



**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

USD Preference Shares Stock Code: 4603

EUR Preference Shares Stock Code: 4604

RMB Preference Shares Stock Code: 84602



**2016** Interim Report



### **Our Mission**

Excellence for You

Excellent Services to Clients, Maximum Returns to Shareholders  
Real Success for Our People, Great Contribution to Society

### **Our Vision**

A Global Leading Bank with the Best Profitability,  
Performance and Prestige

### **Our Value**

Integrity Leads to Prosperity

Integrity, Humanity, Prudence, Innovation and Excellence

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## Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Articles of Association Capital Regulation	The Articles of Association of Industrial and Commercial Bank of China Limited Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC in June 2012
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
ICBC (Argentina)	Industrial and Commercial Bank of China (Argentina) S.A.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC (Mexico)	Industrial and Commercial Bank of China Mexico S.A.
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC International	ICBC International Holdings Limited
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
ICBC-AXA	ICBC-AXA Assurance Co., Ltd.
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
MOF	Ministry of Finance of the People's Republic of China
PBC	The People's Bank of China
PRC GAAP	Accounting Standards for Business Enterprises promulgated by the Ministry of Finance
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
SSF	National Council for Social Security Fund
Standard Bank	Standard Bank Group Limited
State Council	The State Council of the People's Republic of China
the Bank/the Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries

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## Important Notice

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

The 2016 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 2016. All directors of the Bank attended the meeting.

Upon the approval at the Annual General Meeting for the Year 2015 held on 24 June 2016, the Bank has distributed cash dividends of about RMB83,150 million, or RMB2.333 per ten shares (pre-tax), for the period from 1 January 2015 to 31 December 2015 to the ordinary shareholders whose names appeared on the share register after the close of market on 7 July 2016. The Bank will not declare or distribute interim dividends for 2016, nor will it convert any capital reserves to share capital.

The 2016 interim financial report prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by KPMG Huazhen LLP and KPMG in accordance with Chinese and international standards on review engagements, respectively.

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

30 August 2016

Mr. Yi Huiman, Legal Representative and president in charge of finance of the Bank, and Mr. Zhang Wenwu, 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, accurate and complete.

The report contains forward-looking statements on the Bank's financial positions, business performance and development. The statements are made based on existing plans, estimates and forecast, and bear upon future external events or the Group's future finance, business or performance in other aspects, and may involve future plans which do not constitute substantive commitment to investors. Hence, investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

This report is prepared in both Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.

## 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

Yi Huiman

### Registered address and office address

55 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal code: 100140

Telephone: 86-10-66106114

Business enquiry and complaint hotline: 86-95588

Website: www.icbc.com.cn, www.icbc-ltd.com

### Principal place of business in Hong Kong

33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong

### Authorized representatives

Yi Huiman and Guan Xueqing

### Board Secretary and Company Secretary

Guan Xueqing

Address: 55 Fuxingmennei Avenue, Xicheng District, Beijing, China

Telephone: 86-10-66108608

Facsimile: 86-10-66107571

E-mail: ir@icbc.com.cn

### Selected newspapers for information disclosure

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

### Website designated by CSRC for publication of the interim report in respect of A shares

www.sse.com.cn

### The “HKExnews” website of SEHK for publication of the interim report in respect of H shares

www.hkexnews.hk

### Legal advisors

#### Mainland China

King & Wood Mallesons

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

JunHe LLP

20/F, China Resources Building, 8 Jianguomen North Street, Dongcheng District, Beijing, PRC

#### Hong Kong, China

Allen & Overy

9/F, Three Exchange Square, Central, Hong Kong

Linklaters

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

### Share registrars

#### A Share

China Securities Depository and Clearing Corporation Limited, Shanghai Branch

3/F China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC

Tel: 86-4008058058

#### H Share

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong

Tel: 852-28628555

Facsimile: 852-28650990

### Location where copies of the interim report are kept

Office of the Board of Directors of the Bank

### Place where shares 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

#### Offshore Preference Shares

The Stock Exchange of Hong Kong Limited

Stock name: ICBC USDPRF1

Stock code: 4603

Stock name: ICBC EURPRF1

Stock code: 4604

Stock name: ICBC CNHPREF1-R

Stock code: 84602

#### Domestic Preference Shares

Shanghai Stock Exchange

Stock name: 工行優1

Stock code: 360011

### Sponsor of Domestic Preference Shares

Guotai Junan Securities Co., Ltd.

618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone

Sponsor representatives: Zhang Jianhua and Wu Guomei

Continuous inspection and supervision period:

11 December 2015 to 31 December 2016

### Change of registration during the reporting period

Date of first registration: 22 November 1985

Registration authority: State Administration for Industry and Commerce of the People’s Republic of China

Unified social credit identifier: 91100000100003962T

Financial license institution number: B0001H111000001

### Name and office address of auditors

#### Domestic auditors

KPMG Huazhen LLP

8/F, Tower E2, Oriental Plaza, 1 East Chang’an Avenue, Dongcheng District, Beijing, PRC

CPA (Practicing): Song Chenyang and He Qi

#### International auditors

KPMG

8/F, Prince’s Building, 10 Chater Road, Central, Hong Kong

## 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 2016	Six months ended 30 June 2015	Six months ended 30 June 2014
<b>Operating results</b> (in RMB millions)			
Net interest income	234,280	252,087	237,607
Net fee and commission income	81,715	77,120	73,228
Operating income	328,981	336,737	316,853
Operating expenses	90,594	101,499	99,612
Impairment losses	44,433	41,951	24,167
Operating profit	193,954	193,287	193,074
Profit before taxation	195,075	194,678	194,090
Net profit	150,656	149,426	148,381
Net profit attributable to equity holders of the parent company	150,217	149,021	148,100
Net cash flows from operating activities	297,632	1,083,849	418,091
<b>Per share data</b> (in RMB yuan)			
Basic earnings per share	0.42	0.42	0.42
Diluted earnings per share	0.42	0.42	0.42

## Financial Highlights

### Financial Data (continued)

	30 June 2016	31 December 2015	31 December 2014
<b>Assets and liabilities</b> (in RMB millions)			
Total assets	23,524,327	22,209,780	20,609,953
Total loans and advances to customers	12,677,317	11,933,466	11,026,331
Corporate loans	8,134,402	7,869,552	7,612,592
Personal loans	3,871,626	3,541,862	3,063,465
Discounted bills	671,289	522,052	350,274
Allowance for impairment losses on loans	280,756	280,654	257,581
Investment	5,515,645	5,009,963	4,433,237
Total liabilities	21,656,550	20,409,261	19,072,649
Due to customers	17,369,524	16,281,939	15,556,601
Corporate deposits	9,256,016	8,437,014	8,037,133
Personal deposits	7,890,793	7,601,114	7,188,607
Other deposits	222,715	243,811	330,861
Due to banks and other financial institutions	2,245,263	2,265,860	1,539,239
Equity attributable to equity holders of the parent company	1,856,593	1,789,474	1,530,859
Share capital	356,407	356,407	353,495
Net asset value per share <sup>(1)</sup> (in RMB yuan)	4.99	4.80	4.23
Net core tier 1 capital <sup>(2)</sup>	1,767,849	1,701,495	1,486,733
Net tier 1 capital <sup>(2)</sup>	1,847,634	1,781,062	1,521,233
Net capital base <sup>(2)</sup>	2,010,145	2,012,103	1,812,137
Risk-weighted assets <sup>(2)</sup>	14,097,738	13,216,687	12,475,939
<b>Credit rating</b>			
S&P <sup>(3)</sup>	A	A	A
Moody's <sup>(3)</sup>	A1	A1	A1

Notes: (1) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.

(2) Calculated in accordance with the Capital Regulation.

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



**Financial Indicators**

	Six months ended 30 June 2016	Six months ended 30 June 2015	Six months ended 30 June 2014
<b>Profitability (%)</b>			
Return on average total assets <sup>(1)</sup>	1.32*	1.39*	1.51*
Return on weighted average equity <sup>(2)</sup>	16.83*	18.86*	21.77*
Net interest spread <sup>(3)</sup>	2.07*	2.34*	2.43*
Net interest margin <sup>(4)</sup>	2.21*	2.53*	2.62*
Return on risk-weighted assets <sup>(5)</sup>	2.21*	2.36*	2.49*
Ratio of net fee and commission income to operating income	24.84	22.90	23.11
Cost-to-income ratio <sup>(6)</sup>	23.44	23.71	24.97
	<b>30 June 2016</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Asset quality (%)</b>			
Non-performing loans ("NPL") ratio <sup>(7)</sup>	1.55	1.50	1.13
Allowance to NPL <sup>(8)</sup>	143.02	156.34	206.90
Allowance to total loans ratio <sup>(9)</sup>	2.21	2.35	2.34
<b>Capital adequacy (%)</b>			
Core tier 1 capital adequacy ratio <sup>(10)</sup>	12.54	12.87	11.92
Tier 1 capital adequacy ratio <sup>(10)</sup>	13.11	13.48	12.19
Capital adequacy ratio <sup>(10)</sup>	14.26	15.22	14.53
Total equity to total assets ratio	7.94	8.11	7.46
Risk-weighted assets to total assets ratio	59.93	59.51	60.53

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 in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Calculation 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 the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expenses (less business tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
- (9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.
- (10) Calculated in accordance with the Capital Regulation.

## Chairman's Statement

Since the beginning of the year, recovery of the global economy underperformed expectations, as increased divergence between the macroeconomic policies of major economies and Brexit added to uncertainties in the global economy. The Chinese economy managed to stay broadly stable, with all major indicators within a reasonable range. However, structural problems were still obvious, and the pressure of economic downturn was great. Against an external environment with mounting difficulties and austere challenges, we improved management, and deepened reform, innovation and business transformation. We actively resolved the various difficulties, fostered stability, made progress, realized stable operation, and achieved tangible interim results.

**The Bank maintained stable operations: we overcame various difficulties and sustained the profit growth; and in the meantime, we kept the asset quality stable and put various risks under control.** Since the beginning of the year, a series of measures adopted by the Bank to boost income and reduce expense came into play. In response to the situation that growing NPLs pushed up the credit risk cost, concentrated re-pricing of deposits and loans arising from the successive interest rate cuts during 2015 narrowed the Bank's interest spread, and reduction of service fees to develop inclusive finance challenged the efforts to maintain profit growth, the Bank pressed ahead with business transformation and innovation to tap the potentials and increase the profit. In the first half year, the Bank recorded before-provision profit of RMB239,508 million and net profit of RMB150,656 million, up 1.2% and 0.8% when compared to the same period of last year, respectively. More encouragingly, the Bank's profit growth structure witnessed profound changes, with the development potential of a number of new business fields expanding continuously. The Bank realized net fee and commission income of RMB81,715 million, up 6.0% from the same period of last year, accounting for 24.84% of the Bank's operating income, up 3.40 percentage points from 2015. This critically boosted the Bank's profit growth. Through rigorous cost control, the Bank's operating expenses (excluding business tax and surcharges) fell 3.4% from the same period of last year, and its cost-to-income ratio was controlled at 23.44%. These operating results were achieved on the basis of effective control of credit and other risks. In response to the growing financing risks during the economic downturns, the Bank paid close attention to maintenance of stable credit asset quality, implemented the responsibility mechanism for quality management level by level, set up a new credit institutional mechanism, a team of experts and a new credit culture to adapt to the economic new normal, and adopted various measures to step up resolution of NPLs. The outstanding NPLs amounted to RMB196,303 million at the end of June 2016, up RMB16,785 million from the end of last year but down RMB8,356 million from the end of the first quarter; and its NPL ratio stood at 1.55%, up 0.05 percentage points from the end of last year but down 0.11 percentage points on the first quarter. Despite the on-going grave pressure of NPL rebound, the Bank kept the overall credit risks under control. In addition, in response to the frequent breakout of financial risk incidents, the Bank took this year as a "year to consolidate the internal control and compliance basis", deepened governance of risks in "ten major fields and critical links", and resolutely prevented and curbed breakout of various cases and risk incidents.

**The Bank made progress: we improved the financial service by focusing on improving quality and efficiency of the real economy, and deepened business transformation, reform and innovation in order to build new growth streams.** The Bank improved whole-process management and integrated service of new and existing credit business and of credit and non-credit financing businesses. During the first half year, domestic branches cumulatively issued RMB4.7 trillion of loans, including new loans granted of RMB569,900 million, with an increase of RMB11,100 million and up 5.2% from the same period of last year. We re-lent RMB1.2 trillion loans recovered, and taking into account the actual new loans granted, the Bank's new loans granted reached about RMB1.8 trillion. The Bank proactively adapted to the corporate financial disintermediation trend, and met diverse demand of enterprises through bond underwriting, asset transaction, financial leasing, entrusted loans, etc. During the first half year, transactions of this type of new financing business amounted to RMB713,700 million, representing 7 times of the incremental corporate loans. While the new business effectively offset decline in the Bank's corporate loans, it also helped reduce the leverage and cost of the enterprises. In terms of directions, the Bank properly controlled the relationship between support and control, progress and retreat, and beefed up fund support to the fields that could strengthen the weak links in the real economy and upgrade the economic development quality. The Bank increased support to key construction projects, and issued cumulatively RMB487,400 million worth of project loans, up RMB79,900 million from the same period of last year. We adapted to the needs of industrial structure upgrade, and supported development of the "Made in China 2025", "Internet+" and energy saving and environmental protection initiatives. The Bank innovated and promoted the combination of dedicated offline operation and standardized online service in the small and micro financial service model, and our loans to small and micro enterprises increased by RMB178,200 million or 9.9% from the same period of last year. The Bank actively supported the reasonable housing demand and consumption upgrade of residents, and its housing mortgage loans and personal consumer loans grew by RMB329,177 million during the reporting period, accounting for 44.3% of the total loan growth. The Bank vigorously supported the "Going Global" initiative of enterprises, and lent USD20,100 million to 39 "Going Global" projects during the first half year. In supporting the transformation and upgrade of the real economy, the Bank improved its operating quality, and cultivated new growth engines through development of new industries and new segments.

**The Bank relentlessly pushed ahead with business transformation, accelerated fostering of new growth engines, and upgraded growth momentum of traditional business.** As a traditionally advantaged business, retail banking played a stabilizing role and helped iron out the cyclical business fluctuations during the Bank's business innovation and development. Financial assets of personal customers reached RMB12 trillion, and contribution of the retail business rose close to 40%. The fee-based business, which serves demand of the real economy and customers on the basis of standard operation, also maintained fast growth, among which income from agency personal insurance, third-party custody, asset custody, corporate settlement, and bond underwriting businesses grew by more than 30%. The Bank issued 118 million credit cards, making it the largest credit card issuer in the world. We also realized rapid development in the internet-based finance business — one of the Bank's highlights during the business transformation, and realized continued improvement in the business scale, number of customers, and business activity. **ICBC Mobile**, the open online banking platform, had 215 million customers; **ICBC Mall**, the online commerce platform, registered turnover of RMB681.4 billion; **ICBC Link**, the instant communication platform, had about 30 million registered users; and with official rollout of the QR payment product, the number of ICBC e-Payment customers exceeded 100 million. Overall, the Bank has built up an increasingly mature financial ecosystem that integrates online and offline services.

**The Bank promoted implementation of various reform initiatives in the key business fields, and boosted continuous unleashing of innovative impetus and operating vitality.** We pushed ahead with construction of the coordinated joint operation mechanism in the asset management business, and enhanced value creation capability along the whole business chain. We kick-started construction of the revolutionary enterprise data application system on all fronts, in order to give full effect to the big data's fundamental and leading role in risk control, marketing, product innovation and management decision-making. We achieved positive progress in the establishment of the new credit operation and monitoring system, and through combination of the Bank's risk management experience and the big data technology, further reinforced the strength of dynamic risk monitoring and real-time risk control. We reformed the credit operation management system in some pilot branches which has highlighted the importance of risk orientation, expert loan management and matching between rights and responsibilities. We are forging a new operation management system for the interbank and bill businesses in light of the needs of business transformation and the new regulatory environment, which enriches and broadens the source of income while strengthening the substantive risk control. We accelerated optimization of the outlet layout and renovation of outlet functions in an effort to foster online-offline integrated development and build competitive strength. During the first half year, the Bank optimized the layout of nearly 700 outlets and renovated 3,619 outlets into smart outlets. We promoted the application of more concise and efficient service procedures and new business models across the Bank's outlets, and further improved the customer experience. Targeting mainly the city branches, we launched the competitiveness improvement strategy across various institutions, promoted unleashing of the operating vitality, and greatly enhanced the innovation capability and management efficiency.

The Bank's steady development against the complicated operating conditions won recognitions in the market. During the first half year, the Bank won dozens of awards from influential domestic and overseas media and famous awarding institutions. In particular, we were ranked the 1st place among the Global 2000 selected by *Forbes*, and topped the sub-list of commercial banks elected by the US magazine *Fortune* and the Top 1000 World Banks elected by *The Banker* for the fourth successive year.


In May 2016, Mr. Jiang Jianqing resigned from the positions of the Bank's Chairman and Executive Director due to his age. As the Bank's first Chairman since the Bank's joint stock reform and listing, Mr. Jiang Jianqing has insightful and thorough understanding about the global economic situations and the development rules of banks. Under his leadership and thanks to his excellent strategic steering capability and great management wisdom, the Bank smoothly completed the joint stock reform and the listing on the A-share and H-share markets, set up a modern corporate governance structure and a commercial banking-focused, cross-market and diversified business structure, and gradually evolved from a bank with heavy NPA burden to a leading bank that tops the rest of the world in terms of many metrics. In addition, thanks to the wide international vision and abundant financial experience of Mr. Jiang Jianqing, the Bank actively participated in the international major financial activities and the formulation of international financing rules, making great contribution to the healthy and stable development of the international financial market. Here, I wish to express, on behalf of the Board of Directors, our sincere gratitude to Mr. Jiang Jianqing for his outstanding contributions during his term of office.

In April 2016, Mr. Yi Xiquan resigned from the position of the Bank's Independent Non-executive Director due to work reasons; and in July, Mr. Wang Xiquan resigned from the positions of the Bank's Executive Director and Senior Executive Vice President due to change of job assignment. The Board of Directors wishes to express its sincere gratitude for their diligent work and contribution during their terms of office. The Bank appointed Mr. Yang Siu Shun as the Bank's Independent Non-executive Director through legal procedures, and believes he will play a positive role in strengthening the infrastructure of the Board of Directors.

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## Chairman's Statement

2016 is the 10th anniversary of the Bank's joint stock reform and listing. The past decade represents a golden stage during the Bank's reform and development, during which the Bank achieved both growth of business volume and improvement of quality. At the historic point of time that links the past and the future, we will cherish the phenomenal success achieved over the past decade, clearly understand the risks and challenges on the future development path, boost confidence in facing the economic development conditions, and make big strides on the way of building a modern financial enterprise. At the historic point of time that links the past and the future, we will dare to face all difficulties, avoid being impetuous, insist on full implementation of the blueprint while setting our eyes on new changes in the operating environment, enrich the connotation of business strategies and improve the strategic measures from the perspective of reform and innovation, while pursuing the rigorous implementation of the business strategies. In particular, we will rely more on existing asset migration to boost asset flow and release the asset resources, take a more proactive attitude towards developing businesses that consume less or no capital, cultivate new growth drivers and diversify the sources of income more actively, adjust the channel structure and facilitate intensive operation in a more efficient manner, promote convergence and innovation of technologies with the business more fully, continue to improve capital management and enterprise risk management, pay more attention to credit risk management and maintenance of stable asset quality, support steady, coordinated and sustainable development of all businesses through micro-level vitality, and paint a new bright future through inheritance and innovation.



**Chairman: Yi Huiman**

30 August 2016

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## Discussion and Analysis

### ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

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In the first half of 2016, economic fundamentals did not improve significantly and remained weak across the globe. Despite further mild recovery in economic growth, the downward risk increased. Specifically, the US saw a relatively solid growth in its economy; the European economy resuscitated moderately; Japan faced mounting downward pressure on its economy; and emerging market economies experienced lackluster growth and greater divergence and imbalance internally. Britain's referendum on leaving the EU led to fluctuations in the international financial markets, making foreign exchanges markets more volatile, and causing turbulences in the global stock markets. The commodity markets recovered overall, and the government bond prices of major developed countries rallied stably. The liquidity of the US dollar and the Hong Kong dollar tightened.

In the first half of 2016, China's economy maintained a generally stable development trend, making progress while ensuring stability, and major indicators remained at a stable level. Specifically, China's gross domestic product (GDP) grew by 6.7%. Consumer price index, total retail sales of consumer goods, fixed asset investment and industrial added value of above-scale enterprises rose by 2.1%, 10.3%, 9.0% and 6.0%, respectively, while the total volume of imports and exports decreased by 3.3%.

While maintaining prudent monetary policies, the PBC enhanced well-timed regulation, structural regulation and precise regulation, and strengthened pre-setting and fine-tuning adjustments by flexibly utilizing various monetary policy tools. Meanwhile, a series of measures were taken to maintain liquidity at a reasonably ample level, reduce corporate financing cost, and cultivate a favorable monetary and financial environment for the supply-side structural reform. The PBC flexibly carried out open market operations dominated by reverse repurchase, maintained overall liquidity at a reasonably ample level, and effectively guided market expectations with a relatively stable interest rate of open market operations, in order to enhance liquidity of the banking system and stability of the money market rates. In addition, PBC timely launched standing lending facility operations, provided sufficient short-term liquidity support on demand, and actively leveraged the interest rate of standing lending facility as the cap of interest rate corridor. Through system arrangements such as cutting reserve requirement ratios of targeted financial institutions and evaluating such cuts, the PBC dynamically updated the list of banks granted with favorable reserve requirement ratios, built a positive incentive mechanism, and guided commercial banks to reinforce support to "Sannong" (agriculture, rural areas and farmers) as well as small and micro enterprises.

Money supply expanded on a steady footing in the first half of 2016. At the end of June, the broad money supply (M2) balance was RMB149.05 trillion, representing an increase of 11.8% from the same period of last year. The outstanding RMB loans reached RMB101.49 trillion, representing an increase of 14.3%. The balance of RMB deposits reached RMB146.24 trillion, up 10.9%. The increase in social financing scale was RMB9.75 trillion in the first half of the year. The Shanghai Composite Index and the Shenzhen Component Index both dropped by 17.2%. The market capitalization of the free float stocks on the Shanghai and Shenzhen stock markets decreased by 23.0%. The cumulative amount of bonds issued in the bond market reached RMB18.0 trillion, representing an increase of 110.2% as compared to the same period of last year. The central parity of RMB against the US dollar was RMB6.6312, representing a depreciation of 2.08% from the end of the previous year. The yield of short-term government bonds in the interbank market went up after a decline, while that of long-term bonds maintained basic stability.

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## Discussion and Analysis

Asset scale of the banking industry grew steadily. At the end of June 2016, the total assets of banking financial institutions (corporate) were RMB218.00 trillion, representing an increase of 15.66% as compared to the same period of last year. The balance of NPLs of commercial banks reached RMB1,437.3 billion; NPL ratio was 1.75%; allowance to NPL was 175.96%; core tier 1 capital adequacy ratio (CAR), tier 1 CAR and CAR were 10.69%, 11.10% and 13.11% respectively.

Looking ahead, any subsequent development of Brexit will continue to influence the global economy and international financial markets in the second half of 2016. The Federal Reserve will be more prudent in raising interest rate. Europe and Japan will face gradually growing adversities in their economies. Emerging markets will embrace more challenges. Changes in risk aversion sentiment in the markets will largely determine the landscape of global currency, stock, bond and commodity markets in the second half of the year. The Chinese economy is undergoing structural adjustment and the supply-side structural reform. Though confronted with many challenges, the fundamentals that the Chinese economy will grow for the better in the long run remain unchanged. The economy will continue to be featured by great resilience, potential and room for maneuver. Sound foundation and conditions for continual economic growth will remain unchanged and there will be further economic structural adjustment and improvement. Boosted by a series of reform measures including streamlining administration and delegating more power, new driving forces for growth are taking shape, private entrepreneurship and innovation are booming, many new forms of business, new modes and new areas are flourishing, and the internal vitality of some areas will grow stronger. There is huge potential in the development of public services with the consumption and service sectors becoming important engines for stable economic growth.

## FINANCIAL STATEMENTS ANALYSIS

### Income Statement Analysis

In the first half of 2016, amidst the rigorous external operating environment, the Bank accelerated the operational transformation on the basis of supporting the real economy and satisfying customers' financial needs, continuously promoted product innovation and service enhancement, and implemented strict cost management and risk prevention and control, maintaining a steady operating trend on the whole. The Bank realized a net profit of RMB150,656 million in the first half of 2016, representing an increase of 0.8% as compared to the same period of last year. Annualized return on average total assets stood at 1.32%, and annualized return on weighted average equity was 16.83%. Operating income amounted to RMB328,981 million, representing a decrease of 2.3%, mainly due to the decrease of net interest income by 7.1% to RMB234,280 million as affected by the fall of interest margin. Non-interest income reached RMB94,701 million, representing an increase of 11.9%. Operating expenses amounted to RMB90,594 million, representing a decrease of 10.7%, and the cost-to-income ratio dropped to 23.44%. Allowance for impairment losses was RMB44,433 million, representing an increase of 5.9%. Income tax expense reduced by 1.8% to RMB44,419 million.

### CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	Six months ended 30 June 2016	Six months ended 30 June 2015	Increase/ (decrease)	Growth rate (%)
Net interest income	234,280	252,087	(17,807)	(7.1)
Non-interest income	94,701	84,650	10,051	11.9
Operating income	328,981	336,737	(7,756)	(2.3)
Less: Operating expenses	90,594	101,499	(10,905)	(10.7)
Less: Impairment losses	44,433	41,951	2,482	5.9
Operating profit	193,954	193,287	667	0.3
Share of profits of associates and joint ventures	1,121	1,391	(270)	(19.4)
Profit before taxation	195,075	194,678	397	0.2
Less: Income tax expense	44,419	45,252	(833)	(1.8)
Net profit	150,656	149,426	1,230	0.8
Attributable to: Equity holders of the parent company	150,217	149,021	1,196	0.8
Non-controlling interests	439	405	34	8.4

### Net Interest Income

In the first half of 2016, net interest income fell by RMB17,807 million or 7.1% to RMB234,280 million as compared to the same period of the previous year. Interest income dropped by RMB42,067 million or 9.6% to RMB395,228 million and interest expenses decreased by RMB24,260 million or 13.1% to RMB160,948 million. Net interest spread and net interest margin came at 2.07% and 2.21%, 27 basis points and 32 basis points lower than those of the same period of last year, respectively. During the reporting period, net interest income dropped to some extent as compared to the same period of last year, due to multiple factors such as the emerging influence of five times of interest cut and the release of the upper limit of the floating range for deposit interest rates by PBC in 2015, downturn of the market interest rate and complete launch of the pilot financial sector policy of "replacement of business tax with VAT" by MOF since 1 May 2016.

## Discussion and Analysis

### AVERAGE YIELD OF INTEREST-GENERATING ASSETS AND AVERAGE COST OF INTEREST-BEARING LIABILITIES

In RMB millions, except for percentages

Item	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
<b>Assets</b>						
Loans and advances to customers	12,286,073	270,749	4.43	11,334,692	311,862	5.55
Investment	4,781,923	87,675	3.69	4,169,349	82,664	4.00
Investment in bonds not related to restructuring	4,588,736	85,552	3.75	3,972,221	80,463	4.08
Investment in bonds related to restructuring <sup>(2)</sup>	193,187	2,123	2.21	197,128	2,201	2.25
Due from central banks <sup>(3)</sup>	2,831,848	21,730	1.54	3,302,124	24,538	1.50
Due from banks and other financial institutions <sup>(4)</sup>	1,382,905	15,074	2.19	1,316,323	18,231	2.79
<b>Total interest-generating assets</b>	<b>21,282,749</b>	<b>395,228</b>	<b>3.73</b>	<b>20,122,488</b>	<b>437,295</b>	<b>4.38</b>
Non-interest-generating assets	1,713,176			1,489,681		
Allowance for impairment losses	(286,114)			(266,197)		
<b>Total assets</b>	<b>22,709,811</b>			<b>21,345,972</b>		
<b>Liabilities</b>						
Deposits	16,373,524	129,967	1.60	15,201,636	151,971	2.02
Due to banks and other financial institutions <sup>(4)</sup>	2,696,569	22,598	1.69	2,657,016	25,428	1.93
Debt securities issued	486,426	8,383	3.47	418,878	7,809	3.76
<b>Total interest-bearing liabilities</b>	<b>19,556,519</b>	<b>160,948</b>	<b>1.66</b>	<b>18,277,530</b>	<b>185,208</b>	<b>2.04</b>
Non-interest-bearing liabilities	1,348,427			1,474,517		
<b>Total liabilities</b>	<b>20,904,946</b>			<b>19,752,047</b>		
<b>Net interest income</b>		<b>234,280</b>			<b>252,087</b>	
<b>Net interest spread</b>			<b>2.07</b>			<b>2.34</b>
<b>Net interest margin</b>			<b>2.21</b>			<b>2.53</b>

Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses represent the average of the balances at the beginning of the period and at the end of the period.

(2) Investment in bonds related to restructuring includes Huarong bonds and special government bond. Please see "Note 21. (a) to the Financial Statements: Receivables" for details.

(3) Due from central banks mainly includes mandatory reserves and surplus reserves with central banks.

(4) 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.



### ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSE

In RMB millions

Item	Comparison between six months ended 30 June 2016 and 30 June 2015		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
<b>Assets</b>			
Loans and advances to customers	22,014	(63,127)	(41,113)
Investment	11,568	(6,557)	5,011
Investment in bonds not related to restructuring	11,607	(6,518)	5,089
Investment in bonds related to restructuring	(39)	(39)	(78)
Due from central banks	(3,465)	657	(2,808)
Due from banks and other financial institutions	770	(3,927)	(3,157)
<b>Changes in interest income</b>	<b>30,887</b>	<b>(72,954)</b>	<b>(42,067)</b>
<b>Liabilities</b>			
Deposits	9,745	(31,749)	(22,004)
Due to banks and other financial institutions	341	(3,171)	(2,830)
Debt securities issued	1,178	(604)	574
<b>Changes in interest expenses</b>	<b>11,264</b>	<b>(35,524)</b>	<b>(24,260)</b>
<b>Impact on net interest income</b>	<b>19,623</b>	<b>(37,430)</b>	<b>(17,807)</b>

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 resulting from the combination of volume and interest rate have been allocated to the changes resulted from business volume.

### Interest Income

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

Interest income on loans and advances to customers was RMB270,749 million, representing a decrease of RMB41,113 million or 13.2% as compared to the same period of last year, principally due to the decrease of average yield by 112 basis points. The interest rates of new loans and repriced existing loans during the reporting period were largely lower than that of the same period of last year, arising from five times of benchmark interest rate cut of RMB loans by PBC in 2015. The pilot financial sector policy of “replacement of business tax with VAT” launched since 1 May 2016 also resulted in the decrease of interest income on loans and advances to customers to some extent as compared to the same period of last year.

### ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY MATURITY STRUCTURE

In RMB millions, except for percentages

Item	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	4,004,097	74,433	3.74	3,862,135	91,723	4.79
Medium to long-term loans	8,281,976	196,316	4.77	7,472,557	220,139	5.94
<b>Total loans and advances to customers</b>	<b>12,286,073</b>	<b>270,749</b>	<b>4.43</b>	<b>11,334,692</b>	<b>311,862</b>	<b>5.55</b>

## Discussion and Analysis

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

In RMB millions, except for percentages

Item	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	7,149,759	167,945	4.72	7,029,913	204,597	5.87
Discounted bills	568,968	10,110	3.57	373,525	9,577	5.17
Personal loans	3,625,869	76,150	4.22	3,113,081	82,958	5.37
Overseas business	941,477	16,544	3.53	818,173	14,730	3.63
<b>Total loans and advances to customers</b>	<b>12,286,073</b>	<b>270,749</b>	<b>4.43</b>	<b>11,334,692</b>	<b>311,862</b>	<b>5.55</b>

#### ◆ Interest Income on Investment

Interest income on investment amounted to RMB87,675 million, representing an increase of RMB5,011 million or 6.1% as compared to the same period of last year. Specifically, interest income on investment in bonds not related to restructuring was RMB85,552 million, representing an increase of RMB5,089 million or 6.3%, mainly because the Bank proactively optimized its investment strategy, appropriately arranged investment plans and increased bond investment moderately during the reporting period. The interest rate in bond market was lower than that of the same period of last year and the average yield of investment in bonds not related to restructuring dropped by 33 basis points during the reporting period.

Interest income on investment in bonds related to restructuring arrived at RMB2,123 million, indicating a slight decrease as compared to the same period of last year, because of advance repayment of part of the Huarong bonds in December 2015 resulting in a decrease in the average balance during the reporting period.

#### ◆ Interest Income on Due From Central Banks

Interest income on due from central banks was RMB21,730 million, recording a decrease of RMB2,808 million or 11.4% as compared to the same period of last year, mainly because PBC cut deposit reserve ratio many times in 2015, and the daily average balance of due from central banks reduced by RMB470,276 million as compared to the same period of last year.

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

Interest income on due from banks and other financial institutions was RMB15,074 million, representing a decrease of RMB3,157 million or 17.3% as compared to the same period of last year, principally due to the drop of 60 basis points in the average yield of due from banks and other financial institutions as affected by the downturn of market interest rate during the reporting period.

## Interest Expense

#### ◆ Interest Expense on Deposits

Interest expense on deposits amounted to RMB129,967 million, representing a decrease of RMB22,004 million or 14.5% as compared to the same period of last year, principally due to PBC lowering the RMB benchmark deposit interest rates five times in 2015, resulting in a decrease of 42 basis points in the average cost.

### ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Time deposits	3,653,960	47,091	2.59	3,615,510	59,213	3.30
Demand deposits <sup>(1)</sup>	4,469,017	14,238	0.64	3,882,374	14,797	0.77
<b>Subtotal</b>	<b>8,122,977</b>	<b>61,329</b>	<b>1.52</b>	<b>7,497,884</b>	<b>74,010</b>	<b>1.99</b>
<b>Personal deposits</b>						
Time deposits	4,237,829	58,862	2.79	4,043,796	67,840	3.38
Demand deposits	3,427,388	5,139	0.30	3,082,010	5,344	0.35
<b>Subtotal</b>	<b>7,665,217</b>	<b>64,001</b>	<b>1.68</b>	<b>7,125,806</b>	<b>73,184</b>	<b>2.07</b>
<b>Overseas business</b>	<b>585,330</b>	<b>4,637</b>	<b>1.59</b>	<b>577,946</b>	<b>4,777</b>	<b>1.67</b>
<b>Total deposits</b>	<b>16,373,524</b>	<b>129,967</b>	<b>1.60</b>	<b>15,201,636</b>	<b>151,971</b>	<b>2.02</b>

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 RMB22,598 million, representing a decrease of RMB2,830 million or 11.1% as compared to the same period of last year, principally due to the drop of 24 basis points in the average cost of due to banks and other financial institutions as affected by the downturn of market interest rate during the reporting period.

#### ♦ Interest Expense on Debt Securities Issued

Interest expense on debt securities issued was RMB8,383 million, indicating an increase of RMB574 million or 7.4% as compared to the same period of last year, mainly attributable to the issuance of financial bonds, bills and CDs by overseas institutions. Please refer to "Note 31. to the Financial Statements: Debt Securities Issued" for details of the debt securities issued by the Bank.

### Non-interest Income

The Bank actively optimized income structure. In the first half of 2016, the Bank realized non-interest income of RMB94,701 million, RMB10,051 million or 11.9% higher than that of the same period of the previous year. The non-interest income took up 28.8% of the operating income, up 3.7 percentage points. Specifically, net fee and commission income grew by 6.0% to RMB81,715 million, and other non-interest income grew by 72.5% to RMB12,986 million.

## Discussion and Analysis

### NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2016	Six months ended 30 June 2015	Increase/ (decrease)	Growth rate (%)
Personal wealth management and private banking services	20,877	19,051	1,826	9.6
Bank card business	18,859	18,684	175	0.9
Investment banking business	16,109	15,197	912	6.0
Settlement, clearing business and cash management	13,787	15,015	(1,228)	(8.2)
Corporate wealth management services	11,276	9,235	2,041	22.1
Asset custody business	3,965	2,732	1,233	45.1
Guarantee and commitment business	3,195	2,702	493	18.2
Trust and agency services	1,105	1,147	(42)	(3.7)
Others	1,643	1,567	76	4.9
<b>Fee and commission income</b>	<b>90,816</b>	<b>85,330</b>	<b>5,486</b>	<b>6.4</b>
<b>Less: Fee and commission expense</b>	<b>9,101</b>	<b>8,210</b>	<b>891</b>	<b>10.9</b>
<b>Net fee and commission income</b>	<b>81,715</b>	<b>77,120</b>	<b>4,595</b>	<b>6.0</b>

Continuously centered on customer demands, the Bank promoted innovation in products, services and channels, carried out inclusive finance and offered greater discounts for settlement business, propelling strategic transformation and development of retail, asset management, investment banking and other businesses. In the first half of 2016, the Bank realized fee and commission income of RMB90,816 million, representing an increase of RMB5,486 million or 6.4% as compared to the same period of last year. Specifically, income from personal wealth management and private banking services amounted to RMB20,877 million, increasing by RMB1,826 million or 9.6%, mainly due to the increase of income from agency personal insurance business; and income from corporate wealth management services rose by RMB2,041 million or 22.1% to RMB11,276 million, mainly due to the increase in investment management fee of corporate wealth management products and income from agency bond issuance and underwriting.

Income from settlement, clearing business and cash management was RMB13,787 million, falling by RMB1,228 million or 8.2%. The Bank continued to reduce fees and share profits with the real economy and consumers, and offered greater discounts and reductions for settlement business, resulting in the decrease of income from personal RMB settlement business. Meanwhile, international settlement income slid down as compared to the same period of last year, owing to the continued depression in import and export trade.

Fee and commission expense increased by RMB891 million or 10.9% to RMB9,101 million mainly as a result of the rise in commission expense on fee-based businesses due to their development.

### OTHER NON-INTEREST RELATED GAIN

In RMB millions, except for percentages

Item	Six months ended 30 June 2016	Six months ended 30 June 2015	Increase/ (decrease)	Growth rate (%)
Net trading income	3,334	2,165	1,169	54.0
Net loss on financial assets and liabilities designated at fair value through profit or loss	(253)	(5,082)	4,829	N/A
Net gain on financial investments	2,565	2,613	(48)	(1.8)
Other operating income, net	7,340	7,834	(494)	(6.3)
<b>Total</b>	<b>12,986</b>	<b>7,530</b>	<b>5,456</b>	<b>72.5</b>

Other non-interest related gain was RMB12,986 million, recording an increase of RMB5,456 million or 72.5% compared to the same period of the previous year. Specifically, net trading income increased by RMB1,169 million to RMB3,334 million, mainly driven by interest income from held-for-trading interbank CDs. Net loss on financial assets and liabilities designated at fair value through profit or loss declined by RMB4,829 million, mainly because a decrease in the size of structural deposits led to a corresponding reduction in payment to customers.

### Operating Expenses

#### OPERATING EXPENSES

In RMB millions, except for percentages

Item	Six months ended 30 June 2016	Six months ended 30 June 2015	Increase/ (decrease)	Growth rate (%)
Staff costs	49,323	50,103	(780)	(1.6)
Premises and equipment expenses	13,516	14,732	(1,216)	(8.3)
Business tax and surcharges	13,467	21,667	(8,200)	(37.8)
Amortisation	1,073	1,183	(110)	(9.3)
Others	13,215	13,814	(599)	(4.3)
<b>Total</b>	<b>90,594</b>	<b>101,499</b>	<b>(10,905)</b>	<b>(10.7)</b>

The Bank duly exercised strict cost control and management and continued to boost its operating efficiency. In the first half of 2016, operating expenses recorded at RMB90,594 million, RMB10,905 million or 10.7% lower than that of the same period of last year. Cost-to-income ratio declined by 0.27 percentage points to 23.44%. Business tax and surcharges were RMB13,467 million, dropping by RMB8,200 million or 37.8%, principally because the Bank replaced the business tax with VAT since 1 May 2016, resulting in the decrease of business tax expense.

### Impairment Losses

In the first half of 2016, the Bank set aside an allowance for impairment losses of RMB44,433 million, an increase of RMB2,482 million or 5.9% as compared to the same period of last year. Specifically, the allowance for impairment losses on loans was RMB43,891 million, indicating an increase of RMB1,939 million or 4.6%. 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.

## Discussion and Analysis

### Income Tax Expense

Income tax expense decreased by RMB833 million to RMB44,419 million as compared to the same period of last year. The effective tax rate was 22.8%. Please see “Note 11. to the Financial Statements: Income Tax Expense” for the reconciliation of income tax expense applicable to profit before taxation at the PRC statutory income tax rate and the effective income tax rate.

### Segment Information

The Bank’s principal operating segments include corporate banking, personal banking and treasury operations. The Bank adopts MOVA (the Management of Value Accounting) 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 2016		Six months ended 30 June 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	162,310	49.4	163,683	48.6
Personal banking	121,281	36.9	123,821	36.8
Treasury operations	43,620	13.3	46,969	13.9
Others	1,770	0.4	2,264	0.7
<b>Total operating income</b>	<b>328,981</b>	<b>100.0</b>	<b>336,737</b>	<b>100.0</b>

Note: Please see “Note 46. to the Financial Statements: Segment Information”.

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

#### SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	Six months ended 30 June 2016		Six months ended 30 June 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	36,901	11.2	41,821	12.4
Yangtze River Delta	59,277	18.0	59,375	17.6
Pearl River Delta	40,890	12.4	41,158	12.2
Bohai Rim	62,510	19.0	62,337	18.5
Central China	41,520	12.6	42,322	12.6
Western China	50,271	15.3	51,998	15.4
Northeastern China	14,981	4.6	15,857	4.7
Overseas and others	22,631	6.9	21,869	6.6
<b>Total operating income</b>	<b>328,981</b>	<b>100.0</b>	<b>336,737</b>	<b>100.0</b>

Note: Please see “Note 46. to the Financial Statements: Segment Information” for the Bank’s classification of geographic regions.

## Balance Sheet Analysis

In the first half of 2016, the Bank timely adjusted its business strategy based on the external macroeconomic environment, and improved the asset and liability structure to maintain coordinated development of deposit and loan business. The Bank also strengthened liquidity management and interest rate pricing management and strived to enhance the efficiency of resource allocation for assets and liabilities.

### Assets Deployment

As at the end of June 2016, total assets of the Bank amounted to RMB23,524,327 million, RMB1,314,547 million or 5.9% higher than that at the end of the previous year. Specifically, total loans and advances to customers (collectively referred to as “total loans”) increased by RMB743,851 million or 6.2%, investment increased by RMB505,682 million or 10.1%, and cash and balances with central banks increased by RMB272,060 million or 8.9%. In terms of structure, net loans and advances to customers accounted for 52.7% of total assets; investment accounted for 23.4%; and cash and balances with central banks accounted for 14.2%.

#### ASSETS DEPLOYMENT

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	12,677,317	—	11,933,466	—
Less: Allowance for impairment losses on loans	280,756	—	280,654	—
Loans and advances to customers, net	12,396,561	52.7	11,652,812	52.5
Investment	5,515,645	23.4	5,009,963	22.5
Cash and balances with central banks	3,331,693	14.2	3,059,633	13.8
Due from banks and other financial institutions	628,754	2.7	683,793	3.1
Reverse repurchase agreements	723,379	3.1	996,333	4.5
Others	928,295	3.9	807,246	3.6
<b>Total assets</b>	<b>23,524,327</b>	<b>100.0</b>	<b>22,209,780</b>	<b>100.0</b>

### Loan

In the first half of 2016, the Bank improved the whole-process management on incremental credit and existing credit, credit and non-credit financing services, and constantly innovated services to support the enhancement of the quality and efficiency of the real economy, echoing the changes in macroeconomic environment and financial regulatory requirements. The Bank took the initiative to connect with the national and provincial key projects and major projects, proactively supported the construction of national key projects in the “Three Supporting Belts” and continuously promoted the optimization and adjustment of credit structure for industries. Moreover, it launched the financial service mode of combination of offline franchise and online standardization for small and micro enterprises in an innovative manner, and actively bolstered the rational credit demands and consumption upgrade of residents. As at the end of June 2016, total loans amounted to RMB12,677,317 million, representing an increase of RMB743,851 million or 6.2% from the end of the previous year, of which, RMB-denominated loans of domestic branches increased by RMB556,891 million or 5.3% to RMB11,154,927 million.

