ICBC

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

2010 Interim Report

CONTENTS

Important Notice

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

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

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

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

26 August 2010

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

Corporate Information

Legal name in Chinese

中國工商銀行股份有限公司（“中國工商銀行”）

Legal name in English

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

Legal representative

Jiang Jianqing

Registered address and office address

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

Principal place of business in Hong Kong

ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorized representatives

Yang Kaisheng, Gu Shu

Board Secretary and Company Secretary

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

Qualified accountant

Yeung Manhin

Selected newspapers for information disclosure

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

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

www.sse.com.cn

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

www.hkexnews.hk

Legal advisors

Mainland China

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

Hong Kong, China

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

Share Registrars

A Share

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

H Share

Computershare Hong Kong Investor Services Limited
1806-1807, 18/F, Hopewell Center,
183 Queen's Road East, Wanchai, Hong Kong

Location where copies of this Interim Report are kept

Office of the Board of Directors of the Bank

Place where shares are listed, stock name and stock code

A Share

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

H Share

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

Other relevant information of the Bank

Date of change of registration: 4 November 2008
Registration authority: State Administration for Industry and Commerce, PRC
Corporate business license number: 100000000003965
Financial license institution number: B0001H111000001
Tax registration certificate number:
Jing Shui Zheng Zi 110102100003962
Organizational code: 10000396-2

Name and address of auditors

Domestic auditors

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

International auditors

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

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

Financial Highlights

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

Financial Data

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
Operating results (in RMB millions)			
Net interest income	143,312	116,038	245,821
Net fee and commission income	36,889	27,744	55,147
Operating income	180,928	148,082	309,411
Operating expenses	61,869	53,048	120,819
Impairment losses	9,693	10,212	23,285
Operating profit	109,366	84,822	165,307
Profit before tax	110,616	85,788	167,294
Net profit for the period	84,965	66,724	129,396
Net profit for the period attributable to equity holders of the parent company	84,603	66,424	128,645
Net cash inflow/(outflow) from operating activities	483,477	(67,265)	403,862
Per share data (in RMB yuan)			
Basic earnings per share	0.25	0.20	0.39
Diluted earnings per share	0.25	0.20	0.39
Net cash flow per share from operating activities	1.45	(0.20)	1.21

Financial Data (continued)

	30 June 2010	31 December 2009	31 December 2008
Balance sheet items (in RMB millions)			
Total assets	12,960,381	11,785,053	9,757,146
Total loans and advances to customers	6,354,384	5,728,626	4,571,994
Allowance for impairment losses on loans	151,990	145,452	135,983
Net investment in securities	3,729,253	3,599,173	3,048,310
Total liabilities	12,250,781	11,106,119	9,150,516
Due to customers	10,832,789	9,771,277	8,223,446
Due to banks and other financial institutions	1,100,955	1,001,634	646,254
Equity attributable to equity holders of the parent company	704,279	673,893	602,675
Net assets per share(1) (in RMB yuan)	2.11	2.02	1.80
Net capital base	759,791	731,956	620,033
Net core capital base	630,662	586,431	510,549
Supplementary capital	140,838	172,994	121,998
Risk-weighted assets(2)	6,698,521	5,921,330	4,748,893
Credit rating			
S&P(3)	A-/Positive	A-/Positive	A-/Positive
Moody's(3)	A1/Positive	A1/Positive	A1/Stable

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

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

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

Financial Indicators

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

Notes: * indicates annualized ratios.

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

(2) Calculated in accordance with the "Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share" (Revision 2010) issued by CSRC.

(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

(4) Calculated by dividing net interest income by average balance of interest-generating assets.

(5) Calculated by dividing net profit for the period by the average balance of risk-weighted assets and adjustment to market risk capital at the beginning and at the end of the reporting period.

(6) Calculated by dividing operating expenses (less business tax and surcharges) by operating income.

(7) Calculated by dividing the balance of NPL by total balance of loans and advances to customers.

(8) Calculated by dividing allowance for impairment losses on loans and advances by total balance of NPL.

(9) Calculated by dividing allowance for impairment losses on loans and advances by total balance of loans and advances to customers.

(10) Please refer to the section headed "Discussion and Analysis — Capital Management".

Chairman's Statement

In the first half of 2010, the Bank persisted in prudent operation and quickened its business transformation in response to the complicated business environment. The Bank continued to achieve robust growth and maintained as the top listed bank in the world in terms of market capitalization, profitability and customer deposits. During the period, the Bank generated a net profit of RMB84,965 million, representing an increase of 27.3% over the same period in 2009. Annualized return on average total assets and annualized return on weighted average equity reached 1.37% and 23.90%, respectively, up 0.17 percentage point and 3.75 percentage points. The balance and the ratio of non-performing loans (NPL) continued to drop. NPL ratio dropped to a record low of 1.26% as at the end of June, while allowance to NPL sharply soared to 189.81%, up 25.40 percentage points over the end of the previous year. Capital adequacy ratio and core capital adequacy ratio reached 11.34% and 9.41%, respectively, which were relatively superior amongst domestic banks.

The Bank is committed to support and serve the development of the real economy, and enhance its own sustainable development capability while promoting the transformation of economic development mode by credit leverage. In the first half of 2010, in view of the fact that Chinese economy has gradually returned to its normal course and guided by national macro-control policy, the Bank maintained a reasonable and balanced growth of total credits and on this footing, shifted the focus of its work to the adjustment and optimization of its credit structure and the cultivation of new growth areas. While continuing to support the country's key projects under construction or extended projects, the Bank kept a closer eye on the development of credits to small businesses, personal loans and trade finance, and actively seized the opportunities derived from China's planned key regions, strategic emerging industries and Chinese-funded enterprises' implementation of "going global" strategy to promote the orderly development of large, medium and small customers and successive development of traditional and emerging markets as early as practicable. The Bank enhanced the prevention and control of various risks arising from the gradual return of the economy to normal operation and the accelerated transformation of economic development modes, as well as the anticipated credit risk in the fields of local government financing platforms, real estate and industrial restructuring, in order to ensure that credit asset quality is stable and risks are controllable. The Bank implemented measures to comply with various newly promulgated laws and regulations and further strengthened its efforts in basic credit management.

The Bank persisted its strategy of business transformation and significantly stepped up its efforts to develop fee-based and emerging businesses with low capital consumption, and actively promoted the operation restructuring and change of development modes. We leveraged on our ability to meet customers' increasingly diversified and personalized financial demands, further gave play to the advantages in channel, technology and innovation, and strengthened the coordination and interaction of our domestic and overseas institutions and subsidiaries with diversified operations to push forward the diversified development of our business structure. The Bank advanced a more diversified, stabilized and balanced income structure while improving comprehensive services as early as practicable. In the first half of 2010, the Bank's credits increased by 10.9%, however, its net profit surged by 27.3%, indicating that a capital-saving development mode has taken shape.

The Bank adheres to the motto "services create value", and strives to sharpen its competitive edge by improvement of services. In the first half of 2010, in line with the activities such as "Welcome Expo 2010" and "Welcome Asian Games", the Bank pushed forward the 10 service improvement projects, which resulted in new advancement in the provision of services. The Bank also actively accommodated to the trend of financial demand globalization of customers, and further expedited the construction of its global service network. During the period, the Bank entered the markets of Vietnam, Malaysia, Thailand and Canada, and the applications for the establishment of the Bombay Branch as well as five other branches in Europe, including Paris, were being considered by the relevant overseas regulators. The Bank paid closer attention to the strong role of technology in supporting services provision, pushed forward the development of the fourth-generation application system (NOVA+) geared to the needs of the future, and developed eight service platforms which signified the Bank's unique advantages. These expedited business innovation and service capability improvement, and further translated leading technology advantages into service competitiveness.

The Bank also continuously refined its corporate governance and promoted internal reform to ensure decisions are scientific and timely, and to enhance the vitality and the motivation for innovative development. In the first half of 2010, we amended the plan on the authorization of the shareholders' general meeting to the Board of Directors and the terms of references of the special committees of the Board of Directors. We formulated the rules on recommendation and nomination of candidates for directorship and the rules on management of inside information and insiders, and further clarified and improved decision-making procedures. According to work needs, we elected Senior Executive Vice President Wang Lili as an Executive Director, and appointed Zhang Hongli as a Senior Executive Vice President, and adjusted the composition of the special committees of the Board of Directors. The Bank has made a significant breakthrough in certain overall, fundamental and pioneering reform. Among domestic banks, it took the lead in achieving full amount and centralized management of RMB funds, reformed the profit center of some specialized product lines, and reached significant milestones in the reform of key county-level sub-branches, business operation and centralization of statements.

Following the business philosophy of "benefit from the society, repay the society and serve the society", the Bank faithfully performed its social responsibility and endeavored to promote the harmonious unification of enterprise growth, economic development and social advance. In the first half of 2010, after the Yushu earthquake, the drought in Southwest China and the flood disasters, the Bank devoted efforts to provide assurance for financial services, and donated more than RMB26 million to different sectors of society for disaster relief and post-disaster reconstruction on top of staff donation. We also published the corporate culture system in the new era of ICBC, established the mission of "Provide Excellent Financial Service" and embedded "Increase customer satisfaction, Create value for shareholders, Bring success to our people, and Contribute to society" as the highlights of the Bank's corporate culture.

In the first half of 2010, the Bank won many international and domestic awards and honors again, including the "Best Bank in China" award. Among the Top 1,000 World Banks selected by *The Banker*, ICBC's ranking in terms of tier-1 capital was promoted to the seventh place. ICBC's ranking in the Global 500 selected by the *Fortune* rose by five places compared with the previous year.

At present, there are many uncertainties about the recovery of the world economy and there are many unstable factors affecting the Chinese economy after it has returned to a track of more steady and rapid growth. As a result, the banking industry faces many new risks and challenges in operation and development. In the second half of 2010, we will observe the market calmly, make decisions scientifically, and strengthen our judgment and understanding of changes to the business environment. We will deal with the relationship between the real economy development and financial risk prevention, speed up the transformation of development mode and enhancement of competitiveness, further maintain and promote the favorable development momentum, and strive to achieve more satisfactory operating results, thereby laying a more solid foundation for the sustainable development in the future.

History is often imprinted in our minds with significant changes or disturbances. It also often leaves magnificent chapters for brilliance and excellence. In October 2010, the Bank will welcome its fifth anniversary of transformation into a joint-stock company. This will be a brand-new start for us again — a new era for us to develop. Five years ago, we were full of enthusiasm; now, we are more confident!

Chairman: Jiang Jianqing

26 August 2010

President's Statement

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

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

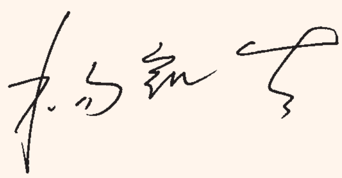
Total volume of lending was stable and moderate. According to China's economic and financial policies and actual operational needs of the real economy, as well as the Bank's business development objectives, the Bank controlled the total volume of lending and the pace of lending growth in a reasonable manner. In the first half of 2010, new RMB loans extended by domestic branches reached RMB524,068 million, up 9.9%, providing due support for social and economic development, and at the same time, the Bank expedited the adjustment of its credit structure. The Bank continued to provide active support for the State's key infrastructure areas, revitalization industries and strategic emerging industries, and place strict restrictions on lending to industries with high energy consumption, high pollution and over-capacity. Loans to small enterprises increased rapidly, with a growth in volume that exceeded that in the entire year 2009 and a growth rate which is 15.0 percentage points higher than the average growth rate of the Bank's total loans. Trade finance developed quickly, with a growth of 24.9%. Personal loans developed healthily and rapidly with a growth which is 9.9 percentage points higher than the Bank's overall average.

All business lines grew satisfactorily. The Bank actively accommodated to the changes in cash flow in the market, and stepped up its efforts in improving the deposit base. Customer deposits increased by RMB1,061,512 million, ranking first among domestic banks, and further consolidating the foundation for the development of various businesses. Through a sound development mechanism and innovation of products and services, the development of fee-based businesses and new businesses accelerated and many new advantages became apparent. A total of RMB2.04 trillion of banking wealth management products was issued, representing an increase of 87.8% compared to the same period of 2009. The Bank continued to lead the industry in terms of the number of credit cards issued and consumption via credit cards, and ranked first among domestic banks in terms of credit card overdraft amount. Income from investment banking business continued to maintain relatively rapid growth, exceeding RMB10 billion last year and reaching RMB8,666 million in the first half of 2010. E-banking was further brought into play as an important transaction processing channel, representing an increase of 85.5% in transaction volume compared to the same period of 2009. 54.6% of the Bank's business transactions were handled via E-banking, up 4.5 percentage points compared to the previous year. The number of new additional corporate settlement accounts ranked first among domestic banks and the Bank maintained its leading position. Net worth of assets under custody exceeded RMB2 trillion, and newly added annuity funds under trusteeship and management increased in multiple amounts. Private banking and precious metal businesses also showed a fast development track.

Reform and innovation progressed rapidly. In the first half of 2010, the Bank successfully completed the reform of RMB fund management system, and took the lead among domestic banks in realizing the full amount and centralized management and internal pricing of RMB funds per transaction domestically, thus further improving the central and simplified operation of funds. The Bank carried out a profit centre reform in the Global Markets Department, Asset Custody Department, Precious Metal Business Department and ICBC Bills Discounting Department, to strengthen the evaluation of the operations of various business lines providing incentives and restraints, thereby enhancing competitiveness and ability to create value. Significant achievements were made in business operation system, and a data analysis-based and risk control-oriented supervision mode and a centralized and cross-institution remote authorization system have basically taken shape. The coverage of centralized business processing pilot projects was extended, and the Bank's risk identification capability, business processing efficiency and the central, simplified and standardized management capability were further improved. Reform of key county-level sub-branches was fully implemented. The Bank continuously pushed forward product and technology innovation, and expedited the implementation of the fourth-generation application system (NOVA+). In the first half of 2010, 441 new innovative products were introduced, making a total of 2,807 products. The Bank made a new breakthrough in its internationalized development and kept improving its global branch network.

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

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



President: Yang Kaisheng

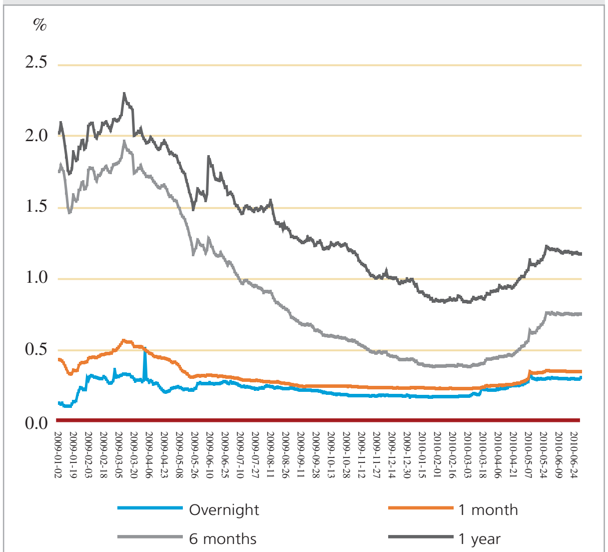
26 August 2010

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

International Economic, Financial and Regulatory Environments

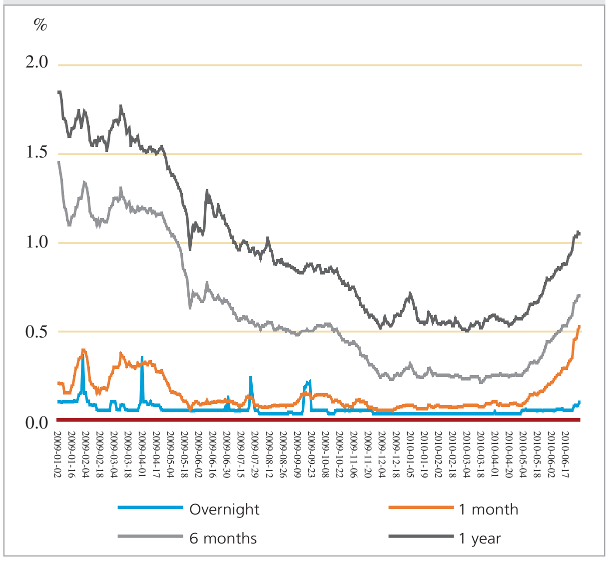
In the first half of 2010, global economy recovered slowly. The sovereign debt crisis in Europe and risks in the financial industry added uncertainties in the outlook for the global economy. The unemployment rate remained elevated in major developed economies, and the pace of recovery varied from one economy or region to another. The US and Japanese economies continued to recover, while the Euro Zone showed weakening recovery. Emerging economies recovered rapidly in general, yet showing imbalances, where Asia and Latin America grew relatively fast, while European emerging economies recovered relatively slowly. Global financial markets slid amid fluctuations and the exchange rates of major currencies fluctuated in a wider range.

Movements of US Dollar LIBOR since 2009



Data source: Bloomberg.

Movements of Hong Kong Dollar HIBOR since 2009



Data source: Bloomberg.

Affected by disparities in recovery between major economies and the European sovereign debt crisis, volatility of the international financial market accelerated and exchange rates of major currencies fluctuated widely. At the end of June 2010, the US Dollar Index (USDX) closed at 86.02 points, representing an increase of 10.48% from the end of 2009; the exchange rate of US dollar against Euro closed at USD1.2238/Euro, representing an appreciation of 14.54% of US dollar; the exchange rate of US dollar against Japanese yen closed at JPY88.43/USD, representing a depreciation of 5.19% of US dollar. Interest rates in major financial markets rose amid fluctuations. The one-year US dollar LIBOR rose to 1.17313% at the end of June 2010 from 0.99438% at the end of 2009; and the one-year Hong Kong dollar HIBOR rose to 1.04929% from 0.66929%. Major global stock markets dropped sharply. At the end of June 2010, the MSCI All-country World Index closed at 1041.32 points, representing a fall of 10.88% from the end of 2009; and global market capitalization reached USD41.49 trillion, down 9.71%.

In the first half of 2010, varying recovery levels of major economies led to different monetary policies: with rapid recovery and mounting inflationary pressure, some Asian and Latin American economies began to tighten the monetary policy and interest rates were raised in certain countries such as India, Malaysia, Korea, Thailand and Brazil. By contrast, the monetary policy was maintained loose in the US, Euro Zone, Japan and other developed economies where economic recovery remained sustainable and the inflationary pressure was within control. The US Federal Reserve maintained the benchmark interest rate at a low level of 0–0.25%; the European central bank and the Bank of England kept the benchmark interest rate at 1% and 0.5%, respectively; the Japanese central bank continued to set the benchmark interest rate at a low level of 0.1%; central banks of Russia and Iceland lowered the benchmark interest rate to stimulate domestic demand. Disparities in the monetary policy across countries reflected the complexity in the pace of global economic recovery.

Economic, Financial and Regulatory Environments in China

In the first half of 2010, Chinese government continued to implement the stimulus package against the global financial crisis and accelerated transformation of the economic development mode and restructuring. The national economy showed a sound momentum in general and continued to move towards macro-control objectives.

In the first half of 2010, China's gross domestic products (GDP) amounted to RMB17.28 trillion, representing a year-on-year increase of 11.1%, which was 3.7 percentage points higher than the growth in the first half of 2009. Industrial output picked up rapidly to drive efficiencies of enterprises significantly; fixed asset investment stabilized at an elevated level, with total fixed asset investment grew by 25.0% as compared to the same period of 2009 to RMB11.42 trillion. Income of urban and rural households continued to increase and consumption grew relatively quickly. Total retail sales of consumer goods increased by 18.2% as compared to the same period of 2009 to RMB7.27 trillion. The consumer price index (CPI) increased moderately by 2.6% and the producer price index (PPI) by 6.0% year-on-year. Foreign trade recovered quickly; imports and exports totaled USD1.35 trillion, representing a year-on-year increase of 43.1%, with a trade surplus of USD55.3 billion. National fiscal revenue stood at RMB4.34 trillion, representing a marked increase of 27.6% over the first half of 2009.

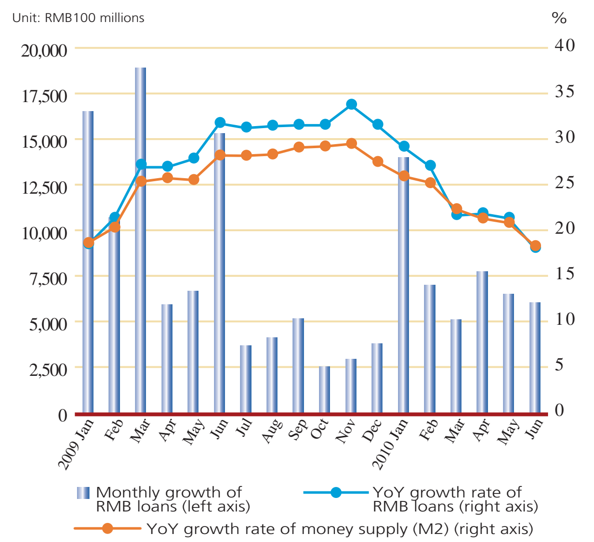
PBOC continued to implement the moderately loose monetary policy, enhanced the pertinence and flexibility of the policy, and actively direct to a reasonable and balanced supply of money and grant of credit. In the first half of 2010, the required reserve ratio was raised by 0.5 percentage point for three consecutive times, and has reactivated the issuance of the three-year term central bank bills to re-align market liquidity. As a result of a series of measures undertaken, the growth in money and credit supply returned normal from elevated levels seen in 2009, overall liquidity was adequate in the banking system and the financial system operated stably.

At the end of June 2010, M2 balance increased by 18.5% year-on-year to RMB67.39 trillion, with the growth being decelerated by 9.2 percentage points when compared with the end of 2009; M1 balance increased by 24.6% to RMB24.06 trillion, with growth being decelerated by 7.8 percentage points when compared with the end of 2009. Total balance of loans denominated in RMB and foreign currencies extended by financial institutions was RMB47.4 trillion, representing an increase of 19.2% year-on-year. Lending growth rate stabilized gradually and loans were extended at a more balanced rhythm. The balance of RMB loans was RMB44.61 trillion, representing an increase of RMB4.63 trillion in the first half of 2010, which was RMB2.74 trillion less than the same period in 2009; and the balance of foreign currency loans was USD411.7 billion, representing an increase of USD32.3 billion in the first half of 2010, which was USD19.4 billion less than the same period in 2009.

With respect to orientation of loans, medium and long-term loans denominated in RMB and foreign currencies extended by major financial institutions[1] to infrastructure industries (including transportation, storage and postal services; production and supply of electricity, gas and water; and water, environment and public utility management) amounted to RMB1.03 trillion, accounting for 43.4% of total new medium and long-term loans. At the end of June 2010, the loan balance increased by 24.7% year-on-year, representing a decrease in growth rate of 18.3 percentage points as compared to the end of last year. The balance of medium and long-term loans to the foregoing three industries grew by 30.9%, 7.4% and 32.9%, representing a decrease in growth by 9.2, 7.5 and 52.3 percentage points, respectively, from the end of the previous year. Loans to the real estate industry grew at an obviously lower rate. Real estate loans extended by major financial institutions grew by RMB448.8 billion, accounting for 18.8% of total new medium and long-term loans.

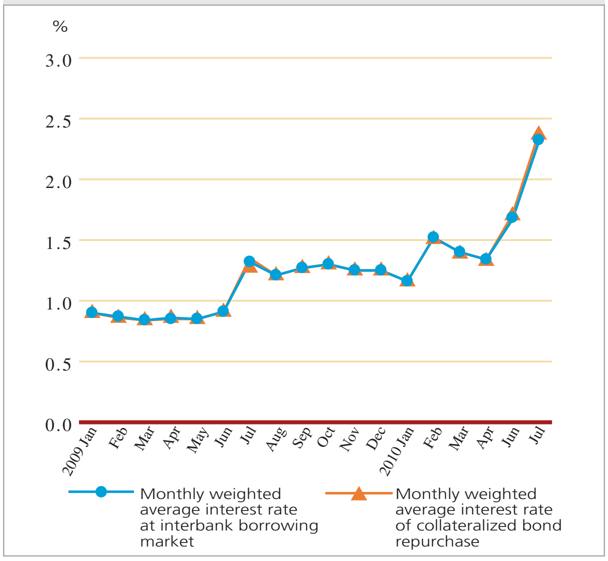
1 Including state-owned commercial banks, policy banks, joint-stock commercial banks and city commercial banks.

RMB Loan Growth of Domestic Financial Institutions since 2009



Data source: PBOC.

Movements of Interest Rate in Domestic Money Market since 2009



Data source: PBOC.

Both the NPL balance and NPL ratio dropped, while the provision coverage ratio further increased. According to statistics from CBRC, at the end of June 2010, the NPL balance of domestic commercial banks was RMB454.91 billion, representing a decline of RMB42.52 billion from the end of last year; the NPL ratio was 1.30%, down 0.28 percentage point; provision coverage ratio reached 186.0%, up 31.0 percentage points.

At the end of June, the balance of RMB and foreign currency deposits with all financial institutions amounted to RMB68.85 trillion, representing a year-on-year growth of 18.6%; the balance of RMB deposits was RMB67.41 trillion, representing a year-on-year growth of 19.0%, which was 9.2 percentage points lower than the end of last year; the balance of foreign currency deposits stood at USD212.7 billion, representing a year-on-year increase of 2.2%. In the first half of 2010, new RMB deposits amounted to RMB7.63 trillion, representing an increment of RMB2.35 trillion less than the same period in the previous year.

In the first half of 2010 when PBOC furthered the reform of the RMB exchange rate regime to increase the flexibility of RMB exchange rate, the value of RMB appreciated slightly against USD under the effects of bilateral volatility. At the end of June 2010, the mean exchange rate of RMB against USD was RMB6.7909/USD, representing an appreciation of 0.55% in the first half of 2010 and 21.88% since the exchange rate reform in 2005. Foreign exchange reserves of China amounted to USD2.45 trillion, representing a year-on-year growth of 15.1%.

