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

2013 Interim Report

Our Mission

Excellence for You

Excellent services to clients, Maximum returns to shareholders

Real success for our people, Great contribution to society

Our Vision

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

Our Value

Integrity Leads to Prosperity

Integrity, Humanity, Prudence, Innovation and Excellence

CONTENTS

Definitions

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

Articles of Association	The Articles of Association of Industrial and Commercial Bank of China Limited
Capital Regulation	Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC in June 2012
CBRC	China Banking Regulatory Commission
convertible bonds	convertible corporate bonds
CSRC	China Securities Regulatory Commission
HIBOR	Hong Kong Interbank Offered Rate
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
ICBC (Almaty)	Industrial and Commercial Bank of China (Almaty) Joint Stock Company
ICBC (Argentina)	Industrial and Commercial Bank of China (Argentina) Limited
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC-AXA	ICBC-AXA Assurance Co., Ltd.
ICBC (Brazil)	Industrial and Commercial Bank of China (Brazil) Limited
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC (Europe)	Industrial and Commercial Bank of China (Europe) S.A.
ICBCFS	Industrial and Commercial Bank of China Financial Services LLC
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC International	ICBC International Holdings Limited
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
ICBC (London)	Industrial and Commercial Bank of China, (London) Limited
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Middle East)	Industrial and Commercial Bank of China (Middle East) Limited
ICBC (Moscow)	ZAO Industrial and Commercial Bank of China (Moscow)
ICBC (Peru)	Industrial and Commercial Bank of China (Peru) Limited
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC (USA)	Industrial and Commercial Bank of China (USA) NA
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
LIBOR	London Interbank Offered Rate
MOF	Ministry of Finance of the People's Republic of China
PBC	The People's Bank of China
PRC GAAP	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by the Ministry of Finance in 2006, as well as other relevant regulations
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SEHK	The Stock Exchange of Hong Kong Limited
SHIBOR	Shanghai Interbank Offered Rate
SSE	Shanghai Stock Exchange
SSF	National Council for Social Security Fund
Standard Bank	Standard Bank Group Limited
State Council	The State Council of the People's Republic of China
the Bank/the Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries

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 2013 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 29 August 2013. All the directors attended the meeting.

Upon the approval at the Annual General Meeting for the Year 2012 held on 7 June 2013, the Bank has distributed cash dividends totaling approximately RMB83.6 billion, or RMB2.39 per ten shares (pre-tax), for the period from 1 January 2012 to 31 December 2012 to the shareholders whose names appeared on the share register after the close of market on 25 June 2013. The Bank will not declare or distribute interim dividends for 2013, nor will it convert any capital reserves to share capital.

The 2013 interim financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by KPMG Huazhen (Special General Partnership) and KPMG in accordance with Chinese and international standards on review engagements, respectively.

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

29 August 2013

Mr. Jiang Jianqing, Legal Representative of the Bank, Mr. Yi Huiman, 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, accurate and complete.

The report contains forward-looking statements on the Bank's financial positions, business performance and development. The statements are made based on existing plans, estimates and forecast, and bear upon future external events or the Group's future finance, business or performance in other aspects. The future plans, if involved, do not constitute substantial commitment to investors, and hence shall not be heavily relied on.

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
Telephone: 86-10-66106114
Business enquiry and compliant hotline: 86-95588
Websites: 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

Yi Huiman and Hu Hao

Board Secretary and Company Secretary

Hu Hao
Address: No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Telephone: 86-10-66108608
Facsimile: 86-10-66107571
E-mail: ir@icbc.com.cn

Selected newspapers for information disclosure

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

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

www.sse.com.cn

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

www.hkexnews.hk

Legal advisors

Mainland China

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

Jun He Law Offices
20/F, China Resources Building, 8 Jianguomen North Street, Dongcheng District, Beijing, PRC

Hong Kong, China

Clifford Chance
28/F, Jardine House, 1 Connaught Place, Central, Hong Kong

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

Share registrars

A Share

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC
Tel: 86-4008058058

H Share

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong
Tel: 852-28628555
Fax: 852-28650990

Location where copies of this interim report are kept

Office of the Board of Directors of the Bank

Place where shares and convertible bonds are listed, and their names and codes

A Share

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

H Share

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

A Share Convertible Bonds

Shanghai Stock Exchange
Bond name: 工行轉債
Bond code: 113002

Change of registration during the reporting period

Date of first registration: 22 November 1985
Date of change of registration: 8 May 2013
Registration authority: State Administration for Industry and Commerce of the People's Republic of China
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

KPMG Huazhen (Special General Partnership)
8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, PRC

International auditors

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

Financial Highlights

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

Financial Data

	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Operating results (in RMB millions)			
Net interest income	215,889	204,058	417,828
Net fee and commission income	67,382	54,804	106,064
Operating income	291,476	262,828	529,720
Operating expenses	91,749	84,531	189,940
Impairment losses	21,941	19,237	33,745
Operating profit	177,786	159,060	306,035
Profit before tax	178,841	160,212	308,687
Net profit	138,477	123,241	238,691
Net profit attributable to equity holders of the parent company	138,347	123,160	238,532
Net cash flows from operating activities	142,724	821,025	533,508
Per share data (in RMB yuan)			
Basic earnings per share	0.40	0.35	0.68
Diluted earnings per share	0.39	0.35	0.67

Financial Data (continued)

	30 June 2013	31 December 2012	31 December 2011
Balance sheet items (in RMB millions)			
Total assets	18,723,353	17,542,217	15,476,868
Total loans and advances to customers	9,437,642	8,803,692	7,788,897
Allowance for impairment losses on loans	235,619	220,403	194,878
Investment	4,382,264	4,083,887	3,915,902
Total liabilities	17,548,260	16,413,758	14,519,045
Due to customers	14,508,402	13,642,910	12,261,219
Due to banks and other financial institutions	1,271,443	1,486,805	1,341,290
Equity attributable to equity holders of the parent company	1,171,507	1,124,997	956,742
Share capital	349,650	349,620	349,084
Net asset value per share(1) (in RMB yuan)	3.35	3.22	2.74
Net capital base(2)	1,456,548	1,299,014	1,112,463
Risk-weighted assets(2)	11,108,508	9,511,205	8,447,263
Credit rating			
S&P(3)	A/Stable	A/Stable	A/Stable
Moody's(3)	A1/Stable	A1/Stable	A1/Stable

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

(2) Indicators relating to capital adequacy ratio at 30 June 2013 were calculated in accordance with the Capital Regulation promulgated by CBRC and those for 2011-2012 were calculated in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC.

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

Financial Indicators

	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Profitability (%)			
Return on average total assets(1)	1.53*	1.51*	1.45
Return on weighted average equity(2)	23.25*	24.31*	23.02
Net interest spread(3)	2.41*	2.48*	2.49
Net interest margin(4)	2.57*	2.66*	2.66
Return on risk-weighted assets(5)	2.69*	2.82*	2.66
Ratio of net fee and commission income to operating income	23.12	20.85	20.02
Cost-to-income ratio(6)	25.09	25.57	29.24
	30 June 2013	**31 December 2012**	**31 December 2011**
Asset quality (%)			
Non-performing loans ("NPL") ratio(7)	0.87	0.85	0.94
Allowance to NPL(8)	288.16	295.55	266.92
Allowance to total loans ratio(9)	2.50	2.50	2.50
Capital adequacy (%)			
Capital adequacy ratio(10)	13.11	13.66	13.17
Total equity to total assets ratio	6.28	6.43	6.19
Risk-weighted assets to total assets ratio(10)	59.33	54.22	54.58

Notes: * indicates annualized ratios.

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

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

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

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

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

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

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

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

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

(10) Indicators relating to capital adequacy ratio at 30 June 2013 were calculated in accordance with the Capital Regulation promulgated by CBRC and those for 2011-2012 were calculated in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC.

Chairman's Statement

Since this year, the world's economic growth outlook has improved, but there were still many risks and uncertainties. Though China's economic operation remained stable in general, structural contradictions were still apparent. New progress was made in domestic financial reform; loan interest rates were fully liberalized; the new Capital Regulation came into effect; financial disintermediation was becoming more obvious; development of internet-based finance was accelerated. In face of these new situations and changes, the Bank committed itself to continue to seek steady advancement, and maintained smooth and healthy development momentum in an integrated manner by strengthening services, refining structure, encouraging reforms and controlling risks. In the first half of 2013, the Bank generated a net profit of RMB138,477 million, representing an increase of 12.4% over the same period of the previous year. Annualized return on average total assets ("ROA") and annualized return on weighted average equity ("ROE") were 1.53% and 23.25% respectively, representing an increase of 0.08 and 0.23 percentage points over the previous year. Cost-to-income ratio was 25.09%. Both core tier-one capital adequacy ratio and tier-one capital adequacy ratio were 10.48% and capital adequacy ratio was 13.11%. Within the Global 2000 selected by *Forbes* this year in terms of sales, profit, assets and market value, the Bank ranked the largest enterprise in the world. Within the Global 500 selected by *Fortune* in terms of total operating revenue, the Bank ranked first among all commercial banks. In the Top 1000 World Banks selected by *The Banker* in terms of tier-one capital, the Bank ranked first with tier-one capital of USD160.6 billion, which was the first time for a Chinese bank to rank the first place over the past nearly 50 years since the rankings were published. As at the end of the first half of 2013, the Bank ranked atop the global financial industry in terms of indicators such as deposits, loans, total assets, tier-one capital, market capitalization and profit. The main reasons that the Bank was able to steadily move forward amid the complex and volatile environment were summarized as follows:

The Bank persisted in seizing market opportunities in the process of serving the real economy, through which it achieved sound business development. In line with the new changes in economic and financial operation and emerging trends of economic transformation and upgrade, the Bank accelerated the shifting of service mode to propel economic growth by transforming from new loans support to a balanced focus on both the optimization of new loans and the adjustment of existing loans. From the perspective of the trend of credit being granted, the Bank intensified support to advanced manufacturing, modern services, culture industries and strategic emerging sectors, strengthened the financial services for small and medium enterprises, particularly for small and micro enterprises, proactively supported the financial demands in personal consumption and civil area, and also supported the green economy including energy conservation and environmental protection. While strictly controlling the total financing amount for industries with excess production capacity, the Bank supported competitive enterprises to integrate excess production capacity through providing loans in merger and acquisition. It also helped enterprises "going global" to transfer and export production capacity through the innovative application of "project + financing". Besides, in the process of providing pertinent, sustainable and highly value-added financial services for the real economy, the Bank also seized the market opportunity to promote the optimization of credit structure and improvement of operation.

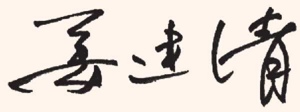
The Bank persisted in enhancing its business sustainability by propelling operational transformation. The Bank further improved capital management and pricing system in response to the challenges posed by interest rate liberalization and capital regulation reform. Leveraging on its key and potential product lines, the Bank pushed forward the innovative development of fee-based business under a regulated framework, which played an important driving factor in the Bank's overall profit growth. Net fee and commission income of the Bank increased by 23.0% compared to the same period of last year, with its proportion in operating income going up to 23.12%. The Bank has virtually established a global network pattern, with nearly 400 overseas institutions expanding to 39 countries and regions. On that basis, the Bank gradually shifted the focus of its internationalization strategy to localized, mainstream and differentiated development of overseas institutions, and through strengthening the extension of key product lines abroad and interactions between domestic and overseas operations, the Bank improved the competitiveness, operation and development of overseas institutions. PBC has formally authorized Singapore Branch of the Bank as the RMB clearing bank in Singapore, which was the first time PBC designated a RMB clearing bank out of China. Taking the opportunity of cross straits financial opening, the Bank entered into a share subscription agreement with SinoPac Holdings Co., Ltd. and Bank SinoPac, and became the first bank in Mainland China to invest in Taiwan's financial industry through equity participation. Moreover, the Bank's integrated operation system, including fund, financial lease, licensed investment banking, insurance and securities clearing, has continuously improved, thereby enhancing profit contributions and strategic synergy effect to the Group.

The Bank was persistent in increasing competitive development vitality and dynamic by deepening its reform and innovation. Since the beginning of this year, the Bank has studied and determined nine reform and innovation subjects which are vital to the Bank's operation, management and long-term development, and accomplished new breakthrough in the reform and innovation of important scopes and key areas. The reform of profit center has been extended to nine product lines, and the value creation capability of these key product lines has been further strengthened. The Bank continued to promote the optimization of business process, diversion of counter-based business and centralized processing of middle- and back-office business, and further improved service efficiency and customer experience. Nearly 80% of the Bank's business was handled by the electronic channel with lower cost and higher efficiency. The Bank had 352 million E-banking customers, and has achieved 100-million customers level for both internet banking and mobile banking. With its vision, the Bank drew up a general plan on construction as an IT-based bank, and actively pushed forward the transformation and reform of operational management mode in the internet finance and mega data era. While leveraging data mining techniques to further develop customer value and promote precise marketing services, the Bank attached greater importance to the research and development of new products with differentiated competitiveness in some cutting-edge business fields, and created new advantages in the era of network finance and new consumption finance.

The Bank was persistent in improving its corporate governance and risk management to ensure its steady operation. As the banking industry faced some new challenges in asset quality management amid the context of slowing economic growth and impending economic restructuring, the Bank strengthened its ability in collecting matured and overdue loans and the disposal of NPLs, and proactively utilized new concepts, new mechanisms and new technologies to enhance risk precaution and mitigation capability, and ensured the general stability of credit asset quality. In view of the increased likelihood of mutual spreading of various risks in the complex environment, the Bank further improved its enterprise risk management system, continuously strengthened inspection and rectification of areas with frequent occurrences of risk incidents, and ensured the controllability of various risks and low incidence of risk occurrence. The Bank also completed the preparation of a corporate governance report, and enhanced effective governance on subsidiaries and enhanced the Group's overall governance capability. At the selection of the ninth "Golden Round Table Award" for the boards of directors of listed companies in China, the Bank continued to hold the "Best Board of Directors" award for its outstanding performance in corporate governance.

In the first half of 2013, Mr. Yang Kaisheng ceased to act as President of the Bank due to his age, and also resigned from the positions of Vice Chairman and Executive Director. Ms. Wang Lili no longer acted as Senior Executive Vice President of the Bank due to her age, and she also resigned from the position of Executive Director. Mr. Li Xiaopeng ceased to act as Senior Executive Vice President of the Bank due to change of job assignments, and he also resigned from the position of Executive Director. The Bank engaged Mr. Yi Huiman as Vice Chairman, President and Executive Director, and Mr. Luo Xi and Mr. Liu Lixian as Executive Directors. The Board of Directors expresses sincere gratitude to Mr. Yang Kaisheng, Ms. Wang Lili and Mr. Li Xiaopeng for their diligent work and outstanding contributions to the Bank during their tenures of office, and believes that Mr. Yi Huiman, Mr. Luo Xi and Mr. Liu Lixian will play an active role in the building of the Board of Directors and continuous improvement of the Bank's operation and management.

The Bank is approaching its 30th anniversary of its establishment evolved from a split from PBC. Through 30 years of significant reform and development, particularly after undergoing its joint-stock reform and listing and the international financial crisis, the Bank has become one of the leading banks in the world. At a new historic starting point, we will stand high and aim far, work hard in a down-to-earth manner, and continue to develop the Bank into a global leading bank with the best profitability, performance and prestige.



Chairman: Jiang Jianqing

29 August 2013

In the first half of 2013, amid the complex economic and financial situation at home and abroad, the Bank adhered to its orientation of making progress while maintaining stability. The Bank maintained its strong momentum in the development of operation and management, and achieved operating results that exceeded its expectation.

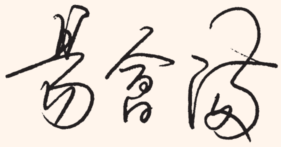
Profit maintained steady growth. The Bank actively responded to various operational difficulties and stress caused by China's economic growth slowdown, acceleration of interest rate liberalization and volatility of the international financial market, and achieved steady profit growth by accelerated operational transformation, reinforced cost control and stringent risk management. In the first half of the year, net profits reached RMB138,477 million, representing an increase of 12.4% compared to the same period of last year. Profit structure was further improved, and the regulated management and innovative development of the fee-based business played an important driving role in overall profit growth. The Bank generated net fee and commission income of RMB67,382 million, representing an increase of 23.0% compared to the same period of last year, and it accounted for 23.12% of operating income, representing an increase of 2.27 percentage points over the same period of last year. Overseas institutions and domestic subsidiaries in diversified operations continuously increased their profit contributions to the Group, and achieved net profit (including investment income from Standard Bank of South Africa) of RMB6,845 million, representing an increase of 36.2% compared to the same period of last year, further reflecting the effect of business internationalization and diversification in maintaining profit stability. While maintaining reasonable expense growth, the Bank has been actively broadening sources of income and reducing costs, and its cost-to-income ratio dropped by 0.48 percentage points over the same period of the previous year to 25.09%, staying at a relatively low level as compared to its international peers, which demonstrated strong cost control capability. In consideration of the rebound of NPLs in the first half of 2013, the Bank strengthened credit management and improved risk management mechanism. As at the end of June, the balance of NPLs and NPL ratio were RMB81,768 million and 0.87% respectively, and the allowance to NPL ratio was 288.16%. The overall stability of credit asset quality and adequacy of allowance laid a solid foundation for the Bank to attain its profit target and achieve sustainable profit growth.