## Discussion and Analysis

### DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	8,134,402	64.2	7,869,552	65.9
Discounted bills	671,289	5.3	522,052	4.4
Personal loans	3,871,626	30.5	3,541,862	29.7
<b>Total</b>	<b>12,677,317</b>	<b>100.0</b>	<b>11,933,466</b>	<b>100.0</b>

### DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	2,843,005	35.0	2,885,948	36.7
Medium to long-term corporate loans	5,291,397	65.0	4,983,604	63.3
<b>Total</b>	<b>8,134,402</b>	<b>100.0</b>	<b>7,869,552</b>	<b>100.0</b>

### DISTRIBUTION OF CORPORATE LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Working capital loans	3,451,431	42.5	3,454,731	43.9
Including: Trade finance	614,099	7.5	670,325	8.5
Project loans	4,175,507	51.3	3,936,017	50.0
Property loans	507,464	6.2	478,804	6.1
<b>Total</b>	<b>8,134,402</b>	<b>100.0</b>	<b>7,869,552</b>	<b>100.0</b>

Corporate loans rose by RMB264,850 million or 3.4% from the end of last year. In terms of product type, working capital loans reduced by RMB3,300 million, mainly because of the decrease in enterprises' credit demands for working capital as affected by slowdown of the macroeconomic growth and decrease in market demands; project loans increased by RMB239,490 million or 6.1%, mainly due to the continuous support for national key projects under construction and continuing projects.

Discounted bills rose by RMB149,237 million or 28.6% compared with the end of last year, principally because the Bank moderately increased its asset allocation to discounted bills to satisfy management needs of asset-liability portfolios.



### DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgages	2,861,559	73.9	2,516,197	71.1
Personal consumption loans	294,890	7.6	311,075	8.8
Personal business loans	282,347	7.3	295,091	8.3
Credit card overdrafts	432,830	11.2	419,499	11.8
<b>Total</b>	<b>3,871,626</b>	<b>100.0</b>	<b>3,541,862</b>	<b>100.0</b>

Personal loans augmented by RMB329,764 million or 9.3% from the end of last year. Specifically, residential mortgages grew by RMB345,362 million or 13.7%, mainly because the Bank actively supported the citizens' borrowing requirement for house purchase in line with the adjustment of governmental property policy. Personal consumption loans dropped by RMB16,185 million or 5.2%, principally because the Bank strengthened management on the purpose of personal consumption loans and actively adjusted the credit product structure. Personal business loans declined by RMB12,744 million or 4.3%, mainly dragged down by the decreasing demand of some small and micro business owners for effective financing as affected by the slowdown of macroeconomic growth. Credit card overdrafts grew by RMB13,331 million or 3.2%, primarily attributable to a stable growth in the number of credit cards issued and their consumption volume as well as the development of credit card installment business.

Please see "Discussion and Analysis — Risk Management" for detailed analysis of the Bank's loans and their quality.

### Investment

In the first half of 2016, the Bank duly adjusted its investment and trading strategy, optimized the investment portfolio structure in adherence to the trends in financial markets, and moderately scaled up investment on the basis of guaranteeing liquidity and controllable risk. As at the end of June 2016, investment amounted to RMB5,515,645 million, representing an increase of RMB505,682 million or 10.1% from the end of the previous year.

### INVESTMENT

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Debt instruments</b>	<b>5,262,434</b>	<b>95.4</b>	<b>4,775,767</b>	<b>95.3</b>
Investment in bonds not related to restructuring	5,028,953	91.2	4,548,687	90.8
Investment in bonds related to restructuring	193,187	3.5	193,187	3.9
Other debt instruments	40,294	0.7	33,893	0.6
<b>Equity instruments and others</b>	<b>253,211</b>	<b>4.6</b>	<b>234,196</b>	<b>4.7</b>
<b>Total</b>	<b>5,515,645</b>	<b>100.0</b>	<b>5,009,963</b>	<b>100.0</b>

Investment in bonds not related to restructuring amounted to RMB5,028,953 million, RMB480,266 million or 10.6% higher than that at the end of last year. Investment in bonds related to restructuring stood at RMB193,187 million, remaining unchanged as compared to the end of last year. For details of the investment in bonds related to restructuring, please refer to "Note 21.(a) to the Financial Statements: Receivables".

## Discussion and Analysis

### DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY ISSUERS

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	2,000,243	39.8	1,468,674	32.3
Central bank bills	340,057	6.8	356,425	7.8
Policy bank bonds	1,426,923	28.4	1,513,092	33.3
Other bonds	1,261,730	25.0	1,210,496	26.6
<b>Total</b>	<b>5,028,953</b>	<b>100.0</b>	<b>4,548,687</b>	<b>100.0</b>

In terms of distribution by issuers, government bonds increased by RMB531,569 million or 36.2%, mainly because the Bank rationally increased its investment in local government bonds during the reporting period in line with changes in the bond market supply; and policy bank bonds went down RMB86,169 million or 5.7%, principally due to normal maturity of some policy bank bonds during the reporting period.

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

In RMB millions, except for percentages

Remaining maturity	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Undated <sup>(1)</sup>	267	0.0	141	0.0
Less than 3 months	645,861	12.8	330,174	7.3
3 to 12 months	624,074	12.4	873,122	19.2
1 to 5 years	2,384,666	47.5	2,243,337	49.3
Over 5 years	1,374,085	27.3	1,101,913	24.2
<b>Total</b>	<b>5,028,953</b>	<b>100.0</b>	<b>4,548,687</b>	<b>100.0</b>

Note: (1) Refers to impaired bonds.

In terms of remaining maturity structure, bonds not related to restructuring over 5-year maturity increased by RMB272,172 million and their percentage increased by 3.1 percentage points, mainly because the Bank moderately increased the investment in medium to long-term RMB-denominated bonds at the time point of a relatively high interest rate in line with the trend of market interest rate and extended the duration of investment portfolios to enhance the investment income.

### DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY CURRENCY

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB-denominated bonds	4,732,801	94.1	4,290,104	94.3
USD-denominated bonds	205,153	4.1	176,607	3.9
Other foreign currency bonds	90,999	1.8	81,976	1.8
<b>Total</b>	<b>5,028,953</b>	<b>100.0</b>	<b>4,548,687</b>	<b>100.0</b>

In terms of currency structure, RMB-denominated bonds increased by RMB442,697 million or 10.3%; USD-denominated bonds increased by the equivalent of RMB28,546 million or 16.2%; and other foreign currency bonds increased by the equivalent of RMB9,023 million or 11.0%.

### DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss <sup>(1)</sup>	439,093	8.0	343,272	6.9
Available-for-sale financial assets <sup>(2)</sup>	1,607,498	29.1	1,444,195	28.8
Held-to-maturity investments <sup>(2)</sup>	3,133,551	56.8	2,870,353	57.3
Receivables <sup>(2)</sup>	335,503	6.1	352,143	7.0
<b>Total</b>	<b>5,515,645</b>	<b>100.0</b>	<b>5,009,963</b>	<b>100.0</b>

Notes: (1) Include financial assets held for trading and financial assets designated at fair value through profit or loss.

(2) Please refer to "Note 21. to the Financial Statements: Financial Investment".

As at the end of June 2016, the Group held RMB2,147,091 million of financial bonds<sup>1</sup>, including RMB1,426,923 million of policy bank bonds and RMB720,168 million of bonds issued by banks and non-bank financial institutions, accounting for 66.5% and 33.5% of financial bonds, respectively.

### TOP 10 FINANCIAL BONDS HELD BY THE BANK

In RMB millions, except for percentages

Debt securities	Nominal value	Annual interest rate	Maturity date	Impairment loss
Policy bank bonds 2007	17,300	5.07%	29 November 2017	-
Policy bank bonds 2008	16,210	4.95%	11 March 2018	-
Policy bank bonds 2011	12,860	4.49%	25 August 2018	-
Policy bank bonds 2011	11,425	4.25%	24 March 2018	-
Policy bank bonds 2012	11,420	3.94%	21 August 2019	-
Policy bank bonds 2012	11,300	4.04%	25 June 2022	-
Policy bank bonds 2010	11,050	3.51%	27 July 2020	-
Policy bank bonds 2012	10,990	3.76%	13 July 2019	-
Policy bank bonds 2011	10,740	4.68%	26 September 2016	-
Policy bank bonds 2011	10,505	4.62%	22 February 2021	-

<sup>1</sup> 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.

## Discussion and Analysis

### Liabilities

As at the end of June 2016, total liabilities of the Bank amounted to RMB21,656,550 million, representing an increase of RMB1,247,289 million or 6.1% from the end of the previous year.

#### LIABILITIES

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	17,369,524	80.2	16,281,939	79.8
Due to banks and other financial institutions	2,245,263	10.4	2,265,860	11.1
Repurchase agreements	345,029	1.6	337,191	1.7
Debt securities issued	320,772	1.5	306,622	1.5
Others	1,375,962	6.3	1,217,649	5.9
<b>Total liabilities</b>	<b>21,656,550</b>	<b>100.0</b>	<b>20,409,261</b>	<b>100.0</b>

### Due to Customers

Due to customers is the Bank's main source of funds. In the first half of 2016, proactively responding to the changes in the external environment such as interest rate liberalization and increasingly fierce interbank competition, the Bank improved the differential pricing mechanism for deposit interest rates, and fully utilized its comprehensive advantages in financial services to reinforce marketing towards key deposit customers, and promote steady growth in deposits. As at the end of June 2016, the balance of due to customers was RMB17,369,524 million, representing an increase of RMB1,087,585 million or 6.7% from the end of the previous year. In terms of customer structure, the balance of corporate deposits increased by RMB819,002 million or 9.7%; and the balance of personal deposits increased by RMB289,679 million or 3.8%. In terms of maturity structure, the balance of time deposits increased by RMB318,681 million or 3.9%, while the balance of demand deposits increased by RMB790,000 million or 10.0%.

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

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Corporate deposits</b>				
Time deposits	4,093,814	23.6	3,929,353	24.1
Demand deposits	5,162,202	29.7	4,507,661	27.7
<b>Subtotal</b>	<b>9,256,016</b>	<b>53.3</b>	<b>8,437,014</b>	<b>51.8</b>
<b>Personal deposits</b>				
Time deposits	4,364,820	25.1	4,210,600	25.9
Demand deposits	3,525,973	20.3	3,390,514	20.8
<b>Subtotal</b>	<b>7,890,793</b>	<b>45.4</b>	<b>7,601,114</b>	<b>46.7</b>
<b>Other deposits<sup>(1)</sup></b>	<b>222,715</b>	<b>1.3</b>	<b>243,811</b>	<b>1.5</b>
<b>Total</b>	<b>17,369,524</b>	<b>100.0</b>	<b>16,281,939</b>	<b>100.0</b>

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

### DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	62,190	0.4	74,081	0.5
Yangtze River Delta	3,309,510	19.1	3,185,840	19.5
Pearl River Delta	2,262,275	13.0	2,086,992	12.8
Bohai Rim	4,723,627	27.2	4,339,841	26.6
Central China	2,507,683	14.4	2,374,052	14.6
Western China	2,866,593	16.5	2,717,941	16.7
Northeastern China	976,508	5.6	938,199	5.8
Overseas and others	661,138	3.8	564,993	3.5
<b>Total</b>	<b>17,369,524</b>	<b>100.0</b>	<b>16,281,939</b>	<b>100.0</b>

### DISTRIBUTION OF DUE TO CUSTOMERS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand deposits <sup>(1)</sup>	9,397,341	54.0	8,515,746	52.3
Less than 3 months	2,058,931	11.9	2,133,439	13.1
3 to 12 months	3,798,512	21.9	3,574,017	22.0
1 to 5 years	2,110,931	12.2	2,055,662	12.6
Over 5 years	3,809	0.0	3,075	0.0
<b>Total</b>	<b>17,369,524</b>	<b>100.0</b>	<b>16,281,939</b>	<b>100.0</b>

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

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## Discussion and Analysis

In terms of the currency structure, the balance of RMB deposits amounted to RMB16,367,909 million, which accounted for 94.2% of the total balance of due to customers, RMB931,923 million or 6.0% higher than that at the end of the previous year. The balance of foreign currency deposits was equivalent to RMB1,001,615 million, an increase of RMB155,662 million or 18.4%.

### Shareholders' Equity

As at the end of June 2016, shareholders' equity amounted to RMB1,867,777 million in aggregate, RMB67,258 million or 3.7% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company amounted to RMB1,856,593 million, recording an increase of RMB67,119 million or 3.8%. Please refer to the "Financial Statements: Consolidated Statement of Changes in Equity" for details.

For details of off-balance sheet items, please refer to "Note 41. to the Financial Statements: Commitments and Contingent Liabilities".

### Analysis on Statement of Cash Flows

Net cash inflows from operating activities amounted to RMB297,632 million. Specifically, net cash outflows of operating assets rose by RMB289,113 million as compared to the same period of last year and net cash inflows of operating liabilities fell by RMB471,248 million, mainly because the increase in due to banks and other financial institutions generated more cash inflows in the first half of 2015, but cash outflows on the contrary in the first half of 2016.

Net cash outflows from investing activities amounted to RMB426,900 million, of which, cash inflows increased by RMB468,003 million to RMB981,600 million, mainly due to the increase in cash inflows generated from sale and payment of bond investment as compared to the same period of last year; and cash outflows increased by RMB514,913 million to RMB1,408,500 million, mainly due to the increase in cash payment generated from bond investment as compared to the same period of last year.

Net cash inflows from financing activities amounted to RMB3,701 million, of which, cash inflows were RMB460,042 million, mainly due to the issuance of debt securities by overseas institutions; and cash outflows were RMB456,341 million, mainly due to the repayment of debt securities.

## BUSINESS OVERVIEW

### Corporate Banking

In the first half of 2016, the Bank actively responded to the complicated and changing economic and financial environments of China and the rest of the world. It took initiatives to adapt itself to overall requirements of China's economic restructuring, transformation and upgrading, constantly optimized business structure, solidified customer base and improved control of credit risk, thus realizing comprehensive, coordinated and sustainable development of corporate banking.

At the end of June 2016, the Bank maintained 5,621,000 corporate customers, representing an increase of 300,000 from the end of the previous year. According to statistics from PBC, the Bank still had the largest balance of both corporate loans and corporate deposits in the banking industry.

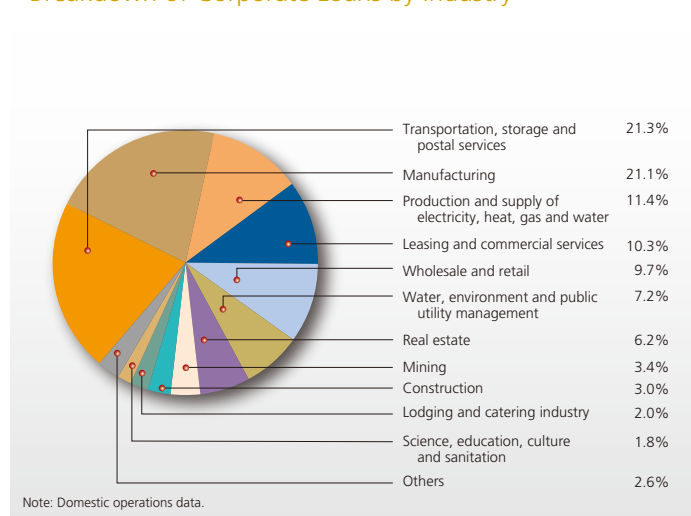
### Corporate Deposits and Loans

- ✦ Leveraging on the large customer base and broad network, the Bank strengthened marketing to industrial chain cluster, urban circle cluster and specific customer cluster to attract their deposits. Besides, the Bank also made good use of its advantages in integrated financial services such as corporate wealth management, cash management, E-banking and credit fund custody. As a result, its market competitiveness in corporate deposits business was further enhanced.
- ✦ Carrying forward the Project on Expanding the Base of Loan Customers, the Bank managed to balance the increase of small, medium and large-sized customers, adjusted the credit structure via reshuffling of customer mix and enhanced its capabilities to serve the real economy with credit business.
- ✦ At the end of June 2016, the balance of corporate loans reached RMB8,134,402 million, representing an increase of RMB264,850 million or 3.4% over the end of the previous year. The balance of corporate deposits hit RMB9,256,016 million, representing an increase of RMB819,002 million or 9.7%

### Small and Medium-Sized Enterprise Business

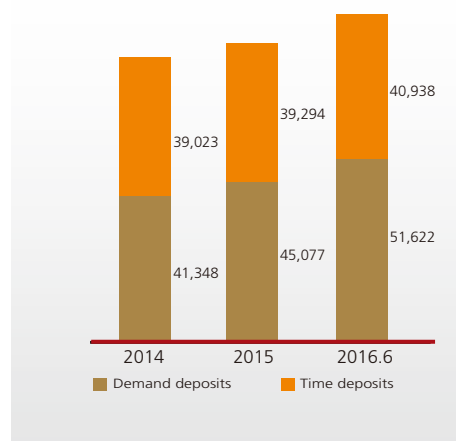
- ✦ The Bank continued to optimize the development model of financial business for small and micro enterprises. It actively promoted the construction of small and micro enterprise banking centers which were integrated and specialized and increased the number of such centers to 179.
- ✦ The Bank vigorously pushed forward product innovation. It developed a series of convenient loan products including "Business e-Loan", Caizhi account/card overdraft and online pledge loan, and the Government Subsidies loan product under the partnership of ICBC and the government, and also established a management system of small and micro enterprise loan product innovations in a bid to provide more flexible financing services for small and micro customers.

### Breakdown of Corporate Loans by Industry



### Growth of Corporate Deposits

Unit: RMB100 millions



## Discussion and Analysis

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

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Loans to small (micro) and medium-sized enterprises</b>	<b>4,859,868</b>	<b>42.4</b>	<b>4,738,830</b>	<b>43.5</b>
Medium-sized enterprises	2,885,622	25.2	2,855,622	26.2
Small and micro enterprises	1,974,246	17.2	1,883,208	17.3

Notes: (1) "Percentage" refers to the proportion against domestic branch loans.

(2) Small and micro enterprise loans include loans granted to small and micro enterprises, loans to privately or individually-owned business and loans to small and micro enterprise owners.

### Institutional Banking

- ✧ The Bank further strengthened people's livelihood related financial services and promoted reform and innovation of interbank business. The Bank kept on leading the market in the number of third-party custody customers and the amount of funds under custody, and also ranked the first in the banking industry in terms of the amount of central finance and government business cards under agency service.
- ✧ The Bank was awarded to be the opening bank of income/expenses account and special fiscal account as well as the cooperative bank in nine of the 13 Chinese provinces or municipalities which have commenced the bidding for pension scheme reform of governmental agencies and administrative institutions, securing a leading position in the banking industry.
- ✧ The Bank was the lead underwriter of local government bonds in all of the 34 Chinese provinces or municipalities which have established underwriting syndicates, ranking the first in the banking industry.

### Settlement and Cash Management

- ✧ The Bank offered comprehensive solutions to enterprises across account and information management, collection and payment, liquidity management and risk management. It debuted lots of innovative products such as Collection Manager, targeted collection and management and centralized payment under the collection and payment service, which enabled various collection and payment functions to meet enterprises' comprehensive treasury service requirements and facilitate liquidity management.
- ✧ The Bank refined global cash management service and innovatively introduced integrated financial services in view of the demands of cutting-edge markets such as globally unified service and cross-border e-commerce, which enriched the content of global cash management.
- ✧ The Bank was awarded the "Best Asian International Cash Management Bank" and the "Best Cash Management Bank in China" by The Asian Banker.
- ✧ At the end of June 2016, the Bank maintained 6,758,000 corporate settlement accounts, representing an increase of 5.6% over the end of the previous year, and the volume of settlements reached RMB1,157 trillion, up 6.6% over the same period of last year. The Bank maintained its leading position in the industry in terms of business scale. The Bank's cash management customers grew by 16.4% over the end of the previous year to 1,478 thousand, including 5,346 global cash management customers recording an 8.8% increase.



## International Settlement and Trade Finance

- ◇ On the strength of its global institutional network and clearing resources, the Bank put a lot of effort in promoting its “ICBC Quick Remittance” business and actively developed the cross-border remittance brand. “ICBC Quick Remittance” business covered 25 countries and regions and its products covered USD, JPY, HKD, AUD and CAD, among other major currencies.
- ◇ The Bank put in place a comprehensive trade financing service platform denominated in local and foreign currencies that targets at both domestic trade and foreign trade, in order to provide all types of trade financing services for its customers worldwide at one stop.
- ◇ In the first half of 2016, domestic branches disbursed an aggregate of USD37.2 billion in international trade finance. International settlements amounted to USD1,198,246 million, of which USD395,667 million was handled by overseas institutions.

## Investment Banking

- ◇ The Bank promoted its equity financing businesses in funds of funds (FOF), government investment funds, mixed ownership reform, public-private-partnership (PPP) projects and industry funds, and offered equity financing advisory service for close to 100 enterprises.
- ◇ The Bank proactively expanded its merger and acquisition (M&A) advisory business. It advised on a series of domestic & overseas M&A projects, e.g. the China Grand Auto’s acquisition of Baoxin Auto Group, the Joyson Electronics’ acquisition of KSS and the Biostime’s acquisition of Australia-based Swisse.
- ◇ The Bank actively expanded its debt financing advisory business by constantly innovating the business model and exploring the customer market. It advised on the structured financing projects of Yunnan Provincial Railway Investment Corporation, Wanxiang Qianchao Co., Ltd. and Chengdu Financial Holding Group.
- ◇ The Bank actively expanded its bond underwriting business and underwrote various debt financing instruments worth RMB794.6 billion as a lead manager in the first half of 2016.
- ◇ In the first half of 2016, the investment banking income reached RMB16,109 million.

## Personal Banking

In the first half of 2016, the Bank pursued the connotative development with equal emphasis upon quantity and quality and continued to promote implementation of the mega retail strategy in an in-depth manner in light of changes in the external environment. It strengthened the innovation of products and services, deepened the transformation of marketing models and focused upon sharpening the market competitiveness of key businesses, thus gradually forming a development mechanism of retail business with long-term effect.

At the end of June 2016, personal financial assets totaled RMB12.09 trillion, representing an increase of RMB504.3 billion compared with the end of last year. Meanwhile, the Bank had 512 million personal customers, including 10.92 million personal loan customers, representing an increase of 15.31 million and 0.48 million from the end of the previous year respectively.

## Personal Deposits

- ◇ The Bank made greater efforts to promote the innovative personal deposit products including CDs for personal customers, “Jie Jie Gao”, “Salary Premium” and “Custody Express” by marketing them to new customers in order to bring in new funds.
- ◇ At the end of June 2016, the balance of the Bank’s personal deposits amounted to RMB7,890,793 million, representing an increase of RMB289,679 million or 3.8% from the end of the previous year, of which personal demand deposits increased by 4.0% and personal time deposits increased by 3.7%.

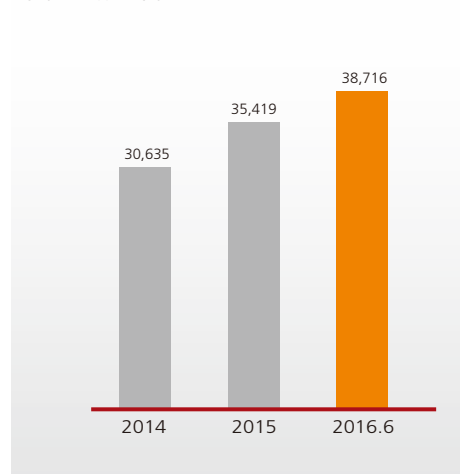
## Discussion and Analysis

### Personal Loans

- With residential mortgages at the core, the Bank actively backed the citizens' requirements of funding for affordable houses and houses for improvement purpose, and vigorously promoted mortgages for first- and second-hand houses and loans for discharging mortgages.
- To support household consumption, the Bank accelerated the innovation and precise marketing of personal consumption loan products. It actively promoted credit businesses such as self-service loan pledged with personal financial assets, comprehensive consumption loan mortgaged with personal house and personal online loan that suit the financing demands of citizens in the new era.
- At the end of June 2016, the balance of the Bank's personal loans amounted to RMB3,871,626 million, representing an increase of RMB329,764 million or 9.3% from the end of the previous year.

### Growth of Personal Loans

Unit: RMB100 millions



### Private Banking

- ICBC Family Wealth Management business was promoted to meet the increasing family wealth management and inheritance demands of ultra-high-net-worth customers and procure the private banking business towards high-end and customized development.
- The Bank innovatively made debut the agency investment service with pledged financial assets, created the uniform view of private banking customers' assets and strengthened financial asset service capabilities for private banking customers.
- At the end of June 2016, the Bank maintained 76,200 private banking customers, representing an increase of 13,800 or 22.1% from the end of the previous year. Assets under management amounted to RMB1.23 trillion, growing by RMB171.3 billion or 16.0% from the end of the previous year.

### Bank Card Business

At the end of June 2016, the Bank issued 790 million bank cards, representing an increase of 44.8 million cards from the end of the previous year. Bank card business income rose by 0.9% compared with the same period of last year to RMB18,859 million.

#### ◆ Credit Card Business

- Greater efforts were made to promote Global Travel Credit Card, Chimelong Co-brand Credit Card, Airline Co-brand Credit Card and Ctrip Co-brand Credit Card, among other business travel credit card products, aiming at increasing the number of good-quality business traveler customers with frequent transactions.
- Featured credit card installment business, e.g. special installment for vehicles, aggregated installment, SMS installment and cash installment, were propelled to meet customers' demands for customized services.
- After ICBC HCE Cloud Quick Pay Credit Card was introduced in 2015, the Bank successively became the issuer of the first batch of credit cards of Apple Pay and Samsung Pay, enabling it to establish a relatively complete mobile phone-based credit card product system.
- At the end of June 2016, the Bank issued 117.79 million credit cards, representing an increase of 8.88 million cards from the end of the previous year. In the first half of 2016, credit cards-based purchase volume increased by 32.4% as compared to the same period of last year to RMB1,397.2 billion. Overdraft balance of credit cards rose by RMB13,331 million or 3.2% from the end of previous year to RMB432,830 million. The Bank outperformed its peers in terms of number of credit cards issued, purchase volume and overdraft balance.

### ◆ *Debit Card Business*

- ◆ The Bank developed mobile payment at faster speed and improved the safety of card use. The cumulative number of chip cards issued made up over half of all the debit cards.
- ◆ The Bank successfully issued cloud-based contactless debit card products of Apple Pay, Samsung Pay and HCE. At the end of June 2016, number of issued debit cards with cloud payment feature ranked the first in the banking industry.
- ◆ At the end of June 2016, the Bank issued 672.76 million debit cards, representing an increase of 35.92 million cards from the end of the previous year.

## Financial Asset Services

Seizing the opportunities arising from customers' wealth increase and capital market growth, the Bank made efforts to establish a mega asset management business system across the whole value chain and enhance its specialized operating capabilities on the strength of the Group's asset management, custody, pension and precious metal businesses, and the functions of its comprehensive subsidiaries specialized in fund, insurance, leasing and investment banking. Thus, the Bank rendered diversified and integrated financial asset services for its customers.

### Wealth Management Services

- ◆ The Bank optimized the structure of wealth management products, promoted the transformation to net-worth products and enlarged the proportion of open-ended and net-worth products.
- ◆ Through innovating in product modalities, the Bank introduced some innovative wealth management products such as principal-guaranteed "Easy-E" series and crude oil price linked products to meet diverse wealth management requirements of customers; it was the first time for the Bank to set an earnings range so that the product earnings could reflect investment return more flexibly.
- ◆ The Bank took fixed-income securities as investment foundation, deeply expanded the sources of projects such as interbank assets and leased assets projects from third parties and built a top-notch quantitative investment team among Chinese banks.
- ◆ At the end of June 2016, the Bank's stock wealth management products increased to RMB2,586,657 million, remaining the largest in the banking industry.

### Asset Custody Services

- ◆ The Bank consolidated its status as the largest custodian bank in China and remained a market leader in respect of major custody products, e.g. securities investment funds, insurance, banking wealth management, enterprise annuities, special fund accounts and global asset custody.
- ◆ The Bank developed a global custody service network, offered a full package of global custody products and established business relations with nearly 120 overseas asset management institutions.
- ◆ The Bank won the "Custodian Bank of the Year" from The Asian Banker.
- ◆ At the end of June 2016, total net value of assets under the Bank's custody increased by 13.0% from the previous year end to RMB13.0 trillion.

## Discussion and Analysis

### Pension Services

- ✧ The Bank introduced innovative marketing approaches and launched active marketing campaigns and project bidding over large customers in the enterprise annuity sector. It promoted the collective enterprise annuity scheme “Ruyi Pension Management” and other key products to win more SME customers.
- ✧ The Bank improved the management of investment with assets under trusteeship, actively carried out analysis, research and judgment of the macro-economic situation and capital markets and strengthened oversight and guidance on the investment management to ensure that the value of pension funds could be preserved and increased.
- ✧ At the end of June 2016, the pension funds under the Bank’s trusteeship amounted to RMB87.6 billion; the Bank managed 16.24 million individual pension accounts, and the pension funds under the Bank’s custody totaled RMB421.4 billion. The Bank led other banks in terms of the scale of enterprise annuity funds under the Bank’s trusteeship, number of individual enterprise annuity accounts and enterprise annuity funds under the Bank’s custody.

### Precious Metal Business

- ✧ To cater for the needs of retail customers to preserve asset value, the Bank mainly marketed its commemorative coins for investment such as Panda Gold and Silver Coins and Chinese Zodiac Coins. The Bank also seized the opportunity brought about by the recent opening of Disney Land in China to engage in agent sales of Disney themed products.
- ✧ The Bank became the gold price fixer of the London Intercontinental Exchange and the centralized price setter of “Shanghai Gold” denominated in RMB at the Shanghai Gold Exchange, which helped improve the cross-border transaction and service capabilities via strengthened cooperation with domestic and foreign institutions.
- ✧ In the first half of 2016, the sum of precious metal business transactions was RMB852.9 billion, representing an increase of 28.8% as compared to the same period of last year. The Bank cleared RMB200.6 billion on behalf of the Shanghai Gold Exchange, ranking No. 1.

### Franchise Treasury Business

- ✧ The Bank actively promoted the development of foreign exchange settlement and sales business. It successfully concluded the first deals of RMB against the South African rand in the interbank foreign exchange market and wrapped up the market making of standardized RMB exchange forwards also in the interbank foreign exchange market, which constantly improved its market making quotation capability. The volume of franchise foreign exchange trading hit USD192.4 billion in the first half of 2016.
- ✧ The Bank continued to enrich the paper trading transactions and rolled out the paper crude oil continuing products. In the first half of 2016, paper trading sized up 48.1% compared with the same period of last year to USD265.2 billion.
- ✧ The Bank actively promoted the agency derivatives trading and vigorously developed the trading of currency derivatives in the “Belt and Road” countries and emerging markets to support the “Going Global” endeavors of enterprises and satisfy customers’ requirements for exchange rate risk management.
- ✧ Agency trading business saw sustained development. The Bank maintained a leading position in the counter-based bond market and recorded rapid growth of bond trading and settlement for and on behalf of foreign customers. In addition, it actively launched the marketing campaigns over the provision of agency service for foreign central banks and commercial institutions to access China’s interbank market, and concluded the first foreign exchange transaction on behalf of a foreign quasi-central bank institution in the domestic interbank market in the first half of 2016.

### Agency Sales

- ✧ By following the changes in customer demands and aligning the product structure and sales strategy with market trends, the Bank managed to develop its agency fund sales on a steady footing. Funds under agency sales amounted to RMB243.5 billion in the first half of 2016.
- ✧ Considering the characteristics of treasury bond products’ yields, the Bank made efforts to attract customers setting low risk appetite. Treasury bonds under agency sales amounted to RMB34.3 billion in the first half of 2016.

- ◇ Availing of the sales advantages of electronic channels such as internet banking, BSM, mobile banking and e-commerce platforms, the Bank secured rapid increase of insurance product sales. In the first half of 2016, the Bank sold RMB254.3 billion worth of insurance products on an agency basis, increasing by 148.3% compared with the same period of last year.

### Treasury Operations

In the first half of 2016, the Bank reasonably arranged for the investment progress, timely adjusted investment and trading strategies, and increased the efficiency of treasury operations in tandem with the financial market trends and the liquidity management needs while putting risks under control.

### Money Market Activities

- ◇ The Bank's liquidity remained ample overall in the first half of 2016. It appropriately increased the RMB lending and offered assorted financing products to meet the liquidity requirements of various institutions in the market and to enhance the fund use efficiency. It also made funds available in advance by well grasping the market trends to ensure the liquidity was safe.
- ◇ The Bank proactively conducted the interbank lending with non-banking financial institutions, to boost the benefits of treasury operations.
- ◇ In the first half of 2016, domestic trading amount in the interbank market was RMB21.99 trillion, of which lending amounted to RMB21.10 trillion. The transaction volume in foreign exchange money markets recorded USD117.1 billion.

### Investment

- ◇ In the first half of 2016, the yield on RMB bonds ascended first and then edged down, while the average yield declined in general. In this context, the Bank appropriately accelerated investment when the interest level was relatively high and optimized the portfolio structure. For example, it actively participated in the investment in local government bonds, innovatively launched the interbank investment and made an effort to vitalize existing investment for higher integrated income. It also strengthened prevention, control and inspection of bonds' credit risk and worked hard on the dynamic management of portfolios.
- ◇ The Bank stepped up proactive management of foreign currency bond portfolio and launched more frequent band operations to earn more spread income. Besides, the Bank properly shortened the duration of foreign currency bond portfolio to ward off interest rate risk.
- ◇ RMB-denominated credit products which had a short maturity and high rating were properly increased in the trading book together with a longer holding term of foreign currency positions, which brought more earnings. In the first half of 2016, the transaction volume of RMB bonds and foreign currency bonds in the trading book scored RMB377.9 billion and USD5.2 billion respectively.

### Financing

- ◇ In line with the fund operation and liquidity management needs, the Bank rationally arranged for the scale and structure of active liabilities including interbank borrowing in the interbank market, short-term time deposits with other banks, interbank CDs and large-denomination CDs in order to enhance the supporting capacity of diverse liabilities to asset business growth.
- ◇ For details on the Bank's CDs and debt securities issued, please refer to "Notes to the Financial Statements: 29. CDs; 31. Debt Securities Issued".

### Internet-based Finance e-ICBC

The Bank continued to promote the upgrading and development of internet-based finance e-ICBC. It established an overall structure governing internet-based finance covering and linking through financial services, e-commerce and social life, which is underpinned by the e-commerce platform ICBC Mall, the instant communication platform ICBC Link, the open-ended online banking platform ICBC Mobile and Internet Financing Center. Moreover, the Bank covered specific customer groups with its ICBC e-Life and ICBC e-Campus. Thus, the Bank created new power to fuel the real economy's quality & efficiency enhancement and also new engine for propelling self-operation transformation.



#### ICBC Mall

The e-commerce platform "ICBC Mall" helps the Bank to gather together customers and merchants, connect trading and financing, innovate in the new-typed customer relationships featuring the integration of finance and commerce, and improve the customer viscosity and activeness.

- The business coverage of ICBC Mall included B2C, B2B and B2G (enterprise and government procurement e-commerce platform), the goods and services available on it covered daily consumer goods and financial products, as well as property, tourism, auto, education and centralized procurement sectors.
- The Bank made greater endeavors in the blue ocean sectors of e-commerce such as B2C property and B2B supply chain financing, introduced the function of B2B asset auction and staged themed marketing events such as "Jewel Festival" and "Top-up Season".

In the first half of 2016, ICBC Mall achieved an accumulative transaction amount of over

RMB **600 billion.**

The "Direct Link to Cross-border e-Commerce" platform was built for automatic processing of a series of businesses, e.g. fund clearing, black list screening and balance of payments declaration.

At the end of June 2016, ICBC Link had close to

**30 million**

registered users.



#### ICBC Link

ICBC Link aims at becoming an interactive platform for instant information exchange, business consultancy, communication and sharing between the Bank and its customers, inside the Bank and among the customers, and developing a new financial service model featuring socialized finance and interactive marketing.

- ICBC Link developed a series of new functions such as AA collection, transfer to good friends and voting for WeChat service numbers. Besides, socialized marketing which was precise and effective was conducted by scanning QR Code and recommending code.



### ICBC Mobile

The Bank established the ICBC Mobile's open-ended network banking by highlighting the open, intelligent and individualized concepts and comprehensively upgrading its brand, functions and services.

- ICBC Mobile application enabled the platform, customers and businesses to open, authorizing non-ICBC customers to register for ICBC Mobile and permitting customers to view all the businesses without login.
- New functions included withdrawing money by scanning QR code, registering for hospital for friends and relatives and remitting money to foreign banks.

At the end of June 2016, number of users of ICBC Mobile application reached

**210 million.**

#### Internet Financing Center

- In respect of standardized small loan service with symmetrical information, the Bank utilized internet and big data to establish the risk control models and realize standardized operations including self-service online operation, automatic business processing and accurate risk monitoring.
- Making use of the overall advantage of "offline institutions plus online data", the Bank gave great impetus to internet financing business development.
- It developed a new product — online unsecured loan for corporate customers and devised the precise marketing and system's automatic review & approval models, thereby accelerating the growth in the internet financing balance of corporate customers.
- At the end of June 2016, internet financing balance exceeded RMB600 billion.

#### Payment Product Line

- The Bank optimized the functions of its payment products, enriched the application scenarios and explored characteristic application scenarios such as fingerprint authentication. Transaction amount under "ICBC e-Payment" surpassed RMB200 billion in the first half of 2016.
- The Bank further diversified the service items under "ICBC e-Bill Payment" to cover those items for the convenience of the people such as water, electricity and gas charges and also those characteristic items such as traffic fines, ETC top-up and training fee payment. The Bank handed out red pockets online to attract new users.

#### Investment and Wealth Management Product Line

- The Bank improved the investment and trading system for individual investors which consisted of a variety of products such as paper precious metals, paper crude oil and paper foreign exchange. Foreign exchange trading and paper foreign exchange products were newly added into "ICBC e Investment". The investment and wealth management product line registered a transaction amount of more than RMB300 billion in the first half of 2016.

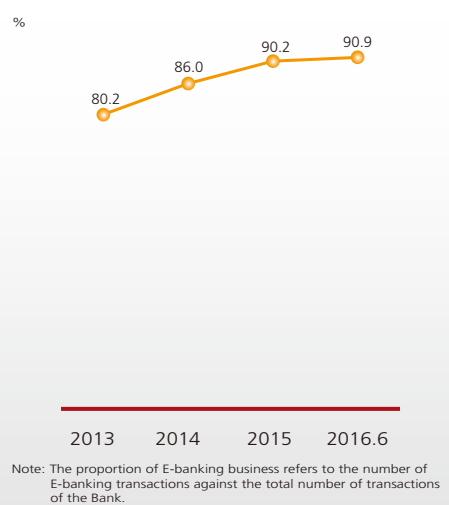
## Discussion and Analysis

### Channel Development and Service Enhancement

#### Channel Development

- ◆ *The Bank promoted layout optimization of offline channels and transformation of business models.*
  - ◇ It further optimized the layout of physical outlets and relocated some outlets in old urban areas to emerging market areas such as development zones, high-tech zones, large new communities and urban complexes. As at the end of June 2016, the Bank had 16,645 physical outlets.
  - ◇ Being customer-centric, the Bank optimized the internal functions of physical outlets to improve the overall utilization efficiency of service facilities and resources in the outlets. As the construction of asset-light outlets moved forward, the Bank reconstructed 623 asset-light outlets during the reporting period.
  - ◇ Combined service process which contained a number of businesses was reformed, while the problems, e.g. customers had to complete too many forms, sign their names and enter passwords for too many times, were resolved through the interactive design of web-pages and the shopping cart operations.
  - ◇ Intellectualized service model was promoted at increasingly more outlets to improve customer experience, enhance service efficiency and strengthen onsite management capabilities. 3,619 outlets completed intellectualized reconstruction during the reporting period.
- ◆ *The Bank accelerated the strategic layout of online channels and functional improvement.*
  - ◇ The Bank researched and developed an open personal internet banking system with optimized pages, transactions and processes at a faster speed in order to provide simple, stable and user-friendly operational experience.
  - ◇ The Bank established a new-generation corporate internet banking service platform and used the Lean Six Sigma (LSS) approach to optimize the registration and enabling process of corporate internet banking.
  - ◇ The Bank initiated the global localization of overseas mobile banking systems to cover more overseas institutions. The Bank also carried out pilot schemes for R&D of mobile banking (new version) in Hong Kong and Macau and introduced the platform-based operating model. The new version of personal internet banking system was successfully rolled out in ICBC (Asia).
  - ◇ The E-banking transaction amount hit RMB284 trillion; the number of E-banking transactions accounted for 90.9% of total transactions of the Bank, rising by 0.7 percentage point from the end of last year.
- ◆ *The Bank advanced the development of a service system with integrated online and offline channels.*
  - ◇ WIFI services at outlets were utilized to support onsite marketing, which made service more convenient. On the basis that the LBS (location-based services) project was successfully implemented, the Bank popularized the outlet reservation service to boost the organic integration of outlets and online channels.

Proportion of E-banking Business



#### Service Enhancement

- ◇ The Bank ameliorated the weak spots that impaired customer experience and improved outlets' services for more pleasant experience. It solicited for customers' comments and suggestions via various channels and tried to tackle the common problems from the source. It strengthened oversight concerning service standardization, improved the service monitoring and appraisal mechanism, established the mechanism for classifying service at outlets into different star levels and built modeling service outlets in a hierarchical manner.
- ◇ The Bank made product innovations in line with customer demands. It invited customers to experience the internet-based financial products and carried out relevant interactive visual design, improved the lean management of products and the project R&D quality and raised the R&D efficiency through the project life cycle management.



### Consumer Protection

- ✧ The Bank fulfilled entity responsibility for complaint handling in a customer-centered way to effectively protect their rights and interests. The customer complaints management mechanism was improved, thus the Bank could timely and properly handle complained matters received through all the channels, which enhanced the customer satisfaction ratio of complaint handling. The Bank strengthened capacity building of specialized personnel and continuously improved the standardized, information-based and refined management of customer complaints.
- ✧ The Bank improved the integrated whole-process consumer protection management mechanism. It took initiative to reinforce the review of consumer protection, experienced and improved financial products and services from consumer's perspective. The Bank also launched a series of intensive and routine financial literacy and education for consumers via new media and conventional approaches.

### Internationalized and Diversified Operation

The Bank steadily advanced internationalized and diversified operation and development, with internationalized operation transforming from denotative expansion to connotative growth and overseas institutions further improving their capabilities for localized operation and sustainable development. Comprehensive subsidiaries which were specialized in fund, leasing, insurance and investment banking delivered stronger profit contributions and strategic synergies to the Group.

- ✧ Leveraging on the growth of investment and financing product lines such as global financing, investment banking and financial leasing, the Bank supported the "Going Global" drive of Chinese-funded enterprises in the aspects of serving the "Belt and Road" initiative, the cooperation in international production capacity and the export of advantageous production capacity. A slew of global key product lines involving foreign exchange business, trade finance, financial markets, investment banking, asset management, private banking and cash management were developed in depth and breadth.
- ✧ At the end of June 2016, the Bank established 412 institutions in 42 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank Group. It also established correspondent banking relationships with 1,608 overseas banking institutions in 148 countries and regions, making its service network cover six continents and important international financial centers around the world. In particular, the Bank maintained 123 institutions in 18 countries and regions along the "Belt and Road" region.
- ✧ ICBC Credit Suisse Asset Management leveraged on its advantage as an all-around asset management platform and saw a steady upturn in all of its businesses, with the assets under management making a record high of over RMB1 trillion. ICBC Leasing actively served the "Belt and Road" initiative and cooperated in international production capacity, with all of the indicators maintaining the first place among peers. By placing equal emphasis on scale and value, ICBC-AXA continued to optimize its business structure and significantly increased its premium income compared with the same period of last year via the internet channel. As a licensed investment bank, ICBC International accelerated transformation and development, enhancing its profitability and sustainable development capability on a steady footing.