The financial market operated stably and market liquidity was adequate in general. Trading in the money market was active, with market interest rates grew markedly in the volatile market. In the first half of 2010, RMB transactions in the interbank market amounted to RMB74.0 trillion in aggregate; average daily trading reached RMB606.5 billion, representing a year-on-year growth of 13.4%. Monthly weighted average interbank offered rate and collateralized bond repo rate were 2.31% and 2.38% in June, up 1.06 and 1.12 percentage points from December last year. At the end of June, overnight and one-week SHIBOR were 2.27% and 2.62%, up 1.12 and 1.05 percentage points respectively from the end of last year. The scale of bond issuance expanded steadily. In the first half of 2010, bonds (excluding central bank bills) issued in the primary bond market stood at RMB2.3 trillion, representing a year-on-year growth of 9.9%; the secondary bond market witnessed steady trading activity and slight increase in the bond index.

Stock markets declined in volatile circumstances, with equity financing expanded extensively. In the first half of 2010, the Shanghai and Shenzhen stock markets recorded total trading of RMB22.6 trillion, representing a year-on-year increase of RMB456.3 billion, slightly increased by 2.0%; average daily trading reached RMB191.9 billion, up 2.1% as compared to the same period of last year. At the end of June 2010, free float market capitalization stood at RMB12.7 trillion, contracted by 16.2% from the end of the pervious year; the Shanghai Stock Composite Index and the Shenzhen Component Index closed at 2398.37 points and 945.29 points, representing a decline of 26.8% and 21.3% from the end of last year, respectively. In the first half of 2010, various types of enterprises raised RMB402.9 billion in aggregate through IPOs in domestic and overseas stock markets, additional offerings, rights issue, exercise of options and issuance of convertible bonds, representing a year-on-year increase of RMB311.0 billion or 338.4%. The number of securities investment funds reached 619, representing an increase of 11.1% from the end of the previous year. Premium income of the insurance industry was RMB799.86 billion, representing a year-on-year growth of 33.6%, with the growth rate increased by 27.0 percentage points. Gold trading expanded rapidly. The aggregate transaction amount of precious metals at Shanghai Gold Exchange was RMB891.51 billion, representing a year-on-year growth of 111.3%. The gold price showed an overall up-trend.

Outlook

Looking into the second half of 2010, global economic recovery will continue. However, there remain downside risks stemming from the ineffective suppression of the European sovereign debt crisis, huge fiscal deficits in some economies, high unemployment rates in major economies, re-emergence of trade protectionism, rising commodity prices and mounting pressure of inflation and capital flows in emerging economies. As predicated by the International Monetary Fund (IMF) in July 2010, the growth rate of global economy would rebound to 4.6% in 2010, up 5.2 percentage points from 2009.

Given its quick upturn, Chinese economy is expected to move towards stable and sustainable growth gradually. A range of economic stimulus measures helped expedite economic restructuring and further contributed to the sustainable growth. However, macro-controls are in a dilemma stemming from complicated, difficult environments domestically and abroad as well as uncertainties and destabilizing factors facing the economy. The global economic recovery remains fragile, coupled with unstable international financial environment. Domestic private investments and endogenous growth drivers should be strengthened, consumer spending should be expanded continuously; improvement in income distribution and further adjustment and optimization of the economic structure remain a big challenge; energy conservation and emission reduction face a tough situation; risks in fiscal and financial areas cannot be ignored, price movements are complicated, and management of inflation expectations should be further strengthened.

The Chinese government will continue to implement proactive fiscal policy and moderately loose monetary policy, effectively control the intensity, pace and focus of policy implementation, maintain the continuity and stability of policies and enhance the pertinence and flexibility of the policies. The Chinese government will strive to strike a balance between steady and rapid economic growth, economic restructuring and inflation expectations management. It will also leverage on a number of monetary policy instruments, enhance liquidity management and maintain moderate growth of money and credit supply, so as to increase the sustainability of economic growth.

FINANCIAL STATEMENTS ANALYSIS

Income Statement Analysis

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

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Increase/ (decrease)	Growth rate (%)
Net interest income	143,312	116,038	27,274	23.5
Non-interest income	37,616	32,044	5,572	17.4
Operating income	180,928	148,082	32,846	22.2
Less: Operating expenses	61,869	53,048	8,821	16.6
Less: Impairment losses	9,693	10,212	(519)	(5.1)
Operating profit	109,366	84,822	24,544	28.9
Share of profits and losses of associates and jointly-controlled entities	1,250	966	284	29.4
Profit before tax	110,616	85,788	24,828	28.9
Less: Income tax expenses	25,651	19,064	6,587	34.6
Profit for the period	84,965	66,724	18,241	27.3
Attributable to: Equity holders of the parent company	84,603	66,424	18,179	27.4
Non-controlling interests	362	300	62	20.7

Net Interest Income

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

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

In RMB millions, except for percentages

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

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

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

(3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements; and due to banks and other financial institutions includes the amount of repurchase agreements.

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

In RMB millions

Item	Comparison between six months ended 30 June 2010 and 30 June 2009		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	26,820	(14,586)	12,234
Investment in securities	9,828	(5,313)	4,515
Investment in securities not related to restructuring	11,277	(4,923)	6,354
Investment in securities related to restructuring	(1,449)	(390)	(1,839)
Due from central banks	1,821	452	2,273
Due from banks and other financial institutions	(1,515)	3,081	1,566
Changes in interest income	**36,954**	**(16,366)**	**20,588**
Liabilities			
Deposits	9,429	(17,838)	(8,409)
Due to banks and other financial institutions	1,324	(318)	1,006
Subordinated bonds	687	30	717
Changes in interest expense	**11,440**	**(18,126)**	**(6,686)**
Changes in net interest income	**25,514**	**1,760**	**27,274**

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 rates. Changes resulted from the combination of volume and interest rate are allocated to the changes in volume.

◆ *Net Interest Spread and Net Interest Margin*

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

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

Percentages

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

Interest Income

◆ *Interest Income on Loans and Advances to Customers*

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

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

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

In RMB millions, except for percentages

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

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

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

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

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

◆ *Interest Income on Investment in Securities*

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

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

◆ *Interest Income on Due from Central Banks*

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

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

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

Interest Expense

◆ *Interest Expense on Deposits*

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

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

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

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

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

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

◆ *Interest Expense on Subordinated Bonds*

Interest expense on subordinated bonds was RMB1,289 million, representing an increase of RMB717 million or 125.3%. The Bank issued RMB40 billion subordinated bonds in July 2009, of which RMB24 billion applied a fixed interest rate of 4.00%. Please refer to "Note 30 to the Financial Statements: Subordinated bonds" for details about the subordinated bonds issued by the Bank.

Non-interest Income

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

COMPOSITION OF NON-INTEREST INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Increase/ (decrease)	Growth rate (%)
Fee and commission income	39,055	29,291	9,764	33.3
Less: Fee and commission expense	2,166	1,547	619	40.0
Net fee and commission income	36,889	27,744	9,145	33.0
Other non-interest related gain	727	4,300	(3,573)	(83.1)
Total	**37,616**	**32,044**	**5,572**	**17.4**

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

COMPOSITION OF NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

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

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

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

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

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

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

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

OTHER NON-INTEREST RELATED GAIN

In RMB millions, except for percentages

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

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

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Increase/ (decrease)	Growth rate (%)
Staff costs	30,784	26,437	4,347	16.4
Premises and equipment expenses	8,896	7,592	1,304	17.2
Business tax and surcharges	10,350	8,850	1,500	16.9
Amortization	652	686	(34)	(5.0)
Others	11,187	9,483	1,704	18.0
Total	**61,869**	**53,048**	**8,821**	**16.6**

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

Impairment Losses

Impairment losses on assets decreased by RMB519 million or 5.1% to RMB9,693 million, of which, impairment loss on loans and advances to customers increased by RMB495 million to RMB9,743 million. The Bank strengthened the control over loan risks, thereby the loan quality was improved gradually. Individually assessed impairment losses decreased by RMB2,138 million to a reversal of RMB1,039 million; in the meantime, the Bank adhered to sound and prudent provisioning policy to strengthen the ability for risk compensation, and collectively assessed impairment losses increased by RMB2,633 million. Impairment losses on other assets decreased by RMB50 million mainly attributable to the reversal of impairment losses on bonds as a result of the repayment of some impaired bonds upon maturity. Please refer to "Note 20 to the Financial Statements: Loans and advances to customers" and "Note 10 to the Financial Statements: Impairment losses on assets other than loans and advances to customers" for details.

Income Tax Expense

Income tax expense increased by RMB6,587 million or 34.6% over the same period of last year to RMB25,651 million, and the effective income tax rate was 23.2%. Please refer to "Note 11 to the Financial Statements: Income tax expense" for the reconciliation of the income tax expense at the statutory income tax rate and the income tax expense at the effective rate.

Segment Information

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

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

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

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

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

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

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

Balance Sheet Analysis

In the first half of 2010, the Bank proactively responded to the changes in economic and financial trends domestically and internationally, in line with various national macro-control policies, optimized the assets and liabilities business structures, and continued to push forward operating transformation. The Bank also insisted on steady credit development strategy, reasonably controlled credit granting, optimized loan structure, and improved loan quality. The Bank closely followed the domestic and international financial market trend, adjusted investment strategy timely and optimized the investment portfolio. Furthermore, the Bank proactively took measures to improve the liability structure, and actively absorbed low-cost liabilities with steady increase in due to customers, to ensure the stability and continuous growth of fund resource.

Assets Deployment

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

ASSETS DEPLOYMENT

In RMB millions, except for percentages

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

Loans

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

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

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

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

Item	At 30 June 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	1,275,662	29.1	1,190,417	30.1
Medium to long-term corporate loans	3,108,802	70.9	2,767,369	69.9
Total	**4,384,464**	**100.0**	**3,957,786**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 30 June 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Working capital loans	1,391,738	31.7	1,265,782	32.0
Of which: Trade finance	388,775	8.9	311,354	7.9
Project loans	2,460,807	56.1	2,254,893	57.0
Property loans	531,919	12.2	437,111	11.0
Total	**4,384,464**	**100.0**	**3,957,786**	**100.0**

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

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

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

	At 30 June 2010		At 31 December 2009	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Personal housing loans	1,037,764	71.2	874,244	72.4
Personal consumption loans	209,653	14.4	157,635	13.1
Personal business loans	158,618	10.9	138,095	11.4
Credit card overdrafts	51,863	3.5	36,876	3.1
Total	**1,457,898**	**100.0**	**1,206,850**	**100.0**

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

DISTRIBUTION OF LOANS BY CURRENCY

RMB-denominated loans increased by RMB544,831 million or 10.2% and accounted for 87.1% of the total increment in the loans. Driven by growth in trade finance, foreign currencies-denominated loans increased by RMB80,927 million or 20.9% and accounted for 12.9% of the total increment in the loans.

DISTRIBUTION OF LOANS BY REMAINING MATURITY

In RMB millions, except for percentages

	At 30 June 2010		At 31 December 2009	
Remaining maturity	Amount	Percentage (%)	Amount	Percentage (%)
Impaired or overdue	90,667	1.4	95,442	1.7
Less than 1 year	2,170,439	34.2	2,089,594	36.5
1 to 5 years	1,843,874	29.0	1,633,587	28.5
Over 5 years	2,249,404	35.4	1,910,003	33.3
Total	**6,354,384**	**100.0**	**5,728,626**	**100.0**

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

The loans with a remaining maturity of more than 1 year amounted to RMB4,093,278 million, accounting for 64.4% of the loans; loans with a remaining maturity of less than 1 year amounted to RMB2,170,439 million, accounting for 34.2% of the loans and mainly comprising corporate working capital loans; and the impaired or overdue loans amounted to RMB90,667 million and accounted for 1.4% of the loans, representing a decrease of 0.3 percentage point.

Please refer to "Discussion and Analysis — Risk Management" for detailed analysis of loan scale and loan quality.

Investment

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

INVESTMENT

In RMB millions, except for percentages

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

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

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

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

For details of investment in securities related to restructuring, please refer to "Note 21.(a) to the Financial Statements: Receivables".

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY ISSUER

In RMB millions, except for percentages

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

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

In RMB millions, except for percentages

	At 30 June 2010		At 31 December 2009	
Remaining maturity	Amount	Percentage (%)	Amount	Percentage (%)
Undated(1)	9,116	0.3	10,489	0.4
Less than 3 months	421,034	12.7	315,543	11.7
3 to 12 months	998,432	30.0	780,720	28.9
1 to 5 years	1,231,777	37.1	1,011,601	37.5
Over 5 years	661,602	19.9	580,901	21.5
Total	**3,321,961**	**100.0**	**2,699,254**	**100.0**

Note: (1) Includes those which were impaired or overdue for more than one month.

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY CURRENCY

In RMB millions, except for percentages

	At 30 June 2010		At 31 December 2009	
Item	Amount	Percentage (%)	Amount	Percentage (%)
RMB	3,227,382	97.2	2,593,342	96.1
USD	70,527	2.1	76,346	2.8
Other foreign currencies	24,052	0.7	29,566	1.1
Total	**3,321,961**	**100.0**	**2,699,254**	**100.0**

DISTRIBUTION OF INVESTMENT IN SECURITIES BY HOLDING PURPOSE

In RMB millions, except for percentages

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

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

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

TOP 10 FINANCIAL BONDS HELD BY THE GROUP

In RMB millions, except for percentages

Debt securities	Nominal value	Annual interest rate	Maturity date	Impairment loss
Policy bank bonds 2006	20,000	3.15%	27 November 2011	–
Policy bank bonds 2006	20,000	3.26%	7 December 2013	–
Policy bank bonds 2010	17,240	3.60%	3 February 2015	–
Policy bank bonds 2008	15,630	4.83%	4 March 2015	–
Policy bank bonds 2007	10,950	5.07%	29 November 2017	–
Policy bank bonds 2010	10,350	Benchmark interest rate + 0.59%	25 February 2020	–
Policy bank bonds 2009	10,320	2.04%	28 October 2010	–
Policy bank bonds 2009	10,220	2.04%	3 December 2010	–
Policy bank bonds 2009	10,098	3.75%	11 November 2014	–
Policy bank bonds 2009	9,990	2.95%	18 November 2012	–

Note: The benchmark interest rate refers to the interest rate published by PBOC for 1-year lump-sum time deposits applicable on the day of the bond issuance and the remaining interest bearing years.

Liabilities

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

LIABILITIES

In RMB millions, except for percentages

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

Due to Customers

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

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

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

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

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

	At 30 June 2010		At 31 December 2009	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	150,509	1.4	148,757	1.5
Yangtze River Delta	2,271,943	21.0	2,038,077	20.9
Pearl River Delta	1,405,651	13.0	1,234,464	12.6
Bohai Rim	2,833,878	26.2	2,567,898	26.3
Central China	1,543,132	14.2	1,376,586	14.1
Western China	1,678,320	15.5	1,533,885	15.7
Northeastern China	727,765	6.7	685,970	7.0
Overseas	221,591	2.0	185,640	1.9
Total	**10,832,789**	**100.0**	**9,771,277**	**100.0**

DISTRIBUTION OF DUE TO CUSTOMERS BY REMAINING MATURITY

In RMB millions, except for percentages

	At 30 June 2010		At 31 December 2009	
Remaining maturity	Amount	Percentage (%)	Amount	Percentage (%)
Demand[1]	5,809,325	53.6	5,227,043	53.5
Less than 3 months	1,626,280	15.0	1,519,544	15.6
3 to 12 months	2,869,767	26.5	2,359,489	24.1
1 to 5 years	524,966	4.9	655,590	6.7
Over 5 years	2,451	0.0	9,611	0.1
Total	**10,832,789**	**100.0**	**9,771,277**	**100.0**

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

In terms of the currency structure, the balance of RMB deposits amounted to RMB10,470,801 million, which contributed 96.7% of the total balance of due to customers, representing an increase of RMB1,012,994 million or 10.7% from the end of the previous year. The balance of foreign currency deposits was equivalent to RMB361,988 million, representing an increase of RMB48,518 million or 15.5% from the end of the previous year.

Due to Banks and Other Financial Institutions

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

Shareholders' Equity

At the end of June 2010, shareholders' equity amounted to RMB709,600 million in aggregate, representing an increase of RMB30,666 million or 4.5% as compared with that at the end of last year, of which equity attributable to equity holders of the parent company increased by RMB30,386 million or 4.5% to RMB704,279 million. Please refer to "Unaudited Interim Condensed Consolidated Financial Statements: Unaudited Interim Consolidated Statement of Changes in Equity" for details.

SHAREHOLDERS' EQUITY

In RMB millions

Item	At 30 June 2010	At 31 December 2009
Issued share capital	334,019	334,019
Reserves	223,780	221,114
Retained profits	146,480	118,760
Equity attributable to equity holders of the parent company	**704,279**	**673,893**
Non-controlling interests	**5,321**	**5,041**
Total shareholders' equity	**709,600**	**678,934**

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

Other Financial Information To Be Disclosed According To Regulatory Requirements

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

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

MAJOR REGULATORY INDICATORS

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

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

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

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

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

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

BUSINESS OVERVIEW

Corporate Banking

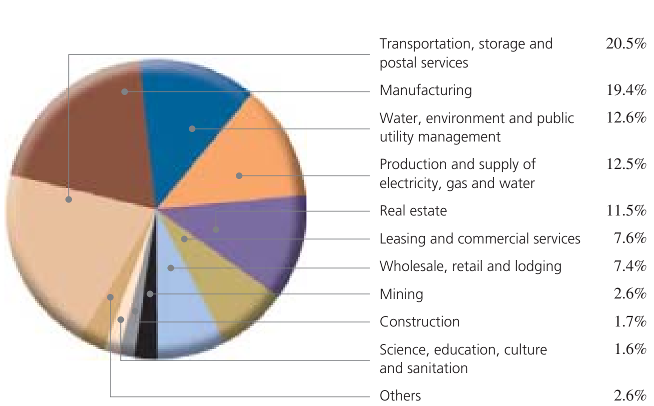
In the first half of 2010, the Bank seized opportunities in macro-economic changes to actively accelerate business restructuring and advance transformation of corporate banking. The Bank maintained its leading position in the credit market by improving development mode of credit business and enhancing innovation in credit products. Emerging business was developed vigorously, including investment banking, cash management, asset custody and corporate wealth management, in an effort to optimize the structure of corporate banking. The multi-tiered customer marketing system was reformed to heighten the marketing level of large and quality customers and improve differential customer services. The team of corporate customer managers was further enhanced to carry out integrated marketing and improve customer services. The Bank was awarded the "Best Corporate Bank in China" by *Financial Times*. At the end of June 2010, the Bank had 3.92 million corporate customers, representing an increase of 310,000 customers over the end of the previous year; 94,000 customers had loan balances with the Bank, representing an increase of over 10,000 customers. According to statistics from PBOC, at the end of June 2010, the Bank ranked first in the banking industry in terms of corporate loans and corporate deposits, with a market share of 12.3% and 13.5%, respectively.

Corporate Deposits and Loans

In conformity to the national macro-control policy and financial regulation requirements, the Bank controlled the total volume, pace and orientation of lending, further optimized credit structure and kept sound and stable development of credit business. Focus was given to credit needs of key infrastructure projects, key revitalized industries and strategic emerging industries of China. With invariable orientation to green credit, lending was strictly controlled to high energy consumption, high pollution and over-capacity industries. Nine regional credit policies were issued to promote coordinated regional development in line with implementation of the State's regional development strategy. Small business loans expanded 15 percentage points faster than loans of the whole bank, driven by stronger support to small business lending and trade finance. At the end of June 2010, the balance of domestic corporate loans reached RMB4,384,464 million, up RMB426,678 million or 10.8% over the end of the previous year.

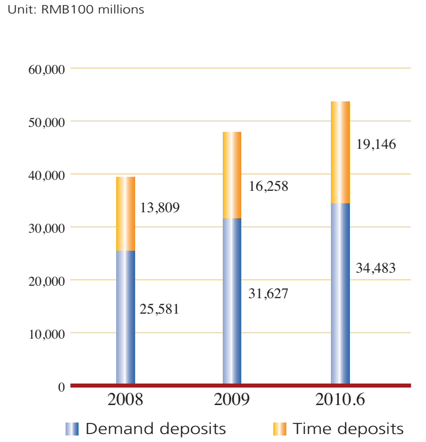
The Bank promoted industry chain marketing in order to expand the base of depositors. The synergic development of deposit business and wealth management business was tightened to ensure internal cyclic flows of customers' funds. At the end of June 2010, the balance of domestic corporate deposits amounted to RMB5,362,883 million, representing an increase of RMB574,393 million or 12.0% over the end of the previous year.

Balance of Corporate Loans



Note: Domestic operations data

Growth of Corporate Deposits



Note: Domestic operations data

Small and Medium Enterprise Business

The Bank vigorously boosted the development of small and medium enterprise (SME) business, enhanced the specialized operation of small enterprise business, expedited innovation in SME banking products, service channels and business processes and lifted financial services to a higher level. Small enterprise trade finance was carried out with focus placed on industry clusters, specialized markets and supply chains and the security modes of small business loans were improved, which effectively eased financing and guarantee difficulties faced by small enterprises. In order to increase efficiency, the small enterprise credit policy was optimized and the operating procedures were standardized for small enterprise credit business. The product line was extended to include innovative credit products, such as online revolving loans and commercial property loans tailored to small enterprises. Specialized small enterprise units functioned with improved professional competencies of small enterprise customer managers and increased service capacity. At the end of June 2010, 54,008 small enterprise customers had loan balances with the Bank, an increase of 9,765 customers over the end of the previous year.

Institutional Banking

The Bank furthered business cooperation with insurance companies to develop closer relationship in insurance brokerage, asset custody, cash management, bank cards and payroll services. The base of third party depository customers expanded continuously, maintained the leading position in terms of increase in number of new customers in the banking industry. The Bank expanded the scope and business areas of inter-bank cooperation, promoted the inter-bank platform business and marketed the domestic payment system in foreign currency, with the number of domestic correspondent banks increasing to 106. The Bank seized the opportunity of stock index futures roll-out to attract more investors to open futures margin accounts with the Bank, adding to its strength in the banking-futures business. The Bank promoted online tax payment guarantee services, launched the integrated social security service system, proactively provided financial services for Yushu earthquake relief in support of government organizations, and improved services at all levels.

Settlement and Cash Management

The Bank pushed forward the "Capital Verification E-Link" program to increase the scale of settlement accounts from the very source of account development. The settlement bonus point marketing was promoted to increase the volume of settlement transactions. Features of Caizhi Account cards and notes pool were optimized. Caizhi Account cards were included in corporate Internet banking to broaden products and services. At the end of June 2010, 4.78 million corporate settlement accounts were maintained with the Bank, representing an increase of 380,000 accounts over the end of the previous year. In the first half of 2010, the Bank recorded corporate RMB settlement of RMB784 trillion, representing a significant increase of 178.0% and maintaining the leading position in the banking industry.

Leveraging on the global cash management system, the Bank extended its strengths in domestic cash management services to expand its network of partnering banks and global cash management customers. To cement its leading position in the market, the Bank actively carried out chain marketing to promote such new products as domestic and foreign currency fund pools and cross-border fund pools. The Bank has been awarded the "Best Cash Management Bank in China" by the magazines *The Asset* and *FinanceAsia* for four consecutive years, and won *The Asian Banker* award for "Achievement Award for Cash Management in China". At the end of June 2010, the Bank had 443,000 cash management customers, representing an increase of 54.3% over the end of the previous year.

Investment Banking

The Bank further built the product lines covering restructuring and M&A, equity financing and debt underwriting and optimized the business structure of investment banking. The Bank tapped into large customers' needs for overseas M&A and direct investments and improved comprehensive financial services to meet domestic enterprises' "going global" strategy. Cooperation with equity investment institutions was strengthened by providing equity finance and launching the innovative PE lead manager services. Actively carrying out the debt underwriting business, the Bank underwrote the first financial bonds of leasing firms and led the underwriting of RMB129,600 million debt financing instruments issued by non-financial enterprises, ranking first in the market. The Bank improved the capabilities of the investment banking analysis team, extended the industry coverage of investment banking research and improved the research product system. The Bank has been awarded the "Best Bank in Investment Banking (China)" by the *Securities Times* for two consecutive years. In the first half of 2010, income from investment banking amounted to RMB8,666 million, an increase of 21.3% over the same period of last year.

International Settlement and Trade Finance

The Bank enhanced combined marketing of international settlement, finance and wealth management products and developed a range of customized trade finance solutions for different customers. Supply chain finance was developed vigorously leveraging on core enterprise customers, and cooperation between domestic and overseas institutions was enhanced to develop trade finance business. The Bank extended its product line of trade finance by introducing sea freight finance and promoting receivables-based structured finance designed for overseas contractors. The cross-border RMB settlement services expanded rapidly, with over 600 cross-border RMB settlement transactions handled in aggregate. The Bank promoted non-resident account (NRA) services persistently and established business relationship with customers from over 70 countries and regions. In the first half of 2010, domestic branches disbursed an aggregate of RMB415.8 billion in trade finance, an increase of 44.9% over the same period of last year, of which domestic trade finance increased by 83.3% to RMB275 billion. Domestic branches handled international settlement of USD351.6 billion in aggregate, up 51.6% and representing a larger market share.

Asset Management

- *Asset Custody Services*

The Bank consolidated cooperation with large securities investment fund companies, and the number of the securities investment funds under its custody increased by 20 to 165, maintaining the leading position in the banking industry. Cooperation with insurance companies was deepened, and the insurance asset under custody has been scaled up continuously. Global custody services developed steadily, the number of QFII customers continued to rank the first among the Chinese banks, and the scale of QDII's asset custody continued to lead the banking industry. The Bank vigorously developed the custody services of funds in receipt and payment accounts, and advanced emerging custody services including banking wealth management products, asset management for customers of securities firms and private equity investment funds, with the structure of the custody business being optimized continuously. The Bank was awarded the best custodian bank in China by many domestic and overseas financial media, including *Global Custodian*, *The Asset* and *Global Finance*, further adding to its influence in the banking industry. At the end of June 2010, the total net value of assets under the Bank's custody exceeded RMB2 trillion, reaching RMB2,071.3 billion, representing an increase of 14.7% over the end of last year.