Credit operation kept improving. In line with China's economic restructuring and industry upgrade, the Bank adhered to the credit operation philosophy of "well-managing credit increments, revitalizing existing loans, expanding turnover and improving quality", and while maintaining moderate growth of balanced approach in granting total credit volume, the Bank improved the capability and efficiency of serving the economy by optimizing the credit structure and speeding up turnover of existing loans. In the first half of 2013, domestic branches recorded new RMB loans of RMB490,748 million, with the increment increased by RMB39,524 million or 6.2% over the same period of last year. More than 95% of new project loans were granted to a number of major projects under construction and continuing projects. Loans granted to manufacturing, service, culture and strategic emerging industries that met the direction of economic restructuring increased by RMB213.0 billion, accounting for 86% of the total new corporate loans of domestic branches. The Bank innovated the development mode of small (micro) and medium-sized enterprise credit business and expanded the small (micro) and medium-sized customers in the upstream and downstream in batch depending on core enterprises in the supply chain. Personal loans grew steadily and increased by RMB250,601 million over the beginning of 2013, accounting for 50.3% of the total new loans of domestic branches. The optimization of strategy of granting new loans and adjustment of existing loan structure significantly improved credit operation efficiency and quality in the credit business, and promoted the healthy and sustainable development in this business. Furthermore, the Bank also rapidly developed non-credit financing business, leveraged the comprehensive platform comprising financial leases, short-term financing bonds, medium-term notes and syndicated loans with a view to assisting enterprises to broaden financing channels, thereby providing strong support to economic development.

Remarkable progress was made in business innovation and service improvement. The Bank actively grasped the capital movements, improved deposit foundation and enhanced deposit stability through intensifying efforts to stabilize and increase general deposits such as savings, corporate deposits and institutional deposits and reasonably reducing deposits from banks and other financial institutions with a relatively high interest cost and poor volatility. In the first half of 2013, new RMB deposits amounted to RMB854,795 million, ranking first among the peers. The Bank continued to take financial asset services as the priority in its strategic transformation and made efforts to promote the services, and achieved an increase of 40.1% in income. Specifically, the Bank issued wealth management products of RMB2.81 trillion in aggregate; the scale of assets under custody exceeded RMB4 trillion; and income from merger and acquisition and other brand investment banking business increased by 82.4%. The Bank issued nearly 500 million bank cards with a total consumption volume of RMB2.6 trillion, of which, the number of credit cards issued and their consumption volume exceeded 80 million and RMB750.0 billion respectively, making the Bank one of the top four card issuers around the world. Income from pension business, private banking and precious metal business all increased by more than 90% compared to the same period of the previous year, and the transaction volume of E-banking business exceeded RMB180 trillion, representing an increase of 12.9% compared to the same period of the previous year. In order to cater for market and customer needs, the Bank expedited its business innovation, upgraded more than 10 product lines such as personal banking and corporate internet banking, and launched innovative products such as Paper Crude Oil and Paper Foreign Exchange. The Bank developed activities themed "Year for Service Quality Improvement" and improved its service quality in an all-round manner, resulting in continuous enhancement in its market reputation and customer satisfaction.

The enterprise risk management continued to be strengthened. In face of new changes in the business environment, the Bank scientifically managed the relationship between development and risk, proactively improved enterprise risk management and maintained a sound and steady operation momentum. In accordance with the requirements of the new Capital Regulation, the Bank accelerated various risk measurement and management application, and improved the Group's consolidated risk management system. The Bank closely followed the changes in the capital market, scientifically drew up liquidity management strategy, continually maintained adequate liquidity and effectively responded to the liquidity fluctuation of the interbank market in the first half of 2013. Moreover, the Bank strengthened the operational risk management, effectively prevented the impact from external risks of illegal fundraising and private lending, and developed an operational risk management system centered on process control. Therefore, operational risk loss ratio stayed at a relatively low level.

In the first half of 2013, I had the honor to be appointed by the Shareholders' General Meeting and the Board of Directors to act as Vice Chairman, President and Executive Director. Taking this opportunity, I would like to express my heartfelt gratitude to all shareholders and the Board of Directors for your trust, and pay my deep respects to former president Mr. Yang Kaisheng for his outstanding contributions to the Bank's development. I will join hands with the Management to work hard and fulfill my duties diligently, seize the market opportunities, and put emphasis on structural adjustment, process management and strict governance of the Bank. I will urge the Bank to continuously sharpen its competitive edge, generate good return for investors, and provide better financial services for customers to promote the economic and social development.



President: Yi Huiman

29 August 2013

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

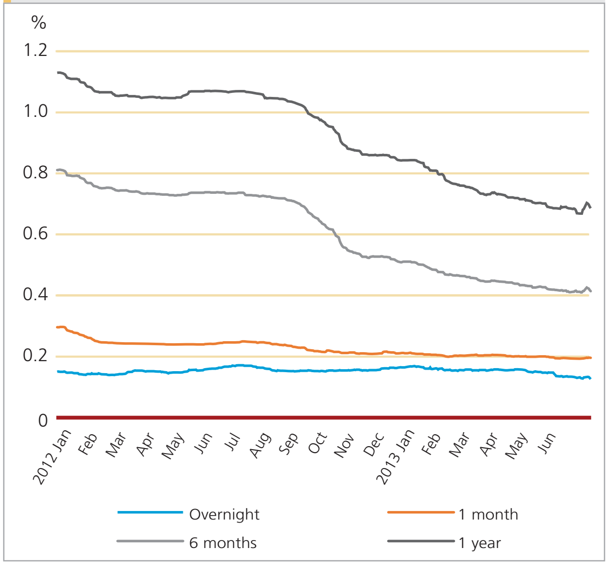
International Economic, Financial and Regulatory Environments

In the first half of 2013, the world economy grew slowly but remained weak, and major economies recovered in a divergent manner. In terms of different regions, the US economy maintained sound recovery, with a sound momentum of improved employment and low inflation. The European economy was still stagnant. While the market risk triggered by the European debt crisis was becoming stable, the far-reaching impact of European debt crisis was lingering in view of the continuously rising public debts, high unemployment rate which kept hitting new highs and economic depression for seven consecutive quarters in the Euro zone. Japan showed a good momentum of economic revival, its industry and export recovered, public investment and private consumption grew steadily, and deflation showed an initial sign of improvement. Emerging economies maintained a downturn trend in the wake of economic slowdown last year, and cross-border capital flight emerged.

From the perspective of macro policy, the policy orientation also differentiated in major economies. In respect of monetary policy, the US Federal Reserve (Fed) continued to maintain an interest rate of 0-0.25%, but it became increasingly clear that it would taper from the quantitative easing policy in the future. Europe still pursued an ultra-loose monetary policy, and has adjusted the primary refinancing interest rate of the European Central Bank (ECB) to a record low of 0.5% in May. The central bank of Japan launched a round of more aggressive quantitative easing policy, including initiating open-ended asset purchase plan in advance, and increasing the purchase volume and enlarging the purchase scope of Japanese government bonds, in an attempt to attain the 2% inflation target and instill fresh vitality into Japanese economy. The rising inflation risk caused most emerging economies to adopt tightening monetary policy. From early 2013 to middle July, the Central Bank of Brazil raised interest rates thrice to 8.50%, Bank Indonesia raised rates twice to 6.50%, and the Reserve Bank of India raised its benchmark interest rate sharply to 10.25%, a peak in the past 14 years. In respect of fiscal policy, the European economies still faced huge pressure of fiscal austerity; the US initiated budget sequestration; Japan introduced the largest-ever budget plan for the fiscal year 2013; the fiscal policy of emerging economies was relatively loose.

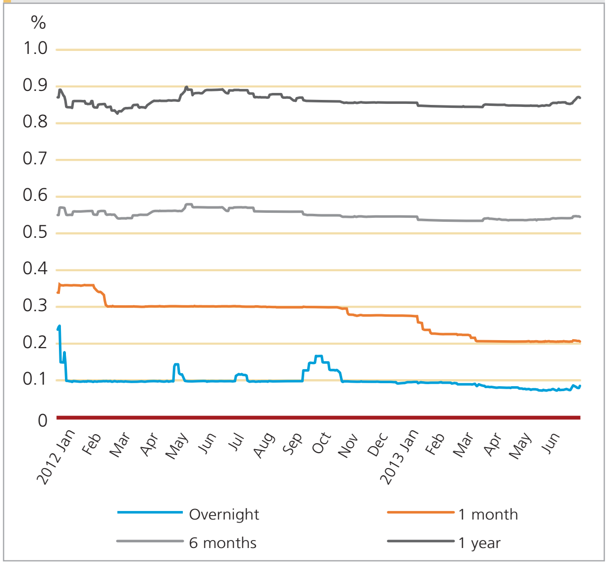
In the first half of 2013, the fluctuation of international financial market was intensified again, and the imminent change of the ultra-loose monetary policy of the Fed became the core factor affecting the direction of each major market. First, the drastic fluctuation of global exchange market and the US dollar rally became the main story in the foreign exchange market. At the end of June, US dollar index closed at 83.14, representing an increase of 4.22% over the end of last year. On the whole, Euro remained weak and depreciated by 1.47% against US dollar during the same period. The exchange rate of Japanese Yen declined drastically, depreciating by 14.35% against US dollar in the first half of 2013. The currencies of such emerging markets as Brazil, India and Russia depreciated largely due to international capital flight. Second, global stock markets differentiated, and the stock markets of the US and Japan rallied greatly. Dow Jones Industrial Average increased by 13.78% over the end of last year, while Nikkei 225 rose by 31.57% from the end of the previous year. European stock market edged up. German DAX30 Index, French CAC40 Index and UK FTSE100 Index increased by 4.56%, 2.69% and 5.39% respectively over the end of last year. The stock markets of emerging economies were weak. MSCI emerging markets index dropped by 10.93% in the first half of 2013. The capitalization of global stock markets increased by USD1.7 trillion from the end of last year to USD53.8 trillion. Third, the bulk commodity market was comparatively weak as a whole. New York Spot Gold Price closed at USD1,234.53 per ounce, representing a decrease of 26.3% from the end of the previous year, while New York WTI light sweet crude oil futures increased by 1.9% compared to the end of the previous year to close at USD96.56 a barrel at the end of June. Fourth, the continued easing liquidity in the world led to a steady decline in the fund cost. As at the end of June, the one-year US dollar LIBOR dropped to 0.69% from 0.84% at the end of last year, while the one-year HK dollar HIBOR increased slightly from 0.86% to 0.87% at the end of last year.

Movements of US Dollar LIBOR since 2012



Data source: Bloomberg.

Movements of Hong Kong Dollar HIBOR since 2012



Data source: Bloomberg.

Economic, Financial and Regulatory Environments in China

In the first half of 2013, in view of the complex and volatile situations at home and abroad, China, in respect of its economic policy, adhered to making progress while ensuring stability, continued to pursue proactive fiscal policy and prudent monetary policy with a focus on better economic growth quality and results, promoted restructuring by reform and drove development by restructuring. The national economy maintained smooth and steady operation and sought improvement in stability.

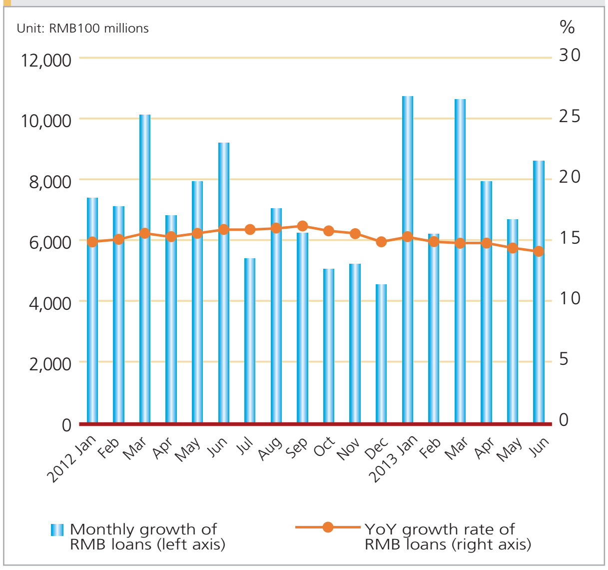
China's gross domestic product (GDP) amounted to RMB24.8 trillion in the first half of 2013, representing an increase of 7.6% compared to the same period of last year. The growth rate of GDP reached 7.7% and 7.5% respectively in the first quarter and the second quarter. Capital formation, final consumption and net export contributed 4.1, 3.4 and 0.1 percentage points respectively to the GDP growth. Industrial output maintained smooth growth and enterprise profits continued to grow. Added value of above-scale industries increased by 9.3%, with the increment decreased by 0.2 percentage points over the first quarter. The realized profits of above-scale industrial enterprises in the country reached RMB2,583.7 billion, representing an increase of 11.1% over the same period of last year, with the increment increased by 0.2 percentage points over the first quarter but with the increment decreased by 2.2 percentage points over the same period of last year. Fixed asset investment grew rapidly, and the growth of investment in the tertiary industry was faster than that of total investment. Fixed asset investment (excluding peasant household) reached RMB18.1 trillion, representing an increase of 20.1% compared to the same period of last year, and investment in the tertiary industry stood at RMB9.9 trillion, representing an increase of 23.5%. Market sales grew steadily, with total retail sales of consumer goods increased to RMB11.1 trillion, representing an increase of 12.7% in nominal value. Consumer price index (CPI) was basically stable and increased by 2.4% compared to the same period of last year, while producer price index (PPI) decreased by 2.4%. Total imports and exports arrived at USD2.0 trillion, representing an increase of 8.6% with the increment increased by 0.7 percentage points over the same period of last year. Trade surplus stood at USD107.95 billion.

PBC continued to implement the sound monetary policy and adjusted it in advance and slightly in a forward-looking way based on more uncertainties in international capital flows and big pressure from monetary credit expansion. PBC, reasonably resorting to the innovative mixes of open market operations, relending, rediscounting, standing credit facilities and short-term liquidity adjustment tools, continued to give play to the role of differentiated reserve dynamic adjustment tools in countercyclical regulation and guide stable and appropriate growth of monetary credits. It also actively assessed the effectiveness of credit policy orientation to promote optimization of credit structure. Under further advanced interest rate liberalization reform, loan interest rates were fully liberized from 20 July 2013. The use of RMB in cross-border trade and investment was enlarged as well. Besides, PBC carried forward financial enterprise reform steadily and deepened foreign exchange management system reform.

The money supply grew rapidly. At the end of June, the balance of broad money (M2) reached RMB105.45 trillion, representing an increase of 14.0% year-on-year, 0.2 percentage points higher than the growth rate of 2010; the balance of narrow money (M1) stood at RMB31.36 trillion, representing an increase of 9.1% year-on-year, 2.6 percentage points higher than the growth rate of 2010. The balance of RMB and foreign currency loans of all financial institutions totaled RMB72.87 trillion, representing an increase of 15.1% year-on-year, of which the balance of RMB loans increased by 14.2% to RMB68.08 trillion, and that of foreign currency loans rose by 33.2% to USD775.8 billion. The balance of RMB and foreign currency deposits of all financial institutions amounted to RMB103.64 trillion, representing an increase of 14.1% year-on-year, the same rate of growth as the end of last year, of which the balance of RMB deposits increased by 14.3% to RMB100.91 trillion, and that of foreign currency deposits rose by 9.0% to USD441.5 billion.

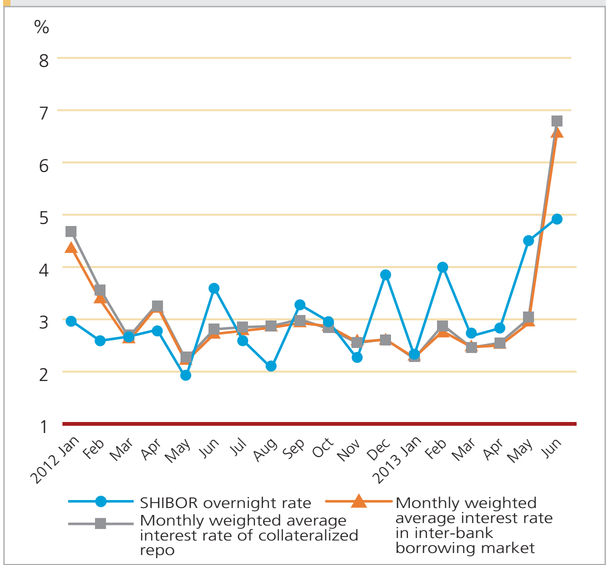
The social financing scale was obviously larger than the same period of last year. According to preliminary statistics of PBC, the social financing scale was RMB10.15 trillion in the first half of 2013, representing an increase of RMB2.38 trillion compared to the same period of last year, within which, RMB loans increased by RMB5.08 trillion, RMB221.7 billion higher than the same period of last year; foreign currency-denominated loans increased by RMB579.1 billion, with the increment increased by RMB302.6 billion over the same period of last year; entrusted loans increased by RMB1.11 trillion, with the increment increased by RMB629.1 billion over the same period of last year; trust loans increased by RMB1.23 trillion, with the increment increased by RMB895 billion over the same period of last year; undiscounted bank's acceptance bills increased by RMB516.4 billion, with the increment decreased by RMB93.2 billion over the same period of last year; the net financing amount of enterprise bonds reached RMB1.22 trillion, representing an increase of RMB396.5 billion over the same period of last year, while domestic equity financing amount of non-financial enterprises reached RMB124.8 billion, with the increment decreased by RMB24.7 billion over the same period of last year.

RMB Loan Growth of Domestic Financial Institutions since 2012



Data source: PBC.

Movements of Interest Rate in Domestic Inter-bank Market since 2012



Data source: PBC.

At the end of June, banking financial institutions (corporate) recorded total assets of RMB144.25 trillion, representing an increase of 8.0% compared to the end of the previous year. The balance of NPLs was RMB539.5 billion, representing an increase of RMB46.6 billion; the NPL ratio was 0.96% and the allowance to NPL stood at 292.5%; the capital adequacy ratio and the core tier-one capital adequacy ratio were 12.24% and 9.85%, respectively. On 25 March 2013, CBRC issued the *Circular on Issues Relevant to Regulating the Investment Operations of the Wealth Management Business of Commercial Banks*, aimed at further regulating the development of wealth management business of banks, which had profound implications on the wealth management market.

Since 2013, RMB appreciated by a small margin. The bi-directional fluctuation features of exchange rates were obvious with obvious enhancement of elasticity, and expectation of RMB exchange rates was smooth as a whole. At the end of June, the central parity of RMB against the US dollar was RMB6.1787 per USD, representing an appreciation of 1.73% compared to the end of last year. Cumulative appreciation was 33.95% since the reform of RMB exchange rate reformation regime in 2005. The balance of China's foreign exchange reserves was USD3.50 trillion, representing an increase of 5.7% compared to the end of the previous year.