## Discussion and Analysis

### MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

Item	Assets (in USD millions)		Profit before tax (in USD millions)		Number of institutions	
	At 30 June 2016	At 31 December 2015	Six months ended 30 June 2016	Six months ended 30 June 2015	At 30 June 2016	At 31 December 2015
	Hong Kong and Macau	153,011	135,988	789	747	110
Asia-Pacific Region (except Hong Kong and Macau)	72,275	67,323	319	400	85	84
Europe	59,192	56,089	49	108	80	78
America	63,778	55,853	304	231	136	134
Africa <sup>(1)</sup>	3,473	3,295	149	220	1	1
Eliminations	(46,885)	(38,718)				
<b>Total</b>	<b>304,844</b>	<b>279,830</b>	<b>1,610</b>	<b>1,706</b>	<b>412</b>	<b>404</b>

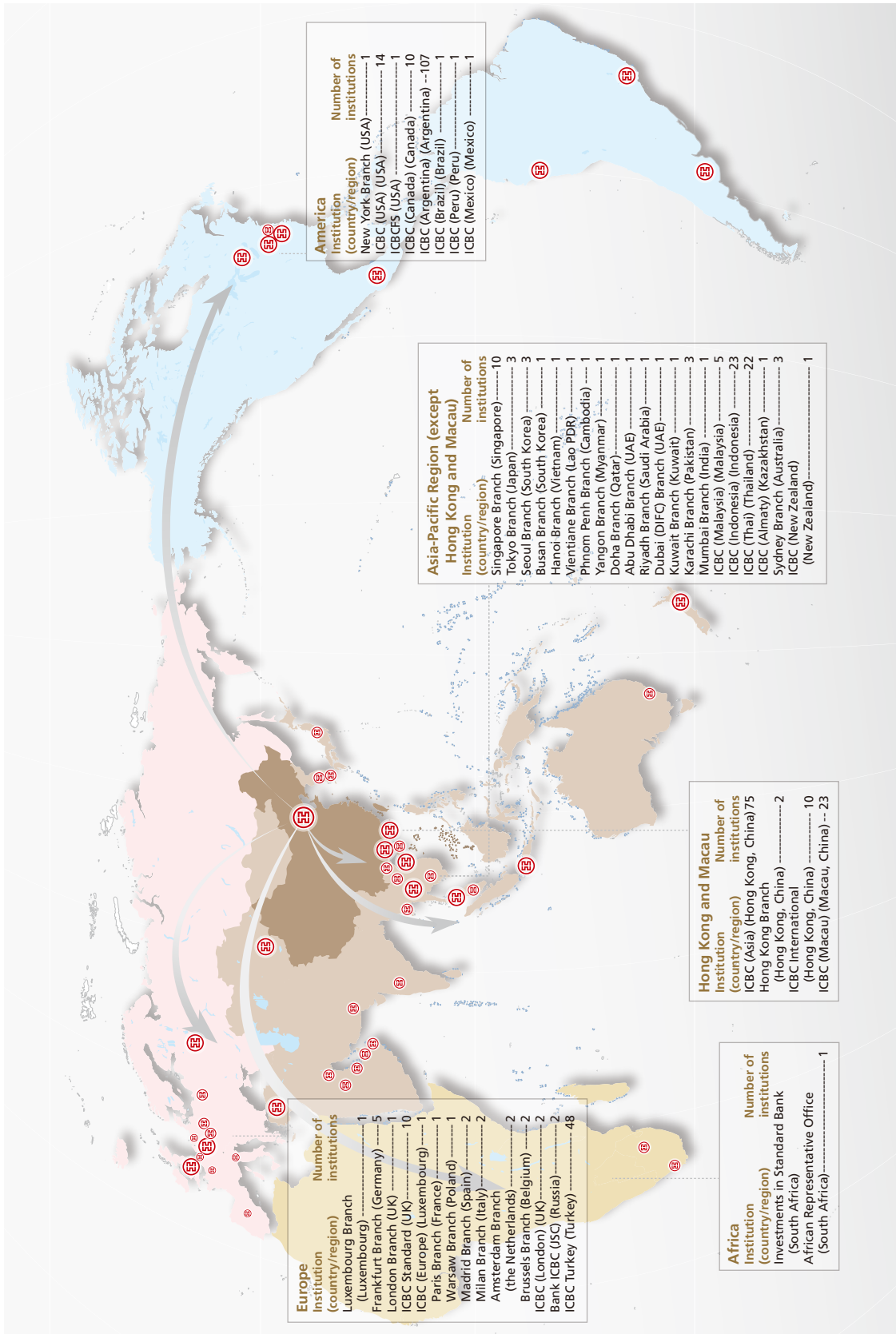
Note: (1) The assets represent the balance of the Bank's investment in Standard Bank and the profit before taxation represents the Bank's gain on investment recognized by the Bank during the reporting period.

✧ At the end of June 2016, total assets of overseas institutions (including overseas branches, subsidiaries and investments in Standard Bank) of the Bank were USD304,844 million, representing an increase of USD25,014 million or 8.9% from the end of the previous year, and they accounted for 8.6% of the Group's total assets. Total loans amounted to USD167,314 million, representing an increase of USD23,254 million or 16.1%, and total deposits were USD99,248 million, representing an increase of USD12,490 million or 14.4%. Profit before taxation during the reporting period was USD1,610 million, decreasing by 5.6% as compared to the same period of last year.

#### ◆ Cross-border RMB Business

- ✧ By virtue of the six overseas RMB clearing banks and the RMB clearing network across 84 countries worldwide, the Bank leveraged on its advantage in the around-the-clock RMB clearing and trading services to push forward its overseas RMB business. The Bank concluded the globally first market-making deal at offshore RMB interest rate, issued the first-ever RMB-denominated CD which was under custody and settled in the U.S. and became the sole American member in China's interbank foreign exchange market and the first RMB clearing bank qualified for dealing with foreign exchange options and currency swaps.
- ✧ The Bank accelerated the marketing of RMB business to foreign sovereign agencies including foreign central banks, finance ministries, international financial organizations and sovereign wealth funds. In return, the Bank became the RMB account bank, the agent bank for settlement of bond and foreign exchange transactions and the lead underwriter of RMB bonds for more than ten foreign central banks or similar institutions.
- ✧ In the first half of 2016, the cross-border RMB business volume reached RMB1.74 trillion.

DISTRIBUTION MAP OF OVERSEAS INSTITUTIONS



### IT-based Banking Development

- ✧ The Bank further boosted the continuous operating capability of its information system services. The intra-city takeover under the model of “three centers in two places” entered into normalized operations, and the intra-city switchover for a three-month period was launched for the first time. The Bank improved the mechanism for rapidly responding to production incidents, stepped up business monitoring, carried out construction of intelligent operation maintenance platforms and ensured safe and stable operation of the information systems.
- ✧ IT-based bank building was propelled actively. The opening, use and management of Category III e-accounts were made possible. The Bank smoothly rolled out the project on “replacement of business tax with VAT”, the new overseas anti-money laundering monitoring system and the FOVA system at ICBC (Mexico), and improved the new-generation core insurance business system for individuals of ICBC-AXA.
- ✧ The Bank advanced the transformation and technology optimization of IT architectures. It improved the architectural design of high-concurrency systems such as the third-party quick pay agency, expedited the promotion of the platform for businesses with regional characteristics and the API open platform, improved the functions of the streaming data platform and increased the flexibility of R&D and the expansibility of systems.
- ✧ The Bank prepared the Information Technology Development Plan of Industrial and Commercial Bank of China during the “13th Five-year Planning” Period to serve overall strategic development objective.
- ✧ In the first half of 2016, the Bank obtained 20 patents from the State Intellectual Property Office, and the total number of patents owned by the Bank increased to 424.

### Human Resources Management

In line with the strategic needs of bank-wide information-based, internationalized and diversified development, the Bank carried forward innovation in concepts, methodology, system and mechanism of the Group’s human resources management, deepened reform of the leadership system, carried out the human resource deepening program in a comprehensive manner, optimized staffing, reinforced compensation incentive and restraint, expanded the career growth platform for employees and promoted innovation of organizational model consistent with the development requirements of internet-based financial business.

The Bank built ICBC College which was systematic yet standardized and multi-tiered with both online and offline channels. It carried forward the cultivation of core professional talents, accelerated the construction of platforms and channels including ICBC Link official public account of ICBC College, knowledge sharing platform and ICBC Mobile Learning, facilitated the employee training outside China, implemented the optimization project of professional aptitude certification and guaranteed the provision of training services in a more robust way. In the first half of 2016, the Bank organized 25 thousand sessions of training for 1.96 million persons, with the average reaching about 3.17 days of training per person.

The Bank continued to deepen corporate culture cultivation. It demonstrated the endeavors in this aspect in the showcase “Further Prospering ICBC through Five Years’ Cultural Building and Pooling Our Force in Accomplishing Ten Matters”. Cultivation of incorruptible culture, compliance culture and service culture, was also promoted. Furthermore, the official public account number of the Bank at WeChat and ICBC Link were used as innovative media of cultural promotion. By adopting those innovative means, the Bank was able to vastly promote its corporate culture and raise the influence of ICBC brand and its culture.

## **RISK MANAGEMENT**

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### **Enterprise Risk Management System**

In the first half of 2016, the Bank further improved the enterprise risk management system, and actively pushed forward the implementation of regulatory requirements of systemically important banks. It further implemented the advanced capital management approaches, refined the measurement system concerning credit risk, market risk and operational risk and continued to strengthen monitoring, improvement, validation and management application of the risk measurement system. In addition, the Bank upgraded the risk appetite management system, effectively carried out consolidated risk management of the Group, intensified risk management of non-banking subsidiaries, and advanced country risk management, to continue to enhance the risk management capability of the Group.

### **Credit Risk**

#### **Credit Risk Management**

In the first half of 2016, the Bank continued to provide financial support to the real economy and strengthened credit risk management according to economic and industry development trends.

The Bank further strengthened the formation of the credit rule framework and improved the credit system. It improved the globally uniform credit management system at the Group's level by actively unifying customer credit risk appetite and conducting strict credit management of group customers. In addition, the Bank strengthened the cross-regional credit risk management of corporate customers and put more stringent requirements on credit business acceptance. It reinforced guarantee and collateral management, refined the operation procedures of financial asset pledge business, and strengthened management over warranty guarantee, forestry right mortgage and stock pledge.

The Bank focused on serving the supply-side structural reform, constantly adjusted and improved industrial credit policy in accordance with the macroeconomic policy, the prevailing trends of industry policy and the characteristics of the operation of the industry as well as the important strategic initiatives of the country. Conforming to the industry policy system of "18 industry segment policies + 60 key sub-industries", the Bank clarified prioritized areas for credit extension, so as to support credit demands of prioritized regions and quality customers. It revised targeted credit markets, adjusted the credit access requirements on areas with high risks, and refined core indicators and key points of risk prevention and control. Moreover, the Bank continuously improved and adjusted industrial credit structure, selected and backed up sub-industries that have been encouraged by national policies and that have shown promising prospects within traditional industries, and supported leading industrial enterprises and needs for transformation and upgrading.

The Bank strengthened loan risk management of industries with serious overcapacity, revised and improved credit policies of relevant industries, and implemented loan migration management for specific industries. Following the principle of differentiated treatment with prioritization and restriction, the Bank supported the reasonable financing demand of quality customers in industries and improved and adjusted customer structure. The Bank strengthened risk management of the property loans. It adjusted and refined city classification, and supported credit demands of real estate development projects of key regions and quality customers. In addition, the Bank prudently handled new housing development loans in third- and fourth-tier cities with longer de-stocking periods, strictly controlled commercial housing development loans, and steadily advanced loan projects for shantytown renovation as a part of the government service procurement projects. The Bank strengthened risk management in relation to trade finance, refined the trade finance product system and adjusted the structure of trade finance credit products. It reinforced inspection, dynamic pre-warning and control of false trade finance and credit risk in the supply chain, so as to constantly strengthen the risk prevention and control of trade finance business.

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## Discussion and Analysis

The Bank strengthened credit risk management of small enterprises. By building and putting into operation the standardized risk view of small enterprises, the Bank integrated information related to small enterprises inside and outside the Bank, and accurately analyzed the financing appropriateness and risk profile of small enterprises based on big data technology. It strengthened small enterprises' access to credit and strictly controlled the credit asset quality of newly developed small enterprise customers. Moreover, the Bank reinforced tracking of the risk trend, enhanced risk inspection on existing loans and control over industrial and regional risks, and prepared risk mitigation and disposal plan for customers with potential risk one by one. It also refined the post-lending management mechanism, and established and built a post-lending management model combining off-site monitoring and on-site management.

The Bank enhanced risk management of personal loans. The Bank improved its credit risk management system for personal loans, and actively advanced innovation in residential mortgage products. It strengthened partner institution management for residential mortgage by clarifying the management responsibilities of partner institutions and putting strict entry conditions and review requirements on real estate agents and professional guarantee institutions. Moreover, the Bank strictly selected cooperative projects of personal commercial housing loans, reinforced customer access requirements and institution management for personal commercial housing loans, raised the down payment ratio of such loans, and strengthened phased guarantee management. The Bank also reinforced the risk control over personal financial assets-pledged loans and improved the system of pledge risk control indicators.

The Bank enhanced risk management of credit card business. It further exercised customized credit granting, strengthened dynamic management of credit lines, implemented differentiated risk management and control, and refined customer credit structure. The Bank reinforced real time and interventional monitoring and control over credit card risk exposures, enhanced monitoring in key areas and interference in a more direct way, improved system models and promoted efficiency of system monitoring and control. Additionally, the Bank boosted post-lending risk management of credit cards, and adjusted collection strategies for overdue loans to enhance efficiency.

The Bank improved credit risk management of treasury operations. It further improved credit risk monitoring and analysis mechanism for treasury business, proactively optimized the structure of bond investment portfolio in line with current trends on domestic and international financial markets, continued to maintain high-quality unsecured bond investment, and strived to mitigate the credit risk of bond investment portfolio.

The Bank strengthened risk management of financial asset service business. It constantly improved the system of financial asset service business, implemented asset risk classification management for non-standardized agency investment, and regulated entrusted loan management. Besides, the Bank explored and built a management mechanism responsive to the nature of asset management business, and enhanced the risk management of financial asset service business in terms of risk control mode, policy and system, business flow and post-lending management.

### Credit Risk Analysis

As at the end of June 2016, the Bank's maximum credit risk exposures without taking account of any collateral and other credit enhancements reached RMB25,411,474 million, representing an increase of RMB1,458,937 million over the end of the previous year. Please refer to "Note 47.(a)(i) to the Financial Statements: Details of the Bank's Maximum Exposure to Credit Risk Without Taking Account of Any Collateral and Other Credit Enhancements". For mitigated risk exposures of credit risk asset portfolio of the Bank, please refer to the "Information Disclosed Pursuant to the Capital Regulation".

### DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	11,858,948	93.54	11,233,456	94.14
Special mention	622,066	4.91	520,492	4.36
NPLs	196,303	1.55	179,518	1.50
Substandard	98,828	0.78	104,805	0.87
Doubtful	77,388	0.61	60,512	0.51
Loss	20,087	0.16	14,201	0.12
<b>Total</b>	<b>12,677,317</b>	<b>100.00</b>	<b>11,933,466</b>	<b>100.00</b>

Loan quality was generally stable. As at the end of June 2016, according to the five-category classification, pass loans amounted to RMB11,858,948 million, representing an increase of RMB625,492 million from the end of the previous year and accounting for 93.54% of total loans. Special mention loans amounted to RMB622,066 million, representing an increase of RMB101,574 million and accounting for 4.91% of total loans. NPLs amounted to RMB196,303 million, increasing by RMB16,785 million, and NPL ratio was 1.55%. Under the new normal where economic growth slowed down, structural adjustment deepened and industrial transformation accelerated, some industries and enterprises faced persistent challenges and enterprises suffered from capital chain tension, which led to worsening solvency of some enterprises. Hence, the Bank faced mounting pressure in controlling credit asset quality.

### DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2016				At 31 December 2015			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	8,134,402	64.2	145,132	1.78	7,869,552	65.9	135,256	1.72
Discounted bills	671,289	5.3	599	0.09	522,052	4.4	524	0.10
Personal loans	3,871,626	30.5	50,572	1.31	3,541,862	29.7	43,738	1.23
<b>Total</b>	<b>12,677,317</b>	<b>100.0</b>	<b>196,303</b>	<b>1.55</b>	<b>11,933,466</b>	<b>100.0</b>	<b>179,518</b>	<b>1.50</b>

The balance of non-performing corporate loans stood at RMB145,132 million, increasing by RMB9,876 million from the end of the previous year, and NPL ratio was 1.78%, which was mainly due to defaults as a result of operating difficulties of some enterprises in the face of weak market demand and lack of product competitiveness. Non-performing personal loans stood at RMB50,572 million, increasing by RMB6,834 million, and NPL ratio was 1.31%, which was mainly due to the increase in NPL amount of personal loans as a result of decrease in operating income or salaries of some borrowers.

## Discussion and Analysis

### DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS OF DOMESTIC BRANCHES BY INDUSTRY

In RMB millions, except for percentages

Item	At 30 June 2016				At 31 December 2015			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Transportation, storage and postal services	1,489,240	21.3	4,069	0.27	1,429,697	20.7	3,985	0.28
Manufacturing	1,481,602	21.1	51,947	3.51	1,496,241	21.6	51,353	3.43
Chemical industry	263,737	3.8	14,092	5.34	254,497	3.7	8,566	3.37
Machinery	227,892	3.3	8,011	3.52	235,873	3.4	7,996	3.39
Metal processing	164,737	2.4	7,726	4.69	171,065	2.5	7,138	4.17
Textiles and apparels	130,974	1.9	4,459	3.40	140,369	2.0	6,644	4.73
Computer, telecommunications equipment, and other electronic equipment	117,448	1.7	1,892	1.61	97,733	1.4	1,064	1.09
Iron and steel	108,489	1.5	847	0.78	113,841	1.6	1,043	0.92
Transportation equipment	93,937	1.3	4,186	4.46	91,944	1.3	4,710	5.12
Non-metallic mineral	65,799	0.9	1,502	2.28	69,875	1.0	1,756	2.51
Petroleum processing, coking and nuclear fuel	49,032	0.7	762	1.55	52,127	0.8	240	0.46
Others	259,557	3.6	8,470	3.26	268,917	3.9	12,196	4.54
Production and supply of electricity, heat, gas and water	799,807	11.4	1,170	0.15	780,370	11.3	1,494	0.19
Leasing and commercial service	723,976	10.3	4,133	0.57	652,956	9.5	4,906	0.75
Wholesale and retail	680,219	9.7	54,531	8.02	734,994	10.7	48,522	6.60
Water, environment and public utility management	501,560	7.2	275	0.05	461,542	6.7	278	0.06
Real estate	437,412	6.2	6,592	1.51	427,306	6.2	6,293	1.47
Mining	239,769	3.4	5,349	2.23	246,541	3.6	3,722	1.51
Construction	207,908	3.0	2,975	1.43	210,294	3.0	3,047	1.45
Accommodation and catering	137,775	2.0	2,489	1.81	145,175	2.1	3,453	2.38
Science, education, culture and sanitation	125,939	1.8	602	0.48	124,542	1.8	575	0.46
Others	179,419	2.6	2,141	1.19	191,430	2.8	1,967	1.03
<b>Total</b>	<b>7,004,626</b>	<b>100.0</b>	<b>136,273</b>	<b>1.95</b>	<b>6,901,088</b>	<b>100.0</b>	<b>129,595</b>	<b>1.88</b>

In the first half of 2016, the Bank actively followed major national development strategies, and strived to satisfy the loan demand of investment projects in national key areas. The Bank prioritized the sub-industries from traditional industries meeting state policies and with good prospect, as well as leading industrial enterprises and transformation and upgrading, to continuously improve and adjust industrial credit structure. Loans to the leasing and commercial services increased by RMB71,020 million or 10.9%, mainly due to the fast growth of loans to investment and asset management and other commercial services. Loans to the transportation, storage and postal services increased by RMB59,543 million or 4.2%, which was mainly used to support high-quality national transportation infrastructure construction projects.



Wholesale and retail saw a relatively large increase in outstanding NPLs, mainly due to growing macro-economic downward pressure and low bulk commodity prices, as well as the rise in loan default due to sluggish wholesaling industries related to coal, iron and steel, etc.

### DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 30 June 2016				At 31 December 2015			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	569,073	4.5	11,247	1.98	541,087	4.5	9,053	1.67
Yangtze River Delta	2,367,820	18.7	36,143	1.53	2,283,391	19.1	39,297	1.72
Pearl River Delta	1,677,846	13.2	34,416	2.05	1,545,400	13.0	29,946	1.94
Bohai Rim	2,117,077	16.7	38,472	1.82	2,007,028	16.8	30,605	1.52
Central China	1,769,823	14.0	24,601	1.39	1,668,136	14.0	23,707	1.42
Western China	2,265,198	17.9	32,563	1.44	2,171,273	18.2	32,472	1.50
Northeastern China	687,954	5.4	9,696	1.41	668,572	5.6	8,518	1.27
Overseas and others	1,222,526	9.6	9,165	0.75	1,048,579	8.8	5,920	0.56
<b>Total</b>	<b>12,677,317</b>	<b>100.0</b>	<b>196,303</b>	<b>1.55</b>	<b>11,933,466</b>	<b>100.0</b>	<b>179,518</b>	<b>1.50</b>

The Bank continuously improved regional allocation of credit resources to boost balanced development of credit extensions across regions. The Bank embraced major opportunities in implementing China's "Three Supporting Belts" strategy, strived to address the individualized and differentiated credit demands of different regions, and guided and encouraged branches to appropriately strengthen credit support for advantaged industries and specialty industries in each region. Loans to the Pearl River Delta, the Bohai Rim and Central China rose by RMB344,182 million, accounting for 46.3% of total loan increment. Overseas and other loans increased by RMB173,947 million, up 16.6% and accounting for 23.4% of total loan increment, mainly due to the rapid growth of lending from overseas institutions such as ICBC (Asia), Hong Kong Branch, Luxembourg Branch, New York Branch, Tokyo Branch and ICBC International, which actively pursued credit restructuring and vigorously developed local business.

The Bohai Rim, the Pearl River Delta and overseas and others saw a bigger rise in the outstanding NPLs. Against the backdrop of greater downward pressure on China's macro-economy, economic structural adjustment and industry transformation and upgrading, some trade enterprises and small and medium-sized enterprises in conventional industries in the Bohai Rim were under great pressure in production and operation and loan defaults by some small and medium-sized trade enterprises in the Pearl River Delta rose due to business difficulties. Loan defaults by some overseas customers increased as a result of the economic depression in some countries or regions.

## Discussion and Analysis

### CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
<b>At the beginning of the period</b>	<b>51,499</b>	<b>229,155</b>	<b>280,654</b>
Charge for the period	45,834	(1,943)	43,891
Including: Impairment allowances charged	60,708	77,226	137,934
Impairment allowances transferred	422	(422)	–
Reversal of impairment allowances	(15,296)	(78,747)	(94,043)
Accreted interest on impaired loans	(2,648)	–	(2,648)
Write-offs	(38,909)	(3,239)	(42,148)
Recoveries of loans and advances previously written off	536	471	1,007
<b>At the end of the period</b>	<b>56,312</b>	<b>224,444</b>	<b>280,756</b>

As at the end of June 2016, the allowance for impairment losses on loans stood at RMB280,756 million, representing an increase of RMB102 million as compared to the end of last year. Allowance to NPL was 143.02%; allowance to total loans was 2.21%.

### DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	5,794,243	45.7	5,499,003	46.1
Including: Residential mortgages	2,861,559	22.6	2,516,196	21.1
Pledged loans	1,625,888	12.8	1,505,144	12.6
Including: Discounted bills	671,289	5.3	522,052	4.4
Guaranteed loans	1,791,565	14.2	1,642,370	13.8
Unsecured loans	3,465,621	27.3	3,286,949	27.5
<b>Total</b>	<b>12,677,317</b>	<b>100.0</b>	<b>11,933,466</b>	<b>100.0</b>

Loans secured by mortgages stood at RMB5,794,243 million, representing an increase of RMB295,240 million or 5.4% from the end of the previous year. Pledged loans amounted to RMB1,625,888 million, representing an increase of RMB120,744 million or 8.0% from the end of the previous year. Unsecured loans amounted to RMB3,465,621 million, representing an increase of RMB178,672 million or 5.4% from the end of the previous year.

### OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 30 June 2016		At 31 December 2015	
	Amount	% of total loans	Amount	% of total loans
Less than 3 months	184,570	1.46	169,902	1.42
3 months to 1 year	89,211	0.70	84,808	0.71
1 to 3 years	84,973	0.67	62,783	0.53
Over 3 years	15,714	0.12	15,205	0.13
<b>Total</b>	<b>374,468</b>	<b>2.95</b>	<b>332,698</b>	<b>2.79</b>

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by installments, the total amount of loans is deemed overdue if part of the installments is overdue.

Overdue loans stood at RMB374,468 million, representing an increase of RMB41,770 million from the end of the previous year. Specifically, loans overdue for over 3 months amounted to RMB189,898 million, representing an increase of RMB27,102 million.

### RENEGOTIATED LOANS

Renegotiated loans and advances amounted to RMB4,586 million, representing an increase of RMB29 million as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB1,557 million.

### BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 4.7% and 13.9% of the Bank's net capital respectively. The total amount of loans granted to the top ten single customers was RMB280,302 million, accounting for 2.21% 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 2016.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total loans
Borrower A	Transportation, storage and postal services	95,023	0.75
Borrower B	Transportation, storage and postal services	34,039	0.27
Borrower C	Transportation, storage and postal services	31,198	0.25
Borrower D	Transportation, storage and postal services	18,833	0.15
Borrower E	Transportation, storage and postal services	18,504	0.15
Borrower F	Transportation, storage and postal services	17,678	0.14
Borrower G	Transportation, storage and postal services	16,962	0.13
Borrower H	Transportation, storage and postal services	16,844	0.13
Borrower I	Transportation, storage and postal services	15,699	0.12
Borrower J	Transportation, storage and postal services	15,522	0.12
<b>Total</b>		<b>280,302</b>	<b>2.21</b>

## Discussion and Analysis

### Market Risk

#### Market Risk Management of the Banking Book

The Bank actively improved the market risk management system for the banking book and further increased interest rate and currency risk management and measurement capability of the Group. The Bank improved differentiated deposit pricing management, and strengthened the total volume management for RMB deposit rate upward floating. The Bank strengthened monitoring and analysis of interest rate risk, and improved stress test scenarios. In addition, the Bank refined the interest rate risk limit management system to effectively control bank-wide interest rate risk.

#### Market Risk Management of the Trading Book

The Bank continued to strengthen and improve risk management and product control of the trading book by adopting multiple methods including value at risk (VaR), sensitivity analysis, exposure analysis and stress test to measure and manage products in the trading book. The Bank further improved the market risk limit management system based on trading portfolios, revised the limit management plan, improved the limit approval process, innovated limit approval approaches and realized fast and flexible monitoring and dynamic management with the help of its Global Market Risk Management (GMRM) system. For VaR of the trading book of the Bank, please refer to "Note 47. (c)(i) to the Financial Statements: Value at Risk (VaR)".

#### Market Risk Analysis

##### ◆ Interest Rate Risk Analysis

PBC continued to advance the interest rate liberalization reform in the first half of 2016. The Bank actively improved interest rate risk monitoring techniques and analysis models and revised the plan for interest rate risk limit management. It strengthened the market-based loan pricing mechanism and promoted application of the loan prime rate (LPR). The Bank also further refined classification-based management of active liabilities and passive liabilities, continuously improved differentiated pricing management of deposits and enhanced the flexibility of deposit rate pricing and the capability of market-based pricing.

As at the end of June 2016, the Bank had a negative cumulative interest rate risk exposure within one year of RMB285,554 million, representing an increase of RMB392,590 million from the end of the previous year, mainly caused by the increase of deposit re-priced or matured within one year. Interest rate risk over one year has positive exposure of RMB1,887,087 million, representing an increase of RMB367,882 million, mainly due to the increase in bonds investment maturing over one year. 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	Over 5 years
At 30 June 2016	(4,650,332)	4,364,778	461,862	1,425,225
At 31 December 2015	(1,481,484)	1,588,520	399,606	1,119,599

Note: Please refer to the "Note 47.(c) (ii) to the Financial Statements: Interest Rate Risk".

Please refer to the "Note 47.(c) (ii) to the Financial Statements: Interest Rate Risk" for the interest rate risk sensitivity analysis.

### ◆ Currency Risk Analysis

In the first half of 2016, PBC further improved the market-based Renminbi exchange rate formation mechanism, brought into play the role of market in Renminbi exchange rate formation, enhanced two-way Renminbi exchange rate elasticity, and maintained basic stability of Renminbi exchange rate at a rational equilibrium level. Renminbi depreciated slightly against the basket of currencies, and the central parity of Renminbi against the US dollar depreciated 2.08% compared to the end of 2015. The Bank closely watched the changes in external market and internal funds, actively took a combination of management measures such as price leverage to adjust and optimize the aggregate amount and structure of foreign exchange assets and liabilities, and strengthened assets and liabilities currency structure management and capital fund preservation management of overseas institutions. The currency risk of the Bank was under control.

### FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

Item	At 30 June 2016		At 31 December 2015	
	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	251,137	37,787	189,756	29,222
Exposure of off-balance sheet foreign exchange items, net	(83,905)	(12,625)	(36,322)	(5,593)
<b>Total foreign exchange exposure, net</b>	<b>167,232</b>	<b>25,162</b>	<b>153,434</b>	<b>23,629</b>

Please refer to “Note 47.(c) (iii) to the Financial Statements: Currency Risk” for the exchange rate sensitivity analysis.

### Liquidity Risk

The Bank constantly improved its liquidity risk management rules following changes in the macroeconomic environment and financial regulatory requirements, and upgraded liquidity risk management mechanism, thus enhancing the liquidity risk management quality of the Bank. The Bank reinforced the uniform liquidity management at the Group level and coordination between domestic and overseas institutions, and guided domestic and overseas institutions to adjust and improve asset and liability structure, and to constantly enhance consolidated management of liquidity risk. The Bank intensified the coordinated management of on- and off-balance sheet liquidity, and improved the coordinated management and efficiency of on- and off-balance sheet liquidity. Identification, monitoring, measurement, control as well as other key procedures for liquidity risk management have been developed and upgraded, thus improving the refined and automated management of liquidity risk.

### Liquidity Risk Analysis

In the first half of 2016, PBC continued to implement the prudent monetary policy while maintaining appropriate flexibility through fine-tuning and pre-setting adjustments, properly managed the total demands in line with the supply-side structural reform and fostered a monetary and financial environment appropriate for restructuring, transformation and upgrading from both quantitative and pricing perspectives. The Bank closely monitored macro control policies and the market liquidity level. According to the Bank’s asset and liability business developments and the characteristics of fund management at different times, the Bank made proactive adjustments to its RMB fund operation strategy and reasonably arranged the pace of fund operation. The Bank further fortified the foundation for deposits business, promoted steady and balanced growth in deposits and continuously boosted the stability of funding sources. The Bank strengthened monitoring and prediction of key fund flows, improved its daily fund arrangements and continuously enhanced the Group’s ability to prevent liquidity risk.

The Bank maintained coordinated development of deposits and loans business, with liquidity risk management improved continuously. As at the end of June 2016, the Bank recorded 35.9% in RMB liquidity ratio and 106.5% in foreign currency liquidity ratio and 144.0% in liquidity coverage ratio, all of which met regulatory requirements. Loan-to-deposit ratio was 70.8%. Please refer to “Discussion and Analysis — Other Information Disclosed Pursuant to Regulatory Requirements” for details.

## Discussion and Analysis

For quantitative information on the liquidity coverage ratio disclosed pursuant to CBRC's Administrative Measures for Information Disclosure Regarding Liquidity Coverage Ratio of Commercial Banks, please refer to "Unaudited Supplementary Financial Information".

The Bank also assessed its liquidity risk profile by using liquidity exposure analysis. The Bank's negative liquidity exposure with a term of one to three months narrowed, mainly due to increase in loans and advances to customers and decrease in customer deposits. The liquidity exposure with a term of three months to one year turned from positive to negative, mainly due to decrease in loans and advances to customers as well as bond investment and increase in customer deposits. The positive exposure gap with a term of more than five years expanded, mainly due to increase in loans and advances to customers and bond investment. The Bank had good overall liquidity as its deposits grew steadily with a relatively high deposition rate, coupled by the substantial holdings in high-liquidity bond assets and sufficient liquidity reserves. The liquidity exposure analysis of the Bank as at the end of June 2016 is shown in the table below:

### 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	Over 5 years	Undated	Total
At 30 June 2016	(10,122,758)	274,925	(203,353)	(634,601)	3,344,602	5,971,073	3,237,889	1,867,777
At 31 December 2015	(9,385,821)	322,595	(540,886)	26,247	3,197,027	5,136,733	3,044,624	1,800,519

Note: Please refer to "Note 47.(b) to the Financial Statements: Liquidity Risk".

## Internal Control and Operational Risk

### Internal Control

The Bank continually refined its internal control mechanism, actively improved its internal control management and advanced the implementation of the annual plan of 2015–2017 Internal Control System Construction Plan. It continually deepened the building of centralized regulation management system and the closed-loop management mechanism for supervision and inspection. The Bank conducted special campaign against risks in key areas and links, and made great efforts in consolidating the basis for internal control and compliance. It attached great importance to the compliance risk, and formulated more rules on overseas compliance management to upgrade the information-based compliance management of overseas institutions. It strengthened the closed-loop management of operational risk inspection, and kept propelling day-to-day monitoring and analysis. It severely tackled the accountability identification of NPL, and the problems found in daily inspection and monitoring. Moreover, the Bank made continuous efforts to strengthen compliance culture, improved the long-acting mechanism for compliance education, and further improved the integrity, reasonableness and effectiveness of the Bank's internal control.

### Operational Risk Management

In accordance with the latest regulatory requirements concerning operational risk and the trends of operational risk in the banking industry, the Bank effectively conducted the refined and scientific management of operational risks. It optimized the operational risk loss event management system, continued to enhance the application of operational risk management tools and control over data quality of risk loss events. It reinforced the operational risk limit management, and constantly conducted monitoring and self-assessment of key operational risk indicators. In addition, the Bank strengthened the management and control over operational risk of overseas institutions and subsidiaries, and pushed the extension and application of the operational risk measurement system in overseas institutions. It reinforced the management and control of credit risks, and increased the efforts at identification and rectification of problems. It improved the regulations on labor management, optimized the management procedure for business outsourcing, and enhanced the IT risk control and external fraud risk management. During the reporting period, the operational risk management system of the Bank operated smoothly and the operational risk was controllable on the whole.

## Legal Risk

The Bank continued to strengthen legal risk management, improve its legal risk management and the capacity to prevent and control the risk, safeguard business compliance and sound development of the Group and maintain the overall operation in a steady and orderly manner. It actively supported the group-based, internationalized and diversified operations as well as the development and innovation of various business lines, and prevented the legal risk in advance. It strengthened debt collection with a slew of legal measures, which improved the efficiency. Moreover, the Bank pragmatically prevented and mitigated lawsuit-related risks and losses. It assisted the online judicial inquiry and enforcement, which improved the efficiency of such assistance. The Bank further standardized contract management and reinforced authorization management, related parties management, trademark management and intellectual property protection.

## Anti-money Laundering

In strict compliance with applicable laws and regulations concerning anti-money laundering of China and the host countries (regions) of overseas institutions, the Bank deeply implemented the “risk-based” regulatory requirements in respect of anti-money laundering, earnestly fulfilled the social duties and legal obligations concerning anti-money laundering, and kept enhancing the Group’s risk management level regarding anti-money laundering and anti-terrorist financing. It carried out the reform of centralized identification and processing of sensitive businesses and the analysis, research and judgment on suspicious reports of overseas institutions, and pressed ahead with the application of the new overseas anti-money laundering system and the compliance review system for sensitive businesses, strengthening staffing for anti-money laundering and compliance to consolidate the basis for the management of overseas anti-money laundering. It enhanced the system monitoring, manual analysis and quality sampling test of domestic suspicious transaction reports, and actively assisted the competent authorities in anti-money laundering investigation and funds investigation and control. Moreover, the Bank classified the anti-money laundering customer risk, evaluated the money-laundering risk of new products, and proactively promoted the comprehensive application of the results of money laundering risk management to various business lines. It carried out internal audit in respect of anti-money laundering, implemented special campaign against customer information in an in-depth manner, and reinforced the prevention and control of money laundering risk and terrorist financing risk in major business areas. Besides, the Bank organized multi-layered anti-money laundering training, strengthened the cultivation of anti-money laundering and compliance talents, and improved the compliance consciousness, professionalism and performance capability of anti-money laundering personnel.

## Reputational Risk

The Bank continued to strengthen reputational risk management, proactively prevented reputational risk and enhanced the reputational risk management level and prevention ability across the Bank. According to the latest regulatory requirements and external situation changes, the Bank improved reputational risk management working mechanism, carried out identification, evaluation, monitoring, control, mitigation and assessment of reputational risk in an in-depth manner and strengthened consolidated management of reputational risk. It conducted reputational risk assessment on new businesses and products, inspected and resolved potential reputational risk, and created the reputational risk management ledger level by level to enhance the pre-event control and mitigation of reputational risk. It made active response to concerns from the society and effectively communicated with the stakeholders and the public. During the reporting period, the Bank’s reputational risk was controllable.

## Country Risk

In the first half of 2016, in response to the increasingly complicated and uncertain international political and economic situation, the Bank continued to strengthen country risk management according to regulatory requirements and business development. The Bank closely watched changes in country risk exposures, constantly tracked, monitored and reported country risk, and timely updated and adjusted the country risk rating and limits. It also conducted stress testing on country risk actively. In addition, the Bank strengthened the early warning mechanism for country risk, and effectively controlled country risk while pushing ahead with the internationalization strategy.

### CAPITAL MANAGEMENT

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In the first half of 2016, the Bank further deepened the capital management reform, optimized the capital utilization, intensified the rigid constraint of economic capital on risk-weighted assets and continued to elevate the capital use efficiency and return on capital. Moreover, the Bank coordinated, allocated and utilized various capital resources to satisfy capital replenishment requirements of subsidiaries. During the reporting period, the Bank's capital indicators maintained sound performance and its capital adequacy ratio was kept at a relatively good level among peers.

#### Capital Adequacy Ratio and Leverage Ratio

The Bank calculated capital adequacy ratios at all tiers in accordance with the Capital Regulation. According to the scope of implementing the advanced capital management approaches as approved by CBRC, the foundation internal ratings-based (IRB) approach was adopted for corporate credit risk, the IRB approach for retail credit risk, the internal model approach (IMA) for market risk, and the standardized approach for operational risk meeting regulatory requirements. The weighted approach was adopted for credit risk uncovered by the IRB approach and the standardized approach for market risk uncovered by the IMA approach.

As at the end of June 2016, core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 12.54%, 13.11% and 14.26% respectively, complying with regulatory requirements.



### CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 30 June 2016	At 31 December 2015
<b>Core tier 1 capital</b>	<b>1,779,673</b>	<b>1,713,160</b>
Paid-in capital	356,407	356,407
Valid portion of capital reserve	151,987	151,963
Surplus reserve	178,440	178,040
General reserve	246,479	246,356
Retained profits	848,245	781,853
Valid portion of minority interests	3,083	4,340
Others	(4,968)	(5,799)
<b>Core tier 1 capital deductions</b>	<b>11,824</b>	<b>11,665</b>
Goodwill	8,711	8,478
Other intangible assets other than land use rights	1,535	1,356
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,122)	(3,869)
Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	5,700	5,700
<b>Net core tier 1 capital</b>	<b>1,767,849</b>	<b>1,701,495</b>
<b>Additional tier 1 capital</b>	<b>79,785</b>	<b>79,567</b>
Additional tier 1 capital instruments and related premium	79,375	79,375
Valid portion of minority interests	410	192
<b>Net tier 1 capital</b>	<b>1,847,634</b>	<b>1,781,062</b>
<b>Tier 2 capital</b>	<b>176,111</b>	<b>244,641</b>
Valid portion of tier 2 capital instruments and related premium	154,860	180,242
Surplus provision for loan impairment	16,842	63,398
Valid portion of minority interests	4,409	1,001
<b>Tier 2 capital deductions</b>	<b>13,600</b>	<b>13,600</b>
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	13,600	13,600
<b>Net capital base</b>	<b>2,010,145</b>	<b>2,012,103</b>
<b>Risk-weighted assets<sup>(2)</sup></b>	<b>14,097,738</b>	<b>13,216,687</b>
<b>Core tier 1 capital adequacy ratio</b>	<b>12.54%</b>	<b>12.87%</b>
<b>Tier 1 capital adequacy ratio</b>	<b>13.11%</b>	<b>13.48%</b>
<b>Capital adequacy ratio</b>	<b>14.26%</b>	<b>15.22%</b>

Notes: (1) Please refer to "Note 47.(d) to the Financial Statements: Capital management".

(2) Refers to risk-weighted assets after capital floor and adjustments.

For more information of capital measurement of the Bank, please refer to "Information Disclosed Pursuant to the Capital Regulation".

## Discussion and Analysis

### LEVERAGE RATIO

In RMB millions, except for percentages

Item	At	At
	30 June 2016	31 December 2015
Net tier 1 capital	1,847,634	1,781,062
Balance of adjusted on- and off-balance sheet assets	25,309,554	23,813,992
<b>Leverage ratio</b>	<b>7.30%</b>	<b>7.48%</b>

Note: Calculated based on relevant provisions in the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) promulgated by CBRC in 2015. Please refer to "Unaudited Supplementary Financial Information" for details on disclosed leverage ratio information.

### Capital Financing Management

The Bank actively explored external channels for capital replenishment and optimized the capital structure. The Board of Directors of the Bank convened a meeting in March 2016 to review and approve the proposal on the new issuance of write-down eligible tier 2 capital instruments up to RMB88.0 billion equivalent by the end of 2017, which was deliberated and approved by the Shareholders' General Meeting in June 2016. Please refer to the announcements published by the Bank on the websites of SEHK and SSE.

## OUTLOOK

In the second half of 2016, global economic recovery will remain weak and various uncertainties and instabilities are still brewing up. As a series of reform strategies are put into practice at a faster pace, China's economy is expected to release new driving forces gradually, which will help to maintain stable economic performance.

The Bank will embrace both opportunities and challenges in the second half of 2016. Major opportunities are as follows: First, further supply-side structural reform will continue to improve quality and efficiency of supply system, creating more diversified demands for financial services in the real economy, thus providing strong momentum for the Bank's transformational development. Second, a broader market will be opened up for the Bank, as "made in China 2025", "Internet plus" and "mass entrepreneurship and innovation" and other national strategies are progressing in full force, the "four regions" embrace a new round of development, and the "Three Supporting Belts" strategy is thoroughly carried out. Third, the structural and institutional reform in key areas including state-owned enterprises, taxation and finance, protection of people's livelihood and new urbanization gives rise to huge demand for financial services, which will bring about major opportunities for the Bank's business innovation. Fourth, with the accelerated "Belt and Road" construction, expanded international cooperation in production capacity, and the implementation of the high-standard free trade zone strategy at a faster pace, there are increasing corporate needs for cross-border M&A and resource allocation, thus providing historic opportunities for the Bank to speed up the growth of its cross-border financial business.

Major challenges facing the Bank are as follows: First, during the in-depth economic structural adjustment, enterprises with excess capacity and over-ridden debts may continue to be subject of risk exposures, posing continuous challenges to the Bank's risk management and quality control. Second, further interest rate liberalization and narrowed interest spread require the Bank to speed up the transformation of operation mode and adjustment of profit structure. Third, as the new finance represented by internet finance and private banks develops rapidly, the Bank faces more fierce competition in the market. Fourth, the world economic recovery continues to slow down, risks of geopolitics and economic turbulences increase, and the international financial market witnesses more volatilities, which altogether demands higher standards in the Bank's cross-border operation and risk management.

In the first half of 2016, the Bank accomplished the phased targets set in the whole year strategic planning. In the second half of the year, the Bank will continuously push forward structural adjustment and development transformation, to ensure quality and efficiency improvement as well as sound and steady development.

- ❖ **Serve the real economy and adjust credit structure at a faster pace.** The Bank will reinforce support to strategic emerging industries, advanced manufacturing industry, modern service industry and modern agriculture. It will participate in the building of "Three Supporting Belts", and actively serve key projects and major engineering programs. The Bank will speed up retail banking innovation and market expansion. It will also develop inclusive finance and enhance its financial service capability in weak links.
- ❖ **Further reform key areas and links.** The Bank will accelerate the credit management system reform featuring "tiered marketing, differentiated operation, category-specific authorization, clear responsibilities, and right-responsibility match", and improve all-round credit management capability under the new normal. It will continue to improve the asset and liability operation mechanism in interest rate liberalization, enhance the capability of interest rate pricing and risk management, and refine the Group's capital management system and operation mechanism. The Bank will improve customer experience by building an integrated marketing service model combining online and offline services by exploring and integrating multidimensional customer information with big data technologies.
- ❖ **Strengthen asset quality management and ensure controllability of risks.** The Bank will carry out integrated management of new and existing credit, enhance the ability to identify, prevent and control customer access risks, implement the accountability system for NPL management, and innovate and expand ways to dispose of NPLs. In the meantime, the Bank will coordinate the prevention of credit and non-credit, on- and off-balance sheet and overseas and domestic risks, and optimize the structure and model of the Group for consolidated statement management. It will also strengthen management over internal control and audit, and reinforce evaluation, prevention and control of risks in key areas.
- ❖ **Continuously advance operational transformation and business innovation.** The Bank will further retail banking reform by combining "product, scenario, channel, service" with "ICBC Link", consolidate customer and deposit bases, and strengthen and enhance its competitiveness in potential business areas. It will refine the new asset management system of the Group featuring clear division of duties, complementarity, resource integration and effective risk control, and seek new growth points in "mega asset management" business. Moreover, the Bank will adapt to the new layout of two-way opening up between financial and economic sectors, and maintain the sound growth of international and diversified business, in order to strengthen cross-border and cross-market financial service capability.