◆ *Pension Services*

Leveraging on its complete qualifications and comprehensive strengths, the Bank vigorously developed its annuity fund management business and actively expanded basic pension insurance, occupational annuity and other pension management services. The pension product mix was expanded, including the "Ruyi Pension Management" brand. The business system was optimized and upgraded further to improve its customer service capacity. Customer experience initiatives were organized to increase customer satisfaction. At the end of June 2010, the Bank provided pension management services for 21,375 enterprises, an increase of 3,055 over the end of last year; pension funds under the Bank's trusteeship amounted to RMB40.7 billion; 7.9 million individual pension accounts were managed by the Bank; the pension funds under the Bank's custody stood at RMB136.1 billion.

◆ *Precious Metal Business*

The Bank operated four lines of precious metal business: physical bullion, trading, precious metals linked wealth management and financing, with product supply and service capacity being improved. The Bank expedited production innovation by promoting brand gold accumulation service, introducing "Ruyi Silver" physical products, launching deferred delivery of spot silver and trial operation in silver services of individual account, in an effort to extend the precious metal trading line. The precious metal-linked wealth management product and gold leasing were introduced for the first time. The Bank was also active in proprietary trading and saw steadily rising returns. In the first half of 2010, the volume of precious metal transactions reached 1,559 tons, up 176.4% year-on-year, of which precious metal transactions under accounts reached 380 tons, maintaining the leading position in the banking industry. The Bank cleared RMB58.1 billion on behalf of Shanghai Gold Exchange, maintaining the leading position in the industry.

◆ *Corporate Wealth Management*

The Bank adjusted product investment direction in response to changes in market needs and regulatory requirements, enhanced innovation in wealth management products, improved investment management capability and strengthened its leading position in the banking industry. A range of new products were issued successively, including "Win-Win" series three-week rolling wealth management products and wine earning trust wealth management products. Marketing efforts were intensified to increase the brand influence of "ICBC Wealth Management". The Bank was awarded the "Best Asset Management Team" by *21st Century Business Herald*. In the first half of 2010, sales of the Bank's corporate wealth management products reached RMB1,222.5 billion in aggregate, representing an increase of 77.5% year-on-year.

Personal Banking

In the first half of 2010, the Bank accelerated the innovation and structural adjustment of personal banking and promoted the implementation of the strategy of No. 1 retail bank at a deep level. The Bank improved the multi-tiered service system for personal customers and enhanced the strength of providing differential services to different kinds of customers. The Bank optimized the functions of the personal banking system, sped up product innovation and enhanced the service level. The Bank actively expanded the emerging target customer group to enlarge the customer base. The Bank continued to speed up upgrading and rebuilding of banking outlets, improved the network distribution and advanced the construction of an all-directional marketing and service network covering physical outlets and E-banking. Personal deposits and loans, personal wealth management and bank card business of the Bank achieved a coordinated development, bringing the honor of the "Best Retail Bank in China" by *The Asian Banker*. At the end of June 2010, the Bank had 230 million personal customers, including 6.48 million personal loan customers. According to the PBOC statistics, the Bank ranked the first in the industry both in terms of the balance of savings deposits and personal loans at the end of June 2010, with a market share of 17.4% and 14.4% respectively.

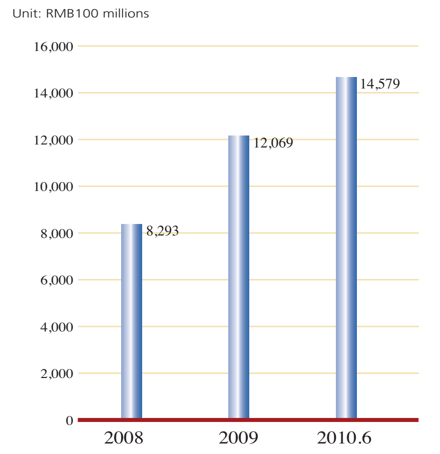
Savings Deposits

Relying on the abundant resource of corporate customers and utilizing the interactive marketing mechanism, the Bank attracted new personal customers in batches to expand the source of savings deposits and improve the development mechanism of savings deposits business. The Bank made use of the advantages in wealth management services to absorb the funds of quality customers. The Bank made great efforts to draw the funds of settlement transactions and investment funds of customers to raise the proportion of demand savings deposits. At the end of June 2010, the balance of the Bank's domestic savings deposits amounted to RMB5,092,990 million, representing an increase of RMB432,558 million or 9.3% over the end of the previous year, of which, demand savings deposits increased by RMB246,648 million or 13.6%, and term savings deposits grew by RMB185,910 million or 6.5%.

Personal Loans

The Bank adopted the differentiated credit policy and supported reasonable demands for personal housing loans according to the national macro-control policy. The Bank vigorously boosted the development of personal consumer loans business to comply with the implementation of the State's policy of stimulating personal consumption. Targeting at self-employed businessmen and small-size private business owners, the Bank released personal petty loans to drive the development of personal operating loans. The Bank offered personal revolving loans "Card-Based Loan Express" and personal Internet revolving loans and promoted such new varieties as pledge loans for personal wealth management products and personal gold products, thus enriching the content of "ICBC Happy Loan" brand. The Bank optimized the electronic review and approval process of personal loans in order to improve both the processing efficiency and service level. At the end of June 2010, the Bank's domestic personal loans amounted to RMB1,457,898 million, an increase of RMB251,048 million or 20.8% over the end of the previous year.

Growth of Personal Loans



Note: Domestic operations data

Personal Wealth Management

The Bank seized market opportunities to increase the supply of various wealth management products and advanced the combined marketing of banking wealth management products together with agency sales of funds and insurance products. Exerting business strength, the Bank developed a range of wealth management products exclusively for medium and high-end customers and improved the multi-tiered customer services. In the first half of 2010, the Bank released 343 types of RMB and foreign currency denominated personal banking wealth management products in aggregate, such as "Stable Yield", "Specialized Elite Club Account" and "Specialized ICBC Wealth Gold" to satisfy different demands from different kinds of customers. The Bank strengthened cooperation with insurance companies, improved the functions of the "Bank-Insurance Link" system, offered the "Bank-Insurance Link" through Internet banking, released many packaged products with insurance embedded and witnessed agency sales of individual insurance products of RMB51.4 billion. The Bank promoted regular fund investment business vigorously and distributed RMB182.2 billion of open-ended funds, evidencing its leading edge over the peers. In the first half of 2010, domestic sales volume of personal wealth management products of the Bank amounted to RMB1,095 billion, representing an increase of 51.6% over the same period of last year, of which, banking wealth management products in a value of RMB813.9 billion were sold cumulatively, representing an increase of 105.9% over the same period of last year.

The Bank continued to promote the innovation of services to medium and high-end customers to improve the service quality. The Bank built a customer exploration mechanism featuring interaction and synergetic marketing of corporate banking and personal banking and expanded the base of medium and high-end customers. The construction of premier wealth management centers and VIP service centers promoted continuously and the distribution of exclusive service channels was improved gradually. The Bank released the personal assistant service to individual customers of "ICBC Wealth Gold", enriching the service content. The Bank maintained a leading position among the peers in that the number of its employees who received the certificates for Associate Financial Planner (AFP) and Certified Financial Planner (CFP) reached 12,193 and 2,474 respectively. The number of Elite Club Account customers and wealth management customers maintained rapid growth.

Private Banking

Leveraging on ten private banking sub-departments in Beijing, Shanghai and several other cities, the Bank strengthened business promotion and expanded the customer base. The Bank enriched the private banking product line by releasing many QDII bonds investment funds, wine funds and other investment wealth management products. The Bank seized various market opportunities, provided customers with many kinds of assets portfolio schemes and improved the ability of assets management. By virtue of its increasing brand influence, the Bank was awarded the "Best Private Bank in China for Fixed Income Portfolio Management" by *Euromoney* and the "Excellent Brand of Chinese-funded Private Bank of the Year" by *21st Century Business Herald*. At the end of June 2010, the Bank had over 16,000 private banking customers and managed more than RMB320 billion worth of assets.

Bank Card Business

The Bank intensified expansion of bank card business market, promoted product innovation and upgrading of services and consolidated the leading position among the peers. At the end of June 2010, the number of issued bank cards was 320 million, representing an increase of 33.71 million over the end of last year. In the first half of 2010, consumption volume of bank cards stood at RMB947.5 billion, representing an increase of 53.5% over the same period of last year. Income from bank card business grew by 42.0% over the same period of last year to RMB6,186 million.

◆ *Credit Card Business*

The Bank broadened the channels of card issuance and was the first domestic bank to launch card application business through Internet, rendering around-the-clock and one-stop convenient services to customers. The Bank strengthened cooperation with merchants including supermarkets, department stores, hotels, restaurants, household appliances stores, transportation and tourism operators to carry out consumption promotion campaigns. The Bank made more efforts to promote such project cards as PetroChina card, traffic card and Asian Games card to enlarge the scale of card issuance. The Bank advanced the operating pattern of "credit cards + credit products", released new specialized credit consumption products and expanded credit card installment payment service. The Bank expedited the issuance of credit cards by overseas institutions and promoted the globalized credit card business. The Bank was honored the "Trusted Brand — Credit Card Issuing Bank: Gold (China)" award by *Reader's Digest* of the United States and awarded the "Best Cooperation in Card Issuance" by American Express. At the end of June 2010, the number of issued credit cards was 58.85 million, representing an increase of 6.84 million over the end of last year. The balance of domestic credit card overdrafts amounted to RMB51,863 million, representing an increase of RMB14,987 million or 40.6% over the end of last year. Credit card consumption amounted to RMB270.1 billion in the first half of 2010, representing an increase of 35.4% over the same period of last year. The Bank held a leading position in the number of cards issued, card consumption amount and balance of overdrafts.

◆ *Debit Card Business*

The Bank exploited quality customer resources of various industries and fields to expand the customer base. The Bank actively developed the co-brand card projects and released a variety of co-brand cards together with securities firms, fund companies and insurance companies. As the sole issuer, the Bank issued more than seven million co-brand cards for the Asian Games – ICBC Asian Games Moneylink Cards. The Bank successively launched various special marketing and promoting campaigns for cards including PetroChina Moneylink Card, CTRIP Moneylink Card and Baby Growth Card, leading to a rapid increase in card consumption amount. At the end of June 2010, the number of issued debit cards reached 264 million, representing an increase of 26.87 million over the end of last year. Debit card consumption amounted to RMB677.4 billion in the first half of 2010, representing an increase of 62.2% as compared to the same period of last year.

Item	At 30 June 2010	At 31 December 2009	Growth rate (%)
Issued bank cards (unit: 10,000)	32,281	28,910	11.7
Debit cards	26,396	23,709	11.3
Credit cards	5,885	5,201	13.2
	January-June 2010	January-June 2009	Growth rate (%)
Consumption volume (In RMB100 million)	9,475	6,172	53.5
Average consumption volume per card[1] (In RMB yuan)	3,105	2,442	27.1

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

Treasury Operations

Money Market Activities

In the first half of 2010, transactions were brisk in the money market and interest rates rose amid fluctuations. The Bank borrowed funds timely to ensure liquidity and strengthened market analysis and forecast actively in an effort to borrow funds when interest rates were low, thus cutting down costs. The Bank engaged in fund-arbitrage trade at an opportune time to improve the efficiency of treasury operations and increase the return on financing. In the first half of 2010, RMB borrowing and lending of domestic branches totaled RMB6,832.3 billion, including lending of RMB4,893.5 billion.

With respect to foreign currency-dominated treasury operations, the Bank devised the maturity structure of funds reasonably, enhanced the refined level of transactions and closely monitored market trends to prevent the credit risk of counterparties and ensure the security of funds. In the first half of 2010, the foreign currency transaction volume in the money market reached USD272.9 billion.

Management of Investment Portfolio

- *Trading Book Business*

RMB bond price index rose first and fell later in the first half of 2010. The Bank mitigated markets risks by adopting a trading strategy of reducing positions and shortening durations. During the period, the Bank leveraged the opportunity of rising bond prices to do short-term transactions and realized a good yield. The Bank continued to improve pricing capability as a market maker, increased the varieties of credit bond and long-term bond pricing, narrowed the pricing differences and accelerated the frequency of updating pricing so as to enhance the market position of the Bank in the capacity of market maker. In the first half of 2010, the transaction volume of RMB trading book bonds reached RMB337.2 billion, recording a big drop over the same period of last year.

In respect of foreign currency transactions, in response to the hike and then fall of yield of the US treasury bonds, the Bank seized the market opportunity of fluctuations to engage in transactions actively, and the aggregate transaction volume reached USD22 billion.

- *Banking Book Business*

In the first half of 2010, the yield of short-term RMB bonds showed an upward trend, whereas the yield of medium and long-term bonds showed an opposite direction, resulting in a flat yield curve. The Bank controlled the duration of new investments to prevent interest rate risks. The Bank kept an appropriate level of investment in medium and long-term bonds and stabilized the yield of portfolio. The Bank strengthened the forecast and judgment on the trend of market interest rates, seized investment opportunities amid fluctuations and purchased more bonds when the yield was high. The Bank continued to moderately increase investment in quality credit bonds with controllable risks and higher returns and expand the structure of investment varieties. At the end of June 2010, the balance of RMB bond investment in banking book amounted to RMB3,618,047 million.

In respect of foreign currency business, the sovereign debt crisis broke out in Europe and global financial market fluctuated seriously once again. By monitoring market trends closely, the Bank reduced the position of low-yield treasury bonds in a timely manner, furthered diversification of investment currencies and adjusted the structure of investment portfolio actively.

Franchise Treasury Business

The Bank responded to the fluctuations of global financial market actively, accelerated product innovation and business expansion and enhanced the level of operation management on its franchise treasury business. The Bank introduced personal settlement business through Internet banking on a pilot basis, first offered settlement and sale of New Taiwan Dollar notes conversion business for personal customers in Shanghai, and strengthened the combined marketing of trade finance, international settlement and foreign exchange settlement and sales. The Bank facilitated the standardization of business flows of basic derivative products including USD interest rate swap and foreign exchange forward to make the application of products more convenient. The Bank newly issued foreign currency denominated structured deposit products with a term of more than three months and offered a variety of solutions to financial risk management in combination with market environment and individualized demands of customers. In the first half of 2010, the volume of agency foreign exchange settlement and sales and foreign exchange trading reached USD188.9 billion, and the transaction volume of agency structured derivative products stood at USD55.9 billion, representing an increase of 13.5% and 75.8% over the same period of last year respectively.

Distribution Channels

Domestic Branch Network

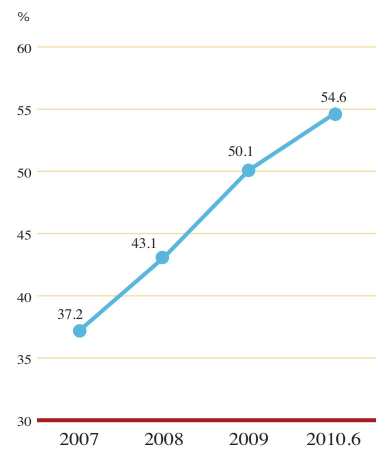
While maintaining a generally stable total number of physical outlets, the Bank pushed forward the structural adjustment and layout optimization of outlets and improved their service functions. The Bank appropriately increased the proportion of outlets in regions with abundant financial resources, improved scientific site selection and distribution and enhanced the competitiveness of branches and outlets. The Bank continued to promote the synergetic development of multiple channels, made more efforts on the construction and management of self-service banks and rendered differential, quality and efficient financial services to different kinds of customers. The Bank continued to implement outlet upgrade and renovation project. At the end of June 2010, the Bank had established more than 3,900 premier wealth management centers and VIP service centers, remarkably improved the service environment, service capability as well as the hard and soft facilities of operating outlets, and further enhanced the effects of marketing.

At the end of June 2010, the Bank had 16,210 domestic institutions, including the Head Office, 31 tier-1 branches, five branches directly controlled by the Head Office, 27 banking offices of tier-1 branches, 390 tier-2 branches, 3,060 tier-1 sub-branches, 12,658 front line business outlets, 34 institutions directly controlled by the Head Office and their branch offices, and four majority controlling subsidiaries.

E-banking

The Bank pushed ahead the transformation of E-banking to an integrated and comprehensive business platform that combines trading, marketing and services and consolidated its leading edge over the peers. In line with customer needs, the Bank accelerated product innovation and application to make them more convenient for use and enrich the product system of E-banking. The Bank continued to optimize the functions of E-banking and improved the customer service capability and level of service. The Bank popularized the online banking system in overseas institutions to extend the service coverage of E-banking. In the first half 2010, the transaction volume of E-banking added by 85.5% compared to the same period of last year. The number of E-banking transactions increased to 54.6% of total transactions of the Bank, up 4.5 percentage points compared to the previous year. Thus, E-banking played a further role as a major transaction channel.

Proportion of E-banking Business



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

◆ *Internet Banking*

The Bank introduced new products such as cross-border foreign exchange remittance and new-generation global cash management and added new features to international settlement through corporate Internet banking to satisfy diverse demands of corporate customers. The Bank offered an array of new products and functions including E-mail and mobile phone number remittance, petty foreign exchange settlement and sales, inter-bank account management and online application for credit cards. By optimizing the column of precious metals for personal Internet banking, the Bank enhanced the user experience and provided the customers with more comprehensive, abundant and customized services.

At the end of June 2010, the number of the Bank's corporate Internet banking customers and personal Internet banking customers witnessed an increase of 16.9% and 14.4% respectively over the end of last year. In the first half of 2010, the volume of corporate Internet banking transactions and personal Internet banking transactions increased by 112.3% and 81.5% respectively as compared to the same period of 2009. The Bank was awarded the "Best Internet Banking in China" by *The Asian Banker* and the "Best Consumer Internet Bank in China" by the *Global Finance*.

◆ *Telephone Banking*

The Bank completed the construction of integrated general control system of telephone banking, by which the General Control Center could make centralized management of all the call centers, enhancing the ability of telephone banking system to make contingency response and disaster recovery management. The Bank commissioned the interim centers in Shijiazhuang and Hefei and switched the telephone manual service systems in nine branches, including Liaoning Branch, Jiangsu Branch. The Bank finished the custody project of integrated telephone banking system, achieved the sharing and integration of bank-wide system resources and enhanced the intensified operating level of telephone banking.

◆ *Mobile Banking*

The Bank promoted the 3G version of mobile banking (WAP) to meet the demands of customers for diverse financial services. The rapid logon function was added to mobile banking (WAP), the trading interface was made more beautiful and the user experience was enhanced so that mobile banking (WAP) was easier to use and more user-friendly. The number and transaction volume of mobile banking customers grew remarkably, further consolidated its top position in the industry.

◆ *Self-service Banking*

The Bank continued to increase the setup of ATMs outside branches and outlets, optimized the layout of the service network of self-service equipments and facilitated the construction of E-banking service zones. The Bank actively developed new payment channels and accelerated the setup of telephone transfer terminals. The Bank strengthened the marketing for the BSM service, optimized the business processing procedures and increased the utilization efficiency of BSMs. At the end of June 2010, the Bank owned 9,867 self-service banking outlets and 38,836 ATMs, representing an increase of 13.1% and 13.9%, respectively, over the end of last year. The volume of ATM transactions amounted to RMB1,484.2 billion, representing an increase of 50.8% over the same period of last year.

Brands and Services

The Bank carried out the campaign of "2010 Service Value Year" profoundly and implemented ten projects including service efficiency of outlets, E-channel service quality and handling of customer complaints on a comprehensive basis, aiming to improve services. The Bank focused upon addressing a batch of outstanding problems affecting service quality to further improve service level of the whole bank and customers' satisfaction. The Bank strengthened the construction of service standardization of banking outlets to enhance the customers' experience. 16 banking outlets of the Bank were awarded the "Top 100 Model Units for Civilized and Standard Services in China's Banking Industry in 2009" by China Banking Association, thereby the Bank ranked the first among the peers in terms of the number of awarded outlets. The Bank accelerated the reform of business operation system and centralized statements to improve the handling efficiency of businesses and allocate the human resource freed therefrom to the frontline customer service team, thus enhancing the power of customer service. The Bank applied higher standards to provide good financial services to the Shanghai Expo and prepared for the Asian Games in Guangzhou efficiently. Being customer demands oriented and relying on scientific and technological advantages, the Bank continued to promote the innovation of financial products. In the first half of 2010, 441 new products were available, increasing various financial products to 2,807 cumulatively. The Bank thus built a relatively complete products system covering areas such as commercial banking, investment banking, securities and insurance.

The brand integration project was completed across the Bank, forming a new brand system with distinctive tiers, well-defined priorities, simple structure and close binary connection with businesses and customers. Thus, the Bank increased interaction between brand building and business development, brands and sub-brands. The brand influence and value has been continuously increased and the Bank ranked first among financial institutions in terms of brand value in 2010 in the "Top 100 Most Valuable Global Brands" published by Millward Brown Optimor, an international market research institution for the second time.

Internationalized and Diversified Operation

The Bank actively seized the opportunities in international financial market and accelerated the expansion of global operating network through balanced development between emerging and mature markets, establishment and strategic M&As. The Bank constructed a distinctive development mode of overseas institutions, basically created an integrated scientific and technological platform of domestic and overseas operations, continuously expanded internationalized talents team and remarkably enhanced comprehensive service capacity for the whole globe.

In the first half of 2010, ICBC (Malaysia), Hanoi Branch and Abu Dhabi Branch commenced business successively; the acquisition of The Bank of East Asia (Canada) and ACL BANK Public Company Limited in Thailand were completed. The application for establishing Bombay Branch and five European branches such as Paris were being considered by the relevant overseas regulators; and ICBC (Macau), Seoul Branch and ICBC (Indonesia) further extended their service coverage and functions. At the end of June 2010, the Bank had 24 tier-1 operational institutions and an aggregate of 181 overseas institutions in 22 countries and regions, representing an increase of 19 overseas institutions from the end of the previous year, and established correspondent bank relationship pattern with 1,424 overseas banks in 128 countries and regions, increasing 21 banks, preliminarily establishing the global operating network. The Bank promoted network expansion and business extension simultaneously, and relied on the comprehensive business processing system (FOVA) for overseas institutions and their advantages of having a number of licenses to follow the "going global" pace of Chinese enterprises by launching innovation of overseas products and introducing domestic superior products to overseas institutions quickly.

In the first half of 2010, the Bank and the Standard Bank of South Africa successfully cooperated in the project of Botswana Morupule B power station, which was rated as the "Africa Power Deal of Year 2009" by *Project Finance* and *Project Finance International*. As at the end of June 2010, the two banks have accumulatively developed and cooperated in 100 projects in terms of corporate business, asset custody, settlement and cash management, investment banking, risk management and information technology, among which, the total value of the agreements entered between the two banks associated with financing activities in Africa amounted to approximately USD5.2 billion.

In the first half of 2010, total assets of overseas branches and subsidiaries of the Bank increased by USD12,502 million over the end of last year to USD61,637 million. They realized a pre-tax profit of USD324 million, an increase of USD103 million or 46.61% compared to the same period of last year.

Information Technology

Revolving around the overall objective of reform and development, the Bank deeply implemented the "technology-oriented" strategy to ensure stable and secure operation of the Bank's information system, vigorously drove the development of the fourth-generation application system (NOVA+), made big strides in the construction of eight service platforms including the marketing and service platform of personal customers, the marketing and service platform of corporate customers and the new-generation global cash management platform and further enhanced the competitiveness of information technology.

Application products were continuously innovated and enriched. The Bank further transformed scientific and technological advantages to service competitiveness, completed the R&D of 334 projects and made important breakthroughs in the R&D and application of R&D of businesses and products, renovation of business flows and construction of key application platforms. Four overseas institutions including New York Branch commenced using FOVA and the Bank has built a globally integrated scientific and technological platform on the whole. The Bank initiated the project of issuing credit cards in ICBC (Indonesia) and Frankfurt Branch, making the latter become the first Chinese-funded bank in Europe to issue credit cards. 17 overseas institutions commenced using the overseas internet banking system. The Bank actively developed and promoted the application relating to reform of business operation, continuously constructed the risk management system, optimized the application system of data warehouse and further enhanced the informatized level of management. In the first half of 2010, 15 patents of the Bank were authorized by the State Intellectual Property Office, increasing the total number of patents owned by the Bank to 106.

The information system maintained secure and stable operation. The Bank earnestly carried out security guaranty work of the information system during important periods such as the Shanghai Expo. The Bank continued with the reform of the automation of batch operation of the open platform system and constantly enhanced the automated management level of bank-wide production and operation. The Bank improved the standards on disaster recovery levels of the application systems and developed nine application systems such as the uniform certification of tellers to comply with higher disaster recovery levels. The Bank improved the construction of information security management framework, popularized security management projects of customer terminals and intensified bank-wide information security management.

Human Resources Management

The Bank made active exploration in and constructed a group-based, market-oriented and diverse staff management system. The Bank initiated the investigation on staff's satisfaction degree and further improved the labor use management system and rules. The Bank embarked on the construction of a unified recruitment platform project and introduced many high-end talents from abroad for the first time. The Bank carried forward the open performance-related pay model with economic value added (EVA) as the core, employed the input-output indicator of pay and optimized the arrangement of compensation resources among institutions in different regions. The Bank released the corporate culture system formally, increased cohesiveness and mobilized enthusiasm of staff through building of corporate culture.

