	4.17	1.04
	Total	5,209,763,542		6.00	1.49
	Beneficial owner	345,901,015	Short position	0.40	0.10

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
Sunshine Life Insurance Co., Ltd. — Participating insurance products	1,240,068,000
China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu	860,451,000
Fullgoal Convertible Bond-type Securities Investment Fund	725,111,000
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	684,175,000
Bosera Enhanced Convertible Bond-type Securities Investment Fund	682,318,000
China Life Insurance (Group) Company — Traditional — Ordinary insurance products	666,918,000
An-Bang Insurance Group Co., Ltd. — Traditional insurance products	603,110,000
EverBright Securities Co., Ltd.	473,428,000
CITIC Trust Co., Ltd. — Double Profit No. 10	436,774,000
Union Life Insurance Co., Ltd. — Dividend distribution — Personal dividend	410,761,000

Note: Pursuant to the Notice on Participation of Convertible Corporate Bonds in Collateralized Bond Repurchase Business and relevant rules of SSE, convertible bonds of the Bank have participated in collateralized bond repurchase since 21 May 2012. The Bank summed up relevant data according to the register of holders of A share convertible bonds at the end of the reporting period provided by China Securities Depository and Clearing Corporation Limited and the information on holders of specific accounts for collateralized bond repurchase of settlement participants.

- *Particulars of Guarantors of Convertible Bonds*

The Bank had no guarantor of convertible bonds.

- *Adjustment of Conversion Price of Convertible Bonds*

On 31 August 2010, the Bank issued A share 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.

On 31 May 2012, the Annual General Meeting for the Year 2011 of the Bank considered and approved the 2011 ICBC Profit Distribution Plan for payment of cash dividends of RMB2.03 (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 13 June 2012. 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 RMB3.77 per share from RMB3.97 per share since 14 June 2012.

- *Conversion of Convertible Bonds*

Conversion period of ICBC Convertible Bonds commenced on 1 March 2011. As at 30 June 2012, a total of 12,018,110 ICBC Convertible Bonds were converted to A shares of the Bank, that is, a total of 302,688,768 converted shares; there are still 237,981,890 ICBC Convertible Bonds trading in the market, accounting for 95.19% of the total number of bonds in issue.

- *Credit Rating of Convertible Bonds*

China Chengxin Securities Appraisal Co., Ltd. traced and analyzed the credit standing of the ICBC Convertible Bonds and issued a credit rating report (Xin Ping Wei Han Zi [2012] Gen Zong No. 006). The Bank was rated AAA with a stable prospect, and the credit rating for the ICBC Convertible Bonds as at the end of the reporting period was AAA.

Basic Information on Directors, Supervisors and Senior Management

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, Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Li Jun, Mr. Wang Xiaolan and Mr. Yao Zhongli; and six independent non-executive directors, namely Mr. Xu Shanda, Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Or Ching Fai and Mr. Hong Yongmiao.

The Board of Supervisors of the Bank comprises seven 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 three employee supervisors, namely Mr. Zhang Wei, Mr. Zhu Lifei and Mr. Li Mingtian.

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. None of the 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

The Board of Directors had six directors newly appointed and six directors resigned.

At the First Extraordinary General Meeting of 2011 held on 29 November 2011, Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Wang Xiaolan and Mr. Yao Zhongli were elected as Non-executive Directors of the Bank. At the First Extraordinary General Meeting of 2012 held on 23 February 2012, Mr. Or Ching Fai was elected as Independent Non-executive Director of the Bank. At the Annual General Meeting for the Year 2011 held on 31 May 2012, Mr. Hong Yongmiao was elected as Independent Non-executive Director of the Bank. The appointment of Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Wang Xiaolan and Mr. Yao Zhongli was approved by CBRC in January 2012; the appointment of Mr. Or Ching Fai was approved by CBRC in May 2012; the appointment of Mr. Hong Yongmiao was approved by CBRC in August 2012.

Mr. Gao Jianhong, Ms. Li Chunxiang, Mr. Li Xiwen and Mr. Wei Fusheng ceased to act as Non-executive Directors of the Bank with effect from January 2012; Mr. Leung Kam Chung, Antony ceased to act as Independent Non-executive Director of the Bank with effect from May 2012; Mr. Qian Yingyi ceased to act as Independent Non-executive Director of the Bank with effect from August 2012.

After the review and approval by the Annual General Meeting for the Year 2011 held on 31 May 2012, Ms. Dong Juan and Mr. Meng Yan were re-appointed as External Supervisors in the Board of Supervisors of the Bank, and the appointment took effect from the date of review and approval by the general meeting.

At the enlarged meeting of the Working Committee of the Trade Union of the Bank held on 24 July 2012, Mr. Zhang Wei was re-elected as Employee Supervisor of the Bank, and the appointment took effect from 4 August 2012, and Mr. Li Mingtian was elected as Employee Supervisor of the Bank, and the appointment took effect from the date of election on 24 July 2012 at the enlarged meeting of the Working Committee of the Trade Union.

Changes in Information of Directors and Supervisors

Mr. Or Ching Fai, Independent Non-executive Director of the Bank, has served as Chairman, Chief Executive Officer and Executive Director of China Strategic Holdings Limited since March 2012, and as Chairman of the Board of Directors and Independent Non-executive Director of Esprit Holdings Limited since June 2012.

Mr. Meng Yan, External Supervisor of the Bank, has served as Independent Director of COFCO Property (Group) Co., Ltd. since 23 April 2012.

Basic Information on Employees and Institutions

As at the end of June 2012, the Bank had 405,354 employees[1], representing a decrease of 3,505 employees from the end of 2011. The Bank had 16,825 domestic operations and 252 overseas institutions, totaling 17,077, representing an increase of 190 from the end of 2011.

1 Does not include labor dispatched for services totaling 32,237 persons.

Corporate Governance

Corporate Governance and Measures for Improvement during the Reporting Period

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 amended the Working Regulations for the Audit Committee of the Board of Directors, the Working Regulations for the Nomination Committee of the Board of Directors and the Administrative Measures for Inside Information and Insiders.
- Adjusting the composition of the Board of Directors and its special committees. The Bank made adjustments based on the careers and qualifications of new Non-executive Directors and Independent Non-executive Directors, to ensure that the composition of the Board of Directors and its special committees meet the regulatory requirements and guarantee the proper operation of the Board of Directors.
- Strengthening the supervisory role of the Board of Supervisors. In line with the regulatory requirements, the Board of Supervisors organized and conducted self-inspections and self-rectifications with respect to normative operation. It inspected the normative operation of the Bank's relevant regulation formulation and implementation and urged the rectification, and also submitted the Report on Self-inspection and Self-rectification with respect to Normative Operation of Industrial and Commercial Bank of China to the regulatory authorities.
- Fully safeguarding the rights of all the shareholders and actively performing the social responsibilities. The Bank maintained communication with Chinese and foreign investors via multiple channels, fully safeguarded the legitimate rights and interests of minority shareholders and protected the shareholders' rights to participate in meetings, vote and rights of inquiring. Besides, the Bank, making great efforts to perform various social responsibilities, has become the first commercial bank in China that advocated the UN "Global Compact".
- Continuously promoting enterprise risk management. The Bank actively pushed forward various work for the implementation of New Capital Accord and pressed ahead with the preparatory work for the implementation of the CBRC's Regulation Governing Capital of Commercial Banks (Provisional). It amended or formulated several systems and measures including the Evaluation Measures for Risk Management, the Administrative Measures for Country Risk Management, the Consolidated Statement Management System, the Market Risk Management System, the Advanced Measurement Approach System for Operational Risk and the Operational Risk Management Rules. As a result, the Bank constantly enhanced its enterprise risk management techniques and level, optimized the risk management process and further strengthened the risk management capability of the Group.
- Strengthening internal audit and internal control. During the reporting period, out of its operating needs, environment and regulatory requirements, the Bank organized a full spectrum of risk-oriented audit activities with a focus on analysis and assessment of major risks and the trends of their changes in the course of its reform and development from many aspects including the Group's strategy, system integration and process optimization, which further improved the internal audit system. It continued to promote the internal control system building to a deeper level by comprehensively amending the Basic Provisions on Internal Control and the Basic Provisions on Compliance Management, formulating the Development Plan of the Internal Control System for 2012-2014, updating the Commercial Banking Compliance Management Handbook and further strengthening the update and management of Business Operation Guide. As a result, the internal control level throughout the Bank has been constantly improved.

- Continuously promoting the reform of its operational management system and the process establishment. The Bank continued to strengthen vocational education and training and paid more efforts to corporate culture cultivation. It steadily promoted the reform of profit center, continuously enhanced the innovation capability of its products and business modes and completed its profits sharing, assessment and incentive mechanism. It improved the value contribution-oriented resource allocation model by ceaselessly increasing the resource inputs into key businesses and county-level sub-branches, to raise the cost-effectiveness of resources. The Bank continued to strengthen education and training. During the reporting period, training sessions were carried out for 877,000 man times, resulting in 2.81 training days per capita in the Group. Furthermore, with reinforced corporate culture fostering, the Bank drafted the Outline for Risk Culture Cultivation and printed the Corporate Culture Manual with bilingual version.
- Actively develop the building of the Group's corporate governance. The Bank made active efforts to explore the establishment of the working mechanism on specially dispatched directors and supervisors at the Group's level and formulated the Management Measures on Specially Dispatched Directors and Supervisors (Trial). It guided the subsidiaries to give full play to the Group's business synergy advantage and the FOVA system's technological edge, further intensify the Group's consolidated statement management and improve the Group's corporate governance and internal control systems.

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

The formulation and implementation of the Bank's cash dividend distribution policy are in accordance with the Articles of Association of the Bank and the requirements provided in the resolutions of the Shareholders' General Meeting. The policy features clear and explicit distribution standards and proportion and complete decision-making procedures and mechanism, and has been reviewed and approved by the Independent Non-executive Directors. Minority shareholders can fully express their opinions and demands, and their legal rights and interests are well protected.

Upon the approval by shareholders at the Annual General Meeting for the Year 2011 on 31 May 2012, the Bank has distributed cash dividends totaling approximately RMB70.9 billion, or RMB2.03 (pre-tax) per ten shares, for the period from 1 January 2011 to 31 December 2011 to the shareholders whose names appeared on the register of shareholders after trading hours on 13 June 2012. The Bank will not distribute interim dividends for 2012, 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 2012, the amount of pending proceedings which the Bank and/or its subsidiaries acted as defendant totaled RMB1,967 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. (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 80% of the shares of The Bank of East Asia (U.S.A.) National Association. The transaction was approved by CBRC in March 2011 and by the Federal Reserve System in May 2012. On 6 July 2012, transfer of equity interest and funds was completed, the Bank became a controlling shareholder of The Bank of East Asia (U.S.A.) National Association.

Acquisition of Shares in Standard Bank Argentina S.A.

On 5 August 2011, the Bank, Standard Bank London Holdings Plc (referred to as "Standard Bank London"), Holding W-S De Inversiones S.A. (together with Standard Bank London referred to as the "sellers") and the sellers' guarantors Standard Bank, Sielecki family members and Werthein family members entered into a memorandum of agreement on the acquisition of 80% of the shares of each of Standard Bank Argentina S.A., Standard Investments S.A. Sociedad Gerente de Fondos Comunes de Inversión and Inversora Diagonal Sociedad Anónima. The transaction was approved by CBRC in September 2011. As at the end of the reporting period, the transaction was still subject to the approvals of relevant overseas 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. The transaction has been approved by regulatory authorities, and completion of the transaction took place on 5 July 2012. AXA-Minmetals Assurance Co., Ltd. was renamed ICBC-AXA Assurance Co., Ltd. on 6 July 2012, in which the Bank holds 60% equity interest.

Material Related Party Transactions

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

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 that needed to be disclosed, 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 that needed to be disclosed.

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 PBC and CBRC.

Material Events Concerning Entrusting Other Persons for Cash Management

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

Occupation of Fund by Controlling Shareholders and Other Related Parties

None of the controlling shareholders or other related parties of the Bank occupied any fund of the Bank.

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 2012, 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 2012, the following director and supervisor are regarded to possess the interests as defined in Part XV of the Securities and Futures Ordinance of Hong Kong for the shares held by their spouses:

Name	Capacity	Amount of A/H shares held (share)	Nature of Interests	Approximate percentage of issued A/H shares of the Bank	Approximate percentage of total issued shares of the Bank
Or Ching Fai (Director)	Spouse's interests	1,316,040 (H shares)	Long position	Approximate 0.001516% of issued H shares of the Bank	0.000377%
Zhu Lifei (Supervisor)	Spouse's interests	18,000 (A shares)	Long position	Approximate 0.000007% of issued A shares of the Bank	0.000005%

Save as disclosed above, as at 30 June 2012, 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 2012 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	966 (Hong Kong, China)	CHINA TAIPING	2,688.55	95,490,974	274,942,898	313,127,343	Available-for-sale financial assets
2	485105	ICBCCS Enhanced Income Bond Fund A	14,186.32	150,000,000	156,872,283	146,487,899	Available-for-sale financial assets
3	601998	CNCB	3,103.44	167,223,692	124,137,600	125,378,976	Available-for-sale financial assets
4	1299 (Hong Kong, China)	AIA	539.80	92,556,985	116,655,660	105,949,007	Trading financial assets
5	2468 (Hong Kong, China)	TRONY SOLAR	16,852.94	158,445,854	85,185,501	38,999,561	Available-for-sale financial assets
6	MY (U.S.)	Mingyang Wind Power	1,098.54	341,450,000	78,514,159	152,971,630	Available-for-sale financial assets
7	871 (Hong Kong, China)	XIANGYU DREDG	4,590.00	121,752,858	77,086,477	68,866,065	Available-for-sale financial assets
8	486001	ICBC Credit Suisse China Chance Global Allocation Stock Fund	49.00	39,652,562	38,349,406	—	Trading financial assets
9	2099 (Hong Kong, China)	CHINA GOLD INTL	164.01	63,034,600	33,227,297	25,605,995	Available-for-sale financial assets
10	485107	ICBC Credit Suisse Credit Enhance Dividend Bond Securities Investment Fund A	3,000.86	30,000,000	32,880,423	29,957,585	Available-for-sale financial assets
Total			—	**1,259,607,525**	**1,017,851,704**	**1,007,344,061**	—

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 CHINA TAIPING and AIA and the ICBC Credit Suisse China Chance Global Allocation Stock Fund were held by ICBC (Asia), a controlling subsidiary of the Bank; the ICBCCS Enhanced Income Bond Fund A and the ICBC Credit Suisse Credit Enhance Dividend Bond Securities Investment Fund A were held by ICBC Credit Suisse Asset Management, a controlling subsidiary of the Bank; and the shares in TRONY SOLAR, Mingyang Wind Power, XIANGYU DREDG and CHINA GOLD INTL were held by ICBC International, 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	56,522,225	2,722.29	0.18	56,522,225
Joint Electronic Teller Services Limited	8,208,370	0.0024	0.03	7,371,748
Bangkok BTMU Ltd.	4,272,984	20.00	10.00	4,045,538
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	1,373,206
Guilin Bank	420,000	136.81	0.15	1,289,934
Bank of Nanchang	300,000	39.00	0.03	522,646
Total	**323,293,519**	—	—	**323,294,379**

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; and shares in Luen Fung Hang Insurance Co., Ltd. were held by ICBC (Macau), 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

CONTENTS

ERNST & YOUNG

22/F, CITIC Tower
1 TIM Mei Avenue, 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 89 to 173, 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 2012 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of 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.