The financial market maintained healthy and stable operation entirely. The transaction volume of money market saw a decelerated growth, and interest rates dropped after a surge in June. In the first half of 2013, the transaction value of RMB in the inter-bank market reached RMB132.47 trillion cumulatively, with an average daily transaction value of RMB1.09 trillion, representing an increase of 3.8% over the same period of last year. In June, money market interest rates fluctuated remarkably. The monthly weighted average interest rate of inter-bank borrowing was 6.58% in June, representing an increase of 397 basis points over the end of the previous year, while the monthly weighted average interest rate of collateralized repo was 6.82%, representing an increase of 420 basis points over the end of last year. Since late June, when PBC adopted a series of measures to stabilize the market interest rates and time-point and sentiment factors gradually disappeared, the money market went back to stable operation. In July, the monthly weighted average interest rate of collateralized repo and inter-bank borrowing fell to 3.61% and 3.60% respectively. In the first half of 2013, inter-bank bond market indices rose slightly and inter-bank market government bond yield curve moved downward overall. The scale of bond issuance continued to expand, with a cumulative total of RMB4.3 trillion bonds issued, representing an increase of 21.5% over the same period of last year. At the end of June, the balance of various bonds in China amounted to RMB28.4 trillion.

The Shanghai and Shenzhen stock market indices dropped a lot, with an increase in market turnover and a slight decrease in raised capital compared to the same period of last year. In the first half of 2013, combined turnover on the Shanghai and Shenzhen stock exchanges was RMB21.1 trillion, representing an increase of 20.9% over the same period of last year, with average daily turnover increasing by RMB37.6 billion to RMB187.1 billion. The capitalization of the free float stocks in the Shanghai and Shenzhen stock markets amounted to RMB16.9 trillion, representing a decrease of 2.4% from the same period of last year. The Shanghai Composite Index and Shenzhen Component Index closed at 1979 points and 7695 points respectively, representing a decrease of 12.8% and 15.6% respectively from the end of last year. There was a year-on-year decrease in the funds raised from the equity market, where enterprises and financial institutions accumulatively raised RMB194.6 billion through public offerings, additional issues, allotment of shares and warrant exercise in the domestic and foreign equity markets, representing a decrease of RMB4.8 billion compared to the same period of last year.

Outlook for the Second Half of 2013

In the second half of 2013, the world economy is expected to maintain slow growth, but the downside risk still remains. As the Fed is about to withdraw from the ultra-loose monetary policy, the world's economic recovery and international financial market will face more uncertainties. Though the US and Japan are expected to continue a sound momentum of growth, the sequester will continuously drag the US economy, and there are questions about whether Japan's economic policy can continue to be firmly implemented in the future. European economic depression will ease, but the chances of economic recovery within this year are slim. The huge pressure of fiscal austerity, dysfunction of monetary policy, setback of financial market integration and continued political crisis are still the substantial risks that the Euro zone is confronted with. Emerging economies may undergo longer slowdown due to infrastructure bottleneck and other capacity restrictions, decline in external demand, drop of bulk commodity price, fluctuation of financial system and weak policy support in some regions. Strong US dollar will continue to be a dominant role in the foreign exchange market, and European debts are likely to experience another wave of crisis. The pressure of capital flight in the emerging markets will be still huge, and the stock market and bulk commodity market will remain weak. According to the report released by the IMF on 9 July 2013, the world's economic growth rate is expected at 3.1% in 2013, the same as the previous year. Specifically, the growth rate of developed economies will reach 1.2%, and that of emerging economies is 5.0%. As affected by such factors as continuous deterioration of sovereign debt crisis and weak recovery of the world economy, the WTO forecasts that the world's trade value will grow by merely 3.3% in 2013, lower than the average of the past 20 years.

In the second half of 2013, the development environment facing China's economy will remain complex, and there will be not only factors favorable for stable economic growth but also constraints and challenges. Judged from challenges, the engine driving strong growth of the world economy has not taken shape, some deep-rooted system and mechanism issues have not been effectively solved, and there are still many uncertainties about external demands. China's endogenous growth drive needs to be strengthened. Against the backdrop of periodic potential deceleration of the growth of economy, the issue of overcapacity is quite prominent and investment in manufacturing industry will go down constantly. The debt and leverage of some enterprises will rise quickly, and some local government financing vehicles will become more complicated, leading to a rise in financing cost. Meanwhile, the pressure of resources and environment is huge, air, water and soil pollution is serious, constraint will increase, and the foundation of smooth economic operation remains unstable. Judged from opportunities, the fundamentals supporting China's long-term economic growth will not experience a profound change. Industrialization, informatization, urbanization and agricultural modernization will still embrace a broad room. Human capital, infrastructure, industrial production and supporting capacity will improve greatly. Consumption upgrading and service industry growth will pick up, especially that some weaknesses and bottlenecks will release huge demands once removed. The Chinese economy will be still at the stage of structural adjustment, and the new administration will steadily and orderly push forward reform. All the above points will help stabilize economy and expand demand, thereby further unleashing potentials of growth and promoting long-term and sustainable economic development.

In the second half of 2013, China will continue to implement a proactive fiscal policy and a prudent monetary policy, ensure the continuity and stability of macro-economic policies, increase the pertinence and coordination of control, make minor and advance adjustments appropriately in due course, balance growth stabilization, structural adjustment, reform promotion and risk prevention and create stable environment and conditions for economic structural adjustment, transformation and upgrading. In respect of the fiscal policy, China will continue to improve the structural tax reduction policy, enlarge the pilot scope of changing business tax into value added tax and the pilot scope of real estate tax, and increase people's livelihood input. China will actively promote economic restructuring, tighten the management of fiscal receipt and expenditure, and promoted the steady and healthy development of the real estate market. In respect of the monetary policy, China will, under the requirements of macro-economic stabilization, micro-economic reinvigoration, and pressing ahead with fruitful and high-quality results, take advantage of various monetary policy instruments to guide the rehabilitation of existing monetary funds and proper utilization of additional funds, in an effort to further support the real economy based on the economic operation. The interest rate liberalization reform will be further advanced to optimize the benchmark interest rate system of financial market, establish and improve the independent pricing mechanism of financial institutions and gradually scale up market-based pricing of liabilities products. The reform of RMB exchange rate reformation regime will be further improved to increase the elasticity of bi-directional movements of RMB exchange rates, maintain the basic stability of RMB exchange rates on a reasonable and balance level and facilitate the basic equilibrium of international payments and receipts. China will strengthen the prudential management, step up monitoring and prevention of potential risks relating to wealth management, bills and inter-bank businesses and stick to the bottom line of not incurring any systematic and regional financial risk. Both the fiscal and credit policies will focus on enhancing their coordination with industrial policies, fully reflecting the classified guidance to support development in some areas while limiting growth in others, continuing to input more efforts in "Sannong" indemnificatory housing, shanty town renovation, livelihood projects, SMEs and especially small and micro enterprises, and continue to support technology, culture, tourism, energy saving and environmental protection and strategic emerging sectors and the State's major infrastructure projects under construction and continuing projects. Furthermore, China will integrate financial resources to support the development of key areas and deficient links including small and micro enterprises to better serve transformation, upgrading and domestic demand expansion.

FINANCIAL STATEMENTS ANALYSIS

Income Statement Analysis

In the first half of 2013, amid the complicated and volatile operating environment, the Bank, through serving the real economy and satisfying customers' financial needs, promoted the transformation of development mode and operation, upgraded income structure, implemented strict control over expense and cost, maintained risk coverage capability, and achieved steady growth in profit. Net profit of the Bank reached RMB138,477 million in the first half of the year, representing an increase of RMB15,236 million or 12.4% compared to the same period of last year. Operating income amounted to RMB291,476 million, representing an increase of 10.9%. Net interest income was RMB215,889 million, representing an increase of 5.8%. Non-interest income reached RMB75,587 million, representing an increase of 28.6%. Operating expenses amounted to RMB91,749 million, representing an increase of 8.5%, and the cost-to-income ratio decreased to 25.09%. Allowance for impairment losses was RMB21,941 million, representing an increase of 14.1%. Income tax expense amounted to RMB40,364 million, representing an increase of RMB3,393 million or 9.2%.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	Six months ended 30 June 2013	Six months ended 30 June 2012	Increase/ (decrease)	Growth rate (%)
Net interest income	215,889	204,058	11,831	5.8
Non-interest income	75,587	58,770	16,817	28.6
Operating income	291,476	262,828	28,648	10.9
Less: Operating expenses	91,749	84,531	7,218	8.5
Less: Impairment losses	21,941	19,237	2,704	14.1
Operating profit	177,786	159,060	18,726	11.8
Share of profits of associates and jointly-controlled entities	1,055	1,152	(97)	(8.4)
Profit before tax	178,841	160,212	18,629	11.6
Less: Income tax expense	40,364	36,971	3,393	9.2
Net profit	138,477	123,241	15,236	12.4
Attributable to: Equity holders of the parent company	138,347	123,160	15,187	12.3
Non-controlling interests	130	81	49	60.5

Net Interest Income

In the first half of 2013, the Bank continued to strengthen asset and liability management, reasonably arranged credit granting, proactively adjusted its credit structure, timely adjusted its investment strategies and optimized its investment portfolio structure. Meanwhile, the Bank also took various measures to strive to control liability cost and achieve stable growth in net interest income. Net interest income amounted to RMB215,889 million, representing an increase of RMB11,831 million or 5.8% as compared to the same period of last year, accounting for 74.1% of the Bank's operating income. Interest income increased by RMB17,985 million or 5.1% to RMB372,507 million, and interest expenses increased by RMB6,154 million or 4.1% to RMB156,618 million.

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

In RMB millions, except for percentages

	Six months ended 30 June 2013			Six months ended 30 June 2012		
Item	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	9,235,044	266,057	5.81	8,137,254	255,736	6.29
Investment	3,944,131	71,920	3.68	3,801,637	67,864	3.57
Investment in bonds not related to restructuring	3,684,035	69,018	3.78	3,438,300	63,799	3.71
Investment in bonds related to restructuring(2)	260,096	2,902	2.25	363,337	4,065	2.25
Due from central banks	2,809,481	21,966	1.58	2,582,450	20,412	1.58
Due from banks and other financial institutions(3)	928,604	12,564	2.73	815,285	10,510	2.58
Total interest-generating assets	**16,917,260**	**372,507**	**4.44**	**15,336,626**	**354,522**	**4.62**
Non-interest-generating assets	1,215,149			796,729		
Allowance for impairment losses	(231,415)			(206,647)		
Total assets	**17,900,994**			**15,926,708**		
Liabilities						
Deposits	13,580,315	132,153	1.96	12,026,736	120,005	2.00
Due to banks and other financial institutions(3)	1,712,411	18,642	2.20	1,794,719	25,362	2.83
Debt securities issued	287,851	5,823	4.08	248,902	5,097	4.10
Total interest-bearing liabilities	**15,580,577**	**156,618**	**2.03**	**14,070,357**	**150,464**	**2.14**
Non-interest-bearing liabilities	1,210,513			850,909		
Total liabilities	**16,791,090**			**14,921,266**		
Net Interest Income		**215,889**			**204,058**	
Net interest spread			**2.41**			**2.48**
Net interest margin			**2.57**			**2.66**

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

(2) Investment in bonds related to restructuring includes Huarong bonds and special government bonds. 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 2013 and 30 June 2012		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	29,690	(19,369)	10,321
Investment	2,862	1,194	4,056
Investment in bonds not related to restructuring	4,025	1,194	5,219
Investment in bonds related to restructuring	(1,163)	–	(1,163)
Due from central banks	1,554	–	1,554
Due from banks and other financial institutions	1,448	606	2,054
Changes in interest income	**35,554**	**(17,569)**	**17,985**
Liabilities			
Deposits	14,534	(2,386)	12,148
Due to banks and other financial institutions	(1,113)	(5,607)	(6,720)
Debt securities issued	751	(25)	726
Changes in interest expenses	**14,172**	**(8,018)**	**6,154**
Changes in net interest income	**21,382**	**(9,551)**	**11,831**

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

◆ *Net Interest Spread and Net Interest Margin*

The Bank proactively coped with opportunities and challenges brought by the interest liberalization, strengthened RMB deposit and loan pricing management and continued to improve market-based pricing mechanism. Due to the influence of interest reduction by PBC in 2012 and adjustment policy on fluctuation range of deposit and loan interest rates, net interest spread and net interest margin in the first half of 2013 were 2.41% and 2.57%, representing a decrease of 7 and 9 basis points, respectively, as compared to the same period of last year, and representing a decrease of 8 and 9 basis points, respectively, as compared to the whole year of 2012.

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 2013, the first half of 2012 and the whole year of 2012.

Percentages

Item	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Yield of interest-generating assets	4.44	4.62	4.59
Cost of interest-bearing liabilities	2.03	2.14	2.10
Net interest spread	2.41	2.48	2.49
Net interest margin	2.57	2.66	2.66

Interest income

◆ *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB266,057 million, representing an increase of RMB10,321 million or 4.0% compared to the same period of last year, mainly due to an increase of RMB1,097,790 million in average balance. Average yield dropped by 48 basis points, mainly because PBC decreased the benchmark interest rate on RMB loans twice in 2012 and the effective interest rate level of newly granted loans in the first half of 2013 and repriced existing loans were lower than that of the same period of last year.

In terms of maturity structure, the average balance of short-term loans was RMB3,280,391 million, interest income derived therefrom was RMB82,120 million, and the average yield was 5.05%. The average balance of medium to long-term loans was RMB5,954,653 million, interest income arising therefrom was RMB183,937 million, and the average yield was 6.23%.

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 2013			Six months ended 30 June 2012		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	6,138,785	185,025	6.08	5,452,326	178,919	6.56
Discounted bills	182,125	5,212	5.77	158,483	7,632	9.63
Personal loans	2,397,591	66,741	5.61	2,040,264	61,004	5.98
Overseas business	516,543	9,079	3.54	486,181	8,181	3.37
Total loans and advances to customers	**9,235,044**	**266,057**	**5.81**	**8,137,254**	**255,736**	**6.29**

In terms of business line, interest income on corporate loans amounted to RMB185,025 million, representing an increase of RMB6,106 million or 3.4% as compared to the same period of the previous year and accounting for 69.5% of total interest income on loans and advances to customers, mainly due to an increase of RMB686,459 million in average balance of corporate loans.

Interest income on discounted bills was RMB5,212 million, representing a decrease of RMB2,420 million or 31.7% as compared to the same period of last year, mainly due to a large decline in market interest rate of discounted bills during the reporting period compared to the same period of last year.

Interest income on personal loans was RMB66,741 million, representing an increase of RMB5,737 million or 9.4% compared to the same period of last year, mainly due to an increase of RMB357,327 million in the average balance of personal loans.

Interest income on overseas loans was RMB9,079 million, representing an increase of RMB898 million or 11.0% compared to the same period of last year. Benefiting from the continuous advancement of the Bank's internationalized development, interest income on overseas loans achieved a steady growth.

◆ *Interest Income on Investment*

Interest income on investment amounted to RMB71,920 million, representing an increase of RMB4,056 million or 6.0% compared to the same period of last year. Specifically, interest income on investment in bonds not related to restructuring was RMB69,018 million, representing an increase of RMB5,219 million or 8.2%, mainly due to an increase of RMB245,735 million in average balance. During the reporting period, the Bank reinforced portfolio management, proactively seized favorable market opportunities, and reasonably increased investment in financial bonds with relatively high yield and quality corporate bonds. The new investment in bonds generated relatively high yield, driving a growth of 7 basis points in the average yield of bonds not related to restructuring.

Interest income on investment in bonds related to restructuring was RMB2,902 million, representing a decrease by RMB1,163 million or 28.6% compared to the same period of last year, mainly due to repayment of part of the Huarong bonds in 2012, resulting in a decrease in average balance.

◆ *Interest Income on Due From Central Banks*

Due from central banks mainly includes the mandatory reserves with central banks and the surplus reserves with central banks. Interest income on due from central banks was RMB21,966 million, representing an increase of RMB1,554 million or 7.6% compared to the same period of last year, mainly due to the increase in the size of mandatory reserves with central banks resulted from the steady growth in customers' deposits of the Bank.

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

Interest income on due from banks and other financial institutions was RMB12,564 million, representing an increase of RMB2,054 million or 19.5% compared to the same period of last year, principally due to an increase of RMB113,319 million in average balance and a rise of 15 basis points in average yield. Subject to its liquidity demands being satisfied, the Bank proactively seized the favorable market opportunities to increase capital operation effort and its capital operation income.

Interest Expense

◆ *Interest Expense on Deposits*

Interest expense on deposits amounted to RMB132,153 million, representing an increase of RMB12,148 million or 10.1% compared to the same period of last year, and accounted for 84.4% of total interest expense, mainly because the Bank gave full play to the comprehensive edge of its financial service and proactively promoted the steady growth in deposits, resulting in an increase of RMB1,553,579 million in average balance. Due to the accumulated impacts of decrease in the benchmark interest rate on RMB deposits in 2012, the average cost of deposits dropped by 4 basis points compared to the same period of last year.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

	Six months ended 30 June 2013			Six months ended 30 June 2012		
Item	Average balance	Interest expense	Average yield (%)	Average balance	Interest expense	Average yield (%)
Corporate deposits						
Time deposits	2,893,288	46,691	3.25	2,242,834	36,886	3.29
Demand deposits[1]	3,668,012	13,269	0.73	3,544,693	15,277	0.86
Subtotal	**6,561,300**	**59,960**	**1.84**	**5,787,527**	**52,163**	**1.80**
Personal deposits						
Time deposits	3,835,673	64,224	3.38	3,476,785	59,300	3.41
Demand deposits	2,806,902	4,874	0.35	2,434,125	5,590	0.46
Subtotal	**6,642,575**	**69,098**	**2.10**	**5,910,910**	**64,890**	**2.20**
Overseas business	**376,440**	**3,095**	**1.66**	**328,299**	**2,952**	**1.80**
Total deposits	**13,580,315**	**132,153**	**1.96**	**12,026,736**	**120,005**	**2.00**

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 RMB18,642 million, representing a decrease of RMB6,720 million or 26.5% compared to the same period of last year, principally due to a reduction of 63 basis points in average cost and a decrease of RMB82,308 million in average balance. During the reporting period, the Bank further improved the structure of liabilities to other banks and effectively controlled the cost of capital.

◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB5,823 million, representing an increase of RMB726 million or 14.2% compared to the same period of last year, mainly attributable to the Bank's issuance of RMB20.0 billion subordinated bonds in June 2012. Please refer to "Note 31. to the Financial Statements: Debt Securities Issued" for details of the subordinated bonds issued by the Bank.

Non-interest Income

In the first half of 2013, the Bank continuously carried forward the fee-based business transformation and income structure improvement, and achieved non-interest income of RMB75,587 million, representing an increase of RMB16,817 million or 28.6% compared to the same period of last year, and its percentage in operating income rose by 3.5 percentage points to 25.9%.

COMPOSITION OF NON-INTEREST INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2013	Six months ended 30 June 2012	Increase/ (decrease)	Growth rate (%)
Fee and commission income	72,512	58,836	13,676	23.2
Less: Fee and commission expense	5,130	4,032	1,098	27.2
Net fee and commission income	67,382	54,804	12,578	23.0
Other non-interest related gain	8,205	3,966	4,239	106.9
Total	**75,587**	**58,770**	**16,817**	**28.6**

Actively adapting to the market environment and changes in customers' demands, the Bank earnestly implemented regulatory rules, safeguarded consumers' rights and interests, and developed financial assets service with high technical content and added-value for customers in an innovative manner to promote the sound development of fee-based business. In the first half of 2013, net fee and commission income was RMB67,382 million, representing an increase of RMB12,578 million or 23.0% compared to the same period of last year, of which, income from brand investment banking business, bank card business, private banking service, corporate wealth management services, precious metals, asset custody business, guarantee and commitment business, and pension business achieved a relatively quick growth. During the reporting period, income from the entrusted wealth management services amounted to RMB8,056 million and income from various agency services amounted to RMB3,859 million.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2013	Six months ended 30 June 2012	Increase/ (decrease)	Growth rate (%)
Investment banking business	17,077	14,950	2,127	14.2
Settlement, clearing business and cash management	15,638	13,784	1,854	13.5
Bank card business	14,275	10,505	3,770	35.9
Personal wealth management and private banking services	9,920	8,886	1,034	11.6
Corporate wealth management services	6,868	4,792	2,076	43.3
Asset custody business	3,738	2,806	932	33.2
Guarantee and commitment business	2,812	1,463	1,349	92.2
Trust and agency services	1,004	895	109	12.2
Others	1,180	755	425	56.3
Fee and commission income	**72,512**	**58,836**	**13,676**	**23.2**
Less: Fee and commission expense	**5,130**	**4,032**	**1,098**	**27.2**
Net fee and commission income	**67,382**	**54,804**	**12,578**	**23.0**

Income from investment banking business was RMB17,077 million, representing an increase by RMB2,127 million or 14.2% compared to the same period of last year, mainly attributable to increase in relevant business income driven by development of brand investment banking business including high-end financial advisory service, syndicated arrangement underwriting and advisory service for issue of corporate bonds.

Income from settlement, clearing business and cash management was RMB15,638 million, representing an increase of RMB1,854 million or 13.5% compared to the same period of last year, of which, income from cash management service grew relatively faster and income from RMB settlement business maintained stable growth.

Income from bank card business was RMB14,275 million, representing an increase by RMB3,770 million or 35.9% compared to the same period of last year, mainly due to the increase in the consumption commission income and installment service fee income driven by the growth in consumption by bank cards.

Income from personal wealth management and private banking services amounted to RMB9,920 million, representing an increase of RMB1,034 million or 11.6% compared to the same period of last year, mainly due to the increase in income from personal precious metal business such as Brand Gold and Ruyi Gold as well as from private banking service.

Income from corporate wealth management services was RMB6,868 million, representing an increase by RMB2,076 million or 43.3%, mainly due to the rapid income growth driven by the increase in the scale of corporate wealth management products and the expansion of agency service of precious metal business.

Income from asset custody business was RMB3,738 million, representing an increase by RMB932 million or 33.2% compared to the same period of last year, principally attributable to the relatively quick growth in income from custody business resulted from the increased scale of insurance custody, pensions and other entrusted assets.

Income from guarantee and commitment business was RMB2,812 million, representing an increase by RMB1,349 million or 92.2% compared to the same period of last year, mainly due to relevant income increase led by commitment business.

OTHER NON-INTEREST RELATED GAIN

In RMB millions, except for percentages

Item	Six months ended 30 June 2013	Six months ended 30 June 2012	Increase/ (decrease)	Growth rate (%)
Net trading expense	(338)	(248)	(90)	N/A
Net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss	90	(1,463)	1,553	N/A
Net gain on financial investments	608	454	154	33.9
Other operating income, net	7,845	5,223	2,622	50.2
Total	**8,205**	**3,966**	**4,239**	**106.9**

Other non-interest related gain amounted to RMB8,205 million, representing an increase of RMB4,239 million or 106.9% compared to the same period of last year. Specifically, income from precious metal leasing business and consolidated net income of a subsidiary (ICBC-AXA) from insurance business resulted in an increase of RMB2,622 million in other net operating income. Financial assets and liabilities designated at fair value through profit or loss turned from net loss to net gain, mainly attributable to a decrease in expenses from structural deposits paid to customers.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	Six months ended 30 June 2013	Six months ended 30 June 2012	Increase/ (decrease)	Growth rate (%)
Staff costs	44,700	42,309	2,391	5.7
Including: Salaries and bonuses	30,532	28,792	1,740	6.0
Premises and equipment expenses	12,655	10,997	1,658	15.1
Business tax and surcharges	18,613	17,327	1,286	7.4
Amortization	1,002	807	195	24.2
Others	14,779	13,091	1,688	12.9
Total	**91,749**	**84,531**	**7,218**	**8.5**

The Bank exercised strict cost management and control. Operating expenses were RMB91,749 million, representing an increase of RMB7,218 million or 8.5% compared to the same period of last year, and cost-to-income ratio was reduced to 25.09%. Staff costs rose by 5.7%, and other operating expenses amounted to RMB14,779 million, representing an increase of 12.9%.

Impairment Losses

The Bank continued to intensify risk prevention and control on loans and insisted on steady and prudent provisioning policy while maintaining stable loan quality as a whole. Allowance for impairment losses on assets was RMB21,941 million, representing an increase of RMB2,704 million or 14.1% compared to the same period of last year. In particular, allowance for impairment losses on loans was RMB21,927 million, representing an increase of RMB2,898 million or 15.2% compared to the same period of last year. 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 was RMB40,364 million, representing an increase by RMB3,393 million or 9.2% compared to the same period of last year. The effective tax rate was 22.6%. Please see "Note 11. to the Financial Statements: Income Tax Expense" for the reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax rate.

Segment Information

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

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

	Six months ended 30 June 2013		Six months ended 30 June 2012	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	148,224	50.9	145,940	55.5
Personal banking	95,097	32.6	80,564	30.7
Treasury operations	44,691	15.3	35,405	13.5
Others	3,464	1.2	919	0.3
Total operating income	**291,476**	**100.0**	**262,828**	**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 2013		Six months ended 30 June 2012	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	18,264	6.3	24,417	9.3
Yangtze River Delta	58,405	20.0	53,190	20.2
Pearl River Delta	37,821	13.0	34,812	13.3
Bohai Rim	59,966	20.6	52,564	20.0
Central China	40,276	13.8	34,625	13.2
Western China	47,320	16.2	39,969	15.2
Northeastern China	15,870	5.4	14,786	5.6
Overseas and others	13,554	4.7	8,465	3.2
Total operating income	**291,476**	**100.0**	**262,828**	**100.0**

Note: Please see "Note 44. to the Financial Statements: Segment Information" for the Bank's classification of geographic regions.

Balance Sheet Analysis

In the first half of 2013, the Bank timely adjusted business strategy based on the external macroeconomic environment, improved asset and liability structure, kept coordinated development of deposit and loan business and strived to enhance resource allocation efficiency. Combining real economy development and demands in transformation and upgrade of structural adjustment, the Bank proactively adopted means such as economic capital limit control to appropriately manage the total amount, direction and pace of credit granting. It flexibly arranged its investment schedule by closely monitoring the trends of the domestic and international financial markets, achieving moderate growth in investment scale. It also boosted capital operation income by seizing capital trend and price changing tendency. Moreover, the Bank actively adopted measures to promote steady growth in due to customers, and further improved the structure of liabilities to other banks, thereby ensuring a stable and sustainable growth of funding sources based on reasonable cost control.

Assets Deployment

As at the end of June 2013, total assets of the Bank amounted to RMB18,723,353 million, representing an increase of RMB1,181,136 million or 6.7% from the end of the previous year, of which, total loans and advances to customers (collectively referred to as "loans") increased by RMB633,950 million or 7.2%, investment increased by RMB298,377 million or 7.3%, and cash and balances with central banks increased by RMB126,048 million or 4.0%. In terms of structure, net loans and advances to customers accounted for 49.1% of total assets, representing an increase of 0.2 percentage points from the end of last year; investment accounted for 23.4%, representing an increase of 0.1 percentage points; and cash and balances with central banks accounted for 17.6%.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

	At 30 June 2013		At 31 December 2012	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	9,437,642	—	8,803,692	—
Less: Allowance for impairment losses on loans	235,619	—	220,403	—
Loans and advances to customers, net	9,202,023	49.1	8,583,289	48.9
Investment	4,382,264	23.4	4,083,887	23.3
Cash and balances with central banks	3,300,991	17.6	3,174,943	18.1
Due from banks and other financial institutions	641,073	3.4	636,450	3.6
Reverse repurchase agreements	462,000	2.5	544,579	3.1
Others	735,002	4.0	519,069	3.0
Total assets	**18,723,353**	**100.0**	**17,542,217**	**100.0**

Loans

In the first half of 2013, the Bank supported real economy development and industrial restructuring according to changes in macroeconomic environment and financial regulatory requirements, and properly controlled loan granting direction and pace. The Bank continued to bolster the development of advanced manufacturing, modern services, culture industries and strategic emerging sectors, and supported appropriate credit demands of small and medium enterprises, trade finance and individuals. Furthermore, it paid equal attention to both credit structure adjustment and risk prevention and control, maintaining a stable and appropriate loan growth and a reasonable structure of loan granting direction. As at the end of June 2013, loans amounted to RMB9,437,642 million, representing an increase of RMB633,950 million or 7.2% from the end of the previous year, of which, RMB-denominated loans of domestic operations increased by RMB490,748 million or 6.2% to RMB8,381,527 million.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2013 Amount	At 30 June 2013 Percentage (%)	At 31 December 2012 Amount	At 31 December 2012 Percentage (%)
Corporate loans	6,710,747	71.1	6,332,578	71.9
Discounted bills	185,655	2.0	184,011	2.1
Personal loans	2,541,240	26.9	2,287,103	26.0
Total	**9,437,642**	**100.0**	**8,803,692**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

Item	At 30 June 2013 Amount	At 30 June 2013 Percentage (%)	At 31 December 2012 Amount	At 31 December 2012 Percentage (%)
Short-term corporate loans	2,697,110	40.2	2,470,061	39.0
Medium to long-term corporate loans	4,013,637	59.8	3,862,517	61.0
Total	**6,710,747**	**100.0**	**6,332,578**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 30 June 2013 Amount	At 30 June 2013 Percentage (%)	At 31 December 2012 Amount	At 31 December 2012 Percentage (%)
Working capital loans	3,015,433	44.9	2,795,081	44.1
Including: Trade finance	1,146,501	17.1	1,033,073	16.3
Project loans	3,177,875	47.4	3,017,048	47.7
Property loans	517,439	7.7	520,449	8.2
Total	**6,710,747**	**100.0**	**6,332,578**	**100.0**

Corporate loans increased by RMB378,169 million or 6.0%. In terms of maturity, short-term corporate loans increased by RMB227,049 million or 9.2%, accounting for 60.0% of the total increase in all corporate loans; medium to long-term corporate loans increased by RMB151,120 million or 3.9%. In terms of product type, working capital loans increased by RMB220,352 million or 7.9%, of which, trade finance increased by RMB113,428 million or 11.0%, mainly because the Bank continued to increasingly support the credit demands of enterprises in the production and circulation areas; project loans increased by RMB160,827 million or 5.3%, mainly invested to national key projects under construction and continuing projects; and property loans decreased by RMB3,010 million or 0.6%.

Discounted bills increased by RMB1,644 million or 0.9% from the end of the previous year, mainly because the Bank actively adjusted the current scale of discounted bills based on the bank-wide credit granting progress to meet the management needs of asset and liability portfolio.

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 30 June 2013 Amount	At 30 June 2013 Percentage (%)	At 31 December 2012 Amount	At 31 December 2012 Percentage (%)
Personal housing loans	1,547,065	60.9	1,340,891	58.6
Personal consumption loans	382,349	15.0	381,611	16.7
Personal business loans	343,425	13.5	319,709	14.0
Credit card overdrafts	268,401	10.6	244,892	10.7
Total	**2,541,240**	**100.0**	**2,287,103**	**100.0**

Personal loans increased by RMB254,137 million or 11.1% from the end of last year, mainly due to an increase of RMB206,174 million or 15.4% in personal housing loans with the increment increased by RMB179,261 million over the same period of last year. Personal consumption loans increased by RMB738 million or 0.2%, principally because the Bank strengthened management on the purpose of personal consumption loans and actively adjusted loan product structure, resulting in the slow-down of growth rate. Personal business loans increased by RMB23,716 million or 7.4%. Credit card overdrafts increased by RMB23,509 million or 9.6%, mainly due to the Bank's vigorous development in credit card installments and continuous growth in issuance volume and consumptions of credit cards.

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

Investment

In the first half of 2013, the Bank precisely seized opportunities in the market, reasonably controlled the balance between investment income and interest rate risk in strict adherence to the trends in financial markets, and appropriately increased investments while the market interest rate stayed at a relatively higher level to continuously enhance the return on investment portfolios. As at the end of June 2013, total investment of the Bank amounted to RMB4,382,264 million, representing an increase of RMB298,377 million or 7.3% from the end of the previous year.

INVESTMENT

In RMB millions, except for percentages

Item	At 30 June 2013 Amount	At 30 June 2013 Percentage (%)	At 31 December 2012 Amount	At 31 December 2012 Percentage (%)
Debt instruments	**4,330,178**	**98.8**	**4,067,207**	**99.6**
Investment in bonds not related to restructuring	3,926,315	89.6	3,719,302	91.1
Investment in bonds related to restructuring	260,096	5.9	260,096	6.4
Other debt instruments	143,767	3.3	87,809	2.1
Equity instruments and others	**52,086**	**1.2**	**16,680**	**0.4**
Total	**4,382,264**	**100.0**	**4,083,887**	**100.0**

Investment in bonds not related to restructuring amounted to RMB3,926,315 million, representing an increase of RMB207,013 million or 5.6% over the end of the previous year. Investment in bonds related to restructuring was RMB260,096 million, keeping unchanged over the end of the previous year. For details of the investment in bonds related to restructuring, please refer to "Note 21.(a) to the Financial Statements: Receivables".

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY ISSUERS

In RMB millions, except for percentages

Item	At 30 June 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	954,926	24.3	875,876	23.5
Central bank bills	420,856	10.7	553,216	14.9
Policy bank bonds	1,754,346	44.7	1,587,949	42.7
Other bonds	796,187	20.3	702,261	18.9
Total	**3,926,315**	**100.0**	**3,719,302**	**100.0**

In terms of distribution by issuers, government bonds increased by RMB79,050 million or 9.0% over the end of last year; central bank bills decreased by RMB132,360 million or 23.9%; policy bank bonds increased by RMB166,397 million or 10.5%; and other bonds increased by RMB93,926 million or 13.4%, mainly because part of central bank bills became matured during the reporting period and meanwhile the Bank moderately increased investment in policy bank bonds with relatively high yield and high-quality credit bonds.

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

In RMB millions, except for percentages

Remaining maturity	At 30 June 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Undated[1]	124	0.0	436	0.0
Less than 3 months	282,217	7.2	92,356	2.5
3 to 12 months	422,915	10.8	795,265	21.4
1 to 5 years	2,072,487	52.8	1,786,793	48.0
Over 5 years	1,148,572	29.2	1,044,452	28.1
Total	**3,926,315**	**100.0**	**3,719,302**	**100.0**

Note: (1) Refers to impaired bonds.

In terms of remaining maturity structure, the percentage of bonds not related to restructuring within 3-month maturity increased by 4.7 percentage points from the end of the previous year, mainly because part of central bank bills would become mature during the reporting period. The percentage of medium to long-term bonds not related to restructuring increased to some extent, mainly because the Bank moderately increased its investment in medium to long-term policy bank bonds and government bonds in the first half of 2013.

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY CURRENCY

In RMB millions, except for percentages

Item	At 30 June 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	3,824,695	97.4	3,627,651	97.5
USD	75,210	1.9	64,165	1.7
Other foreign currencies	26,410	0.7	27,486	0.8
Total	**3,926,315**	**100.0**	**3,719,302**	**100.0**

In terms of currency structure, RMB-denominated bonds not related to restructuring increased by RMB197,044 million or 5.4% over the end of last year; and USD-denominated bonds increased by the equivalent of RMB11,045 million or 17.2%, and other foreign currency bonds decreased by the equivalent of RMB1,076 million or 3.9%.

DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

In RMB millions, except for percentages

Item	At 30 June 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	312,151	7.1	221,671	5.4
Available-for-sale financial assets	1,026,407	23.4	920,939	22.6
Held-to-maturity investments	2,674,164	61.0	2,576,562	63.1
Receivables	369,542	8.5	364,715	8.9
Total	**4,382,264**	**100.0**	**4,083,887**	**100.0**

As at the end of June 2013, the Group held RMB1,930,381 million of financial bonds[1], including RMB1,754,346 million of policy bank bonds and RMB176,035 million of bonds issued by banks and non-bank financial institutions, accounting for 90.9% and 9.1% of financial bonds, respectively.