Integrating various resources and channels at home and abroad as well inside and outside the Bank, the Bank deeply carried out trainings and constantly increased the pertinence and effects of education and trainings. The Bank prioritized the trainings targeting at middle-level and senior-level management, certification of professional qualifications, frontline staff and middle-aged staff professional rehabilitation. The Bank accelerated development and use of training resources under overall arrangement and facilitated the construction of database for training centers, teachers, teaching materials, cases, examination questions and archives. The Bank continued to expand the training channels, optimized the online university study platform and improved the construction of bank simulation functions.

The Bank started the reform of fund management system by adjusting the internal bodies and business flows of the Asset and Liability Management Department of the Head Office to set up the Fund Management Center, thus establishing a highly centralized fund management institution that integrates local and foreign currency management. The Bank steadily promoted the pilot programme of profit center reform of Global Market Department, Asset Custody Department, Precious Metal Department and Bills Discounting Department. The Bank actively advanced the exploration in system reform of banking departments of tier-1 branches. The Bank deepened the reform of county-level sub-branches comprehensively, adopted tiered and classified differential management of county-level sub-branches and further inspired the endogenous development forces of county-level branches through comprehensive supporting reform of business flows, resource allocation, incentive measures and assessment.

RISK MANAGEMENT

Comprehensive Risk Management System

In the first half of 2010, the Bank proactively improved its comprehensive risk management system and accelerated the enhancement of its comprehensive risk management capability. Specifically, the Bank strengthened the establishment of its comprehensive risk management framework, and further improved its regulations and policies in relation to risk limit management and risk management assessment for branches. The Bank also continued to develop the Internal Capital Adequacy Assessment Process (ICAAP) project and completed the development of the comprehensive risk assessment template. As a result, a comprehensive risk assessment system has been preliminarily formed.

During the reporting period, the Bank actively promoted the implementation of the New Basel Capital Accord (Basel II). The Bank accelerated the development of quantitative risk measurement techniques including Internal Rating-based (IRB) Approach on credit risk, Internal Models Approach (IMA) on market risk and Advanced Measurement Approach (AMA) on operational risk and expanded their applications throughout the risk management process. The Bank completed full validation of the credit risk rating system based on IRB approach and made further improvement on the rating model. In terms of the IMA project, the Bank established the framework the IMA-based management rules for market risk management, and completed the design of the fundamental structure of its in-house financial market business and risk management system. With respect to the AMA project, the Bank completed the design of the core functions of the operational risk AMA application management system.

Credit Risk

Credit Risk Management

In the first half of 2010, in response to changes in the macro economic and financial environment as well as regulatory requirements, the Bank adjusted and improved its credit policies and continued to advance the establishment of credit regulations and improve the credit policy system. The Bank intensified its industry risk management and adjusted its credit structure, maintained stringent controls over its credit processes, and strengthened post-lending management. The Bank also continued to reinforce credit risk monitoring and analysis, intensified its efforts in reducing loans with potential risks, and properly conducted the recovery and disposal of non-performing loans, with a view to enhancing credit risk management comprehensively.

- The Bank continued to advance the establishment of the credit system to further improve the overall credit policy mechanism. In accordance with the national government's strategic planning in key regions, the Bank formulated and implemented regional credit policy and actively satisfied the credit demand in different geographical areas. The Bank complied with regulatory requirements and strengthened its management on "disbursement of credit on actual demand" and "entrusted disbursement", and enhanced the procedures of loan approval and disbursement review. The Bank also amended the management measures for credit asset quality classification for corporate customers to further standardize the classification of credit asset quality. Further, the Bank upgraded the functions of its asset management systems (CM2002 and PCM2003), optimized processing procedures for the credit system for small enterprises, achieved differentiated control and management of domestic trade finance, further improved the electronic approval functions for credit business, and steadily advanced the establishment of its overseas asset management system.

- The Bank improved industry credit policy and strengthened industry risk management. In line with the national macro-controls and industrial policies, the Bank properly adjusted the entry thresholds for several industries, strengthened industry classification management and industry limit management, and further expanded the coverage of its industry credit policy. The Bank continued to adhere to the "Green Credit" policy by establishing entry thresholds for "Green Credit" projects, increasing credit support to major projects on energy saving and emission reduction as well as to enterprises which have engaged in developing technologies for energy saving and emission reduction, and by strictly controlling credit to industries with high energy consumption, high pollution and over-capacity.
- The Bank strengthened its risk management of loans to the local government financing platform. In particular, the Bank implemented stringent controls on disbursing loans to local government financing platform and established the approved city list and loan limit management system. The Bank strictly controlled the aggregate volume and disbursed loans mainly to national key development areas and quality projects. The Bank also took various risk mitigation measures to safeguard the credit assets.
- The Bank strengthened risk management of the real estate industry. In response to changes in national policies and in the real estate market, the Bank timely adjusted and improved its credit policy for real estate industry, and continued to implement industry limit management. The Bank also strengthened its real estate developer list-based management to specify customer entry thresholds and improve customer structure. The Bank adjusted the product mix of property development loans, with a focus on high-quality ordinary residential projects, and further improved policies concerning land reserve loans. In addition, the Bank implemented closed loan management, standardized the use of project funds, and strictly implemented a loan repayment system in proportion to sales for property development loans.
- The Bank strengthened risk management of trade finance services. Specifically, the Bank amended the credit policy of international trade finance, standardized the selection criteria and approval procedures of key customers, and specified authorization requirements and relevant regulations. The Bank also set out post-lending management opinions on domestic trade finance to specify relevant requirements for post-lending management and to strengthen the business analysis and risk monitoring for trade finance.
- The Bank strengthened risk management of personal loans. In accordance with relevant national policies, the Bank implemented differentiated credit policy on personal housing loans, strengthened key monitoring and management of personal housing mortgage related loans, and intensified collateral management with respect to personal loans. The Bank also improved its regulations on personal credit products, strictly implemented entry thresholds for borrowers, strengthened pre-lending investigation and review, improved recovery of overdue personal loans, and enhanced refined post-lending management.
- The Bank strengthened its credit asset quality management. The Bank achieved a continuous decrease in both the NPL balance and the NPL ratio by intensifying efforts in reducing loans with potential risks and in disposal of non-performing loans. The Bank implemented revised management measures for bad debts write-off and for accounts cancellation and archives, and further amended management measures for non-performing loans. The Bank also established the inspection and supervision system on the disposal of non-performing loans to enhance its refined management of NPL and assets under accounts cancellation and archives.

Credit Risk Analysis

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

In RMB millions

Item	30 June 2010	31 December 2009
Balances with central banks	2,062,705	1,654,206
Due from banks and other financial institutions	349,263	235,301
Financial assets held for trading	14,585	18,847
Financial assets designated at fair value through profit or loss	969	1,171
Derivative financial assets	8,735	5,758
Reverse repurchase agreements	279,136	408,826
Loans and advances to customers	6,202,394	5,583,174
Financial investments	3,708,728	3,574,542
— Receivables	610,276	1,132,379
— Held-to-maturity investments	2,075,392	1,496,738
— Available-for-sale financial assets	1,023,060	945,425
Others	92,282	73,932
Sub-total	**12,718,797**	**11,555,757**
Credit commitments	**1,522,194**	**1,239,687**
Maximum credit risk exposure	**14,240,991**	**12,795,444**

DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

In RMB millions, except for percentages

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

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

DISTRIBUTION OF LOANS AND NPL BY BUSINESS LINE

In RMB millions, except for percentages

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

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

DISTRIBUTION OF LOANS AND NPL BY GEOGRAPHICAL AREA

In RMB millions, except for percentages

	30 June 2010				31 December 2009			
Item	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Head Office	120,021	1.9	914	0.76	104,203	1.8	678	0.65
Yangtze River Delta	1,505,849	23.7	12,365	0.82	1,388,853	24.2	13,734	0.99
Pearl River Delta	915,306	14.4	9,718	1.06	844,690	14.8	9,976	1.18
Bohai Rim	1,185,215	18.6	14,908	1.26	1,076,820	18.8	16,848	1.56
Central China	861,685	13.6	13,096	1.52	777,925	13.6	15,482	1.99
Western China	1,066,415	16.8	16,834	1.58	952,011	16.6	18,557	1.95
Northeastern China	381,771	6.0	10,126	2.65	349,926	6.1	11,546	3.30
Overseas and others	318,122	5.0	2,112	0.66	234,198	4.1	1,646	0.70
Total	**6,354,384**	**100.0**	**80,073**	**1.26**	**5,728,626**	**100.0**	**88,467**	**1.54**

The Bank continuously optimized the geographic credit mix and promoted a balanced allocation of credit resources for different geographic areas. The Bank maintained the growth of credit business in Yangtze River Delta, Pearl River Delta and Bohai Rim, where new loans amounted to RMB296,007 million, accounting for 47.3% of total new loans. The Bank also actively supported regional development of Central China, Western China and Northeastern China, and provided financing support for the rebuilding of the earthquake-hit areas. New loans granted in these three regions amounted to RMB230,009 million, up 11.1%, representing a growth rate higher than the overall average growth of the Bank. Overseas and other loans increased by RMB83,924 million, up 35.8%, mainly attributable to continuous progress in the internationalized and diversified operation and the inclusion of ACL Bank into consolidated statements.

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

In RMB millions, except for percentages

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

In the first half of 2010, the Bank granted relatively more loans to transportation, storage and postal services, real estate, and wholesale, retail and lodging industries. Total new loans to these industries accounted for 56.4% of new corporate loans. Specifically, loans to the transportation, storage and postal services industry increased by RMB96,755 million or 12.1%, mainly due to increased lending to the highway sub-sector; loans to the real estate industry increased by RMB81,632 million or 19.4%, principally due to rapid increase in land reserve loans and commercial-use property development loans; loans to the wholesale, retail and lodging industry increased by RMB62,250 million or 23.8%, which was driven by growth of trade finance business.

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

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS

In RMB millions

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

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

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

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

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

Note: (1) Data of domestic branches.

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

OVERDUE LOANS

In RMB millions, except for percentages

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

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

RENEGOTIATED LOANS

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

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and the top ten single customers accounted for 3.0% and 22.8% of the Bank's net capital, respectively. The total amount of loans granted to the top ten single customers was RMB173,000 million, accounting for 2.7% of the total loans. The table below shows the details of the top ten single borrowers of the Bank as at the end of June 2010.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total
Borrower A	Transportation, storage and postal services	22,861	0.4
Borrower B	Transportation, storage and postal services	22,334	0.4
Borrower C	Transportation, storage and postal services	22,153	0.3
Borrower D	Transportation, storage and postal services	19,617	0.3
Borrower E	Transportation, storage and postal services	18,424	0.3
Borrower F	Transportation, storage and postal services	14,790	0.2
Borrower G	Water, environment and public utility management	14,037	0.2
Borrower H	Production and supply of electricity, gas and water	13,217	0.2
Borrower I	Mining	13,000	0.2
Borrower J	Transportation, storage and postal services	12,567	0.2
Total		**173,000**	**2.7**

Market Risk

In the first half of 2010, the Bank formulated its measures for consolidated management of market risk, which specified the reporting frequency, reporting line as well as requirements for consolidated management reports, and improved the communication and vertical reporting channel of market risk information between the Head Office and domestic and overseas branches, leading to effective enhancement in the Group's market risk monitoring and reporting system. The Bank also accelerated the progress in its in-house financial market business and risk management project, and established an IMA-based regulations framework for market risk management.

Market Risk Management of the Banking Book

The Bank formulated its measures for interest rate risk management of the banking book in accordance with the "Guideline for Interest Rate Risk Management of the Banking Book of Commercial Banks" released by CBRC, which further enhanced the system of regulations in relation to market risk management of the banking book. The Bank launched its centralized management systems for full-funding RMB and foreign currency, and successfully established an integrated and intensive full-funding management system, laying a solid foundation for uniform and centralized management of interest rate risk and exchange rate risk. The Bank also implemented consolidated interest rate risk management of the banking book, expanded the coverage of interest rate risk monitoring on the banking book, and achieved consolidated monitoring at the Group level.

Market Risk Management of the Trading Book

The Bank continued to strengthen and enhance the risk measurement and product control of the trading book, and adopted various approaches including Value at Risk (VaR), sensitivity analysis and exposure analysis for measurement and management of trading book products. The Bank also intensified its efforts to monitor the implementation of risk limits and gradually carried out stress test to establish a market risk limit management system based on the Bank's trading portfolio.

The Bank has applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of one day and historical data of 250 days) to measure the VaR of the Head Office trading book, including bonds denominated in RMB and foreign currencies, RMB foreign exchange settlement, and foreign exchange transactions.

VALUE AT RISK (VaR) OF THE TRADING BOOK

In RMB millions

	Six months ended 30 June 2010				Six months ended 30 June 2009			
Item	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
Interest rate risk	8	14	30	7	68	74	137	49
Foreign exchange risk	47	60	112	47	42	73	126	30
Total portfolio VaR	**47**	**63**	**109**	**47**	**71**	**110**	**212**	**56**

Note: Please refer to "Note 43.(c)(i) to the Financial Statements: VaR".

Market Risk Analysis

- *Interest Rate Risk Analysis*

In the first half of 2010, the Bank closely monitored market changes and effectively grasped monetary policy adjustments direction, improved the interest rate management and monitoring system, adjusted interest rate management strategy properly, and optimized deposit structure to coordinate the growth of deposits and control of interest expenses.

At the end of June 2010, the cumulative interest rate sensitivity negative exposure within one year amounted to RMB881,167 million, representing an increase of RMB783,845 million from the end of 2009, which was mainly due to increase in deposits from customers and maturity of some investments in restructuring related securities. Driven by the extension of Huarong bonds at maturity and re-investment of matured special PBOC bills, the interest rate sensitivity positive exposure for over one years increased. The structure of the Bank's interest rate risk exposure according to the contractual re-pricing date or maturity date (whichever is earlier) is shown in the following table:

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than three months	Three months to one year	One to five years	More than five years
30 June 2010	(3,872,216)	2,991,049	554,248	913,818
31 December 2009	(3,396,134)	3,298,812	209,625	514,569

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

The following table illustrates the interest rate sensitivity analysis of the Bank on the assumption that the overall interest rate in the market moves in parallel and the Management will not consider taking any risk management actions to mitigate interest rate risk:

INTEREST RATE SENSITIVITY ANALYSIS

In RMB millions

	30 June 2010		31 December 2009	
Change in basis points	Changes in net interest income	Changes in equity	Changes in net interest income	Changes in equity
+100 basis points	(22,639)	(18,367)	(17,273)	(16,505)
-100 basis points	22,639	19,477	17,273	17,385

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

◆ *Exchange Rate Risk Analysis*

In the first half of 2010, PBOC further advanced the reform of RMB exchange rate regime, and the exchange rate of Renminbi against U.S. dollars appreciated slightly in bidirectional fluctuation. By closely monitoring external market changes and internal funding position, the Bank adjusted management strategy timely and adopted limits management and risk hedging approaches to mitigate exchange rate risk. Besides, the Bank adjusted internal fund interest rate flexibly and managed to keep exchange rate risk under control while maintaining coordinated development of foreign exchange deposits and loans business.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

	30 June 2010		31 December 2009	
Foreign exchange exposure	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	199,978	29,448	214,195	31,369
Exposure of off-balance sheet foreign exchange items, net	(137,470)	(20,243)	(163,399)	(23,930)
Total foreign exchange exposure, net	**62,508**	**9,205**	**50,796**	**7,439**

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

Liquidity Risk

In response to macro-economic changes, the Bank formulated its annual liquidity risk management strategy and liquidity risk contingency plan, improved liquidity management techniques, and continued to enhance its liquidity risk management. Specifically, the Bank accelerated the development of its liquidity risk management information system and upgraded its cash flows measurement system. The Bank also launched its centralized management systems for full-funding RMB and foreign currency, and successfully established an integrated and comprehensive full-funding management system. In accordance with CBRC's "Guideline for Liquidity Risk Management of Commercial Banks" and other relevant regulatory requirements, the Bank further improved its consolidated management mechanism on liquidity, amended and improved its liquidity risk management measures, and formulated the reporting mechanism for significant events involving liquidity risk, expanding the Bank's liquidity risk management to the Group level.

Liquidity Risk Analysis

In the first half of 2010, PBOC continued to implement the moderately loose monetary policy, raised the mandatory deposit reserve ratio by 0.5 percentage point for three times, and resumed the issuance of three-year PBOC bills to recover liquidity. In response to changes in monetary policy and market environment, the Bank adjusted investment and financing strategy and properly allocated liquidity reserve to handle position movements caused by various factors. While ensuring risk control, the Bank proactively expanded channels of fund use, and enhanced fund allocation and maturity mismatch management to effectively coordinate the safety, liquidity and profitability of RMB fund.

In terms of foreign currency, due to increasingly uncertain global economy, the liquidity of domestic foreign exchange fund was relatively tightened. While closely monitoring external market changes and internal funding position, the Bank timely adjusted the foreign currency liquidity management strategy to effectively balance the foreign currency liquidity and business development. The Bank also adjusted the internal interest rate of foreign currency and product pricing standards for several times, and enhanced the product pricing ability to facilitate coordinated growth of deposits and loans.

The Bank assessed liquidity risk through liquidity exposure analysis. At the end of June 2010, the changes in liquidity exposures were mainly attributable to exposure which was overdue or repayable on demand and those with a remaining maturity of three months to one year, one to five years and more than five years. Specifically, the negative exposure which was overdue or repayable on demand was expanded as a result of the increase in demand deposits; the liquidity exposure with a remaining maturity of three months to one year turned from positive to negative, which was mainly due to the maturity of some investments in restructuring related securities; and the positive liquidity exposure with a remaining maturity of one to five years and more than five years continued to increase, which was driven by the increase in medium and long-term loans, extension of Huarong bonds at maturity, re-investment of matured special PBOC bills and decrease in deposits with corresponding terms. The demand deposits of the Bank grew rapidly with a relatively high sedimentation rate, and by investing in a large amount of highly-liquid PBOC bills and government bonds, the Bank had adequate liquidity reserve and further expanded positive liquidity exposure compared with the end of 2009; therefore, the overall liquidity of the Bank was safe. The table below sets out the liquidity exposure of the Bank at the end of June 2010.

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
30 June 2010	(6,240,081)	(98,247)	(99,388)	(497,510)	2,509,921	3,231,675	1,903,230	709,600
31 December 2009	(5,844,656)	(64,006)	(66,927)	573,857	1,965,097	2,457,040	1,658,529	678,934

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

At the end of June 2010, indicators reflecting liquidity status of the Bank all met regulatory requirements, and the table below sets out the details.

		Regulatory criteria	30 June 2010	31 December 2009	31 December 2008
Liquidity ratio[2] (%)	RMB	>=25.0	33.1	30.7	33.3
	Foreign currency	>=25.0	56.9	61.1	83.5
Loan-to-deposit ratio[3] (%)	RMB and foreign currency	<=75.0	59.5	59.5	56.4

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

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

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

Internal Control and Operational Risk Management

Internal Control

During the reporting period, the Bank took effective measures to advance the development of its internal control system. Specifically, the Bank implemented the "Internal Control System Building Plan for 2009-2011", and amended internal control regulations and formulated compliance management regulations in line with the latest regulatory requirements and actual conditions of the Bank. The Bank revised the internal control assessment system for front-line branches and optimized the structure of the assessment indicators to significantly enhance internal control throughout the entire Bank. The Bank also promoted the application of the business operation guidelines and prepared the compliance management manual, strengthened compliance review on new products, new regulations and new processes, established a compliance accountability mechanism for interest rate violations, and enhanced the Bank's internal transaction management. The Bank also carried out various special inspections and economic responsibility audits and took efforts to identify management responsibility for NPL and significant losses from NPL to ensure legal compliance in the Bank's operations. During the reporting period, the Bank has further improved its internal control system and has progressively enhanced the integrity, reasonableness and effectiveness of its internal controls.

Operational Risk Management

The Bank further improved its operational risk mitigation mechanism and continued to carry out refined internal management. Specifically, the Bank pushed forward process optimization for various businesses to enhance process constraint and in-process control of operational risk, and intensified its business operation system reform to enhance proactive and dynamic management of operational risk. The Bank also devoted efforts in information system management to continue to improve automation and monitoring of its production systems. Building on the foundation of the fourth generation application system (NOVA+), the Bank constantly developed and improved relevant system functions and continued to enhance the system-based control over the business operation processes and authority. The Bank also accelerated its efforts in developing the Advanced Measurement Approach (AMA) project on operational risk and the AMA application management system. During the reporting period, the Bank continued to improve its operational risk management and further enhanced its risk control capability.

Anti-money Laundering

In compliance with applicable laws and regulatory requirements in relation to anti-money laundering, the Bank earnestly performed the obligations of a commercial bank on anti-money laundering and further enhanced its anti-money laundering compliance management. Specifically, the Bank strengthened its organizational structure for anti-money laundering functions by establishing anti-money laundering centers at the first- and second-tier branches and by adding designated anti-money laundering personnel. The Bank stepped up its efforts in building the anti-money laundering information system, and commenced the development of relevant application systems and the implementation of an integrated anti-money laundering monitoring and reporting management platform as well as a new generation blacklist filtering system in domestic and overseas operations. The Bank also continued to improve functions of its anti-money laundering monitoring system and customer risk classification system to enhance the quality of anti-money laundering data reporting and customer risk classification results. Further, the Bank standardized and intensified anti-money laundering efforts in overseas institutions by improving the anti-money laundering working mechanism in overseas institutions, strengthening the development of anti-money laundering regulations and systems for international business and overseas institutions, launching anti-money laundering inspection on several overseas institutions and timely notification of material events relating to international anti-money laundering regulations to avoid any risk of penalty arising from international anti-money laundering regulations and supervision. The Bank attached importance to monitoring, identification, analysis and reporting of major suspicious transactions and reminded the entire bank of potential money laundering risks. The Bank also strengthened its efforts on publicity, training and knowledge exchange relating to anti-money laundering. During the reporting period, none of the Bank's domestic or overseas institutions or employees was found to be or suspected to be involved in money laundering or terrorist financing activities.

Reputational Risk

The Bank took active efforts in reputational risk management and continued to enhance the system and working mechanism for reputational risk management. The Bank managed to gain understanding from customers, investors and the media by taking a number of actions such as enhancing financial services, strengthening investor relations management and actively performing social responsibility. The Bank also listened to comments from customers and the public through constructive dialogues and continued to improve its services and management, thereby maintaining the good reputation of the Bank.

CAPITAL MANAGEMENT

In the first half of 2010, the Bank developed the annual capital management plan, optimized the allocation of capital among risk areas, regions and products through economic capital limit management, and restricted the expansion of risk scale to fulfill the targets for capital return and capital adequacy. In addition, the Bank improved the economic capital measurement standards and upgraded the capital management system to further enhance the application of economic capital management.

During the reporting period, the Capital Plan for 2010–2012 was reviewed and adopted at the meeting of the Board of Directors held on 25 March 2010 and the Annual General Meeting for the Year 2009 held on 18 May 2010. The Capital Plan for 2010–2012 sets out the basic targets and major principles of capital management, the capital adequacy ratio target for the three-year planning period, the management measures for capital adequacy ratio and the capital replenishment mechanism.

Capital Adequacy Ratio

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

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

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

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

(2) Mainly include valid portion of capital reserve and undistributed profits, surplus reserve and general provision.

Capital Financing Management

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

OUTLOOK

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

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

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

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

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Share Capital

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

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

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

DETAILS OF CHANGES IN THE SHARES SUBJECT TO RESTRICTIONS ON SALES

Unit: Share

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

Number of Shareholders and Particulars of Shareholding

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

PARTICULARS OF SHAREHOLDING OF THE TOP 10 SHAREHOLDERS OF THE BANK (PARTICULARS OF SHAREHOLDING OF H SHARE HOLDERS WERE BASED ON THE NUMBER OF SHARES SET OUT IN THE BANK'S REGISTER OF SHAREHOLDERS MAINTAINED AT THE H SHARE REGISTRAR)

Unit: Share

Total number of shareholders	1,359,853 (number of holders of A shares and H shares on the register of shareholders as at 30 June 2010)					
Particulars of shareholding of the top 10 shareholders (The following data are based on the register of shareholders as at 30 June 2010)						
Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Huijin	State-owned	A shares	35.4	118,316,816,139	0	None
MOF	State-owned	A shares	35.3	118,006,174,032	0	None
HKSCC NOMINEES LIMITED	Foreign legal person	H shares	20.5	68,509,650,594	0	Unknown
Goldman Sachs	Foreign legal person	H shares	3.9	13,180,811,324	0	None
American Express	Foreign legal person	H shares	0.2	638,061,117	0	None
China Huarong Asset Management Corporation	Other domestic entities	A shares	0.1	480,769,000	0	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic entities	A shares	0.1	410,751,739	0	None
China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu	Other domestic entities	A shares	0.1	334,202,554	0	None
Fortune SGAM Selected Sectors Fund	Other domestic entities	A shares	0.1	249,418,455	0	None
E-Fund 50 Index Securities Investment Fund	Other domestic entities	A shares	0.1	227,418,659	0	None

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

Changes of the Controlling Shareholders and De Facto Controller

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

Interests and Short Positions Held by Substantial Shareholders and Other Persons

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

As at 30 June 2010, the Bank had received notices from the following persons stating that they had interests or short positions in shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
MOF	Beneficial owner	118,006,174,032	Long position	47.02	35.33
Huijin[1]	Beneficial owner	118,006,174,032	Long position	47.02	35.33

Note: (1) According to the register of shareholders as at 30 June 2010, Huijin held 118,316,816,139 shares in the Bank.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
SSF	Beneficial owner	15,774,285,559	Long position	18.99	4.72
Goldman Sachs[1]	Beneficial owner	13,443,462,033	Long position		
	Interest of controlled corporations	167,235,240	Long position		
	Total	13,610,697,273		16.39	4.07
Nomura Holdings, Inc.	Interest of controlled corporations	4,909,233,950	Long position	5.91	1.47
	Interest of controlled corporations	3,862,033,001	Short position	4.65	1.16
JPMorgan Chase & Co.	Beneficial owner	419,635,947	Long position		
	Investment manager	1,323,428,200	Long position		
	Custodian — Body corporate/ approved lending agent	2,421,908,503	Long position		
	Total	4,164,972,650		5.01	1.25
	Beneficial owner	359,910,249	Short position	0.43	0.11
Capital Research and Management Company	Investment manager	4,190,136,000	Long position	5.05	1.25

Note: (1) According to the register of shareholders as at 30 June 2010, Goldman Sachs held 13,180,811,324 shares in the Bank.