Certified Public Accountants

Hong Kong

30 August 2012

Unaudited Interim Consolidated Income Statement

For the six months ended 30 June 2012
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Interest income	3	354,522	272,719
Interest expense	3	(150,464)	(98,215)
NET INTEREST INCOME	3	204,058	174,504
Fee and commission income	4	58,836	56,844
Fee and commission expense	4	(4,032)	(3,053)
NET FEE AND COMMISSION INCOME	4	54,804	53,791
Net trading expense	5	(248)	(21)
Net loss on financial assets and liabilities designated at fair value through profit or loss	6	(1,463)	(224)
Net gain on financial investments	7	454	309
Other operating income, net	8	5,223	2,801
OPERATING INCOME		262,828	231,160
Operating expenses	9	(84,531)	(73,255)
Impairment losses on:			
Loans and advances to customers	20	(19,029)	(16,794)
Others	10	(208)	(87)
OPERATING PROFIT		159,060	141,024
Share of profits of associates and jointly-controlled entities		1,152	1,321
PROFIT BEFORE TAX		160,212	142,345
Income tax expense	11	(36,971)	(32,770)
PROFIT FOR THE PERIOD		123,241	109,575
Attributable to:			
Equity holders of the parent company		123,160	109,481
Non-controlling interests		81	94
		123,241	109,575
EARNINGS PER SHARE			
— Basic (RMB yuan)	13	0.35	0.31
— Diluted (RMB yuan)	13	0.35	0.31

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 2012
(In RMB millions, unless otherwise stated)

	Note	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Profit for the period		123,241	109,575
Other comprehensive income (after-tax, net):			
Net gain/(loss) on available-for-sale financial assets	35	7,126	(4,752)
Net gain on cash flow hedges	35	93	102
Share of other comprehensive income of associates and jointly-controlled entities	35	(77)	138
Foreign currency translation differences	35	(687)	(2,812)
Others	35	13	11
Subtotal of other comprehensive income for the period		6,468	(7,313)
Total comprehensive income for the period		129,709	102,262
Total comprehensive income attributable to:			
Equity holders of the parent company		129,619	102,182
Non-controlling interests		90	80
		129,709	102,262

Unaudited Interim Consolidated Statement of Financial Position

30 June 2012
(In RMB millions, unless otherwise stated)

	Notes	30 June 2012 (unaudited)	31 December 2011 (audited)
ASSETS			
Cash and balances with central banks	14	3,028,038	2,762,156
Due from banks and other financial institutions	15	885,417	478,002
Financial assets held for trading	16	27,603	30,822
Financial assets designated at fair value through profit or loss	17	104,234	121,386
Derivative financial assets	18	14,484	17,460
Reverse repurchase agreements	19	532,764	349,437
Loans and advances to customers	20	8,212,636	7,594,019
Financial investments	21	3,856,544	3,763,694
Investments in associates and jointly-controlled entities	22	32,313	32,750
Property and equipment	23	120,510	119,028
Deferred income tax assets	24	21,348	21,938
Other assets	25	237,159	186,176
TOTAL ASSETS		**17,073,050**	**15,476,868**
LIABILITIES			
Due to central banks		437	100
Financial liabilities designated at fair value through profit or loss	26	394,471	171,973
Derivative financial liabilities	18	13,387	12,617
Due to banks and other financial institutions	27	1,604,095	1,341,290
Repurchase agreements	28	176,975	206,254
Certificates of deposit	29	57,309	41,426
Due to customers	30	13,180,597	12,261,219
Income tax payable		29,920	51,535
Deferred income tax liabilities	24	169	103
Debt securities issued	31	231,731	204,161
Other liabilities	32	366,511	228,367
TOTAL LIABILITIES		**16,055,602**	**14,519,045**
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	33	349,322	349,084
Equity component of convertible bonds	31	2,842	2,954
Reserves	34	298,866	291,370
Retained profits		365,288	313,334
		1,016,318	956,742
Non-controlling interests		1,130	1,081
TOTAL EQUITY		**1,017,448**	**957,823**
TOTAL EQUITY AND LIABILITIES		**17,073,050**	**15,476,868**

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 2012
(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 reserve	General reserve	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 2012	349,084	2,954	132,096	74,420	104,301	(3,999)	(10,792)	(3,893)	(763)	291,370	313,334	956,742	1,081	957,823
Profit for the period	—	—	—	—	—	—	—	—	—	—	123,160	123,160	81	123,241
Other comprehensive income	—	—	13	—	—	7,119	(689)	93	(77)	6,459	—	6,459	9	6,468
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	7,119	—	—	—	7,119	—	7,119	7	7,126
— Cash flow hedges, net of tax	—	—	—	—	—	—	—	93	—	93	—	93	—	93
— Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	—	(77)	(77)	—	(77)	—	(77)
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	(689)	—	—	(689)	—	(689)	2	(687)
— Others	—	—	13	—	—	—	—	—	—	13	—	13	—	13
Total comprehensive income	—	—	13	—	—	7,119	(689)	93	(77)	6,459	123,160	129,619	90	129,709
Dividend — 2011 final (note 12)	—	—	—	—	—	—	—	—	—	—	(70,912)	(70,912)	—	(70,912)
Appropriation to surplus reserve (i)	—	—	—	77	—	—	—	—	—	77	(77)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	217	—	—	—	—	217	(217)	—	—	—
Conversion of convertible bonds	238	—	743	—	—	—	—	—	—	743	—	981	—	981
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(41)	(41)
Conversion of equity component of convertible bonds (note 31)	—	(112)	—	—	—	—	—	—	—	—	—	(112)	—	(112)
Balance as at 30 June 2012 (unaudited)	**349,322**	**2,842**	**132,852**	**74,497**	**104,518**	**3,120**	**(11,481)**	**(3,800)**	**(840)**	**298,866**	**365,288**	**1,016,318**	**1,130**	**1,017,448**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amount of RMB2 million and RMB75 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB217 million.

(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 reserve	General reserve	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 reserve (i)	—	—	—	111	—	—	—	—	—	111	(111)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	137	—	—	—	—	137	(137)	—	—	—
Conversion of convertible bonds	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 amount of RMB17 million and RMB94 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB137 million.

(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 reserve	General reserve	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 year	—	—	—	—	—	—	—	—	—	—	208,265	208,265	180	208,445
Other comprehensive income	—	—	43	—	—	2,304	(11,373)	355	774	(7,897)	—	(7,897)	(54)	(7,951)
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	2,304	—	—	—	2,304	—	2,304	(11)	2,293
— Cash flow hedges, net of tax	—	—	—	—	—	—	—	355	—	355	—	355	—	355
— Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	—	774	774	—	774	—	774
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	(11,373)	—	—	(11,373)	—	(11,373)	(43)	(11,416)
— Others	—	—	43	—	—	—	—	—	—	43	—	43	—	43
Total comprehensive income	—	—	43	—	—	2,304	(11,373)	355	774	(7,897)	208,265	200,368	126	200,494
Dividend — 2010 final (note 12)	—	—	—	—	—	—	—	—	—	—	(64,220)	(64,220)	—	(64,220)
Appropriation to surplus reserve (i)	—	—	—	20,638	—	—	—	—	—	20,638	(20,638)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	11,230	—	—	—	—	11,230	(11,230)	—	—	—
Conversion of convertible bonds	65	—	200	—	—	—	—	—	—	200	—	265	—	265
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	31	31
Change in shareholdings in subsidiaries	—	—	(70)	—	—	—	—	—	—	(70)	—	(70)	(234)	(304)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(69)	(69)
Conversion of equity component of convertible bonds (note 31)	—	(31)	—	—	—	—	—	—	—	—	—	(31)	—	(31)
Balance as at 31 December 2011 (audited)	349,084	2,954	132,096	74,420	104,301	(3,999)	(10,792)	(3,893)	(763)	291,370	313,334	956,742	1,081	957,823

(i) Includes the appropriation made by overseas branches and subsidiaries in the amount of RMB41 million and RMB250 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB227 million.

Unaudited Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2012
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		160,212	142,345
Adjustments for:			
Share of profits of associates and jointly-controlled entities		(1,152)	(1,321)
Depreciation	9	6,471	5,983
Amortisation	9	807	687
Amortisation of financial investments		(2,388)	(4,384)
Impairment losses on loans and advances to customers	20	19,029	16,794
Impairment losses on assets other than loans and advances to customers	10	208	87
Unrealised foreign exchange loss		3,100	4,013
Interest expense on debt securities issued		4,788	1,935
Accreted interest on impaired loans	3	(419)	(240)
Gain on disposal of available-for-sale financial assets, net	7	(431)	(277)
Net trading gain on equity investments	5	(14)	(23)
Net loss on financial assets and liabilities designated at fair value through profit or loss	6	1,463	224
Net gain on disposal of property and equipment and other assets (other than repossessed assets)		(318)	(350)
Dividend income	7	(23)	(32)
		191,333	165,441
Net decrease/(increase) in operating assets:			
Due from central banks		(63,988)	(392,913)
Due from banks and other financial institutions		(16,014)	(68,726)
Financial assets held for trading		3,340	(23,499)
Financial assets designated at fair value through profit or loss		17,810	(94,641)
Reverse repurchase agreements		(17,716)	2,116
Loans and advances to customers		(634,563)	(562,595)
Other assets		(20,361)	(25,897)
		(731,492)	(1,166,155)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated at fair value through profit or loss		232,333	124,328
Due to central banks		337	49
Due to banks and other financial institutions		261,850	240,071
Repurchase agreements		(29,279)	(22,987)
Certificates of deposit		12,724	18,638
Due to customers		917,409	909,994
Other liabilities		26,046	10,892
		1,421,420	1,280,985
Net cash flows from operating activities before tax		881,261	280,271
Income tax paid		(60,236)	(42,780)
Net cash flows from operating activities		821,025	237,491

(In RMB millions, unless otherwise stated)

	Note	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(10,779)	(3,871)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		592	1,080
Purchases of financial investments		(508,695)	(808,119)
Proceeds from sale and redemption of financial investments		428,403	947,076
Investments in associates and jointly-controlled entities		(13)	(3)
Dividends received		783	809
Net cash flows from investing activities		(89,709)	136,972
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of subordinated bonds		20,000	38,000
Proceeds from issuance of other debt securities		8,028	2,926
Interest paid on debt securities		(273)	(83)
Acquisition of non-controlling interests		—	(18)
Dividends paid on ordinary shares		—	(1,323)
Dividends paid to non-controlling shareholders		(20)	(34)
Net cash flows from financing activities		27,735	39,468
NET INCREASE IN CASH AND CASH EQUIVALENTS		759,051	413,931
Cash and cash equivalents at beginning of the period		848,308	528,971
Effect of exchange rate changes on cash and cash equivalents		(18)	(2,111)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	36	1,607,341	940,791
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		327,669	259,733
Interest paid		(120,986)	(87,897)

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 "PBC") 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 2012 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 2011.

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 2011.

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 2012 %	31 December 2011 %	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$3,463 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	HK$4,839 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	KZT8,933 million	Almaty, Kazakhstan	Commercial banking
ICBC (London) PLC ("ICBC London")	100	100	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. *	80	80	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. ("ICBC Leasing") * (i)	100	100	RMB8,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")	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) ("ICBC Canada")	80	80	CA$83 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")	97.70	97.70	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.

(i) On 4 June 2012, the Bank made an additional capital injection of RMB3 billion into ICBC Leasing and its total registered and paid-in capital increased to RMB8 billion.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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 2011, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs")) as of 1 January 2012. The principal effects of adopting these revised IFRSs are as follows:

IAS 12 — Deferred Tax: Recovery of Underlying Assets (Amendment)

This amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis of the asset. Effective implementation date is for annual periods beginning on or after 1 January 2012. The amendment had no effect on the financial position or performance of the Group.

IFRS 7 — Disclosures: Transfers of financial assets (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011. Disclosures for any period prior to the date of initial application are not required. Details of transfers of financial assets are included in note 37 "transferred financial assets".

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

(In RMB millions, unless otherwise stated)

3. NET INTEREST INCOME

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Interest income on:		
Loans and advances to customers (i)		
— Corporate loans and advances	186,914	141,720
— Personal loans	61,139	44,927
— Discounted bills	7,683	4,236
Bond investments (ii)	67,864	56,751
Due from central banks	20,412	17,927
Due from banks and other financial institutions	10,510	7,158
	354,522	272,719
Interest expense on:		
Due to customers	(120,005)	(84,222)
Due to banks and other financial institutions	(25,362)	(11,957)
Debt securities issued	(5,097)	(2,036)
	(150,464)	(98,215)
Net interest income	204,058	174,504

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

(i) Included in interest income on loans and advances to customers for the period is an amount of RMB419 million (six months ended 30 June 2011: RMB240 million) with respect to the accreted interest on impaired loans.

(ii) Included in interest income on bond investments for the period is an amount of RMB4 million (six months ended 30 June 2011: RMB54 million) with respect to interest income on impaired debt securities.

4. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Investment banking business	14,950	13,155
Settlement, clearing business and cash management	13,784	13,582
Bank card business	10,505	8,058
Personal wealth management and private banking services (i)	8,886	10,552
Corporate wealth management services (i)	4,792	4,394
Asset custody business (i)	2,806	3,007
Guarantee and commitment business	1,463	2,925
Trust and agency services (i)	895	746
Others	755	425
Fee and commission income	58,836	56,844
Fee and commission expense	(4,032)	(3,053)
Net fee and commission income	54,804	53,791

(i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above is an amount of RMB5,759 million (six months ended 30 June 2011: RMB5,424 million) with respect to trust and other fiduciary activities.

(In RMB millions, unless otherwise stated)

5. NET TRADING EXPENSE

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Debt securities	879	384
Equity investments	14	23
Derivatives and others	(1,141)	(428)
	(248)	(21)

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.