TOP 10 FINANCIAL BONDS HELD BY THE BANK

In RMB millions, except for percentages

Debt securities	Nominal value	Annual interest rate	Maturity date	Impairment loss
Policy bank bonds 2006	20,000	3.26%	7 December 2013	–
Policy bank bonds 2010	19,410	3.60%	3 February 2015	–
Policy bank bonds 2007	18,350	5.07%	29 November 2017	–
Policy bank bonds 2008	17,000	4.83%	4 March 2015	–
Policy bank bonds 2008	16,390	4.95%	11 March 2018	–
Policy bank bonds 2011	13,690	4.49%	25 August 2018	–
Policy bank bonds 2012	11,450	4.04%	25 June 2022	–
Policy bank bonds 2010	11,390	3.97%	20 January 2017	–
Policy bank bonds 2007	11,380	4.94%	20 December 2014	–
Policy bank bonds 2010	11,050	3.51%	27 July 2020	–

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

Liabilities

As at the end of June 2013, total liabilities of the Bank amounted to RMB17,548,260 million, representing an increase of RMB1,134,502 million or 6.9% from the end of the previous year.

LIABILITIES

In RMB millions, except for percentages

	At 30 June 2013		At 31 December 2012	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	14,508,402	82.7	13,642,910	83.1
Due to banks and other financial institutions	1,271,443	7.3	1,486,805	9.1
Repurchase agreements	337,871	1.9	237,764	1.4
Debt securities issued	250,203	1.4	232,186	1.4
Others	1,180,341	6.7	814,093	5.0
Total liabilities	**17,548,260**	**100.0**	**16,413,758**	**100.0**

Due to customers

Customers' deposits are the Bank's main source of fund. In the first half of 2013, the Bank proactively expanded new markets and new customers, fully exerted its comprehensive edges in financial services and promoted virtuous cycle of customers' financial assets within the Bank, accomplishing stable growth in deposit business. As at the end of June 2013, the balance of due to customers was RMB14,508,402 million, representing an increase of RMB865,492 million or 6.3% over the end of the previous year. Specifically, the balance of corporate deposits increased by RMB369,144 million or 5.3%; and personal deposits increased by RMB432,070 million or 6.6%. In terms of maturity structure, the balance of time deposits increased by RMB633,103 million or 9.5%, and the balance of demand deposits increased by RMB168,111 million or 2.5%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

	At 30 June 2013		At 31 December 2012	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	3,323,182	22.9	2,915,072	21.4
Demand deposits	3,954,207	27.3	3,993,173	29.3
Subtotal	**7,277,389**	**50.2**	**6,908,245**	**50.7**
Personal deposits				
Time deposits	3,979,111	27.4	3,754,118	27.5
Demand deposits	3,007,246	20.7	2,800,169	20.5
Subtotal	**6,986,357**	**48.1**	**6,554,287**	**48.0**
Other deposits[(1)]	**244,656**	**1.7**	**180,378**	**1.3**
Total	**14,508,402**	**100.0**	**13,642,910**	**100.0**

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

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 30 June 2013 Amount	At 30 June 2013 Percentage (%)	At 31 December 2012 Amount	At 31 December 2012 Percentage (%)
Head Office	158,656	1.1	116,069	0.9
Yangtze River Delta	2,969,041	20.5	2,873,019	21.1
Pearl River Delta	1,863,084	12.8	1,801,666	13.2
Bohai Rim	3,711,100	25.6	3,430,503	25.1
Central China	2,075,666	14.3	1,931,610	14.2
Western China	2,419,128	16.7	2,272,311	16.6
Northeastern China	897,799	6.2	858,125	6.3
Overseas and others	413,928	2.8	359,607	2.6
Total	**14,508,402**	**100.0**	**13,642,910**	**100.0**

DISTRIBUTION OF DUE TO CUSTOMERS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 30 June 2013 Amount	At 30 June 2013 Percentage (%)	At 31 December 2012 Amount	At 31 December 2012 Percentage (%)
Demand[(1)]	7,465,105	51.5	7,076,646	51.9
Less than 3 months	2,070,049	14.3	2,041,502	15.0
3 to 12 months	3,475,094	23.9	2,964,264	21.7
1 to 5 years	1,479,208	10.2	1,533,049	11.2
Over 5 years	18,946	0.1	27,449	0.2
Total	**14,508,402**	**100.0**	**13,642,910**	**100.0**

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

In terms of the currency structure, the balance of RMB deposits amounted to RMB13,931,127 million, which accounted for 96.0% of the total balance of due to customers, representing an increase of RMB854,795 million or 6.5% compared to the end of the previous year. The balance of foreign currency deposits was equivalent to RMB577,275 million, representing an increase of RMB10,697 million or 1.9%.

Due to Banks and Other Financial Institutions

The Bank further improved the structure of liabilities to other banks and effectively controlled the cost of capital. Due to banks and other financial institutions was RMB1,271,443 million, representing a decrease of RMB215,362 million or 14.5% from the end of the previous year.

Repurchase Agreements

The Bank managed liquidity and profitability in a balanced manner, improved and adjusted the structure of financing business. Repurchase agreements were RMB337,871 million, representing an increase of RMB100,107 million or 42.1% from the end of the previous year.

Shareholders' Equity

As at the end of June 2013, shareholders' equity amounted to RMB1,175,093 million in aggregate, representing an increase of RMB46,634 million or 4.1% over the end of the previous year. Specifically, equity attributable to equity holders of the parent company was RMB1,171,507 million, representing an increase of RMB46,510 million or 4.1%. Please refer to the "Financial Statements: Consolidated Statement of Changes in Equity" for details.

SHAREHOLDERS' EQUITY

In RMB millions

Item	At 30 June 2013	At 31 December 2012
Share capital	349,650	349,620
Equity component of convertible bonds	2,694	2,708
Reserves	392,197	400,128
Retained profits	426,966	372,541
Equity attributable to equity holders of the parent company	**1,171,507**	**1,124,997**
Non-controlling interests	**3,586**	**3,462**
Total shareholders' equity	**1,175,093**	**1,128,459**

For details of off-balance sheet items, please refer to "Note 39. to the Financial Statements: Commitments and Contingent Liabilities".

Analysis on Statement of Cash Flows

Net cash inflows from operating activities were RMB142,724 million, representing a decrease of RMB678,301 million compared to the same period of last year, mainly due to the decrease in net deposits from banks and other financial institutions and increase in net due from central banks compared to the same period of last year. Specifically, cash inflows amounted to RMB1,778,829 million, representing a decrease of RMB100,497 million; and cash outflows were RMB1,636,105 million, representing an increase of RMB577,804 million.

Net cash outflows from investing activities amounted to RMB223,329 million, of which, cash inflows increased by RMB7,197 million to RMB436,975 million, mainly due to the increase in cash inflows from sale and payment of investment in bonds compared to the same period of last year; and cash outflows increased by RMB140,817 million to RMB660,304 million, mainly due to the increase in cash outflows from investment in RMB-denominated bonds over the same period of last year.

Net cash inflows from financing activities amounted to RMB17,170 million, of which, cash inflows were RMB22,014 million, mainly due to the issuance of debt securities by overseas institutions; and cash outflows were RMB4,844 million, mainly due to the repayment of debt securities by overseas institutions.

BUSINESS OVERVIEW

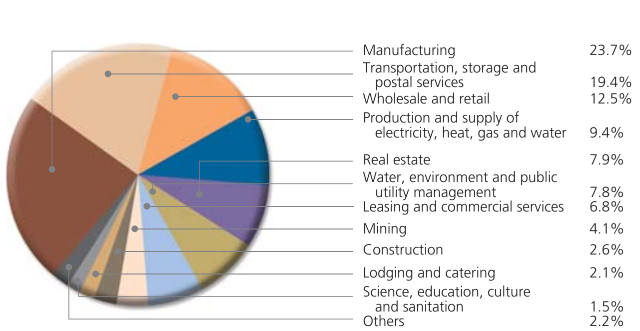
Corporate Banking

In the first half of 2013, amid the complicated and volatile economic and financial environments at home and abroad, the Bank took initiatives to adapt to the general requirements of China's economic structural adjustment, transformation and upgrading. It adhered to using finance to serve real economy, positively coped with interest rate liberalization challenges, pushed forward corporate banking transformation and structural optimization and maintained sound development of corporate banking. In pursuit of the "large corporate" banking strategy, the Bank promoted marketing of a full range of products and diversified services, strengthened the joint efforts in respect of RMB and foreign currencies, domestic and overseas services as well as commercial banking and investment banking services, propelled development of financial asset services including bond underwriting, asset management and PE lead manager services and boosted reintroduction of asset securitization business. At the same time of enhancing diversified financial service capability and meeting diversified financing requirements of customers, the Bank increased comprehensive contribution of customers. In addition, the Bank reinforced product and service innovation, advanced marketing system construction to provide differentiated services, allocated more customer managers in place and made more efforts on training thereof, enhanced the level of serving quality customers in key industries, continued to expand target customers and optimize customer structure. At the end of June 2013, corporate customers of the Bank increased by 220 thousands from the end of the previous year to 4.6 million, among which 142 thousands customers had loan balances with the Bank. According to statistics from PBC, at the end of June 2013, the Bank ranked first in the banking industry in terms of corporate loans and corporate deposits, with a market share of 11.5% and 12.0%, respectively.

Corporate Deposits and Loans

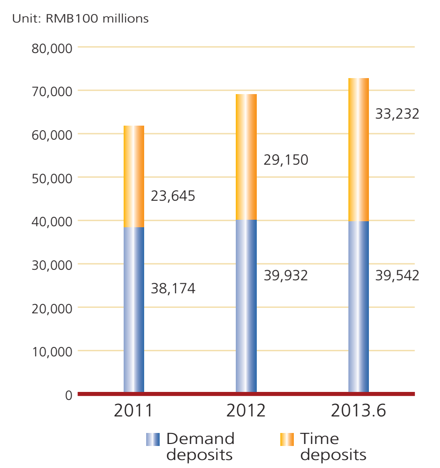
In conformity with credit requirements of real economy, the Bank reinforced capital constraints and kept proper growth of credit volume and balanced credit supply with a focus on acceleration of existing credit turnover and optimization of credit structure so as to improve the quality and efficiency of credit business to support and serve real economy. The Bank actively satisfied financing requirements of key projects under construction or under continued construction backed by the State, vigorously expanded its businesses in such areas as advanced manufacturing, modern services, culture industries and strategic emerging sectors, provided diversified financial services to enterprises complying with policy provisions and environment protection requirements and meeting market requirements and strictly controlled total financing amounts of industries with overcapacity. To facilitate the balanced development of regional economy, the Bank increased credit facilities to quality customers in Central, Western and Northeastern China. SMEs were provided with active services through the accelerated upgrading of trade finance business to supply chain financing model and the innovative provision of e-supply chain financing packages. Moreover, the Bank pushed forward the development of resource-backed structured financing business and "project + finance" business, and conducted the overseas merger and acquisition loans in the fields such as energy, minerals and machinery. At the end of June 2013, the balance of corporate loans reached RMB6,710,747 million, representing an increase of RMB378,169 million or 6.0% over the end of the previous year.

Breakdown of Corporate Loans by Industry



Note: Domestic operations data

Growth of Corporate Deposits



The Bank took more forceful actions on customer marketing and expansion and strengthened marketing toward industrial chain clusters, urban circle clusters and specific customer groups to consolidate the advantages in terms of customer base and maintain the stability of deposits. The Bank leveraged on its advantages in diversified financial services such as corporate wealth management, cash management, E-banking and assets custody to drive the marketing of all spectrums of products and enhance the market competitiveness in corporate deposits business. The Bank also improved the interest rate management system, optimized the authorization of differentiated pricing for important customers and elevated the pricing level of deposits. At the end of June 2013, the balance of corporate deposits reached RMB7,277,389 million, representing an increase of RMB369,144 million or 5.3% over the end of the previous year.

Small and Medium Enterprise Business

The Bank devoted itself to providing SME customers with specialized, efficient and convenient financial services through construction of an independent and complete policy system, business process and product system of SME credit, prioritized allocation of credit resource and improvement of franchised institution construction. With special credit plans for small enterprise customers, the Bank improved refined management level and steadily expanded credit market for small and micro enterprises on the premise of taking risk control and prevention into account. The Bank launched supply chain financing business to core enterprises and their upstream and downstream enterprises, customized business solutions to extensive small and micro enterprises in specialized markets and industrial clusters and optimized customer structure and income structure of the Bank at the same time of giving more supports to small and micro enterprise development. At the end of June 2013, the balance of loans to small (micro) and medium enterprises was RMB4,253,454 million, including RMB2,395,192 million and RMB1,858,262 million to medium enterprises and small and micro enterprises, respectively.

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

In RMB millions, except for percentages

Item	At 30 June 2013		At 31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans to small (micro) and medium-sized enterprises	**4,253,454**	**48.5**	**4,231,203**	**51.1**
Including: Medium-sized enterprises	2,395,192	27.3	2,391,127	28.9
Small and micro enterprises	1,858,262	21.2	1,840,076	22.2

Notes: (1) The percentage refers to the proportion of loans of domestic branches.

(2) Loans to small and micro enterprises include personal business loans.

(3) Due to changes in the size of small (micro) and medium-sized enterprises, data of the small (micro) and medium-sized enterprises for the two reporting periods are incomparable.

Institutional Banking

Actively addressing financial service requirements in terms of people's livelihood, the Bank propelled the optimization of five service platform systems concerning social insurance, housing allowance, finance, education and medical care, improved the diversified financial services package and saw a stable increase in the number of entities and business scale for collecting non-tax items under central finance. The Bank actively cooperated with other banks and financial institutions in terms of domestic foreign-currency payment and underwriting of financial bonds, which enriched the coverage of cooperation via the bank-to-bank platform. The Bank strengthened joint efforts among domestic and overseas operations and in a horizontal manner, expanded cooperation with securities companies in such areas as asset management, bond investment, underwriting and issue and facilitated innovative development of bank-securities business. Besides, the Bank conducted comprehensive marketing to insurance companies so as to reinforce all-round cooperation. The Bank also deepened partnership with commodity exchanges, introducing the service of standard warehouse receipt pledge financing. As a result, at the end of June 2013, the number of contracted customers of the bank-to-bank platform businesses and domestic correspondent banks increased by 66 and 15 to 337 and 156, respectively.

Settlement and Cash Management

The Bank energetically promoted the application of "E Express for Capital Verification" to expand its customer base at the source. It carried out the strategy of cluster marketing, reinforced the marketing of key products and strengthened the building of corporate customer channel to consolidate the advantages in customer size and optimize the customer structure. At the end of June 2013, the Bank had 5.58 million corporate settlement accounts, representing an increase of 220 thousand over the end of last year. In the first half of 2013, the volume of corporate RMB settlement reached RMB831 trillion, enabling the Bank to maintain its position as a market leader in terms of business scale.

The Bank expanded its cash management services into the comprehensive area of financial asset management and developed a service system underpinned by management of account transactions, liquidity management, supply chain finance, investment and wealth management. The personalized and professional cash management service plans were offered to meet cash management requirements of fast developing industries including chain-store operations, culture, logistics, tourism and equipment manufacturing. The Bank built the brand system with "Caizhi Account" as the core to enhance its influence in the cash management market, winning the "Best Cash Management Service Provider (China)" from *The Asset* and the "Best Cash Management Bank in China" and the "Leading Counterparty Bank in China" from *The Asian Banker*. At the end of June 2013, the Bank had 863 thousand cash management customers, representing an increase of 6.2% from the end of the previous year. Customers of the global cash management business reached 3,609, representing an increase of 8.3% from the end of the previous year, and the business expanded to 50 countries and regions.

Investment Banking

The Bank actively provided diversified financing services to corporate customers and offered outstanding investment products to high-net-worth customers. The rendering of restructuring and M&A services supported industrial structure adjustment of real economy and "going global" of Chinese enterprises to explore the opportunities of cross-border M&A and energy resource M&A and expand the base of restructuring and M&A customers. The volume of restructuring and M&A transactions handled by the Bank exceeded RMB115 billion in the first half of 2013. The Bank, using such equity financing businesses as additional private placement and capital financing of key construction projects, actively served strategic emerging industries and supported the State's key construction projects and regional economic growth. In the first half of 2013, equity financing size amounted to RMB17.6 billion. The Bank also actively expanded financial consulting services including structured financing, debt restructuring and project recommendation. It promoted R&D of investment banking products, held investment banking forums and took other actions to diversify service forms, strengthened E-service channel construction of investment banking and lifted consulting & advisory service level. Besides, it expanded the bond underwriting business and underwrote RMB136.5 billion worth of debt financing instruments in the first half of 2013. Given the ever-increasing influence of its investment banking brand, the Bank was awarded the "Best Bank in Investment Banking" by the *Securities Times* for five consecutive years. In the first half of 2013, investment banking income increased by 14.2% compared to the same period of last year to RMB17,077 million.

International Settlement and Trade Finance

Leveraging on its advantages in local and foreign currency resources and close interaction between domestic and overseas branches, the Bank enhanced the level of services to import and export enterprises. It accelerated the expansion of global supply chain products and integrated products denominated in RMB and foreign currencies and optimized business structure. Credibility check of trade backgrounds was strengthened to strictly prevent false transactions and arbitrage behaviors of enterprises. Product functions of "ICBC Express" were optimized to ameliorate the differentiated pricing policy and enhance the cross-border remittance capability. Adjustment of international banking customer structure was facilitated by implementation of stratified marketing and classified management. In the first half of 2013, domestic branches disbursed an aggregate of USD95.1 billion in international trade finance. International settlement volume reached USD1,118.6 billion, representing an increase of 24.8% compared to the same period of last year, of which USD342.1 billion was processed by overseas institutions, representing an increase of 35.8% compared to the same period of last year.