Directors, Supervisors, Senior Management, Employees and Institutions

Basic Information on Directors, Supervisors and Senior Management

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

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

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

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

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

Appointment and Removal

At the First Extraordinary General Meeting for the Year 2010 held on 8 April 2010, Ms. Wang Lili was appointed as Executive Director of the Bank. The appointment of Ms. Wang Lili was approved by CBRC on 21 April 2010.

At the meeting of the Board of Directors of the Bank held on 24 June 2010, Mr. Xu Shanda was nominated as a candidate for re-election as an Independent Non-executive Director of the Bank, and to continue to serve as Independent Non-executive Director after his tenure expires in September 2010. His qualifications and independence to continue to serve as Independent Non-executive Director shall be reviewed and approved by SSE and then be submitted to the Second Extraordinary General Meeting of 2010 to be held on 15 September 2010 for consideration. Upon the approval by shareholders at the Shareholders' General Meeting on the re-election of Mr. Xu Shanda as Independent Non-executive Director, he will continue to hold his existing positions in various special committees of the Board of Directors.

On 20 July 2010, Mr. Zhang Furong resigned from his position as a Director, Member of the Related Party Transactions Control Committee of the Board of Directors and Senior Executive Vice President of the Bank due to change of job assignment.

At the meeting of the Board of Directors of the Bank held on 19 April 2010, Mr. Zhang Hongli was appointed as Senior Executive Vice President of the Bank and his appointment was approved by CBRC on 14 May 2010.

On 22 April 2010, Mr. Wang Xiquan was appointed as member of the Senior Management and he is concurrently acting as the General Manager of the Human Resource Department.

Changes in Information of Directors and Supervisors

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

Mr. Chang Ruiming, Employee Supervisor of the Bank, ceased to serve as the Executive Deputy General Manager of the Working Committee of the Bank's Trade Union with effect from 21 July 2010.

Basic Information on Employees and Institutions

As at the end of June 2010, the Bank had 388,032 employees[1], representing a decrease of 1,795 employees from the end of 2009. The Bank had 16,210 domestic operations and 181 overseas institutions, totaling 16,391, representing a decrease of three from the end of 2009.

1 Does not include labour dispatched for service totaling 36,115 employees.

Significant Events

Corporate Governance

Corporate Governance during the Reporting Period and Measures for Improvement

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

- Improving the corporate governance system. The Bank further improved the authorization management system and enhanced the decision-making efficiency and the management level. In accordance with the laws and compliance requirements and on the basis of practical experiences, the Bank amended the Plan on the Authorization of the Shareholders' General Meeting to the Board of Directors and the Working Rules of the Strategy Committee of the Board of Directors and formulated the Rules on Recommendation and Nomination of Candidates for Directors (Trial) and the Rules on Insider Information and Insider Management.

- Adjusting the setup and composition of the Board of Directors and its special committees. In order to strengthen the decision-making ability, the Bank elected executive directors to fill the vacancy and proactively carried out the election of the independent non-executive directors. With reference to the professional specialty of the directors, the Bank made corresponding adjustment to the structure and composition of the special committees of the Board of Directors.

- Steadily developing the comprehensive risk management. The Bank actively pushed forward the preliminary assessment for implementation of the New Basel Capital Accord, capital management, liquidity risk management and so on. The Bank formulated the Capital Plan for 2010–2012, the Reporting System on Material Liquidity Risk Events and the Liquidity Risk Management Strategy and Emergency Plans for Liquidity Risk in 2010, and amended the Evaluation Measures on Risk Management, the Management System on Risk Limitation, and the Administrative Measures on Liquidity Risk Management.

- Strengthening the internal audit and internal control functions. To ensure the effective functions of the internal audit, the Bank formulated the Articles of Association on Internal Audit and the internal audit plan for 2010 in accordance with the principle of risk orientation and materiality, in an effort to optimize the effectiveness of auditing resources. The Bank also further promoted the implementation of the Internal Control System Construction Plan for 2009–2011, improved the pre, concurrent and post internal control management throughout the process, further strengthened prevention management, improved the internal control system and gradually enhanced the completeness, reasonableness and effectiveness of the internal control.

Compliance with the Code on Corporate Governance Practices (Appendix 14 to the Hong Kong Listing Rules)

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

Profits and Dividends Distribution

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

Use of Proceeds from Capital Raising

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

Material Investment of Funds not Raised from the IPO

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

Material Legal Proceedings and Arbitration

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

Material Asset Acquisition, Sale and Merger

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

On 4 June 2009, the Bank and BEA entered into two agreements for the acquisition of 70% equity interests in The Bank of East Asia (Canada) and the disposal of 75% equity interests in ICEA (the "acquisition and disposal"), respectively. Such acquisition and disposal have been completed on 28 January 2010. For details, please refer to "Note 2 to the Financial Statements: Basis of preparation and accounting policies — Basis of consolidation".

Acquisition of Shares of ACL BANK Public Company Limited in Thailand

At the Second Extraordinary General Meeting for the Year 2009 held on 27 November 2009, the implementation of the voluntary tender offer, and the possible delisting tender offer in respect of ACL was approved. After the Bank obtained all necessary approvals, it had made the voluntary tender offer to ACL, and the completion of the settlement under the voluntary tender offer took place on 21 April 2010. The Bank has acquired 1,546,286,553 ordinary shares and 282,048 preference shares of ACL, representing approximately 97.24% of the total issued shares of ACL. The Bank had started the approval and implementation procedures for the delisting of ACL hereafter. As at the disclosure date of this Report, the delisting approval and implementation procedures are still underway. For details, please refer to "Note 2 to the Financial Statements: Basis of preparation and accounting policies — Basis of consolidation".

Privatization of ICBC (Asia)

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

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

Fund Raising

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

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

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

Connected Transactions

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

Material Contracts and Performance of Obligations Thereunder

Material Trust, Sub-contract and Lease

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

Material Guarantees

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

Material Events Concerning Entrusting Other Persons for Cash Management

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

Occupation of Funds by Controlling Shareholders

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

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

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

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

None.

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

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

Purchase, Sale or Redemption of Shares

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

Securities Transactions of Directors and Supervisors

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

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

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

Review of the Interim Financial Report

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

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

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

Not applicable.

Other Major Events

SECURITIES INVESTMENT

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

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

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

SHARES IN UNLISTED FINANCIAL INSTITUTIONS

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

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

ICBC

Unaudited Interim Condensed Consolidated Financial Statements

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

Contents

Report on Review of Interim Financial Information

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

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

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

Introduction

We have reviewed the accompanying interim financial information set out on pages 79 to 160, which comprises the consolidated statement of financial position of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries as at 30 June 2010 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

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

Scope of review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

Hong Kong
26 August 2010

Unaudited Interim Consolidated Income Statement

For the six months ended 30 June 2010
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2010 (unaudited)	Six months ended 30 June 2009 (unaudited)
Interest income	3	219,865	199,277
Interest expense	3	(76,553)	(83,239)
NET INTEREST INCOME	3	143,312	116,038
Fee and commission income	4	39,055	29,291
Fee and commission expense	4	(2,166)	(1,547)
NET FEE AND COMMISSION INCOME	4	36,889	27,744
Net trading income/(expense)	5	(322)	488
Net loss on financial assets and liabilities designated at fair value through profit or loss	6	(124)	(117)
Net gain on financial investments	7	89	3,349
Other operating income, net	8	1,084	580
OPERATING INCOME		180,928	148,082
Operating expenses	9	(61,869)	(53,048)
Impairment losses on:			
Loans and advances to customers	20	(9,743)	(9,248)
Others	10	50	(964)
OPERATING PROFIT		109,366	84,822
Share of profits and losses of associates and jointly-controlled entities		1,250	966
PROFIT BEFORE TAX		110,616	85,788
Income tax expense	11	(25,651)	(19,064)
PROFIT FOR THE PERIOD		84,965	66,724
Attributable to:			
Equity holders of the parent company		84,603	66,424
Non-controlling interests		362	300
		84,965	66,724
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (RMB yuan)	13	0.25	0.20

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

Unaudited Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010
(In RMB millions, unless otherwise stated)

		Six months ended 30 June	
	Note	2010 (unaudited)	2009 (unaudited)
Profit for the period		84,965	66,724
Other comprehensive income (after-tax, net):			
Net gain/(loss) on available-for-sale financial assets	34	4,491	(2,243)
Net loss on cash flow hedges	34	(70)	(1)
Share of other comprehensive income of associates and jointly-controlled entities	34	(94)	(1,061)
Foreign currency translation differences	34	(1,757)	5,543
Subtotal of other comprehensive income for the period		2,570	2,238
Total comprehensive income for the period		87,535	68,962
Total comprehensive income attributable to:			
Equity holders of the parent company		87,188	68,378
Non-controlling interests		347	584
		87,535	68,962

Unaudited Interim Consolidated Statement of Financial Position

30 June 2010
(In RMB millions, unless otherwise stated)

	Notes	30 June 2010 (unaudited)	31 December 2009 (audited)
ASSETS			
Cash and balances with central banks	14	2,111,745	1,693,048
Due from banks and other financial institutions	15	349,263	235,301
Financial assets held for trading	16	14,735	18,976
Financial assets designated at fair value through profit or loss	17	969	1,171
Derivative financial assets	18	8,735	5,758
Reverse repurchase agreements	19	279,136	408,826
Loans and advances to customers	20	6,202,394	5,583,174
Financial investments	21	3,713,549	3,579,026
Investments in associates and jointly-controlled entities	22	36,220	36,278
Property and equipment	23	94,219	95,684
Deferred income tax assets	24	17,276	18,696
Other assets	25	132,140	109,115
TOTAL ASSETS		**12,960,381**	**11,785,053**
LIABILITIES			
Financial liabilities held for trading		1,426	—
Financial liabilities designated at fair value through profit or loss	26	7,202	15,831
Derivative financial liabilities	18	10,248	7,773
Due to banks and other financial institutions	27	1,100,955	1,001,634
Repurchase agreements	28	9,100	36,060
Certificates of deposit and notes payable		4,505	1,472
Due to customers	29	10,832,789	9,771,277
Income tax payable		16,850	22,231
Deferred income tax liabilities	24	180	178
Subordinated bonds	30	75,000	75,000
Other liabilities	31	192,526	174,663
TOTAL LIABILITIES		**12,250,781**	**11,106,119**
EQUITY			
Equity attributable to equity holders of the parent company			
Issued share capital	32	334,019	334,019
Reserves	33	223,780	221,114
Retained profits		146,480	118,760
		704,279	673,893
Non-controlling interests		5,321	5,041
TOTAL EQUITY		**709,600**	**678,934**
TOTAL EQUITY AND LIABILITIES		**12,960,381**	**11,785,053**

Jiang Jianqing
Chairman

Yang Kaisheng
Vice Chairman and President

Shen Rujun
General Manager of Finance
and Accounting Department

Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company												
		Reserves											
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2010	334,019	106,961	37,484	84,222	(897)	(1,919)	(4,082)	(655)	221,114	118,760	673,893	5,041	678,934
Profit for the period	—	—	—	—	—	—	—	—	—	84,603	84,603	362	84,965
Other comprehensive income	—	—	—	—	4,503	(1,762)	(62)	(94)	2,585	—	2,585	(15)	2,570
Total comprehensive income	—	—	—	—	4,503	(1,762)	(62)	(94)	2,585	84,603	87,188	347	87,535
Dividend — 2009 final (note 12)	—	—	—	—	—	—	—	—	—	(56,783)	(56,783)	—	(56,783)
Appropriation to surplus reserves (i)	—	—	43	—	—	—	—	—	43	(43)	—	—	—
Appropriation to general reserve (ii)	—	—	—	57	—	—	—	—	57	(57)	—	—	—
Change in shareholdings in a subsidiary	—	(19)	—	—	—	—	—	—	(19)	—	(19)	21	2
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	108	108
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(196)	(196)
Balance as at 30 June 2010 (unaudited)	334,019	106,942	37,527	84,279	3,606	(3,681)	(4,144)	(749)	223,780	146,480	704,279	5,321	709,600

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

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

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company												
		Reserves											
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2009	334,019	106,312	24,650	69,355	8,433	(9,448)	(4,075)	500	195,727	72,929	602,675	3,955	606,630
Profit for the period	—	—	—	—	—	—	—	—	—	66,424	66,424	300	66,724
Other comprehensive income	—	—	—	—	(2,523)	5,539	(1)	(1,061)	1,954	—	1,954	284	2,238
Total comprehensive income	—	—	—	—	(2,523)	5,539	(1)	(1,061)	1,954	66,424	68,378	584	68,962
Dividend — 2008 final (note 12)	—	—	—	—	—	—	—	—	—	(55,113)	(55,113)	—	(55,113)
Appropriation to general reserve	—	—	—	15	—	—	—	—	15	(15)	—	—	—
Change in shareholdings in a subsidiary	—	(3)	—	—	—	—	—	—	(3)	—	(3)	22	19
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(57)	(57)
Balance as at 30 June 2009 (unaudited)	334,019	106,309	24,650	69,370	5,910	(3,909)	(4,076)	(561)	197,693	84,225	615,937	4,504	620,441

	Attributable to equity holders of the parent company												
		Reserves											
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2009	334,019	106,312	24,650	69,355	8,433	(9,448)	(4,075)	500	195,727	72,929	602,675	3,955	606,630
Profit for the period	—	—	—	—	—	—	—	—	—	128,645	128,645	751	129,396
Other comprehensive income	—	—	—	—	(9,330)	7,529	(7)	(1,155)	(2,963)	—	(2,963)	440	(2,523)
Total comprehensive income	—	—	—	—	(9,330)	7,529	(7)	(1,155)	(2,963)	128,645	125,682	1,191	126,873
Dividend — 2008 final (note 12)	—	—	—	—	—	—	—	—	—	(55,113)	(55,113)	—	(55,113)
Appropriation to surplus reserves (i)	—	—	12,834	—	—	—	—	—	12,834	(12,834)	—	—	—
Appropriation to general reserve (ii)	—	—	—	14,867	—	—	—	—	14,867	(14,867)	—	—	—
Change in shareholdings in a subsidiary	—	99	—	—	—	—	—	—	99	—	99	(99)	—
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	80	80
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(86)	(86)
Others	—	550	—	—	—	—	—	—	550	—	550	—	550
Balance as at 31 December 2009 (audited)	334,019	106,961	37,484	84,222	(897)	(1,919)	(4,082)	(655)	221,114	118,760	673,893	5,041	678,934

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

(ii) Includes the appropriation made by subsidiaries in the amount of RMB54 million.

Unaudited Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2010
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2010 (unaudited)	Six months ended 30 June 2009 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		110,616	85,788
Adjustments for:			
Share of profits and losses of associates and jointly-controlled entities		(1,250)	(966)
Depreciation	9	5,396	4,768
Amortisation	9	652	686
Amortisation of financial investments		(4,080)	(1,745)
Impairment losses on loans and advances to customers	20	9,743	9,248
Impairment losses on assets other than loans and advances to customers	10	(50)	964
Unrealised foreign exchange difference		823	4,339
Interest expense on subordinated bonds	3	1,289	572
Accreted interest on impaired loans	3	(506)	(727)
Gain on disposal of available-for-sale financial assets, net	7	(56)	(3,300)
Net trading (gain)/loss on equity investments	5	5	(17)
Net gain on disposal of property and equipment and other assets (other than repossessed assets)		(82)	(143)
Dividend income	7	(33)	(49)
		122,467	99,418
Net decrease/(increase) in operating assets:			
Due from central banks		(314,443)	(185,366)
Due from banks and other financial institutions		9,754	1,157
Financial assets held for trading		4,367	1,927
Financial assets designated at fair value through profit or loss		221	190
Reverse repurchase agreements		196,622	(757,665)
Loans and advances to customers		(620,246)	(873,566)
Other assets		(19,877)	(6,260)
		(743,602)	(1,819,583)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated at fair value through profit or loss		(8,621)	3,459
Due to banks and other financial institutions		98,859	365,042
Repurchase agreements		(26,960)	2,229
Certificates of deposit and notes payable		(3,033)	441
Due to customers		1,053,044	1,309,795
Other liabilities		22,486	14,206
		1,135,775	1,695,172
Net cash inflow/(outflow) from operating activities before tax		514,640	(24,993)
Income tax paid		(31,163)	(42,272)
Net cash inflow/(outflow) from operating activities		483,477	(67,265)

(In RMB millions, unless otherwise stated)

	Note	Six months ended 30 June	
		2010 (unaudited)	2009 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(4,468)	(3,220)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		502	356
Purchases of financial investments		(1,244,773)	(510,348)
Proceeds from sale and redemption of financial investments		1,122,604	438,524
Investments in associates and jointly-controlled entities		(823)	(5)
Acquisition of subsidiaries		(2,929)	—
Disposal of a subsidiary		(528)	—
Dividends received		607	58
Net cash outflow from investing activities		(129,808)	(74,635)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on subordinated bonds		(119)	(182)
Dividends paid on ordinary shares		(56,783)	(55,113)
Dividends paid to non-controlling shareholders		(135)	(38)
Net cash outflow from financing activities		(57,037)	(55,333)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		296,632	(197,233)
Cash and cash equivalents at beginning of the period		409,394	607,291
Effect of exchange rate changes on cash and cash equivalents		(1,334)	(425)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	36	704,692	409,633
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES INCLUDES:			
Interest received		212,693	196,755
Interest paid		(67,880)	(80,011)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

30 June 2010
(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 No. 100000000003965 from the State Administration for Industry and Commerce of the PRC. The legal representative is Jiang Jianqing and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

Accounting judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2009.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

(i) Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where there is a loss of control in a subsidiary, the consolidated income statement includes the results of that subsidiary for the part of the reporting period during which the Bank has control. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

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

(ii) Special purpose entities

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

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

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

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

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

(In RMB millions, unless otherwise stated)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

Name	Percentage of equity interest directly attributable to the Bank 30 June 2010 %	Percentage of equity interest directly attributable to the Bank 31 December 2009 %	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration and operations	Principal activities
Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)") (i)	72.81	72.40	HK$2,704 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International") (ii)	100	100	HK$939 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	US$26.68 million	Almaty, Kazakhstan	Commercial banking
Industrial and Commercial Bank of China, (London) Limited	100	100	US$200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd.*	55	55	RMB200 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China Luxembourg S.A. (iii)	100	100	EUR115.05 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia	97.83	97.83	IDR460,000 million	Jakarta, Indonesia	Commercial banking
ZAO Industrial and Commercial Bank of China (Moscow)	100	100	RUB1,000 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd. *	100	100	RMB5,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited	89.33	89.33	MOP282 million	Macau, the PRC	Commercial banking
Industrial and Commercial Bank of China (Middle East) Limited	100	100	US$50 million	Dubai, United Arab Emirates	Commercial and investment banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd.*	60	60	RMB200million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd.*	100	100	RMB100 million	Chongqing, the PRC	Commercial banking
The Bank of East Asia (Canada) ("BEAC") (iv)	70	—	CA$58 million	Toronto, Canada	Commercial banking
Industrial and Commercial East Asia Finance Holdings Limited ("ICEA") (iv)	—	75	US$20 million	British Virgin Islands Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Malaysia) Berhad (v)	100	—	MYR331 million	Kuala Lumpur, Malaysia	Commercial banking
ACL BANK Public Company Limited ("ACL Bank") (vi)	97.24	—	THB15,905 million	Bangkok, Thailand	Commercial banking

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

(i) During the year, the Bank was allotted 29,848,276 ordinary shares of ICBC (Asia) in lieu of cash pursuant to the scrip dividend schemes of ICBC (Asia). Subsequent to the above, the equity interests held by the Bank in ICBC (Asia) increased to 72.81%.

(ii) On 19 March 2010, the Bank made an additional capital injection of US$85 million into ICBC International and its total registered capital increased to HK$939 million after the capital injection.

(iii) On 28 June 2010, the Bank made an additional capital injection of EUR100 million into Industrial and Commercial Bank of China Luxembourg S.A. and its total registered capital increased to EUR115.05 million after the capital injection.

(iv) On 28 January 2010, the Bank disposed of 15 million issued ordinary shares, representing a 75% equity interest in ICEA to The Bank of East Asia, Limited ("BEA"), for a consideration of HK$372 million (equivalent to approximately RMB327 million). The Bank acquired 70% of issued ordinary shares in BEAC from BEA, at an actual consideration of CA$82.95 million (equivalent to approximately RMB532 million). One year after the completion of the acquisition, the Bank will have an option to acquire an additional 10% equity interest in BEAC from BEA, and BEA will have an option to require the Bank to purchase all the remaining shares of BEAC held by BEA. The above transactions are inter-conditional. On 2 July 2010, the name of BEAC changed to Industrial and Commercial Bank of China (Canada) Limited.

(v) Industrial and Commercial Bank of China (Malaysia) Berhad was established on 28 January 2010, with a registered capital of MYR331 million, 100% of which owned by the Bank.

(vi) On 27 November 2009, the Bank implemented the voluntary tender offer for all the outstanding ordinary shares and preferred shares (if applicable) of ACL Bank and the delisting offer for the shares of ACL Bank. Completion of the settlement under the voluntary tender offer took place on 21 April 2010, where the Bank acquired 1,546,286,553 ordinary shares and 282,048 preferred shares of ACL Bank, representing approximately 97.24% of the total issued shares of ACL Bank. ACL Bank has changed its name to Industrial and Commercial Bank of China (Thailand) Public Company Limited on 8 July 2010.

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

Significant accounting policies

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

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

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

(In RMB millions, unless otherwise stated)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

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

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

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

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

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

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

3. NET INTEREST INCOME

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

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

(In RMB millions, unless otherwise stated)

3. NET INTEREST INCOME (CONTINUED)

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

(ii) Included in interest income on financial investments for the period is an amount of RMB178 million (six months ended 30 June 2009: RMB701 million) with respect to interest income on impaired debt securities.

4. NET FEE AND COMMISSION INCOME

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

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

5. NET TRADING INCOME/(EXPENSE)

	Six months ended 30 June	
	2010 (unaudited)	**2009 (unaudited)**
Debt securities	540	337
Equity investments	(5)	17
Derivatives	(857)	134
	(322)	488

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

(In RMB millions, unless otherwise stated)

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

	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
Financial assets	36	62
Financial liabilities	(160)	(179)
	(124)	(117)

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	
	2010 (unaudited)	2009 (unaudited)
Dividend income from unlisted investments	32	49
Dividend income from listed investments	1	—
Dividend income	33	49
Gain on disposal of available-for-sale investments, net	56	3,300
	89	3,349

8. OTHER OPERATING INCOME, NET

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

(In RMB millions, unless otherwise stated)

9. OPERATING EXPENSES

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

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

		Six months ended 30 June	
	Notes	2010 (unaudited)	2009 (unaudited)
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	15	1	(1)
Financial investments:			
Held-to-maturity investments	21(d)	(86)	205
Available-for-sale financial assets	21(c)(i),(d)	(115)	693
Other assets		150	67
		(50)	964

(In RMB millions, unless otherwise stated)

11. INCOME TAX EXPENSE

(a) Income tax

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

(b) Reconciliation between income tax and accounting profit

The PRC income tax has been provided at the statutory rate of 25% in accordance with the relevant tax laws in Mainland China during the period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

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

(i) The non-deductible expenses mainly represent non-deductible impairment provision and write-off.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bonds, which is exempted from income tax.

12. DIVIDENDS

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

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

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

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

14. CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2010 (unaudited)	31 December 2009 (audited)
Cash and unrestricted balances with central banks		
Cash on hand	49,040	38,842
Surplus reserves with the PBOC (i)	177,453	85,720
Unrestricted balances with central banks of overseas countries or regions	7,434	5,167
	233,927	129,729
Restricted balances with central banks		
Mandatory reserves with the PBOC (ii)	1,691,618	1,441,940
Fiscal deposits with the PBOC	183,657	119,753
Mandatory reserves with central banks of overseas countries or regions (ii)	2,460	1,543
Other restricted balances with the PBOC (ii)	83	83
	1,877,818	1,563,319
	2,111,745	1,693,048

(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 2010, the required mandatory deposit reserve ratios set by the PBOC in respect of customer deposits denominated in RMB and foreign currencies were 17% (31 December 2009: 15.5%) and 5% (31 December 2009: 5%), respectively. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.