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

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Financial assets	4,072	998
Financial liabilities	(5,535)	(1,222)
	(1,463)	(224)

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	
	2012 (unaudited)	2011 (unaudited)
Dividend income from unlisted investments	20	29
Dividend income from listed investments	3	3
Dividend income	23	32
Gain on disposal of available-for-sale financial assets, net	431	277
	454	309

(In RMB millions, unless otherwise stated)

8. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Gain from foreign exchange and foreign exchange products, net	3,624	849
Leasing income	847	641
Net gain on disposal of property and equipment, repossessed assets and others	427	644
Sundry bank charge income	56	91
Others	269	576
	5,223	2,801

9. OPERATING EXPENSES

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Staff costs:		
Salaries and bonuses (i)	28,792	27,069
Staff benefits	8,361	6,242
Contributions to defined contribution schemes	5,156	4,338
	42,309	37,649
Premises and equipment expenses:		
Depreciation (note 23)	6,471	5,983
Minimum lease payments under operating leases in respect of land and buildings	2,519	2,211
Repairs and maintenance charges	881	754
Utility expenses	1,126	999
	10,997	9,947
Amortisation	807	687
Other administrative expenses	9,763	8,605
Business tax and surcharges	17,327	13,574
Others	3,328	2,793
	84,531	73,255

(i) In accordance with relevant regulations issued by the Ministry of Finance of the People's Republic of China (the "MOF"), five types of allowances previously included in other operating expenses were reclassified to salaries and bonuses for the six months ended 30 June 2011.

(In RMB millions, unless otherwise stated)

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

		Six months ended 30 June	
	Notes	2012 (unaudited)	2011 (unaudited)
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	15	128	12
Financial investments:			
Held-to-maturity investments	21(d)	1	(20)
Available-for-sale financial assets	21(c)(i),(d)	(79)	(422)
Investments in associates and jointly-controlled entities		—	348
Other assets		158	169
		208	87

11. INCOME TAX EXPENSE

(a) Income tax

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Current income tax expense:		
Mainland China	37,694	32,743
Hong Kong and Macau	494	399
Overseas	420	235
	38,608	33,377
Adjustments in respect of current income tax of prior years	13	(2,672)
	38,621	30,705
Deferred income tax expense	(1,650)	2,065
	36,971	32,770

(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:

11. INCOME TAX EXPENSE (CONTINUED)

(b) Reconciliation between income tax and accounting profit (continued)

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Profit before tax	160,212	142,345
Tax at the PRC statutory income tax rate	40,053	35,586
Effects of different applicable rates of tax prevailing in other countries/regions	(97)	(119)
Non-deductible expenses (i)	966	644
Non-taxable income (ii)	(3,949)	(3,271)
Profits and losses attributable to associates and jointly-controlled entities	(288)	(328)
Adjustment in respect of current and deferred income tax of prior years	13	164
Others	273	94
Tax expense at the Group's effective income tax rate	36,971	32,770

(i) The non-deductible expenses mainly represent non-deductible impairment losses and write-offs.

(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	
	2012 (unaudited)	2011 (unaudited)
Dividends on ordinary shares declared and paid:		
Final dividend for 2011: RMB0.203 per share (2010: RMB0.184 per share)	70,912	64,220

13. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	123,160	109,481
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	349,245	349,020
Basic earnings per share (RMB yuan)	0.35	0.31

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.

13. EARNINGS PER SHARE (CONTINUED)

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

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	123,160	109,481
Add: Interest expense on convertible bonds (net of tax)	317	320
Profit used to determine diluted earnings per share	123,477	109,801
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	349,245	349,020
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	6,313	6,296
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	355,558	355,316
Diluted earnings per share (RMB yuan)	0.35	0.31

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.

14. CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2012 (unaudited)	31 December 2011 (audited)
Cash and unrestricted balances with central banks:		
Cash on hand	64,086	60,145
Surplus reserves with central banks (i)	265,515	86,529
Unrestricted balances with central banks of overseas countries or regions	38,562	19,595
	368,163	166,269
Restricted balances with central banks:		
Mandatory reserves with central banks (ii)	2,470,188	2,403,325
Fiscal deposits with the PBC	187,966	190,781
Mandatory reserves with central banks of overseas countries or regions (ii)	1,489	1,677
Other restricted balances with the PBC (ii)	232	104
	2,659,875	2,595,887
	3,028,038	2,762,156

(i) Surplus reserves with the PBC include funds 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 PBC 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 PBC. As at 30 June 2012, 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 PBC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.

(In RMB millions, unless otherwise stated)

15. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2012 (unaudited)	31 December 2011 (audited)
Nostro accounts:		
Banks operating in Mainland China	563,425	206,342
Other financial institutions operating in Mainland China	3,363	1,082
Banks and other financial institutions operating outside Mainland China	66,270	110,096
	633,058	317,520
Less: Allowance for impairment losses	(44)	(34)
	633,014	317,486
Placements with banks and other financial institutions:		
Banks operating in Mainland China	41,573	46,798
Other financial institutions operating in Mainland China	50,724	55,027
Banks and other financial institutions operating outside Mainland China	160,284	58,752
	252,581	160,577
Less: Allowance for impairment losses	(178)	(61)
	252,403	160,516
	885,417	478,002

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 2011	34	31	65
Charge for the year	—	38	38
Write-off for the year	—	(8)	(8)
At 31 December 2011 and 1 January 2012 (audited)	34	61	95
Charge for the period	11	117	128
Write-off for the period	(1)	—	(1)
At 30 June 2012 (unaudited)	44	178	222

(In RMB millions, unless otherwise stated)

16. FINANCIAL ASSETS HELD FOR TRADING

	30 June 2012 (unaudited)	31 December 2011 (audited)
Debt securities	27,419	30,675
Equity investments	184	147
	27,603	30,822
Debt securities analysed into:		
Listed in Hong Kong	98	96
Listed outside Hong Kong	497	928
Unlisted	26,824	29,651
	27,419	30,675

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

	30 June 2012 (unaudited)	31 December 2011 (audited)
Debt securities	73,244	10,544
Other debt instruments:		
Banks and other financial institutions	30,990	59,620
Corporate entities	—	51,222
	104,234	121,386
Analysed into:		
Listed in Hong Kong	67	65
Listed outside Hong Kong	1,066	359
Unlisted	103,101	120,962
	104,234	121,386

18. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the changes 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 an 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.

(In RMB millions, unless otherwise stated)

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	30 June 2012 (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	638,321	595,814	40,543	3,660	1,278,338	8,508	(6,268)
Option contracts purchased	13,076	14,274	369	1	27,720	175	—
Option contracts written	9,189	4,327	369	—	13,885	—	(143)
	660,586	614,415	41,281	3,661	1,319,943	8,683	(6,411)
Interest rate contracts:							
Swap contracts	84,294	163,971	174,714	29,042	452,021	4,700	(5,529)
Forward contracts	3,925	5,183	3,036	—	12,144	100	(100)
	88,219	169,154	177,750	29,042	464,165	4,800	(5,629)
Commodity derivatives and others	257,738	10,563	1,999	7	270,307	1,001	(1,347)
	1,006,543	794,132	221,030	32,710	2,054,415	14,484	(13,387)

	31 December 2011 (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	524,925	363,218	27,207	5,768	921,118	11,968	(6,728)
Option contracts purchased	1,673	18,135	1,182	—	20,990	175	—
Option contracts written	1,787	1,753	1,182	—	4,722	—	(30)
	528,385	383,106	29,571	5,768	946,830	12,143	(6,758)
Interest rate contracts:							
Swap contracts	79,186	153,760	226,366	32,654	491,966	4,635	(5,726)
Forward contracts	2,823	1,714	5,129	—	9,666	131	(131)
	82,009	155,474	231,495	32,654	501,632	4,766	(5,857)
Commodity derivatives and others	26,800	879	—	—	27,679	551	(2)
	637,194	539,459	261,066	38,422	1,476,141	17,460	(12,617)

(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 cash flow hedges are set out below.

	30 June 2012 (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
Interest rate swap contracts	50	1,525	2,725	3,352	7,652	387	(118)

	31 December 2011 (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	328	—	—	—	328	—	—
Interest rate swap contracts	734	93	3,716	3,339	7,882	286	(126)
	1,062	93	3,716	3,339	8,210	286	(126)

There was no ineffectiveness recognised in the income statement that arose from the cash flow hedge for the current period (six months ended 30 June 2011: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liability 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 and financial liability, respectively.

The effectiveness of 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	
	2012 (unaudited)	2011 (unaudited)
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	29	111
— Hedged items attributable to the hedged risk	(30)	(109)
	(1)	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 2012 (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	—	—	444	—	444	9	(25)
Interest rate swap contracts	625	1,588	7,424	6,151	15,788	18	(811)
	625	1,588	7,868	6,151	16,232	27	(836)

	31 December 2011 (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	—	181	596	—	777	4	(61)
Interest rate swap contracts	508	1,700	8,520	4,311	15,039	—	(882)
	508	1,881	9,116	4,311	15,816	4	(943)

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 2012 (unaudited)	31 December 2011 (audited)
Currency derivatives	10,384	7,717
Interest rate derivatives	3,621	3,406
Commodity derivatives and others	1,935	938
	15,940	12,061

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 credit risk weighted amounts differ from the carrying amount or the maximum exposure to credit risk.

(In RMB millions, unless otherwise stated)

19. REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements comprise reverse repurchase of securities, bills, loans, and cash advanced as collateral on securities borrowing.

	30 June 2012 (unaudited)	31 December 2011 (audited)
Reverse repurchase	518,107	335,285
Cash advanced as collateral on securities borrowing	14,657	14,152
	532,764	349,437
Reverse repurchase analysed by counterparty:		
Banks	193,678	49,836
Other financial institutions	324,429	285,449
	518,107	335,285
Reverse repurchase analysed by collateral:		
Securities	431,297	317,686
Bills	85,301	15,759
Loans	1,509	1,840
	518,107	335,285

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 2012, the Group had received securities with a fair value of approximately RMB278,200 million on such terms (31 December 2011: RMB230,633 million), among which securities with a fair value of approximately RMB278,200 million have been repledged under repurchase agreements (31 December 2011: RMB229,470 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 2012 (unaudited)	31 December 2011 (audited)
Corporate loans and advances	6,118,777	5,666,511
Personal loans	2,100,110	2,014,926
Discounted bills	205,150	107,460
	8,424,037	7,788,897
Less: Allowance for impairment losses	(211,401)	(194,878)
	8,212,636	7,594,019

(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 2011	41,300	125,834	167,134
Impairment loss:	(2,174)	34,006	31,832
— impairment allowances charged	9,310	85,970	95,280
— impairment allowances transferred	375	(375)	—
— reversal of impairment allowances	(11,859)	(51,589)	(63,448)
Accreted interest on impaired loans	(602)	—	(602)
Write-offs	(4,057)	(489)	(4,546)
Recoveries of loans and advances previously written off	942	118	1,060
At 31 December 2011 and 1 January 2012 (audited)	35,409	159,469	194,878
Impairment loss:	486	18,543	19,029
— impairment allowances charged	5,021	64,817	69,838
— impairment allowances transferred	57	(57)	—
— reversal of impairment allowances	(4,592)	(46,217)	(50,809)
Accreted interest on impaired loans (note 3)	(419)	—	(419)
Write-offs	(2,269)	(232)	(2,501)
Recoveries of loans and advances previously written off	388	26	414
At 30 June 2012 (unaudited)	33,595	177,806	211,401

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 2011	132,565	34,569	167,134
Impairment loss:	18,489	13,343	31,832
— impairment allowances charged	72,015	23,265	95,280
— reversal of impairment allowances	(53,526)	(9,922)	(63,448)
Accreted interest on impaired loans	(602)	—	(602)
Write-offs	(4,057)	(489)	(4,546)
Recoveries of loans and advances previously written off	942	118	1,060
At 31 December 2011 and 1 January 2012 (audited)	147,337	47,541	194,878
Impairment loss:	13,177	5,852	19,029
— impairment allowances charged	55,174	14,664	69,838
— reversal of impairment allowances	(41,997)	(8,812)	(50,809)
Accreted interest on impaired loans (note 3)	(419)	—	(419)
Write-offs	(2,269)	(232)	(2,501)
Recoveries of loans and advances previously written off	388	26	414
At 30 June 2012 (unaudited)	158,214	53,187	211,401

(In RMB millions, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	30 June 2012 (unaudited)	31 December 2011 (audited)
Loans and advances for which allowance for impairment losses are:		
Individually assessed	61,841	62,263
Collectively assessed	8,362,196	7,726,634
	8,424,037	7,788,897
Less: Allowance for impairment losses:		
Individually assessed	33,595	35,409
Collectively assessed	177,806	159,469
	211,401	194,878
Net loans and advances for which allowance for impairment losses are:		
Individually assessed	28,246	26,854
Collectively assessed	8,184,390	7,567,165
	8,212,636	7,594,019
Identified impaired loans and advances	75,125	73,011
Percentage of impaired loans and advances	0.89%	0.94%

21. FINANCIAL INVESTMENTS

	Notes	30 June 2012 (unaudited)	31 December 2011 (audited)
Receivables	(a)	461,022	498,804
Held-to-maturity investments	(b)	2,525,686	2,424,785
Available-for-sale financial assets	(c)	869,836	840,105
		3,856,544	3,763,694

(a) Receivables

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

	Notes	30 June 2012 (unaudited)	31 December 2011 (audited)
Huarong bonds	(i)	259,996	312,996
Special government bond	(ii)	85,000	85,000
Other bills and bonds	(iii)	116,026	100,808
		461,022	498,804

(In RMB millions, unless otherwise stated)

21. FINANCIAL INVESTMENTS (CONTINUED)

(a) Receivables (continued)

(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-negotiable, 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 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. From January to March 2012, the Bank received early repayment amounting to RMB53,000 million.

(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) Other bills and bonds include government, financial and corporate bonds. The balance represents debt securities with fixed or determinable payments that are not quoted in an active market. The bills and bonds mature from July 2012 to June 2022 and bear interest rates ranging from 3.26% to 7.50% per annum.