### OTHER INFORMATION DISCLOSED PURSUANT TO REGULATORY REQUIREMENTS

#### Major Regulatory Indicators

Item		Regulatory criteria	At 30 June 2016	At 31 December 2015	At 31 December 2014
Liquidity ratio (%)	RMB	$\geq 25.0$	35.9	35.5	33.2
	Foreign currency	$\geq 25.0$	106.5	98.1	91.1
Loan-to-deposit ratio (%) <sup>(2)</sup>	RMB and foreign currency	$\leq 75.0$	70.8	71.4	68.4
Liquidity coverage ratio (%)	RMB and foreign currency	$\geq 100.0$ <sup>(3)</sup>	144.0	145.1	142.4
Percentage of loans to single largest customer (%)		$\leq 10.0$	4.7	4.2	4.8
Percentage of loans to top 10 customers (%)			13.9	13.3	14.9
Loan migration ratio (%)	Pass		2.4	4.4	2.7
	Special mention		14.5	29.6	17.2
	Substandard		34.2	38.9	37.4
	Doubtful		10.0	10.5	5.2

Notes: (1) The regulatory indicators in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the current period. The comparative figures are not adjusted and restated.

(2) CBRC adjusted the loan-to-deposit ratio from a regulatory indicator to a monitoring indicator in 2015.

(3) Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

## 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 attributable to equity holders of the parent company for the six months ended 30 June 2016 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

## Corporate Bonds

The Bank did not issue any corporate bonds which shall be disclosed according to the No. 39 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of Half-Year Reports on Corporate Bonds.

## Shares in Other Listed Companies and Financial Enterprises Held by the Bank

### SHARES IN OTHER LISTED COMPANIES

Stock code	Stock name	Initial investment cost (RMB yuan)	Shareholding percentage (%)	Book value at the end of the period (RMB yuan)	Gain/(loss) during the period <sup>(3)</sup> (RMB yuan)	Change in owner's equity during the reporting period (RMB yuan)	Accounting item	Source of shares
SBK (South Africa)	Standard Bank Group	34,713,171,914	20.08	23,078,727,503	489,210,107	1,195,517,397	Long-term equity investment	Investment with self-owned capital
002013	AVIC Electromechanical	329,918,900	2.62	565,434,951	—	(68,232,506)	Available-for-sale financial assets	Debt-equity swap
2666 (Hong Kong, China)	Universal Medical	155,301,466	3.60	292,361,464	6,885,324	(24,893,096)	Available-for-sale financial assets	Unlisted shares to listed shares
FSS (Thailand)	FSS	65,751,384	22.29	97,786,532	1,451,999	—	Long-term equity investment	Investment with self-owned capital
M-CHAI-CS (Thailand)	M-CHAI-CS	4,963,064	4.87	42,717,930	618,673	19,849,369	Available-for-sale financial assets	Purchase from market
PPP-CS (Thailand)	PPP-CS	745,862	1.32	3,786,064	59,977	144,351	Available-for-sale financial assets	Debt-equity swap
2468 (Hong Kong, China)	TRONY SOLAR	168,439,670	11.88	—	—	—	Available-for-sale financial assets	Investment with self-owned capital
<b>Total</b>		<b>35,438,292,260</b>	<b>—</b>	<b>24,080,814,444</b>	<b>498,226,080</b>	<b>1,122,385,515</b>	<b>—</b>	<b>—</b>

Notes: (1) The table sets out shares held by the Group in other listed companies at the percentage of 1% or above included in the accounting of long-term equity investment and available-for-sale equity investment.

(2) Shares in Universal Medical and TRONY SOLAR were held by ICBC International, a subsidiary of the Bank; and shares in FSS, M-CHAI-CS and PPP-CS were held by ICBC (Thai), a subsidiary of the Bank.

(3) Refers to dividend income, investment income of associates and impairment losses.

## Discussion and Analysis

### 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)	Gain/(loss) during the period <sup>(3)</sup> (RMB yuan)	Change in owner's equity during the reporting period (RMB yuan)	Accounting item	Source of shares
China UnionPay Co., Ltd.	146,250,000	11,250.00	3.84	146,250,000	6,187,500	-	Available-for-sale financial assets	Investment with self-owned capital
Xiamen International Bank	50,706,659	40,086.00	6.28	50,706,659	58,410,190	-	Available-for-sale financial assets	Investment with self-owned capital
PRISMA MEDIOS DE PAGO S.A. (VISA)	4,614,684	90.00	6.00	13,287,573	16,102,872	-	Available-for-sale financial assets	Purchase from market
PICC Investment Co., Ltd.	12,000,000	1,200.00	1.00	12,000,000	-	-	Available-for-sale financial assets	Investment with self-owned capital
Bangkok BTMU Ltd.	4,272,984	20.00	10.00	3,853,046	377,943	-	Available-for-sale financial assets	Investment with self-owned capital
Luen Fung Hang Insurance Co., Ltd.	1,518,440	2.40	6.00	1,442,341	1,496,424	-	Available-for-sale financial assets	Investment with self-owned capital
INTERBANKING	618,964	14.96	11.11	227,440	14,276,880	-	Available-for-sale financial assets	Purchase from market
SEDESA	203,078	4.26	4.26	74,622	-	-	Available-for-sale financial assets	Purchase from market
COELSA	119,222	4.11	4.11	58,406	-	-	Available-for-sale financial assets	Purchase from market
ARGENCONTROL	123,011	6.00	8.57	50,468	-	-	Available-for-sale financial assets	Purchase from market
<b>Total</b>	<b>220,427,042</b>	<b>—</b>	<b>—</b>	<b>227,950,555</b>	<b>96,851,809</b>	<b>-</b>	<b>—</b>	<b>—</b>

Notes: (1) Specified above are the Group's shares in unlisted financial enterprises with a shareholding percentage of 1% or above.

(2) Shares in PICC Investment Co., Ltd. were held by ICBC-AXA, a subsidiary of the Bank; shares in PRISMA MEDIOS DE PAGO S.A. (VISA), INTERBANKING, SEDESA, COELSA and ARGENCONTROL were held by ICBC (Argentina), a subsidiary of the Bank; shares in Bangkok BTMU Ltd. were held by ICBC (Thai), a subsidiary of the Bank; and shares in Luen Fung Hang Insurance Co., Ltd. were held by ICBC (Macau), a subsidiary of the Bank.

(3) Refers to dividend income.

## Information Disclosed Pursuant to the Capital Regulation

### Capital Adequacy Ratio

#### Scope of Capital Adequacy Ratio Calculation

The scope of capital adequacy ratio calculation shall cover the Bank and all eligible financial institutions in which the Bank has a direct or indirect investment as specified in the Capital Regulation promulgated by CBRC.

#### Results of Capital Adequacy Ratio Calculation

In RMB millions, except for percentages

Item	At 30 June 2016		At 31 December 2015	
	Group	Parent Company	Group	Parent Company
<b>Calculated in accordance with the Capital Regulation:</b>				
Net core tier 1 capital	1,767,849	1,628,372	1,701,495	1,571,403
Net tier 1 capital	1,847,634	1,707,746	1,781,062	1,650,778
Net capital base	2,010,145	1,860,634	2,012,103	1,869,237
Core tier 1 capital adequacy ratio	12.54%	12.52%	12.87%	12.88%
Tier 1 capital adequacy ratio	13.11%	13.13%	13.48%	13.53%
Capital adequacy ratio	14.26%	14.30%	15.22%	15.32%
<b>Calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations:</b>				
Core capital adequacy ratio	11.75%	12.00%	11.83%	12.09%
Capital adequacy ratio	14.54%	14.48%	14.75%	14.67%

Note: Please refer to the section headed "Discussion and Analysis — Capital Management" for the Group's capital adequacy ratio at the end of the reporting period.

#### Measurement of Risk-Weighted Assets

According to the scope of implementing the advanced capital management approaches as approved by CBRC, the foundation internal ratings-based (IRB) approach was adopted for corporate credit risk, the IRB approach for retail credit risk, the internal model approach (IMA) for market risk, and the standardized approach for operational risk meeting regulatory requirements. The weighted approach was adopted for credit risk uncovered by the IRB approach and the standardized approach for market risk uncovered by the IMA approach.

#### RISK-WEIGHTED ASSETS

In RMB millions

Item	At 30 June 2016	At 31 December 2015
Credit risk-weighted assets	12,729,604	11,864,984
Parts covered by internal ratings-based approach	9,244,980	8,617,028
Parts uncovered by internal ratings-based approach	3,484,624	3,247,956
Market risk-weighted assets	215,988	199,557
Parts covered by internal model approach	144,782	139,840
Parts uncovered by internal model approach	71,206	59,717
Operational risk-weighted assets	1,152,146	1,152,146
<b>Total</b>	<b>14,097,738</b>	<b>13,216,687</b>

## Information Disclosed Pursuant to the Capital Regulation

### Credit Risk

#### CREDIT RISK EXPOSURE

In RMB millions

Item	At 30 June 2016	
	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach
Company	8,268,419	1,402,516
Sovereign	—	4,282,489
Financial institution	—	2,891,798
Retail	3,814,878	274,673
Equity	—	30,909
Asset securitization	—	6,844
Others	—	4,279,087
<b>Total risk exposure</b>	<b>12,083,297</b>	<b>13,168,316</b>

Please refer to the section headed “Discussion and Analysis — Risk Management” for overdue loans, NPLs and provision for loan impairment of the Bank at the end of the reporting period.

### Market Risk

#### CAPITAL REQUIREMENT FOR MARKET RISK

In RMB millions

Risk type	At 30 June 2016	At 31 December 2015
<b>Parts covered by internal model approach</b>	<b>11,583</b>	<b>11,187</b>
<b>Parts uncovered by internal model approach</b>	<b>5,696</b>	<b>4,778</b>
Interest rate risk	3,269	2,691
Commodity risk	2,381	2,016
Option risk	44	71
Equity risk	2	0
<b>Total</b>	<b>17,279</b>	<b>15,965</b>

Note: According to the scope of implementing the advanced capital management approaches as approved by CBRC, the internal model approach for market risk of the Bank covers the Group’s currency risk, the general interest rate risk of the parent company and ICBC (Canada) and the commodity risk of the parent company. Parts uncovered by the internal model approach are measured according to the standardized approach.



## Information Disclosed Pursuant to the Capital Regulation

The Bank applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of 10 days and historical data of 250 days) to measure VaR and to capital measurement by internal model approach.

### VALUE AT RISK (VaR)

In RMB millions

Item	Six months ended 30 June 2016				Six months ended 30 June 2015			
	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
<b>VaR</b>	<b>1,224</b>	<b>1,337</b>	<b>1,843</b>	<b>1,112</b>	<b>1,512</b>	<b>1,120</b>	<b>1,611</b>	<b>757</b>
Interest rate risk	119	186	239	109	368	242	368	166
Currency risk	1,210	1,310	1,811	1,069	1,494	1,149	1,592	817
Commodity risk	73	103	386	14	72	63	172	11
<b>Stressed VaR</b>	<b>2,661</b>	<b>2,152</b>	<b>2,688</b>	<b>1,574</b>	<b>2,166</b>	<b>1,758</b>	<b>2,166</b>	<b>1,367</b>
Interest rate risk	382	296	382	235	297	177	297	106
Currency risk	2,593	2,131	2,655	1,564	2,050	1,717	2,095	1,354
Commodity risk	156	183	621	19	105	86	245	20

### Operational Risk

The Bank adopts the standardized approach to measure capital requirement for operational risk. As at the end of June 2016, the capital requirement for operational risk was RMB92,172 million. Please refer to the section headed "Discussion and Analysis — Risk Management" for operational risk management of the Bank during the reporting period.

### Equity Risk in the Banking Book

In RMB millions

Equity type	At 30 June 2016			At 31 December 2015		
	Publicly-traded equity investment risk exposure <sup>(1)</sup>	Non-publicly-traded equity investment risk exposure <sup>(1)</sup>	Unrealized potential gains (losses) <sup>(2)</sup>	Publicly-traded equity investment risk exposure <sup>(1)</sup>	Non-publicly-traded equity investment risk exposure <sup>(1)</sup>	Unrealized potential gains (losses) <sup>(2)</sup>
Financial institution	23,217	1,273	174	21,551	964	173
Company	1,796	3,274	890	2,639	3,329	1,309
<b>Total</b>	<b>25,013</b>	<b>4,547</b>	<b>1,064</b>	<b>24,190</b>	<b>4,293</b>	<b>1,482</b>

Notes: (1) Publicly-traded equity investment refers to equity investment made in listed companies, and non-publicly-traded equity investment refers to equity investment made in non-listed companies.

(2) Unrealized potential gains (losses) refer to the unrealized gains (losses) recognized on the balance sheet but not recognized on the income statement.

Please refer to the section headed "Discussion and Analysis — Risk Management" for interest rate risk of the Bank.

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

### Changes in Ordinary Shares

#### DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	At 31 December 2015		Increase/decrease during the reporting period (+, -)	At 30 June 2016	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
<b>I. Shares subject to restrictions on sales</b>	-	-	-	-	-
<b>II. Shares not subject to restrictions on sales</b>	356,406,257,089	100.00	-	356,406,257,089	100.00
1. RMB-denominated ordinary shares	269,612,212,539	75.65	-	269,612,212,539	75.65
2. Foreign shares listed overseas	86,794,044,550	24.35	-	86,794,044,550	24.35
<b>III. Total number of shares</b>	356,406,257,089	100.00	-	356,406,257,089	100.00

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

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

### Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 594,225 ordinary shareholders and no holders of preference shares with voting rights restored, including 134,500 holders of H shares and 459,725 holders of A shares.

**PARTICULARS OF SHAREHOLDING OF THE TOP 10 ORDINARY SHAREHOLDERS OF THE BANK** (The following data are based on the register of shareholders as at 30 June 2016)

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage (%)	Total number of shares held	Number of pledged or locked-up shares	Increase/decrease of shares during the reporting period
Huijin	State-owned	A share	34.71	123,717,852,951	None	–
MOF	State-owned	A share	34.60	123,316,451,864	None	–
HKSCC Nominees Limited/ Hong Kong Securities Clearing Company Limited <sup>(3)</sup>	Foreign legal person	H share	24.14	86,045,747,987	Unknown	-13,809,626
		A share	0.10	365,303,306	None	56,979,129
China Securities Finance Co., Ltd.	State-owned legal person	A share	1.42	5,059,909,153	None	685,649,067
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other entities	A share	1.21	4,322,828,137	None	–
Sycamore Investment Platform Co., Ltd.	State-owned legal person	A share	0.40	1,420,781,042	None	–
Central Huijin Asset Management Co., Ltd. <sup>(4)</sup>	State-owned legal person	A share	0.28	1,013,921,700	None	–
Anbang Life Insurance Co., Ltd. — Conservative investment portfolio	Other entities	A share	0.11	390,487,231	None	–
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other entities	A share	0.09	332,038,927	None	15,000,100
GIC PRIVATE LIMITED	Foreign legal person	A share	0.08	269,344,657	None	4,878,496

Notes: (1) Particulars of shareholding of H shareholders were based on the number of shares set out in the Bank's register of shareholders maintained at the H share registrar.

(2) The Bank had no shares subject to restrictions on sales.

(3) HKSCC Nominees Limited held 86,045,747,987 H shares, and Hong Kong Securities Clearing Company Limited held 365,303,306 A shares.

(4) Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Huijin. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

## Details of Changes in Share Capital and Shareholding of Substantial 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 2016, the Bank received notices from the following persons about their interests or short positions held in the Bank's shares and relevant shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

Interests or short positions of ordinary shares of the Bank:

#### HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares (%)	Percentage of total ordinary shares (%)
MOF <sup>(1)</sup>	Beneficial owner	118,006,174,032	Long position	43.77	33.11
Huijin <sup>(2)</sup>	Beneficial owner	124,731,774,651	Long position	46.26	35.00

Notes: (1) According to the register of shareholders of the Bank as at 30 June 2016, MOF held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 30 June 2016, Huijin held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Huijin, held 1,013,921,700 shares in the Bank.

#### HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares (%)	Percentage of total ordinary shares (%)
Temasek Holdings (Private) Limited	Interest of controlled corporations	8,682,954,081	Long position	10.00	2.44
SSF	Beneficial owner	8,663,703,234	Long position	9.98	2.43
JPMorgan Chase & Co.	Beneficial owner	1,409,722,416	Long position	1.62	0.40
	Investment manager	97,841,975	Long position	0.11	0.03
	Trustee (excluding bare trustee)	75,620	Long position	0.00	0.00
	Custodian/ approved lending agent	2,857,679,138	Shares available for lending	3.29	0.80
	Total		4,365,319,149		5.03
	Beneficial owner	157,848,359	Short position	0.18	0.04

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

### Preference Shares

#### ◆ Issuance and Listing of Preference Shares in Latest Three Years

On 10 December 2014, the Bank privately offered non-cumulative, non-participating and perpetual offshore preference shares in U.S. dollar, Euro and Renminbi, which were listed on SEHK on 11 December 2014.

Type of offshore preference shares	Stock code	Dividend rate	Total amount	Full amount of raised fund per share	Number of issued shares
USD preference shares	4603	6%	USD2,940,000,000	USD20	147,000,000
EUR preference shares	4604	6%	EUR600,000,000	EUR15	40,000,000
RMB preference shares	84602	6%	RMB12,000,000,000	RMB100	120,000,000

Each offshore preference share had a par value of RMB100. The USD preference shares, EUR preference shares and RMB preference shares were fully paid and issued in U.S. dollar, Euro and Renminbi. The offshore preference shares had no maturity. They had no less than six qualified placees. They were offered to professional investors only rather than retail investors and transferred privately in the OTC market only.

The Bank privately issued 450 million preference shares in domestic market on 18 November 2015, and those domestic preference shares were listed on the integrated trading platform of SSE for transfer as of 11 December 2015 (stock name: 工行優1, stock code: 360011). Each domestic preference share had a nominal value of RMB100 and was issued at nominal value. The coupon rate for the Domestic Preference Shares is determined at 4.5% for the first five years commencing from the issuance date through price discovery. Total proceeds from the issuance amounted to RMB45.0 billion, and all proceeds after deduction of the expenses relating to the issuance will be used to replenish additional tier 1 capital of the Bank.

For particulars of the Bank's issuance of domestic and offshore preference shares, please refer to the 2015 Annual Report and related announcements of the Bank on the websites of SSE, SEHK and the Bank.

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

### ◆ Changes in Preference Shares

As at the end of the reporting period, the Bank had 28 preference shareholders (or proxies), including two offshore preference shareholders (or proxies) and 26 domestic preference shareholders.

### PARTICULARS OF SHAREHOLDING OF THE TOP 10 OFFSHORE PREFERENCE SHAREHOLDERS (OR PROXIES) OF THE BANK

(The following data are based on the register of offshore preference shareholders as at 30 June 2016)

Unit: Share

No.	Name of shareholder	Nature of shareholder	Type of shares	Increase/decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
1	Cede & Co.	Foreign legal person	USD offshore preference shares	–	147,000,000	47.9	–	Unknown
2	The Bank of New York Depository (Nominees) Limited	Foreign legal person	RMB offshore preference shares	–	120,000,000	39.1	–	Unknown
			EUR offshore preference shares	–	40,000,000	13.0	–	Unknown

- Notes:
- (1) Particulars of shareholding of preference shareholders were based on the number of shares set out in the Bank's register of preference shareholders maintained.
  - (2) As the issuance was private offering, the register of preference shareholders presented the information on proxies of placees.
  - (3) The Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.
  - (4) "Shareholding percentage" refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

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

**PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF THE BANK** (The following data are based on the register of domestic preference shareholders as at 30 June 2016)

Unit: Share

No.	Name of shareholder	Nature of shareholder	Type of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked- up shares
1	China Mobile Communications Corporation	Other entities	Domestic preference shares	–	200,000,000	44.4	–	None
2	China National Tobacco Corporation	Other entities	Domestic preference shares	–	50,000,000	11.1	–	None
3	China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	–	35,000,000	7.8	–	None
4	Ping An Life Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	30,000,000	6.7	–	None
5	CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
6	BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
7	China Resources SZITIC Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
8	BOC International (China) Limited	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
9	China National Tobacco Corporation Shandong Branch	Other entities	Domestic preference shares	–	10,000,000	2.2	–	None
	China National Tobacco Corporation Heilongjiang Branch	Other entities	Domestic preference shares	–	10,000,000	2.2	–	None
	Ping An Property & Casualty Insurance Company of China Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	10,000,000	2.2	–	None

- Notes: (1) Particulars of shareholding of preference shareholders were based on the number of shares set out in the Bank's register of preference shareholders maintained.
- (2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the aforementioned preference shareholders and top 10 ordinary shareholders.
- (3) "Shareholding percentage" refers to the percentage of domestic preference shares held by preference shareholders in total number of domestic preference shares.

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

### ◆ *Dividend Distribution of Preference Shares*

During the reporting period, the Bank did not distribute any dividend on preference shares.

### ◆ *Redemption or Conversion of Preference Shares*

During the reporting period, the Bank did not redeem or convert any preference share.

### ◆ *Restoration of Voting Rights of Preference Shares*

During the reporting period, the Bank did not restore any voting right of preference share.

### ◆ *Accounting Policy Adopted for Preference Shares and Grounds*

According to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments and the Rules for Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatment (Cai Kuai [2014] No. 13) promulgated by MOF as well as the International Accounting Standard 39 – Financial Instruments: Recognition and Measurement and the International Accounting Standard 32 – Financial Instruments: Presentation promulgated by International Accounting Standards Board and other accounting standards and main issuance clauses of the Bank's preference shares, issued and existing preference shares of the Bank excluded contractual obligations of cash on delivery or other financial assets and contractual obligations of settlement by delivering variable equity instruments, and shall be calculated as other equity instruments.



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# Directors, Supervisors, Senior Management, Employees and Institutions

## Basic Information on Directors, Supervisors and Senior Management

As at the disclosure date of this report, 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 consists of 14 directors, including two Executive Directors: Mr. Yi Huiman and Mr. Zhang Hongli; six Non-executive Directors: Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Fu Zhongjun, Mr. Zheng Fuqing, Mr. Fei Zhoulin and Mr. Cheng Fengchao; and six Independent Non-executive Directors: Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Or Ching Fai, Mr. Hong Yongmiao, Mr. Anthony Francis Neoh and Mr. Yang Siu Shun.

The Board of Supervisors of the Bank consists of six members, including two Shareholder Supervisors, namely Mr. Qian Wenhui and Mr. Zhang Wei, two Employee Supervisors, namely Mr. Hui Ping and Mr. Huang Li, and two External Supervisors, namely Mr. Qu Qiang and Mr. Shen Bingxi.

The Bank has nine Senior Management members, namely Mr. Yi Huiman, Mr. Zhang Hongli, Mr. Gu Shu, Mr. Wang Jingdong, Mr. Wang Lin, Mr. Hu Hao, Mr. Li Yunze, Mr. Wang Bairong and Mr. Guan Xueqing.

During the reporting period, the Bank did not implement any share incentives. None of the existing directors, supervisors and Senior Management members of the Bank or those who left office during the reporting period, except Mr. Zhang Hongli who held 2,000 H shares of the Bank, held shares or share options or were granted restricted shares of the Bank, and there was no change during the reporting period.

## Appointment and Removal

### ◆ *Directors*

At the Second Extraordinary General Meeting of 2015 held on 21 December 2015, Mr. Yang Siu Shun was appointed as Independent Non-executive Director of the Bank, and his qualification was approved by CBRC in April 2016. On 31 May 2016, the Board of Directors of the Bank appointed Mr. Yi Huiman as Chairman of the Board of Directors of the Bank, and his qualification was approved by CBRC in June 2016. At the Annual General Meeting for the Year 2015 of the Bank held on 24 June 2016, Mr. Yi Huiman was appointed as Executive Director of the Bank, and his new term of office took effect from the date of review and approval by the meeting; Mr. Shen Si was appointed as Independent Non-executive Director of the Bank, and his qualification remains to be approved by CBRC.

In October 2015, the Board of Directors of the Bank reviewed and approved the resignation of Mr. Yi Xiqun as Independent Non-executive Director due to work reasons, which became effective upon approval by CBRC of the qualification of the new independent non-executive director in April 2016. In May 2016, Mr. Jiang Jianqing resigned from the positions of Chairman of the Board of Directors and Executive Director for the reason of his age. In July 2016, Mr. Wang Xiquan resigned from the positions of Executive Director and Senior Executive Vice President of the Bank due to job change.

### ◆ *Supervisors*

On 23 June 2016, the Bank appointed Mr. Huang Li as Employee Supervisor of the Bank at the Special Meeting of the Employee Representatives of the Bank, and his term of office was calculated from 23 June 2016. On 24 June 2016, the Bank appointed Mr. Zhang Wei as Shareholder Supervisor of the Bank and Mr. Shen Bingxi as External Supervisor of the Bank at the Annual General Meeting for the Year 2015 and their terms of office were calculated from 24 June 2016.

Mr. Zhang Wei submitted his resignation to the Board of Supervisors of the Bank on 28 April 2016 to resign from the position of Employee Supervisor of the Bank. According to the Articles of Association, Mr. Zhang Wei continued to act as Employee Supervisor of the Bank up to 23 June 2016. Ms. Wang Chixi resigned from the position of Shareholder Supervisor of the Bank for the reason of her age on 23 June 2016. On 24 June 2016, Ms. Dong Juan ceased to act as External Supervisor of the Bank due to expiration of the term of office.

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## Directors, Supervisors, Senior Management, Employees and Institutions

### ◆ *Senior Management members*

On 31 May 2016, the Board of Directors of the Bank appointed Mr. Yi Huiman as Chairman of the Board of Directors of the Bank. Meanwhile, Mr. Yi Huiman resigned from the position of President of the Bank. According to relevant regulations, Mr. Yi Huiman shall act as President until the new President is elected with qualifications approved by CBRC.

On 31 May 2016, the Board of Directors of the Bank appointed Mr. Wang Bairong as Chief Risk Officer of the Bank, and his qualification was approved by CBRC in July 2016. Mr. Wei Guoxiong ceased to act as Chief Risk Officer of the Bank for the reason of his age.

On 31 May 2016, the Board of Directors of the Bank appointed Mr. Guan Xueqing as Board Secretary of the Bank, and his qualification was approved by CBRC in July 2016. Mr. Hu Hao ceased to act as Board Secretary of the Bank due to work reasons.

On 30 August 2016, the Board of Directors of the Bank appointed Mr. Li Yunze as Senior Executive Vice President of the Bank, and his qualification is to be approved by CBRC.

## Changes in Information of Directors and Supervisors

### ◆ *Directors*

Sir Malcolm Christopher McCarthy, Independent Non-executive Director of the Bank, retired as a Non-executive Director of Intercontinental Exchange in May 2016.

Mr. Kenneth Patrick Chung, Independent Non-executive Director of the Bank, has acted as independent non-executive director of Sands China Ltd. since July 2016.

Mr. Anthony Francis Neoh, Independent Non-executive Director of the Bank, has ceased to act as independent non-executive director of China Life Insurance Company Limited since July 2016.

Mr. Yang Siu Shun, Independent Non-executive Director of the Bank, has acted as independent non-executive director of Tencent Holdings Ltd. since July 2016.

### ◆ *Supervisors*

Mr. Zhang Wei, Shareholder Supervisor of the Bank, has concurrently acted as Chief of the Board of Supervisors' Office of the Bank and has ceased to serve as General Manager of the Legal Affairs Department of the Bank since July 2016.

Mr. Qu Qiang, External Supervisor of the Bank, has served as external supervisor of Bank of Beijing Co., Ltd. since July 2016.

## Directors, Supervisors, Senior Management, Employees and Institutions

### Basic Information on Employees and Institutions

As at the end of June 2016, the Bank had a total of 458,711 employees<sup>1</sup>, representing a decrease of 7,635 as compared to the end of the previous year, of whom 5,281 were employees in domestic subsidiaries and 14,561 were local employees in overseas institutions.

As at the end of June 2016, the Bank had a total of 17,433 institutions, representing a decrease of 65 as compared to the end of the previous year. Among them, there were 17,021 domestic institutions and 412 overseas ones.

#### GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES (As at the end of June 2016)

Item	Assets (in RMB millions)	Percentage (%)	Number of institutions	Percentage (%)	Number of employees	Percentage (%)
Head Office	9,222,694	39.2	30	0.2	15,027	3.3
Yangtze River Delta	4,055,828	17.2	2,621	15.0	62,212	13.6
Pearl River Delta	2,504,339	10.6	2,111	12.1	50,111	10.9
Bohai Rim	3,174,135	13.5	2,821	16.2	72,408	15.8
Central China	2,077,246	8.8	3,677	21.1	93,550	20.4
Western China	2,627,371	11.2	3,897	22.4	94,411	20.5
Northeastern China	961,881	4.1	1,764	10.1	51,150	11.2
Overseas and others	2,772,592	11.8	512	2.9	19,842	4.3
Eliminated and undistributed assets	(3,871,759)	(16.4)				
<b>Total</b>	<b>23,524,327</b>	<b>100.0</b>	<b>17,433</b>	<b>100.0</b>	<b>458,711</b>	<b>100.0</b>

Note: (1) Overseas and other assets include investments in associates and joint ventures.

1 Does not include labors dispatched for services totaling 324 persons.

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## Significant Events

### Corporate Governance

**Corporate Governance and Measures for Improvement** During the reporting period, the Bank strictly complied with relevant laws and regulations and continued to improve its corporate governance on the basis of the Bank's situation.

- Improving the composition of the Board of Directors, the Board of Supervisors and Senior Management members. The Bank selected and appointed new Chairman of the Board of Directors, some independent non-executive directors, supervisors, Chief Risk Officer and Board Secretary, and adjusted positions for some chairmen and members of special committees of the Board of Directors to ensure legal and compliant operation of the corporate governance.
- Strengthening the infrastructure of the corporate governance system and optimizing the corporate governance framework. Pursuant to the domestic and overseas regulatory requirements as well as its governance status, the Bank amended the Working Regulations for the Risk Management Committee of the Board of Directors and the Working Regulations for the Audit Committee of the Board of Directors. The Risk Management Committee of the Board of Directors concurrently serves the duty of risk committee for institutions in USA as stipulated by the Board of Governors of the Federal Reserve System in accordance with the amended Working Regulations for the Risk Management Committee of the Board of Directors.
- Attaching importance to the supervisory function of the Board of Supervisors. Focusing on the bank-wide central task, the Bank conducted supervisions in depth and earnestly gave effect to the important role of the Board of Supervisors in corporate governance.
- Enhancing the enterprise risk management system, strengthening consolidated risk management of the Group and paying close attention to the prevention and control of credit risk during the economic downturn. The Bank improved the internal control and compliance management mechanism and enhanced the capability of whole-process management of compliance risk and operational risk of the Group. It carried out risk-oriented audits in an in-depth way, and improved human resources management by accelerating human resources structure adjustment and strengthening talent cultivation for key areas.
- Continuously increasing the level of transparency of the company. Adhering to the information disclosure principle of "authenticity, accuracy, completeness, timeliness and fairness", the Bank constantly improved the Group's information disclosure management, proactively explored new paths to reinforce the transparency infrastructure, and continuously promoted the voluntary disclosure to effectively safeguard all stakeholders' legitimate rights.

**Corporate Governance Code** Compliance with Article A.2.1 of the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules): On 31 May 2016, the Board of Directors of the Bank elected Mr. Yi Huiman as its Chairman. Meanwhile, Mr. Yi Huiman resigned from the position of President of the Bank. Before the election of new President and the approval by CBRC, pursuant to relevant regulations, Mr. Yi Huiman shall exercise the President's functions and powers as a proxy. Apart from what is stated above, during the reporting period, the Bank fully complied with the principles, code provisions and the recommended best practices as stipulated in the Corporate Governance Code under Appendix 14 of the Hong Kong Listing Rules.

### Profits and Dividends Distribution

The formulation and implementation of the Bank's cash dividend policy, which has been reviewed and approved by the Independent Non-executive Directors, accords with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the Shareholders' General Meeting. The dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals, to completely safeguard their legitimate rights.

Upon the approval at the Annual General Meeting for the Year 2015 held on 24 June 2016, the Bank has distributed cash dividends of about RMB83,150 million, or RMB2.333 per ten shares (pre-tax), for the period from 1 January 2015 to 31 December 2015 to the ordinary shareholders whose names appeared on the share register after the close of market on 7 July 2016. The Bank will not declare or distribute interim dividends for 2016, nor will it convert any capital reserves to share capital.

During the reporting period, the Bank did not distribute any preference share dividend.

### **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.

For future development and planning disclosed in the public disclosure documents such as previous offering prospectuses and fundraising prospectuses issued by the Bank which has continued during the reporting period, its implementation progress conformed to the planning as described upon verification and analysis.

For details on the use of funds raised from the issue of preference shares of the Bank, please refer to "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares".

**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 2016, the amount of pending proceedings in which the Bank and/or its subsidiaries acted as defendants totaled RMB4,711 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.

**Common Queries from the Media** During the reporting period, the Bank did not have any common query from the media.

**Material Assets Acquisition, Sale and Merger** During the reporting period, the Bank had no material assets acquisition, sale and merger.

### **Material Related Party Transactions**

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

Please refer to "Note 45. to the Financial Statements: Related Party Disclosures" for particulars on the related party transactions defined under the laws, regulations and accounting standards of China.

### **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, which were subject to disclosure, 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, which were subject to disclosure.

**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 needs to be disclosed except for the financial guarantee services within the business scope as approved by PBC and CBRC.

**Occupation of Fund by Controlling Shareholders and Other Related Parties** None of the controlling shareholders and other related parties of the Bank occupied any fund of the Bank.

## Significant Events

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

During the reporting period, the Bank and the shareholders holding 5% shares or above did not make any new commitments. As at 30 June 2016, all of the continuing commitments made by the shareholders were properly fulfilled, and were listed as follows:

Shareholder	Type of commitment	Time and term of commitment	Legal document under which the commitment is made	Commitment	Fulfillment of commitment
Huijin	Commitment of non-competition	October 2006/ No specific term	Prospectus of Industrial and Commercial Bank of China Limited on Initial Public Offering (A Share)	Provided that Huijin continues to hold any share of the Bank or is deemed as the controlling shareholder of the Bank or the related party of the controlling shareholder of the Bank according to the laws or listing rules of China or the listing place of the Bank, Huijin will not engage in or participate in any competitive commercial banking business including but not limited to granting loans, attracting deposits and providing settlement, fund custody, bank card and money exchange services. However, Huijin can engage in or participate in some competitive businesses by investing in other commercial banks. In this regard, Huijin has committed that it will (1) fairly treat the investments in commercial banks and will not make any decision or judgment that will have adverse impact on the Bank or be beneficial to other commercial banks by taking advantage of the status of being a shareholder of the Bank or information obtained by taking advantage of the status of being a shareholder of the Bank; and (2) perform the shareholders' rights for the maximum interests of the Bank.	Properly fulfilled according to the commitment
		August 2010/ No specific term	Prospectus on Issuance of the A Share Convertible Corporate Bonds of Industrial and Commercial Bank of China Limited		
		November 2010/ No specific term	Prospectus on A Share Rights Issue of Industrial and Commercial Bank of China Limited		

In July 2015, the Bank received the notifications from MOF and Huijin, shareholders of the Bank, that during times of abnormal fluctuations in the stock market, MOF and Huijin would proactively perform their obligations as capital providers and undertake not to reduce their shareholdings in the Bank. Please refer to the Announcement Regarding Undertakings by the Ministry of Finance and Huijin not to Reduce Shareholding in the Bank issued by the Bank for detailed information.

Save as disclosed above, neither the Bank nor any of its Directors, Supervisors and Senior Management members or other related parties made any commitments.

**Investigations and Administrative Penalties by CSRC; Public Reprimand by Stock Exchanges; and Sanctions Imposed by Other Regulatory and Judicial Authorities during the Reporting Period**

During the reporting period, neither the Bank nor any of its Directors, Supervisors, Senior Management members and shareholders holding 5% shares or above was subject to any investigation by competent authorities, coercive measures taken by judicial authorities or disciplinary inspection departments, transfer to judicial authorities or investigation for criminal responsibility, investigation or administrative penalty by CSRC, restricted access to market, identification as unqualified, penalty by other administrative authorities or public reprimand by the stock exchanges.

**Purchase, Sale and Redemption of Securities** 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 are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries with 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 2016, Mr. Zhang Hongli, Executive Director and Senior Executive Vice President of the Bank, held 2,000 H shares of the Bank, and the spouse of Mr. Or Ching Fai, Independent Non-executive Director of the Bank, held 1,316,040 H shares of the Bank. Save as above, as at 30 June 2016, 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.

**Implementation of Employee Stock Option Plan during the Reporting Period** During the reporting period, the Bank did not implement any employee stock option plan.

**Review of the Interim Report**

The 2016 interim financial report prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by KPMG Huazhen LLP and KPMG in accordance with Chinese and international standards on review engagements, respectively.

The Interim Report has been reviewed and approved by the Audit Committee of the Board of Directors of the Bank.

**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.



## Review Report and Interim Financial Report

- Review Report
- Interim Financial Report
- Unaudited Supplementary Financial Information



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## Review Report



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

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

#### Introduction

We have reviewed the interim financial report set out on pages 81 to 172, which comprises the consolidated statement of financial position of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2016 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated cash flow statement 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 an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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*, issued by the International Auditing and Assurance Standards Board. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

KPMG  
Certified Public Accountants  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

30 August 2016

## Unaudited Interim Consolidated Statement Of Profit Or Loss

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June	
		2016 (unaudited)	2015 (unaudited)
Interest income	3	395,228	437,295
Interest expense	3	(160,948)	(185,208)
<b>NET INTEREST INCOME</b>	3	234,280	252,087
Fee and commission income	4	90,816	85,330
Fee and commission expense	4	(9,101)	(8,210)
<b>NET FEE AND COMMISSION INCOME</b>	4	81,715	77,120
Net trading income	5	3,334	2,165
Net loss on financial assets and liabilities designated at fair value through profit or loss	6	(253)	(5,082)
Net gain on financial investments	7	2,565	2,613
Other operating income, net	8	7,340	7,834
<b>OPERATING INCOME</b>		328,981	336,737
Operating expenses	9	(90,594)	(101,499)
Impairment losses on:			
Loans and advances to customers	20	(43,891)	(41,952)
Others	10	(542)	1
<b>OPERATING PROFIT</b>		193,954	193,287
Share of profits of associates and joint ventures		1,121	1,391
<b>PROFIT BEFORE TAXATION</b>		195,075	194,678
Income tax expense	11	(44,419)	(45,252)
<b>PROFIT FOR THE PERIOD</b>		150,656	149,426
Attributable to:			
Equity holders of the parent company		150,217	149,021
Non-controlling interests		439	405
		150,656	149,426
<b>EARNINGS PER SHARE</b>			
— Basic (RMB yuan)	13	0.42	0.42
— Diluted (RMB yuan)	13	0.42	0.42

Details of the dividends declared and paid or proposed are disclosed in note 12 to this interim financial report.

The notes on pages 89 to 172 form part of this interim financial report.

## Unaudited Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June	
		2016 (unaudited)	2015 (unaudited)
Profit for the period		150,656	149,426
Other comprehensive income (after tax, net):	36		
Items that will not be reclassified to profit or loss:			
Share of the other comprehensive income of investees accounted for using the equity method which will not be reclassified to profit or loss		(5)	–
Others		(10)	–
Items that may be reclassified subsequently to profit or loss:			
Net (loss)/gain from change in fair value of available-for-sale financial assets		(5,135)	7,672
Effective hedging portion of gains or losses arising from cash flow hedging instruments		(236)	(34)
Share of the other comprehensive income of investee accounted for using the equity method which may be reclassified subsequently to profit or loss		(601)	(297)
Foreign currency translation differences		5,773	(3,126)
Subtotal of other comprehensive income for the period		(214)	4,215
Total comprehensive income for the period		150,442	153,641
Total comprehensive income attributable to:			
Equity holders of the parent company		150,245	152,961
Non-controlling interests		197	680
		150,442	153,641

The notes on pages 89 to 172 form part of this interim financial report.

## Unaudited Interim Consolidated Statement of Financial Position

As at 30 June 2016  
(In RMB millions, unless otherwise stated)

	Notes	30 June 2016 (unaudited)	31 December 2015 (audited)
<b>ASSETS</b>			
Cash and balances with central banks	14	3,331,693	3,059,633
Due from banks and other financial institutions	15	628,754	683,793
Financial assets held for trading	16	177,837	132,838
Financial assets designated at fair value through profit or loss	17	261,256	210,434
Derivative financial assets	18	71,180	78,870
Reverse repurchase agreements	19	723,379	996,333
Loans and advances to customers	20	12,396,561	11,652,812
Financial investments	21	5,076,552	4,666,691
Investments in associates and joint ventures	22	26,096	24,185
Property and equipment	23	227,097	224,426
Deferred income tax assets	24	17,265	21,066
Other assets	25	586,657	458,699
<b>TOTAL ASSETS</b>		<b>23,524,327</b>	<b>22,209,780</b>
<b>LIABILITIES</b>			
Due to central banks		380	210
Financial liabilities designated at fair value through profit or loss	26	346,986	303,927
Derivative financial liabilities	18	79,431	76,826
Due to banks and other financial institutions	27	2,245,263	2,265,860
Repurchase agreements	28	345,029	337,191
Certificates of deposit	29	199,802	183,352
Due to customers	30	17,369,524	16,281,939
Income tax payable		28,128	63,266
Deferred income tax liabilities	24	885	995
Debt securities issued	31	320,772	306,622
Other liabilities	32	720,350	589,073
<b>TOTAL LIABILITIES</b>		<b>21,656,550</b>	<b>20,409,261</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the parent company			
Share capital	33	356,407	356,407
Other equity instrument		79,375	79,375
Including: Preference shares	34	79,375	79,375
Reserves	35	572,279	571,704
Retained profits		848,532	781,988
		1,856,593	1,789,474
Non-controlling interests		11,184	11,045
<b>TOTAL EQUITY</b>		<b>1,867,777</b>	<b>1,800,519</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>23,524,327</b>	<b>22,209,780</b>

Yi Huiman  
Chairman

Zhang Wenwu  
General Manager of Finance and  
Accounting Department

The notes on pages 89 to 172 form part of this interim financial report.

## Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													Non-controlling interests	Total equity
	Reserves											Retained profits	Total		
	Issued share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal					
Balance as at 1 January 2016	356,407	79,375	152,026	178,040	246,356	29,956	(31,432)	(3,926)	684	571,704	781,988	1,789,474	11,045	1,800,519	
Profit for the period	-	-	-	-	-	-	-	-	-	-	150,217	150,217	439	150,656	
Other comprehensive income (note 36)	-	-	-	-	-	(4,881)	5,726	(201)	(616)	28	-	28	(242)	(214)	
Total comprehensive income	-	-	-	-	-	(4,881)	5,726	(201)	(616)	28	150,217	150,245	197	150,442	
Dividends — ordinary shares 2015 final (note 12)	-	-	-	-	-	-	-	-	-	-	(83,150)	(83,150)	-	(83,150)	
Appropriation to surplus reserve (i)	-	-	-	400	-	-	-	-	-	400	(400)	-	-	-	
Appropriation to general reserve (ii)	-	-	-	-	123	-	-	-	-	123	(123)	-	-	-	
Change in shareholding in subsidiaries	-	-	8	-	-	-	-	-	-	8	-	8	12	20	
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(70)	(70)	
Others	-	-	-	-	-	-	-	-	16	16	-	16	-	16	
<b>Balance as at 30 June 2016 (unaudited)</b>	<b>356,407</b>	<b>79,375</b>	<b>152,034</b>	<b>178,440</b>	<b>246,479</b>	<b>25,075</b>	<b>(25,706)</b>	<b>(4,127)</b>	<b>84</b>	<b>572,279</b>	<b>848,532</b>	<b>1,856,593</b>	<b>11,184</b>	<b>1,867,777</b>	

- (i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB73 million and RMB327 million, respectively.
- (ii) Includes the appropriation made by subsidiaries in the amount of RMB123 million.

The notes on pages 89 to 172 form part of this interim financial report.

# Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company														
	Reserves										Retained profits	Total	Non-controlling interests	Total equity	
	Issued share capital	Other equity instrument	Equity component of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves					Subtotal
Balance as at 1 January 2015	353,495	34,428	388	144,424	150,752	221,622	4,809	(26,103)	(3,853)	661	492,312	650,236	1,530,859	6,445	1,537,304
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	149,021	149,021	405	149,426
Other comprehensive income (note 36)	-	-	-	-	-	-	7,336	(3,057)	(42)	(297)	3,940	-	3,940	275	4,215
<b>Total comprehensive income</b>	-	-	-	-	-	-	7,336	(3,057)	(42)	(297)	3,940	149,021	152,961	680	153,641
Dividends — ordinary shares 2014 final (note 12)	-	-	-	-	-	-	-	-	-	-	-	(91,026)	(91,026)	-	(91,026)
Appropriation to surplus reserve (i)	-	-	-	-	610	-	-	-	-	-	610	(610)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	-	898	-	-	-	-	898	(898)	-	-	-
Conversion of convertible bonds	2,912	-	-	7,761	-	-	-	-	-	-	7,761	-	10,673	-	10,673
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	3,487	3,487
Conversion and redemption of equity component of convertible bonds	-	-	(388)	-	-	-	-	-	-	-	-	-	(388)	-	(388)
Others	-	-	-	-	-	-	-	-	-	(54)	(54)	-	(54)	-	(54)
<b>Balance as at 30 June 2015 (unaudited)</b>	<b>356,407</b>	<b>34,428</b>	<b>-</b>	<b>152,185</b>	<b>151,362</b>	<b>222,520</b>	<b>12,145</b>	<b>(29,160)</b>	<b>(3,895)</b>	<b>310</b>	<b>505,467</b>	<b>706,723</b>	<b>1,603,025</b>	<b>10,612</b>	<b>1,613,637</b>

- (i) Includes the appropriation made by overseas branches and subsidiaries in the amount of RMB63 million and RMB547 million, respectively.
- (ii) Includes the appropriation made by subsidiaries in the amount of RMB898 million.