Asset Custody Services

To consolidate the advantages in asset custody services in the capital markets, the Bank successfully put such new-typed fund products as the first batch of bond ETFs, the first gold ETF, the first batch of products with drifting management fee rate, the first batch of leverage ETFs and the first graded ETF under custody in China and took the lead in engaging in special asset custody services including investments in bills and obligatory rights of fund companies. The Bank actively marketed custody of products invested with insurance funds, put the first batch of real estate products invested with insurance assets and introduced custody of stock index futures products. The Bank drove development of custody services under Anxin Account and promoted its application in the livelihood's areas including charitable & public welfare funds and housing funds. In driving the development of emerging custody services, the Bank was approved to the custody of the first batch of enterprise annuity & pension products in China and pioneered in introducing the bill asset custody service. The design and offering of "Asset Custody Wealth Management Express" service enhanced the level of custody services as well. At the end of June 2013, the total net value of assets under the Bank's custody reached RMB4,265.7 billion, representing an increase of 7.8% from the end of the previous year.

Pension Services

Leveraging on the universal licensing business qualification and integrated competitive edges, the Bank built the diversified pension service system targeting at enterprise annuities, occupational annuities, basic pensions, social insurance funds, comprehensive pension funds of enterprises and public institutions and personal pension funds. It actively promoted "Ruyi Benefit Plan" welfare scheme products to meet the requirements of enterprises and public institutions for managing welfares and deferred salary incentive funds in areas like pension, housing and medical care at the same time of vigorously expanding standard pension fund businesses including enterprise annuities and occupational annuities. At the end of June 2013, the Bank provided pension management services for 37,401 enterprises, representing an increase of 3,261 from the end of the previous year; the pension funds under the Bank's trusteeship amounted to RMB53 billion; the Bank managed 12.5 million individual pension accounts, and the pension funds under the Bank's custody totaled RMB251.5 billion. The Bank led the domestic market in terms of the scale of enterprise annuities under the Bank's trusteeship, the number of individual enterprise annuity accounts and the scale of enterprise annuity funds under the Bank's custody.

Precious Metal Business

Amid the increasingly turbulent precious metal market, the Bank proactively adjusted business structure and launched product innovation to promote steady and fast growth in precious metal business. Relying on investment products, the Bank offered series of physical products themed with the twelve animals and the culture of famous mountains to meet holiday market and realized sales of physical precious metals in E-shops to meet customers' demands in precious metal investments. The Bank offered RMB gold forward products to assist gold manufacturing and using enterprises to avoid market risk, cut down production cost and support development of real economy. The Bank popularized products of "Gold Accumulation" to diversify gold investment channels of enterprises and individuals and realize fast expansion of business scale. Nine issues of "Enjoy Returns-Gold Arbitrage Investment Oriented RMB Wealth Management Products" were made to diversify varieties of wealth management products and satisfy customers' requirements for sound asset allocation. The Bank implemented a sound trading strategy and grasped good chances to conduct gold consignment sales and domestic cross-variety trading to address Chinese market requirements. In the first half of 2013, the total amount of precious metal business increased by 22.9% compared to the same period of last year to RMB698.2 billion. The Bank cleared RMB207 billion on behalf of Shanghai Gold Exchange, representing an increase of 67.4% over the same period of last year.

Personal Banking

In the first half of 2013, the Bank continued to carry out its "strong personal banking" strategy to advance the transformation of personal banking operation. To energetically explore new markets and new customers, public and private departments of the Bank jointly improved batch cluster marketing in an in-depth manner to constantly solidify the customer base. It made more efforts to construct self-service banks and selected commodity trading markets and key county areas to accelerate the distribution of self-service facilities and extend the service channels. Centering on the star service system for personal customers, the Bank accelerated the transformation of customer service mode and improved its ability in identifying and obtaining new quality customers. Moreover, the Bank actively carried out product innovation and enhanced the competitive edge of personal banking business, cementing its leading position among peers in terms of savings deposits, personal loans, banking wealth management and credit card business. The Bank was awarded the "Best Large-Scale Retail Bank in China" by *The Asian Banker* for three consecutive years. At the end of June 2013, the Bank had 411 million personal customers, including 8.01 million personal loan customers, representing an increase of 17.79 million and 0.22 million from the end of the previous year, respectively. According to statistics from PBC, at the end of June 2013, the Bank ranked first in the industry in terms of both the size of savings deposits and personal loans, with a market share of 15.9% and 13.6%, respectively.

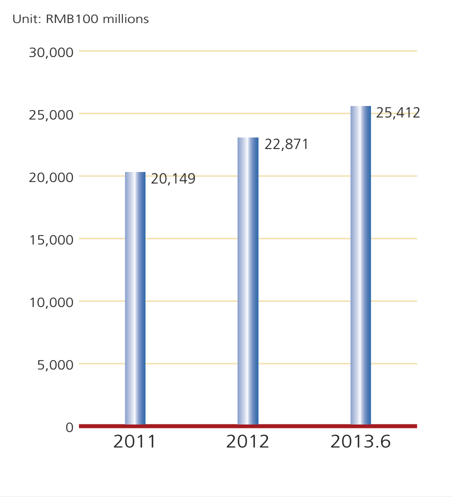
Savings Deposits

The Bank further promoted coordinated marketing of corporate banking and personal banking, explored source markets and expanded customer base by focusing on payroll payment agency service and commodity trading market business, which helped to consolidate the basis for savings deposits growth. Adapting to interest rate liberalization, the Bank enhanced refined management of interest rates, constantly consolidated channel advantages, retained customers with quality products and services and promoted virtuous circulation of customer funds in the Bank's system. At the end of June 2013, the balance of the Bank's domestic savings deposits amounted to RMB6,986,357 million, representing an increase of RMB432,070 million or 6.6% from the end of the previous year, of which demand savings deposits increased by 7.4% and time savings deposits increased by 6.0%.

Personal Loans

The Bank strictly implemented differentiated housing credit policy to support the credit needs of the borrowers eligible for first personal housing and improved housing and actively propelled personal housing loans on the premise of controllable risks. Adapting to new consumption needs, the Bank accelerated product innovation and upgrading and promoted such products as personal household consumption loans, cultural consumption loans and overseas study loans to facilitate healthy growth of personal consumption loans. It marketed personal business loans targeting at key commodity trading markets and offered financing service to small and medium merchants. At the end of June 2013, domestic personal loans of the Bank amounted to RMB2,541,240 million, representing an increase of RMB254,137 million or 11.1% from the end of the previous year, of which, personal housing loans increased by RMB206,174 million or 15.4% and personal business loans rose by RMB23,716 million or 7.4%.

Growth of Personal Loans



Personal Wealth Management

Based on customer needs, the Bank intensified innovation in wealth management products and optimized product structure to solidify its leading position in personal wealth management market. The Bank established the differentiated product issue mechanisms specific to different regions and different types of customers and focused upon expansion of personal wealth management services in commodity trading markets and developed regions. In addition, the Bank strengthened cooperation with asset management institutions, thereby achieving sound development in agency wealth management business. In the first half of 2013, sales of various personal wealth management products amounted to RMB2,548.5 billion, of which sales of personal banking wealth management products, agency funds, government bonds and personal insurance products were RMB2,005.9 billion, RMB450.4 billion, RMB43.1 billion and RMB49.1 billion, respectively.

Relying on the star-class services for personal customers, the Bank launched precise marketing to expand target customers, enabling the continuous scale-up of Elite Club Accounts. Thanks to the advantages of chip cards in product R&D and processing environment, chip cards of Elite Club Accounts covered increasingly more Elite Club Account customers. The Bank actively carried out the activity of Wealth Cultural Tour to establish the platform for marketing services and cultural exchanges in respect of wealthy customers, thus seeing a stable increase in the number of wealth customers. The Bank also built a high quality service team and enhanced its service capability. At the end of June 2013, the number of employees with certificates of Associate Financial Planner (AFP) and Certified Financial Planner (CFP) was 23,672 and 3,745, respectively, maintaining the leading position in the banking industry. The Bank had 23.74 million Elite Club Account customers, representing an increase of 16.3% from the end of the previous year. Also, the number of wealthy customers reached 3.99 million.

Private Banking

The Bank continued to improve private banking products and service system. It introduced self-developed exclusive private banking products, developed fully entrusted wealth management service and wealth management service for designated accounts, and formed product selection and agency mechanism across institutions and markets. The Bank quickened construction of private banking marketing service system, fully covering high-end customer markets nationwide. Besides, it promoted the assignment of specific persons for certain products and services and professional customer maintenance and strengthened cultivation of professional teams, thus rapidly enhancing marketing service capability. Overseas private banking products and services building was promoted with a focus on the Private Banking Center (Hong Kong). The Bank was awarded the "Best Private Bank in China" by *The Asian Banker* twice in a row. Private banking centers were established in all domestic branches, more than 300 private banking service centers were extended to key areas and areas with abundant high-net-worth customer resources, and a Private Banking Center was set up in Singapore to expedite overseas expansion step of private banking. At the end of June 2013, the Bank had over 31,300 private banking customers and managed RMB553.8 billion worth of assets.

Bank Card Business

In the first half of 2013, the Bank accelerated expansion of new markets, improved bank card service quality and boosted bank card product innovation, further consolidating its leading position in the banking industry. At the end of June 2013, the Bank issued 500 million bank cards, representing an increase of 30.58 million cards from the end of the previous year. In the first half of 2013, consumption volume of bank cards increased by 45.8% compared to the same period of last year to RMB2,606.3 billion. Income from bank card business grew by 35.9% compared to the same period of last year to RMB14,275 million.

Item	At 30 June 2013	At 31 December 2012	Growth rate (%)
Number of bank cards issued (unit: 10,000)	49,944	46,886	6.5
Debit cards	41,677	39,173	6.4
Credit cards	8,267	7,713	7.2
	Six months ended 30 June 2013	**Six months ended 30 June 2012**	**Growth rate (%)**
Consumption volume of bank cards (in RMB100 millions)	26,063	17,873	45.8
Average consumption volume per card[1] (in RMB yuan)	5,378	4,180	28.7

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

- *Credit Card Business*

Relying on advanced technologies and rich customer resource, the Bank identified the needs of targeted customers precisely and strengthened penetration of credit cards by meeting personalized needs of customers. It reinforced channel construction and tapped into the potential of branches to increase marketing efficiency and customer satisfaction. The Bank reinforced marketing and promotion efforts for five key products, namely transportation card, corporate card, CNPC card, housing fund card and airline business travel card. It also offered such new products as Cool Pass Card, Multi-currency Credit Card, An-bang Insurance Credit Card and Money Fund Card. Besides, it introduced credit card SMS installment service to diversify processing channels of installment payments. The Bank optimized acquiring system, constructed a globally integrated and standardized acquiring management platform and realized such functions as one-party file creation and multi-party sharing so as to enhance merchant acquiring management. The Bank released AE Chip Card and JCB Chip Card, completing its chip card product portfolio. By the end of June 2013, 82.67 million credit cards were issued, representing an increase of 5.54 million or 7.2% from the end of the previous year. In the first half of 2013, the consumption volume stood at RMB751.5 billion, representing an increase of 28.2% from the previous year. The balance of credit card overdrafts amounted to RMB268,401 million, representing an increase of 9.6%. The Bank led the industry in number of credit cards issued, consumption volume and overdrafts.

◆ *Debit Card Business*

Focusing on the issuance of co-brand debit cards, the Bank intensified industry cooperation and joint marketing to attract new customers and expand the volume of card issuance. Carrying forward product innovation, the Bank launched such new products as Pacific co-brand debit card with bancassurance function and Cool Pass debit card and further accelerated promotion of chip cards. At the end of June 2013, 417 million debit cards were issued, representing an increase of 25.04 million from the end of the previous year. Debit card consumption amounted to RMB1,854.8 billion in the first half of 2013, representing an increase of 54.4% compared to the same period of the previous year.

By the end of June 2013, 18 overseas credit card issuers issued 327 thousand credit cards and 21 overseas debit card issuers issued 256 thousand debit cards abroad, representing an increase of 29 thousand and 55 thousand cards, respectively.

Treasury Operations

In the first half of 2013, the Bank, facing complex financial environment, achieved sound development of asset size and performance through active product innovation, timely adjustment of investment and trading strategies, enhancement of capital operation efficiency and management level and prevention of business risks.

Money Market Activities

In the first half of 2013, interest rates in the money market were low yet stable during the previous period but posted short-term fluctuations in June. The Bank strengthened liquidity management and market anticipation and reasonably arranged fund raising opportunity, term and scale. It adjusted the structure of borrowings, effectively cut down borrowing cost, seized market opportunities to timely borrow and appropriately extend lending terms, and supported performance of asset business. Amid financial constraints, the Bank issued net lendings to the market, exerting the fundamental role of a big bank in stabilizing market. In the first half of 2013, the domestic branches traded RMB8.27 trillion.

In respect of foreign currencies, liquidity of domestic foreign currency funds was stable with minor fluctuations. Foreign currency lending prices declined overall compared to the same period of last year. The Bank strengthened the position management for foreign currency funds to secure safety of foreign exchange payment. In addition, the Bank closely monitored market developments and prudently selected counterparties to mitigate credit risk. It also rationally arranged term structure to improve the yield of foreign currency fund operation. In the first half of 2013, the Bank's foreign currency transaction volume in money markets amounted to USD137.1 billion.

Trading Book Business

In the first half of 2013, RMB bonds yield decreased first and then increased, market interest rates experienced big fluctuations and overall interest rates went upward obviously. Under the strategies of portfolio duration control and market timing, the Bank adjusted positions flexibly based on market trends. When market interest rates were stable at the beginning of the year, it appropriately expanded bond exposures of the trading book to get income from spread. When the market fluctuated violently and interest rates hiked largely in the second quarter, it strived to control portfolio durations, continuously balanced positions of selling low-yield bonds to buy high ones to increase yield of bond portfolios and timely carried out market timing of interest rate swap to acquire returns. In the first half of 2013, the transaction volume of RMB bonds in the trading book was RMB172.8 billion.

In respect of foreign currency bond trading, the credit spread turned wider generally when the benchmark US treasury yield stirred up. Closely tracking yield trends, the Bank strictly controlled portfolio durations, carefully selected investment areas and adopted the trading strategy of flexibly adjusting long and short positions to strengthen market timing and increase profits. Thus, an aggregate transaction volume of USD4 billion was achieved.

Banking Book Investment

In the first half of 2013, the RMB bond yield curve moved downward previously but hiked obviously in June. Average interest rates of bonds with key terms were down compared to the beginning of the year. The Bank strengthened study of market trends, reasonably balanced return on investment and interest rate risk and maintained relatively even investment progress. It appropriately scaled up investment and controlled portfolio durations, mainly invested in government bonds and policy bank bonds, increased investment in quality corporate bonds and the portion of credit bonds to optimize the structure of investment portfolios.

In respect of foreign currencies, the Bank seized good investment opportunities in view of international bond market situations. It seized good opportunities to increase its holdings of credit products such as financial institution bonds and corporate bonds to enhance yield on investment portfolios. Besides, it made investment in increasingly more countries and regions, controlled portfolio durations to avoid interest rate hike risk.

Franchise Treasury Business

The Bank actively expanded its franchise treasury trading product line to enhance market competitiveness on the basis of the 24 hour global trading system. It introduced Paper Foreign Exchange, Paper Crude Oil and Paper Precious Metals collateral loans businesses to diversify businesses of trading products. Flexible entrusting of Paper Precious Metals and foreign exchange trading were released. Commodity transactions covering precious metals, base metals, minerals, energy, agricultural products and soft commodities were carried out on a full scale. The Bank diversified currencies of forex purchase and sales and constantly enhanced capability of foreign exchange purchase and sales service by counters and via E-banking channel. It also made more efforts to achieve innovation in forex purchase and sales product mixes to increasingly address customers' hedging requirements. With the basis on standard hedging exchange rate and interest rate risk management products, the Bank conducted derivatives business and upgraded functions of the trading systems to enhance the service level of derivatives business. In the first half of 2013, the volume of franchise trading and foreign exchange purchase and sales amounted to USD291.5 billion.

Wealth Management Business

The Bank strictly carried out regulatory requirements on investment and operation of wealth management business, rigorously regulated product design, sales and fund orientations, properly disclosed information and promoted normative, healthy and orderly development of wealth management business. Exclusive wealth management products were marketed to important customers and key regions to meet diversified wealth management requirements of customers. Exclusive wealth management products were also issued targeting at the Yangtze River Delta and the Pearl River Delta. The exclusive wealth management product "Merchant Friend Wealth" was promoted among commodity market customers. "Enjoy Returns" serial gold arbitrage products were ameliorated and franchise overseas wealth management products with sound yields were introduced to further enrich transaction arbitrage and overseas investment products. Independently developed quantitative model was applied to launch quantitative and structured product investment. The Bank integrated and improved products with non-fixed terms to optimize product structure, enhance management level of net worth products and strengthen product competitiveness. What's more, the Bank strengthened investment market research, investment transaction management and post-investment management, reinforced interest rate and credit risk control, enhanced business compliance level and faithfully protected investors' rights and interests. In addition, the Bank perfected functions of wealth management systems, lifted electronic processing level of transactions and promoted building of wealth management product renovation project. In the first half of 2013, cumulative sales of banking wealth management products amounted to RMB2,811.2 billion, of which personal wealth management products and corporate wealth management products contributed to RMB2,005.9 billion and RMB805.3 billion, respectively.

The globalized asset management business system was built to upgrade the capability of overseas asset management service. The overseas asset management vehicle has become the Qualified Foreign Institutional Investor (QFII) and the Renminbi Qualified Foreign Institutional Investor (RQFII) and was granted USD100 million for the first investment as a QFII.

Distribution Channels

Domestic Branch Network

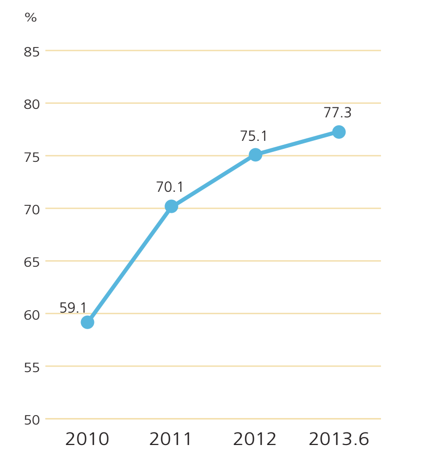
The Bank proactively improved existing outlets and continuingly promoted their competitiveness. In the first half of 2013, the Bank opened 144 new outlets in new urban and emerging districts with rich financial resources, improving the service system of institution network. It upgraded 189 sub-operating offices and deposit-taking offices to sub-branches, improving the comprehensive service capability of outlets. Besides, it also established 810 independent self-service banking outlets, enhancing service level of self-service channels, which effectively facilitated the customer diversion of counter-based businesses and provided customers with convenient and quick financial services.