(b) Held-to-maturity investments

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

	30 June 2012 (unaudited)	31 December 2011 (audited)
Debt securities	2,526,181	2,425,279
Less: Allowance for impairment losses	(495)	(494)
	2,525,686	2,424,785

	30 June 2012 (unaudited)	31 December 2011 (audited)
Analysed into:		
Listed in Hong Kong	97	415
Listed outside Hong Kong	693,323	679,890
Unlisted	1,832,266	1,744,480
	2,525,686	2,424,785
Market value of listed debt securities	705,987	687,521

(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 2012 (unaudited)	31 December 2011 (audited)
Debt securities, at fair value (i)	865,663	835,983
Equity investments:		
At fair value (i)	3,010	2,959
At cost (ii):		
Debt for equity swaps	1,619	1,619
Others	360	502
Less: Allowance for impairment losses on equity investments	(816)	(958)
	1,163	1,163
Subtotal for equity investments	4,173	4,122
	869,836	840,105
Debt securities analysed into:		
Listed in Hong Kong	7,208	6,520
Listed outside Hong Kong	105,753	119,903
Unlisted	752,702	709,560
	865,663	835,983
Equity investments analysed into:		
Listed in Hong Kong	485	594
Listed outside Hong Kong	237	307
Unlisted	3,451	3,221
	4,173	4,122
Market value of listed securities:		
Debt securities	112,961	126,423
Equity investments	722	901
	113,683	127,324

(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 2012, the available-for-sale financial assets measured at fair value include impaired debt securities whose carrying amount is RMB47 million (31 December 2011: RMB52 million), with the reversal of impairment loss recognised in the income statement for the period of RMB79 million (six months ended 30 June 2011: the reversal of impairment loss of RMB537 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 2012, certain investments with full impairment made were disposed of (six months ended 30 June 2011: the carrying amount at the time of disposal was RMB69 million). A gain of RMB315 million was recognised on disposal during the period (six months ended 30 June 2011: 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 equity investments measured at cost during the period/year are as follows:

	Held-to-maturity investments	Available-for-sale investments	Total
At 1 January 2011	1,474	1,036	2,510
Charge for the year	44	—	44
Reversal for the year	(461)	—	(461)
Disposals	(563)	(78)	(641)
At 31 December 2011 and 1 January 2012 (audited)	494	958	1,452
Charge for the period	1	—	1
Reversal for the period	—	—	—
Disposals	—	(142)	(142)
At 30 June 2012 (unaudited)	495	816	1,311

22. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

	30 June 2012 (unaudited)	31 December 2011 (audited)
Share of net assets	16,945	16,996
Goodwill	15,716	16,102
	32,661	33,098
Less: Allowance for impairment losses	(348)	(348)
	32,313	32,750

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

	30 June 2012 (unaudited)	31 December 2011 (audited)
Assets	1,164,409	1,154,338
Liabilities	(1,071,548)	(1,061,245)
Net assets	92,861	93,093

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Revenue	48,094	47,286
Profit for the period	6,538	7,488

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 2012 (unaudited)	31 December 2011 (audited)
Market value of listed investments	26,197	23,981

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

Name	Percentage of equity interest 30 June 2012 %	Percentage of equity interest 31 December 2011 %	Voting rights 30 June 2012 %	Place of incorporation/ registration	Principal activities
Associates:					
Listed investment directly held:					
Standard Bank Group Limited ("Standard Bank")	20.05	20.05	20.05	Johannesburg, Republic of South Africa	Commercial banking
Listed investment indirectly held:					
Finansia Syrus Securities Public Company Limited (i)	23.82	23.83	24.38	Bangkok, Thailand	Securities
Unlisted investment 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 ("ICBC IHG") (iv)	30.00	30.00	30.00	Tianjin, the PRC	Fund management
Jointly-controlled entities:					
Unlisted investment 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)	47.00	45.00	Note 1	Cayman Islands	Investment management
Harmony China Real Estate Fund L.P. (vii)	28.61	27.91	Note 2	Cayman Islands	Fund
ICBC HNA (Tianjin) Equity Investment Fund Management Limited ("ICBC HNA") (viii)	50.00	50.00	50.00	Tianjin, the PRC	Fund management
Tianjin ICBC International Advisory LLP (ix)	50.00	50.00	Note 3	Tianjin, the PRC	Investment advisor

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.

Note 3: The enterprise is a limited partnership; under the partnership agreement, the Group and other partners jointly control the enterprise.

(In RMB millions, unless otherwise stated)

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

(i) The shareholding of a 24.38% 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) ICBC 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.

(ix) Tianjin ICBC International Advisory LLP 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 motor vehicles	Aircraft and vessels	Total
Cost:						
1 January 2011	91,483	10,324	4,846	39,732	3,861	150,246
Additions	2,054	11,712	984	6,840	6,449	28,039
CIP transfer in/(out)	4,687	(5,703)	—	1,016	—	—
Disposals	(193)	(221)	(302)	(1,676)	—	(2,392)
At 31 December 2011 and 1 January 2012 (audited)	98,031	16,112	5,528	45,912	10,310	175,893
Additions	431	3,821	291	1,503	2,356	8,402
CIP transfer in/(out)	2,715	(2,773)	—	58	—	—
Disposals	(176)	(12)	(87)	(395)	(791)	(1,461)
At 30 June 2012 (unaudited)	101,001	17,148	5,732	47,078	11,875	182,834
Accumulated depreciation and impairment:						
At 1 January 2011	20,386	54	2,273	23,948	173	46,834
Depreciation charge for the year	4,862	—	809	6,082	274	12,027
Impairment allowance charge for the year	—	4	—	—	27	31
Disposals	(148)	—	(282)	(1,597)	—	(2,027)
At 31 December 2011 and 1 January 2012 (audited)	25,100	58	2,800	28,433	474	56,865
Depreciation charge for the period (note 9)	2,539	—	449	3,268	215	6,471
Disposals	(71)	—	(58)	(378)	(505)	(1,012)
At 30 June 2012 (unaudited)	27,568	58	3,191	31,323	184	62,324
Net carrying amount:						
At 31 December 2011 (audited)	72,931	16,054	2,728	17,479	9,836	119,028
At 30 June 2012 (unaudited)	73,433	17,090	2,541	15,755	11,691	120,510

(In RMB millions, unless otherwise stated)

23. PROPERTY AND EQUIPMENT (CONTINUED)

As at 30 June 2012, the process of obtaining the titleship for the Group's properties and buildings with an aggregate net carrying value of RMB7,880 million (31 December 2011: RMB8,125 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 would it have any significant impact on the business operation of the Group.

As at 30 June 2012, the net carrying value of aircraft and vessels leased out by the Group under operating leases was RMB11,691 million (31 December 2011: RMB9,836 million).

24. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

	At 30 June 2012 (unaudited)		At 31 December 2011 (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	86,965	21,732	77,573	19,378
Change in fair value of available-for-sale financial assets	(3,278)	(793)	5,690	1,446
Change in fair value of financial instruments at fair value through profit or loss	(1,725)	(432)	(4,980)	(1,247)
Accrued staff costs	22,339	5,585	23,057	5,764
Others	(18,956)	(4,744)	(13,577)	(3,403)
	85,345	21,348	87,763	21,938

	At 30 June 2012 (unaudited)		At 31 December 2011 (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	(347)	(57)	(308)	(51)
Change in fair value of available-for-sale financial assets	761	126	469	78
Others	476	100	327	76
	890	169	488	103

(In RMB millions, unless otherwise stated)

24. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Movements of deferred income tax

	At 1 January 2012	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 30 June 2012 (unaudited)
Deferred income tax assets:				
Allowance for impairment losses	19,378	2,354	—	21,732
Change in fair value of available-for-sale financial assets	1,446	—	(2,239)	(793)
Change in fair value of financial instruments at fair value through profit or loss	(1,247)	815	—	(432)
Accrued staff costs	5,764	(179)	—	5,585
Others	(3,403)	(1,341)	—	(4,744)
	21,938	1,649	(2,239)	21,348

	At 1 January 2011	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 31 December 2011 (audited)
Deferred income tax assets:				
Allowance for impairment losses	14,297	5,081	—	19,378
Change in fair value of available-for-sale financial assets	2,885	—	(1,439)	1,446
Change in fair value of financial instruments at fair value through profit or loss	(745)	(502)	—	(1,247)
Accrued staff costs	4,927	837	—	5,764
Others	348	(3,754)	3	(3,403)
	21,712	1,662	(1,436)	21,938

(In RMB millions, unless otherwise stated)

24. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Movements of deferred income tax (continued)

	At 1 January 2012	Total (gains)/ losses recorded in profit or loss	Total (gains)/ losses recorded in other comprehensive income	At 30 June 2012 (unaudited)
Deferred income tax liabilities:				
Allowance for impairment losses	(51)	(6)	—	(57)
Change in fair value of available-for-sale financial assets	78	—	48	126
Others	76	5	19	100
	103	(1)	67	169

	At 1 January 2011	Total (gains)/ losses recorded in profit or loss	Total (gains)/ losses recorded in other comprehensive income	At 31 December 2011 (audited)
Deferred income tax liabilities:				
Allowance for impairment losses	(56)	5	—	(51)
Change in fair value of available-for-sale financial assets	309	—	(231)	78
Change in fair value of financial instruments at fair value through profit or loss	37	(37)	—	—
Others	28	(28)	76	76
	318	(60)	(155)	103

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

25. OTHER ASSETS

	30 June 2012 (unaudited)	31 December 2011 (audited)
Interest receivable	98,144	74,097
Precious metals	34,780	38,971
Land use rights	21,049	21,407
Advance payments	20,355	18,074
Settlement accounts	40,386	14,501
Goodwill	6,144	6,121
Repossessed assets	1,584	1,646
Others	14,717	11,359
	237,159	186,176

(In RMB millions, unless otherwise stated)

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

	Notes	30 June 2012 (unaudited)	31 December 2011 (audited)
Structured deposits	(1)(a)	233,811	44,376
Wealth management products	(2)	105,577	121,191
Financial liabilities related to precious metals	(1)(b)	53,167	6,343
Debt securities	(1)(c)	1,916	—
Certificates of deposit		—	63
		394,471	171,973

(1) Certain structured deposits, certificates of deposit, debt securities and financial liabilities related to precious metals have been matched with derivatives or precious metals 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, whereas the related derivatives or precious metals were 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.

(a) As at 30 June 2012, the fair value of structured deposits was lower than the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity by RMB95.55 million (31 December 2011: RMB23.99 million lower).

(b) As at 30 June 2012, the fair value of the financial liabilities related to precious metals was approximately the same as the amount that the Group would be contractually required to pay to the holders (31 December 2011: approximately the same).

(c) The debt securities were all issued by Singapore Branch at floating rates and were classified as financial liabilities designated at fair value through profit or loss. The fair value of the debt securities is lower than the amount that the Group would be contractually required to pay to the holders of these debt securities upon maturity as at 30 June 2012 by RMB28.25 million.

(2) The principal guaranteed wealth management products issued by the Group and the financial assets invested by the aforesaid products form part of a group of financial instruments that are managed together on a fair value basis, and are classified as financial liabilities and financial assets designated at fair value through profit or loss, respectively. The fair value of the wealth management products was RMB266.31 million higher than the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity as at 30 June 2012 (31 December 2011: RMB129.60 million higher).

There were no significant changes in the credit spread of the Bank 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 2012 and 31 December 2011. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

(In RMB millions, unless otherwise stated)

27. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2012 (unaudited)	31 December 2011 (audited)
Deposits		
Banks and other financial institutions operating in Mainland China	1,313,968	1,075,301
Banks and other financial institutions operating outside Mainland China	21,566	16,193
	1,335,534	1,091,494
Money market takings		
Banks and other financial institutions operating in Mainland China	106,376	110,861
Banks and other financial institutions operating outside Mainland China	162,185	138,935
	268,561	249,796
	1,604,095	1,341,290

28. REPURCHASE AGREEMENTS

Repurchase agreements comprise repurchase of securities, bills, loans, and cash received as collateral on securities lending.

	30 June 2012 (unaudited)	31 December 2011 (audited)
Repurchase	167,780	196,986
Cash received as collateral on securities lending	9,195	9,268
	176,975	206,254
Repurchase analysed by counterparty:		
Banks	16,544	85,753
Other financial institutions	151,236	111,233
	167,780	196,986
Repurchase analysed by collateral:		
Securities	157,315	186,546
Bills	6,755	1,318
Loans	3,710	9,122
	167,780	196,986

29. CERTIFICATES OF DEPOSIT

Certificates of deposit were mainly issued by Hong Kong Branch, Tokyo Branch, Luxembourg Branch, New York Branch, Sydney Branch, ICBC Asia, ICBC Macau and ICBC London, and were carried at amortised cost.

(In RMB millions, unless otherwise stated)

30. DUE TO CUSTOMERS

	30 June 2012 (unaudited)	31 December 2011 (audited)
Demand deposits:		
Corporate customers	3,895,454	3,817,387
Personal customers	2,684,393	2,565,696
Time deposits:		
Corporate customers	2,748,959	2,364,558
Personal customers	3,683,803	3,335,741
Others	167,988	177,837
	13,180,597	12,261,219

31. DEBT SECURITIES ISSUED

	Notes	30 June 2012 (unaudited)	31 December 2011 (audited)
Subordinated bonds issued by:			
The Bank	(1)(a)	183,000	163,000
A subsidiary	(1)(b)	4,625	4,619
		187,625	167,619
Convertible bonds	(2)	22,082	22,608
Other debt securities issued	(3)	22,024	13,934
		231,731	204,161

(1) Subordinated bonds

(a) As approved by the PBC and the CBRC, the Bank issued callable subordinated bonds through open market bidding in 2005, 2009, 2010, 2011 and 2012. 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 2011: 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	2010-11-3	5,800 million	(v)
10 ICBC 02 Bond	2010-9-10	100	4.10%	2010-9-14	2025-9-14	2010-11-3	16,200 million	(vi)
11 ICBC 01 Bond	2011-6-29	100	5.56%	2011-6-30	2031-6-30	2011-8-30	38,000 million	(vii)
11 ICBC 02 Bond	2011-12-29	100	5.50%	2011-12-30	2026-12-30	2012-1-17	50,000 million	(viii)
12 ICBC 01 Bond	2012-6-11	100	4.99%	2012-6-13	2027-6-13	2012-7-9	20,000 million	(ix)

(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 PBC 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 on 14 September 2015 upon the approval of the relevant regulatory authorities.

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

(vii) The Bank has the option to redeem all of the bonds on 30 June 2026 upon the approval of the relevant regulatory authorities.

(viii) The Bank has the option to redeem all of the bonds on 30 December 2021 upon the approval of the relevant regulatory authorities.

(ix) The Bank has the option to redeem all of the bonds on 13 June 2022 upon the approval of the relevant regulatory authorities.

(b) On 30 November 2010, ICBC Asia, a subsidiary of the Bank, issued a subordinated bond with aggregate nominal amount of USD500 million, bearing a fixed interest rate of 5.125% per annum. The bond was issued at the price fixed at 99.737% of the nominal amount with maturity due on 30 November 2020. On 4 November 2011, ICBC Asia issued subordinated notes in an aggregate nominal amount of RMB1,500 million, with a fixed interest rate of 6% per annum. The subordinated notes were issued at the price fixed at 100% of the nominal amount maturing on 4 November 2021. The above subordinated bonds and notes are both 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 bonds and notes during the period (six months ended 30 June 2011: None).

(2) Convertible bonds

As approved by the CBRC and the China Securities Regulatory Commission, 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 commenced on 1 March 2011, which was 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). RMB1,202 million convertible bonds have been converted into shares from 1 March 2011 to 30 June 2012.

(In RMB millions, unless otherwise stated)

31. DEBT SECURITIES ISSUED (CONTINUED)

(2) Convertible bonds (continued)

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.