The notes on pages 89 to 172 form part of this interim financial report.

# Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company														Non-controlling interests	Total equity
	Reserves												Retained profits	Total		
	Issued share capital	Other equity instrument	Equity component of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal					
Balance as at 1 January 2015	353,495	34,428	388	144,424	150,752	221,622	4,809	(26,103)	(3,853)	661	492,312	650,236	1,530,859	6,445	1,537,304	
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	277,131	277,131	589	277,720	
Other comprehensive income	-	-	-	-	-	-	25,147	(5,329)	(73)	148	19,893	-	19,893	512	20,405	
Total comprehensive income	-	-	-	-	-	-	25,147	(5,329)	(73)	148	19,893	277,131	297,024	1,101	298,125	
Dividends — ordinary shares																
2014 final	-	-	-	-	-	-	-	-	-	-	-	(91,026)	(91,026)	-	(91,026)	
Dividends — preference shares	-	-	-	-	-	-	-	-	-	-	-	(2,331)	(2,331)	-	(2,331)	
Appropriation to surplus reserve (i)	-	-	-	-	27,288	-	-	-	-	-	27,288	(27,288)	-	-	-	
Appropriation to general reserve (ii)	-	-	-	-	-	24,734	-	-	-	-	24,734	(24,734)	-	-	-	
Capital injection by other equity holder	-	44,947	-	-	-	-	-	-	-	-	-	-	44,947	-	44,947	
Conversion of convertible bonds	2,912	-	-	7,761	-	-	-	-	-	-	7,761	-	10,673	-	10,673	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	3,438	3,438	
Change in share holding in subsidiaries	-	-	-	(159)	-	-	-	-	-	-	(159)	-	(159)	(339)	(498)	
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	323	323	
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(8)	(8)	
Conversion and redemption of equity component of convertible bonds	-	-	(388)	-	-	-	-	-	-	-	-	-	(388)	-	(388)	
Others	-	-	-	-	-	-	-	-	-	(125)	(125)	-	(125)	85	(40)	
<b>Balance as at 31 December 2015 (audited)</b>	<b>356,407</b>	<b>79,375</b>	<b>-</b>	<b>152,026</b>	<b>178,040</b>	<b>246,356</b>	<b>29,956</b>	<b>(31,432)</b>	<b>(3,926)</b>	<b>684</b>	<b>571,704</b>	<b>781,988</b>	<b>1,789,474</b>	<b>11,045</b>	<b>1,800,519</b>	

- (i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB71 million and RMB890 million, respectively.
- (ii) Includes the appropriation made by subsidiaries in the amount of RMB1,303 million.

The notes on pages 89 to 172 form part of this interim financial report.



## Unaudited Interim Consolidated Cash Flow Statement

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June	
		2016 (unaudited)	2015 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		195,075	194,678
Adjustments for:			
Share of profits of associates and joint ventures		(1,121)	(1,391)
Depreciation		9,380	8,600
Amortisation	9	1,073	1,183
Amortisation of financial investments		(3,907)	(980)
Impairment losses on loans and advances to customers	20	43,891	41,952
Impairment losses/(reversal) on assets other than loans and advances to customers	10	542	(1)
Unrealised foreign exchange (gain)/loss		(14,008)	331
Interest expense on debt securities issued		6,844	6,441
Accreted interest on impaired loans	3	(2,648)	(2,091)
Gain on disposal of available-for-sale financial assets, net	7	(2,461)	(2,555)
Net trading loss/(gain) on equity investments	5	47	(30)
Net loss on financial assets and liabilities designated at fair value through profit or loss	6	253	5,082
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)		(378)	(463)
Dividend income	7	(104)	(58)
		232,478	250,698
Net (increase)/decrease in operating assets:			
Due from central banks		(162,821)	135,537
Due from banks and other financial institutions		118,833	43,278
Financial assets held for trading		(44,629)	(93,203)
Financial assets designated at fair value through profit or loss		(49,032)	17,589
Reverse repurchase agreements		(9,721)	(125,407)
Loans and advances to customers		(761,127)	(648,325)
Other assets		(178,183)	(127,036)
		(1,086,680)	(797,567)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated at fair value through profit or loss		43,436	(91,243)
Due to central banks		170	(299)
Due to banks and other financial institutions		(34,695)	1,023,760
Repurchase agreements		7,838	(50,024)
Certificates of deposit		12,929	(30,746)
Due to customers		1,066,410	731,459
Other liabilities		129,769	114,198
		1,225,857	1,697,105
Net cash flows from operating activities before tax		371,655	1,150,236
Income tax paid		(74,023)	(66,387)
Net cash flows from operating activities		297,632	1,083,849

The notes on pages 89 to 172 form part of this interim financial report.

## Unaudited Interim Consolidated Cash Flow Statement

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June	
		2016 (unaudited)	2015 (unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment and other assets		(12,489)	(17,482)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		428	678
Purchases of financial investments		(1,395,585)	(876,105)
Proceeds from sale and redemption of financial investments		980,624	512,323
Investments in associates and joint ventures		(426)	–
Dividends received		548	596
Net cash flows from investing activities		(426,900)	(379,990)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital injection by non-controlling shareholders		1,520	49
Proceeds from issuance of debt securities		458,522	39,291
Interest paid on debt securities		(5,617)	(3,776)
Repayment of other debt securities		(450,724)	(21,258)
Net cash flows from financing activities		3,701	14,306
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the period		1,441,298	994,264
Effect of exchange rate changes on cash and cash equivalents		15,786	(940)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	38	1,331,517	1,711,489
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:</b>			
Interest received		390,728	425,951
Interest paid		(155,513)	(168,638)

The notes on pages 89 to 172 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

## 1 CORPORATE INFORMATION

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

The Bank obtained its finance permit No. B0001H111000001 from the China Banking Regulatory Commission (the “CBRC”) of the PRC. The Bank obtained its business license with unified social credit code 91100000100003962T from the State Administration for Industry and Commerce of the PRC. The legal representative is Yi Huiman 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 Bank’s offshore preference shares are listed on the Stock Exchange of Hong Kong Limited and the stock codes are 4603, 4604 and 84602, respectively. The Bank’s domestic preference shares are listed on the Shanghai Stock Exchange and the stock code is 360011.

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, insurance 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 outside Mainland China.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. It was authorised for issue on 30 August 2016.

The interim financial report does not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s last annual financial report for the year ended 31 December 2015.

The interim financial report has been reviewed by the Bank’s auditors, KPMG, in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by International Auditing and Assurance Standards Boards (“IAASB”).

### Accounting judgements and estimates

The preparation of the interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. 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 2015.

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

### Basis of consolidation

The interim financial report comprises the financial statements of the Bank and its subsidiaries for the six months ended 30 June 2016. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

The Group controls an entity if it is exposed, or has rights, to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions, cash flows and any unrealised profit or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity holders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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

Name	Percentage of equity interest %		Voting rights %	Nominal value of issued share/ paid-in capital	Amount invested by the Bank	Place of incorporation/ registration and operations	Principal activities
	30 June 2016	31 December 2015	30 June 2016	30 June 2016			
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia")	100	100	100	HKD36,379 million	HKD46,930 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	100	HKD4,882 million	HKD4,882 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	100	KZT8,933 million	KZT8,933 million	Almaty, Kazakhstan	Commercial banking
ICBC (London) PLC ("ICBC London")	100	100	100	USD200 million	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd.*	80	80	80	RMB200 million	RMB433 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China (Europe) S.A.	100	100	100	EUR437 million	EUR437 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia ("ICBC Indonesia")	98.61	98.61	98.61	IDR2,692.2 billion	USD286 million	Jakarta, Indonesia	Commercial banking
Bank ICBC (Joint stock company)	100	100	100	RUB2,310 million	RUB2,310 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd.* ("ICBC Leasing")	100	100	100	RMB11,000 million	RMB11,000 million	Tianjin, the PRC	Leasing

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

Name	Percentage of equity interest %		Voting rights %	Nominal value of issued share/ paid-in capital		Amount invested by the Bank	Place of incorporation/ registration and operations	Principal activities
	30 June 2016	31 December 2015		30 June 2016	30 June 2016			
Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")	89.33	89.33	89.33	MOP589 million	MOP12,064 million		Macau, the PRC	Commercial banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd. *	60	60	60	RMB200 million	RMB120 million		Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd. *	100	100	100	RMB100 million	RMB100 million		Chongqing, the PRC	Commercial banking
Industrial and Commercial Bank of China (Canada)	80	80	80	CAD158 million	CAD178.66 million		Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	100	MYR331 million	MYR331 million		Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai")	97.86	97.86	97.86	THB20,132 million	THB23,711 million		Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	100	USD50 million	USD50.25 million		Delaware and New York United States	Broker dealer
ICBC-AXA Assurance Co., Ltd *	60	60	60	RMB8,705 million	RMB5,700 million		Shanghai, China	Insurance
Industrial and Commercial Bank of China (USA) NA	80	80	80	USD309 million	USD258 million		New York, United States	Commercial banking
Industrial and Commercial Bank of China (Argentina) S.A. ("ICBC Argentina")	80	80	80	ARS1,345 million	ARS3,505 million		Buenos Aires, Argentina	Commercial banking
ICBC PERU BANK	100	100	100	USD50 million	USD50 million		Lima, Peru	Commercial banking
Industrial and Commercial Bank of China (Brazil) S.A.	99.99	99.99	99.99	Real202 million	Real202 million		Sao Paulo, Brazil	Commercial and investment banking
Industrial and Commercial Bank of China (New Zealand) Limited ("ICBC New Zealand")	100	100	100	NZD60.38 million	NZD60.38 million		Auckland, New Zealand	Commercial banking
Industrial and Commercial Bank of China (Mexico) S.A.	100	100	100	MXN664 million	MXN664 million		Mexico City, Mexico	Commercial banking
ICBC Turkey Bank Anonim Sirketi ("ICBC Turkey")	92.8169	92.8169	92.8169	TRY420 million	USD309 million		Istanbul, Turkey	Commercial banking
ICBC Standard Bank Plc ("ICBC Standard")	60	60	60	USD1,083 million	USD680 million		London, United Kingdom	Banking

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

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.

There is no subsidiary of the Group which has material non-controlling interests during the reporting period.

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

### Significant accounting policies

The accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Group's annual financial report for the year ended 31 December 2015, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs")) as of 1 January 2016. The principal effects of adopting these new and revised IFRSs are as follows:

#### *IFRS14, Regulatory deferral accounts*

This interim standard permits first-time adopters of IFRS to continue to use previous GAAP to account for regulatory deferral account balances while the IASB completes its comprehensive project in this area.

As an existing IFRS adopter, the new standard is not applicable to the Group.

#### *Amendments to IFRS 11, Joint Arrangements "Accounting for acquisitions of interests in joint operations"*

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. Specifically, the amendments require business combination accounting to be applied in this situation.

The adoption will not have any material impact on the financial position and the financial result of the Group.

#### *Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortization*

The amendments introduce a rebuttable presumption to IAS 38 that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments also prohibit the use of revenue-based depreciation methods for property, plant and equipment under IAS 16.

The adoption will not have any material impact on the financial position and the financial result of the Group.

#### *Amendments to IAS 27, Separate financial statements "Equity method in separate financial statements"*

The amendments allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

- at cost;
- in accordance with IFRS 9 (or IAS 39); or
- using the equity method as described in IAS 28.

The adoption will not have any material impact on the financial position and the financial result of the Group.

#### *Annual Improvements to IFRSs 2012–2014 Cycle*

The 2012–2014 cycle of annual improvement contains amendments to four standards with consequential amendments to other standards and interpretations including IFRS 5 Non-current assets held for sale and discontinued operations, IFRS 7 Financial instruments: disclosures, IAS 19 Employee benefits, IAS 34 Interim financial reporting.

The adoption will not have any material impact on the financial position and the financial result of the Group.

*Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception*

The amendments clarify the following areas of the accounting requirements of investment entities:

- Exemption from preparing consolidated financial statements under IFRS 10.4(a) is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries, including that parent entity, at fair value.
- A subsidiary that is itself an investment entity should not be consolidated even if it provides services related to the parent's investment activities.
- When applying the equity method, a non-investment entity investor is allowed, but not required, to retain the fair value measurement applied by its investment entity associate or joint venture for their subsidiaries, i.e. the investor can make a policy choice.
- An investment entity measuring all of its subsidiaries at fair value is still required to provide the disclosures relating to investment entities required by IFRS 12, even though it is not preparing consolidated financial statements.

The adoption will not have any material impact on the financial position and the financial result of the Group.

*Amendments to IAS 1, Presentation of financial statements "Disclosure initiative"*

The amendments clarify various presentation issues relating to:

- assessment of materiality versus minimum disclosure requirements of a standard;
- order of notes;
- disaggregation and aggregation;
- presentation of sub-totals; and
- presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

The adoption will not have any material impact on the financial position and the financial result of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretation and amendments.

**3. NET INTEREST INCOME**

	Six months ended 30 June	
	2016	2015
Interest income on:		
Loans and advances to customers (i)		
— Corporate loans and advances	182,513	217,660
— Personal loans	77,768	84,365
— Discounted bills	10,468	9,837
Financial investments (ii)	87,675	82,664
Due from central banks	21,730	24,538
Due from banks and other financial institutions	15,074	18,231
	395,228	437,295
Interest expense on:		
Due to customers	(129,967)	(151,971)
Due to banks and other financial institutions	(22,598)	(25,428)
Debt securities issued	(8,383)	(7,809)
	(160,948)	(185,208)
Net interest income	234,280	252,087

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

- (i) Included in interest income on loans and advances to customers for the period is an amount of RMB2,648 million (six months ended 30 June 2015: RMB2,091 million) with respect to the accreted interest on impaired loans.
- (ii) Included in interest income on financial investments for the period is an amount of RMB18 million (six months ended 30 June 2015: RMB25 million) with respect to interest income on impaired debt securities.

### 4. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2016	2015
Personal wealth management and private banking services (i)	20,877	19,051
Bank card business	18,859	18,684
Investment banking business	16,109	15,197
Settlement, clearing business and cash management	13,787	15,015
Corporate wealth management services (i)	11,276	9,235
Asset custody business (i)	3,965	2,732
Guarantee and commitment business	3,195	2,702
Trust and agency services (i)	1,105	1,147
Others	1,643	1,567
Fee and commission income	90,816	85,330
Fee and commission expense	(9,101)	(8,210)
Net fee and commission income	81,715	77,120

- (i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above for the period is an amount of RMB11,610 million (six months ended 30 June 2015: RMB9,281 million) with respect to trust and other fiduciary activities.

### 5. NET TRADING INCOME

	Six months ended 30 June	
	2016	2015
Debt securities	2,534	1,802
Equity investments	(47)	30
Derivatives and others	847	333
	3,334	2,165

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	
	2016	2015
Financial assets	5,095	8,009
Financial liabilities	(5,348)	(13,091)
	(253)	(5,082)

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	
	2016	2015
Dividend income from unlisted investments	70	52
Dividend income from listed investments	34	6
Dividend income	104	58
Gain on disposal of available-for-sale financial assets, net	2,461	2,555
	2,565	2,613

**8. OTHER OPERATING INCOME, NET**

	Six months ended 30 June	
	2016	2015
Net premium income (i)	26,299	15,000
Operating cost of insurance business	(26,361)	(14,805)
Gain from foreign exchange and foreign exchange products, net	2,242	1,404
Leasing income	2,850	3,844
Net gain on disposal of property and equipment, repossessed assets and others	469	521
Sundry bank charge income	57	36
Gain on acquisition of subsidiary	–	487
Others	1,784	1,347
	7,340	7,834

(i) Details of net premium income are as follows:

	Six months ended 30 June	
	2016	2015
Premium income	26,275	15,000
Less: premiums ceded to reinsurers	(50)	(45)
Less: retrocession surrender	74	45
Net premium income	26,299	15,000

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### 9. OPERATING EXPENSES

	Six months ended 30 June	
	2016	2015
Staff costs:		
Salaries and bonuses	31,456	31,233
Staff benefits	10,178	11,515
Post-employment benefits defined contribution plans (i)	7,689	7,355
	49,323	50,103
Premises and equipment expenses:		
Depreciation	7,394	8,600
Lease payments under operating leases in respect of land and buildings	3,949	3,808
Repairs and maintenance charges	1,053	1,107
Utility expenses	1,120	1,217
	13,516	14,732
Amortisation	1,073	1,183
Other administrative expenses	8,021	8,836
Business tax and surcharges	13,467	21,667
Others	5,194	4,978
	90,594	101,499

(i) The defined contribution plans mainly include contributions to the state pension and the Bank's Annuity Plan.

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

	Notes	Six months ended 30 June	
		2016	2015
Charge/(Reversal) of impairment losses on:			
Due from banks and other financial institutions	15	(139)	(3)
Financial investments:			
Held-to-maturity investments	21(d)	(1)	(9)
Available-for-sale financial assets	21(c)(i), (d)	143	(14)
Others		539	25
		542	(1)

### 11. INCOME TAX EXPENSE

#### (a) Income tax

	Six months ended 30 June	
	2016	2015
Current income tax expense:		
Mainland China	36,794	42,010
Hong Kong and Macau	868	823
Overseas	1,412	1,162
	39,074	43,995
Adjustments in respect of income tax of prior years	(189)	59
Deferred income tax expense	5,534	1,198
	44,419	45,252

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

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 taxation at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	Six months ended 30 June	
	2016	2015
Profit before taxation	195,075	194,678
Tax at the PRC statutory income tax rate (25%)	48,769	48,670
Effects of different applicable rates of tax prevailing in other countries/regions	(344)	(144)
Non-deductible expenses (i)	2,389	1,126
Non-taxable income (ii)	(6,490)	(4,575)
Profits attributable to associates and joint ventures	(280)	(348)
Adjustment in respect of income tax of prior years	(189)	59
Others	564	464
Income tax expense	44,419	45,252

- (i) The non-deductible expenses mainly represent non-deductible impairment provision 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	
	2016	2015
Dividends on ordinary shares declared and paid or proposed:		
Final dividend on ordinary shares for 2015: RMB0.2333 per share (2014: RMB0.2554 per share)	83,150	91,026

**13. EARNINGS PER SHARE**

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

	Six months ended 30 June	
	2016	2015
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	150,217	149,021
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	356,407	356,026
Basic earnings per share (RMB yuan)	0.42	0.42

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

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

	Six months ended 30 June	
	2016	2015
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	150,217	149,021
Add: Interest expense on convertible bonds (net of tax)	–	13
Profit used to determine diluted earnings per share	150,217	149,034
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	356,407	356,026
Diluted earnings per share (RMB yuan)	0.42	0.42

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. As of the end of the financial reporting period, the balance of outstanding convertible bonds of the bank is nil.

### 14. CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2016	31 December 2015
Cash and unrestricted balances with central banks:		
Cash on hand	77,763	85,226
Surplus reserves with central banks (i)	89,043	2,946
Unrestricted balances with central banks of overseas countries or regions	122,501	91,897
	289,307	180,069
Restricted balances with central banks:		
Mandatory reserves with central banks (ii)	2,682,379	2,539,660
Fiscal deposits with the PBOC	296,445	291,537
Mandatory reserves with central banks of overseas countries or regions (ii)	16,335	37,313
Other restricted balances with the PBOC (ii)	47,227	11,054
	3,042,386	2,879,564
	3,331,693	3,059,633

- (i) Surplus reserves with the PBOC 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 PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations. Mandatory reserve deposits mainly consist of deposits placed with the PBOC. As at 30 June 2016, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.

**15. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

	30 June 2016	31 December 2015
Due from banks and other financial institutions:		
Banks operating in Mainland China	135,571	121,745
Other financial institutions operating in Mainland China	3,053	1,441
Banks and other financial institutions operating outside Mainland China	49,855	88,702
	188,479	211,888
Less: Allowance for impairment losses	(193)	(329)
	188,286	211,559
Placements with banks and other financial institutions:		
Banks operating in Mainland China	62,320	55,375
Other financial institutions operating in Mainland China	265,501	284,335
Banks and other financial institutions operating outside Mainland China	112,683	132,563
	440,504	472,273
Less: Allowance for impairment losses	(36)	(39)
	440,468	472,234
	628,754	683,793

As at 30 June 2016, the amount of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB93,357 million (31 December 2015: RMB123,397 million). During the reporting period, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB162,360 million (2015: RMB199,316 million). The transactions were conducted in the ordinary course of business under normal terms and conditions.

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

	Due from banks and other financial institutions	Placements with banks and other financial institutions	Total
At 1 January 2015	231	26	257
Charge for the year	98	13	111
At 31 December 2015 and 1 January 2016	329	39	368
Reversal for the period	(136)	(3)	(139)
At 30 June 2016	193	36	229

**16. FINANCIAL ASSETS HELD FOR TRADING**

	30 June 2016	31 December 2015
Debt securities	177,531	132,465
Equity investments	306	373
	177,837	132,838
Debt securities analysed into:		
Listed in Hong Kong	1,045	687
Listed outside Hong Kong	13,716	14,848
Unlisted	162,770	116,930
	177,531	132,465

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

	30 June 2016	31 December 2015
Debt securities	46,364	22,224
Other debt instruments:		
Banks and other financial institutions	21,060	6,300
Others	193,832	181,910
	261,256	210,434
Analysed into:		
Listed in Hong Kong	220	210
Listed outside Hong Kong	13,089	3,250
Unlisted	247,947	206,974
	261,256	210,434

### 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

In accordance with accounting policy for offsetting, the Group offsets derivative assets and derivative liabilities which meet the criteria for offsetting, and presents a net amount in the financial statements. As at 30 June 2016, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB52,467 million and RMB53,559 million respectively, and the net derivative assets and net derivative liabilities were RMB31,595 million and RMB32,687 million respectively.

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

	30 June 2016						
	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	1,264,361	1,745,623	139,872	4,790	3,154,646	34,524	(33,211)
Option contracts purchased	67,391	28,838	893	–	97,122	1,018	–
Option contracts written	60,385	23,248	508	–	84,141	–	(1,019)
	1,392,137	1,797,709	141,273	4,790	3,335,909	35,542	(34,230)
Interest rate contracts:							
Swap contracts	137,419	329,879	664,876	167,110	1,299,284	23,364	(24,116)
Forward contracts	122,947	86,031	358,318	–	567,296	40	(205)
Option contracts purchased	1,168	17,719	16,440	–	35,327	76	–
Option contracts written	1,168	16,283	12,742	16	30,209	–	(24)
	262,702	449,912	1,052,376	167,126	1,932,116	23,480	(24,345)
Commodity derivatives and others	705,050	320,906	58,189	2,301	1,086,446	12,158	(20,856)
	2,359,889	2,568,527	1,251,838	174,217	6,354,471	71,180	(79,431)

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	31 December 2015						
	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	1,211,545	1,309,472	139,060	4,290	2,664,367	35,533	(37,722)
Option contracts purchased	39,851	65,470	778	–	106,099	1,074	–
Option contracts written	50,866	53,240	283	–	104,389	–	(1,203)
	1,302,262	1,428,182	140,121	4,290	2,874,855	36,607	(38,925)
Interest rate contracts:							
Swap contracts	209,289	373,438	647,015	161,450	1,391,192	26,769	(28,079)
Forward contracts	69,289	193,918	322,529	–	585,736	119	(111)
Option contracts purchased	5,386	28	8,059	–	13,473	101	–
Option contracts written	5,386	–	7,383	16	12,785	–	(46)
	289,350	567,384	984,986	161,466	2,003,186	26,989	(28,236)
Commodity derivatives and others	691,028	266,823	44,352	1,460	1,003,663	15,274	(9,665)
	2,282,640	2,262,389	1,169,459	167,216	5,881,704	78,870	(76,826)

**Cash flow hedges**

The Group's cash flow hedges consist of interest rate swap contracts, currency swap contracts and equity derivatives that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below:

	30 June 2016						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	–	2,176	10,667	2,031	14,874	281	(261)
Currency swap contracts	5,342	1,354	405	–	7,101	78	(154)
Equity derivatives	86	61	113	–	260	–	(24)
	5,428	3,591	11,185	2,031	22,235	359	(439)

	31 December 2015						
	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	265	503	10,406	2,192	13,366	201	(32)
Currency swap contracts	2,347	1,018	790	–	4,155	20	(30)
Equity derivatives	77	84	104	–	265	–	(60)
	2,689	1,605	11,300	2,192	17,786	221	(122)

There was no ineffectiveness recognised in profit or loss that arose from the cash flow hedge for the current period (six months ended 30 June 2015: Nil).

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### 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 of financial assets and financial liabilities, 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 statement of profit or loss during the period is presented as follows:

	Six months ended 30 June	
	2016	2015
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	34	44
— Hedged items attributable to the hedged risk	(75)	(46)
	(41)	(2)

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

	30 June 2016							
	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	73	1,151	22,792	5,201	29,217	558	(346)	
	73	1,151	22,792	5,201	29,217	558	(346)	

	31 December 2015							
	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	279	339	18,828	2,896	22,342	311	(133)	
	279	339	18,828	2,896	22,342	311	(133)	



The credit risk-weighted assets in respect of the above derivatives of the Group as at the end of the reporting date are as follows:

	30 June 2016	31 December 2015
Counterparty credit default risk-weighted assets	53,923	45,372
Currency derivatives	28,820	24,281
Interest rate derivatives	4,340	3,819
Credit derivatives	74	75
Commodity derivatives and others	9,019	7,207
Net settled credit default risk-weighted assets	11,670	9,990
Credit value adjustment	26,622	20,332
	80,545	65,704

The credit risk-weighted assets represent the counterparty credit risk associated with derivative transactions and are calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBRC, which includes counterparty credit default risk-weighted assets and credit value adjustment.

## 19. REVERSE REPURCHASE AGREEMENTS

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

	30 June 2016	31 December 2015
Reverse repurchase agreements (i)	671,660	943,351
Cash advanced as collateral on securities borrowing	51,719	52,982
	723,379	996,333
Reverse repurchase agreements analysed by counterparty:		
Banks	409,460	569,932
Other financial institutions	262,200	373,419
	671,660	943,351
Reverse repurchase agreements analysed by collateral:		
Securities	427,684	638,863
Bills	243,976	304,488
	671,660	943,351

- (i) In accordance with master repurchase agreements and related supplementary agreements, the Group offsets reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting, and presents net positive (or negative) amounts as reverse repurchase agreements (or repurchase agreements) in the financial statements. As at 30 June 2016, reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting were RMB709,379 million (31 December 2015: RMB572,560 million) and RMB729,202 million (31 December 2015: RMB597,258 million), respectively, and the net reverse repurchase agreements and net repurchase agreements were RMB167,688 million (31 December 2015: RMB137,066 million) and RMB187,510 million (31 December 2015: RMB161,764 million), respectively.
- (ii) 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. As at 30 June 2016, the Group had received securities with a fair value of approximately RMB171,911 million on such terms (31 December 2015: RMB140,834 million), among which securities with a fair value of approximately RMB170,107 million have been repledged under repurchase agreements (31 December 2015: RMB139,075 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.

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### 20. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2016	31 December 2015
Corporate loans and advances	8,134,402	7,869,552
Personal loans	3,871,626	3,541,862
Discounted bills	671,289	522,052
	12,677,317	11,933,466
Less: Allowance for impairment losses	(280,756)	(280,654)
	12,396,561	11,652,812

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

	Individually assessed	Collectively assessed	Total
At 1 January 2015	41,245	216,336	257,581
Impairment loss:	63,728	22,294	86,022
— impairment allowances charged	91,878	134,262	226,140
— impairment allowances transferred	902	(902)	–
— reversal of impairment allowances	(29,052)	(111,066)	(140,118)
Accreted interest on impaired loans	(4,156)	–	(4,156)
Acquisition of subsidiaries	326	88	414
Write-offs	(50,365)	(9,931)	(60,296)
Recoveries of loans and advances previously written off	721	368	1,089
At 31 December 2015 and 1 January 2016	51,499	229,155	280,654
Impairment loss:	45,834	(1,943)	43,891
— impairment allowances charged	60,708	77,226	137,934
— impairment allowances transferred	422	(422)	–
— reversal of impairment allowances	(15,296)	(78,747)	(94,043)
Accreted interest on impaired loans (note 3)	(2,648)	–	(2,648)
Write-offs	(38,909)	(3,239)	(42,148)
Recoveries of loans and advances previously written off	536	471	1,007
At 30 June 2016	56,312	224,444	280,756

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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 2015	177,163	80,418	257,581
Impairment loss:	63,752	22,270	86,022
— impairment allowances charged	171,571	54,569	226,140
— reversal of impairment allowances	(107,819)	(32,299)	(140,118)
Accreted interest on impaired loans	(4,156)	–	(4,156)
Acquisition of subsidiaries	372	42	414
Write-offs	(50,365)	(9,931)	(60,296)
Recoveries of loans and advances previously written off	721	368	1,089
At 31 December 2015 and 1 January 2016	187,487	93,167	280,654
Impairment loss:	37,688	6,203	43,891
— impairment allowances charged	98,663	39,271	137,934
— reversal of impairment allowances	(60,975)	(33,068)	(94,043)
Accreted interest on impaired loans (note 3)	(2,648)	–	(2,648)
Write-offs	(38,909)	(3,239)	(42,148)
Recoveries of loans and advances previously written off	536	471	1,007
At 30 June 2016	184,154	96,602	280,756

	30 June 2016	31 December 2015
Loans and advances for which allowance for impairment losses are:		
Individually assessed	145,731	135,780
Collectively assessed	12,531,586	11,797,686
	12,677,317	11,933,466
Less: Allowance for impairment losses:		
Individually assessed	(56,312)	(51,499)
Collectively assessed	(224,444)	(229,155)
	(280,756)	(280,654)
Net loans and advances for which allowance for impairment losses are:		
Individually assessed	89,419	84,281
Collectively assessed	12,307,142	11,568,531
	12,396,561	11,652,812
Identified impaired loans and advances	196,303	179,518
Percentage of impaired loans and advances	1.55%	1.50%

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### 21. FINANCIAL INVESTMENTS

		30 June 2016	31 December 2015
Receivables	(a)	335,503	352,143
Held-to-maturity investments	(b)	3,133,551	2,870,353
Available-for-sale financial assets	(c)	1,607,498	1,444,195
		5,076,552	4,666,691

#### (a) Receivables

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

		30 June 2016	31 December 2015
Huarong bonds	(i)	108,187	108,187
Special government bond	(ii)	85,000	85,000
Others	(iii)	142,316	158,956
		335,503	352,143

		30 June 2016	31 December 2015
Analysed into:			
Listed outside Hong Kong		33,939	54,900
Unlisted		301,564	297,243
		335,503	352,143

- (i) The Huarong bonds are a series of long term bonds issued by China Huarong Asset Management Co., Ltd (“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. As at 30 June 2016, the Bank received accumulated early repayment amounting to RMB204,809 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) Others include government, financial and corporate bonds, asset management plans with fixed or determined payments, which have no quoted price in active market. They will mature from July 2016 to July 2027 and bear interest rates ranging from 2.10% to 9.50% per annum. During the reporting period, the amounts which have been matured have been repaid without overdue history.

**(b) Held-to-maturity investments**

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

	30 June 2016	31 December 2015
Debt securities	3,133,646	2,870,448
Less: Allowance for impairment losses	(95)	(95)
	3,133,551	2,870,353
	30 June 2016	31 December 2015
Analysed into:		
Listed in Hong Kong	33,029	21,318
Listed outside Hong Kong	65,425	35,798
Unlisted	3,035,097	2,813,237
	3,133,551	2,870,353
Market value of listed debt securities	98,454	57,116

As at 30 June 2016, the Group disposed of securities classified as held-to-maturity with a total carrying amount of RMB11,555 million prior to their maturity (30 June 2015: RMB655 million). The carrying amount of held-to-maturity securities sold accounted for 0.37% of the total amount of the Group's held-to-maturity investments (30 June 2015: 0.03%).

**(c) Available-for-sale financial assets**

Available-for-sale financial assets comprise the following:

	30 June 2016	31 December 2015
Debt securities, at fair value (i)	1,570,636	1,402,673
Other debt instruments, at fair value	19,234	27,593
Equity investments:		
At fair value (i)	16,789	13,091
At cost (ii)	839	838
Debt for equity swaps	1,068	1,063
Others	446	448
Less: Allowance for impairment losses of equity investments, at cost	(675)	(673)
	1,607,498	1,444,195
Debt securities analysed into:		
Listed in Hong Kong	49,666	44,362
Listed outside Hong Kong	201,195	169,180
Unlisted	1,319,775	1,189,131
	1,570,636	1,402,673
Equity investments analysed into:		
Listed in Hong Kong	482	508
Listed outside Hong Kong	7,648	6,730
Unlisted	9,498	6,691
	17,628	13,929
Market value of listed securities:		
Debt securities	250,861	213,542
Equity investments	8,130	7,238
	258,991	220,780

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- (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 2016, the available-for-sale financial assets measured at fair value include impaired debt securities whose carrying amount was RMB422 million (31 December 2015: RMB141 million), and impaired equity investments whose carrying amount was RMB209 million (31 December 2015: RMB264 million) with the accrual of impairment loss in the statement of profit or loss for the period of RMB143 million (six months ended 30 June 2015: the reversal of impairment loss of RMB14 million) on available-for-sale bonds, and no accrual of impairment loss was recognised during the period (six months ended 30 June 2015: Nil) on available-for-sale equity investments.
- (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 2016, the Group did not dispose of any of these equity investments (six months ended 30 June 2015: Nil).

### (d) Movements of allowance for impairment losses of held-to-maturity investments and available-for-sale equity investments measured at cost during the period are as follows:

	Held-to-maturity investments	Available-for-sale equity investments	Total
At 1 January 2015	142	670	812
Reversal	(25)	–	(25)
Disposal	(30)	–	(30)
Others	8	3	11
At 31 December 2015 and 1 January 2016	95	673	768
Charge for the period	3	–	3
Reversal	(4)	–	(4)
Others	1	2	3
At 30 June 2016	95	675	770

## 22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are as follows:

		30 June 2016	31 December 2015
Interest in associates	(a)	23,711	22,095
Interest in joint ventures	(b)	2,385	2,090
		26,096	24,185

	30 June 2016	31 December 2015
Share of net assets	16,908	15,709
Goodwill	9,536	8,824
	26,444	24,533
Less: Allowance for impairment losses	(348)	(348)
	26,096	24,185

**(a) Interest in associates**

(i) Particulars of the Group's only material associate is as follows:

Name	Percentage of equity interest %		Voting rights %	Place of incorporation/ registration	Principal activities
	30 June 2016	31 December 2015	30 June 2016		
Standard Bank Group Limited ("Standard Bank") (i)	20.08	20.08	20.08	Johannesburg, Republic of South Africa	Commercial banking

(i) Standard Bank, a listed commercial bank in Republic of South Africa and a strategic partner for the Group, enables the Group to widen its customer base in Africa.

The market value of the Group's investment in Standard Bank is RMB18,698 million as at 30 June 2016 (31 December 2015: RMB15,362 million).

The summarised financial information of Standard Bank, being consistent with the Group's accounting policies, and reconciled to the carrying amounts using equity method in the Group's consolidated financial statements:

	30 June 2016	31 December 2015
<b>Gross amounts of the associate</b>		
Assets	876,913	824,404
Liabilities	797,560	749,889
Net assets	79,353	74,515
Revenue	22,766	42,950
Profit from continuing operations	4,936	11,197
Other comprehensive income	(3,252)	826
Total comprehensive income	1,684	12,023
Dividends received from the associate	2,730	4,950
<b>Reconciled to the Group's interests in the associate</b>		
Gross amounts of net assets of the associate attribute to the parent company	69,350	64,508
Group's effective interest	20.08%	20.08%
Group's share of net assets of the associate	13,927	12,954
Goodwill	9,500	8,788
Carrying amount of the Group's interest in Standard Bank in the consolidated financial statements	23,427	21,742

(ii) The following tables illustrate the summarised financial information of the associates that are not individually material to the Group:

	Six months ended 30 June 2016	2015
Aggregate amounts of the Group's share of those associates:		
Profit from continuing operations	11	22
Other comprehensive income	-	-
Total comprehensive income	11	22

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### (iii) Reconciliation of carrying amounts to the Group's total interests in the associates

	30 June 2016	31 December 2015
Carrying amount of material associates — Standard Bank	23,427	21,742
Carrying amount of individually immaterial associates	632	701
Less: Allowance for impairment losses	(348)	(348)
Interest in associates in the consolidated financial statements	23,711	22,095

All of the above associates are accounted for using the equity method in the consolidated financial statements.

### (b) Interest in joint ventures

The Group has interests in a number of individually immaterial joint ventures. The following tables illustrate the summarized financial information of the joint ventures that are not individually material to the Group:

	30 June 2016	31 December 2015
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	2,385	2,090

	Six months ended 30 June 2016	2015
Aggregate amounts of the Group's share of those joint ventures		
Profit from continuing operations	119	59
Other comprehensive income	—	—
Total comprehensive income	119	59

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.



**23. PROPERTY AND EQUIPMENT**

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Aircraft and vessels	Total
Cost:						
At 1 January 2015	127,413	24,845	8,662	65,573	66,824	293,317
Additions	1,909	12,305	1,001	7,530	31,782	54,527
CIP transfer in/(out)	5,920	(10,658)	–	188	4,550	–
Acquisition of subsidiaries	319	–	–	160	–	479
Disposals	(1,328)	(350)	(154)	(2,276)	(10,371)	(14,479)
At 31 December 2015 and 1 January 2016	134,233	26,142	9,509	71,175	92,785	333,844
Additions	158	2,266	289	659	11,959	15,331
CIP transfer in/(out)	2,011	(4,202)	–	296	1,895	–
Disposals	(328)	(72)	(136)	(686)	(3,553)	(4,775)
At 30 June 2016	136,074	24,134	9,662	71,444	103,086	344,400
Accumulated depreciation and impairment:						
At 1 January 2015	40,197	41	5,620	44,312	3,867	94,037
Depreciation charge for the year	5,562	–	1,073	7,925	3,489	18,049
Impairment charge for the year	–	–	–	–	324	324
Acquisition of subsidiaries	189	–	–	97	–	286
Disposals	(281)	–	(108)	(2,231)	(658)	(3,278)
At 31 December 2015 and 1 January 2016	45,667	41	6,585	50,103	7,022	109,418
Depreciation charge for the period	2,802	–	536	4,056	1,986	9,380
Disposals	(219)	–	(109)	(675)	(492)	(1,495)
At 30 June 2016	48,250	41	7,012	53,484	8,516	117,303
Carrying amount:						
At 31 December 2015	88,566	26,101	2,924	21,072	85,763	224,426
At 30 June 2016	87,824	24,093	2,650	17,960	94,570	227,097

As at 30 June 2016, the process of obtaining the legal titles for certain of the Group's properties and buildings with an aggregate carrying value of RMB12,737 million (31 December 2015: RMB11,852 million) was still in progress. Management is of the view that the aforesaid matter would neither 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 2016, the carrying value of aircraft and vessels leased out by the Group under operating leases was RMB94,570 million (31 December 2015: RMB85,763 million).

As at 30 June 2016 the net carrying value of aircraft and vessels owned by the Group that have been pledged as security for liabilities due to banks and other financial institutions was RMB28,135 million (31 December 2015: RMB22,850 million).

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### 24. DEFERRED INCOME TAX ASSETS AND LIABILITIES

#### (a) Analysed by nature

Deferred income tax assets:

	As at 30 June 2016		As at 31 December 2015	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	107,629	26,905	113,845	28,443
Change in fair value of available-for-sale financial assets	(30,973)	(7,766)	(38,283)	(9,670)
Change in fair value of financial instruments at fair value through profit or loss	(11,333)	(2,832)	(3,166)	(790)
Accrued staff costs	22,143	5,536	28,696	7,174
Others	(19,124)	(4,578)	(16,886)	(4,091)
	68,342	17,265	84,206	21,066

Deferred income tax liabilities:

	As at 30 June 2016		As at 31 December 2015	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)
Allowance for impairment losses	(2,059)	(459)	(1,143)	(296)
Change in fair value of available-for-sale financial assets	3,984	708	2,848	595
Others	2,009	636	2,304	696
	3,934	885	4,009	995

#### (b) Movements of deferred income tax

Deferred income tax assets:

	As at 1 January 2016	Recognised in profit or loss	Recognised in equity	As at 30 June 2016
Allowance for impairment losses	28,443	(1,538)	–	26,905
Change in fair value of available-for-sale financial assets	(9,670)	–	1,904	(7,766)
Change in fair value of financial instruments at fair value through profit or loss	(790)	(2,042)	–	(2,832)
Accrued staff costs	7,174	(1,638)	–	5,536
Others	(4,091)	(485)	(2)	(4,578)
	21,066	(5,703)	1,902	17,265

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Deferred income tax assets:

	As at 1 January 2015	Recognised in profit or loss	Recognised in equity	Acquisition of subsidiaries	As at 31 December 2015
Allowance for impairment losses	25,807	2,636	–	–	28,443
Change in fair value of available-for-sale financial assets	(1,341)	–	(8,329)	–	(9,670)
Change in fair value of financial instruments at fair value through profit or loss	(602)	(188)	–	–	(790)
Accrued staff costs	6,448	726	–	–	7,174
Others	(5,554)	695	733	35	(4,091)
	24,758	3,869	(7,596)	35	21,066

Deferred income tax liabilities:

	As at 1 January 2016	Recognised in profit or loss	Recognised in equity	As at 30 June 2016
Allowance for impairment losses	(296)	(163)	–	(459)
Change in fair value of available-for-sale financial assets	595	–	113	708
Others	696	(6)	(54)	636
	995	(169)	59	885

Deferred income tax liabilities:

	As at 1 January 2015	Recognised in profit or loss	Recognised in equity	As at 31 December 2015
Allowance for impairment losses	(68)	(228)	–	(296)
Change in fair value of available-for-sale financial assets	70	–	525	595
Others	449	247	–	696
	451	19	525	995

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 2016	31 December 2015
Interest receivable	115,345	108,907
Precious metals	193,530	114,619
Land use rights	19,431	19,756
Advance payments	16,069	11,310
Settlement accounts	209,082	173,241
Goodwill	9,190	8,956
Repossessed assets	7,567	6,808
Others	16,443	15,102
	586,657	458,699

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

		30 June 2016	31 December 2015
Wealth management products	(1)	252,068	205,531
Structured deposits	(2)(a)	26,454	27,521
Financial liabilities related to precious metals	(2)(b)	52,627	55,871
Debt securities	(2)(c)	9,262	8,496
Others		6,575	6,508
		346,986	303,927

- (1) The principal-guaranteed wealth management products issued by the Group and the financial assets in which the aforesaid products invest 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. As at 30 June 2016, the fair value of the wealth management products was higher than the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity by RMB977 million (31 December 2015: RMB1,496 million higher).
- (2) Structured deposits: Certain financial liabilities related to precious metals and debt securities have been matched with derivative instruments or precious metals as part of a documented risk management strategy of the Group 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 derivative instruments or precious metals were measured at fair value with movements in the fair value taken through the statement of profit or loss. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values is recorded in the statement of profit or loss.
- (a) As at 30 June 2016, the fair value of structured deposits was higher than the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity by RMB60 million (31 December 2015: RMB159 million higher).
- (b) As at 30 June 2016, 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 2015: approximately the same).
- (c) The debt securities and notes issued by the Singapore Branch in 2012 and 2014 at fixed rates, the London Branch in 2015 at fixed rates, the Sydney Branch in 2016 at floating and fixed rates classified as financial liabilities designated at fair value through profit or loss. As at 30 June 2016, 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 by RMB373 million (31 December 2015: RMB383 million lower).