As at the end of June 2013, the Bank had 17,225 domestic institutions, including the Head Office, 31 tier-one branches, 5 branches directly controlled by the Head Office, 26 banking departments of tier-one branches, 398 tier-two branches, 3,074 tier-one sub-branches, 13,613 outlets, 34 institutions directly controlled by the Head Office and their branches, and 43 major subsidiaries and their branches.

E-banking

The Bank intensified the innovation and application of products and services, accelerated the establishment of integrated and open E-banking platform, brought the advantages of E-banking channels and pushed forward the customer diversion of counter-based businesses and the expansion of overseas businesses. It strengthened risk prevention and control in an all-round way and actively developed new areas of e-commerce. As at the end of June, the total number of personal internet banking customers of the Bank topped 150 million, and the total number of mobile banking and personal telephone banking customers topped 100 million successively. In the first half of 2013, the trade volume of E-banking increased by 12.9% compared to the same period of last year, and the proportion of E-banking transactions in all business transactions of the Bank increased by 2.2 percentage points to 77.3% compared with the previous year.

Proportion of E-banking Business



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

The Bank carried forward fully the building of overseas E-banking channel. As the website of Warsaw Branch was officially launched and ICBC (Thai) enabled manual telephone banking service, 37 overseas institutions of the Bank established websites, 26 overseas institutions launched internet banking and 16 overseas institutions launched telephone banking. In addition, six overseas institutions including Tokyo Branch and Madrid Branch also launched mobile banking, indicating E-banking business had expanded to all overseas institutions. The number of personal internet banking customers of overseas institutions increased by 42.4% from the end of last year and the number of corporate customers grew by 29.1%.

◆ *Internet Banking*

The corporate internet banking launched new functions including reimbursement of bank-enterprise interconnected business cards and issue of promissory note through the corporate internet banking. The personal internet banking launched B2C payment for iPad-version Internet Banking and took the lead in promoting personal internet banking customer terminals for tablet PC with Windows 8 operating systems among domestic commercial banks, which further enhanced the leading edges of E-banking products of the Bank.

◆ *Telephone Banking*

The Bank took the lead in launching speed-dial service of telephone banking among domestic peers, enabling customers to directly access corresponding function menu by dialing speed-dial codes. It was also the first bank created the self-service voice mode named "online intelligent customer service", further improving the efficiency of online self-service customer services. Newly established service channels such as SMS banking and online customer service have played an increasingly important substituting role in diverting customers from manual telephone services.

- *Mobile Banking*

The Bank speeded up product innovation in mobile financial services, launched new products and functions such as USBKey for iPhone mobile banking, personal loan and mobile equity market for Windows Phone 8 and Android mobile banking. A number of marketing campaigns were carried out and the reputation and influence of the Bank's mobile banking was expanded. In the first half of 2013, the trading volume of mobile banking increased by 11.6 times compared to the same period of last year, and the number of customers grew by 22.8% compared to the end of last year.

- *Self-service Banking*

More efforts were made to establish self-service banking, in particular to accelerate the deployment of self-service facilities in areas such as commodity exchange markets and key counties and regions to extend the coverage of service channels. The Bank upgraded the processing procedures and enriched the business varieties of self-service terminals, and intensified advertising on the functions of self-service facilities as well as the customer diversion and guidance for counter-based businesses to raise the efficiency of self-service facilities. At the end of June 2013, the Bank owned 18,491 self-service banking outlets, representing an increase of 6.0% from the end of the previous year, and 80,170 ATMs, up by 14.2%. The transactions via ATM amounted to RMB3,933.1 billion, representing an increase of 33.1% over the same period of last year.

Service Enhancement

In the first half of 2013, the Bank centered on the activities themed "The Year for Service Quality Improvement", implementing service improvement strategy with thorough solutions. With the focus on improving service quality, the Bank coordinated the work relating to service improvement, substantially lifted its overall service level with the service quality being improved continuously.

The efficiency of customer services was constantly raised and customer experience was continuously enhanced. The Bank actively carried out cross-department, cross-institution, cross-platform and cross-business procedure reform and upgrading, made more efforts in back-office centralized processing of non-real-time counter-based businesses, and the efficiency of outlets' business acceptance and processing increased considerably. In the first half of 2013, the average waiting time of the Bank's customers declined by 21% compared to the same period of last year.

Customer service channels were further broadened and customer services were made more convenient. Through improvement and adjustment, establishment, relocation and redecoration, etc., the Bank improved the layout of outlet network and service functions. The Bank further increased efforts to deployment of self-service facilities and operating maintenance and carried out special self-service governance project, which further enhanced the friendliness and attraction of self-service and the percentage of transactions concluded through self-service channels to total transactions rose to 77.3%.

Complaints from customers were significantly reduced and customer satisfaction level was constantly lifted. The Bank constantly improved the customer complaint management mechanism and continuously enhanced the delicacy complaint management, practically increasing the complaint processing efficiency and improving the customer satisfaction by solving prominent problems fed back by customers and tracing and urging the processing of typical cases. In the first half of 2013, the number of customer complaints decreased by 54% compared to the same period of last year, 28 branches realized zero repeated complaints and customer satisfaction rate in relation to complaint processing maintained at more than 95%.

The long-acting mechanism for service improvement is increasingly improved and the monitoring on service quality became more timely and efficient. The Bank continuously enhanced the establishment and promotion of rules and regulations on services, further strengthened the monitoring on customer service quality and promoted the service quality monitoring and queuing management system at operating outlets. Besides, it carried out the survey on settlement service for corporate customers and continuously pushed forward the third-party survey on personal customer satisfaction, pertinently improving services and customer satisfaction.

Internationalized and Diversified Operation

The Bank steadily pushed forward the internationalized and diversified operation and development. Based on the primarily completed global service network, it improved the strategy of "one policy for one institution", emphatically carrying forward the localized, mainstreamed and differentiated development of overseas institutions so as to lift their competitiveness. Additionally, the Bank reinforced interaction between the Group and subsidiaries, therefore achieving steady enhancement in comprehensive service capability. Through strengthening interaction and information sharing between domestic and overseas institutions, the Bank promoted the global key product lines such as retail banking, E-banking, professional financing and cash management to develop in a diversified and in-depth way. RMB clearing bank in Singapore commenced operation officially, forming a coordinated development pattern of cross-border RMB businesses. In the first half of 2013, the volume of cross-border RMB business exceeded RMB1 trillion, with clearing network covering nearly 70 countries and regions around the world. The Bank also enhanced the cross-border, cross-market and cross-product-line risk prevention as well as the consolidated risk management of the Group.

In terms of building of overseas institutions, Standard Bank Argentina S.A. was officially renamed as ICBC (Argentina); the integration of ICBC (USA) and ICBC (Argentina) was steadily pushed forward, and the network of tier-two branches of ICBC (Malaysia) was expanded. In addition, the agreement on acquisition of 20% shares of Bank SinoPac was signed. At the end of June 2013, the Bank has set up 388 institutions in 39 countries and regions, established correspondent relationship with 1,661 overseas banks in 141 countries and regions, with a service network covering Asia, Africa, Latin America, Europe, America and Australia as well as major international financial centers.

At the end of the reporting period, total assets of overseas institutions (including overseas branches, subsidiaries, and investment in Standard Bank) of the Bank were USD182,177 million, representing an increase of USD19,455 million or 12.0% from the end of the previous year, and they accounted for 6.0% of the Group's total assets. Total loans amounted to USD93,364 million, representing an increase of USD21,481 million or 29.9%, and total deposits reached USD67,068 million, representing an increase of USD9,654 million or 16.8%. Profit before tax during the reporting period was USD1,070 million, representing an increase of 23.8% compared to the same period of last year.

MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

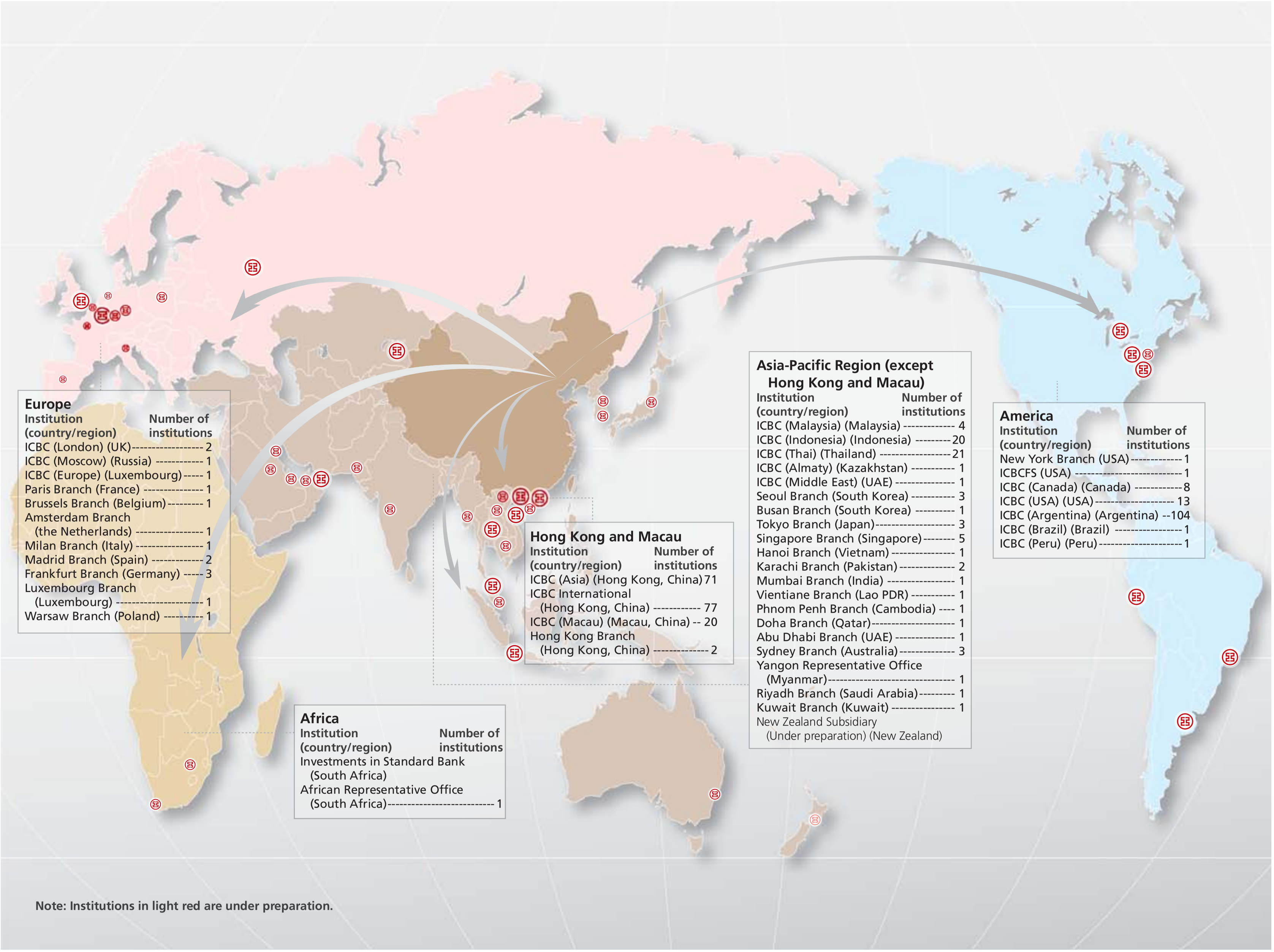
	Assets (in USD millions)		Profit before tax (in USD millions)		Number of institutions	
Item	At 30 June 2013	At 31 December 2012	Six months ended 30 June 2013	Six months ended 30 June 2012	At 30 June 2013	At 31 December 2012
Hong Kong and Macau	93,857	78,189	547	388	170	169
Asia-Pacific region (except Hong Kong and Macau)	39,757	30,431	154	167	73	71
Europe	23,084	16,966	90	101	15	15
America	53,696	46,592	113	32	129	127
Africa(1)	4,688	5,244	166	176	1	1
Eliminations	(32,905)	(14,700)				
Total	**182,177**	**162,722**	**1,070**	**864**	**388**	**383**

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

◆ *Diversified Operation*

The Bank's capability of diversified operation was improved steadily. ICBC Credit Suisse Asset Management gave a full play to its edge of asset management platform, accelerated innovation, expanded investment management system and realized steady growth in business performance, continuously taking a lead in the banking fund companies. ICBC Leasing continued to make greater efforts to expand business, quickened its pace in operating transformation, and proactively innovated leasing product and service means, becoming the most creative financial leasing company with the strongest comprehensive power in China. Depending on the Group's dominant position, ICBC-AXA adhered to localized and independent operation and development, deepened bank-insurance cooperation mode, and intensified product innovation. Consequently, its business scale grew rapidly with market standing boosted quickly. ICBC International made use of the Group's resources, actively expanded financing for large multinationals and domestic enterprises going public in Hong Kong, completed large projects such as the initial issue of USD2.0 billion of overseas senior bonds of State Grid, USD2.0 billion bonds underwriting of CNPC, and H-share IPO of China Galaxy Securities.

DISTRIBUTION MAP OF OVERSEAS INSTITUTIONS



Information Technology and Product Innovation

With continuous advancement of the "Technology Driven" development strategy, the Bank carried forward the infrastructure construction, accelerated product development and innovation, and increased value-creating capability, providing strong support to expedite operation reform, improve service level, promote internationalization and intensify risk management.

The Bank vigorously pushed forward system application, launching a number of basic service platforms and products in fields such as customer service, business management and risk management. It coped with interest liberalization trend and upgrade relevant systems to support multi-dimensional and differentiated interest rate pricing. Based on the demands of financial services for people's livelihood, the Bank integrated and improved service functions of social security, finance, health care, education and municipal administration. It provides more technology support to overseas institutions and completed the establishment of systems relating to RMB clearing of Singapore Branch. The FOVA was extended to cover 37 overseas institutions. Achievement was made in promoting internet banking and mobile banking in ICBC (Asia), and the internet banking covered 26 overseas institutions. In the first half of 2013, the Bank obtained 37 patents from the State Intellectual Property Office, and the total number of patents owned by the Bank amounted to 261.

Centering on the reform and development, the Bank improved work mechanism and methods for product innovation, deepened product innovation in key areas and promoting financial services for customers. It updated the measures for risk management on product research and development, which covered the whole process of product research and development as well as assessment. The regular analysis mechanism on product operation dynamic was established to continuously enhance product quality and service level. The Bank developed new products such as account-based foreign exchange trading and short-term credit card installment repayment business. It also strengthened channel innovation, added new functions such as B2C payment, two-way precious metal trading and two-way foreign exchange trading to customer terminals of iPad internet banking as well as iPhone and Android mobile banking. It launched internal transfer and remittance, payroll payment agency service and bill services of the overseas bank-enterprise interconnection system, realizing centralized management of domestic and overseas corporate accounts. In addition, the Bank also launched the personal and corporate internet banking in ICBC (Asia) and unified the internet banking system of overseas institutions in an all-round way.

Human Resources Management

Centering on the demands of the bank-wide strategic development, the Bank continuously pushed forward the group-based, market-based and diversified reform of its cadre system in accordance with the working concepts of people-oriented, service collaboration and scientific management. It constantly improved the mechanism of public competition for post, strengthened training for and appointment of young cadres, and continued to promote exchanges and communications among employees at different levels or from different departments at the level of the Bank. It enhanced the building teams of talents and personnel, enhanced capabilities and qualities of employees and broadened the career development paths for them. Great efforts were made to develop, select, bring in and reserve internationalized talents to meet the talent needs of overseas institutions for their transformation development. The Bank also accelerated the establishment of compensation governance mechanism at group level, carried out the Group's total payroll budget management and improved the remuneration system for employees. It pushed forward the reform of profit centers, bringing private banking departments into the coverage of reform pilot. Besides, it specified the function definition and profit-making mode of the Private Banking Department, and the number of profit centers increased to 9. In the first half of 2013, profit centers achieved a total profit before tax of RMB30,879 million.

Aiming at serving for employee growth and business development, the Bank continuously developed all-staff training system for managerial employees, professional staff and business personnel. Focusing on providing trainings for internationalized talents, continuous career development and senior customer managers, the Bank reinforced project management and created new training methods to practically enhance the pertinence and effectiveness of trainings. The Bank constantly consolidated basic training resources and built training infrastructure with features of ICBC, so as to further improve the operating and implementing system which scientifically integrated training bases, internet college, simulated bank and international cooperation project. In the first half of 2013, the Bank completed 19 thousand sessions of various trainings for 1.19 million persons, with an average of 3.43 days of training per person of the Group.

Besides, the publicity of corporate culture was enhanced within and outside of the Bank. Corporate culture training was arranged for employees, the values of ICBC corporate culture were vividly illustrated by means of stories, cartoons, videos and mobile newspaper. Besides, the Bank publicized its core value of "Integrity Leads to Prosperity" through the page of "corporate culture" on its official website, which improved the public awareness of its corporate culture. The Bank steadily pushed forward the improvement of professional culture, explored to establish basic characteristic culture, and drove the integrated development of the corporate culture and business management. It proactively publicized the advanced and typical deeds such as "Touching ICBC", guiding the staff to follow the Bank's core value.

RISK MANAGEMENT

Enterprise Risk Management System

In the face of complex and volatile operating environment in the first half of 2013, the Bank actively improved its enterprise risk management system and further enhanced risk management of the Group. The Bank strengthened its enterprise risk management system, amended the measures regarding risk management assessment and intensified analysis and study of key risk problems, resulting in enhanced enterprise risk management.