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, issuance of new shares, rights issue or distribution of cash dividend. During the period from the date of issuance to 30 June 2012, the conversion price was adjusted from RMB4.20 per share to RMB3.77 per share, as a result of the cash dividend distribution and rights issue of A share and H share.

The convertible bonds issued have been split into 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	(234)	(31)	(265)
Accretion of interest	718	—	718
Balance as at 31 December 2011 (audited)	22,608	2,954	25,562
Conversion	(865)	(112)	(977)
Accretion of interest	339	—	339
Balance as at 30 June 2012 (unaudited)	22,082	2,842	24,924

(3) Other debt securities issued

As at 30 June 2012, other debt securities issued mainly include:

Sydney Branch issued debt securities amounted to RMB7,660 million denominated in USD, EUR, HKD, AUD and NZD. These securities were issued at par value with maturities between 2012 and 2016 at fixed or floating interest rates;

Singapore Branch issued Euro medium term notes amounted to RMB1,739 million denominated in USD. These notes were issued at par value with maturities in 2014 at floating interest rates;

Tokyo Branch issued zero-coupon commercial papers amounted to RMB1,502 million denominated in RMB and USD. These commercial papers were issued at a discount with maturities between 2012 and 2013;

ICBC Asia issued Equity Linked Notes at a discount denominated in HKD, and Senior Notes at par value denominated in USD and RMB at fixed interest rates. These notes were amounted to RMB6,233 million with maturities between 2012 and 2016;

31. DEBT SECURITIES ISSUED (CONTINUED)

(3) Other debt securities issued (continued)

ICBC Thai issued debt securities amounted to RMB244 million denominated in THB. These securities were issued at par value with maturities between 2013 and 2014 at fixed interest rates;

Skysea International Capital Management Limited, which is an SPE of the Group, issued guaranteed notes of USD750 million amounted to RMB4,643 million with a fixed interest rate of 4.875%. The notes were guaranteed by Hong Kong Branch and were issued at the price fixed at 97.708% of the nominal amount with maturity due on 7 December 2021. By satisfying certain conditions, the SPE has the option to redeem all of the notes at any time. The notes were listed on the Stock Exchange of Hong Kong Limited.

32. OTHER LIABILITIES

	30 June 2012 (unaudited)	31 December 2011 (audited)
Interest payable	142,214	113,346
Settlement accounts	76,294	50,286
Dividend payable (i)	70,934	—
Salaries, bonuses, allowances and subsidies payables	13,100	13,949
Early retirement benefits	7,910	9,647
Sundry tax payables	9,387	9,511
Bank drafts	4,044	3,225
Others	42,628	28,403
	366,511	228,367

(i) The dividend payable has been settled in July 2012.

33. SHARE CAPITAL

	30 June 2012		31 December 2011	
	Number of shares (millions) (unaudited)	Nominal value (unaudited)	Number of shares (millions) (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)	262,527	262,527	262,289	262,289
	349,322	349,322	349,084	349,084

Except for the dividends for H shares which are payable in Hong Kong dollars ("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 convertible bonds (with a nominal value of RMB100 each and an aggregate amount of RMB25 billion) issued by the Bank on 31 August 2010 can be converted into the Bank's A Shares from 1 March 2011. As of 30 June 2012, a total of 12,018,110 convertible bonds were converted into A Shares of the Bank, resulting in an increase of 302,688,768 A Shares since date of issuance. The number of the Bank's A Shares amounted to 262,527,190,045 at the end of the 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 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 meeting. 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.

(c) General reserve

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 the 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.

(In RMB millions, unless otherwise stated)

35. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Available-for-sale financial assets:		
Changes in fair value recorded in other comprehensive income/(loss)	9,558	(6,079)
Less: Transfer to the income statement arising from disposal/impairment	(145)	(79)
Income tax effect	(2,287)	1,406
	7,126	(4,752)
Cash flow hedges:		
Gain during the period	109	117
Less: Income tax effect	(16)	(15)
	93	102
Share of other comprehensive income of associates and jointly-controlled entities	(77)	138
Foreign currency translation differences	(687)	(2,812)
Others	16	13
Less: Income tax effect	(3)	(2)
	13	11
	6,468	(7,313)

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of balances of cash and cash equivalents

	Note	30 June 2012 (unaudited)	30 June 2011 (unaudited)
Cash on hand	14	64,086	57,788
Balances with central banks other than restricted deposits	14	304,077	237,171
Nostro accounts with banks and other financial institutions with original maturity of three months or less		580,171	249,249
Placements with banks and other financial institutions with original maturity of three months or less		163,136	54,471
Reverse repurchase agreements with original maturity of three months or less		495,871	342,112
		1,607,341	940,791

37. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to SPEs. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

(In RMB millions, unless otherwise stated)

37. TRANSFERRED FINANCIAL ASSETS (CONTINUED)

Repurchase transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

The following table analyses the carrying amount of the abovementioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	30 June 2012 (unaudited)		31 December 2011 (audited)	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	131	126	231	219

Securitisation transactions

Transferred financial assets that achieved partial de-recognition mainly include financial assets transferred under securitisation transactions. 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 is exposed to changes in the value of the transferred assets.

As at 30 June 2012, loans with an original carrying amount of RMB8,011 million (31 December 2011: RMB8,011 million) have been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets. As at 30 June 2012, the carrying amount of assets that the Group continues to recognise was RMB103 million (31 December 2011: RMB383 million), and the assets were classified as available-for-sale financial assets.

(In RMB millions, unless otherwise stated)

38. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

	30 June 2012 (unaudited)	31 December 2011 (audited)
Authorised, but not contracted for	2,300	2,297
Contracted, but not provided for	13,822	13,696
	16,122	15,993

(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 2012 (unaudited)	31 December 2011 (audited)
Within one year	3,945	3,617
After one year but not more than five years	8,686	8,457
After five years	1,649	1,528
	14,280	13,602

(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 undrawn credit card limits.

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

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

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

(In RMB millions, unless otherwise stated)

38. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Credit commitments (continued)

	30 June 2012 (unaudited)	31 December 2011 (audited)
Bank acceptances	343,454	300,437
Guarantees issued		
Financing letters of guarantees	31,409	46,299
Non-financing letters of guarantees	213,773	179,439
Sight letters of credit	56,517	70,258
Usance letters of credit and other commitments	364,792	326,626
Loan commitments		
With an original maturity of under one year	165,599	150,685
With an original maturity of one year or over	488,736	519,112
Undrawn credit card limit	442,853	383,736
	2,107,133	1,976,592

	30 June 2012 (unaudited)	31 December 2011 (audited)
Credit risk weighted amount of credit commitments	844,037	801,639

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 2012, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB1,967 million (31 December 2011: RMB1,978 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.

(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 2012, the Bank had underwritten and sold bonds with an accumulated amount of RMB110,105 million (31 December 2011: RMB156,366 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.

(In RMB millions, unless otherwise stated)

38. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(f) Underwriting obligations

As at 30 June 2012, the Group had no unexpired securities underwriting obligations (31 December 2011: Nil).

39. DESIGNATED FUNDS AND LOANS

	30 June 2012 (unaudited)	31 December 2011 (audited)
Designated funds	672,837	641,319
Designated loans	672,170	640,650

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.

40. ASSETS PLEDGED

Financial assets of the Group including securities, bills and loans have been pledged as collateral for liabilities or contingent liabilities, mainly the repurchase agreements and derivative contracts. As at 30 June 2012, the carrying value of the financial assets of the Group pledged as collateral amounted to approximately RMB12,785 million (31 December 2011: RMB87,996 million).

41. 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)

42. 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 2012, the MOF directly owned approximately 35.30% (31 December 2011: 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 2012 (unaudited)	31 December 2011 (audited)
Balances at end of the period/year:		
The PRC government bonds and the special government bond	866,274	867,847

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Transactions during the period:		
Subscription of the PRC government bonds	36,035	93,929
Redemption of the PRC government bonds	53,117	38,969
Interest income on the PRC government bonds	16,328	12,930

	%	%
Interest rate ranges during the period are as follows:		
Bond investments	0.93 to 6.34	1.00 to 6.34

As of 30 June 2012, the Group holds a series of long term bonds issued by Huarong, which is under the control of the MOF, with an aggregate amount of RMB259,996 million (31 December 2011: RMB312,996 million). The details of Huarong bonds are included in note 21.

Other related party transactions between the Group and enterprises under the control or joint control of the MOF are disclosed in note 42(g) "transactions with state-owned entities in the PRC".

(In RMB millions, unless otherwise stated)

42. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Shareholders with significant influence (continued)

(ii) Huijin

As at 30 June 2012, Central Huijin Investment Ltd. ("Huijin") directly owned approximately 35.43% (31 December 2011: 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 RMB828,209 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.

As at 30 June 2012, the Huijin Bonds held by the Bank were of an aggregate face value of RMB21.63 billion (31 December 2011: RMB21.63 billion), with the terms ranging from 5 to 30 years and coupon rate 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 the market rates. Details of the material transactions are as follows:

	30 June 2012 (unaudited)	31 December 2011 (audited)
Balances at end of the period/year:		
Debt securities purchased	20,868	20,926
Interest receivable	618	239
Deposits	1	1

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Transactions during the period:		
Interest income on debt securities purchased	381	384
Interest expense on deposits	3	16

	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	3.14 to 4.20	3.14 to 4.20
Deposits	0.02 to 1.30	0.36 to 1.49

(In RMB millions, unless otherwise stated)

42. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Shareholders with significant influence (continued)

(ii) Huijin (continued)

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 2012 are as follows:

	30 June 2012 (unaudited)	31 December 2011 (audited)
Balances at end of the period/year:		
Debt securities purchased	951,170	828,155
Due from these banks and financial institutions	170,360	47,367
Loans to these banks and financial institutions	10,435	782
Derivative financial assets	1,249	1,144
Due to these banks and financial institutions	127,541	91,868
Derivative financial liabilities	1,165	953

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Transactions during the period:		
Interest income on debt securities purchased	16,404	12,497
Interest income on amounts due from these banks and financial institutions	577	193
Interest income on loans to these banks and financial institutions	118	1
Interest expense on amounts due to these banks and financial institutions	655	398

	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	1.01 to 8.25	0 to 8.25
Due from these banks and financial institutions	0 to 9.0	0.0001 to 7.6
Loans to these banks and financial institutions	0.95 to 5.8	0.5 to 4.5
Due to these banks and financial institutions	0.0001 to 7.4	0.0001 to 8.0

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.

(In RMB millions, unless otherwise stated)

42. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Subsidiaries

	30 June 2012 (unaudited)	31 December 2011 (audited)
Balances at end of the period/year:		
Debt securities purchased	15,049	14,621
Due from banks and other financial institutions	87,097	66,463
Derivative financial assets	162	209
Due to banks and other financial institutions	27,674	33,276
Derivative financial liabilities	284	239
Commitments	155,470	120,246

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Transactions during the period:		
Interest income on debt securities purchased	69	54
Interest income on amounts due from banks and other financial institutions	460	285
Interest expense on amounts due to banks and other financial institutions	167	88
Net trading expense	56	37
Net fee and commission income	57	112

	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	0.75 to 1.55	0.35 to 0.76
Due from banks and other financial institutions	0 to 7.66	0 to 8.72
Due to banks and other financial institutions	0 to 6.00	0 to 8.74

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

(c) Associates and affiliates

	30 June 2012 (unaudited)	31 December 2011 (audited)
Balances at end of the period/year:		
Due from banks	—	984
Loans to associates	4,058	1,693
Other receivables	1,345	464
Due to banks	3,052	2,855
Deposits	23	28
Derivative financial liabilities	35	105

(In RMB millions, unless otherwise stated)

42. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Associates and affiliates (continued)

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Transactions during the period:		
Interest income on amounts due from banks	1	1
Interest income on loans to associates	43	17
Interest expense on amounts due to banks	28	6

	%	%
Interest rate ranges during the period are as follows:		
Due from banks	5.4	9.5
Loans to associates	1.47 to 2.70	2.29 to 6.77
Due to banks	0.50 to 1.65	0.75 to 1.35

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 the 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 2012 (unaudited)	31 December 2011 (audited)
Balances at end of the period/year:		
Deposits	526	336

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Transactions during the period:		
Interest expense on deposits	2	—

	%	%
Interest rates during the period are as follows:		
Deposits	0.50 to 1.05	0.36

In the opinion of the 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.

42. 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	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Short term employment benefits	7,353	7,345
Post-employment benefits	511	492
	7,864	7,837

Companies or corporations of 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 transactions between the Group and the aforementioned parties for the period/year are as follows:

	30 June 2012 (unaudited)	31 December 2011 (audited)
Loans	—	254
Deposits	—	—

In the opinion of the 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, Annuity Fund holds the convertible bonds issued by the Bank with an amount of RMB36.07 million (31 December 2011: 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 entered 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 other 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.