(In RMB millions, unless otherwise stated)

15. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2010 (unaudited)	31 December 2009 (audited)
Nostro accounts:		
Banks operating in Mainland China	151,005	135,736
Other financial institutions operating in Mainland China	2,195	1,177
Banks operating outside Mainland China	24,565	20,516
	177,765	157,429
Allowance for impairment losses	(34)	(34)
	177,731	157,395
Placements with banks and other financial institutions:		
Banks operating in Mainland China	8,987	17,508
Other financial institutions operating in Mainland China	122,636	10,174
Banks operating outside Mainland China	39,938	50,252
	171,561	77,934
Allowance for impairment losses	(29)	(28)
	171,532	77,906
	349,263	235,301

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

	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2009	34	35	69
Reversal for the year	—	(3)	(3)
Write-off	—	(4)	(4)
At 31 December 2009 and 1 January 2010 (audited)	34	28	62
Charge for the period	—	1	1
At 30 June 2010 (unaudited)	34	29	63

(In RMB millions, unless otherwise stated)

16. FINANCIAL ASSETS HELD FOR TRADING

	30 June 2010 (unaudited)	31 December 2009 (audited)
Debt securities	14,585	18,847
Equity investments	150	129
	14,735	18,976
Debt securities analysed into:		
Listed in Hong Kong	81	81
Listed outside Hong Kong	1,053	1,152
Unlisted	13,451	17,614
	14,585	18,847

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

	30 June 2010 (unaudited)	31 December 2009 (audited)
Debt securities	969	1,171
Debt securities analysed into:		
Listed in Hong Kong	264	333
Listed outside Hong Kong	541	675
Unlisted	164	163
	969	1,171

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

The notional amount of a derivative represents the amount of underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

(In RMB millions, unless otherwise stated)

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	30 June 2010 (unaudited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	276,195	424,921	32,624	1,828	735,568	5,090	(5,133)
Option contracts purchased	3,552	1,574	224	—	5,350	77	—
Option contracts written	3,409	1,597	224	—	5,230	—	(97)
	283,156	428,092	33,072	1,828	746,148	5,167	(5,230)
Interest rate contracts:							
Swap contracts	23,691	53,641	131,429	35,808	244,569	3,159	(4,621)
Forward contracts	3,395	3,438	13,039	—	19,872	229	(229)
Option contracts purchased	174	—	441	—	615	2	—
Option contracts written	174	—	441	—	615	—	(2)
	27,434	57,079	145,350	35,808	265,671	3,390	(4,852)
Other derivative contracts	171	—	7	—	178	178	(166)
	310,761	485,171	178,429	37,636	1,011,997	8,735	(10,248)

	31 December 2009 (audited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	214,305	247,253	18,413	7,063	487,034	2,827	(3,933)
Option contracts purchased	2,952	1,249	136	—	4,337	30	—
Option contracts written	3,029	1,641	137	—	4,807	—	(36)
	220,286	250,143	18,686	7,063	496,178	2,857	(3,969)
Interest rate contracts:							
Swap contracts	35,185	36,999	110,244	41,586	224,014	2,526	(3,439)
Forward contracts	3,619	3,415	16,349	—	23,383	221	(222)
Option contracts purchased	—	264	444	—	708	4	—
Option contracts written	—	264	444	—	708	—	(4)
	38,804	40,942	127,481	41,586	248,813	2,751	(3,665)
Other derivative contracts	273	1	34	—	308	150	(139)
	259,363	291,086	146,201	48,649	745,299	5,758	(7,773)

Cash flow hedges

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

(In RMB millions, unless otherwise stated)

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	30 June 2010 (unaudited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	—	353	—	353	1	—
Interest rate swap contracts	—	—	3,773	163	3,936	—	(78)
	—	—	4,126	163	4,289	1	(78)

	31 December 2009 (audited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	—	2	654	194	850	3	(5)

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

Fair value hedges

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

The effectiveness of the hedges based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in the income statement during the period is presented as follows:

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

(In RMB millions, unless otherwise stated)

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

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

(In RMB millions, unless otherwise stated)

19. REVERSE REPURCHASE AGREEMENTS

	30 June 2010 (unaudited)	31 December 2009 (audited)
Analysed by counterparty:		
Banks	180,197	356,172
Other financial institutions	98,939	52,654
	279,136	408,826
Analysed by collateral:		
Securities	227,150	348,325
Bills	48,385	53,266
Loans	3,601	7,235
	279,136	408,826

There was no collateral received under certain reverse repurchase agreements by the Group which is permitted to be sold or repledged in the absence of default by the owners of the collateral as at 30 June 2010 and 31 December 2009.

20. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2010 (unaudited)	31 December 2009 (audited)
Corporate loans and advances	4,677,115	4,169,259
Personal loans	1,483,183	1,229,569
Discounted bills	194,086	329,798
	6,354,384	5,728,626
Allowance for impairment losses	(151,990)	(145,452)
	6,202,394	5,583,174

(In RMB millions, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	Individually assessed	Collectively assessed	Total
At 1 January 2009	54,059	81,924	135,983
Impairment loss:	3,179	18,503	21,682
— impairment allowances charged	20,056	61,557	81,613
— impairment allowances transferred	242	(242)	—
— reversal of impairment allowances	(17,119)	(42,812)	(59,931)
Accreted interest on impaired loans	(1,021)	—	(1,021)
Write-off	(11,259)	(607)	(11,866)
Recoveries of loans and advances previously written off	774	142	916
Transfer out	(232)	(10)	(242)
At 31 December 2009 and 1 January 2010 (audited)	45,500	99,952	145,452
Impairment loss:	(1,039)	10,782	9,743
— impairment allowances charged	4,551	40,202	44,753
— impairment allowances transferred	24	(24)	—
— reversal of impairment allowances	(5,614)	(29,396)	(35,010)
Accreted interest on impaired loans (note 3)	(506)	—	(506)
Write-off	(3,333)	(213)	(3,546)
Recoveries of loans and advances previously written off	417	67	484
Transfer in from acquisition	228	135	363
At 31 June 2010 (unaudited)	41,267	110,723	151,990

(In RMB millions, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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 and advances are as follows:

	Corporate loans and discounted bills	Personal loans	Total
At 1 January 2009	117,533	18,450	135,983
Impairment loss:	14,998	6,684	21,682
— impairment allowances charged	69,472	12,141	81,613
— reversal of impairment allowances	(54,474)	(5,457)	(59,931)
Accreted interest on impaired loans	(1,021)	—	(1,021)
Write-off	(11,259)	(607)	(11,866)
Recoveries of loans and advances previously written off	774	142	916
Transfer out	(232)	(10)	(242)
At 31 December 2009 and 1 January 2010 (audited)	120,793	24,659	145,452
Impairment loss:	5,189	4,554	9,743
— impairment allowances charged	35,819	8,934	44,753
— reversal of impairment allowances	(30,630)	(4,380)	(35,010)
Accreted interest on impaired loans (note 3)	(506)	—	(506)
Write-off	(3,333)	(213)	(3,546)
Recoveries of loans and advances previously written off	417	67	484
Transfer in from acquisition	353	10	363
At 30 June 2010 (unaudited)	122,913	29,077	151,990

	30 June 2010 (unaudited)	31 December 2009 (audited)
Loans and advances for which allowance for impairment losses are:		
Individually assessed	70,013	78,377
Collectively assessed	6,284,371	5,650,249
	6,354,384	5,728,626
Allowance for impairment losses:		
Individually assessed	41,267	45,500
Collectively assessed	110,723	99,952
	151,990	145,452
Net loans and advances for which allowance for impairment losses are:		
Individually assessed	28,746	32,877
Collectively assessed	6,173,648	5,550,297
	6,202,394	5,583,174
Identified impaired loans and advances	80,073	88,467
Percentage of impaired loans and advances	1.26%	1.54%

(In RMB millions, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Securitisation business

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

As at 30 June 2010, loans with an original carrying amount of RMB12,032 million (31 December 2009: RMB12,032 million) have been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets. As at 30 June 2010, the amount of assets that the Group continues to recognise was RMB519 million (31 December 2009: RMB519 million), and the assets were classified as available-for-sale financial assets.

21. FINANCIAL INVESTMENTS

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

(a) Receivables

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

		30 June 2010 (unaudited)	31 December 2009 (audited)
Huarong bonds	(i)	312,996	312,996
Special government bond	(ii)	85,000	85,000
MOF receivable	(iii)	—	62,520
Special PBOC bills	(iv)	4,325	434,790
Other bills and bonds	(v)	207,955	237,073
		610,276	1,132,379

(i) The Huarong bonds are a series of long term bonds issued by China Huarong Asset Management Corporation ("Huarong") in 2000 to 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-transferable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. As at 30 June 2010, part of Huarong bonds in a carrying amount of RMB245,354 million has matured. Before the date of approval of these financial statements, the Bank received a notice from the Ministry of Finance of the People's Republic of China ("MOF") that the maturity dates of the Huarong bonds are extended for another ten years and the interest rate remains unchanged. Besides, the MOF will continue providing funding in support of the repayment of the principal and interest of the bonds.

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

(In RMB millions, unless otherwise stated)

21. FINANCIAL INVESTMENTS (CONTINUED)

(a) Receivables (continued)

(iii) The MOF receivable represents the receivable arising from the disposal of certain impaired assets to Huarong in 2005. As at 30 June 2010, the MOF receivable has been fully repaid.

(iv) Special PBOC bills consist of:

- a non-transferable bill with a nominal value of RMB430,465 million issued by the PBOC in June 2005, bore a fixed interest rate of 1.89% per annum, which has matured and been repaid in June 2010; and
- a non-transferable bill with a nominal value of RMB4,325 million issued by the PBOC in June 2006, which will mature in June 2011 and bears a fixed interest rate of 1.89% per annum. The PBOC has the right to early redeem the bill prior to the maturity date.

(v) Other bills and bonds include the PBOC bills as well as government and financial bonds. The balance represents non-transferable debt securities with fixed or determinable payments, which will mature in July 2010 to June 2020 and bears interest rates of 1.76% to 6.30% per annum.

(b) Held-to-maturity investments

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

	30 June 2010 (unaudited)	31 December 2009 (audited)
Debt securities	2,077,068	1,498,584
Allowance for impairment losses	(1,676)	(1,846)
	2,075,392	1,496,738

	30 June 2010 (unaudited)	31 December 2009 (audited)
Analysed into:		
Listed in Hong Kong	551	450
Listed outside Hong Kong	396,621	333,552
Unlisted	1,678,220	1,162,736
	2,075,392	1,496,738
Market value of listed debt securities	403,167	334,554

(In RMB millions, unless otherwise stated)

21. FINANCIAL INVESTMENTS (CONTINUED)

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	30 June 2010 (unaudited)	31 December 2009 (audited)
Debt securities, at fair value (i)	1,023,060	945,425
Equity investments:		
At fair value (i)	2,873	2,595
At cost (ii):		
Debt for equity swaps	1,627	2,015
Others	1,362	836
Less: Allowance for impairment losses of investments	(1,041)	(962)
	1,948	1,889
Subtotal for equity investments	4,821	4,484
	1,027,881	949,909
Debt securities analysed into:		
Listed in Hong Kong	3,252	4,380
Listed outside Hong Kong	104,788	121,340
Unlisted	915,020	819,705
	1,023,060	945,425
Equity investments analysed into:		
Listed in Hong Kong	1,249	1,323
Listed outside Hong Kong	200	271
Unlisted	3,372	2,890
	4,821	4,484
Market value of listed securities:		
Debt securities	108,040	125,720
Equity investments	1,449	1,594
	109,489	127,314

(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 2010, the available-for-sale financial assets measured at fair value include debt securities which are individually assessed to be impaired whose carrying amount is RMB5,409 million (31 December 2009: RMB6,280 million), with reversal of impairment loss recognised in the income statement for the period of RMB115 million (six months ended 30 June 2009: impairment loss recognised in the income statement for the period of RMB693 million).

(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 2010, the Group disposed of part of these equity investments with a carrying value of RMB389 million (six months ended 30 June 2009: RMB300 million). There was no gain or loss recognised for such a disposal during the period (2009: Nil).

(In RMB millions, unless otherwise stated)

21. FINANCIAL INVESTMENTS (CONTINUED)

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

	Held-to-maturity debt securities	Available-for-sale equity investments	Total
At 1 January 2009	1,713	771	2,484
Charge for the year	136	191	327
Disposals	(3)	—	(3)
At 31 December 2009 and 1 January 2010 (audited)	1,846	962	2,808
Reversal for the period	(86)	—	(86)
Acquisition of a subsidiary	48	80	128
Disposals	(132)	(1)	(133)
At 30 June 2010 (unaudited)	1,676	1,041	2,717

22. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

	30 June 2010 (unaudited)	31 December 2009 (audited)
Share of net assets	17,754	17,007
Goodwill	18,466	19,271
	36,220	36,278

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

	30 June 2010 (unaudited)	31 December 2009 (audited)
Assets	1,165,923	1,237,895
Liabilities	(1,071,554)	(1,145,930)
Net assets	94,369	91,965

	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
Revenue	39,215	27,842
Profit for the period	6,135	4,424

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

(In RMB millions, unless otherwise stated)

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

Particulars of the Group's main associates and jointly-controlled entities at the end of the reporting period are as follows:

Name	Percentage of equity interest attributable to the Group 30 June 2010 (unaudited) %	31 December 2009 (audited) %	Place of incorporation/ registration	Principal activities
Associates:				
Listed investment directly held:				
Standard Bank Group Limited ("Standard Bank") (i)	20.05	20.09	Johannesburg, Republic of South Africa	Commercial banking
Listed investment indirectly held:				
Finansia Syrus Securities Public Company Limited (ii)	23.83	—	Bangkok, Thailand	Securities
Unlisted investment indirectly held:				
IEC Investments Limited (iii)	29.12	28.96	Hong Kong, the PRC	Investment
Jointly-controlled entities:				
Unlisted investment indirectly held:				
Jiangxi Poyanghu Industry Investment Management Company Limited (iv)	50.00	50.00	Jiangxi, the PRC	Investment management
COLI ICBCI China Investment Management (Cayman Islands) Limited (v)	45.00	—	Cayman Islands	Investment management
Harmony China Real Estate Fund L.P. (vi)	42.00	—	Cayman Islands	Fund

(i) On 26 April 2010, the Bank was allotted 1,392,445 ordinary shares of Standard Bank pursuant to the scrip dividend schemes of Standard Bank. As at 30 June 2010, the equity interests held by the Bank in Standard Bank decreased to 20.05%.

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

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

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

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

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

	30 June 2010 (unaudited)	31 December 2009 (audited)
Market value of listed investments	28,503	29,486

(In RMB millions, unless otherwise stated)

23. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improve-ments	Office equipment and computers	Motor vehicles	Total
Cost:						
1 January 2009	79,067	5,331	2,888	27,326	1,620	116,232
Additions	2,967	7,345	1,141	6,088	1,645	19,186
Transfers	3,276	(3,755)	11	516	3	51
Disposals	(582)	(120)	(112)	(1,346)	(248)	(2,408)
At 31 December 2009 and 1 January 2010 (audited)	84,728	8,801	3,928	32,584	3,020	133,061
Additions through purchase	509	1,286	218	680	1,618	4,311
Additions through acquisition	23	—	—	97	27	147
Transfers	743	(986)	2	209	—	(32)
Disposals	(211)	(92)	(56)	(370)	(44)	(773)
At 30 June 2010 (unaudited)	85,792	9,009	4,092	33,200	4,621	136,714
Accumulated depreciation and impairment:						
At 1 January 2009	12,004	142	1,036	15,148	1,102	29,432
Depreciation charge for the year	4,170	—	596	4,712	161	9,639
Disposals	(229)	(34)	(69)	(1,119)	(243)	(1,694)
At 31 December 2009 and 1 January 2010 (audited)	15,945	108	1,563	18,741	1,020	37,377
Depreciation charge for the period (note 9)	2,289	—	360	2,612	135	5,396
Additions through acquisition	16	—	—	65	15	96
Disposals	(52)	(28)	(6)	(248)	(40)	(374)
At 30 June 2010 (unaudited)	18,198	80	1,917	21,170	1,130	42,495
Net carrying amount:						
At 31 December 2009 (audited)	68,783	8,693	2,365	13,843	2,000	95,684
At 30 June 2010 (unaudited)	67,594	8,929	2,175	12,030	3,491	94,219

As at 30 June 2010, the process of obtaining the titleship for the Group's properties and buildings with an aggregate net carrying value of RMB5,987 million (31 December 2009: RMB6,350 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operations of the Group.

(In RMB millions, unless otherwise stated)

24. DEFERRED INCOME TAX

(a) Analysed by nature

	At 30 June 2010 (unaudited)		At 31 December 2009 (audited)	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible temporary differences	Deferred income tax assets
Deferred income tax assets:				
Allowance for impairment losses	50,108	12,506	49,253	12,290
Changes in fair value of available-for-sale financial assets	(3,156)	(774)	3,020	776
Changes in fair value of financial instruments at fair value through profit or loss	531	132	1,472	368
Accrued staff costs	20,389	5,097	20,510	5,127
Others	1,257	315	573	135
	69,129	17,276	74,828	18,696

	At 30 June 2010 (unaudited)		At 31 December 2009 (audited)	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)
Deferred income tax liabilities:				
Allowance for impairment losses	(331)	(55)	(266)	(43)
Changes in fair value of available-for-sale financial assets	1,075	178	1,121	185
Changes in fair value of financial instruments at fair value through profit or loss	381	63	220	36
Others	(34)	(6)	3	—
	1,091	180	1,078	178

(In RMB millions, unless otherwise stated)

24. DEFERRED INCOME TAX (CONTINUED)

(b) Movements of deferred income tax

Deferred income tax assets

	At 1 January 2010	Credited/ (debited) to the income statement	Debited to other comprehensive income	At 30 June 2010 (unaudited)
Allowances for impairment losses	12,290	216	—	12,506
Changes in fair value of available-for-sale financial assets	776	—	(1,550)	(774)
Changes in fair value of financial instruments at fair value through profit or loss	368	(236)	—	132
Accrued staff costs	5,127	(30)	—	5,097
Others	135	180	—	315
	18,696	130	(1,550)	17,276

	At 1 January 2009	Credited/ (debited) to the income statement	Credited to other comprehensive income	At 31 December 2009 (audited)
Allowances for impairment losses	11,903	387	—	12,290
Changes in fair value of available-for-sale investments	(2,925)	—	3,701	776
Changes in fair value of financial instruments at fair value through profit or loss	(991)	1,359	—	368
Accrued staff costs	2,589	2,538	—	5,127
Others	170	(35)	—	135
	10,746	4,249	3,701	18,696

(In RMB millions, unless otherwise stated)

24. DEFERRED INCOME TAX (CONTINUED)

(b) Movements of deferred income tax (continued)

Deferred income tax liabilities

	At 1 January 2010	Debited/ (credited) to the income statement	Credited to other comprehensive income	At 30 June 2010 (unaudited)
Allowances for impairment losses	(43)	(12)	—	(55)
Changes in fair value of available-for-sale financial assets	185	—	(7)	178
Changes in fair value of financial instruments at fair value through profit or loss	36	27	—	63
Others	—	—	(6)	(6)
	178	15	(13)	180

	At 1 January 2009	Debited/ (credited) to the income statement	Debited to other comprehensive income	At 31 December 2009 (audited)
Allowances for impairment losses	—	(43)	—	(43)
Changes in fair value of available-for-sale financial assets	—	—	185	185
Changes in fair value of financial instruments at fair value through profit or loss	—	36	—	36
Others	16	(16)	—	—
	16	(23)	185	178

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

25. OTHER ASSETS

	30 June 2010 (unaudited)	31 December 2009 (audited)
Interest receivable	57,652	55,124
Land use rights	22,308	22,672
Settlement accounts	19,304	6,030
Goodwill	6,546	5,350
Precious metal	6,226	2,699
Repossessed assets	2,618	1,954
Others	17,486	15,286
	132,140	109,115

(In RMB millions, unless otherwise stated)

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

	Notes	30 June 2010 (unaudited)	31 December 2009 (audited)
Structured deposits	(i)	6,166	14,581
Certificates of deposit	(ii)	948	1,250
Notes payable		88	—
		7,202	15,831

Notes:

(i) The fair value of structured deposits as at 30 June 2010 was RMB4.30 million less than the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity (31 December 2009: RMB1.63 million less).

(ii) The certificates of deposit are all issued by ICBC (Asia) to financial institutions and retail customers at fixed or floating rates and are classified as financial liabilities designated at fair value through profit or loss. The fair value of the certificates of deposit in excess of the amount that the Group would be contractually required to pay to the holders of these certificates of deposit upon maturity as at 30 June 2010 was RMB7.59 million (31 December 2009: RMB12.30 million higher).

There were no significant changes in the credit spread of the Bank and ICBC (Asia) and therefore the amounts of changes in fair value of the financial liabilities that were attributable to changes in credit risk were considered not significant during the period/year presented and cumulatively as at 30 June 2010 and 31 December 2009. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

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

27. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2010 (unaudited)	31 December 2009 (audited)
Deposits		
Banks and other financial institutions operating in Mainland China	985,966	920,315
Banks and other financial institutions operating outside Mainland China	9,563	10,695
	995,529	931,010
Money market takings		
Banks and other financial institutions operating in Mainland China	44,128	35,544
Banks and other financial institutions operating outside Mainland China	61,298	35,080
	105,426	70,624
	1,100,955	1,001,634

(In RMB millions, unless otherwise stated)

28. REPURCHASE AGREEMENTS

	30 June 2010 (unaudited)	31 December 2009 (audited)
Analysed by counterparty:		
Banks	8,900	36,060
Other financial institutions	200	—
	9,100	36,060
Analysed by collateral:		
Securities	6,670	34,280
Loans	2,430	1,780
	9,100	36,060

29. DUE TO CUSTOMERS

	30 June 2010 (unaudited)	31 December 2009 (audited)
Demand deposits:		
Corporate customers	3,480,767	3,195,842
Personal customers	2,073,719	1,827,851
Time deposits:		
Corporate customers	2,049,770	1,736,118
Personal customers	3,073,136	2,874,646
Others	155,397	136,820
	10,832,789	9,771,277

(In RMB millions, unless otherwise stated)

30. SUBORDINATED BONDS

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds with a total amount of RMB75,000 million through open market bidding in 2005 and 2009 respectively, these subordinated bonds were traded in the bond market among banks. The Bank has not had any defaults of principal, interest or other breaches with respect to the subordinated bonds during the period (six months ended 30 June 2009: None). The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue price	Coupon rate	Value date	Maturity date	Circulation date	Issue amount	Notes
05 ICBC 01 Bond	19 August 2005	RMB100	3.11%	29 August 2005	29 August 2015	30 September 2005	RMB13,000 million	(i)
05 ICBC 02 Bond	19 August 2005	RMB100	3.77%	6 September 2005	6 September 2020	11 October 2005	RMB13,000 million	(ii)
05 ICBC 03 Bond	19 August 2005	RMB100	Base rate +1.05%	14 September 2005	14 September 2015	11 October 2005	RMB9,000 million	(iii)
09 ICBC 01 Bond	16 July 2009	RMB100	3.28%	20 July 2009	20 July 2019	20 August 2009	RMB10,500 million	(iv)
09 ICBC 02 Bond	16 July 2009	RMB100	4.00%	20 July 2009	20 July 2024	20 August 2009	RMB24,000 million	(v)
09 ICBC 03 Bond	16 July 2009	RMB100	Base rate +0.58%	20 July 2009	20 July 2019	20 August 2009	RMB5,500 million	(vi)

Notes:

(i) The Bank has the option to redeem all or part of the bonds at face value on 29 August 2010. If the Bank does not exercise this option, the annual coupon rate will increase by 300 basis points ("bps") thereafter.

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

(iii) The base rate is determined based on the weighted average of the PRC inter-bank money market 7-day repo rates in the last 10 trading days prior to its coupon payment date. The Bank has the option to redeem all or part of the bonds at face value on 14 September 2010. If the Bank does not exercise this option, the interest rate of the bonds will increase by 100 bps thereafter.

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

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

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

31. OTHER LIABILITIES

	30 June 2010 (unaudited)	31 December 2009 (audited)
Interest payable	94,825	86,221
Settlement accounts	51,627	38,856
Early retirement benefits	8,421	10,229
Salaries, bonuses, allowances and subsidies payable	10,672	9,976
Sundry tax payables	6,325	6,395
Bank drafts	1,024	4,242
Others	19,632	18,744
	192,526	174,663

32. SHARE CAPITAL

	30 June 2010		31 December 2009	
	Number of shares (million) (unaudited)	Nominal value (unaudited)	Number of shares (million) (audited)	Nominal value (audited)
Registered, issued and fully paid:				
H shares of RMB1 each	83,057	83,057	83,057	83,057
A shares of RMB1 each	250,962	250,962	250,962	250,962
	334,019	334,019	334,019	334,019

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

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.

33. 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 determined under generally accepted accounting principles in the PRC ("PRC GAAP") to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

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

(ii) Discretionary surplus reserve

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

33. RESERVES (CONTINUED)

(b) Surplus reserves (continued)

(iii) Other surplus reserve

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

(c) General reserve

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

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

(d) Investment revaluation reserve

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

(e) Foreign currency translation reserve

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

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

(g) Other reserves

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

(In RMB millions, unless otherwise stated)

34. COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

ACL BANK Public Company Limited

ACL Bank is a commercial bank established in Thailand and listed on the Stock Exchange of Thailand. The Bank acquired 97.24% of the total issued shares of ACL Bank under the voluntary tender offer. The acquisition was completed on 21 April 2010 at a consideration of THB17,786 million (equivalent to RMB3,775 million) in aggregate.

(In RMB millions, unless otherwise stated)

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of subsidiaries (continued)

ACL BANK Public Company Limited (continued)

In the opinion of the Bank, there was no material difference between the fair value of the identifiable assets and liabilities of ACL Bank and their carrying amounts as at the acquisition date. The details of the identifiable assets and liabilities acquired are as follows:

	21 April 2010
Cash and balances with central banks	129
Due from banks and other financial institutions	29
Derivative financial assets	193
Reverse repurchase agreements	993
Loans and advances to customers	9,445
Available-for-sale financial assets	1,876
Held-to-maturity investments	296
Long term equity investments	56
Other assets	582
Due to banks and other financial institutions	(477)
Derivative financial liabilities	(197)
Due to customers	(9,859)
Other liabilities	(223)
Non-controlling interests	(78)
Net assets acquired	2,765
Goodwill arising on acquisition	1,010
Total cash consideration	3,775

The financial performance and cash flows of ACL Bank from the date of acquisition until the period ended 30 June 2010 are as follows:

	Period from 21 April 2010 to 30 June 2010
Operating income	99
Profit for the period	22
Net cash inflow from operating activities	461

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of ACL Bank is as follows:

	21 April 2010
Cash and cash equivalents held by ACL Bank	1,091
Cash consideration on acquisition of ACL Bank	(3,775)
Net cash outflow on acquisition of ACL Bank	(2,684)

(In RMB millions, unless otherwise stated)

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of subsidiaries (continued)

The Bank of East Asia (Canada)

BEAC is a commercial bank in Canada. The Bank acquired a 70% of equity interest in BEAC. The acquisition was completed on 28 January 2010 at a consideration of CA$83 million (equivalent to RMB532 million) in aggregate.