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 arising from changes in credit risk were not considered significant during the period/year and at 30 June 2016 and 31 December 2015. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

**27. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS**

	30 June 2016	31 December 2015
Deposits:		
Banks and other financial institutions operating in Mainland China	1,623,212	1,673,179
Banks and other financial institutions operating outside Mainland China	101,520	115,088
	1,724,732	1,788,267
Money market takings:		
Banks and other financial institutions operating in Mainland China	142,401	185,789
Banks and other financial institutions operating outside Mainland China	378,130	291,804
	520,531	477,593
	2,245,263	2,265,860

**28. REPURCHASE AGREEMENTS**

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

	30 June 2016	31 December 2015
Repurchase (note 19(i))	317,815	313,306
Cash received as collateral on securities lending	27,214	23,885
	345,029	337,191
Repurchase analysed by counterparty:		
Banks	151,758	180,681
Other financial institutions	166,057	132,625
	317,815	313,306
Repurchase analysed by collateral:		
Securities	308,848	303,841
Bills	8,967	9,465
	317,815	313,306

**29. CERTIFICATES OF DEPOSIT**

Certificates of deposit issued by Hong Kong Branch, Tokyo Branch, Singapore Branch, Luxembourg Branch, Seoul Branch, Doha Branch, New York Branch, Sydney Branch, London Branch, Mumbai Branch, Dubai (DIFC) Branch, ICBC Asia, ICBC Macau, ICBC Argentina, ICBC New Zealand and ICBC Standard were recognised at amortised cost.

**30. DUE TO CUSTOMERS**

	30 June 2016	31 December 2015
Demand deposits:		
Corporate customers	5,162,202	4,507,661
Personal customers	3,525,973	3,390,514
Time deposits:		
Corporate customers	4,093,814	3,929,353
Personal customers	4,364,820	4,210,600
Others	222,715	243,811
	17,369,524	16,281,939

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### 31. DEBT SECURITIES ISSUED

		30 June 2016	31 December 2015
Subordinated bonds and Tier 2 Capital Notes issued by	(1)		
The Bank		181,407	181,092
Subsidiaries		13,866	14,461
		195,273	195,553
Other debt securities issued by	(2)		
The Bank		75,059	59,083
Subsidiaries		50,440	51,986
		125,499	111,069
		320,772	306,622

As at 30 June 2016, the amount of debt securities issued due within one year was RMB24,506 million (31 December 2015: RMB38,723 million).

#### (1) Subordinated bonds and Tier 2 Capital Notes

The Bank:

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds through open market bidding in 2009, 2010, 2011, 2012 and 2014. Approved by the PBOC, these subordinated bonds were traded in the bond market among banks. The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue price	Amount	Ending balance	Coupon rate	Value date	Maturity date	Circulation date	Notes
		(In RMB)	(In RMB)	(In RMB)					
			(million)	(million)					
09 ICBC 02 Bond	16/07/2009	100 Yuan	24,000	24,000	4.00%	20/07/2009	20/07/2024	20/08/2009	(i)
10 ICBC 02 Bond	10/09/2010	100 Yuan	16,200	16,200	4.10%	14/09/2010	14/09/2025	03/11/2010	(ii)
11 ICBC 01 Bond	29/06/2011	100 Yuan	38,000	38,000	5.56%	30/06/2011	30/06/2031	30/08/2011	(iii)
11 ICBC 02 Bond	29/12/2011	100 Yuan	50,000	50,000	5.50%	30/12/2011	30/12/2026	17/01/2012	(iv)
12 ICBC 01 Bond	11/06/2012	100 Yuan	20,000	20,000	4.99%	13/06/2012	13/06/2027	13/07/2012	(v)
14 ICBC 01 Bond	04/08/2014	100 Yuan	20,000	20,000	5.80%	05/08/2014	05/08/2024	24/09/2014	(vi)

- (i) 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 basis points thereafter.
- (ii) The Bank has the option to redeem all of the bonds on 14 September 2020 upon the approval of the relevant regulatory authorities.
- (iii) The Bank has the option to redeem all of the bonds on 30 June 2026 upon the approval of the relevant regulatory authorities.
- (iv) The Bank has the option to redeem all of the bonds on 30 December 2021 upon the approval of the relevant regulatory authorities.
- (v) The Bank has the option to redeem all of the bonds on 13 June 2022 upon the approval of the relevant regulatory authorities.
- (vi) The Bank has the option to redeem all of the bonds on 5 August 2019 upon the approval of the relevant regulatory authorities.

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In 2015, the Bank issued Tier 2 Capital Notes denominated in USD. Approved by the Stock Exchange of Hong Kong Limited for listing and dealing, the Notes are listed on the Stock Exchange of Hong Kong Limited. The relevant information is set out below:

Name	Issue date	Currency	Issue price	Amount	Ending balance	Coupon rate	Value date	Maturity date	Circulation date	Note
				(original currency) (million)	(In RMB) (million)					
15 USD Tier 2 Capital Notes	15/09/2015	USD	99.189%	2,000	13,292	4.875%	21/09/2015	21/09/2025	22/09/2015	(vii)

(vii) On 15 September 2015, the Bank issued Tier 2 Capital Notes with an aggregate nominal amount of USD2,000 million, bearing a fixed interest rate of 4.875% per annum. The listing and permission to deal in the Stock Exchange of Hong Kong Limited became effective on 22 September 2015. The Notes were issued at the price fixed at 99.189% of the nominal amount with maturity due on 21 September 2025 and cannot be redeemed before maturity.

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 2015: None).

### Subsidiaries:

On 30 November 2010, ICBC Asia issued a subordinated bond with an 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 with an aggregate nominal amount of RMB1,500 million, bearing a fixed interest rate of 6% per annum. The subordinated notes were issued at the price fixed at 100% of the nominal amount with maturity due on 4 November 2021.

On 10 October 2013, ICBC Asia issued a subordinated bond with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 4.5% per annum. The bond was issued at the price fixed at 99.463% of the nominal amount with maturity due on 10 October 2023.

On 10 September 2014, ICBC Macau issued a subordinated bond with an aggregate nominal amount of USD320 million, bearing a floating interest rate. The bond was issued at the price fixed at 99.298% of the nominal amount with maturity due on 10 September 2024.

On 2 December 2009, ICBC Standard issued a subordinated bond with an amount of USD500 million, bearing a fixed interest rate of 8.125% per annum and with maturity due on 2 December 2019.

The above subordinated bonds and notes are separately listed on the Singapore Exchange Securities Trading Limited, the Stock Exchange of Hong Kong Limited and the London Stock Exchange Plc. ICBC Asia, ICBC Macau and ICBC Standard have 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 2015: None).

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### (2) Other debt securities issued

As at 30 June 2016, the Group's other debt securities issued mainly include:

The Bank:

- (i) Sydney Branch issued debt securities amounting to RMB9,592 million denominated in AUD, CHF, RMB, EUR, HKD and USD with maturities between the second half of 2016 and 2024 at fixed or floating interest rates. Of which, in 2016, Sydney Branch issued debt securities amounting to RMB1,978 million denominated in AUD with maturity in 2019 at floating interest rates.
- (ii) Singapore Branch issued notes amounting to RMB12,451 million denominated in RMB and USD with maturities between the second half of 2016 and 2021 at fixed interest rates. Of which, in 2016, Singapore Branch issued notes amounting to RMB5,302 million denominated USD with maturity in 2019 at fixed rates.
- (iii) Tokyo Branch issued notes amounting to RMB1,973 million denominated in JPY and RMB with maturities in the second half of 2016 and 2019 at fixed interest rates. Of which, in 2016, Tokyo Branch issued notes amounting to RMB1,874 million denominated in JPY with maturities in the second half of 2016 and 2019 at fixed interest rates.
- (iv) New York Branch issued notes amounting to RMB29,522 million denominated in USD with maturities between the second half of 2016 and 2021 at fixed or floating interest rates. Of which, in 2016, New York Branch issued notes amounting to RMB7,990 million denominated in USD with maturities in the second half of 2016 and 2021 at fixed interest rates.
- (v) Luxembourg Branch issued notes amounting to RMB9,646 million denominated in USD with maturities between the second half of 2016 and 2019 at fixed or floating interest rates. Of which, in 2016, Luxembourg Branch issued notes amounting to RMB5,658 million denominated in USD with maturities between the second half of 2016 and 2019 at fixed or floating interest rates.
- (vi) Dubai (DIFC) Branch issued debt securities amounting to RMB5,954 million denominated in USD with maturities in 2020 and 2021 at fixed interest rates. Of which, in 2016, Dubai (DIFC) Branch issued debt securities amounting to RMB2,648 million denominated in USD with maturity in 2021 at fixed interest rates.
- (vii) In 2016, Hong Kong Branch issued debt securities amounting to RMB3,306 million denominated in USD with maturity in 2019 at floating interest rate.
- (viii) The Head Office issued debt securities in Hong Kong amounting to RMB499 million denominated in RMB with maturity in 2019 at fixed interest rates.
- (ix) The Head Office issued debt securities in London amounting to RMB1,998 million denominated in RMB with maturities in the second half of 2016 and 2018 at fixed interest rates.



## Subsidiaries:

- (i) ICBC Asia issued notes amounting to RMB2,641 million denominated in USD and RMB with maturities between the second half of 2016 and 2020 at fixed interest rates. Of which, in 2016, ICBC Asia issued notes amounting to RMB1,285 million denominated in USD and RMB with maturities in the second half of 2016 at fixed interest rates; ICBC Asia issued interbank deposits amounting to RMB4,985 million denominated in RMB with maturities in the second half of 2016 at fixed interest rates.
- (ii) ICBC Financial Leasing issued medium-term debt securities and notes amounting to RMB31,417 million denominated in RMB and USD with maturities between 2018 and 2026 at fixed or floating interest rates. Of which, Skysea International Capital Management Limited ("Skysea International"), which is controlled by the Group, issued guaranteed notes of USD750 million with a fixed interest rate of 4.875% in 2011. As at 30 June 2016, Skysea International has redeemed USD139 million and the carrying amount of the Notes were RMB4,038 million. The Notes were guaranteed by Hong Kong Branch and were issued at the price fixed at 97.708% of the nominal amount with maturities due on 7 December 2021. By satisfying certain conditions, Skysea International has the option to redeem all of the notes at any time. The Notes were listed on the Stock Exchange of Hong Kong Limited.  
  
ICBCIL Finance Co. Ltd, which is controlled by the Group, issued medium-term notes amounting to RMB26,093 million denominated in RMB and USD, with maturities between 2018 and 2026 at fixed or floating interest rates. Of which, in 2016, ICBCIL Finance Co. Ltd issued medium-term notes amounting to RMB8,582 million denominated in USD, with maturities in 2019 and 2026 at fixed interest rates. By satisfying certain conditions, ICBCIL Finance Co. Ltd has the option to redeem all of the notes at any time. Above notes were guaranteed by ICBC Financial Leasing Co. Ltd and listed on the Irish Stock Exchange and the Stock Exchange of Hong Kong Limited respectively.  
  
Hai Jiao 1400 limited, which is controlled by the Group, issued a private placement bond amounting to RMB1,286 million denominated in USD with maturity in 2025 at a fixed interest rate. The bond was guaranteed by The Export-Import Bank of Korea.
- (iii) ICBC Thai issued debt securities amounting to RMB6,327 million denominated in THB with maturities between the second half of 2016 and 2026 at fixed interest rates. Of which, in 2016, ICBC Thai issued debt securities of RMB2,760 million denominated in THB with maturities between the second half of 2016 and 2026 at fixed interest rates.
- (iv) ICBC International issued a medium-term bond in 2014 amounting to RMB4,309 million denominated in USD with maturity in 2017 at a fixed interest rate.
- (v) ICBC New Zealand issued medium-term bonds and notes amounting to RMB454 million denominated in NZD and USD with maturities between 2017 and 2020 at fixed or floating interest rates. Of which, in 2016, ICBC New Zealand issued a medium-term bond amounting to RMB5 million denominated in NZD with maturity in 2020 at a fixed interest rate.
- (vi) ICBC Indonesia issued a medium-term note in 2014 amounting to RMB118 million denominated in IDR with maturity in 2017 at a fixed interest rate.
- (vii) ICBC Argentina issued medium-term notes amounting to RMB307 million denominated in ARS with maturities between the second half of 2016 and 2017 at floating interest rates.

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### 32. OTHER LIABILITIES

	30 June 2016	31 December 2015
Interest payable	254,761	254,942
Settlement accounts	211,206	196,320
Dividend payable	83,172	–
Salaries, bonuses, allowances and subsidies payables (i)	17,723	23,748
Early retirement benefits	3,722	4,716
Sundry tax payables	10,940	11,968
Promissory notes	830	5,052
Others	137,996	92,327
	720,350	589,073

(i) There was no overdue payment for staff salaries, bonuses, allowances, subsidies payables as at 30 June 2016 (31 December 2015: Nil).

As at 30 June 2016, the amount of other liabilities due within one year was RMB648,717 million (31 December 2015: RMB518,166 million).

### 33. SHARE CAPITAL

	30 June 2016		31 December 2015	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 Yuan each	86,795	86,795	86,795	86,795
A shares of RMB1 Yuan each	269,612	269,612	269,612	269,612
	356,407	356,407	356,407	356,407

Except for the dividends for H shares which are payable in Hong Kong dollars, all of the ordinary A shares and H shares rank pari passu with each other in respect of dividends on ordinary shares.

### 34. PREFERENCE SHARES

#### (a) Preference shares outstanding at the end of the period

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
Overseas Preference										
Shares in:										
USD	2014-12-10	Equity	6.00%	20USD/Share	147	2,940	17,991	None	Mandatory	No
EUR	2014-12-10	Equity	6.00%	15EUR/Share	40	600	4,558	None	Mandatory	No
RMB	2014-12-10	Equity	6.00%	100RMB/Share	120	12,000	12,000	None	Mandatory	No
Domestic Preference										
Shares in:										
RMB	2015-11-18	Equity	4.50%	100RMB/Share	450	45,000	45,000	None	Mandatory	No
Total					757		79,549			
Less: Issue fees							174			
Book value							79,375			

**(b) Main Clauses**

*(1) Overseas preference shares*

**(i) Dividend**

Fixed rate for a certain period (5 years for USD and RMB tranche and 7 years for EUR tranche) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

**(ii) Conditions to distribution of dividends**

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

**(iii) Dividend stopper**

If the Bank cancels all or part of the dividends to the Preference Shareholders, the Bank shall not make any dividend distribution to ordinary shareholders before the Bank pays the dividends for the current dividend period to the Preference Shareholders in full.

**(iv) Order of distribution and liquidation method**

The USD, EUR and RMB Preference Shareholders as well as the Domestic Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Bank, but will be senior to the ordinary shareholders.

**(v) Mandatory conversion trigger events**

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%; If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBRC has determined that the Bank would become non-viable if there is no conversion or write-down of capital; (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable), the Bank shall have the right to convert all Preference Shares into H shares. If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

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### **(vi) Redemption**

Under the premise of obtaining the approval of the CBRC and condition of redemption, the bank has right to redeem all or some of oversea preference shares in first call date and subsequent any dividend payment date. The first call date after issuance and subsequent any dividend payment date (redemption price is equal to issue price plus accrued dividend in current period).

USD Preference Shares: the First Redemption Date is five years after issuance

EUR Preference Shares: the First Redemption Date is seven years after issuance

RMB Preference Shares: the First Redemption Date is five years after issuance

### **(vii) Dividend setting mechanism**

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders.

The Bank could pay dividends while the bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

The Bank shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Bank is once a year.

#### *(2) Domestic preference shares*

##### **(i) Dividend**

Fixed rate for a certain period (5 years) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

##### **(ii) Conditions to distribution of dividends**

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. The paying order of domestic preference shares is equal to overseas preference shares. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

##### **(iii) Dividend stopper**

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

#### **(iv) Order of distribution and liquidation method**

The Domestic Preference Shareholders as well as Overseas Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders.

#### **(v) Mandatory conversion trigger events**

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into A shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into A shares. If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

#### **(vi) Redemption**

Five years after the first redemption date of issuance (18 November 2015) under the premise of obtaining the approval of the CBRC and meets regulatory requirements, the Group has right to redeem all or some of oversea preference shares. The redemption period of preference shares ranges the start date from the date of redemption or conversion of all (Redemption price is equal to book value plus accrued dividend in current period).

#### **(vii) Dividend setting mechanism**

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

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### (c) Changes in preference shares outstanding

Financial instrument outstanding		Preference Shares				Total
		Overseas			Domestic	
		USD	EUR	RMB	RMB	
1 January 2016	Amount (million shares)	147	40	120	450	757
and	In original currency (million)	2,940	600	12,000	45,000	N/A
30 June 2016	In RMB (million)	17,991	4,558	12,000	45,000	79,549

### (d) Interests attributable to equity instruments' holders

Equity instrument		1 January 2016	30 June 2016
1.	Total equity attributable to equity holders of the parent company	1,789,474	1,856,593
(1)	Equity attributable to ordinary equity holders of the parent company	1,710,099	1,777,218
(2)	Equity attributable to other equity holders of the parent company	79,375	79,375
2.	Total equity attributable to non-controlling interests	11,045	11,184
(1)	Equity attributable to non-controlling interests of ordinary shares	11,045	11,184
(2)	Equity attributable to non-controlling interests of other equity instruments	–	–

## 35. 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**

From 1 July 2012, the Bank is required by the MOF to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year-end balance of its risk assets.

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

**(d) Investment revaluation reserve**

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

**(e) Foreign currency translation reserve**

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

**(f) Cash flow hedging 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 joint ventures other than the items listed above.

**(h) Distributable profits**

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

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### 36. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	2015
Items that will not be reclassified to profit or loss:		
Share of the other comprehensive income of investees accounted for using the equity method which will not be reclassified to profit or loss	(5)	–
Others	(10)	–
Items that may be reclassified subsequently to profit or loss:		
Net (loss)/gain from change in fair value of available-for-sale financial assets	(5,600)	9,705
Less: Transfer to profit or loss arising from disposal/impairment	(1,326)	263
Income tax effect	1,791	(2,296)
	(5,135)	7,672
Effective hedging portion of gains or losses arising from cash flow hedging instruments:		
Loss during the period	(288)	(35)
Less: Income tax effect	52	1
	(236)	(34)
Share of the other comprehensive income of investees accounted for using the equity method which may be reclassified subsequently to profit or loss	(601)	(297)
Foreign currency translation differences	5,773	(3,126)
	(214)	4,215

### 37. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

#### (a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment funds, wealth management products, segregated asset management plans, trust plans and asset-backed securities and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of notes to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 30 June 2016 in the structured entities sponsored by third party institutions:

	30 June 2016		31 December 2015	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Investment funds	8,925	8,925	5,679	5,679
Wealth management products	16,814	16,814	27,793	27,793
Segregated asset management plan	223,490	223,490	215,504	215,504
Trust plan	9,616	9,616	3,657	3,657
Asset-backed securities	6,689	6,689	7,182	7,182
	265,534	265,534	259,815	259,815



The following table sets out an analysis of the line items in the statement of financial position as at 30 June 2016 in which assets are recognised relating to the Group's interests in structured entities sponsored by third party institutions:

	30 June 2016			
	Held-to-maturity investments	Available-for-sale financial assets	Financial assets designated at fair value through profit or loss	Receivables
Investment funds	–	8,525	–	400
Wealth management products	–	16,614	–	200
Segregated asset management plans	–	2,620	189,641	31,229
Trust plans	–	–	–	9,616
Asset-backed securities	35	6,564	–	90
	35	34,323	189,641	41,535

	31 December 2015			
	Held-to-maturity investments	Available-for-sale financial assets	Financial assets designated at fair value through profit or loss	Receivables
Investment funds	–	5,679	–	–
Wealth management products	–	27,593	–	200
Segregated asset management plans	–	–	181,376	34,128
Trust plans	–	–	–	3,657
Asset-backed securities	306	6,480	306	90
	306	39,752	181,682	38,075

The maximum exposures to loss in the above investment funds, wealth management products, segregated asset management plans and asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

#### (b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include investment funds and non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 30 June 2016, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised are not material in the statement of financial positions.

As at 30 June 2016, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, were RMB2,309,173 million (31 December 2015: RMB2,385,200 million) and RMB1,096,400 million (31 December 2015: RMB936,220 million) respectively.

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### (c) Unconsolidated structured entities sponsored by the Group during the period which the Group does not have an interest in as at 30 June 2016

During the reporting period, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB529 million (six months ended 30 June 2015: RMB2,089 million).

During the reporting period, the amount of income received from such category of investment funds was RMB0.50 million (six months ended 30 June 2015: RMB14 million).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2016 but matured before 30 June 2016 was RMB93,806 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2015 but matured before 30 June 2015 was RMB402,035 million).

The aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2016 but matured before 30 June 2016 was RMB3,863 million (The aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2015 but matured before 30 June 2015 was RMB10,626 million).

## 38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Analysis of balances of cash and cash equivalents

	Note	30 June 2016	30 June 2015
Cash on hand	14	77,763	85,286
Balances with central banks other than restricted deposits	14	211,544	342,974
Nostro accounts with banks and other financial institutions with original maturity of three months or less		125,719	223,601
Placements with banks and other financial institutions with original maturity of three months or less		295,923	691,347
Reverse repurchase agreements with original maturity of three months or less		620,568	368,281
		1,331,517	1,711,489

## 39. 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 structured entities. 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.

### Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending 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 require or be required to pay additional cash collateral in certain circumstances. 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 above mentioned assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	30 June 2016		31 December 2015	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	12,464	12,344	7,191	7,107
Securities lending agreements	56,593	–	63,834	–
	69,057	12,344	71,025	7,107

### Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it has retained control of them, those financial assets are recognised on the balance sheet 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 of 30 June 2016, loans with an original carrying amount of RMB29,527 million (31 December 2015: RMB29,527 million) have been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches. As at 30 June 2016, the carrying amount of assets that the Group continues to recognise was RMB1,251 million (31 December 2015: RMB1,310 million).

With respect to the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties are recorded as a financial liability. As of 30 June 2016, carrying amount of transferred assets that did not qualify for derecognition were RMB42 million (31 December 2015: RMB122 million) and carrying amount of their associated liabilities were RMB1 million (31 December 2015: RMB17 million).

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### 40 SHARE APPRECIATION RIGHTS PLAN

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the approval date of these financial statements, no share appreciation rights have been granted.

### 41 COMMITMENTS AND CONTINGENT LIABILITIES

#### (a) Capital commitments

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

	30 June 2016	31 December 2015
Authorised, but not contracted for	640	719
Contracted, but not provided for	40,639	22,081
	41,279	22,800

#### (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 2016	31 December 2015
Within one year	5,094	5,516
Over one year but within five years	9,993	11,093
Over five years	2,132	2,369
	17,219	18,978

#### (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.

	30 June 2016	31 December 2015
Bank acceptances	317,015	339,494
Guarantees issued		
Financing letters of guarantees	105,440	61,839
Non-financing letters of guarantees	267,775	281,804
Sight letters of credit	26,760	27,148
Usance letters of credit and other commitments	158,638	219,199
Loan commitments		
With an original maturity of under one year	175,032	102,375
With an original maturity of one year or over	886,291	727,316
Undrawn credit card limit	600,895	538,709
	2,537,846	2,297,884

	30 June 2016	31 December 2015
Credit risk-weighted assets of credit commitments (i)	1,104,076	1,071,193

- (i) Internal Ratings-Based approach was adopted to calculate the credit risk-weighted assets according to the scope approved by the CBRC, and others were calculated by weighted approach.

#### (d) Legal proceedings

As at 30 June 2016, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB4,711 million (31 December 2015: RMB4,715 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 2016, the Bank had underwritten and sold bonds with an accumulated amount of RMB90,986 million (31 December 2015: RMB97,477 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

#### (f) Underwriting obligations

As at 30 June 2016, the Group had no unexpired securities underwriting obligations (31 December 2015: Nil).

## 42. DESIGNATED FUNDS AND LOANS

	30 June 2016	31 December 2015
Designated funds	1,115,106	1,013,303
Designated loans	1,114,110	1,012,587

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.

## 43. ASSETS PLEDGED

Financial assets of the Group including securities, bills and loans have been pledged as collateral for liabilities or contingent liabilities, mainly repurchase agreements and derivative contracts. As at 30 June 2016, the carrying value of the Group's financial assets pledged as collateral amounted to approximately RMB100,984 million (31 December 2015: RMB148,813 million).

## 44. 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. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

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### 45. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in this interim financial report, 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 2016, the MOF directly owned approximately 34.60% (31 December 2015: approximately 34.60%) 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 2016	31 December 2015
Balances at end of the period/year:		
The PRC government bonds and the special government bond	818,041	834,549
	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Subscription of the PRC government bonds	55,603	26,907
Redemption of the PRC government bonds	31,152	44,805
Interest income on the PRC government bonds	14,044	18,248
Interest rate ranges during the period are as follows:	%	%
Bond investments	2.16 to 6.34	1.15 to 8.75

As at 30 June 2016, 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 RMB108,187 million (31 December 2015: RMB108,187 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 45(g) "transactions with state-owned entities in the PRC".

##### (ii) Huijin

As at 30 June 2016, Central Huijin Investment Ltd. ("Huijin") directly owned approximately 34.71% (31 December 2015: approximately 34.71%) 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. 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 2016, Huijin Bonds held by the Bank had an aggregate face value of RMB16.91 billion (31 December 2015: RMB16.91 billion), with terms ranging from 3 to 30 years and coupon rates ranging from 3.16% 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.

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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 2016	31 December 2015
Balances at end of the period/year:		
Debt securities purchased	16,922	16,897
Interest receivable	511	200
Due to customers	16,897	22,765
Interest payable	6	21
Financial liabilities designated at fair value through profit or loss	–	5,000

	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Interest income on debt securities purchased	312	363
Interest expense on due to customers	226	47
Net loss on financial liabilities designated at fair value through profit or loss	136	–
Interest rate ranges during the period are as follows:	%	%
Debt securities purchased	3.16 to 4.20	3.14 to 4.20
Due to customers	0.01 to 4.50	0.01 to 5.80

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 2016 are as follows:

	30 June 2016	31 December 2015
Balances at end of the period/year:		
Debt securities purchased	813,123	870,280
Due from banks and other financial institutions	70,017	76,449
Loans and advances to customers	2,475	2,366
Derivative financial assets	1,616	814
Due to banks and other financial institutions	121,560	158,662
Derivative financial liabilities	1,236	833
Credit commitments	12,761	14,945

	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Interest income on debt securities purchased	14,822	16,019
Interest income on amounts due from banks and other financial institutions	115	323
Interest income on loans and advances to customers	48	574
Interest expense on amounts due to banks and other financial institutions	898	1,336
Interest rate ranges during the period are as follows:	%	%
Debt securities purchased	1.05 to 6.15	1.08 to 6.15
Due from banks and other financial institutions	0 to 6.21	0 to 7.10
Loans and advances to customers	1.44 to 3.80	2.71 to 5.70
Due to banks and other financial institutions	0 to 7.50	0 to 5.60

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

### (b) Subsidiaries

	30 June 2016	31 December 2015
Balances at end of the period/year:		
Debt securities purchased	23,818	19,827
Due from banks and other financial institutions	388,257	362,556
Loans and advances to customers	19,219	31,906
Derivative financial assets	5,567	3,169
Due to banks and other financial institutions	396,783	385,187
Derivative financial liabilities	4,156	1,893
Reverse repurchase agreements	6,202	4,496
Repurchase agreements	13,089	11,689
Financial investments	–	12,500
Credit commitments	103,251	109,424

	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Interest income on debt securities purchased	58	127
Interest income on amounts due from banks and other financial institutions	343	345
Interest income on loans and advances to customers	135	69
Interest expense on amounts due to banks and other financial institutions	337	403
Net trading expense	179	–
Net fee and commission income	743	781
Interest rate ranges during the period are as follows:	%	%
Debt securities purchased	0.90 to 4.50	0.76 to 4.50
Due from banks and other financial institutions	0 to 3.50	0 to 4.90
Loans and advances to customers	0.70 to 6.61	1.20 to 6.46
Due to banks and other financial institutions	0 to 6.30	0.0125 to 7.44

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



**(c) Associates and affiliates**

	30 June 2016	31 December 2015
Balances at end of the period/year:		
Due from banks and other financial institutions	914	1,062
Loans and advances to customers	6,787	329
Derivative financial assets	1,727	2,242
Due to banks and other financial institutions	11,785	11,957
Due to customers	99	66
Derivative financial liabilities	1,130	2,003
Credit commitments	133	305

	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Interest income on amounts due from banks and other financial institutions	41	24
Interest income on loans and advances to customers	144	1
Interest expense on amounts due to banks and other financial institutions	51	78
Interest rate ranges during the period are as follows:	%	%
Due from banks and other financial institutions	0 to 9.81	0 to 0.35
Loans and advances to customers	1.46 to 13.00	2.69
Due to banks and other financial institutions	0 to 4.47	0.01 to 5.50
Due to customers	0 to 0.30	0 to 0.56

The major transactions between the Group and the associates and their affiliates mainly comprised due from banks and other financial institutions, loans and advances to customers and due to banks and other financial institutions and the corresponding interest income and interest expense. In the opinion of management, the transactions between the Group and the associates and their affiliates were conducted under normal commercial terms and conditions.

**(d) Joint ventures and affiliates**

	30 June 2016	31 December 2015
Balances at end of the period/year:		
Due to customers	16	16

	Six months ended 30 June	
	2016	2015
Transactions during the period:		
Interest expense on due to customers	-	-
Interest rate ranges during the period are as follows:	%	%
Due to customers	0.30	0.01 to 1.15

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

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### (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	
	2016 In RMB'000	2015 In RMB'000
Short term employment benefits	4,594	5,492
Post-employment benefits	206	264
	4,800	5,756

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.

As at 30 June 2016, there were no transactions between the Group and the aforementioned parties (31 December 2015: Nil). The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2016, there were no material transactions and balances with key management personnel on an individual basis.

The aggregated balance of loans and credit card overdrafts to the persons which are considered as related parties according to the relevant rules of Shanghai Stock Exchange was RMB4.88 million as at 30 June 2016 (31 December 2015: RMB6.86 million).

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

### (f) Annuity Fund

In addition to the obligations for defined contributions to the Annuity Fund, Annuity Fund does not hold any share or bond issued by the Group as at 30 June 2016 (31 December 2015: 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 reporting 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 market pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

## 46. 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, etc.

#### *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, etc.

#### *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, etc.

#### *Others*

This segment covers the Group's 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 this interim financial report 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 expenses arising on internal fund transfers are referred to as "internal net interest income/expenses". Net interest income and expenses relating to third parties are referred to as "external net interest income/expense".

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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.

	Six months ended 30 June 2016				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	125,951	11,606	96,723	–	234,280
Internal net interest (expense)/income	(12,384)	73,885	(61,501)	–	–
Net fee and commission income	45,615	35,891	209	–	81,715
Other income/(expense), net (i)	3,128	(101)	8,189	1,770	12,986
Operating income	162,310	121,281	43,620	1,770	328,981
Operating expenses	(38,149)	(41,922)	(8,170)	(2,353)	(90,594)
Impairment losses on:					
Loans and advances to customers	(37,688)	(6,203)	–	–	(43,891)
Others	(35)	–	(453)	(54)	(542)
Operating profit/(loss)	86,438	73,156	34,997	(637)	193,954
Share of profits of associates and joint ventures	–	–	–	1,121	1,121
Profit before taxation	86,438	73,156	34,997	484	195,075
Income tax expense					(44,419)
Profit for the period					150,656
Other segment information:					
Depreciation	3,306	2,642	1,294	152	7,394
Amortisation	494	341	208	30	1,073
Capital expenditure	7,206	5,693	2,810	339	16,048

	As at 30 June 2016				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	8,885,042	3,915,616	10,602,516	121,153	23,524,327
Including: Investments in associates and joint ventures	–	–	–	26,096	26,096
Property and equipment	91,032	72,418	35,351	28,296	227,097
Other non-current assets (ii)	19,241	7,210	4,628	11,195	42,274
Segment liabilities	9,887,209	8,113,658	3,413,876	241,807	21,656,550
Other segment information:					
Credit commitments	1,936,951	600,895	–	–	2,537,846

- (i) Includes net trading income, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).
- (ii) Includes long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

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	Six months ended 30 June 2015				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	148,700	9,022	94,365	–	252,087
Internal net interest (expense)/income	(31,700)	80,572	(48,872)	–	–
Net fee and commission income	42,760	34,030	330	–	77,120
Other income, net (i)	3,923	197	1,146	2,264	7,530
Operating income	163,683	123,821	46,969	2,264	336,737
Operating expenses	(45,013)	(45,656)	(8,491)	(2,339)	(101,499)
Impairment (losses)/reversal on:					
Loans and advances to customers	(33,103)	(8,849)	–	–	(41,952)
Others	(71)	4	43	25	1
Operating profit/(loss)	85,496	69,320	38,521	(50)	193,287
Share of profits of associates and joint ventures	–	–	–	1,391	1,391
Profit before taxation	85,496	69,320	38,521	1,341	194,678
Income tax expense					(45,252)
Profit for the period					149,426
Other segment information:					
Depreciation	3,847	3,021	1,557	175	8,600
Amortisation	536	364	247	36	1,183
Capital expenditure	9,207	7,129	3,727	450	20,513

	As at 31 December 2015				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	8,427,930	3,587,372	10,075,355	119,123	22,209,780
Including: Investments in associates and joint ventures	–	–	–	24,185	24,185
Property and equipment	89,197	69,444	35,629	30,156	224,426
Other non-current assets (ii)	18,472	7,148	5,077	11,083	41,780
Segment liabilities	9,073,983	7,843,009	3,379,557	112,712	20,409,261
Other segment information:					
Credit commitments	1,759,175	538,709	–	–	2,297,884

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

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

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### (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, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Lima, Buenos Aires, Sao Paulo, Auckland, Kuwait City, Mexico City, Yangon, Riyadh and Istanbul, etc).

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 and Ningbo;

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 joint ventures.

	Six months ended 30 June 2016										
	Mainland China (HO and domestic branches)								Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China				
External net interest income	102,998	22,942	20,848	11,184	21,579	34,265	7,269	13,195	-	234,280	
Internal net interest (expense)/income	(69,559)	14,288	6,509	33,932	7,890	3,573	3,941	(574)	-	-	
Net fee and commission income	2,219	21,598	13,035	14,431	11,821	11,751	3,701	3,338	(179)	81,715	
Other income, net (i)	1,422	449	498	2,963	230	682	70	6,672	-	12,986	
Operating income	37,080	59,277	40,890	62,510	41,520	50,271	14,981	22,631	(179)	328,981	
Operating expenses	(10,550)	(13,617)	(9,864)	(14,691)	(13,247)	(15,080)	(5,764)	(7,960)	179	(90,594)	
Impairment (losses)/reversal on:											
Loans and advances to customers	(4,556)	(8,663)	(6,591)	(7,211)	(5,917)	(8,408)	(799)	(1,746)	-	(43,891)	
Others	182	(37)	(286)	(90)	(81)	(60)	(5)	(165)	-	(542)	
Operating profit	22,156	36,960	24,149	40,518	22,275	26,723	8,413	12,760	-	193,954	
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	1,121	-	1,121	
Profit before taxation	22,156	36,960	24,149	40,518	22,275	26,723	8,413	13,881	-	195,075	
Income tax expense										(44,419)	
Profit for the period										150,656	
Other segment information:											
Depreciation	941	1,042	715	1,090	1,296	1,513	583	214	-	7,394	
Amortisation	325	117	94	76	138	187	35	101	-	1,073	
Capital expenditure	633	305	87	240	294	359	161	13,969	-	16,048	

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

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	As at 30 June 2016										
	Mainland China (HO and domestic branches)								Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China				
Assets by geographical areas	9,222,694	4,055,828	2,504,339	3,174,135	2,077,246	2,627,371	961,881	2,772,592	(3,889,024)	23,507,062	
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	26,096	-	26,096	
Property and equipment	13,440	28,652	11,187	17,917	18,846	23,090	10,302	103,663	-	227,097	
Other non-current assets (i)	2,309	5,934	3,016	4,186	5,556	7,351	1,337	12,585	-	42,274	
Unallocated assets										17,265	
Total assets										23,524,327	
Liabilities by geographical areas	7,503,556	4,255,626	2,632,388	4,629,555	2,256,102	2,658,555	1,002,120	578,658	(3,889,024)	21,627,536	
Unallocated liabilities										29,014	
Total liabilities										21,656,550	
Other segment information:											
Credit commitments	622,210	425,169	293,945	460,153	136,074	193,062	45,412	361,821	-	2,537,846	

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

	Six months ended 30 June 2015										
	Mainland China (HO and domestic branches)								Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China				
External net interest income	101,281	29,555	24,240	12,435	24,398	39,557	8,686	11,935	-	252,087	
Internal net interest (expense)/income	(64,353)	12,016	4,075	36,836	6,598	1,006	4,140	(318)	-	-	
Net fee and commission income	2,571	19,006	12,584	13,771	11,776	10,844	3,275	3,485	(192)	77,120	
Other income/(expense), net (i)	2,514	(1,202)	259	(705)	(450)	591	(244)	6,767	-	7,530	
Operating income	42,013	59,375	41,158	62,337	42,322	51,998	15,857	21,869	(192)	336,737	
Operating expenses	(11,809)	(15,388)	(11,381)	(16,924)	(14,471)	(16,879)	(6,153)	(8,686)	192	(101,499)	
Impairment (losses)/reversal on:											
Loans and advances to customers	(897)	(13,317)	(13,138)	(4,473)	(3,983)	(4,929)	(494)	(721)	-	(41,952)	
Others	16	(15)	(3)	6	-	(3)	-	-	-	1	
Operating profit	29,323	30,655	16,636	40,946	23,868	30,187	9,210	12,462	-	193,287	
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	1,391	-	1,391	
Profit before taxation	29,323	30,655	16,636	40,946	23,868	30,187	9,210	13,853	-	194,678	
Income tax expense										(45,252)	
Profit for the period										149,426	
Other segment information:											
Depreciation	918	1,095	726	1,054	1,254	1,470	555	1,528	-	8,600	
Amortisation	423	151	84	71	130	180	34	110	-	1,183	
Capital expenditure	884	327	328	464	599	1,031	186	16,694	-	20,513	

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

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	As at 31 December 2015									
	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
Assets by geographical areas	9,142,237	4,862,465	3,366,173	3,633,597	2,216,719	2,819,807	1,069,622	2,450,563	(7,372,469)	22,188,714
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	24,185	-	24,185
Property and equipment	14,164	29,480	11,843	18,844	19,906	24,329	10,771	95,089	-	224,426
Other non-current assets (i)	10,717	5,839	3,086	4,031	5,610	7,209	1,318	3,970	-	41,780
Unallocated assets										21,066
Total assets										22,209,780
Liabilities by geographical areas	7,568,090	4,995,033	3,497,543	4,799,262	2,289,592	2,732,706	1,024,661	810,582	(7,372,469)	20,345,000
Unallocated liabilities										64,261
Total liabilities										20,409,261
Other segment information:										
Credit commitments	558,184	398,045	250,410	415,973	149,897	207,604	54,608	263,163	-	2,297,884

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

## 47. FINANCIAL INSTRUMENT RISK MANAGEMENT

A description and 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 Group's 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 credit risk management practices, the Group also hold 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 are, 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.

The Group will normally sign an International Swaps and Derivatives Association ("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.

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### (a) Credit risk (continued)

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

### 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.

**(a) Credit risk (continued)***Individually assessed loans with no objective evidence of impairment*

Individually assessed loans with no objective evidence of impairment are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. 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.

*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 2016, the carrying value of corporate loans amounted to RMB8,805,691 million (31 December 2015: RMB8,391,604 million), of which credit exposure of corporate loans covered by collateral amounted to RMB3,879,175 million (31 December 2015: RMB3,712,124 million).

Personal loans are mainly collateralised by residential properties. As at 30 June 2016, the carrying value of personal loans amounted to RMB3,871,626 million (31 December 2015: RMB3,541,862 million), of which credit exposure of personal loans covered by collateral amounted to RMB3,358,582 million (31 December 2015: RMB3,027,428 million).

The Group prefers more liquid collateral with relatively stable market value and does not accept 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 a 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 47(a)(iii).

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### (a) Credit risk (continued)

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

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

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

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

	30 June 2016	31 December 2015
Balances with central banks	3,253,930	2,974,407
Due from banks and other financial institutions	628,754	683,793
Financial assets held for trading	177,531	132,465
Financial assets designated at fair value through profit or loss	261,256	210,434
Derivative financial assets	71,180	78,870
Reverse repurchase agreements	723,379	996,333
Loans and advances to customers	12,396,561	11,652,812
Financial investments		
— Receivables	335,503	352,143
— Held-to-maturity investments	3,133,551	2,870,353
— Available-for-sale financial assets	1,589,870	1,430,266
Others	302,113	272,777
	22,873,628	21,654,653
Credit commitments	2,537,846	2,297,884
Total maximum credit risk exposure	25,411,474	23,952,537

#### (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.

**(a) Credit risk (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 2016

	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	2,805,836	44,327	65,484	114,659	25,660	34,284	14,380	149,300	3,253,930
Due from banks and other financial institutions	396,183	8,905	809	2,573	1,662	1,252	612	216,758	628,754
Financial assets held for trading	152,225	–	–	10,583	–	–	–	14,723	177,531
Financial assets designated at fair value through profit or loss	11,828	762	519	240,489	589	538	158	6,373	261,256
Derivative financial assets	21,557	3,483	2,204	1,218	233	161	283	42,041	71,180
Reverse repurchase agreements	482,584	–	–	–	–	–	–	240,795	723,379
Loans and advances to customers	515,183	2,320,538	1,642,404	2,077,857	1,734,708	2,220,649	673,470	1,211,752	12,396,561
Financial investments									
— Receivables	288,092	434	494	4,076	4,100	312	240	37,755	335,503
— Held-to-maturity investments	2,905,941	36,818	17,522	16,227	16,347	31,024	9,607	100,065	3,133,551
— Available-for-sale financial assets	1,015,173	50,339	30,073	220,329	21,027	26,575	2,620	223,734	1,589,870
Others	121,509	22,031	18,197	21,973	15,757	24,121	3,910	74,615	302,113
	8,716,111	2,487,637	1,777,706	2,709,984	1,820,083	2,338,916	705,280	2,317,911	22,873,628
Credit commitments	622,210	425,169	293,945	460,153	136,074	193,062	45,412	361,821	2,537,846
Total maximum credit risk exposure	9,338,321	2,912,806	2,071,651	3,170,137	1,956,157	2,531,978	750,692	2,679,732	25,411,474

The compositions of each geographical distribution above are set out in note 46(b).

31 December 2015

	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	2,546,091	66,674	72,786	84,112	16,509	30,432	22,002	135,801	2,974,407
Due from banks and other financial institutions	411,713	4,210	592	21,413	1,471	1,256	362	242,776	683,793
Financial assets held for trading	115,855	–	–	95	–	–	–	16,515	132,465
Financial assets designated at fair value through profit or loss	277	64	42	204,917	19	50	12	5,053	210,434
Derivative financial assets	17,758	2,746	1,347	1,726	238	206	843	54,006	78,870
Reverse repurchase agreements	788,380	–	–	–	–	–	–	207,953	996,333
Loans and advances to customers	472,341	2,237,047	1,513,330	1,970,272	1,636,115	2,129,451	654,867	1,039,389	11,652,812
Financial investments									
— Receivables	327,410	635	484	5,508	4,260	302	240	13,304	352,143
— Held-to-maturity investments	2,643,343	42,541	21,454	13,469	11,844	28,973	9,607	99,122	2,870,353
— Available-for-sale financial assets	875,753	54,154	34,253	237,336	19,189	20,394	2,642	186,545	1,430,266
Others	136,643	19,021	10,966	20,274	11,813	13,253	3,177	57,630	272,777
	8,335,564	2,427,092	1,655,254	2,559,122	1,701,458	2,224,317	693,752	2,058,094	21,654,653
Credit commitments	558,184	398,045	250,410	415,973	149,897	207,604	54,608	263,163	2,297,884
Total maximum credit risk exposure	8,893,748	2,825,137	1,905,664	2,975,095	1,851,355	2,431,921	748,360	2,321,257	23,952,537

The compositions of each geographical distribution above are set out in note 46(b).

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### (a) Credit risk (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 47(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 2016	31 December 2015
Transportation, storage and postal services	1,631,031	1,551,248
Manufacturing	1,604,572	1,603,631
Production and supply of electricity, heating, gas and water	861,865	835,616
Wholesale and retail	800,428	866,779
Leasing and commercial services	789,945	724,246
Real estate	630,927	562,917
Water, environment and public utility management	516,784	472,791
Mining	278,222	280,556
Finance	245,471	198,069
Construction	228,231	226,619
Science, education, culture and sanitation	141,735	137,497
Others	405,191	409,583
Subtotal of corporate loans and advances	8,134,402	7,869,552
Personal mortgage and business loans	3,143,906	2,811,288
Others	727,720	730,574
Subtotal of personal loans	3,871,626	3,541,862
Discounted bills	671,289	522,052
Total loans and advances to customers	12,677,317	11,933,466

#### (iii) Loans and advances to customers

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

	30 June 2016	31 December 2015
Neither past due nor impaired	12,299,528	11,599,446
Past due but not impaired	181,486	154,502
Impaired	196,303	179,518
	12,677,317	11,933,466
Less: Allowance for impairment losses	(280,756)	(280,654)
	12,396,561	11,652,812

**(a) Credit risk (continued)****Neither past due nor impaired**

The balance of loans and advances to customers of the Group that are neither past due nor impaired analysed by five-tier classification and by collateral are as follows:

	30 June 2016			31 December 2015		
	Pass	Special Mention	Total	Pass	Special Mention	Total
Unsecured loans	3,352,775	63,351	3,416,126	3,209,224	38,155	3,247,379
Guaranteed loans	1,528,569	147,257	1,675,826	1,425,870	119,735	1,545,605
Loans secured by mortgages	5,375,770	222,110	5,597,880	5,131,186	189,839	5,321,025
Pledged loans	1,580,609	29,087	1,609,696	1,454,131	31,306	1,485,437
	11,837,723	461,805	12,299,528	11,220,411	379,035	11,599,446

**Past due but not impaired**

The following tables present the ageing analysis of each category 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 2016			31 December 2015		
	Corporate loans and advances	Personal loans	Total	Corporate loans and advances	Personal loans	Total
Past due for:						
Less than one month	72,212	19,741	91,953	68,926	15,913	84,839
One to two months	26,681	8,593	35,274	22,052	7,870	29,922
Two to three months	43,671	10,588	54,259	30,099	9,642	39,741
Total	142,564	38,922	181,486	121,077	33,425	154,502
Fair value of collateral held	133,916	73,284	207,200	118,814	65,453	184,267

**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 2016 amounted to RMB40,234 million (31 December 2015: RMB43,771 million). The collateral mainly consists of land and buildings, equipment and others.