43. 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)

43. SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (continued)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2012 (unaudited)					
External net interest income/(expense)	139,489	(5,242)	69,811	—	204,058
Internal net interest income/(expense)	(29,025)	66,384	(37,359)	—	—
Net fee and commission income	35,190	19,420	194	—	54,804
Other income, net (i)	286	2	2,759	919	3,966
Operating income	145,940	80,564	35,405	919	262,828
Operating expenses	(40,849)	(33,729)	(7,924)	(2,029)	(84,531)
Impairment losses on:					
Loans and advances to customers	(13,177)	(5,852)	—	—	(19,029)
Others	(147)	(2)	(49)	(10)	(208)
Operating profit/(loss)	91,767	40,981	27,432	(1,120)	159,060
Share of profits and losses of associates and jointly-controlled entities	—	—	—	1,152	1,152
Profit before tax	91,767	40,981	27,432	32	160,212
Income tax expense					(36,971)
Profit for the period					123,241
Other segment information:					
Depreciation	2,815	2,290	1,256	110	6,471
Amortisation	383	250	163	11	807
Capital expenditure	3,945	3,164	1,743	148	9,000
As at 30 June 2012 (unaudited)					
Segment assets	6,311,721	2,130,341	8,519,459	111,529	17,073,050
Including: Investments in associates and jointly-controlled entities	—	—	—	32,313	32,313
Property and equipment	45,161	36,609	19,928	18,812	120,510
Other non-current assets (ii)	12,798	7,133	4,689	6,689	31,309
Segment liabilities	6,988,111	6,493,077	2,438,115	136,299	16,055,602
Other segment information:					
Credit commitments	1,664,280	442,853	—	—	2,107,133

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

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

(In RMB millions, unless otherwise stated)

43. 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 31 December 2011 (audited)					
Segment assets	5,742,727	2,046,297	7,581,726	106,118	15,476,868
Including: Investments in associates and jointly-controlled entities	—	—	—	32,750	32,750
Property and equipment	44,316	36,486	20,200	18,026	119,028
Other non-current assets (ii)	12,746	7,829	4,276	6,749	31,600
Segment liabilities	6,519,080	6,013,448	1,953,920	32,597	14,519,045
Other segment information:					
Credit commitments	1,592,856	383,736	—	—	1,976,592

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

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

43. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (including: 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, Mumbai, Phnom Penh, Vientiane 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)

43. 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	Northeastern China	Overseas and others	Eliminations	Total
Six months ended 30 June 2012 (unaudited)										
External net interest income	78,061	31,627	19,215	16,421	18,861	26,400	8,017	5,456	—	204,058
Internal net interest income/(expense)	(59,114)	9,088	6,352	25,769	7,309	6,215	4,462	(81)	—	—
Net fee and commission income	1,506	13,012	9,219	9,962	8,565	7,602	2,619	2,355	(36)	54,804
Other income/(expense), net (i)	4,000	(537)	26	412	(110)	(248)	(312)	735	—	3,966
Operating income	24,453	53,190	34,812	52,564	34,625	39,969	14,786	8,465	(36)	262,828
Operating expenses	(7,249)	(15,018)	(10,243)	(15,025)	(13,564)	(14,788)	(5,964)	(2,716)	36	(84,531)
Impairment losses on:										
Loans and advances to customers	(2,196)	(5,154)	(2,603)	(2,374)	(2,437)	(3,019)	(811)	(435)	—	(19,029)
Others	(95)	(8)	—	(105)	7	(2)	(3)	(2)	—	(208)
Operating profit	14,913	33,010	21,966	35,060	18,631	22,160	8,008	5,312	—	159,060
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	—	—	—	1,152	—	1,152
Profit before tax	14,913	33,010	21,966	35,060	18,631	22,160	8,008	6,464	—	160,212
Income tax expense										(36,971)
Profit for the period										123,241
Other segment information:										
Depreciation	735	1,036	709	914	1,068	1,182	500	327	—	6,471
Amortisation	339	106	57	59	107	109	28	2	—	807
Capital expenditure	2,219	693	602	834	712	992	352	2,596	—	9,000

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

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
As at 30 June 2012 (unaudited)										
Assets by geographical area	8,084,436	3,249,753	2,193,192	3,820,003	2,074,991	2,375,876	919,710	1,208,817	(6,875,076)	17,051,702
Including: Investments in associates and jointly-controlled entities	—	—	—	—	—	—	—	32,313	—	32,313
Property and equipment	10,375	21,528	11,563	16,783	16,739	18,586	9,087	15,849	—	120,510
Other non-current assets (i)	7,404	5,734	2,197	3,841	4,917	4,214	1,658	1,344	—	31,309
Unallocated assets										21,348
Total assets										17,073,050
Liabilities by geographical area	7,265,631	3,227,184	2,177,210	3,787,793	2,059,468	2,358,805	910,108	1,114,390	(6,875,076)	16,025,513
Unallocated liabilities										30,089
Total liabilities										16,055,602
Other segment information:										
Credit commitments	450,218	436,497	353,544	336,852	127,191	152,211	57,030	193,590	—	2,107,133

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

(In RMB millions, unless otherwise stated)

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

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
As at 31 December 2011 (audited)										
Assets by geographical area	7,363,929	2,960,832	2,037,404	3,499,724	1,865,008	2,150,030	845,818	926,709	(6,194,524)	15,454,930
Including: Investments in associates and jointly-controlled entities	—	—	—	—	—	—	—	32,750	—	32,750
Property and equipment	9,218	22,004	11,828	17,063	17,370	18,941	9,393	13,211	—	119,028
Other non-current assets (i)	7,396	5,820	2,224	3,934	5,009	4,277	1,644	1,296	—	31,600
Unallocated assets										21,938
Total assets										15,476,868
Liabilities by geographical area	6,698,446	2,901,326	1,999,210	3,440,828	1,837,114	2,113,992	831,310	839,705	(6,194,524)	14,467,407
Unallocated liabilities										51,638
Total liabilities										14,519,045
Other segment information:										
Credit commitments	394,265	434,989	343,562	311,307	118,215	142,619	56,967	174,668	—	1,976,592

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

44. FINANCIAL INSTRUMENT 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 to monitor 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 risk management departments of both the head office and the 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 can 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 loan 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.

44. FINANCIAL INSTRUMENT 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") with its counterparties for documenting over-the-counter derivatives activities. Each of these master agreements provides the contractual framework within which derivatives 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.

44. FINANCIAL INSTRUMENT 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 some time in the future. The collective impairment loss is assessed after taking into account:

- Historical loss experience in portfolios of similar risk characteristics; and
- The current economic and credit 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.

44. FINANCIAL INSTRUMENT 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.

Reverse repurchase business is mainly collateralised by bills, loans or investment securities. 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. Fair value of collateral is shown in note 19.

Corporate loans are mainly collateralised by properties or other assets. As at 30 June 2012, the carrying value of corporate loans amounted to RMB6,323,927 million (31 December 2011: RMB5,773,971 million), of which credit exposure of corporate loans covered by collateral amounted to RMB2,730,741 million (31 December 2011: RMB2,306,381 million).

Personal loans are mainly collateralised by residential properties. As at 30 June 2012, the carrying value of personal loans amounted to RMB2,100,110 million (31 December 2011: RMB2,014,926 million), of which credit exposure of personal loans covered by collateral amounted to RMB1,791,532 million (31 December 2011: RMB1,740,603 million).

The Group prefers more liquid collateral with relatively stable market value and does not accept the collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loan. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Although collateral can be an important mitigation of credit risk, the Group grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flow, instead of the value of collateral. The necessity of a collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. The fair value of collateral of past due but not impaired loans and impaired loans are disclosed in note 44(a)(iii).

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.

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(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 2012 (unaudited)	31 December 2011 (audited)
Balances with central banks	2,963,952	2,702,011
Due from banks and other financial institutions	885,417	478,002
Financial assets held for trading	27,419	30,675
Financial assets designated at fair value through profit or loss	104,234	121,386
Derivative financial assets	14,484	17,460
Reverse repurchase agreements	532,764	349,437
Loans and advances to customers	8,212,636	7,594,019
Financial investments		
— Receivables	461,022	498,804
— Held-to-maturity investments	2,525,686	2,424,785
— Available-for-sale financial assets	865,663	835,983
Others	170,711	114,909
	16,763,988	15,167,471
Credit commitments	2,107,133	1,976,592
Total maximum credit risk exposure	18,871,121	17,144,063

(ii) Risk concentrations

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

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

By geographical distribution

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

30 June 2012 (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	2,677,486	41,264	34,292	102,741	21,962	29,112	11,131	45,964	2,963,952
Due from banks and other financial institutions	255,355	56,196	157,537	98,874	53,062	48,284	69,444	146,665	885,417
Financial assets held for trading	26,624	—	—	—	—	—	—	795	27,419
Financial assets designated at fair value through profit or loss	103,805	—	—	—	—	—	—	429	104,234
Derivative financial assets	8,544	360	755	1,043	114	283	395	2,990	14,484
Reverse repurchase agreements	270,687	15,446	3,384	28,076	26,001	5,171	10,983	173,016	532,764
Loans and advances to customers	275,865	1,806,240	1,138,454	1,449,088	1,094,204	1,376,970	473,275	598,540	8,212,636
Financial investments									
— Receivables	456,352	300	120	2,010	1,060	1,180	—	—	461,022
— Held-to-maturity investments	2,447,188	30,112	25,997	11,232	—	—	1,000	10,157	2,525,686
— Available-for-sale financial assets	495,554	54,622	25,554	208,156	13,305	11,535	3,796	53,141	865,663
Others	70,972	21,511	10,626	14,834	10,112	11,112	3,441	28,103	170,711
	7,088,432	2,026,051	1,396,719	1,916,054	1,219,820	1,483,647	573,465	1,059,800	16,763,988
Credit commitments	450,218	436,497	353,544	336,852	127,191	152,211	57,030	193,590	2,107,133
Total maximum credit risk exposure	7,538,650	2,462,548	1,750,263	2,252,906	1,347,011	1,635,858	630,495	1,253,390	18,871,121

The compositions of each geographical distribution above are set out in note 43(b).

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

By geographical distribution (continued)

31 December 2011 (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	2,438,416	46,875	28,657	103,321	18,484	27,191	9,817	29,250	2,702,011
Due from banks and other financial institutions	238,762	29,940	62,048	39,783	8,550	4,837	14,838	79,244	478,002
Financial assets held for trading	29,849	—	—	—	—	—	—	826	30,675
Financial assets designated at fair value through profit or loss	120,811	—	—	—	—	—	—	575	121,386
Derivative financial assets	11,681	487	646	973	136	261	559	2,717	17,460
Reverse repurchase agreements	188,937	3,244	4,219	29,166	3,511	—	692	119,668	349,437
Loans and advances to customers	241,393	1,701,446	1,062,254	1,372,315	1,018,435	1,276,320	449,556	472,300	7,594,019
Financial investments									
— Receivables	497,504	—	—	1,120	—	180	—	—	498,804
— Held-to-maturity investments	2,348,867	31,782	23,423	11,235	—	—	1,000	8,478	2,424,785
— Available-for-sale financial assets	462,216	56,726	26,225	207,643	13,833	11,977	4,464	52,899	835,983
Others	49,373	10,210	5,001	9,770	6,369	7,144	2,035	25,007	114,909
	6,627,809	1,880,710	1,212,473	1,775,326	1,069,318	1,327,910	482,961	790,964	15,167,471
Credit commitments	394,265	434,989	343,562	311,307	118,215	142,619	56,967	174,668	1,976,592
Total maximum credit risk exposure	7,022,074	2,315,699	1,556,035	2,086,633	1,187,533	1,470,529	539,928	965,632	17,144,063

The compositions of each geographical distribution above are set out in note 43(b).

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT 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 44(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 2012 (unaudited)	31 December 2011 (audited)
Manufacturing	1,321,384	1,163,275
Transportation, storage and postal services	1,153,259	1,114,765
Wholesale and retail	740,048	633,769
Production and supply of electricity, heating, gas and water	625,129	613,140
Real estate	563,153	577,563
Water, environment and public utility management	481,794	507,112
Leasing and commercial services	375,076	362,011
Mining	225,138	190,180
Construction	143,009	121,432
Lodging and catering	89,443	75,193
Science, education, culture and sanitation	80,923	70,069
Others	320,421	238,002
Subtotal for corporate loans and advances	6,118,777	5,666,511
Personal mortgage and business loans	1,501,913	1,455,670
Others	598,197	559,256
Subtotal for personal loans	2,100,110	2,014,926
Discounted bills	205,150	107,460
Total for loans and advances to customers	8,424,037	7,788,897

(iii) Loans and advances to customers

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

	30 June 2012 (unaudited)	31 December 2011 (audited)
Neither past due nor impaired	8,277,072	7,670,928
Past due but not impaired	71,840	44,958
Impaired	75,125	73,011
	8,424,037	7,788,897
Less: Allowance for impairment losses	(211,401)	(194,878)
	8,212,636	7,594,019

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT 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 2012 (unaudited)			31 December 2011 (audited)		
	Pass	Special Mention	Total	Pass	Special Mention	Total
Unsecured loans	2,624,706	58,948	2,683,654	2,484,037	62,741	2,546,778
Guaranteed loans	1,182,904	47,849	1,230,753	1,126,494	50,018	1,176,512
Loans secured by mortgages	3,286,367	72,363	3,358,730	3,098,165	65,880	3,164,045
Pledged loans	976,861	27,074	1,003,935	761,016	22,577	783,593
	8,070,838	206,234	8,277,072	7,469,712	201,216	7,670,928

Past due but not impaired

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

	30 June 2012 (unaudited)			31 December 2011 (audited)		
	Corporate loans and advances	Personal loans	Total	Corporate loans and advances	Personal loans	Total
Past due for:						
Less than one month	16,468	43,554	60,022	3,819	30,882	34,701
One to two months	443	7,937	8,380	376	5,717	6,093
Two to three months	2	3,414	3,416	353	3,770	4,123
Over three months	19	3	22	37	4	41
Total	16,932	54,908	71,840	4,585	40,373	44,958
Fair value of collateral held	14,607	114,065	128,672	3,541	87,258	90,799

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 values of collateral that the Group hold relating to loans individually determined to be impaired as at 30 June 2012 amounted to RMB15,443 million (31 December 2011: RMB14,599 million). The collateral mainly consists of land and buildings, equipment and others.

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT 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 collectability of loans and to manage customer relationships.

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

	30 June 2012 (unaudited)	31 December 2011 (audited)
Renegotiated loans and advances to customers	8,105	8,312
Impaired loans and advances to customers included in above	6,366	6,622

Collateral repossessed

During the period, the Group took possession of collateral held as security with a carrying amount of RMB139 million (six months ended 30 June 2011: RMB584 million). Such collateral mainly comprises land and buildings, equipment and 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 different types 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 by investment:

30 June 2012 (unaudited)

	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	119,986	1,290,767	155,048	722	3,321	1,569,844
Policy banks	35,090	1,186,672	234,791	485	33,551	1,490,589
Public sector entities	2,500	21,678	63,778	767	1,964	90,687
Banks and other financial institutions	286,656	15,414	100,842	389	2,731	406,032
Corporate entities	16,790	10,875	311,157	25,056	31,677	395,555
Subtotal	461,022	2,525,406	865,616	27,419	73,244	3,952,707
Impaired (i)						
Banks and other financial institutions	—	745	—	—	—	745
Corporate entities	—	30	47	—	—	77
	—	775	47	—	—	822
Less: Allowance for impairment losses	—	(495)	—	—	—	(495)
Subtotal	—	280	47	—	—	327
Total	461,022	2,525,686	865,663	27,419	73,244	3,953,034

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Debt securities (continued)

31 December 2011 (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	119,808	1,315,218	189,320	723	801	1,625,870
Policy banks	35,090	1,052,666	221,214	444	9,168	1,318,582
Public sector entities	2,500	21,688	68,259	1,008	100	93,555
Banks and other financial institutions	332,756	23,968	78,829	463	212	436,228
Corporate entities	8,650	10,967	278,309	28,037	263	326,226
Subtotal	498,804	2,424,507	835,931	30,675	10,544	3,800,461
Impaired (i)						
Banks and other financial institutions	—	742	4	—	—	746
Corporate entities	—	30	48	—	—	78
	—	772	52	—	—	824
Less: Allowance for impairment losses	—	(494)	—	—	—	(494)
Subtotal	—	278	52	—	—	330
Total	498,804	2,424,785	835,983	30,675	10,544	3,800,791

(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. 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 the Group remains solvent. 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.

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The Group expected the 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.