In the opinion of the Bank, there was no material difference between the fair value of the identifiable assets and liabilities of BEAC and their carrying amounts as at the acquisition date. The details of the identifiable assets and liabilities acquired are as follows:

	28 January 2010
Cash on hand	9
Due from banks and other financial institutions	445
Financial investments	299
Loans and advances to customers	2,986
Other assets	30
Due to customers	(1,149)
Due to banks and other financial institutions	(2,149)
Other liabilities	(41)
Non-controlling interests	(129)
Net assets acquired	301
Goodwill arising on acquisition	231
Total cash consideration	532

The financial performance and cash flows of BEAC from the date of acquisition until the period ended 30 June 2010 are as follows:

	Period from 28 January 2010 to 30 June 2010
Operating income	44
Profit for the period	13
Net cash inflow from operating activities	63

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of BEAC is as follows:

	28 January 2010
Cash and cash equivalents held by BEAC	287
Cash consideration on acquisition of BEAC	(532)
Net cash outflow on acquisition of BEAC	(245)

The recognition of goodwill arising from the aforementioned acquisition is mainly based on the operating channels of ACL Bank and BEAC in the local markets, their future operating income and other factors which could not be recognised as individually identifiable intangible assets. The goodwill recognised are income tax non-deductible items.

(In RMB millions, unless otherwise stated)

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Disposal of a subsidiary

Industrial and Commercial East Asia Finance Holdings Limited

The disposal of 75% of the issued share capital of ICEA took place on 28 January 2010 at a consideration of HK$372 million (equivalent to RMB327 million) in aggregate.

The financial performance and cash flows of ICEA from 1 January 2010 until 28 January 2010 are as follows:

	Period from 1 January 2010 to 28 January 2010
Operating income	17
Profit for the period	4
Net cash outflow from operating activities	(777)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of ICEA is as follows:

	28 January 2010
Cash and cash equivalents held by ICEA	(855)
Cash acquired from disposal of ICEA	327
Net cash outflow on disposal of ICEA	(528)

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of balances of cash and cash equivalents

	Note	30 June 2010 (unaudited)	30 June 2009 (unaudited)
Cash on hand	14	49,040	44,453
Balances with central banks other than restricted deposits	14	184,887	139,930
Nostro accounts with banks and other financial institutions with original maturity of three months or less		121,083	82,591
Placements with banks and other financial institutions with original maturity of three months or less		149,950	79,564
Reverse repurchase agreements with original maturity of three months or less		199,732	63,095
		704,692	409,633

(In RMB millions, unless otherwise stated)

37. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

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

(b) Operating lease commitments

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

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

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and credit card limits.

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

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

(In RMB millions, unless otherwise stated)

37. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Credit commitments (continued)

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

	30 June 2010 (unaudited)	31 December 2009 (audited)
Credit risk weighted amounts of credit commitments	582,978	507,149

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

(d) Legal proceedings

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

	30 June 2010 (unaudited)	31 December 2009 (audited)
Claimed amounts	2,059	2,131

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

(In RMB millions, unless otherwise stated)

37. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 June 2010, the Bank had underwritten and sold bonds with an accumulated amount of RMB159,398 million (31 December 2009: RMB149,506 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

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

(f) Underwriting obligations

At the end of the reporting period, the amount of unexpired securities underwriting obligations was as follows:

	30 June 2010 (unaudited)	31 December 2009 (audited)
Underwriting obligations	—	1,800

38. DESIGNATED FUNDS AND LOANS

	30 June 2010 (unaudited)	31 December 2009 (audited)
Designated funds	318,607	280,805
Designated loans	317,975	280,080

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

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

39. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as security for liabilities or contingent liabilities, mainly the repurchase agreements and derivative contracts. As at 30 June 2010, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB9,137 million (31 December 2009: RMB36,111 million).

(In RMB millions, unless otherwise stated)

40. FIDUCIARY ACTIVITIES

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

41. RELATED PARTY DISCLOSURES

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

(a) Shareholders with significant influence

(i) The MOF

As at 30 June 2010, the MOF directly owned approximately 35.33% (31 December 2009: approximately 35.33%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, including the subscription and redemption of government bonds issued by the MOF. Details of the material transactions are as follows:

	30 June 2010 (unaudited)	31 December 2009 (audited)
Balances at end of the period/year:		
PRC government bonds and special government bond	664,533	618,717
MOF receivable (note 21(a)(iii))	—	62,520

	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
Transactions during the period:		
Subscription of the PRC government bonds	102,260	83,485
Redemption of the PRC government bonds	57,310	31,704
Interest income on the PRC government bonds	10,009	8,079
Repayment of the MOF receivable (note 21(a) (iii))	62,520	—
Interest income on the MOF receivable	153	2,153

	%	%
Interest rates during the period are as follows:		
MOF receivable	3	3
Bond investments	1.06 to 6.8	2.29 to 6.34

The MOF is a ministry under the State Council, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. Enterprises or legal entities under the control or supervision of the MOF are mainly financial institutions, government departments or agencies. Enterprises under the control, joint control or significant influence of the MOF are not considered as related parties of the Group. Refer to note 41(g) for details.

(In RMB millions, unless otherwise stated)

41. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Shareholders with significant influence (continued)

(ii) Huijin

As at 30 June 2010, Central SAFE Investments Limited ("Huijin") directly owned approximately 35.42% (31 December 2009: approximately 35.42%) of the issued share capital of the Bank. Huijin was incorporated as a wholly-state-owned investment company with the approval of the State Council. It was established to hold certain equity investments on behalf of the State Council, and to represent the Government in exercising its investor's rights and obligations in certain banks and financial institutions.

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

	30 June 2010 (unaudited)	31 December 2009 (audited)
Balances at end of the period/year:		
Deposits	4,514	1,524
Interest payable	1	15

	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
Transactions during the period:		
Interest expense on deposits	19	359

	%	%
Interest rate range during the period is as follows:		
Deposits	0.02 to 1.98	0.01 to 4.1

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 2010 are as follows:

	30 June 2010 (unaudited)	31 December 2009 (audited)
Balances at end of the period/year:		
Debt securities purchased	615,747	555,687
Due from these banks and financial institutions	25,965	33,723
Derivative financial assets	625	367
Due to these banks and financial institutions	43,861	61,270
Derivative financial liabilities	528	371

(In RMB millions, unless otherwise stated)

41. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Shareholders with significant influence (continued)

(ii) Huijin (continued)

	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
Transactions during the period:		
Interest income on debt securities purchased	9,920	7,658
Interest income on amounts due from these banks and financial institutions	154	40
Interest expense on amounts due to these banks and financial institutions	362	468

	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	0.7 to 5.5	1.3 to 5.2
Due from these banks and financial institutions	0.0001 to 4.0	0.0001 to 5.4
Due to these banks and financial institutions	0.0001 to 3.9	0.0001 to 5.7

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 2010 (unaudited)	31 December 2009 (audited)
Balance at end of the period/year:		
Debt securities purchased	12,049	9,932
Due from banks and other financial institutions	34,142	26,064
Derivative financial assets	67	179
Due to banks and other financial institutions	10,809	7,710
Derivative financial liabilities	295	111

	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
Transactions during the period:		
Interest income on debt securities purchased	47	70
Interest income on amounts due from banks and other financial institutions	106	59
Interest expense on amounts due to banks and other financial institutions	61	116
Net trading income	4	9
Commission income	70	7

(In RMB millions, unless otherwise stated)

41. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Subsidiaries (continued)

	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	0.5 to 1.85	0.9 to 5.4
Due from banks and other financial institutions	0 to 4.2	0.01 to 1.9
Due to banks and other financial institutions	0 to 5.6	0.01 to 5.7

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

(c) Associates

	30 June 2010 (unaudited)	31 December 2009 (audited)
Balances at end of the period/year:		
Due from associates	—	1,065
Loan to associates	3,542	2,922
Due to associates	1,359	7

	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
Transactions during the period:		
Interest income on amounts due from associates	7	13
Interest income on loans to associates	58	15
Interest expense on amounts due to associates	3	—

	%	%
Interest rates during the period are as follows:		
Due from associates	14.5	14.5
Loans to associates	2.87 to 6.77	2.25 to 2.30
Due to associates	0 to 1.35	0.82 to 1.62

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

41. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Jointly-controlled entities

	30 June 2010 (unaudited)	31 December 2009 (audited)
Balances at end of the period/year:		
Jointly-controlled entities deposit	5	—

In the opinion of the management, the transactions between the Group and the aforementioned parties were conducted in the ordinary business process, under normal terms and conditions, and based on the general transaction price.

(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	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Short-term employment benefits	5,398	5,695
Post-employment benefits	416	355
	5,814	6,050

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

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

	30 June 2010 (unaudited)	31 December 2009 (audited)
Loans	108	274
Deposits	407	—

In the opinion of the management, the transactions between the Group and the aforementioned parties were conducted in the ordinary business process, under normal terms and conditions, and based on general transaction price.

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, no transactions were conducted between the Group and the Annuity Fund during the period (six months ended 30 June 2009: Nil).

41. RELATED PARTY DISCLOSURES (CONTINUED)

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

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the "state-owned entities"). During the period, the Group had transactions with the state-owned entities including, but not limited to, lending and deposit taking, taking and placing of inter-bank 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 other state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities. Having due regard to the substance of the relationship, management is of the opinion that none of these transactions are considered related party transactions that require disclosure.

42. SEGMENT INFORMATION

(a) Operating segments

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

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services.

Personal banking

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

Treasury operations

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

Others

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

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

(In RMB millions, unless otherwise stated)

42. SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (continued)

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income/expense". Interest income and expense relating to third parties are referred to as "external net interest income/expense".

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

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

(i) All from external customers.

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

(In RMB millions, unless otherwise stated)

42. SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (continued)

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

(i) All from external customers.

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

(b) Geographical information

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

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

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

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

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

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

(In RMB millions, unless otherwise stated)

42. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (continued)

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

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

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

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

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

(i) Mainly from external customers.

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

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

(In RMB millions, unless otherwise stated)

42. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (continued)

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

(i) All from external customers.

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

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

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

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

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

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

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

(a) Credit risk

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

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

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

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

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

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

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

Risk concentration

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

Impairment assessment

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

Individually assessed loans

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

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

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

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

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.

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Impairment assessment (continued)

Collectively assessed loans (continued)

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

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

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

Homogenous Groups of Loans Not Considered Individually Significant

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

Individually Assessed Loans with No Objective Evidence of Impairment

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

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

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

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Collateral

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

The main types of collateral obtained are as follows:

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

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

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

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

As at the date of financial position, the maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is set out below:

	30 June 2010 (unaudited)	31 December 2009 (audited)
Balances with central banks	2,062,705	1,654,206
Due from banks and other financial institutions	349,263	235,301
Financial assets held for trading	14,585	18,847
Financial assets designated at fair value through profit or loss	969	1,171
Derivative financial assets	8,735	5,758
Reverse repurchase agreements	279,136	408,826
Loans and advances to customers	6,202,394	5,583,174
Financial investments	3,708,728	3,574,542
— Receivables	610,276	1,132,379
— Held-to-maturity debt securities	2,075,392	1,496,738
— Available-for-sale debt securities	1,023,060	945,425
Others	92,282	73,932
	12,718,797	11,555,757
Credit commitments	1,522,194	1,239,687
Total credit risk exposure	14,240,991	12,795,444

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk concentrations

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

By geographical distribution

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

30 June 2010 (unaudited)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	1,804,097	58,685	25,987	107,204	16,583	28,434	10,711	11,004	2,062,705
Due from banks and other financial institutions	101,062	23,297	21,014	115,743	17,427	10,752	34,440	25,528	349,263
Financial assets held for trading	11,701	—	—	—	—	—	—	2,884	14,585
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	969	969
Derivative financial assets	2,427	729	863	1,056	135	455	1,330	1,740	8,735
Reverse repurchase agreements	230,735	9,765	3,215	13,392	2,148	318	16,465	3,098	279,136
Loans and advances to customers	117,751	1,472,651	893,492	1,155,685	839,813	1,038,816	368,383	315,803	6,202,394
Financial investments	3,254,442	104,509	52,347	209,903	7,401	9,017	10,453	60,656	3,708,728
— Receivables	604,276	—	—	—	—	—	6,000	—	610,276
— Held-to-maturity debt securities	1,944,706	57,625	31,630	31,962	—	—	1,000	8,469	2,075,392
— Available-for-sale debt securities	705,460	46,884	20,717	177,941	7,401	9,017	3,453	52,187	1,023,060
Others	43,056	10,699	5,982	7,595	6,343	6,615	2,424	9,568	92,282
	5,565,271	1,680,335	1,002,900	1,610,578	889,850	1,094,407	444,206	431,250	12,718,797
Credit commitments	254,969	320,983	251,541	325,138	84,655	92,688	40,930	151,290	1,522,194
Total maximum credit risk exposure	5,820,240	2,001,318	1,254,441	1,935,716	974,505	1,187,095	485,136	582,540	14,240,991

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

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

By geographical distribution (continued)

31 December 2009 (audited)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	1,477,686	39,024	21,621	65,215	12,933	23,277	7,032	7,418	1,654,206
Due from banks and other financial institutions	83,212	14,195	30,241	20,180	18,636	3,456	36,666	28,715	235,301
Financial assets held for trading	14,241	—	—	—	—	—	—	4,606	18,847
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	1,171	1,171
Derivative financial assets	1,765	429	806	858	157	275	431	1,037	5,758
Reverse repurchase agreements	378,797	14,219	1,444	6,415	5,180	200	2,346	225	408,826
Loans and advances to customers	102,511	1,357,287	824,041	1,048,042	756,895	925,672	336,280	232,446	5,583,174
Financial investments	3,183,404	95,244	47,578	162,228	8,808	10,055	11,306	55,919	3,574,542
— Receivables	1,126,379	—	—	—	—	—	6,000	—	1,132,379
— Held-to-maturity debt securities	1,400,518	21,696	26,527	38,761	30	33	1,024	8,149	1,496,738
— Available-for-sale debt securities	656,507	73,548	21,051	123,467	8,778	10,022	4,282	47,770	945,425
Others	39,669	5,928	3,423	6,021	4,543	5,430	1,358	7,560	73,932
	5,281,285	1,526,326	929,154	1,308,959	807,152	968,365	395,419	339,097	11,555,757
Credit commitments	215,103	244,798	167,451	288,195	73,463	84,286	31,815	134,576	1,239,687
Total maximum credit risk exposure	5,496,388	1,771,124	1,096,605	1,597,154	880,615	1,052,651	427,234	473,673	12,795,444

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

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

By industry distribution

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

	30 June 2010 (unaudited)	31 December 2009 (audited)
Transportation, storage and postal services	940,658	826,557
Manufacturing	886,630	826,066
Real estate	565,695	474,710
Production and supply of electricity, gas and water	565,547	548,541
Water, environment and public utility management	554,944	510,942
Wholesale, retail and lodging	354,170	283,974
Leasing and commercial services	351,391	305,233
Mining	119,775	108,139
Construction	78,292	65,280
Science, education, culture and sanitation	75,597	67,520
Others	184,416	152,297
Subtotal for corporate loans and advances	4,677,115	4,169,259
Personal mortgage and business loans	1,212,840	1,027,032
Others	270,343	202,537
Subtotal for personal loans and advances	1,483,183	1,229,569
Discounted bills	194,086	329,798
Total for loans and advances to customers	6,354,384	5,728,626

(iii) Loans and advances to customers

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

	30 June 2010 (unaudited)	31 December 2009 (audited)
Neither past due nor impaired	6,234,214	5,604,897
Past due but not impaired	40,097	35,262
Impaired	80,073	88,467
	6,354,384	5,728,626
Allowance for impairment losses	(151,990)	(145,452)
	6,202,394	5,583,174

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Loans and advances to customers (continued)

Neither past due nor impaired

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

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

	30 June 2010 (unaudited)			31 December 2009 (audited)		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	2,014,772	47,949	2,062,721	1,762,827	45,901	1,808,728
Guaranteed loans	927,850	54,576	982,426	850,179	53,633	903,812
Loans secured by mortgages	2,415,441	77,999	2,493,440	2,032,806	83,363	2,116,169
Pledged loans	669,130	26,497	695,627	747,741	28,447	776,188
	6,027,193	207,021	6,234,214	5,393,553	211,344	5,604,897

Past due but not impaired

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

30 June 2010 (unaudited)

	Corporate loans	Personal loans	Total
Past due for:			
Less than one month	4,567	26,546	31,113
One to two months	230	4,990	5,220
Two to three months	98	3,656	3,754
Over three months	10	—	10
	4,905	35,192	40,097
Fair value of collateral held	5,117	80,012	85,129

31 December 2009 (audited)

	Corporate loans	Personal loans	Total
Past due for:			
Less than one month	2,813	23,720	26,533
One to two months	15	4,826	4,841
Two to three months	1	3,194	3,195
Over three months	22	671	693
	2,851	32,411	35,262
Fair value of collateral held	4,772	74,637	79,409

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Loans and advances to customers (continued)

Impaired

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

The fair value of collateral that the Group holds relating to loans individually determined to be impaired as at 30 June 2010 amounted to RMB18,225 million (31 December 2009: RMB22,021 million). The collateral mainly consists of land and properties, equipment and also others.

Renegotiated loans and advances to customers

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

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

	30 June 2010 (unaudited)	31 December 2009 (audited)
Renegotiated loans and advances to customers	13,122	15,611
Impaired loans and advances to customers included in above	11,019	13,199

Collateral repossessed

During the period, the Group took possession of collateral held as security with a carrying amount of RMB892 million (six months ended 30 June 2009:RMB820 million). Such collateral mainly comprises land and properties and equipment.

(iv) Debt securities

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

The following tables present an analysis of debt securities by type of issuers and investments:

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Debt securities (continued)

30 June 2010 (unaudited)

	Receivables	Held-to-maturity investments	Available-for-sale investments	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Government and central banks	244,970	1,355,880	513,686	2,370	—	2,116,906
Policy banks	47,000	647,307	176,692	2,174	—	873,173
Public sector entities	—	22,361	55,459	609	110	78,539
Banks and other financial institutions (i)	318,306	31,111	70,452	1,946	310	422,125
Corporate entities	—	15,026	201,362	7,486	549	224,423
	610,276	2,071,685	1,017,651	14,585	969	3,715,166
Impaired (ii)						
Public sector entities	—	1,696	4,705	—	—	6,401
Banks and other financial institutions	—	3,653	702	—	—	4,355
Corporate entities	—	34	2	—	—	36
	—	5,383	5,409	—	—	10,792
Less: Allowance for impairment losses for held-to-maturity investments	—	(1,676)	—	—	—	(1,676)
	—	3,707	5,409	—	—	9,116
	610,276	2,075,392	1,023,060	14,585	969	3,724,282

31 December 2009 (audited)

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	768,573	844,308	504,729	2,798	—	2,120,408
Policy banks	47,000	569,241	139,496	3,273	—	759,010
Public sector entities	—	22,785	45,466	579	177	69,007
Banks and other financial institutions (i)	316,806	41,307	73,013	3,904	310	435,340
Corporate entities	—	14,888	176,441	8,293	684	200,306
	1,132,379	1,492,529	939,145	18,847	1,171	3,584,071
Impaired (ii)						
Public sector entities	—	2,151	5,607	—	—	7,758
Banks and other financial institutions	—	3,869	671	—	—	4,540
Corporate entities	—	35	2	—	—	37
	—	6,055	6,280	—	—	12,335
Less: Allowance for impairment losses for held-to-maturity investments	—	(1,846)	—	—	—	(1,846)
	—	4,209	6,280	—	—	10,489
	1,132,379	1,496,738	945,425	18,847	1,171	3,594,560

(i) Includes Huarong bonds with a carrying amount of RMB312,996 million. Refer to Note 21(a)(i) for details.

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

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from amount or maturity mismatches of assets and liabilities.

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

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

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

(i) Analysis of the remaining maturity of the Group's assets and liabilities is set out below:
30 June 2010 (unaudited)

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years (ii)	Undated (iv)	Total
Assets:								
Cash and balances with central banks	417,584	—	—	—	—	—	1,694,161	2,111,745
Due from banks and other financial institutions (i)	34,721	396,119	81,961	72,792	42,806	—	—	628,399
Financial assets held for trading	—	286	246	5,865	5,599	2,589	150	14,735
Financial assets designated at fair value through profit or loss	—	—	—	191	778	—	—	969
Derivative financial assets	139	970	930	3,129	1,913	1,654	—	8,735
Loans and advances to customers	8,788	285,950	452,529	1,396,048	1,813,365	2,212,185	33,529	6,202,394
Investments	—	91,723	328,779	996,892	1,225,373	1,056,845	50,157	3,749,769
— Receivables	—	18,000	98,150	17,029	66,791	410,306	—	610,276
— Held-to-maturity investments	—	28,968	103,348	636,117	806,616	496,636	3,707	2,075,392
— Available-for-sale financial assets	—	44,755	127,281	343,746	351,966	149,903	10,230	1,027,881
— Investments in associates and jointly-controlled entities	—	—	—	—	—	—	36,220	36,220
Property and equipment	—	—	—	—	—	—	94,219	94,219
Others	42,213	13,902	13,297	32,679	10,340	5,971	31,014	149,416
Total assets	503,445	788,950	877,742	2,507,596	3,100,174	3,279,244	1,903,230	12,960,381
Liabilities:								
Financial liabilities held for trading	—	1,426	—	—	—	—	—	1,426
Financial liabilities designated at fair value through profit or loss	37	4,863	1,454	23	817	8	—	7,202
Derivative financial liabilities	25	491	1,169	3,553	2,925	2,085	—	10,248
Due to banks and other financial institutions (iii)	856,557	127,689	38,387	59,635	27,262	525	—	1,110,055
Due to customers	5,809,325	738,814	887,466	2,869,767	524,966	2,451	—	10,832,789
Subordinated bonds	—	—	22,000	—	16,000	37,000	—	75,000
Certificates of deposit and notes payable	—	428	—	1,427	2,650	—	—	4,505
Others	77,582	13,486	26,654	70,701	15,633	5,500	—	209,556
Total liabilities	6,743,526	887,197	977,130	3,005,106	590,253	47,569	—	12,250,781
Net liquidity gap	(6,240,081)	(98,247)	(99,388)	(497,510)	2,509,921	3,231,675	1,903,230	709,600

(i) Includes reverse repurchase agreements.

(ii) Includes receivables — Huarong bonds. Refer to Note 21(a)(i) for the details.

(iii) Includes repurchase agreements.

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

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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

31 December 2009 (audited)

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	249,482	—	—	—	—	—	1,443,566	1,693,048
Due from banks and other financial institutions (i)	29,654	374,775	79,759	133,225	26,714	—	—	644,127
Financial assets held for trading	—	1,091	2,171	3,880	7,397	4,308	129	18,976
Financial assets designated at fair value through profit or loss	—	—	69	139	774	189	—	1,171
Derivative financial assets	—	606	577	1,658	1,495	1,422	—	5,758
Loans and advances to customers	5,552	243,689	514,854	1,296,576	1,606,635	1,878,490	37,378	5,583,174
Investments	—	64,100	248,112	1,582,284	1,008,153	661,404	51,251	3,615,304
— Receivables	—	—	21,000	949,806	65,763	95,810	—	1,132,379
— Held-to-maturity investments	—	36,415	144,798	281,028	596,309	433,979	4,209	1,496,738
— Available-for-sale financial assets	—	27,685	82,314	351,450	346,081	131,615	10,764	949,909
— Investments in associates and a jointly-controlled entity	—	—	—	—	—	—	36,278	36,278
Property and equipment	—	—	—	—	—	—	95,684	95,684
Others	20,723	12,930	16,735	32,148	11,276	3,478	30,521	127,811
Total assets	305,411	697,191	862,277	3,049,910	2,662,444	2,549,291	1,658,529	11,785,053
Liabilities:								
Financial liabilities designated at fair value through profit or loss	—	12,352	2,062	588	829	—	—	15,831
Derivative financial liabilities	5	484	1,045	2,397	2,211	1,631	—	7,773
Due to banks and other financial institutions (ii)	857,533	81,110	36,071	45,509	17,471	—	—	1,037,694
Due to customers	5,227,043	654,704	864,840	2,359,489	655,590	9,611	—	9,771,277
Subordinated bonds	—	—	—	—	—	75,000	—	75,000
Certificates of deposit and notes payable	—	435	861	—	176	—	—	1,472
Others	65,486	12,112	24,325	68,070	21,070	6,009	—	197,072
Total liabilities	6,150,067	761,197	929,204	2,476,053	697,347	92,251	—	11,106,119
Net liquidity gap	(5,844,656)	(64,006)	(66,927)	573,857	1,965,097	2,457,040	1,658,529	678,934

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

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

(ii) Maturity analysis of contractual undiscounted cash flows

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

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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

30 June 2010 (unaudited)

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years (iii)	Undated (iv)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	417,584	—	781	—	—	—	1,694,161	2,112,526
Due from banks and other financial institutions (i)	34,786	397,715	82,983	74,749	46,969	—	—	637,202
Financial assets held for trading	—	299	295	6,112	6,377	2,799	150	16,032
Financial assets designated at fair value through profit or loss	—	7	2	228	908	—	—	1,145
Loans and advances to customers (ii)	9,197	339,993	518,027	1,727,327	2,655,775	3,227,793	85,636	8,563,748
Investments	8	96,643	343,062	1,076,415	1,444,381	1,246,744	31,640	4,238,893
Others	38,170	—	396	993	2,079	—	—	41,638
	499,745	834,657	945,546	2,885,824	4,156,489	4,477,336	1,811,587	15,611,184

(i) Includes reverse repurchase agreements.