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### (a) Credit risk (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 2016	31 December 2015
Renegotiated loans and advances to customers	4,586	4,557
Impaired loans and advances to customers included in the above	2,306	1,942

#### Collateral repossessed

During the reporting period, the Group took possession of collateral held as security with a carrying amount of RMB810 million (six months ended 30 June 2015: RMB842 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 2016

	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	85,000	1,972,933	346,514	20,853	–	2,425,300
Policy banks	15,090	1,067,678	323,630	1,927	18,598	1,426,923
Public sector entities	1,940	23,119	123,075	4,227	133	152,494
Banks and other financial institutions	159,577	27,898	421,804	98,310	12,579	720,168
Corporate entities	32,453	41,926	355,191	52,214	15,054	496,838
Subtotal	294,060	3,133,554	1,570,214	177,531	46,364	5,221,723
Less: Collective allowance for impairment losses	(2)	(3)	–	–	–	(5)
Subtotal	294,058	3,133,551	1,570,214	177,531	46,364	5,221,718
Impaired (*)						
Banks and other financial institutions	–	92	–	–	–	92
Corporate entities	–	–	832	–	–	832
	–	92	832	–	–	924
Less: Individual allowance for impairment losses	–	(92)	(410)	–	–	(502)
Subtotal	–	–	422	–	–	422
Total	294,058	3,133,551	1,570,636	177,531	46,364	5,222,140



**(a) Credit risk (continued)**

31 December 2015

	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	85,000	1,639,828	179,759	5,512	–	1,910,099
Policy banks	15,090	1,159,165	327,141	1,726	9,970	1,513,092
Public sector entities	1,500	17,726	93,269	4,272	907	117,674
Banks and other financial institutions	171,997	21,393	360,194	82,320	1,139	637,043
Corporate entities	40,572	32,244	442,169	38,635	10,208	563,828
Subtotal	314,159	2,870,356	1,402,532	132,465	22,224	4,741,736
Less: Collective allowance for impairment losses	–	(3)	–	–	–	(3)
Subtotal	314,159	2,870,353	1,402,532	132,465	22,224	4,741,733
Impaired (*)						
Banks and other financial institutions	–	92	–	–	–	92
Corporate entities	–	–	434	–	–	434
	–	92	434	–	–	526
Less: Individual allowance for impairment losses	–	(92)	(293)	–	–	(385)
Subtotal	–	–	141	–	–	141
Total	314,159	2,870,353	1,402,673	132,465	22,224	4,741,874

(\*) Impaired debt securities above were mainly individually assessed. In determining whether a debt security was 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.

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

### (b) Liquidity risk (continued)

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

The Group expects 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.

30 June 2016

	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
<b>Asset</b>								
Cash and balances with central banks	585,752	-	-	-	-	-	2,745,941	3,331,693
Due from banks and other financial institutions (*)	176,962	757,400	225,526	152,579	39,629	37	-	1,352,133
Financial assets held for trading	-	57,388	37,742	69,785	9,991	2,625	306	177,837
Financial assets designated at fair value through profit or loss	4,141	5,603	15,548	25,945	181,746	24,234	4,039	261,256
Derivative financial assets	1,164	12,675	10,222	26,511	15,060	5,548	-	71,180
Loans and advances to customers	78,792	833,362	882,798	2,800,347	2,915,814	4,710,296	175,152	12,396,561
Financial investments	-	346,112	203,539	558,281	2,494,096	1,456,629	17,895	5,076,552
Investments in associates and joint ventures	-	-	-	-	-	-	26,096	26,096
Property and equipment	-	-	-	-	-	-	227,097	227,097
Others	349,006	62,029	13,169	63,011	31,991	43,353	41,363	603,922
<b>Total assets</b>	<b>1,195,817</b>	<b>2,074,569</b>	<b>1,388,544</b>	<b>3,696,459</b>	<b>5,688,327</b>	<b>6,242,722</b>	<b>3,237,889</b>	<b>23,524,327</b>
<b>Liabilities:</b>								
Due to central banks	-	199	-	57	124	-	-	380
Financial liabilities designated at fair value through profit or loss	56,297	74,244	177,678	20,241	17,890	636	-	346,986
Derivative financial liabilities	1,080	11,474	11,819	33,237	15,044	6,777	-	79,431
Due to banks and other financial institutions (**)	1,586,643	497,704	219,084	213,377	20,980	52,504	-	2,590,292
Certificates of deposit	-	34,713	47,505	99,040	18,097	447	-	199,802
Due to customers	9,397,341	1,003,775	1,055,156	3,798,512	2,110,931	3,809	-	17,369,524
Debt securities issued	-	8,664	7,567	8,275	96,777	199,489	-	320,772
Others	277,214	168,871	73,088	158,321	63,882	7,987	-	749,363
<b>Total liabilities</b>	<b>11,318,575</b>	<b>1,799,644</b>	<b>1,591,897</b>	<b>4,331,060</b>	<b>2,343,725</b>	<b>271,649</b>	<b>-</b>	<b>21,656,550</b>
<b>Net liquidity gap</b>	<b>(10,122,758)</b>	<b>274,925</b>	<b>(203,353)</b>	<b>(634,601)</b>	<b>3,344,602</b>	<b>5,971,073</b>	<b>3,237,889</b>	<b>1,867,777</b>

(\*) Includes reverse repurchase agreements.

(\*\*) Includes repurchase agreements.

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

**(b) Liquidity risk (continued)**

31 December 2015

	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
<b>Assets:</b>								
Cash and balances with central banks	471,606	-	-	-	-	-	2,588,027	3,059,633
Due from banks and other financial institutions (*)	206,836	1,091,447	153,808	197,090	30,904	41	-	1,680,126
Financial assets held for trading	-	12,700	24,030	81,757	11,660	2,318	373	132,838
Financial assets designated at fair value through profit or loss	534	1,051	6,750	9,211	174,786	13,665	4,437	210,434
Derivative financial assets	681	11,116	12,841	31,758	18,134	4,340	-	78,870
Loans and advances to customers	68,278	755,892	739,152	2,918,622	2,881,766	4,139,152	149,950	11,652,812
Financial investments	-	97,632	207,490	808,375	2,344,194	1,194,931	14,069	4,666,691
Investments in associates and joint ventures	-	-	-	-	-	-	24,185	24,185
Property and equipment	-	-	-	-	-	-	224,426	224,426
Others	270,430	51,295	9,188	53,048	23,629	33,018	39,157	479,765
<b>Total assets</b>	<b>1,018,365</b>	<b>2,021,133</b>	<b>1,153,259</b>	<b>4,099,861</b>	<b>5,485,073</b>	<b>5,387,465</b>	<b>3,044,624</b>	<b>22,209,780</b>
<b>Liabilities:</b>								
Due to central banks	-	-	20	30	160	-	-	210
Financial liabilities designated at fair value through profit or loss	59,151	81,382	122,790	22,124	17,267	1,213	-	303,927
Derivative financial liabilities	512	11,467	12,890	28,555	17,170	6,232	-	76,826
Due to banks and other financial institutions (**)	1,541,535	590,578	178,260	210,401	45,149	37,128	-	2,603,051
Certificates of deposit	-	35,579	53,158	77,938	16,234	443	-	183,352
Due to customers	8,515,746	891,898	1,241,541	3,574,017	2,055,662	3,075	-	16,281,939
Debt securities issued	-	9,880	11,789	17,054	72,154	195,745	-	306,622
Others	287,242	77,754	73,697	143,495	64,250	6,896	-	653,334
<b>Total liabilities</b>	<b>10,404,186</b>	<b>1,698,538</b>	<b>1,694,145</b>	<b>4,073,614</b>	<b>2,288,046</b>	<b>250,732</b>	<b>-</b>	<b>20,409,261</b>
<b>Net liquidity gap</b>	<b>(9,385,821)</b>	<b>322,595</b>	<b>(540,886)</b>	<b>26,247</b>	<b>3,197,027</b>	<b>5,136,733</b>	<b>3,044,624</b>	<b>1,800,519</b>

(\*) Includes reverse repurchase agreements.

(\*\*) Includes repurchase agreements.

(\*\*\*) 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.

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### (b) Liquidity risk (continued)

30 June 2016

	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
<b>Non-derivative cash flows:</b>								
<b>Financial assets:</b>								
Cash and balances with central banks	585,752	–	3,646	–	–	–	2,745,941	3,335,339
Due from banks and other financial institutions (*)	176,964	758,291	227,254	156,232	42,999	43	–	1,361,783
Financial assets held for trading	–	57,436	38,002	70,719	10,710	3,055	306	180,228
Financial assets designated at fair value through profit or loss	4,141	5,704	15,611	26,712	182,131	24,558	4,039	262,896
Loans and advances to customers (**)	79,873	894,785	1,030,129	3,307,447	4,655,804	6,810,982	271,854	17,050,874
Financial investments	–	355,688	209,773	577,926	2,558,760	1,487,996	17,895	5,208,038
Others	269,104	50,238	5,961	8,414	7,955	681	3,373	345,726
	1,115,834	2,122,142	1,530,376	4,147,450	7,458,359	8,327,315	3,043,408	27,744,884

(\*) Includes reverse repurchase agreements.

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

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

30 June 2016

	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
<b>Non-derivative cash flows:</b>								
<b>Financial liabilities:</b>								
Due to central banks	–	199	–	58	124	–	–	381
Financial liabilities designated at fair value through profit or loss	56,340	74,323	178,514	20,581	19,535	1,071	–	350,364
Due to banks and other financial institutions (*)	1,586,698	498,977	220,363	217,149	22,027	60,138	–	2,605,352
Certificates of deposit	–	34,918	47,898	100,662	18,706	510	–	202,694
Due to customers	9,404,195	1,007,068	1,079,546	3,873,108	2,219,638	4,215	–	17,587,770
Debt securities issued	–	9,696	10,212	17,666	143,750	260,167	–	441,491
Others	224,167	9,045	3,174	3,830	47,403	43,492	–	331,111
	11,271,400	1,634,226	1,539,707	4,233,054	2,471,183	369,593	–	21,519,163
<b>Derivative cash flows:</b>								
Derivative financial instruments settled on net basis	–	(197)	(77)	(11)	196	(48)	–	(137)
Derivative financial instruments settled on gross basis								
— Cash inflow	97,069	1,216,670	856,453	2,127,701	281,706	32,376	–	4,611,975
— Cash outflow	(96,977)	(1,217,450)	(857,646)	(2,131,901)	(280,906)	(33,166)	–	(4,618,046)
	92	(780)	(1,193)	(4,200)	800	(790)	–	(6,071)

(\*) Includes repurchase agreements.

**(b) Liquidity risk (continued)**

31 December 2015

	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
<b>Non-derivative cash flows:</b>								
<b>Financial assets:</b>								
Cash and balances with central banks	471,606	–	3,480	–	–	–	2,588,027	3,063,113
Due from banks and other financial institutions (*)	206,837	1,093,314	155,711	202,647	34,250	50	–	1,692,809
Financial assets held for trading	–	12,729	24,225	83,231	13,790	4,916	373	139,264
Financial assets designated at fair value through profit or loss	534	1,065	6,802	9,776	174,944	13,689	4,437	211,247
Loans and advances to customers (**)	69,484	815,009	878,558	3,407,083	4,481,120	5,903,532	235,756	15,790,542
Financial investments	–	98,461	212,512	835,939	2,414,570	1,225,527	14,104	4,801,113
Others	222,918	33,767	5,282	7,374	5,815	508	2,242	277,906
	971,379	2,054,345	1,286,570	4,546,050	7,124,489	7,148,222	2,844,939	25,975,994

(\*) Includes reverse repurchase agreements.

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

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

31 December 2015

	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
<b>Non-derivative cash flows:</b>								
<b>Financial liabilities:</b>								
Due to central banks	–	–	20	31	160	–	–	211
Financial liabilities designated at fair value through profit or loss	59,200	81,491	123,294	22,503	19,300	1,240	–	307,028
Due to banks and other financial institutions (*)	1,541,557	592,445	180,183	214,820	47,487	37,141	–	2,613,633
Certificates of deposit	–	35,766	53,905	79,441	17,207	522	–	186,841
Due to customers	8,516,764	893,282	1,264,680	3,632,057	2,128,421	3,457	–	16,438,661
Debt securities issued	–	9,987	12,784	25,980	106,603	250,514	–	405,868
Others	196,112	9,825	2,497	3,387	34,126	30,908	–	276,855
	10,313,633	1,622,796	1,637,363	3,978,219	2,353,304	323,782	–	20,229,097
<b>Derivative cash flows:</b>								
Derivative financial instruments settled on net basis	–	557	(105)	(37)	67	37	–	519
Derivative financial instruments settled on gross basis								
— Cash inflow	55,558	1,234,460	752,515	1,592,386	267,045	35,759	–	3,937,723
— Cash outflow	(55,435)	(1,235,452)	(754,756)	(1,587,293)	(264,255)	(36,900)	–	(3,934,091)
	123	(992)	(2,241)	5,093	2,790	(1,141)	–	3,632

(\*) Includes repurchase agreements.

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### (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.

30 June 2016

	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
Credit commitments	726,216	127,031	195,058	548,084	655,079	286,378	2,537,846

31 December 2015

	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
Credit commitments	719,327	151,167	249,287	480,940	554,572	142,591	2,297,884

### (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 of the parent company and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

**(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 specified 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 Group's trading portfolios is as follows:

	Six months ended 30 June 2016			
	30 June 2016	Average	Highest	Lowest
Interest rate risk	49	57	67	45
Currency risk	232	140	258	65
Commodity risk	21	22	54	5
Total portfolio VaR	267	159	284	76

	Six months ended 30 June 2015			
	30 June 2015	Average	Highest	Lowest
Interest rate risk	71	45	71	31
Currency risk	49	57	96	34
Commodity risk	24	15	39	5
Total portfolio VaR	106	88	136	63

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there is a diversification effect due to the correlation amongst the risk factors, the individual VaR does 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.

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### (c) Market risk (continued)

#### (ii) 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 Group manages its interest rate risk by:

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

A principal part of the Group's management of interest rate risk is to 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 effect on 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 effect on 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.

Change in basis points	Effect on net interest income		Effect on equity	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
+100 basis points	(23,462)	(5,926)	(42,062)	(38,609)
-100 basis points	23,462	5,926	44,994	41,729

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'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.



**(c) Market risk (continued)**

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

30 June 2016

	Less than three months	Three months to one year	One to five years	More than five years	Non- interest- bearing	Total
<b>Assets:</b>						
Cash and balances with central banks	2,912,419	–	–	–	419,274	3,331,693
Due from banks and other financial institutions (*)	1,146,442	156,094	36,072	37	13,488	1,352,133
Financial assets held for trading	97,563	71,477	5,927	2,564	306	177,837
Financial assets designated at fair value through profit or loss	22,818	25,945	180,299	24,014	8,180	261,256
Derivative financial assets	–	–	–	–	71,180	71,180
Loans and advances to customers	4,326,312	7,666,623	123,402	168,170	112,054	12,396,561
Financial investments	680,595	596,439	2,339,429	1,442,460	17,629	5,076,552
Investments in associates and joint ventures	–	–	–	–	26,096	26,096
Property and equipment	–	–	–	–	227,097	227,097
Others	12,232	274	–	–	591,416	603,922
<b>Total assets</b>	<b>9,198,381</b>	<b>8,516,852</b>	<b>2,685,129</b>	<b>1,637,245</b>	<b>1,486,720</b>	<b>23,524,327</b>
<b>Liabilities:</b>						
Due to central banks	229	27	124	–	–	380
Financial liabilities designated at fair value through profit or loss	252,104	19,479	16,359	–	59,044	346,986
Derivative financial liabilities	–	–	–	–	79,431	79,431
Due to banks and other financial institutions (**)	2,329,112	237,740	8,525	9,532	5,383	2,590,292
Certificates of deposit	104,712	87,265	7,378	447	–	199,802
Due to customers	11,124,968	3,795,997	2,110,930	3,809	333,820	17,369,524
Debt securities issued	32,940	11,359	79,100	197,373	–	320,772
Others	4,648	207	851	859	742,798	749,363
<b>Total liabilities</b>	<b>13,848,713</b>	<b>4,152,074</b>	<b>2,223,267</b>	<b>212,020</b>	<b>1,220,476</b>	<b>21,656,550</b>
Interest rate mismatch	(4,650,332)	4,364,778	461,862	1,425,225	NA	NA

(\*) Includes reverse repurchase agreements.

(\*\*) Includes repurchase agreements.

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### (c) Market risk (continued)

31 December 2015

	Less than three months	Three months to one year	One to five years	More than five years	Non- interest- bearing	Total
<b>Assets:</b>						
Cash and balances with central banks	2,672,292	–	–	–	387,341	3,059,633
Due from banks and other financial institutions (*)	1,438,201	197,465	27,608	41	16,811	1,680,126
Financial assets held for trading	41,451	82,154	6,619	2,241	373	132,838
Financial assets designated at fair value through profit or loss	9,405	9,339	173,054	13,665	4,971	210,434
Derivative financial assets	–	–	–	–	78,870	78,870
Loans and advances to customers	6,897,524	4,333,873	188,200	130,887	102,328	11,652,812
Financial investments	447,620	869,374	2,158,378	1,177,390	13,929	4,666,691
Investments in associates and joint ventures	–	–	–	–	24,185	24,185
Property and equipment	–	–	–	–	224,426	224,426
Others	10,045	225	–	–	469,495	479,765
<b>Total assets</b>	<b>11,516,538</b>	<b>5,492,430</b>	<b>2,553,859</b>	<b>1,324,224</b>	<b>1,322,729</b>	<b>22,209,780</b>
<b>Liabilities:</b>						
Due to central banks	20	30	160	–	–	210
Financial liabilities designated at fair value through profit or loss	204,160	21,682	15,953	–	62,132	303,927
Derivative financial liabilities	–	–	–	–	76,826	76,826
Due to banks and other financial institutions (**)	2,332,698	234,978	13,113	6,805	15,457	2,603,051
Certificates of deposit	107,758	66,575	8,576	443	–	183,352
Due to customers	10,316,969	3,563,821	2,052,611	3,075	345,463	16,281,939
Debt securities issued	33,046	16,674	63,223	193,679	–	306,622
Others	3,371	150	617	623	648,573	653,334
<b>Total liabilities</b>	<b>12,998,022</b>	<b>3,903,910</b>	<b>2,154,253</b>	<b>204,625</b>	<b>1,148,451</b>	<b>20,409,261</b>
Interest rate mismatch	(1,481,484)	1,588,520	399,606	1,119,599	N/A	N/A

(\*) Includes reverse repurchase agreements.

(\*\*) Includes repurchase agreements.

**(c) Market risk (continued)***(iii) Currency risk*

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD, to a lesser extent in 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 HKD exchange rate is pegged to the USD and therefore the exchange rate of RMB to HKD 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 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.

Currency	Change in currency rate	Effect on profit before tax		Effect on equity	
		30 June 2016	31 December 2015	30 June 2016	31 December 2015
USD	-1%	6	75	(293)	(280)
HKD	-1%	175	402	(812)	(795)

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

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### (c) Market risk (continued)

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

30 June 2016

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
<b>Assets:</b>					
Cash and balances with central banks	3,111,550	116,290	16,771	87,082	3,331,693
Due from banks and other financial institutions (*)	910,977	382,762	13,055	45,339	1,352,133
Financial assets held for trading	162,928	12,237	–	2,672	177,837
Financial assets designated at fair value through profit or loss	254,883	4,907	176	1,290	261,256
Derivative financial assets	20,494	38,647	5,781	6,258	71,180
Loans and advances to customers	11,185,074	830,311	199,650	181,526	12,396,561
Financial investments	4,793,800	196,663	20,212	65,877	5,076,552
Investments in associates and joint ventures	245	263	1,729	23,859	26,096
Property and equipment	130,713	94,308	708	1,368	227,097
Others	312,436	97,460	5,281	188,745	603,922
<b>Total assets</b>	<b>20,883,100</b>	<b>1,773,848</b>	<b>263,363</b>	<b>604,016</b>	<b>23,524,327</b>
<b>Liabilities:</b>					
Due to central banks	30	199	–	151	380
Financial liabilities designated at fair value through profit or loss	278,632	13,146	1	55,207	346,986
Derivative financial liabilities	25,668	39,565	7,256	6,942	79,431
Due to banks and other financial institutions (**)	1,729,779	698,484	39,941	122,088	2,590,292
Certificates of deposit	37,982	117,955	10,902	32,963	199,802
Due to customers	16,367,909	622,689	226,242	152,684	17,369,524
Debt securities issued	185,845	120,362	686	13,879	320,772
Others	640,615	86,334	10,363	12,051	749,363
<b>Total liabilities</b>	<b>19,266,460</b>	<b>1,698,734</b>	<b>295,391</b>	<b>395,965</b>	<b>21,656,550</b>
<b>Net position</b>	<b>1,616,640</b>	<b>75,114</b>	<b>(32,028)</b>	<b>208,051</b>	<b>1,867,777</b>
<b>Credit commitments</b>	<b>1,970,529</b>	<b>423,447</b>	<b>36,746</b>	<b>107,124</b>	<b>2,537,846</b>

(\*) Includes reverse repurchase agreements.

(\*\*) Includes repurchase agreements.

**(c) Market risk (continued)**

31 December 2015

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
<b>Assets:</b>					
Cash and balances with central banks	2,892,981	72,522	19,253	74,877	3,059,633
Due from banks and other financial institutions (*)	1,226,502	373,998	14,612	65,014	1,680,126
Financial assets held for trading	116,092	11,654	139	4,953	132,838
Financial assets designated at fair value					
through profit or loss	209,444	252	166	572	210,434
Derivative financial assets	26,643	37,476	6,736	8,015	78,870
Loans and advances to customers	10,629,123	714,769	171,499	137,421	11,652,812
Financial investments	4,423,990	165,656	16,668	60,377	4,666,691
Investments in associates and joint ventures	231	352	1,508	22,094	24,185
Property and equipment	138,760	83,631	688	1,347	224,426
Others	274,586	95,968	9,029	100,182	479,765
<b>Total assets</b>	<b>19,938,352</b>	<b>1,556,278</b>	<b>240,298</b>	<b>474,852</b>	<b>22,209,780</b>
<b>Liabilities:</b>					
Due to central banks	50	-	-	160	210
Financial liabilities designated at fair value					
through profit or loss	233,169	11,249	-	59,509	303,927
Derivative financial liabilities	26,349	34,905	7,610	7,962	76,826
Due to banks and other financial institutions (**)	1,829,716	624,804	22,891	125,640	2,603,051
Certificates of deposit	40,813	108,770	7,211	26,558	183,352
Due to customers	15,435,986	515,515	202,105	128,333	16,281,939
Debt securities issued	196,986	89,408	2,485	17,743	306,622
Others	564,520	73,183	5,548	10,083	653,334
<b>Total liabilities</b>	<b>18,327,589</b>	<b>1,457,834</b>	<b>247,850</b>	<b>375,988</b>	<b>20,409,261</b>
<b>Net position</b>	<b>1,610,763</b>	<b>98,444</b>	<b>(7,552)</b>	<b>98,864</b>	<b>1,800,519</b>
<b>Credit commitments</b>	<b>1,840,354</b>	<b>355,858</b>	<b>25,449</b>	<b>76,223</b>	<b>2,297,884</b>

(\*) Includes reverse repurchase agreements.

(\*\*) Includes repurchase agreements.

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### (d) Capital management

The Group's objectives on capital management are:

- Maintain a reasonable capital adequacy ratio to continuously meet regulatory requirements on capital. Keeping a stable capital base to ensure the Group's business growth and the implementation of business development and strategic plan in order to achieve comprehensive, coordinated and sustainable development;
- Adopt advanced measurement approaches, improve the internal capital adequacy assessment process (ICAAP), disclose information on capital management, cover all types of risks, and ensure the stable operation of the Group;
- Integrate the quantified results of various risks into daily management, establish a bank value management system with economic capital as the core tool, improve the policy, process and application management system, strengthen the capital constraint and incentive mechanism, enhance the product pricing and decision-making capabilities, and improve the capital allocation efficiency; and
- Make reasonable use of various capital instruments, continuously enhance capital strengths, refine capital structure, improve capital quality, reduce capital cost, and maximize shareholder returns.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or repurchase own shares, eligible additional tier 1 capital instruments, qualifying tier 2 capital instruments and convertible bonds, etc.

The Group's Management monitors the capital adequacy ratios regularly based on regulations issued by the CBRC. The required information is respectively filed with the CBRC by the Group and the Bank semi-annually and quarterly.

From 1 January 2013, the Group commenced to calculate its capital adequacy ratios in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations promulgated by the CBRC. In April 2014, CBRC officially approved the Bank to adopt advanced capital management approaches. With the scope of the approval, the foundation internal ratings-based (IBR) approach is adopted to corporate credit risk, the IRB approach to retail credit risk, the internal model approach (IMA) to market risk, and the standardized approach to operational risk meeting regulatory requirements.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Regulation Governing Capital of Commercial Banks (Provisional). For systematically important banks, CBRC requires minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. In addition, overseas entities are directly regulated by local banking regulatory commissions, and the requirements of capital adequacy ratios differ by countries.

The Group calculates the following core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and relevant requirements promulgated by the CBRC. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

The capital adequacy ratios and related components of the Group are calculated 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.

**(d) Capital management (continued)**

The capital adequacy ratios calculated after implementation of the advanced capital management approaches are as follows:

	30 June 2016	31 December 2015
Core tier 1 capital	1,779,673	1,713,160
Paid-in capital	356,407	356,407
Valid portion of capital reserve	151,987	151,963
Surplus reserve	178,440	178,040
General reserve	246,479	246,356
Retained profits	848,245	781,853
Valid portion of minority interests	3,083	4,340
Others	(4,968)	(5,799)
Core tier 1 capital deductions	11,824	11,665
Goodwill	8,711	8,478
Other intangible assets other than land use rights	1,535	1,356
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,122)	(3,869)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	5,700	5,700
Net core tier 1 capital	1,767,849	1,701,495
Additional tier 1 capital	79,785	79,567
Additional tier 1 capital instruments and related premium	79,375	79,375
Valid portion of minority interests	410	192
Net tier 1 capital	1,847,634	1,781,062
Tier 2 capital	176,111	244,641
Valid portion of tier 2 capital instruments and related premium	154,860	180,242
Surplus provision for loan impairment	16,842	63,398
Valid portion of minority interests	4,409	1,001
Tier 2 capital deductions	13,600	13,600
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	13,600	13,600
Net capital base	2,010,145	2,012,103
Risk-weighted assets (i)	14,097,738	13,216,687
Core tier 1 capital adequacy ratio	12.54%	12.87%
Tier 1 capital adequacy ratio	13.11%	13.48%
Capital adequacy ratio	14.26%	15.22%

(i) Refers to risk-weighted assets after capital floor and adjustments.

#### 48. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, specifically the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial Accounting Department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. Risk Management Department is responsible for verifying trade details and valuation models.

The following is a description of the fair value of the financial instruments recorded at fair value which are determined using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

##### Financial investments

Financial investments valued using valuation techniques consist of debt securities and asset-backed securities. The Group values such securities in use of a discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

##### Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Structured products are mainly valued using dealer's quotations.

##### Other liabilities designated at fair value through profit or loss

For unquoted other liabilities designated at fair value through profit or loss, a discounted cash flow model is used based on current yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads; and the Heston model is applied based on yield curves, foreign exchange forward rates, foreign exchange rate volatilities, etc., which is calibrated by active market quotes of standard European options with the same underlying.



**(a) Financial instruments recorded at fair value**

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

30 June 2016

	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value on a recurring basis:</b>				
Financial assets held for trading				
Equity investments	306	–	–	306
Debt securities	5,585	171,641	305	177,531
	5,891	171,641	305	177,837
Financial assets designated at fair value through profit or loss				
Debt securities	1,088	45,276	–	46,364
Other debt instruments	–	21,060	–	21,060
Others	–	4,141	189,691	193,832
	1,088	70,477	189,691	261,256
Derivative financial assets				
Exchange rate contracts	429	34,958	155	35,542
Interest rate contracts	16	22,770	694	23,480
Commodity derivatives and others	5,341	6,677	140	12,158
	5,786	64,405	989	71,180
Available-for-sale financial assets				
Equity investments	16,125	141	523	16,789
Debt securities	161,822	1,405,090	3,724	1,570,636
Other debt instruments	–	19,234	–	19,234
	177,947	1,424,465	4,247	1,606,659
	190,712	1,730,988	195,232	2,116,932
<b>Financial liabilities measured at fair value on a recurring basis:</b>				
Financial liabilities designated at fair value through profit or loss				
Wealth management products	–	252,068	–	252,068
Structured deposits	–	26,454	–	26,454
Financial liabilities related to precious metals	–	52,627	–	52,627
Other debt securities issued	2,584	6,678	–	9,262
Others	338	4,112	2,125	6,575
	2,922	341,939	2,125	346,986
Derivative financial liabilities				
Exchange rate contracts	524	33,551	155	34,230
Interest rate contracts	3	22,816	1,526	24,345
Commodity derivatives and others	5,478	15,210	168	20,856
	6,005	71,577	1,849	79,431
	8,927	413,516	3,974	426,417

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### (a) Financial instruments recorded at fair value (continued)

31 December 2015

	Level 1	Level 2	Level 3	Total
<b>Financial assets which are measured at fair value on a recurring basis:</b>				
Financial assets held for trading				
Equity investments	373	–	–	373
Debt securities	14,808	117,657	–	132,465
	15,181	117,657	–	132,838
Financial assets designated at fair value through profit or loss				
Debt securities	824	21,400	–	22,224
Other debt instruments	–	6,300	–	6,300
Others	–	534	181,376	181,910
	824	28,234	181,376	210,434
Derivative financial assets				
Exchange rate contracts	102	36,277	228	36,607
Interest rate contracts	25	26,249	715	26,989
Commodity derivatives and others	8,662	6,511	101	15,274
	8,789	69,037	1,044	78,870
Available-for-sale financial assets				
Equity investments	12,331	134	626	13,091
Debt securities	130,441	1,266,712	5,520	1,402,673
Other debt instruments	–	27,593	–	27,593
	142,772	1,294,439	6,146	1,443,357
	167,566	1,509,367	188,566	1,865,499
<b>Financial liabilities which are measured at fair value on a recurring basis:</b>				
Financial liabilities designated at fair value through profit or loss				
Wealth management products	–	205,531	–	205,531
Structured deposits	–	27,521	–	27,521
Financial liabilities related to precious metals	–	55,871	–	55,871
Other debt securities issued	1,947	6,549	–	8,496
Others	144	4,153	2,211	6,508
	2,091	299,625	2,211	303,927
Derivative financial liabilities				
Exchange rate contracts	116	38,575	234	38,925
Interest rate contracts	3	26,052	2,181	28,236
Commodity derivatives and others	6,244	3,366	55	9,665
	6,363	67,993	2,470	76,826
	8,454	367,618	4,681	380,753

**(b) Movement in level 3 financial instruments measured at fair value**

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the reporting period:

	As at 1 January 2016	Total gains/ (losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to level 2 from level 3	As at 30 June 2016
<b>Financial assets:</b>								
Derivative financial assets								
Exchange rate contracts	228	(71)	-	17	6	(25)	-	155
Interest rate contracts	715	72	-	-	(120)	27	-	694
Commodity derivatives and others	101	84	-	-	-	(45)	-	140
	1,044	85	-	17	(114)	(43)	-	989
Financial assets held for trading	-	125	-	461	(2)	(279)	-	305
Financial assets designated at fair value through profit or loss	181,376	17,642	-	12,009	(21,336)	-	-	189,691
Available-for-sale financial assets								
Debt securities	5,520	(111)	(94)	1,580	(564)	(2,607)	-	3,724
Equity investments	626	-	(103)	-	-	-	-	523
	188,566	17,741	(197)	14,067	(22,016)	(2,929)	-	195,232
<b>Financial liabilities:</b>								
Financial liabilities designated at fair value through profit or loss	(2,211)	13	-	(8)	-	4	77	(2,125)
Derivative financial liabilities								
Exchange rate contracts	(234)	67	-	(12)	(7)	25	6	(155)
Interest rate contracts	(2,181)	619	-	-	10	26	-	(1,526)
Commodity derivatives and others	(55)	(112)	-	(47)	-	46	-	(168)
	(4,681)	587	-	(67)	3	101	83	(3,974)

	As at 1 January 2015	Total (losses)/ gains recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to level 2 from level 3	As at 31 December 2015
<b>Financial assets:</b>								
Derivative financial assets								
Exchange rate contracts	1,140	(153)	-	149	-	(855)	(53)	228
Interest rate contracts	770	(113)	-	121	-	(6)	(57)	715
Commodity derivatives and others	32	38	-	34	-	(3)	-	101
	1,942	(228)	-	304	-	(864)	(110)	1,044
Financial assets designated at fair value through profit or loss	139,004	8,411	-	83,053	(49,092)	-	-	181,376
Available-for-sale financial assets								
Debt securities	13,852	334	48	4,172	(218)	(12,668)	-	5,520
Equity investments	304	-	322	-	-	-	-	626
	155,102	8,517	370	87,529	(49,310)	(13,532)	(110)	188,566
<b>Financial liabilities:</b>								
Financial liabilities designated at fair value through profit or loss	-	202	-	(2,413)	-	-	-	(2,211)
Derivative financial liabilities								
Exchange rate contracts	(1,319)	173	-	(205)	-	1,012	105	(234)
Interest rate contracts	(726)	(746)	-	(725)	-	14	2	(2,181)
Commodity derivatives and others	(34)	28	-	(378)	-	329	-	(55)
	(2,079)	(343)	-	(3,721)	-	1,355	107	(4,681)

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### (b) Movement in level 3 financial instruments measured at fair value (continued)

Gains or losses on level 3 financial instruments included in the statement of profit or loss for the period comprise:

	Six months ended 30 June 2016		
	Realised	Unrealised	Total
Total gains for the period	2,293	16,035	18,328

	Six months ended 30 June 2015		
	Realised	Unrealised	Total
Total gains/(losses) for the period	3,356	(2,724)	632

### (c) Transfers between levels

#### (i) Transfers between level 1 and level 2

Due to changes in market conditions for certain securities, quoted prices in active markets were available for these securities. Therefore, these securities were transferred from level 2 to level 1 of the fair value hierarchy on the balance sheet date.

Due to changes in market conditions for certain securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from level 1 to level 2 of the fair value hierarchy on the balance sheet date.

During the reporting period, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

#### (ii) Transfers between level 2 and level 3

On the balance sheet date, certain financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy for financial assets and liabilities when significant inputs used in their fair value measurements, which was previously unobservable became observable.

During the reporting period, certain derivatives financial instruments were transferred out from Level 3 to level 2 of the fair value hierarchy when significant inputs used in their fair value measurements such as market price volatility, which was previously unobservable became observable.

### (d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives, certain debt securities and asset-backed securities. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 30 June 2016, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

**(e) Fair value of financial assets and liabilities not carried at fair value**

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments, receivables, subordinated bonds and convertible bonds:

**Group**

	30 June 2016				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Held-to-maturity investments	3,133,551	3,137,927	48,293	2,859,199	230,435
Receivables	335,503	336,545	–	91,563	244,982
Subtotal	3,469,054	3,474,472	48,293	2,950,762	475,417
<b>Financial liabilities</b>					
Subordinated bonds	195,273	218,017	–	218,017	–
Subtotal	195,273	218,017	–	218,017	–

	31 December 2015				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Held-to-maturity investments	2,870,353	2,944,661	56,841	2,654,913	232,907
Receivables	352,143	353,223	–	109,005	244,218
Subtotal	3,222,496	3,297,884	56,841	2,763,918	477,125
<b>Financial liabilities</b>					
Subordinated bonds	195,553	215,581	–	215,581	–
Subtotal	195,553	215,581	–	215,581	–

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 to their carrying amounts. The fair values of receivables other than those relating to the restructuring of the Bank are estimated on the basis of pricing models or discounted cash flows.
- (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.
- (iii) Available-for-sale equity investments measured at cost were all non-listed shares. The fair value was approximately the same with its book value and classified in fair value hierarchy level 3.

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.

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### (e) Fair value of financial assets and liabilities not carried at fair value (continued)

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

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

### 49. OTHER IMPORTANT MATTERS

#### The impact of value added tax replacing business tax

On 23 March 2016, the MOF issued "Notice of Overall Implementation of Pilot Program for Value Added Tax Replacing Business Tax" (Cai Shui [2016] No. 36). Pursuant to the Notice, value added tax replacing the existing business tax has been levied for certain pilot industries, including financial industry, since 1 May 2016 on a national-wide basis, the applicable tax rate for the Bank is 6%. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately. Such changes had impacts on both the Group's consolidated financial statements and related financial indicators.

### 50. AFTER THE REPORTING PERIOD EVENT

Up to the date of this report, the Group had no material events that require disclosure in or adjustments of the interim financial report after the reporting date.

### 51. COMPARATIVE AMOUNTS

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

### 52. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the board of directors on 30 August 2016.

## Unaudited Supplementary Financial Information

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### (a) Illustration of differences between the financial statements prepared based on IFRSs and those prepared under PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company based on PRC GAAP and IFRSs for the six months ended 30 June 2016 (for the six months ended 30 June 2015: no differences). There are no differences between the equity attributable to equity holders of the Bank based on PRC GAAP and IFRSs as at 30 June 2016 (31 December 2015: no differences).

### (b) Liquidity ratio

	As at 30 June 2016	Average for period the ended 30 June 2016	As at 31 December 2015	Average for the year ended 31 December 2015
RMB current assets to RMB current liabilities	35.89%	35.70%	35.50%	35.58%
Foreign currency current assets to foreign currency current liabilities	106.46%	102.29%	98.12%	103.42%

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 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

	As at 30 June 2016			
	USD	HKD	Others	Total
Spot assets	1,679,277	260,926	578,789	2,518,992
Spot liabilities	(1,673,214)	(295,391)	(395,965)	(2,364,570)
Forward purchases	2,843,784	186,517	1,121,764	4,152,065
Forward sales	(2,841,051)	(112,264)	(1,275,020)	(4,228,335)
Net option position	(7,721)	116	(30)	(7,635)
Net long position	1,075	39,904	29,538	70,517
Net structural position	69,051	2,437	25,227	96,715

	As at 31 December 2015			
	USD	HKD	Others	Total
Spot assets	1,472,295	238,102	451,411	2,161,808
Spot liabilities	(1,432,026)	(247,850)	(375,988)	(2,055,864)
Forward purchases	1,263,904	53,298	528,589	1,845,791
Forward sales	(1,277,231)	(21,979)	(579,439)	(1,878,649)
Net option position	(3,322)	58	(200)	(3,464)
Net long position	23,620	21,629	24,373	69,622
Net structural position	58,175	2,196	23,441	83,812

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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 joint ventures.

### (d) International claims

International claims refers to the sum of cross-border claims in all currencies and local claims in foreign currencies, including 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 international 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.

	As at 30 June 2016				
	Banks and other financial institutions	Official sector	Non-bank private sector	Others	Total
Asia Pacific	195,852	107,349	925,966	69,741	1,298,908
— of which attributed to Hong Kong	33,905	50,366	293,675	60,535	438,481
North and South America	63,462	59,582	111,589	8,125	242,758
	259,314	166,931	1,037,555	77,866	1,541,666

	As at 31 December 2015				
	Banks and other financial institutions	Official sector	Non-bank private sector	Others	Total
Asia Pacific	265,804	121,857	892,630	65,720	1,346,011
— of which attributed to Hong Kong	20,074	18,258	257,330	55,769	351,431
North and South America	78,850	64,007	79,366	7,706	229,929
	344,654	185,864	971,996	73,426	1,575,940



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**(e) Loans and advances to customers**

(i) Analysis by industry sector

30 June 2016

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers	Loans and advances individually assessed to be impaired	Allowance for impairment losses		
					Individually assessed	Collectively assessed	Total
Transportation, storage and postal services	1,631,031	441,310	14,188	4,399	1,975	24,293	26,268
Manufacturing	1,604,572	649,538	105,142	55,020	22,791	29,012	51,803
Production and supply of electricity, heating, gas and water	861,865	164,210	2,409	1,792	795	12,432	13,227
Wholesale and retail	800,428	387,238	84,284	55,481	18,543	13,827	32,370
Leasing and commercial services	789,945	442,697	10,000	4,397	1,999	11,953	13,952
Real estate	630,927	424,436	22,960	6,759	3,328	9,312	12,640
Water, environment and public utility management	516,784	249,858	1,738	283	104	7,766	7,870
Mining	278,222	40,441	13,542	8,003	3,037	5,930	8,967
Finance	245,471	38,057	4,705	174	139	696	835
Construction	228,231	90,220	7,267	3,284	1,297	3,865	5,162
Science, education, culture and sanitation	141,735	43,540	797	603	292	2,092	2,384
Others	405,191	236,341	16,516	4,937	1,730	6,621	8,351
Subtotal of corporate loans and advances	8,134,402	3,207,886	283,548	145,132	56,030	127,799	183,829
Personal mortgage and business loans	3,143,906	3,102,563	55,719	–	–	78,444	78,444
Others	727,720	256,019	33,629	–	–	18,158	18,158
Subtotal of personal loans	3,871,626	3,358,582	89,348	–	–	96,602	96,602
Discounted bills	671,289	671,289	1,572	599	282	43	325
Total loans and advances to customers	12,677,317	7,237,757	374,468	145,731	56,312	224,444	280,756
Current market value of collateral held against the covered portion of overdue loans and advances *							342,998
Covered portion of overdue loans and advances *							169,886
Uncovered portion of overdue loans and advances *							204,582

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

31 December 2015

	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	1,603,631	644,478	94,341	54,124	21,447	25,390	46,837
Transportation, storage and postal services	1,551,248	437,972	11,537	4,262	1,817	25,349	27,166
Wholesale and retail	866,779	433,413	83,422	48,829	16,747	13,403	30,150
Production and supply of electricity, heating, gas and water	835,616	161,857	2,726	2,341	1,462	13,654	15,116
Leasing and commercial services	724,246	425,061	9,762	5,229	1,995	11,782	13,777
Real estate	562,917	398,193	17,653	6,434	2,722	9,119	11,841
Water, environment and public utility management	472,791	249,396	1,685	286	139	7,742	7,881
Mining	280,556	43,415	9,313	4,008	1,235	4,532	5,767
Construction	226,619	96,557	10,064	3,304	1,470	3,659	5,129
Lodging and catering	224,215	147,758	7,964	3,599	995	3,615	4,610
Science, education, culture and sanitation	137,497	44,063	1,024	576	197	2,244	2,441
Others	383,437	107,909	4,888	2,264	1,009	6,245	7,254
Subtotal of corporate loans and advances	7,869,552	3,190,072	254,379	135,256	51,235	126,734	177,969
Personal mortgage and business loans	2,811,288	2,745,301	48,487	–	–	73,950	73,950
Others	730,574	282,127	29,115	–	–	19,217	19,217
Subtotal of personal loans	3,541,862	3,027,428	77,602	–	–	93,167	93,167
Discounted bills	522,052	522,052	717	524	264	9,254	9,518
Total loans and advances to customers	11,933,466	6,739,552	332,698	135,780	51,499	229,155	280,654
Current market value of collateral held against the covered portion of overdue loans and advances *							300,497
Covered portion of overdue loans and advances *							146,208
Uncovered portion of overdue loans and advances *							186,490

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

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### (ii) Analysis by location of the counterparties

	30 June 2016	31 December 2015
Mainland China	11,830,920	11,207,140
Asia Pacific (excluding Mainland China)	552,746	510,034
of which attributed to Hong Kong	399,738	363,267
North and South America	133,917	97,556
Europe	97,312	81,203
Africa	62,422	37,533
	12,677,317	11,933,466

### (iii) Overdue loans and advances to customers

	30 June 2016	31 December 2015
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	27,035	31,177
Between 6 and 12 months	62,176	53,631
Over 12 months	100,687	77,988
	189,898	162,796
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.21%	0.26%
Between 6 and 12 months	0.49%	0.45%
Over 12 months	0.80%	0.65%
	1.50%	1.36%

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.