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

30 June 2012 (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	556,129	—	—	—	—	—	2,471,909	3,028,038
Due from banks and other financial institutions (i)	87,374	988,938	150,808	90,836	100,225	—	—	1,418,181
Financial assets held for trading	—	796	3,507	20,236	1,648	1,232	184	27,603
Financial assets designated at fair value through profit or loss	—	12,220	9,093	6,759	62,635	13,527	—	104,234
Derivative financial assets	125	3,468	2,086	3,345	2,808	2,652	—	14,484
Loans and advances to customers	19,948	555,362	852,573	2,167,193	1,838,340	2,743,648	35,572	8,212,636
Financial investments	—	114,880	92,553	582,197	1,730,900	1,332,856	3,158	3,856,544
Investments in associates and jointly-controlled entities	—	—	—	—	—	—	32,313	32,313
Property and equipment	—	—	—	—	—	—	120,510	120,510
Others	107,941	34,182	22,118	36,690	16,327	10,372	30,877	258,507
Total assets	771,517	1,709,846	1,132,738	2,907,256	3,752,883	4,104,287	2,694,523	17,073,050
Liabilities:								
Due to central banks	111	223	—	68	35	—	—	437
Financial liabilities designated at fair value through profit or loss	54,308	172,931	157,133	8,183	—	1,916	—	394,471
Derivative financial liabilities	23	2,135	1,731	3,556	3,012	2,930	—	13,387
Due to banks and other financial institutions (ii)	618,106	785,019	161,641	152,356	58,197	5,751	—	1,781,070
Certificates of deposit	—	8,804	19,949	27,316	1,240	—	—	57,309
Due to customers	6,865,426	859,441	1,021,174	3,160,311	1,251,615	22,630	—	13,180,597
Debt securities issued	—	4,157	3,406	4,676	62,021	157,471	—	231,731
Others	199,516	32,582	30,579	96,102	31,827	5,994	—	396,600
Total liabilities	7,737,490	1,865,292	1,395,613	3,452,568	1,407,947	196,692	—	16,055,602
Net liquidity gap	(6,965,973)	(155,446)	(262,875)	(545,312)	2,344,936	3,907,595	2,694,523	1,017,448

(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)

44. FINANCIAL INSTRUMENT 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 2011 (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	357,050	—	—	—	—	—	2,405,106	2,762,156
Due from banks and other financial institutions (i)	108,997	550,919	27,159	42,040	98,324	—	—	827,439
Financial assets held for trading	—	4,133	4,209	16,093	5,068	1,172	147	30,822
Financial assets designated at fair value through profit or loss	—	39,959	9,887	17,306	49,092	5,142	—	121,386
Derivative financial assets	138	1,950	5,761	4,200	2,733	2,678	—	17,460
Loans and advances to customers	11,254	483,214	673,999	1,948,716	1,811,643	2,633,077	32,116	7,594,019
Financial investments	—	22,441	66,038	480,383	1,858,304	1,332,419	4,109	3,763,694
Investments in associates and jointly-controlled entities	—	—	—	—	—	—	32,750	32,750
Property and equipment	—	—	—	—	—	—	119,028	119,028
Others	72,640	26,574	15,640	42,135	10,469	10,183	30,473	208,114
Total assets	550,079	1,129,190	802,693	2,550,873	3,835,633	3,984,671	2,623,729	15,476,868
Liabilities:								
Due to central banks	—	—	30	70	—	—	—	100
Financial liabilities designated at fair value through profit or loss	6,343	46,490	112,473	6,667	—	—	—	171,973
Derivative financial liabilities	10	3,447	1,042	1,767	3,296	3,055	—	12,617
Due to banks and other financial institutions (ii)	505,380	736,118	125,658	122,343	52,731	5,314	—	1,547,544
Certificates of deposit	—	10,396	13,529	11,364	6,137	—	—	41,426
Due to customers	6,660,720	753,224	1,143,595	2,615,102	1,071,244	17,334	—	12,261,219
Debt securities issued	—	577	1,813	2,028	62,315	137,428	—	204,161
Others	84,725	38,096	22,868	102,533	25,958	5,825	—	280,005
Total liabilities	7,257,178	1,588,348	1,421,008	2,861,874	1,221,681	168,956	—	14,519,045
Net liquidity gap	(6,707,099)	(459,158)	(618,315)	(311,001)	2,613,952	3,815,715	2,623,729	957,823

(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 below incorporate all cash flows relating to both principal and interest. The Group's expected 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)

44. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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

30 June 2012 (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	556,129	—	1,129	—	—	—	2,471,909	3,029,167
Due from banks and other financial institutions (i)	87,436	990,741	153,188	93,709	117,680	—	—	1,442,754
Financial assets held for trading	—	802	3,522	20,286	2,015	1,316	184	28,125
Financial assets designated at fair value through profit or loss	—	12,582	10,162	9,016	72,105	14,900	—	118,765
Loans and advances to customers (ii)	20,351	693,973	1,109,086	2,933,292	3,217,831	4,460,047	78,951	12,513,531
Financial investments	—	126,760	116,571	675,867	2,069,464	1,583,855	4,715	4,577,232
Others	97,157	336	174	3,849	5,379	—	784	107,679
	761,073	1,825,194	1,393,832	3,736,019	5,484,474	6,060,118	2,556,543	21,817,253

(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 2012 (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	111	223	—	68	35	—	—	437
Financial liabilities designated at fair value through profit or loss	54,310	173,348	157,790	8,266	5	1,916	—	395,635
Due to banks and other financial institutions (i)	618,115	790,355	179,896	155,914	62,303	5,805	—	1,812,388
Certificates of deposit	—	8,859	20,186	27,570	1,315	—	—	57,930
Due to customers	6,880,281	877,489	1,045,172	3,263,549	1,351,953	25,349	—	13,443,793
Debt securities issued	—	4,331	6,498	11,114	97,969	237,894	—	357,806
Others	105,035	28	23	280	1,562	4,919	—	111,847
	7,657,852	1,854,633	1,409,565	3,466,761	1,515,142	275,883	—	16,179,836
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	(6)	(140)	(49)	29	(159)	—	(325)
Derivative financial instruments settled on gross basis:								
— Cash inflow	30,968	365,609	300,161	604,274	40,271	91	—	1,341,374
— Cash outflow	(30,735)	(358,851)	(298,359)	(604,139)	(40,047)	(79)	—	(1,332,210)
	233	6,758	1,802	135	224	12	—	9,164

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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

31 December 2011 (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	357,050	—	1,216	—	—	—	2,405,106	2,763,372
Due from banks and other financial institutions (i)	109,000	551,821	27,615	43,798	116,719	—	—	848,953
Financial assets held for trading	—	4,158	4,270	16,377	5,900	1,317	147	32,169
Financial assets designated at fair value through profit or loss	—	40,474	10,565	20,367	56,677	6,230	—	134,313
Loans and advances to customers (ii)	13,578	550,434	802,630	2,383,145	2,937,992	3,854,456	68,661	10,610,896
Financial investments	—	26,984	81,370	584,345	2,191,951	1,581,820	5,851	4,472,321
Others	64,172	6,111	1,948	3,517	4,559	485	—	80,792
	543,800	1,179,982	929,614	3,051,549	5,313,798	5,444,308	2,479,765	18,942,816

(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 2011 (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	—	—	31	71	—	—	—	102
Financial liabilities designated at fair value through profit or loss	6,343	46,960	114,096	6,879	—	—	—	174,278
Due to banks and other financial institutions (i)	505,456	741,789	140,151	142,561	57,158	6,007	—	1,593,122
Certificates of deposit	—	10,462	13,685	11,514	6,210	—	—	41,871
Due to customers	6,662,545	767,519	1,173,412	2,664,733	1,091,575	17,663	—	12,377,447
Debt securities issued	—	615	1,817	10,535	93,902	178,722	—	285,591
Others	67,117	21	778	89	839	5,271	—	74,115
	7,241,461	1,567,366	1,443,970	2,836,382	1,249,684	207,663	—	14,546,526
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	7	(75)	397	804	(500)	—	633
Derivative financial instruments settled on gross basis:								
— Cash inflow	16,784	243,207	257,353	348,926	25,010	136	—	891,416
— Cash outflow	(16,877)	(242,356)	(252,503)	(347,302)	(25,090)	(155)	—	(884,283)
	(93)	851	4,850	1,624	(80)	(19)	—	7,133

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(iii) Analysis of credit commitments by contractual expiry date

Management does not expect all of the commitments will be drawn before the expiry of the 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 2012 (unaudited)							
Credit commitments	686,934	136,793	288,142	466,521	287,860	240,883	2,107,133
31 December 2011 (audited)							
Credit commitments	625,080	129,611	232,590	399,221	311,409	278,681	1,976,592

(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 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 to measure and monitor the market risk of its trading portfolios. The following sections include a VaR analysis by risk type of the Group's trading portfolios including Head Office and six overseas branches 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)

44. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) VaR

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 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 VaR by risk type of the Bank's trading portfolios is as follows:

	Six months ended 30 June 2012 (unaudited)			
	30 June 2012	Average	Highest	Lowest
Interest rate risk	36	34	43	27
Foreign exchange risk	31	17	37	3
Commodity risk	14	9	20	1
Total portfolio VaR	47	36	48	29

	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

VaR was only calculated at the Head Office level for the first half of 2011. In December 2011, the Bank extended VaR calculation to include Singapore Branch and New York Branch. In April 2012, the Bank further extended VaR calculation to include Seoul Branch, Tokyo Branch, Hanoi Branch, and Sydney Branch.

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there was a 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)

44. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Currency risk

The Group conducts it 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 tables below indicate 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 forecasted 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 2012 (unaudited)	31 December 2011 (audited)	30 June 2012 (unaudited)	31 December 2011 (audited)
USD	-1%	(60)	(175)	(41)	(41)
HK$	-1%	(66)	(42)	(313)	(293)

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)

44. FINANCIAL INSTRUMENT 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 2012 (unaudited)

	RMB	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	2,966,633	48,289	2,727	10,389	3,028,038
Due from banks and other financial institutions (i)	970,283	298,131	8,915	140,852	1,418,181
Financial assets held for trading	26,689	187	673	54	27,603
Financial assets designated at fair value though profit or loss	103,804	345	85	—	104,234
Derivative financial assets	5,952	5,437	206	2,889	14,484
Loans and advances to customers	7,462,310	602,027	98,920	49,379	8,212,636
Financial investments	3,780,736	51,620	3,292	20,896	3,856,544
Investments in associates and jointly-controlled entities	76	715	182	31,340	32,313
Property and equipment	106,761	12,933	395	421	120,510
Others	207,082	7,362	6,153	37,910	258,507
Total assets	15,630,326	1,027,046	121,548	294,130	17,073,050
Liabilities:					
Due to central banks	68	223	111	35	437
Financial liabilities designated at fair value through profit or loss	380,906	4,146	1	9,418	394,471
Derivative financial liabilities	5,228	2,421	53	5,685	13,387
Due to banks and other financial institutions (ii)	1,271,227	427,652	6,136	76,055	1,781,070
Certificates of deposit	14,898	23,554	6,785	12,072	57,309
Due to customers	12,588,026	256,269	130,827	205,475	13,180,597
Debt securities issued	210,090	15,367	984	5,290	231,731
Others	366,742	20,117	2,586	7,155	396,600
Total liabilities	14,837,185	749,749	147,483	321,185	16,055,602
Net position	793,141	277,297	(25,935)	(27,055)	1,017,448
Credit commitments	1,505,077	496,281	55,560	50,215	2,107,133

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT 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 2011 (audited)

	RMB	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	2,723,401	15,813	16,664	6,278	2,762,156
Due from banks and other financial institutions (i)	521,393	228,860	10,262	66,924	827,439
Financial assets held for trading	29,836	399	471	116	30,822
Financial assets designated at fair value though profit or loss	120,811	490	85	—	121,386
Derivative financial assets	12,414	3,014	226	1,806	17,460
Loans and advances to customers	6,990,074	454,907	101,925	47,113	7,594,019
Financial investments	3,689,661	52,392	3,933	17,708	3,763,694
Investments in associates and jointly-controlled entities	55	709	174	31,812	32,750
Property and equipment	108,613	9,602	386	427	119,028
Others	153,057	6,752	5,745	42,560	208,114
Total assets	14,349,315	772,938	139,871	214,744	15,476,868
Liabilities:					
Due to central banks	100	—	—	—	100
Financial liabilities designated at fair value through profit or loss	164,480	865	1	6,627	171,973
Derivative financial liabilities	3,893	3,731	57	4,936	12,617
Due to banks and other financial institutions (ii)	1,197,095	267,673	8,164	74,612	1,547,544
Certificates of deposit	13,592	15,794	4,883	7,157	41,426
Due to customers	11,829,251	183,146	140,648	108,174	12,261,219
Debt securities issued	189,504	11,476	497	2,684	204,161
Others	258,867	12,186	2,024	6,928	280,005
Total liabilities	13,656,782	494,871	156,274	211,118	14,519,045
Net position	692,533	278,067	(16,403)	3,626	957,823
Credit commitments	1,459,699	402,491	74,916	39,486	1,976,592

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT 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 PBC establishes RMB interest rate policy which includes 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 PBC 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 PBC benchmark interest rates.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). 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 tables demonstrate 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 2012 (unaudited)	31 December 2011 (audited)	30 June 2012 (unaudited)	31 December 2011 (audited)
+ 100 basis points	(14,248)	(12,509)	(20,818)	(19,151)
- 100 basis points	14,248	12,509	22,122	20,417

The interest rate sensitivities set out in the tables 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 and the Bank'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)

44. FINANCIAL INSTRUMENT 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 2012 (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	2,760,896	—	—	—	267,142	3,028,038
Due from banks and other financial institutions (i)	1,233,563	142,046	38,249	—	4,323	1,418,181
Financial assets held for trading	5,049	20,283	1,565	522	184	27,603
Financial assets designated at fair value through profit or loss	39,518	10,017	47,193	7,506	—	104,234
Derivative financial assets	—	—	—	—	14,484	14,484
Loans and advances to customers	3,060,435	4,984,784	12,707	121,250	33,460	8,212,636
Financial investments	370,059	773,240	1,480,583	1,229,892	2,770	3,856,544
Investments in associates and jointly-controlled entities	—	—	—	—	32,313	32,313
Property and equipment	—	—	—	—	120,510	120,510
Others	19,414	—	—	—	239,093	258,507
Total assets	7,488,934	5,930,370	1,580,297	1,359,170	714,279	17,073,050
Liabilities:						
Due to central banks	334	68	35	—	—	437
Financial liabilities designated at fair value through profit or loss	333,121	8,183	—	—	53,167	394,471
Derivative financial liabilities	—	—	—	—	13,387	13,387
Due to banks and other financial institutions (ii)	1,571,428	196,518	5,245	5,277	2,602	1,781,070
Certificates of deposit	29,437	26,758	1,114	—	—	57,309
Due to customers	8,537,196	3,160,052	1,251,585	22,630	209,134	13,180,597
Debt securities issued	10,105	6,415	57,742	157,469	—	231,731
Others	—	—	—	—	396,600	396,600
Total liabilities	10,481,621	3,397,994	1,315,721	185,376	674,890	16,055,602
Interest rate mismatch	(2,992,687)	2,532,376	264,576	1,173,794	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

44. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

31 December 2011 (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	2,502,220	—	—	—	259,936	2,762,156
Due from banks and other financial institutions (i)	709,319	82,608	31,714	—	3,798	827,439
Financial assets held for trading	8,859	16,301	4,530	985	147	30,822
Financial assets designated at fair value through profit or loss	100,310	15,403	4,853	820	—	121,386
Derivative financial assets	—	—	—	—	17,460	17,460
Loans and advances to customers	4,384,282	3,017,912	30,127	130,447	31,251	7,594,019
Financial investments	253,166	638,919	1,650,739	1,217,148	3,722	3,763,694
Investments in associates and jointly-controlled entities	—	—	—	—	32,750	32,750
Property and equipment	—	—	—	—	119,028	119,028
Others	15,431	610	—	—	192,073	208,114
Total assets	7,973,587	3,771,753	1,721,963	1,349,400	660,165	15,476,868
Liabilities:						
Due to central banks	30	70	—	—	—	100
Financial liabilities designated at fair value through profit or loss	158,963	6,667	—	—	6,343	171,973
Derivative financial liabilities	—	—	—	—	12,617	12,617
Due to banks and other financial institutions (ii)	1,375,418	161,538	2,481	4,679	3,428	1,547,544
Certificates of deposit	24,240	11,049	6,137	—	—	41,426
Due to customers	8,295,296	2,614,211	1,071,176	17,334	263,202	12,261,219
Debt securities issued	6,681	2,028	58,024	137,428	—	204,161
Others	—	—	—	—	280,005	280,005
Total liabilities	9,860,628	2,795,563	1,137,818	159,441	565,595	14,519,045
Interest rate mismatch	(1,887,041)	976,190	584,145	1,189,959	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

44. FINANCIAL INSTRUMENT 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 using an efficient and risk-based approach to optimise the 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 semi-annually and quarterly.