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

(iii) Includes receivables — Huarong bonds. Refer to Note 21(a)(i) for the details.

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

30 June 2010 (unaudited)

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Financial liabilities held for trading	—	1,426	—	—	—	—	—	1,426
Financial liabilities designated at fair value through profit or loss	37	4,867	1,454	39	823	8	—	7,228
Due to banks and other financial institutions (i)	856,567	128,714	38,579	61,259	28,409	641	—	1,114,169
Due to customers	5,810,387	752,466	909,128	2,945,393	555,632	2,660	—	10,975,666
Subordinated bonds	—	—	24,473	—	23,801	42,290	—	90,564
Certificates of deposit and notes payable	—	432	8	1,475	2,679	—	—	4,594
Others	62,609	8	82	124	789	5,431	—	69,043
	6,729,600	887,913	973,724	3,008,290	612,133	51,030	—	12,262,690
Derivative cash flows:								
Derivative financial instruments settled on a net basis	(1)	301	(160)	(303)	(1,500)	(545)	—	(2,208)
Derivative financial instruments settled on a gross basis:								
Total cash inflow	—	169,796	105,797	424,992	32,537	1,676	—	734,798
Total cash outflow	—	(169,900)	(105,517)	(424,450)	(32,680)	(2,464)	—	(735,011)
	—	(104)	280	542	(143)	(788)	—	(213)

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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

31 December 2009 (audited)

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	249,482	—	—	—	—	—	1,443,566	1,693,048
Due from banks and other financial institutions (i)	29,718	375,333	80,372	135,060	28,723	—	—	649,206
Financial assets held for trading	—	1,110	2,231	4,212	8,527	4,842	129	21,051
Financial assets designated at fair value through profit or loss	—	3	79	197	739	365	—	1,383
Loans and advances to customers (ii)	5,903	272,259	575,236	1,526,218	2,311,709	2,921,363	77,642	7,690,330
Investments	—	68,228	263,048	1,660,795	1,173,810	797,583	33,649	3,997,113
Others	18,100	333	908	2,922	906	—	—	23,169
	303,203	717,266	921,874	3,329,404	3,524,414	3,724,153	1,554,986	14,075,300

(i) Includes reverse repurchase agreements.

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

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

31 December 2009 (audited)

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss	—	12,363	2,070	641	869	—	—	15,943
Due to banks and other financial institutions (i)	857,537	81,531	36,325	46,577	18,774	—	—	1,040,744
Due to customers	5,228,121	667,036	884,379	2,425,818	699,802	10,550	—	9,915,706
Subordinated bonds	—	—	119	2,473	7,801	80,290	—	90,683
Certificates of deposit and notes payable	—	437	870	—	178	—	—	1,485
Others	52,018	9	76	214	1,446	5,625	—	59,388
	6,137,676	761,376	923,839	2,475,723	728,870	96,465	—	11,123,949
Derivative cash flows:								
Derivative financial instruments settled on a net basis	(2)	6	(27)	(237)	(1,249)	(424)	—	(1,933)
Derivative financial instruments settled on a gross basis:								
Total cash inflow	202	101,117	113,071	246,631	19,520	6,053	—	486,594
Total cash outflow	(207)	(100,837)	(112,930)	(246,621)	(19,508)	(6,079)	—	(486,182)
	(5)	280	141	10	12	(26)	—	412

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(iii) Analysis of credit commitments by contractual expiry date

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

	Repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Total
30 June 2010 (unaudited)							
Credit commitments	446,578	111,148	174,760	355,309	213,393	221,006	1,522,194
31 December 2009 (audited)							
Credit commitments	313,709	77,958	183,322	330,810	204,853	129,035	1,239,687

(c) Market risk

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

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

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

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

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

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) VaR

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

A summary of the VaR by risk type of the trading portfolios at the HO level (including foreign exchange transactions and investments held for trading) is as follows:

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

	Six months ended 30 June 2009 (unaudited)			
	30 June 2009	Average	Highest	Lowest
Interest rate risk	68	74	137	49
Foreign exchange risk	42	73	126	30
Total portfolio VaR	71	110	212	56

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

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

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

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

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

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Currency risk

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

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

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

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

		Effect on profit before tax		Effect on equity	
Currency	Change in currency rate	30 June 2010 (unaudited)	31 December 2009 (audited)	30 June 2010 (unaudited)	31 December 2009 (audited)
US$	-1%	69	59	(26)	(25)
HK$	-1%	16	30	(205)	(193)

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

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Currency risk (continued)

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

30 June 2010 (unaudited)

	RMB	US$ (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	2,089,449	8,008	8,615	5,673	2,111,745
Due from banks and other financial institutions (i)	553,230	54,121	3,872	17,176	628,399
Financial assets held for trading	11,656	749	1,965	365	14,735
Financial assets designated at fair value though profit or loss	—	684	285	—	969
Derivative financial assets	3,181	4,720	241	593	8,735
Loans and advances to customers	5,735,437	307,305	119,981	39,671	6,202,394
Investments	3,620,255	71,397	5,387	52,730	3,749,769
Property and equipment	93,273	190	333	423	94,219
Others	127,999	4,783	6,900	9,734	149,416
Total assets	12,234,480	451,957	147,579	126,365	12,960,381
Liabilities:					
Financial liabilities held for trading	—	1,426	—	—	1,426
Financial liabilities designated at fair value through profit or loss	5,806	206	877	313	7,202
Derivative financial liabilities	4,380	2,920	320	2,628	10,248
Due to banks and other financial institutions (ii)	979,238	88,270	12,475	30,072	1,110,055
Due to customers	10,470,801	183,383	125,001	53,604	10,832,789
Subordinated bonds	75,000	—	—	—	75,000
Certificates of deposit and notes payable	—	1,847	2,658	—	4,505
Others	189,633	9,861	3,574	6,488	209,556
Total liabilities	11,724,858	287,913	144,905	93,105	12,250,781
Net position	509,622	164,044	2,674	33,260	709,600
Credit commitments	1,126,853	278,126	81,691	35,524	1,522,194

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Currency risk (continued)

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

31 December 2009 (audited)

	RMB	US$ (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	1,675,025	9,049	5,815	3,159	1,693,048
Due from banks and other financial institutions (i)	562,171	61,731	3,103	17,122	644,127
Financial assets held for trading	12,414	3,119	3,063	380	18,976
Financial assets designated at fair value though profit or loss	—	885	286	—	1,171
Derivative financial assets	1,834	2,127	64	1,733	5,758
Loans and advances to customers	5,198,888	243,061	113,605	27,620	5,583,174
Investments	3,478,184	73,449	4,701	58,970	3,615,304
Property and equipment	95,012	197	179	296	95,684
Others	118,927	2,018	6,012	854	127,811
Total assets	11,142,455	395,636	136,828	110,134	11,785,053
Liabilities:					
Financial liabilities designated at fair value through profit or loss	14,232	195	1,109	295	15,831
Derivative financial liabilities	3,253	3,236	117	1,167	7,773
Due to banks and other financial institutions (ii)	945,832	67,314	11,860	12,688	1,037,694
Due to customers	9,457,807	163,755	106,041	43,674	9,771,277
Subordinated bonds	75,000	—	—	—	75,000
Certificates of deposit and notes payable	—	—	316	1,156	1,472
Others	181,592	5,545	3,415	6,520	197,072
Total liabilities	10,677,716	240,045	122,858	65,500	11,106,119
Net position	464,739	155,591	13,970	44,634	678,934
Credit commitments	904,491	218,666	80,089	36,441	1,239,687

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Interest rate risk

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

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual maturities and repricing 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 modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

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

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

	Sensitivity of net interest income		Sensitivity of equity	
Change in basis points	30 June 2010 (unaudited)	31 December 2009 (audited)	30 June 2010 (unaudited)	31 December 2009 (audited)
+100 basis points	(22,639)	(17,273)	(18,367)	(16,505)
-100 basis points	22,639	17,273	19,477	17,385

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

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

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

30 June 2010 (unaudited)

	Less than three months	Three months to one year	One to five years	More than five years (ii)	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,871,895	—	—	—	239,850	2,111,745
Due from banks and other financial institutions (i)	511,373	112,792	2,806	—	1,428	628,399
Financial assets held for trading	1,748	6,642	4,086	2,109	150	14,735
Financial assets designated at fair value through profit or loss	—	191	778	—	—	969
Derivative financial assets	—	—	—	—	8,735	8,735
Loans and advances to customers	1,514,688	4,687,706	—	—	—	6,202,394
Investments	532,389	1,140,906	1,083,883	951,550	41,041	3,749,769
Property and equipment	—	—	—	—	94,219	94,219
Others	3,725	—	—	—	145,691	149,416
Total assets	4,435,818	5,948,237	1,091,553	953,659	531,114	12,960,381
Liabilities:						
Financial liabilities held for trading	1,426	—	—	—	—	1,426
Financial liabilities designated at fair value through profit or loss	6,266	23	825	—	88	7,202
Derivative financial liabilities	—	—	—	—	10,248	10,248
Due to banks and other financial institutions (iii)	1,021,904	86,798	98	390	865	1,110,055
Due to customers	7,248,037	2,869,767	524,966	2,451	187,568	10,832,789
Subordinated bonds	27,500	—	10,500	37,000	—	75,000
Certificates of deposit and notes payable	2,901	600	916	—	88	4,505
Others	—	—	—	—	209,556	209,556
Total liabilities	8,308,034	2,957,188	537,305	39,841	408,413	12,250,781
Interest rate mismatch	(3,872,216)	2,991,049	554,248	913,818	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes receivables — Huarong bonds. Refer to Note 21(a)(i) for the details.

(iii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

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

31 December 2009 (audited)

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,527,200	—	—	—	165,848	1,693,048
Due from banks and other financial institutions (i)	484,948	157,487	690	—	1,002	644,127
Financial assets held for trading	4,443	4,601	5,903	3,900	129	18,976
Financial assets designated at fair value through profit or loss	69	139	774	189	—	1,171
Derivative financial assets	—	—	—	—	5,758	5,758
Loans and advances to customers	1,761,803	3,821,371	—	—	—	5,583,174
Investments	397,263	1,751,016	869,172	557,091	40,762	3,615,304
Property and equipment	—	—	—	—	95,684	95,684
Others	4,708	—	—	—	123,103	127,811
Total assets	4,180,434	5,734,614	876,539	561,180	432,286	11,785,053
Liabilities:						
Financial liabilities designated at fair value through profit or loss	14,674	333	824	—	—	15,831
Derivative financial liabilities	—	—	—	—	7,773	7,773
Due to banks and other financial institutions (ii)	979,377	57,480	—	—	837	1,037,694
Due to customers	6,572,045	2,359,489	655,590	9,611	174,542	9,771,277
Subordinated bonds	9,000	18,500	10,500	37,000	—	75,000
Certificates of deposit and notes payable	1,472	—	—	—	—	1,472
Others	—	—	—	—	197,072	197,072
Total liabilities	7,576,568	2,435,802	666,914	46,611	380,224	11,106,119
Interest rate mismatch	(3,396,134)	3,298,812	209,625	514,569	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(d) Capital management

The Group's objectives on capital management are:

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

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

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

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

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

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

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

(In RMB millions, unless otherwise stated)

43. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(d) Capital management (continued)

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

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

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

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

(iv) Included in the amount was the asset securitisation risk exposure deducted according to relevant regulations issued by the CBRC. As at 31 December 2009, the amount also included subordinated debts deducted which were issued by other commercial banks and purchased by the Bank after 1 July 2009 according to the Notice on Improving Capital Supplement Mechanism of Commercial Banks issued by the CBRC.

(In RMB millions, unless otherwise stated)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarises the carrying values and the fair values of receivables, held-to-maturity debt securities and subordinated bonds for which their fair values have not been presented or disclosed above:

	Carrying value	Fair value
30 June 2010 (unaudited)		
Receivables	610,276	610,897
Held-to-maturity debt securities	2,075,392	2,100,483
Subordinated bonds	75,000	73,822
31 December 2009 (audited)		
Receivables	1,132,379	1,133,843
Held-to-maturity debt securities	1,496,738	1,511,251
Subordinated bonds	75,000	71,875

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

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

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

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

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

Assets

Balances with central banks
Due from banks and other financial institutions
Reverse repurchase agreements
Loans and advances to customers
Other financial assets

Liabilities

Due to banks and other financial institutions
Repurchase agreements
Due to customers
Other financial liabilities

45. EVENTS AFTER THE REPORTING PERIOD

Proposed Rights Issue of A Shares and H Shares

A proposal of the A share and H share rights issue was considered and approved at the board of directors' meeting of the Bank held on 28 July 2010. The rights issue will be conducted on the basis of up to 0.6 rights shares for every ten existing shares, on the same basis for A shares and H shares. The subscription prices of the A rights shares and H rights shares shall be the same after exchange rate adjustment. It is expected that the gross proceeds from the rights issue will be no more than RMB45.0 billion. All the proceeds raised from the rights issue, after deduction of the expenses relating to the issuance, shall be used to strengthen the capital base of the Bank.

45. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Proposed Issuance of Convertible Corporate Bonds

A proposal in respect of the public issuance and listing of A share convertible corporate bonds was considered and approved at the annual general meeting held on 18 May 2010. The aggregate amount of the convertible corporate bonds proposed to be issued will be not more than RMB25 billion. The convertible corporate bonds proposed to be issued will be in principal amounts of RMB100 each, and will be issued at nominal value. The convertible corporate bonds proposed to be issued will bear interest at the rate of not more than 3% per annum and will have a term of six years from the date of issuance. The issuance has been approved by the CBRC with the circulars of "The Approval on Issuance and Listing of A share Convertible Corporate Bonds by ICBC" (Yin Jian Fu [2010] No. 253) and "The Approval on Related Matters of Issuance and Listing of A share Convertible Corporate Bonds by ICBC" (Yin Jian Fu [2010] No. 362), and finally approved by the China Securities Regulatory Commission with the circular of "The Approval on Issuance and Listing of Convertible Corporate Bonds by ICBC" (Zheng Jian Xu Ke [2010] No. 1155) on 25 August, 2010.

Redemption of Subordinated Bonds

According to the terms in the Announcement of Issuance of Subordinated Bonds — Phase I of ICBC in 2005, the Bank has the option to redeem all or part of the bonds of 05 ICBC 01 (code 050501) at face value on 29 August 2010 (the call date will be postponed to 30 August 2010 due to the public holiday of 29 August 2010), and has the option to redeem all or part of the bonds of 05 ICBC 03 (code 050503) at face value on 14 September 2010. The Bank has made the resolution to redeem all of the bonds of 05 ICBC 01 at face value on 30 August 2010 for an aggregate amount of RMB13 billion, and redeem all of the bonds of 05 ICBC 03 at face value on 14 September 2010 for an aggregate amount of RMB9 billion.

Privatisation of ICBC (Asia)

A proposal in respect of the Privatisation of ICBC (Asia) was considered and passed at the board of directors' meeting of the Bank held on 28 July 2010. On 10 August 2010, the Bank and ICBC (Asia) jointly announced the Proposal to Privatize Industrial and Commercial Bank of China (Asia) Limited by Way of a Scheme of Arrangement under Section 166 of the Companies Ordinance, which is conditional upon the fulfillment or waiver, as applicable, of the conditions of the proposal including the approval by the minority shareholders at the court meeting, the sanction by the High Court in Hong Kong, etc. Under the scheme of arrangement, the scheme shareholders of ICBC (Asia) will receive from the Bank as the cancellation consideration HK$29.45 for every scheme share. The total cash payment by the Bank under the proposal will be HK$10,829 million approximately (equivalent to RMB9,446 million approximately at the exchange rate on 30 June 2010). ICBC (Asia) will make an application for the listing of its shares to be withdrawn from the Hong Kong Stock Exchange, with effect from the date on which the scheme of arrangement becomes effective.

46. COMPARATIVE AMOUNTS

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

47. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2010.

Unaudited Supplementary Financial Information

30 June 2010
(In RMB millions, unless otherwise stated)

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

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for the six months ended 30 June 2010 (for the six months ended 30 June 2009: the profit attributable to equity holders of the parent company under IFRSs was 111 million higher than that under PRC GAAP, which was due to the reversal adjustments to the revaluation surplus of certain assets upon their disposal or impairment). There are no differences between the equity attributable to equity holders of the parent company under PRC GAAP and IFRSs as at 30 June 2010 (as at 31 December 2009: no differences).

(b) Liquidity ratios

	As at 30 June 2010	Average for the period ended 30 June 2010	As at 31 December 2009	Average for the year ended 31 December 2009
RMB current assets to RMB current liabilities	33.14%	31.92%	30.70%	29.33%
Foreign currency current assets to foreign currency current liabilities	56.92%	59.03%	61.14%	71.16%

The above liquidity ratios are calculated in accordance with the formula promulgated by the China Banking Regulatory Commission (the "CBRC") and based on the financial information prepared in accordance with PRC GAAP.

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

(In RMB millions, unless otherwise stated)

(c) Foreign currency concentrations other than RMB

	US$ (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
As at 30 June 2010				
Spot assets	450,772	147,087	91,042	688,901
Spot liabilities	(287,913)	(144,905)	(93,105)	(525,923)
Forward purchases	278,553	28,686	60,145	367,384
Forward sales	(443,087)	(12,154)	(49,611)	(504,852)
Net option position	(141)	47	92	(2)
Net long/(short) position	(1,816)	18,761	8,563	25,508
Net structural position	1,185	492	35,323	37,000
As at 31 December 2009				
Spot assets	395,439	136,495	73,867	605,801
Spot liabilities	(240,045)	(122,858)	(65,500)	(428,403)
Forward purchases	156,039	12,186	31,852	200,077
Forward sales	(315,368)	(8,135)	(39,980)	(363,483)
Net option position	(242)	(3)	252	7
Net long position	(4,177)	17,685	491	13,999
Net structural position	197	333	36,267	36,797

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:

- fixed assets and premises, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

(In RMB millions, unless otherwise stated)

(d) Cross-border claims

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

Cross-border claims include loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions, debt securities held for trading, financial assets designated at fair value through profit or loss, held-to-maturity investments and available-for-sale debt securities.

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

	Banks and other financial institutions	Public sector entities	Others	Total
As at 30 June 2010:				
Asia Pacific excluding Mainland China	36,585	14,585	160,629	211,799
— of which attributed to Hong Kong	12,682	10,417	110,790	133,889
Europe	23,000	1,630	15,221	39,851
North and South America	18,964	7,893	10,618	37,475
	78,549	24,108	186,468	289,125
As at 31 December 2009:				
Asia Pacific excluding Mainland China	43,932	10,242	128,820	182,994
— of which attributed to Hong Kong	21,743	6,234	96,005	123,982
Europe	46,055	1,429	21,650	69,134
North and South America	32,918	9,536	16,163	58,617
	122,905	21,207	166,633	310,745

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers

(i) Analysis by industry sector

30 June 2010

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses Individually assessed	Collectively Assessed	Total
Transportation, storage and postal services	940,658	251,652	10,776	10,494	4,585	17,673	22,258
Manufacturing	886,630	366,289	30,882	30,664	20,218	16,470	36,688
Real estate	565,695	425,671	6,926	6,416	3,587	12,640	16,227
Production and supply of electricity, gas and water	565,547	84,036	5,045	5,345	2,390	6,144	8,534
Water, environment and public utility management	554,944	109,311	259	250	184	10,650	10,834
Wholesale, retail and lodging	354,170	218,166	11,126	11,650	6,913	6,626	13,539
Leasing and commercial services	351,391	107,786	1,168	1,237	786	5,099	5,885
Mining	119,775	10,311	358	322	240	1,219	1,459
Construction	78,292	31,914	1,328	1,220	783	802	1,585
Science, education, culture and sanitation	75,597	12,117	824	952	627	822	1,449
Others	184,416	68,508	1,551	1,463	954	1,514	2,468
Subtotal for corporate loans and advances	4,677,115	1,685,761	70,243	70,013	41,267	79,659	120,926
Personal mortgage and business loans	1,212,840	1,140,096	33,552	—	—	23,137	23,137
Others	270,343	199,868	11,684	—	—	5,940	5,940
Subtotal for personal loans	1,483,183	1,339,964	45,236	—	—	29,077	29,077
Discounted bills	194,086	194,086	—	—	—	1,987	1,987
Total for loans and advances to customers	6,354,384	3,219,811	115,479	70,013	41,267	110,723	151,990
Current market value of collateral held against the covered portion of overdue loans and advances*							118,752
Covered portion of overdue loans and advances*							56,557
Uncovered portion of overdue loans and advances*							58,922

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

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

(i) Analysis by industry sector (continued)

31 December 2009

	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	826,557	258,743	8,450	11,207	4,954	16,634	21,588
Manufacturing	826,066	311,484	33,287	34,894	22,753	15,161	37,914
Production and supply of electricity, gas and water	548,541	121,609	5,423	6,541	2,939	4,582	7,521
Water, environment and public utility management	510,942	114,693	220	333	205	10,550	10,755
Real estate	474,710	331,231	6,922	7,097	3,412	11,119	14,531
Leasing and commercial services	305,233	93,616	1,242	1,343	808	5,065	5,873
Wholesale, retail and lodging	283,974	165,377	11,893	12,439	7,213	6,621	13,834
Mining	108,139	8,336	322	357	272	812	1,084
Science, education, culture and sanitation	67,520	11,149	870	1,132	712	605	1,317
Construction	65,280	25,089	1,295	1,330	937	549	1,486
Others	152,297	48,487	1,900	1,704	1,295	1,224	2,519
Subtotal for corporate loans and advances	4,169,259	1,489,814	71,824	78,377	45,500	72,922	118,422
Personal mortgage and business loans	1,027,032	960,381	32,307	—	—	20,073	20,073
Others	202,537	149,785	10,059	—	—	4,586	4,586
Subtotal for personal loans and advances	1,229,569	1,110,166	42,366	—	—	24,659	24,659
Discounted bills	329,798	329,798	—	—	—	2,371	2,371
Total for loans and advances to customers	5,728,626	2,929,778	114,190	78,377	45,500	99,952	145,452
Current market value of collateral held against the covered portion of overdue loans and advances*							103,481
Covered portion of overdue loans and advances*							53,384
Uncovered portion of overdue loans and advances*							60,806

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

(ii) Overdue loans and advances to customers

	30 June 2010	31 December 2009
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	4,452	4,175
Between 6 and 12 months	5,128	11,090
Over 12 months	62,640	61,823
	72,220	77,088
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.1%	0.1%
Between 6 and 12 months	0.1%	0.2%
Over 12 months	1.0%	1.1%
	1.2%	1.4%

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

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

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

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans would be classified as overdue.

(iii) Overdue and impaired loans and advances to customers by geographical distribution

30 June 2010

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	3,823	173	58	173	58	2,212
Yangtze River Delta	17,418	10,775	5,725	11,326	6,686	26,511
Pearl River Delta	15,605	8,000	5,127	8,578	5,519	16,295
Bohai Rim	20,653	12,348	7,096	12,758	7,725	21,805
Central China	19,439	10,103	4,838	11,504	6,080	15,792
Western China	23,739	13,855	6,774	14,923	8,142	19,458
Northeastern China	11,716	8,246	5,943	8,726	6,175	7,213
Overseas and others	3,086	1,804	786	2,025	882	1,437
Total	115,479	65,304	36,347	70,013	41,267	110,723

31 December 2009

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	3,411	93	32	108	57	1,635
Yangtze River Delta	17,129	11,197	5,994	12,739	7,209	24,357
Pearl River Delta	15,791	8,368	5,289	8,770	5,543	15,106
Bohai Rim	21,419	13,891	8,268	14,493	8,982	19,796
Central China	18,622	10,706	5,458	13,923	6,879	14,151
Western China	22,603	14,511	7,221	16,666	8,885	17,454
Northeastern China	13,120	9,377	6,893	10,093	7,180	6,466
Overseas and others	2,095	802	387	1,585	765	987
Total	114,190	68,945	39,542	78,377	45,500	99,952

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

(iv) Rescheduled loans and advances to customers

	30 June 2010		31 December 2009	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	13,122	0.2%	15,611	0.3%
Less: Rescheduled loans and advances overdue for more than three months	(9,431)	(0.1%)	(11,106)	(0.2%)
Rescheduled loans and advances overdue for less than three months	3,691	0.1%	4,505	0.1%

(f) Overdue placements with banks and other financial institutions

	30 June 2010	31 December 2009
Gross placements with banks and other financial institutions of the Group which have been overdue with respect to either principal or interest for a period of:		
Over 12 months	29	28
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.01%	0.04%

(g) Non-bank Mainland China exposures

	30 June 2010	31 December 2009
On-balance sheet exposure	6,101,007	6,652,463
Off-balance sheet exposure	1,381,027	1,098,085
	7,482,034	7,750,548
Individually assessed allowance for impairment losses	40,988	44,810

Save as disclosed above, exposures to other non-bank counterparties outside Mainland China where the credit is granted for use in Mainland China are considered insignificant to the Group.

Definitions

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

ACL	ACL BANK Public Company Limited
HIBOR	Hong Kong Interbank Offered Rate
LIBOR	London Interbank Offered Rate
SHIBOR	Shanghai Interbank Offered Rate
the Bank/the Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries.
MOF	Ministry of Finance of the People's Republic of China
BEA	The Bank of East Asia, Limited
Goldman Sachs	The Goldman Sachs Group, Inc.
ICEA	Industrial and Commercial East Asia Finance Holdings Limited
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Indonesia)	PT. Bank ICBC Indonesia
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
Huijin	Central Huijin Investment Ltd.
American Express	American Express Company
PBOC	The People's Bank of China
SSE	Shanghai Stock Exchange
SSF	National Council for Social Security Fund
SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
PRC GAAP	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by the Ministry of Finance in 2006, as well as other relevant regulations
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission

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