### (iv) Overdue and impaired loans and advances to customers by geographical distribution

30 June 2016

	Overdue loans and advances to customers			Impaired loans and advances to customers		Collectively assessed allowance for impairment losses
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed to be impaired	Individually assessed allowance for impairment losses	
Head Office	18,730	723	473	723	473	53,417
Bohai Rim	72,949	32,709	9,520	33,501	9,699	29,521
Western China	72,102	23,042	8,811	23,303	8,866	35,683
Yangtze River Delta	59,283	25,644	9,638	26,061	9,801	37,481
Pearl River Delta	54,376	27,819	11,150	28,057	11,220	24,222
Central China	50,030	18,363	8,534	18,458	8,553	26,562
Northeastern China	16,471	6,756	3,321	6,767	3,328	11,156
Overseas and others	30,527	7,615	2,421	8,861	4,372	6,402
Total	374,468	142,671	53,868	145,731	56,312	224,444

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31 December 2015

	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	20,288	600	476	598	476	68,270
Yangtze River Delta	67,431	27,867	9,980	28,627	10,111	36,233
Western China	63,411	24,800	8,783	25,265	8,870	32,952
Bohai Rim	58,973	25,973	8,304	26,305	8,431	28,325
Pearl River Delta	51,568	24,372	9,113	24,610	9,187	22,883
Central China	39,890	18,294	7,335	18,673	7,352	24,669
Northeastern China	15,109	5,997	3,215	6,038	3,304	10,401
Overseas and others	16,028	5,829	3,090	5,664	3,768	5,422
Total	332,698	133,732	50,296	135,780	51,499	229,155

## (v) Renegotiated loans and advances to customers

	30 June 2016		31 December 2015	
		% of total loans and advances		% of total loans and advances
Renegotiated loans and advances	4,586	0.04%	4,557	0.04%
Less: Renegotiated loans and advances overdue for more than three months	(1,557)	(0.01%)	(1,570)	(0.01%)
Renegotiated loans and advances overdue for less than three months	3,029	0.03%	2,987	0.03%

## (f) Overdue placements with banks and other financial institutions

	30 June 2016	31 December 2015
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	16	16
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.01%	0.01%

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### (g) Exposures to Mainland China non-bank entities

	30 June 2016	31 December 2015
On-balance sheet exposure	14,958,048	14,033,030
Off-balance sheet exposure	2,291,779	2,270,023
	17,249,827	16,303,053
Individually assessed allowance for impairment losses	54,768	51,127

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.

### (h) Correspondence between balance sheet in published financial statements and capital composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on CBRC Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

#### (i) Capital composition

Item	30 June 2016	31 December 2015	Reference
Core tier 1 capital			
1 Paid-in capital	356,407	356,407	X18
2 Retained earnings	1,273,164	1,206,249	
2a Surplus reserve	178,440	178,040	X21
2b General reserve	246,479	246,356	X22
2c Retained profits	848,245	781,853	X23
3 Accumulated other comprehensive income (and other public reserves)	147,019	146,164	
3a Capital reserve	151,987	151,963	X19
3b Others	(4,968)	(5,799)	X24
4 Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	-	-	
5 Valid portion of minority interests	3,083	4,340	X25
6 Core tier 1 capital before regulatory adjustments	1,779,673	1,713,160	
Core tier 1 capital: Regulatory adjustments			
7 Prudential valuation adjustments	-	-	
8 Goodwill (net of deferred tax liabilities)	8,711	8,478	X16
9 Other intangible assets other than land use rights (net of deferred tax liabilities)	1,535	1,356	X14-X15
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-	-	
11 Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,122)	(3,869)	X20
12 Shortfall of provision for loan impairment	-	-	
13 Gain on sale related to asset securitization	-	-	
14 Unrealised gains and losses due to changes in own credit risk on fair valued liabilities	-	-	
15 Defined-benefit pension fund net assets (net of related deferred tax liabilities)	-	-	

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Item	30 June 2016	31 December 2015	Reference	
16	Directly or indirectly holding in own ordinary shares	–	–	
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–	–	
18	Deductible amount of non-significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
19	Deductible amount of significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
20	Mortgage servicing rights	N/A	N/A	
21	Deductible amount in deferred tax assets arising from temporary differences	–	–	
22	Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of deferred tax assets arising from temporary differences	–	–	
23	Including: Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions	–	–	
24	Including: Deductible amount of mortgage servicing rights	N/A	N/A	
25	Including: Deductible amount in deferred tax assets arising from temporary differences	–	–	
26a	Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	5,700	5,700	X11
26b	Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
26c	Others that should be deducted from core tier 1 capital	–	–	
27	Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–	–	
28	Total regulatory adjustments to core tier 1 capital	11,824	11,665	
29	Core tier 1 capital	1,767,849	1,701,495	
	Additional tier 1 capital:			
30	Additional tier 1 capital instruments and related premium	79,375	79,375	
31	Including: Portion classified as equity	79,375	79,375	X28
32	Including: Portion classified as liabilities	–	–	
33	Invalid instruments to additional tier 1 capital after the transition period	–	–	
34	Valid portion of minority interests	410	192	X26
35	Including: Invalid portion to additional tier 1 capital after the transition period	–	–	
36	Additional tier 1 capital before regulatory adjustments	79,785	79,567	

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Item	30 June 2016	31 December 2015	Reference
Additional tier 1 capital: Regulatory adjustments			
37 Directly or indirectly holding additional tier 1 capital of the Bank	-	-	
38 Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	-	-	
39 Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	-	-	
40 Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	-	-	
41a Investment in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	-	-	
41b Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	-	-	
41c Others that should be deducted from additional tier 1 capital	-	-	
42 Undeducted shortfall that should be deducted from tier 2 capital	-	-	
43 Total regulatory adjustments to additional tier 1 capital	-	-	
44 Additional tier 1 capital	79,785	79,567	
45 Tier 1 capital (core tier 1 capital + additional tier 1 capital)	1,847,634	1,781,062	
Tier 2 capital:			
46 Tier 2 capital instruments and related premium	154,860	180,242	X17
47 Invalid instruments to tier 2 capital after the transition period	121,710	144,158	
48 Valid portion of minority interests	4,409	1,001	X27
49 Including: Invalid portion to tier 2 capital after the transition period	-	-	
50 Valid portion of surplus provision for loan impairment	16,842	63,398	X02+X04
51 Tier 2 capital before regulatory adjustments	176,111	244,641	
Tier 2 capital: Regulatory adjustments			
52 Directly or indirectly holding tier 2 capital of the Bank	-	-	
53 Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	-	-	
54 Deductible portion of non-significant minority investment in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	-	-	
55 Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	13,600	13,600	X10
56a Investment in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	-	-	
56b Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	-	-	

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Item	30 June 2016	31 December 2015	Reference
56c Others that should be deducted from tier 2 capital	–	–	
57 Total regulatory adjustments to tier 2 capital	13,600	13,600	
58 Tier 2 capital	162,511	231,041	
59 Total capital (tier 1 capital + tier 2 capital)	2,010,145	2,012,103	
60 Total risk-weighted assets	14,097,738	13,216,687	
Requirements for capital adequacy ratio and reserve capital			
61 Core tier 1 capital adequacy ratio	12.54%	12.87%	
62 Tier 1 capital adequacy ratio	13.11%	13.48%	
63 Capital adequacy ratio	14.26%	15.22%	
64 Institution specific buffer requirement	3.5%	3.5%	
65 Including: Capital conservation buffer requirement	2.5%	2.5%	
66 Including: Countercyclical buffer requirement	–	–	
67 Including: G-SIB buffer requirement	1%	1%	
68 Percentage of core tier 1 capital meeting buffers to risk-weighted assets	7.54%	7.87%	
Domestic minima for regulatory capital			
69 Core tier 1 capital adequacy ratio	5%	5%	
70 Tier 1 capital adequacy ratio	6%	6%	
71 Capital adequacy ratio	8%	8%	
Amounts below the thresholds for deduction			
72 Undeducted amount of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	43,990	48,007	X05+X06 + X08+X09 +X12
73 Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	23,633	21,669	X07+X13
74 Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75 Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	16,912	20,313	
Valid caps of surplus provision for loan impairment to tier 2 capital			
76 Provision for loan impairment set aside under the weighted approach	20,436	17,829	X01
77 Valid cap of provision for loan impairment to tier 2 capital under the weighted approach	8,117	5,381	X02
78 Provision for loan impairment set aside under the internal ratings-based approach	260,320	262,825	X03
79 Valid cap of provision for loan impairment to tier 2 capital under the internal ratings-based approach	8,725	58,017	X04
Capital instruments subject to phase-out arrangements			
80 Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
81 Excluded from core tier 1 capital due to cap	–	–	
82 Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
83 Excluded from additional tier 1 capital due to cap	–	–	
84 Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	121,710	144,158	
85 Excluded from tier 2 capital for the current period due to cap	26,547	15,311	

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### (ii) Consolidated statement of financial position

	30 June 2016 Consolidated balance sheet as in published financial statements *	30 June 2016 Under regulatory scope of consolidation *	31 December 2015 Consolidated balance sheet as in published financial statements *	31 December 2015 Under regulatory scope of consolidation *
<b>Assets</b>				
Cash and balances with central banks	3,331,693	3,331,693	3,059,633	3,059,633
Due from banks and other financial institutions	188,286	178,757	211,559	204,607
Precious metals	193,530	193,530	114,619	114,619
Placements with banks and other financial institutions	440,468	440,468	472,234	472,234
Financial assets at fair value through profit or loss	439,093	439,068	343,272	343,246
Derivative financial assets	71,180	71,180	78,870	78,870
Reverse repurchase agreements	723,379	723,259	996,333	996,333
Loans and advances to customers	12,396,561	12,396,116	11,652,812	11,652,264
Available-for-sale financial assets	1,607,498	1,577,770	1,444,195	1,421,231
Held-to-maturity investments	3,133,551	3,132,897	2,870,353	2,869,642
Receivables	335,503	298,298	352,143	326,339
Long term equity investments	26,096	31,796	24,185	29,885
Fixed assets	200,354	200,313	195,401	195,357
Construction in progress	24,093	24,093	26,101	26,101
Deferred income tax assets	17,265	17,265	21,066	21,066
Other assets	395,777	387,025	347,004	337,210
<b>Total assets</b>	<b>23,524,327</b>	<b>23,443,528</b>	<b>22,209,780</b>	<b>22,148,637</b>

\* Prepared in accordance with PRC GAAP.



## Unaudited Supplementary Financial Information

 For the six months ended 30 June 2016  
 (In RMB millions, unless otherwise stated)

	30 June 2016 Consolidated balance sheet as in published financial statements *	30 June 2016 Under regulatory scope of consolidation *	31 December 2015 Consolidated balance sheet as in published financial statements *	31 December 2015 Under regulatory scope of consolidation *
<b>Liabilities</b>				
Due to central banks	380	380	210	210
Due to banks and other financial institutions	1,724,732	1,724,732	1,788,267	1,788,267
Placements from banks and other financial institutions	520,531	520,531	477,593	477,593
Financial liabilities at fair value through profit or loss	346,986	346,970	303,927	303,916
Derivative financial liabilities	79,431	79,431	76,826	76,826
Repurchase agreements	345,029	341,200	337,191	329,896
Certificates of deposit	199,802	199,802	183,352	183,352
Due to customers	17,369,524	17,372,634	16,281,939	16,283,105
Employee benefits payable	26,904	26,736	31,717	31,470
Taxes payable	39,068	38,967	75,234	75,201
Debt securities issued	320,772	320,772	306,622	306,622
Deferred income tax liabilities	885	354	995	754
Other liabilities	682,506	608,111	545,388	496,583
<b>Total liabilities</b>	<b>21,656,550</b>	<b>21,580,620</b>	<b>20,409,261</b>	<b>20,353,795</b>
<b>Shareholders' equity</b>				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	79,375	79,375	79,375	79,375
Including: Preference shares	79,375	79,375	79,375	79,375
Capital reserve	151,987	151,987	151,963	151,963
Other comprehensive income	(4,627)	(4,968)	(4,655)	(5,799)
Surplus reserve	178,440	178,440	178,040	178,040
General reserve	246,479	246,479	246,356	246,356
Retained profits	848,532	848,245	781,988	781,853
Equity attributable to equity holders of the parent company	1,856,593	1,855,965	1,789,474	1,788,195
Minority interests	11,184	6,943	11,045	6,647
<b>Total equity</b>	<b>1,867,777</b>	<b>1,862,908</b>	<b>1,800,519</b>	<b>1,794,842</b>

\* Prepared in accordance with PRC GAAP.

## Unaudited Supplementary Financial Information

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

### (iii) Description of related items

Item	30 June 2016 Balance sheet under regulatory scope of consolidation	Reference
Loans and advances to customers	12,396,116	
Total loans and advances to customers	12,676,872	
Less: Provision for loan impairment under the weighted approach	20,436	X01
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	8,117	X02
Less: Surplus provision for loan impairment under the internal ratings-based approach	260,320	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	8,725	X04
Available-for-sale financial assets	1,577,770	
Bond investments measured at fair value	1,382,175	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	6,063	X05
Other debt instrument investments measured at fair value	189,517	
Equity investments	6,078	
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	438	X06
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	55	X07
Held-to-maturity investments	3,132,897	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	2,220	X08
Receivables	298,298	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	35,171	X09
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	13,600	X10
Long term equity investments	31,796	
Including: Investment in core tier1 capital instruments issued by financial institutions that are under control but not subject to consolidation	5,700	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	98	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	23,578	X13

## Unaudited Supplementary Financial Information

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

Item	30 June 2016 Balance sheet under regulatory scope of consolidation	Reference
Other assets	387,025	
Interest receivable	114,532	
Intangible assets	20,966	X14
Including: land use rights	19,431	X15
Other receivables	179,801	
Goodwill	8,711	X16
Long-term deferred and prepaid expenses	4,451	
Repossessed assets	7,557	
Others	51,007	
Debt securities issued	320,772	
Including: Valid portion of tier 2 capital instruments and their premium	154,860	X17
Share capital	356,407	X18
Other equity instruments	79,375	
Including: Preference shares	79,375	X28
Capital reserve	151,987	X19
Other comprehensive income	(4,968)	X24
Reserve for changes in fair value of available-for-sale financial assets	24,723	
Reserve for cash flow hedging	(4,127)	
Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,122)	X20
Changes in share of other owners' equity of associates and joint ventures	(102)	
Foreign currency translation reserve	(25,462)	
Surplus reserve	178,440	X21
General reserve	246,479	X22
Retained profits	848,245	X23
Minority interests	6,943	
Including: Valid portion to core tier 1 capital	3,083	X25
Including: Valid portion to additional tier 1 capital	410	X26
Including: Valid portion to tier 2 capital	4,409	X27

## Unaudited Supplementary Financial Information

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

### (iv) Main features of eligible capital instruments

As at 30 June 2016, the main features of the Bank's eligible capital instruments are set out as follows:

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Issuer	ICBC	ICBC	ICBC	ICBC	ICBC	ICBC
Unique identifier	601398	1398	4603	4604	84602	360011
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong/ Hong Kong, China	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital /China
Regulatory treatment						
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Core tier 1 capital instrument	Core tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognized in regulatory capital (in millions, as at the latest reporting date)	RMB339,006	RMB169,163	RMB equivalent 17,928	RMB equivalent 4,542	RMB11,958	RMB44,947
Par value of instrument (in millions)	RMB269,612	RMB86,795	USD2,940	EUR 600	RMB12,000	RMB45,000
Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity	Other equity	Other equity	Other equity
Original date of issuance	19 October 2006	19 October 2006	10 December 2014	10 December 2014	10 December 2014	18 November 2015
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	NA	NA	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 10 December 2021, in full or partial amount	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 18 November 2020, in full or partial amount
Including: Subsequent call dates, if applicable	NA	NA	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares
Coupons/dividends						
Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating

## Unaudited Supplementary Financial Information

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Including: Coupon rate and any related index	N/A	N/A	6% (dividend rate) before 10 December 2019	6% (dividend rate) before 10 December 2021	6% (dividend rate) before 10 December 2019	4.50% (dividend rate) before 18 November 2020
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes	Yes	Yes	Yes
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs
Including: If convertible, conversion rate	N/A	N/A	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the A Shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory	Mandatory	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital	Core tier 1 capital	Core tier 1 capital	Core tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	ICBC	ICBC	ICBC	ICBC
Write-down feature	No	No	No	No	No	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
Including: If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After depositor, general creditor, creditor of the subordinated debts, and preference shareholders	After depositor, general creditor, creditor of the subordinated debts, and preference shareholders	After all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, in the same liquidation order with the holders of Parity Obligations	After all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, in the same liquidation order with the holders of Parity Obligations	After all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, in the same liquidation order with the holders of Parity Obligations	After all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Domestic Preference Shares, in the same liquidation order with the holders of Parity Obligations
Non-compliant transitioned features	No	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

## Unaudited Supplementary Financial Information

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	ICBC (Asia)	ICBC	ICBC
Unique identifier	ISIN: XS0976879279 BBGID: BBG005CMF4N6	1428009	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06
Governing law(s) of the instrument	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with English law, except that the provision of the Notes relating to Subordination shall be governed by, and construed in accordance with, the laws of Hong Kong	Securities Law of the People's Republic of China/China	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law
Regulatory treatment			
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognized in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 3,323	RMB20,000	RMB equivalent 13,149
Par value of instrument (in millions)	USD500	RMB20,000	USD2,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	10 October 2013	4 August 2014	21 September 2015
Perpetual or dated	Dated	Dated	Dated
Including: Original maturity date	10 October 2023	5 August 2024	21 September 2025
Issuer call (subject to prior supervisory approval)	Yes	Yes	No
Including: Optional call date, contingent call dates and redemption amount	10 October 2018, in full amount	5 August 2019, in full amount	N/A
Including: Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/dividends			
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.50%	5.80%	4.875%
Including: Existence of a dividend stopper	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Fully discretionary	Mandatory
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative

## Unaudited Supplementary Financial Information

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Convertible or non-convertible	No	No	No
Including: If convertible, conversion trigger (s)	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Non-viability of ICBC(Asia) or the Bank	Non-viability of the Bank	The occurrence of the earlier of either: (i) the CBRC having decided that a Write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Full write-down	Full write-down	Full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After depositor and general creditor, in the same liquidation order with other subordinated debts	After depositor and general creditor, in the same liquidation order with other subordinated debts	After depositor and general creditor, in the same liquidation order with other subordinated debts
Non-compliant transitioned features	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

## Unaudited Supplementary Financial Information

For the six months ended 30 June 2016  
(In RMB millions, unless otherwise stated)

### (i) Disclosure of Leverage Ratio

The following information is disclosed in accordance with the CBRC Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No.1, 2015) Appendix 3 Disclosure Templates of Leverage Ratio.

#### Comparison of Regulatory Leverage Ratio Items and Accounting Items

S/N	Item	30 June 2016	31 December 2015
1	Total consolidated assets as per published financial statements	23,524,327	22,209,780
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	(80,799)	(61,143)
3	Adjustments for fiduciary assets	–	–
4	Adjustments for derivative financial instruments	59,966	35,523
5	Adjustment for securities financing transactions	39,516	38,855
6	Adjustment for off-balance sheet items	1,778,368	1,602,642
7	Other adjustments	(11,824)	(11,665)
8	Balance of adjusted on- and off-balance sheet assets	25,309,554	23,813,992

#### Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On- and Off-balance Sheet Assets and Related Information

S/N	Item	30 June 2016	31 December 2015
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	22,892,946	21,377,922
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(11,824)	(11,665)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	22,881,122	21,366,257
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	45,505	39,582
5	Add-on amounts for PFE associated with all derivatives transactions	58,524	49,149
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	(8,201)	(10,325)
9	Effective notional amount of written credit derivatives	61,452	56,396
10	Less: Adjusted effective notional deductions for written credit derivatives	(26,134)	(20,409)
11	Total derivative exposures	131,146	114,393
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	479,402	691,845
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	39,516	38,855
15	Agent transaction exposures	–	–
16	Total securities financing transaction exposures	518,918	730,700
17	Off-balance sheet exposure at gross notional amount	3,342,082	3,027,744
18	Less: Adjustments for conversion to credit equivalent amounts	(1,563,714)	(1,425,102)
19	Balance of adjusted off-balance sheet assets	1,778,368	1,602,642
20	Net tier 1 capital	1,847,634	1,781,062
21	Balance of adjusted on- and off-balance sheet assets	25,309,554	23,813,992
22	Leverage ratio	7.30%	7.48%



**(j) Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches**

S/N	Item	Second-quarter 2016	
		Total un-weighted value	Total weighted value
<b>High-quality liquid assets</b>			
1	Total high-quality liquid assets (HQLA)		4,737,081
<b>Cash outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	8,841,369	874,458
3	Stable deposits	150,420	5,363
4	Less stable deposits	8,690,949	869,095
5	Unsecured wholesale funding, of which:	10,084,586	3,445,026
6	Operational deposits (excluding those generated from correspondent banking activities)	5,806,009	1,424,053
7	Non-operational deposits (all counterparties)	4,121,883	1,864,279
8	Unsecured debt	156,694	156,694
9	Secured funding		55,219
10	Additional requirements, of which:	2,126,827	457,272
11	Outflows related to derivative exposures and other collateral requirements	306,204	306,204
12	Outflows related to loss of funding on debt products	1,029	1,029
13	Credit and liquidity facilities	1,819,594	150,039
14	Other contractual funding obligations	37,677	37,677
15	Other contingent funding obligations	617,562	14,096
16	Total cash outflows		4,883,748
<b>Cash inflows</b>			
17	Secured lending (including reverse repos and securities borrowing)	961,558	313,169
18	Inflows from fully performing exposures	1,335,841	852,259
19	Other cash inflows	341,192	325,652
20	Total cash inflows	2,638,591	1,491,080
		<b>Total adjusted value</b>	
21	Total HQLA		4,737,081
22	Total net cash outflows		3,392,668
23	Liquidity coverage ratio (%)		139.67%

Data of the above table are all the simple arithmetic means of the month-end figures of the recent quarter.

## List of Domestic and Overseas Branches and Offices

### Domestic Institutions

#### ANHUI PROVINCIAL BRANCH

Address: No. 189 Wuhu Road,  
Hefei City, Anhui Province,  
China  
Postcode: 230001  
Tel: 0551-62869178/62868101  
Fax: 0551-62868077

#### BEIJING MUNICIPAL BRANCH

Address: Tower B, Tianyin Mansion,  
No. 2 Fuxingmen South  
Street, Xicheng District,  
Beijing, China  
Postcode: 100031  
Tel: 010-66410579  
Fax: 010-66410579

#### CHONGQING MUNICIPAL BRANCH

Address: No. 9 Jiangnan Road,  
Nan'an District,  
Chongqing, China  
Postcode: 400060  
Tel: 023-62918002  
Fax: 023-62918059

#### DALIAN BRANCH

Address: No. 5 Zhongshan Square,  
Dalian City, Liaoning  
Province, China  
Postcode: 116001  
Tel: 0411-82378888/82378000  
Fax: 0411-82808377

#### FUJIAN PROVINCIAL BRANCH

Address: No. 108 Gutian Road,  
Fuzhou City, Fujian  
Province, China  
Postcode: 350005  
Tel: 0591-88087810/  
88087819/88087000  
Fax: 0591-83353905/83347074

#### GANSU PROVINCIAL BRANCH

Address: No. 408 Qingyang Road,  
Chengguan District,  
Lanzhou City, Gansu  
Province, China  
Postcode: 730030  
Tel: 0931-8434172  
Fax: 0931-8435166

#### GUANGDONG PROVINCIAL BRANCH

Address: No. 123 Yanjiang West  
Road, Guangzhou City,  
Guangdong Province,  
China  
Postcode: 510120  
Tel: 020-81308130/81308123  
Fax: 020-81308789

#### GUANGXI AUTONOMOUS REGION BRANCH

Address: No. 15-1 Jiaoyu Road,  
Nanning City, Guangxi  
Autonomous Region,  
China  
Postcode: 530022  
Tel: 0771-5316617  
Fax: 0771-5316617/2806043

#### GUIZHOU PROVINCIAL BRANCH

Address: No. 200 Zhonghua  
North Road, Guiyang City,  
Guizhou Province, China  
Postcode: 550001  
Tel: 0851-88620018  
Fax: 0851-85963911

#### HAINAN PROVINCIAL BRANCH

Address: No. 54 Heping  
South Road, Haikou City,  
Hainan Province, China  
Postcode: 570203  
Tel: 0898-65303138/65342829  
Fax: 0898-65303138/65342986

#### HEBEI PROVINCIAL BRANCH

Address: Tower B, Zhonghua  
Shangwu Tower, No. 188  
Zhongshan West Road,  
Shijiazhuang City, Hebei  
Province, China  
Postcode: 050051  
Tel: 0311-66001999/66000001  
Fax: 0311-66001889/66000002

#### HENAN PROVINCIAL BRANCH

Address: No. 99 Jingsan Road,  
Zhengzhou City, Henan  
Province, China  
Postcode: 450011  
Tel: 0371-65776888/65776808  
Fax: 0371-65776889/65776988

#### HEILONGJIANG PROVINCIAL BRANCH

Address: No. 218 Zhongyang Street,  
Daoli District, Harbin City,  
Heilongjiang Province,  
China  
Postcode: 150010  
Tel: 0451-84668023/84668577  
Fax: 0451-84698115

#### HUBEI PROVINCIAL BRANCH

Address: No. 31 Zhongbei Road,  
Wuchang District, Wuhan  
City, Hubei Province,  
China  
Postcode: 430071  
Tel: 027-69908676/69908658  
Fax: 027-69908040

#### HUNAN PROVINCIAL BRANCH

Address: No. 619 Furong  
Middle Road Yi Duan,  
Changsha City,  
Hunan Province, China  
Postcode: 410011  
Tel: 0731-84428833/84420000  
Fax: 0731-84430039

#### JILIN PROVINCIAL BRANCH

Address: No. 9559 Renmin Avenue,  
Changchun City, Jilin  
Province, China  
Postcode: 130022  
Tel: 0431-89569073/89569712  
Fax: 0431-88923808

#### JIANGSU PROVINCIAL BRANCH

Address: No. 408 Zhongshan  
South Road, Nanjing City,  
Jiangsu Province, China  
Postcode: 210006  
Tel: 025-52858000  
Fax: 025-52858111

#### JIANGXI PROVINCIAL BRANCH

Address: No. 233, Fuhe North Road,  
Nanchang City, Jiangxi  
Province, China  
Postcode: 330008  
Tel: 0791-6695117/6695018  
Fax: 0791-6695230

#### LIAONING PROVINCIAL BRANCH

Address: No. 88 Nanjing North  
Road, Heping District,  
Shenyang City, Liaoning  
Province, China  
Postcode: 110001  
Tel: 024-23491609  
Fax: 024-23491609

## List of Domestic and Overseas Branches and Offices

### INNER MONGOLIA

#### AUTONOMOUS REGION BRANCH

Address: No. 105 Xilin North Road,  
Huhehot City, Inner  
Mongolia Autonomous  
Region, China

Postcode: 010050

Tel: 0471-6940297

Fax: 0471-6940048

#### NINGBO BRANCH

Address: No. 218 Zhongshan  
West Road, Ningbo City,  
Zhejiang Province, China

Postcode: 315010

Tel: 0574-87361162

Fax: 0574-87361190

#### NINGXIA AUTONOMOUS REGION BRANCH

Address: No. 901 Huanghe East  
Road, Jinfeng District,  
Yinchuan City, Ningxia  
Autonomous Region,  
China

Postcode: 750002

Tel: 0951-5029200

Fax: 0951-5042348

#### QINGDAO BRANCH

Address: No. 25 Shandong Road,  
Shinan District, Qingdao  
City, Shandong Province,  
China

Postcode: 266071

Tel: 0532-85809988-621031

Fax: 0532-85814711

#### QINGHAI PROVINCIAL BRANCH

Address: No. 2 Shengli Road, Xining  
City, Qinghai Province,  
China

Postcode: 810001

Tel: 0971-6169722/6152326

Fax: 0971-6152326

#### SHANDONG PROVINCIAL BRANCH

Address: No. 310 Jingsi Road, Jinan  
City, Shandong Province,  
China

Postcode: 250001

Tel: 0531-66681622

Fax: 0531-87941749

#### SHANXI PROVINCIAL BRANCH

Address: No. 145 Yingze Street,  
Taiyuan City, Shanxi  
Province, China

Postcode: 030001

Tel: 0351-6248888/6248011

Fax: 0351-6248004

#### SHAANXI PROVINCIAL BRANCH

Address: No. 395 Dongxin Street,  
Xi'an City, Shaanxi  
Province, China

Postcode: 710004

Tel: 029-87602608/87602630

Fax: 029-87602999

#### SHANGHAI MUNICIPAL BRANCH

Address: No. 9 Pudong Avenue,  
Pudong New District,  
Shanghai, China

Postcode: 200120

Tel: 021-58885888

Fax: 021-58886888

#### SHENZHEN BRANCH

Address: North Block Financial  
Center, No. 5055 Shennan  
East Road, Luohu District,  
Shenzhen City,  
Guangdong Province,  
China

Postcode: 518015

Tel: 0755-82246400

Fax: 0755-82062761

#### SICHUAN PROVINCIAL BRANCH

Address: No. 35 Zongfu Road,  
Jinjiang District, Chengdu  
City, Sichuan Province,  
China

Postcode: 610016

Tel: 028-82866000

Fax: 028-82866025

#### TIANJIN MUNICIPAL BRANCH

Address: No. 123 Weidi Road, Hexi  
District, Tianjin, China

Postcode: 300074

Tel: 022-28400648

Fax: 022-28400123/022-28400647

#### XIAMEN BRANCH

Address: No. 17 Hubin North Road,  
Xiamen City, Fujian  
Province, China

Postcode: 361012

Tel: 0592-5292000

Fax: 0592-5054663

#### XINJIANG AUTONOMOUS REGION BRANCH

Address: No. 231 Remin Road,  
Tianshan District,  
Urumuqi, Xinjiang  
Autonomous Region,  
China

Postcode: 830002

Tel: 0991-5981888

Fax: 0991-2337527

#### TIBET AUTONOMOUS REGION BRANCH

Address: No. 31 Jinzhu Mid-Rd.,  
Lhasa, Tibet Autonomous  
Region

Postcode: 850000

Tel: 0891-6898019/6898002

Fax: 0891-6898001

#### YUNNAN PROVINCIAL BRANCH

Address: Bank Mansion, No. 395  
Qingnian Road, Kunming  
City, Yunnan Province,  
China

Postcode: 650021

Tel: 0871-65536325/65536313

Fax: 0871-63134637

#### ZHEJIANG PROVINCIAL BRANCH

Address: No. 150 Zhonghe Middle  
Road, Hangzhou City,  
Zhejiang Province, China

Postcode: 310009

Tel: 0571-87803888

Fax: 0571-87808207

#### ICBC Credit Suisse Asset Management Co., Ltd.

Address: Xincheng Plaza,  
No. 5 Financial Street,  
Xicheng District, Beijing,  
China

Postcode: 100033

Tel: 010-66583333

Fax: 010-66583158

#### ICBC Financial Leasing Co., Ltd.

Address: E5AB, Finance Street,  
No. 20 Plaza East Road,  
Economic Development  
Zone, Tianjin

Postcode: 300457

Tel: 022-66283766/010-66105888

Fax: 022-66224510/010-66105999

#### ICBC-AXA Assurance Co., Ltd.

Address: 19/F Mirae Asset Tower,  
No. 166 Lujiazui Ring Road,  
Pudong New Area,  
Shanghai

Postcode: 200120

Tel: 021-5879-2288

Fax: 021-5879-2299

#### Chongqing Bishan ICBC Rural Bank Co., Ltd.

Address: No. 1 Aokang Avenue,  
Bishan District, Chongqing

Postcode: 402760

Tel: 023-85297704

Fax: 023-85297709

#### Zhejiang Pinghu ICBC Rural Bank Co., Ltd.

Address: No. 258 Chengnan West  
Road, Pinghu, Zhejiang  
Province

Postcode: 314200

Tel: 0573-85139616

Fax: 0573-85139626

## List of Domestic and Overseas Branches and Offices

### Overseas Institutions

#### ICBC, Hong Kong Branch

Address: 33/F, ICBC Tower,  
3 Garden Road, Central,  
Hong Kong

Email: icbchk@icbcasia.com

Tel: + 852 2588 1188

Fax: + 852 2878 7784

SWIFT: ICBKHKHH

#### ICBC, Singapore Branch

Address: 6 Raffles Quay #12-01,  
Singapore 048580

Email: icbcsg@sg.icbc.com.cn

Tel: +65-65381066

Fax: +65-65381370

SWIFT: ICBKSGSG

#### ICBC, Tokyo Branch

Address: 2-1 Marunouchi 1-Chome,  
Chiyoda-Ku Tokyo,  
100-0005, Japan

Email: icbctokyo@icbc.co.jp

Tel: +813-52232088

Fax: +813-52198502

SWIFT: ICBKJPJT

#### ICBC, Seoul Branch

Address: 16th Floor,  
Taepyeongno Bldg.,  
#73 Sejong-daero,  
Jung-gu, Seoul  
100-767, Korea

Email: icbcseoul@kr.icbc.com.cn

Tel: +822-37886670

Fax: +822-7553748

SWIFT: ICBKKRSE

#### ICBC, Busan Branch

Address: 1st Floor, Samsung  
Fire & Marine  
Insurance Bldg.,  
#184, Jungang-daero,  
Dong-gu, Busan 601-728,  
Korea

Email: busanadmin@kr.icbc.com.cn

Tel: +8251-4638868

Fax: +8251-4636880

SWIFT: ICBKKRSE

#### ICBC, Hanoi Branch

Address: 3rd Floor Daeha Business  
Center, No. 360,  
Kim Ma Str., Ba Dinh Dist.,  
Hanoi, Vietnam

Email: admin@vn.icbc.com.cn

Tel: +84-462698888

Fax: +84-462699800

SWIFT: ICBKVNVN

#### ICBC, Vientiane Branch

Address: Asean Road, Home  
No. 358, Unit 12,  
Sibounheuang Village,  
Chanthabouly District,  
Vientiane Capital,  
Lao PDR

Email: icbcvte@la.icbc.com.cn

Tel: +856-21258888

Fax: +856-21258897

SWIFT: ICBKLALA

#### ICBC, Phnom Penh Branch

Address: No. 15, Preah Norodom  
Boulevard, Phsar Thmey I,  
Duan Penh, Phnom Penh,  
Cambodia

Email: icbckh@kh.icbc.com.cn

Tel: +855-23955880

Fax: +855-23965268

SWIFT: ICBKKHPP

#### ICBC, Doha (QFC) Branch

Address: Level 20, Doha Tower,  
Al Corniche Street,  
West Bay, Doha,  
Qatar PO Box 11217

Email: wangxq@doh.icbc.com.cn

Tel: +974-44072761

Fax: +974-44072751

SWIFT: ICBKQAQAXX

#### ICBC, Abu Dhabi Branch

Address: C903, Al Bateen Tower,  
C6, Bainuna Street,  
Abu Dhabi,  
United Arab Emirates

Email: dboffice@dx.icbc.com.cn,

Tel: +971-2-4998600

Fax: +971-2-4998622

SWIFT: ICBKAEAA

#### ICBC, Dubai (DIFC) Branch

Address: Floor 5&6,  
Gate Village Building 1,  
Dubai International  
Financial Center,  
Dubai,  
United Arab Emirates

Email: dboffice@dx.icbc.com.cn

Tel: +971-47031111

Fax: +971-47031199

SWIFT: ICBKAEAD

#### ICBC, Karachi Branch

Address: 15th & 16th Floor,  
Ocean Tower,  
G-3, Block-9, Scheme # 5,  
Main Clifton Road,  
Karachi, Pakistan.  
P.C:75600

Tel: +92-2135208988

Fax: +92-2135208930

SWIFT: ICBKPKKAXXX

#### ICBC, Mumbai Branch

Address: Level 1, East Wing,  
Wockhardt Tower,  
C-2, G Block,  
Bandra Kurla Complex,  
Bandra (E),  
Mumbai-400 051, India

Email: icbcmumbai@india.icbc.com.cn

Tel: +91-2233155999

Fax: +91-2233155900

SWIFT: ICBKINBBXXX

## List of Domestic and Overseas Branches and Offices

### ICBC, Yangon Branch

Address: 459 Pyay Road, Kamayut Township, Yangon, Myanmar  
Tel: +95-12306306-8810, 8830, 8821  
Fax: +95-12306305-8805, 8806  
SWIFT: ICBKMMMY

### ICBC, Riyadh Branch

Address: T08A, Level 8, Al Faisaliah Tower, Riyadh 12212, Kingdom of Saudi Arabia P.O. Box 95  
Email: service@sa.icbc.com.cn  
Tel: +966-11-2899-800  
Fax: +966-11-2899-879  
SWIFT: ICBKSARI

### ICBC, Kuwait Branch

Address: Building 2A (Al-Tijaria Tower), Floor 7, Al-Soor Street, Al-Morqab, Block 3, Kuwait City, Kuwait  
Tel: 00965-22281777  
Fax: 00965-22281799  
SWIFT: ICBKKWKW

### ICBC, Sydney Branch

Address: Level 1, 220 George Street, Sydney NSW 2000, Australia  
Email: info@icbc.com.au  
Tel: +612-94755588  
Fax: +612-92333982  
SWIFT: ICBKAU2S

### ICBC, Luxembourg Branch

Address: 32, Boulevard Royal, L-2449 Luxembourg, B.P.278 L-2012 Luxembourg  
Email: office@eu.icbc.com.cn  
Tel: +352-2686661  
Fax: +352-26866666  
SWIFT: ICBKLULL

### ICBC, Frankfurt Branch

Address: Bockenheimer Anlage 15, 60322 Frankfurt am Main, Germany  
Email: icbc@icbc-ffm.de  
Tel: +49-6950604700  
Fax: +49-6950604708  
SWIFT: ICBKDEFF

### ICBC, London Branch

Address: 81 King William Street, London EC4N 7BG, UK  
Email: admin@icbclondon.com  
Tel: +44 20 7397 8888  
Fax: +44 20 7397 8890  
SWIFT: ICBKGB3L

### ICBC, New York Branch

Address: 725 Fifth Avenue, 20th Floor, New York, NY 10022, USA  
Email: info-nyb@us.icbc.com.cn  
Tel: +1-212-838 7799  
Fax: +1-212-838 6688  
SWIFT: ICBKUS33

### Industrial and Commercial Bank of China (Asia) Limited

Address: 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong  
Email: enquiry@icbcasia.com  
Tel: +852 3510 8888  
Fax: +852 2805 1166  
SWIFT: UBHKHKHH

### ICBC International Holdings Limited

Address: 37/F, ICBC Tower, 3 Garden Road, Central, Hong Kong  
Email: info@icbci.com.hk  
Tel: +852-26833888  
Fax: +852-26833900  
SWIFT: ICBHHKHH

### Industrial and Commercial Bank of China (Macau) Limited

Address: 18th Floor, ICBC Tower, Macau Landmark, 555 Avenida da Amizade, Macau  
Email: icbc@mc.icbc.com.cn  
Tel: +853-28555222  
Fax: +853-28338064  
SWIFT: ICBKMOMX

### Industrial and Commercial Bank of China (Malaysia) Berhad

Address: Level 35, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia  
Email: icbcmalaysia@my.icbc.com.cn  
Tel: +603-23013399  
Fax: +603-23013388  
SWIFT: ICBKMYK

### PT. Bank ICBC Indonesia

Address: 32nd TCT ICBC Tower, Jl. MH. Thamrin No. 81, Jakarta Pusat 10310, Indonesia  
Email: cs@ina.icbc.com.cn  
Tel: +62-2123556000  
Fax: +62-2131996010  
SWIFT: ICBKIDJA

### Industrial and Commercial Bank of China (Thai) Public Company Limited

Address: 622 Emporium Tower 11th-13th Fl., Sukhumvit Road, Khlong Ton, Khlong Toei, Bangkok, Thailand  
Tel: +66-26295588  
Fax: +66-26639888  
SWIFT: ICBKTHBK

## List of Domestic and Overseas Branches and Offices

### Industrial and Commercial Bank of China (Almaty) Joint Stock Company

Address: 150/230, Abai/  
Turgut Ozal Street,  
Almaty,  
Kazakhstan. 050046  
Email: office@kz.icbc.com.cn  
Tel: +7727-2377085  
Fax: +7727-2377070  
SWIFT: ICBKKZKX

### Industrial and Commercial Bank of China (New Zealand) Limited

Address: Level 11, 188 Quay Street,  
Auckland 1010,  
New Zealand  
Email: info@nz.icbc.com.cn  
Tel: +64-93747288  
Fax: +64-93747287  
SWIFT: ICBKNZ2A

### ICBC (London) PLC

Address: 81 King William Street,  
London EC4N 7BG, UK  
Email: admin@icbclondon.com  
Tel: +44-2073978888  
Fax: +44-2073978899  
SWIFT: ICBKGB2L

### Industrial and Commercial Bank of China (Europe) S.A.

Address: 32, Boulevard Royal,  
L-2449 Luxembourg  
Email: office@eu.icbc.com.cn  
Tel: +352-2686661  
Fax: +352-26866666  
SWIFT: ICBKLULU

### Bank ICBC (joint stock company)

Address: Building 29,  
Serebryanicheskaya  
embankment, Moscow,  
Russia Federation 109028  
Email: info@ms.icbc.com.cn  
Tel: +7-495 2873099  
Fax: +7-495 2873098  
SWIFT: ICBKRUMM

### ICBC Standard Bank PLC

Address: 20 Gresham Street,  
London, United Kingdom,  
EC2V 7JE  
Email: londonmarketing@  
icbcstandard.com  
Tel: +44 203 145 5000  
Fax: +44 203 189 5000  
SWIFT: SBLLGB2L

### ICBC Turkey Bank Anonim Şirketi

Address: Maslak Mah. Dereboyu,  
2 Caddesi No: 13 34398  
Sariyer, İSTANBUL  
Email: gongwen@tr.icbc.com.cn  
Tel: +90 212 335 5162  
SWIFT: ICBKTRISXXX

### Industrial and Commercial Bank of China (USA) NA

Address: 202 Canal Street,  
New York, NY 10013, USA  
Email: info@us.icbc.com.cn  
Tel: +1-212-238-8208  
Fax: +1-212-619-0315  
SWIFT: ICBKUS3N

### Industrial and Commercial Bank of China Financial Services LLC

Address: 1633 Broadway, 28th  
Floor, New York, NY,  
10019, USA  
Email: info@icbkus.com  
Tel: +1-212-993-7300  
Fax: +1-212-993-7349  
SWIFT: ICBKUS33FIN

### Industrial and Commercial Bank of China Mexico S.A.

Address: Paseo de la Reforma 250,  
Piso 18, Col. Juarez,  
C.P.06600,  
Del. Cuauhtemoc,  
Mexico D.F.  
Email: info@icbc.com.mx  
Tel: +52-55-41253388  
SWIFT: ICBKMXMM

### Industrial and Commercial Bank of China (Canada)

Address: Unit 3710, Bay Adelaide  
Centre, 333 Bay Street,  
Toronto, Ontario,  
M5H 2R2, Canada  
Email: info@icbk.ca  
Tel: +1416-366-5588  
Fax: +1416-607-2000  
SWIFT: ICBKCAT2

### Industrial and Commercial Bank of China (Argentina) S.A.

Address: Blvd. Cecilia Grierson  
355, (C1107 CPG) Buenos  
Aires, Argentina  
Email: gongwen@ar.icbc.com.cn  
Tel: +54-11-4820-9022  
Fax: +54-11-4820-1901  
SWIFT: ICBKARBA

### Industrial and Commercial Bank of China (Brasil) S.A.

Address: Av. Brigadeiro Faria Lima,  
3477-Bloco B-  
6 andar-SAO PAULO/SP-  
Brasil  
Email: bxgw@br.icbc.com.cn  
Tel: +5511-2395-6600  
Fax: +5511-2395-6699  
SWIFT: ICBKBRSP

### ICBC PERU BANK

Address: Av. Juan de Arona 151,  
Oficina 202, San Isidro,  
Lima27, Perú  
Email: gongwen@pe.icbc.com.cn  
Tel: +51-16316801  
Fax: +51-16316803  
SWIFT: ICBKPEPL

### Industrial and Commercial Bank of China Limited, African Representative Office

Address: 47 Price Drive, Constantia,  
Cape Town,  
South Africa, 7806  
Email: icbc.africa@gmail.com  
Tel: +27-212008006  
+27-761837882  
Fax: +27-212008012



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[www.icbc.com.cn](http://www.icbc.com.cn), [www.icbc-ltd.com](http://www.icbc-ltd.com)