The CBRC requires each bank to maintain the capital adequacy ratio and core capital adequacy ratio at levels not below 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 "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)

44. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(d) Capital management (continued)

The Group calculates the core capital adequacy ratio and the capital adequacy ratio in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and relevant requirements promulgated by the CBRC.

	30 June 2012 (unaudited)	31 December 2011 (audited)
Core capital adequacy ratio	**10.38%**	**10.07%**
Capital adequacy ratio	**13.56%**	**13.17%**
Components of capital base		
Core capital:		
Share capital	349,322	349,084
Reserves (i)	618,508	532,135
Non-controlling interests	1,130	1,081
Total core capital	968,960	882,300
Supplementary capital:		
General provisions for loan impairment (ii)	84,241	77,889
Long term subordinated bonds	187,625	167,655
Convertible bonds (iii)	23,675	24,615
Other supplementary capital	1,679	1,671
Total supplementary capital	297,220	271,830
Total capital base before deductions	1,266,180	1,154,130
Deductions:		
Goodwill	(21,860)	(22,223)
Unconsolidated equity investments (iv)	(19,767)	(18,957)
Others (v)	(185)	(487)
Net capital base	1,224,368	1,112,463
Net core capital base	937,124	850,355
Risk-weighted assets and market risk capital adjustment	9,031,850	8,447,263

(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 reserve 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 loan 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)

45. 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 2012 (unaudited)		
Receivables	461,022	461,096
Held-to-maturity investments	2,525,686	2,549,785
Subordinated bonds	187,625	185,948
Convertible bonds	22,082	21,153
31 December 2011 (audited)		
Receivables	498,804	498,683
Held-to-maturity investments	2,424,785	2,436,782
Subordinated bonds	167,619	158,696
Convertible bonds	22,608	19,367

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:

(i) The receivables are not quoted in an active market. 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 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.

(ii) 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 of which the 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	**Liabilities**
Balances with central banks	Due to banks and other financial institutions
Due from banks and other financial institutions	Repurchase agreements
Reverse repurchase agreements	Due to customers
Loans and advances to customers	Other financial liabilities
Other financial assets	

46. EVENTS AFTER THE REPORTING PERIOD

(a) Completion of the investment in AXA-Minmetals Assurance Co., Ltd.

On 5 July 2012, the Bank has completed the acquisition of 60% equity interest in AXA-Minmetals Assurance Co., Ltd. ("AXA-Minmetals Assurance") from AXA CHINA and China Minmetals Corporation. AXA-Minmetals Assurance completed change of the filing records at the relevant administration for industry and commerce on 6 July 2012 and has been renamed as ICBC-AXA Assurance Co., Ltd. ("ICBC-AXA"). After the completion of the acquisition, the Bank holds 60% equity interest in ICBC-AXA and becomes the controlling shareholder of ICBC-AXA, while AXA CHINA and China Minmetals Corporation hold 27.5% and 12.5% equity interest in ICBC-AXA, respectively. It is envisioned that, after the acquisition, the shareholders of ICBC-AXA will enter into strategic cooperation with ICBC-AXA and promote the business development of ICBC-AXA in China.

(b) Completion of acquisition of 80% shareholding in The Bank of East Asia (U.S.A.) National Association

On 6 July 2012, the Bank has completed the acquisition of 80% equity interest in The Bank of East Asia (U.S.A.) National Association ("BEA USA") from The Bank of East Asia, Limited ("BEA") and East Asia Holding Company, Inc.. After the completion of the acquisition, the Bank holds 80% equity interest in BEA USA and becomes the controlling shareholder of BEA USA. It is envisioned that the acquisition will provide the Bank with a solid platform to further expand its operating network in the United States.

47. COMPARATIVE AMOUNTS

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

48. 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 30 August 2012.

(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 period ended 30 June 2012 (for the six months ended 30 June 2011: 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 2012 (31 December 2011: no differences).

(b) Liquidity ratios

	As at 30 June 2012	Average for the period ended 30 June 2012	As at 31 December 2011	Average for the year ended 31 December 2011
RMB current assets to RMB current liabilities	32.73%	30.14%	27.55%	28.90%
Foreign currency current assets to foreign currency current liabilities	80.26%	85.43%	90.59%	70.63%

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 (the "Rules") took effect on 1 January 2007. It requires the disclosure of an average liquidity ratio, which is the arithmetic mean of the liquidity ratios for each calendar month. The Group prepares 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	HK$	Others	Total
As at 30 June 2012				
Spot assets	1,013,398	120,971	262,372	1,396,741
Spot liabilities	(749,749)	(147,483)	(321,185)	(1,218,417)
Forward purchases	519,358	80,250	223,355	822,963
Forward sales	(769,953)	(15,611)	(171,137)	(956,701)
Net option position	194	3	(272)	(75)
Net long/(short) position	13,248	38,130	(6,867)	44,511
Net structural position	13,648	577	31,758	45,983
As at 31 December 2011				
Spot assets	762,627	139,311	181,103	1,083,041
Spot liabilities	(494,871)	(156,274)	(211,118)	(862,263)
Forward purchases	309,022	64,873	69,008	442,903
Forward sales	(551,110)	(13,800)	(56,001)	(620,911)
Net option position	(5,305)	(1)	7	(5,299)
Net long/(short) position	20,363	34,109	(17,001)	37,471
Net structural position	10,311	560	33,641	44,512

(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 2012:				
Asia Pacific excluding Mainland China	139,358	20,350	244,377	404,085
— of which attributed to Hong Kong	65,916	11,620	144,776	222,312
Europe	142,438	1,433	22,275	166,146
North and South America	43,791	1,226	32,321	77,338
	325,587	23,009	298,973	647,569
As at 31 December 2011:				
Asia Pacific excluding Mainland China	166,035	11,084	241,179	418,298
— of which attributed to Hong Kong	92,232	6,587	146,821	245,640
Europe	65,515	1,014	18,489	85,018
North and South America	82,508	1,109	31,874	115,491
	314,058	13,207	291,542	618,807

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers

(i) Analysis by industry sector

30 June 2012

	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	Allowance for impairment losses: Collectively assessed	Allowance for impairment losses: Total
Manufacturing	1,321,384	589,550	26,327	24,436	14,616	32,360	46,976
Transportation, storage and postal services	1,153,259	362,649	10,269	9,876	4,563	19,640	24,203
Wholesale and retail	740,048	417,333	13,629	11,307	6,025	11,708	17,733
Production and supply of electricity, heating, gas and water	625,129	111,250	4,748	3,547	1,492	15,964	17,456
Real estate	563,153	427,579	6,428	5,368	2,903	15,359	18,262
Water, environment and public utility management	481,794	156,774	1,546	1,162	242	12,524	12,766
Leasing and commercial services	375,076	189,046	1,003	1,000	582	4,306	4,888
Mining	225,138	40,017	1,709	582	249	758	1,007
Construction	143,009	64,808	1,562	1,406	831	1,804	2,635
Lodging and catering	89,443	76,502	1,905	969	550	1,361	1,911
Science, education, culture and sanitation	80,923	15,886	711	634	443	494	937
Others	320,421	74,197	3,343	1,554	1,099	4,113	5,212
Subtotal of corporate loans and advances	6,118,777	2,525,591	73,180	61,841	33,595	120,391	153,986
Personal mortgage and business loans	1,501,913	1,422,253	45,433	—	—	44,790	44,790
Others	598,197	369,279	22,631	—	—	8,397	8,397
Subtotal of personal loans	2,100,110	1,791,532	68,064	—	—	53,187	53,187
Discounted bills	205,150	205,150	374	—	—	4,228	4,228
Total loans and advances to customers	8,424,037	4,522,273	141,618	61,841	33,595	177,806	211,401
Current market value of collateral held against the covered portion of overdue loans and advances*							160,199
Covered portion of overdue loans and advances*							79,131
Uncovered portion of overdue loans and advances*							62,487

* Please see section (e)(ii) for 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 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
Manufacturing	1,163,275	513,294	23,534	24,573	15,905	27,436	43,341
Transportation, storage and postal services	1,114,765	296,196	8,465	12,209	4,934	20,143	25,077
Wholesale and retail	633,769	337,117	8,355	8,434	5,311	10,666	15,977
Production and supply of electricity, heating, gas and water	613,140	83,580	4,040	5,102	2,334	14,575	16,909
Real estate	577,563	445,779	5,306	5,096	2,983	14,042	17,025
Water, environment and public utility management	507,112	137,796	103	1,103	88	11,607	11,695
Leasing and commercial services	362,011	157,342	2,008	750	526	3,487	4,013
Mining	190,180	27,724	512	619	265	519	784
Construction	121,432	51,615	1,170	1,137	800	1,594	2,394
Lodging and catering	75,193	66,967	965	922	586	1,047	1,633
Science, education, culture and sanitation	70,069	12,018	730	711	510	318	828
Others	238,002	69,493	1,658	1,607	1,167	4,323	5,490
Subtotal of corporate loans and advances	5,666,511	2,198,921	56,846	62,263	35,409	109,757	145,166
Personal mortgage and business loans	1,455,670	1,373,746	33,843	—	—	42,424	42,424
Others	559,256	366,857	17,091	—	—	5,117	5,117
Subtotal of personal loans	2,014,926	1,740,603	50,934	—	—	47,541	47,541
Discounted bills	107,460	107,460	25	—	—	2,171	2,171
Total loans and advances to customers	7,788,897	4,046,984	107,805	62,263	35,409	159,469	194,878
Current market value of collateral held against the covered portion of overdue loans and advances *							117,651
Covered portion of overdue loans and advances *							54,394
Uncovered portion of overdue loans and advances *							53,411

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

(ii) Overdue loans and advances to customers

	30 June 2012	31 December 2011
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	9,422	4,475
Between 6 and 12 months	7,701	6,539
Over 12 months	44,927	47,001
	62,050	58,015
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.11%	0.06%
Between 6 and 12 months	0.09%	0.08%
Over 12 months	0.54%	0.60%
	0.74%	0.74%

(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 2012

	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 to be impaired	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	7,452	140	90	140	113	8,199
Yangtze River Delta	25,426	11,313	5,516	11,839	6,353	40,491
Pearl River Delta	19,496	8,402	4,241	8,651	4,714	25,693
Bohai Rim	19,775	10,834	5,667	10,986	6,192	32,971
Central China	24,622	10,195	4,817	11,873	6,231	25,450
Western China	25,147	9,418	5,059	11,677	5,818	31,462
Northeastern China	8,281	4,002	2,710	4,159	2,972	11,201
Overseas and others	11,419	2,318	1,117	2,516	1,202	2,339
Total	141,618	56,622	29,217	61,841	33,595	177,806

31 December 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 to be impaired	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	5,965	165	90	165	118	6,533
Yangtze River Delta	15,778	8,026	5,216	10,043	5,927	36,478
Pearl River Delta	15,153	7,352	4,217	9,590	5,041	22,952
Bohai Rim	17,589	10,300	6,452	10,893	6,742	30,257
Central China	18,012	9,757	5,267	11,952	6,711	22,793
Western China	21,574	10,444	5,490	12,933	6,614	28,198
Northeastern China	8,069	3,979	2,881	4,240	3,124	10,229
Overseas and others	5,665	2,262	1,050	2,447	1,132	2,029
Total	107,805	52,285	30,663	62,263	35,409	159,469

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

(iv) Renegotiated loans and advances to customers

	30 June 2012		31 December 2011	
		% of total loans and advances		% of total loans and advances
Renegotiated loans and advances	8,105	0.10%	8,312	0.10%
Less: Renegotiated loans and advances overdue for more than three months	(4,995)	(0.06%)	(5,724)	(0.07%)
Renegotiated loans and advances overdue for less than three months	3,110	0.04%	2,588	0.03%

(f) Overdue placements with banks and other financial institutions

	30 June 2012	31 December 2011
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	20	20
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.01%	0.01%

(g) Exposures to Mainland China non-bank entities

	30 June 2012	31 December 2011
On-balance sheet exposure	10,143,668	9,614,706
Off-balance sheet exposure	1,840,168	1,705,753
	11,983,836	11,320,459
Individually assessed allowance for impairment losses	32,531	34,414

In addition to those disclosed above, exposures to other non-bank counterparties outside Mainland China to which 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
EURIBOR	Euro 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
Articles of Association	The Articles of Association of Industrial and Commercial Bank of China Limited
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC International	ICBC International Holdings Limited
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBCFS	Industrial and Commercial Bank of China Financial Services LLC
ICBC (London)	Industrial and Commercial Bank of China, (London) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Moscow)	ZAO Industrial and Commercial Bank of China (Moscow)
ICBC (Europe)	Industrial and Commercial Bank of China (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 (Indonesia)	PT. Bank ICBC Indonesia
ICBC (Middle East)	Industrial and Commercial Bank of China (Middle East) Limited
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
PBC	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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