During the reporting period, the Bank continuously promoted the implementation of the Capital Regulation promulgated by CBRC, and continued to strengthen risk management competency and measurement capability by improving data quality management, optimizing risk measurement models, upgrading and reforming IT systems and extending the same to overseas, and enhancing the application of risk measurement results. In addition, the Bank strengthened its management of internal rating of credit risk, improved the internal rating system of its non-retail business, promoted the optimization and validation of the internal rating system and model of its retail business, and continuously promoted the full application of the internal rating results. The Bank further enhanced the internal measurement model of market risk and accelerated the extension of the global market risk management system (GMRM) abroad. It also actively carried out testing of the market risk internal model approach, and promoted the application of the internal model approach (IMA) in limit management, risk reporting, stress testing and capital measurement in a deep-going manner. The Bank continued to improve the operational risk management system and strengthened the application of the operational risk advanced measurement approach (AMA).

Credit Risk

Credit Risk Management

In the first half of 2013, in response to the changes in the macroeconomic environment and financial regulatory requirements, the Bank adhered to drive the real economy by financial services and constantly adjusted and improved various credit policies according to the changes in economic environment and industrial development trends, made greater efforts in credit restructuring and continued the building of the credit system. It strictly controlled the credit risks of key areas, standardized the credit operation process, and strengthened the construction of credit risk monitoring and management mechanism. It also innovated in off-site monitoring approaches, and improved management of loans with potential risks and collection and disposal of NPLs. As a result, credit risk management of the Bank was fully enhanced.

The Bank continued to advance the development of the credit system and further optimized the credit regulatory system. The Bank amended and improved the management rules regarding loan guarantee, pledge and guarantee for receivables and classification of credit risk exposure of the banking book, and deeply promoted the reform of credit business process, and optimized the parallel solutions of sub-processes, including credit, rating, approval and collateral assessment. The Bank expedited the integrated construction of global credit management system (GCMS), and launched functions such as integrated management of group customer information and uniform credit rating and granting. The risk management has been further strengthened.

The Bank improved industry credit policies and enhanced industry risk management. Based on the macroeconomic policy, the orientation of industrial policy and the characteristics of industrial operation, the Bank continuously adjusted and improved the credit policy for each industry and further expanded the coverage of industrial credit policies. The Bank actively supported the advanced manufacturing, modern services, culture industries, and strategic emerging sectors, in line with the country's economic restructuring orientation, and continued to promote the "green credit". By scientifically navigating the direction of granting credit and structural adjustment, the Bank implemented strict quota management on industries with over-capacity, improved quota management plans and operation procedures, and enhanced the control and withdrawal mechanism for business with potential risks. Consequently, the total amount of financing for industries with over-capacity reduced and the financing structure continuously improved. It upgraded the functions of the industrial credit limit management system and realized stringent control of industrial quota system.

The Bank strengthened risk management of loans to local government financial vehicles (LGFVs). The Bank earnestly followed the relevant policies and regulatory requirements of the State Council and CBRC, enhanced the management of financing for LGFVs, timely adjusted policies on loans to LGFVs, and accelerated the rectification and credit enhancement of loans to LGFVs. And it strictly controlled new loans to LGFVs, and continued to withdraw the approval authority on loans to LGFVs.

The Bank strengthened risk management on the real estate industry. It earnestly implemented the country's macro-control policy, continued to implement industrial limit management, strictly controlled the direction of real estate loans and further optimized the structure of loan customers. The Bank enhanced credit risk control in a comprehensive manner, and prevent and eliminate real estate credit risk. It also strengthened off-site monitoring and analysis of real estate loans, and actively planned and implemented risk prevention and control measures.

The Bank strengthened risk management in relation to trade finance. In face of the complex external environment, the Bank regulated the business operation of commodity financing, defined stricter access standards for logistic monitoring enterprises and strengthened the supervision of cooperative institutions. The Bank explored the work mechanism for supply chain financing on its own initiative, innovated in the off-site monitoring mode of trade finance, strengthened trade background authenticity verification and improved system capability in preventing and combating fraudulent transactions.

The Bank enhanced risk management of personal loans. It steadily developed personal loan business, actively adjusted the structure of personal credit products and optimized the allocation of personal credit resources. In respect of personal housing loans, the Bank continued to implement a differentiated housing credit policy and actively promoted the innovation of personal consumption loans. It also set higher access standards for borrowers, pushed forward the management of personal customer comprehensive credit and effectively controlled the total risk of various personal customer financing. The Bank strengthened compliance management of personal loans to ensure business operations comply with laws and regulations. The personal loan collection mechanism was improved.

The Bank enhanced credit risk management of small enterprise. The Bank strengthened the examination of small enterprise credit risks and prevented the cross-default risks of small enterprise loans, personal loans and credit cards. It set stricter access standards for small enterprise trade financing, improved small enterprise credit management and enhanced on-site inspection and off-site monitoring and management. It also actively resolved credit risk by gradual credit reduction and improvement of guarantee methods, and realized stringent control over small enterprise post-lending management.

Risk management of credit card business was enhanced. The Bank constantly improved credit card risk management system, strengthened the credit approval management of credit card business, actively pushed forward credit policy adjustment and improved the dynamic management of credit limits. The Bank established a multi-dimensional asset quality supervision mechanism, intensified the collection of large-amount NPLs of credit card business, and improved the uniform system platform for risk management before, during and after the credit card lending.

Credit risk management of treasury operations was improved. The Bank improved the risk monitoring and analysis mechanism and, on its own initiative, improved the structure of bond investment portfolio according to the trend of domestic and international financial markets, effectively mitigating the credit risk of investment portfolios. The Bank took various risk management measures to strengthen the credit risk management of treasury operations, including defining customers' access standards, controlling credit limit, controlling investment limit, controlling margin proportion, rating management and controlling authority limit for single transactions.

The Bank strengthened the quality management of credit assets to guarantee the stable quality of such assets. It improved NPLs forecast and alert mechanism to facilitate timely risk response measures. It strengthened the management of NPLs in key areas and large-amount NPLs, and enhanced the management, collection and disposal of NPLs. The Bank also strengthened planned management, and carried out bad debt write-offs in an orderly manner. Besides, it promoted the NPL transfer in batches and broadened the channels for NPL disposal.

Credit Risk Analysis

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

In RMB millions

Item	At 30 June 2013	At 31 December 2012
Balances with central banks	3,226,092	3,098,883
Due from banks and other financial institutions	641,073	636,450
Financial assets held for trading	43,771	20,317
Financial assets designated at fair value through profit or loss	268,216	201,208
Derivative financial assets	26,949	14,756
Reverse repurchase agreements	462,000	544,579
Loans and advances to customers	9,202,023	8,583,289
Financial investments	4,066,506	3,858,420
Receivables	369,542	364,715
Held-to-maturity investments	2,674,164	2,576,562
Available-for-sale financial assets	1,022,800	917,143
Others	439,054	220,183
Subtotal	**18,375,684**	**17,178,085**
Credit commitments	**2,173,530**	**2,076,206**
Maximum credit risk exposure	**20,549,214**	**19,254,291**

DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

In RMB millions, except for percentages

	At 30 June 2013		At 31 December 2012	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Pass	9,135,274	96.79	8,501,566	96.57
Special mention	220,600	2.34	227,551	2.58
NPLs	81,768	0.87	74,575	0.85
Substandard	34,106	0.37	29,418	0.33
Doubtful	39,827	0.42	36,482	0.42
Loss	7,835	0.08	8,675	0.10
Total	**9,437,642**	**100.00**	**8,803,692**	**100.00**

Loan quality maintained stable. As at the end of June 2013, according to the five-tier classification, pass loans amounted to RMB9,135,274 million, representing an increase of RMB633,708 million from the end of the previous year and accounting for 96.79% of total loans. Special mention loans amounted to RMB220,600 million, representing a decrease of RMB6,951 million, accounting for 2.34% of total loans. Outstanding NPLs amounted to RMB81,768 million, increased by RMB7,193 million, and NPL ratio was 0.87%.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2013				At 31 December 2012			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	6,710,747	71.1	65,164	0.97	6,332,578	71.9	60,977	0.96
Discounted bills	185,655	2.0	–	–	184,011	2.1	–	–
Personal loans	2,541,240	26.9	16,604	0.65	2,287,103	26.0	13,598	0.59
Total	**9,437,642**	**100.0**	**81,768**	**0.87**	**8,803,692**	**100.0**	**74,575**	**0.85**

The balance of non-performing corporate loans reached RMB65,164 million, representing an increase of RMB4,187 million over the end of the previous year, with a NPL ratio of 0.97%. The rebound of NPLs was attributed to the rising pressure of macro-economic downturn and depression of external markets, which had caused bigger operation difficulties to some enterprises, particularly small and medium enterprises. The balance of non-performing personal loans stood at RMB16,604 million, increased by RMB3,006 million, and NPL ratio was 0.65%, which was mainly due to the increase in NPLs for personal business loans, credit card overdrafts and personal consumption loans resulting from decrease of operating income or salaries of some borrowers.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 30 June 2013				At 31 December 2012			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	339,605	3.6	3,278	0.97	312,927	3.6	2,811	0.90
Yangtze River Delta	2,021,064	21.4	19,784	0.98	1,936,722	22.0	15,465	0.80
Pearl River Delta	1,293,613	13.7	11,733	0.91	1,240,314	14.1	10,171	0.82
Bohai Rim	1,652,755	17.5	14,122	0.85	1,558,968	17.7	13,180	0.85
Central China	1,265,699	13.4	13,422	1.06	1,190,327	13.5	13,885	1.17
Western China	1,655,948	17.6	10,299	0.62	1,524,074	17.3	10,774	0.71
Northeastern China	546,954	5.8	5,395	0.99	514,030	5.8	5,308	1.03
Overseas and others	662,004	7.0	3,735	0.56	526,330	6.0	2,981	0.57
Total	**9,437,642**	**100.0**	**81,768**	**0.87**	**8,803,692**	**100.0**	**74,575**	**0.85**

The Bank continuously optimized the geographic credit mix and promoted a balanced allocation of credit resources for different geographic areas, and maintained the stability of credit quality. It actively supported the development of Central China, Western China and Northeastern China, and granted RMB240,170 million new loans in the three regions, accounting for 37.9% of the total increment of loans. Overseas and other loans increased by RMB135,674 million, up 25.8%, accounting for 21.4% of the total increment of loans, which was mainly caused by increase of loans to ICBC (Asia), Singapore Branch and ICBC (Europe).

The balance of NPLs increased relatively more in the Yangtze River Delta, Pearl River Delta and Bohai Rim, mainly resulted from weak demand at home and abroad which caused fund shortage of export-oriented small and micro enterprises that were suffering from problems such as decreasing orders, rising costs and declining profits.

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

In RMB millions, except for percentages

	At 30 June 2013				At 31 December 2012			
Item	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Manufacturing	1,444,298	23.7	23,979	1.66	1,392,266	23.8	22,442	1.61
Chemicals	221,753	3.6	2,700	1.22	214,625	3.7	3,115	1.45
Machinery	218,812	3.6	4,489	2.05	212,086	3.6	2,721	1.28
Metal processing	172,720	2.8	2,785	1.61	173,477	3.0	2,570	1.48
Textiles and apparels	137,126	2.3	3,470	2.53	135,744	2.3	3,179	2.34
Iron and steel	129,309	2.1	1,279	0.99	135,925	2.3	1,402	1.03
Computer, telecommunications equipment, and other electronic equipment	113,389	1.9	752	0.66	94,558	1.6	1,103	1.17
Transportation equipment	81,724	1.3	1,686	2.06	72,752	1.3	1,312	1.80
Non-metallic mineral	65,064	1.1	1,590	2.44	63,599	1.1	1,710	2.69
Petroleum processing, coking and nuclear fuel	55,564	0.9	286	0.51	55,161	0.9	312	0.57
Others	248,837	4.1	4,942	1.99	234,339	4.0	5,018	2.14
Transportation, storage and postal services	1,181,455	19.4	7,452	0.63	1,135,626	19.4	9,538	0.84
Wholesale and retail	764,019	12.5	19,345	2.53	705,800	12.1	14,186	2.01
Production and supply of electricity, heat, gas and water	573,050	9.4	2,364	0.41	579,726	9.9	2,727	0.47
Real estate	479,098	7.9	4,331	0.90	487,186	8.3	4,297	0.88
Water, environment and public utility management	474,866	7.8	81	0.02	464,000	7.9	341	0.07
Leasing and commercial services	415,029	6.8	856	0.21	382,835	6.6	959	0.25
Mining	247,793	4.1	575	0.23	233,124	4.0	473	0.20
Construction	159,370	2.6	669	0.42	145,798	2.5	932	0.64
Lodging and catering	128,039	2.1	561	0.44	101,489	1.7	796	0.78
Science, education, culture and sanitation	91,623	1.5	569	0.62	84,339	1.5	578	0.69
Others	133,767	2.2	968	0.72	132,646	2.3	983	0.74
Total	**6,092,407**	**100.0**	**61,750**	**1.01**	**5,844,835**	**100.0**	**58,252**	**1.00**

In the first half of 2013, the Bank continued to promote credit restructuring, and proactively supported the development of advanced manufacturing, modern services, culture industries and strategic emerging sectors in line with the country's economic structural adjustment orientation. Specifically, loans to the wholesale and retail industry, being main part of the loans to the service sector, increased by RMB58,219 million or 8.2%; and loans to the manufacturing industry increased by RMB52,032 million or 3.7%, with new loans mainly granted to leading and backbone enterprises and competitive SMEs in the advanced manufacturing industries including equipment manufacturing, electronic information manufacturing and agricultural products processing industries. Loans to the wholesale and retail industry and manufacturing industry accounted for 44.5% of new corporate loans granted. Loans granted to the transportation, storage and postal services industry increased by RMB45,829 million, mainly to the key ongoing and continuing projects supported by the state. Real estate loans decreased by RMB8,088 million, mainly due to the Bank's strict quota management on real estate industry.

NPLs decreased relatively more in the transportation, storage and postal services, and electricity, heat, gas and water production and supply industries. The increase in the NPLs in wholesale and retail industry was mainly due to economic growth slowdown, which caused weak downstream demand of wholesale industry, fund shortage of some wholesale enterprises such as those in steel trading, and decline in the income and profits of retail enterprises.

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
At the beginning of the period	**31,405**	**188,998**	**220,403**
Charge for the period	6,547	15,380	21,927
Including: Impairment allowances charged	11,124	57,407	68,531
Impairment allowances transferred	284	(284)	–
Reversal of impairment allowances	(4,861)	(41,743)	(46,604)
Accreted interest on impaired loans	(937)	–	(937)
Write-offs for the period	(5,351)	(1,173)	(6,524)
Recoveries of loans and advances previously written off	719	31	750
At the end of the period	**32,383**	**203,236**	**235,619**

At the end of June 2013, allowance for impairment losses on loans was RMB235,619 million, representing an increase of RMB15,216 million over the end of the previous year; allowance to NPL ratio was 288.16%; allowance to total loans ratio was 2.50%.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 30 June 2013 Amount	At 30 June 2013 Percentage (%)	At 31 December 2012 Amount	At 31 December 2012 Percentage (%)
Loans secured by mortgages	4,164,890	44.1	3,754,475	42.6
Including: Personal housing loans	1,547,065	16.4	1,340,891	15.2
Pledged loans	1,216,570	12.9	1,087,051	12.4
Including: Discounted bills	185,655	2.0	184,011	2.1
Guaranteed loans	1,325,818	14.0	1,269,028	14.4
Unsecured loans	2,730,364	29.0	2,693,138	30.6
Total	**9,437,642**	**100.0**	**8,803,692**	**100.0**

Loans secured by mortgages stood at RMB4,164,890 million, representing an increase of RMB410,415 million or 10.9% over the end of the previous year. Pledged loans amounted to RMB1,216,570 million, representing an increase of RMB129,519 million or 11.9%. Unsecured loans increased by RMB37,226 million or 1.4% to RMB2,730,364 million.

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 30 June 2013 Amount	At 30 June 2013 Percentage of total loans (%)	At 31 December 2012 Amount	At 31 December 2012 Percentage of total loans (%)
3 to 6 months	12,155	0.13	9,485	0.11
6 to 12 months	15,457	0.16	11,903	0.14
Over 12 months	41,603	0.44	40,707	0.46
Total	**69,215**	**0.73**	**62,095**	**0.71**

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

RENEGOTIATED LOANS

Renegotiated loans and advances amounted to RMB7,932 million, representing an increase of RMB744 million or 10.4% as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB3,408 million, representing a decrease of RMB561 million.

EXTENDED LOANS

The balance of extended loans amounted to RMB11,813 million, representing a decrease of RMB2,419 million from the end of the previous year, of which the NPLs balance was RMB2,472 million, representing a decrease of RMB397 million from the end of the previous year.

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top 10 single customers accounted for 3.8% and 17.2% of the Bank's net capital, respectively. The total amount of loans granted to the top 10 single customers was RMB250,027 million, accounting for 2.6% of the total loans. The table below shows the details of the loans granted to the top 10 single borrowers of the Bank as at the end of June 2013.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total
Borrower A	Transportation, storage and postal services	55,506	0.6
Borrower B	Manufacturing	27,594	0.3
Borrower C	Transportation, storage and postal services	26,657	0.3
Borrower D	Transportation, storage and postal services	24,432	0.2
Borrower E	Transportation, storage and postal services	24,023	0.2
Borrower F	Transportation, storage and postal services	24,014	0.2
Borrower G	Transportation, storage and postal services	19,593	0.2
Borrower H	Transportation, storage and postal services	16,964	0.2
Borrower I	Mining	16,200	0.2
Borrower J	Transportation, storage and postal services	15,044	0.2
Total		**250,027**	**2.6**

Market Risk

In the first half of 2013, the Bank continued to strengthen its consolidated management of market risk and comprehensively enhanced the management and measurement of market risk at the Group level. It actively prepared for the implementation of market risk IMA, and continuously improved the market risk management system at the Group level. The Bank accelerated the promotion of the extension of the global market risk management system (GMRM) to abroad, further optimized the market risk measurement model and enhanced risk data integration capability. It also actively carried out the testing of the market risk internal model approach (IMA), and promoted the core application of the internal model approach (IMA) in areas such as limit management, risk reporting, stress testing and capital measurement.

Market Risk Management of the Banking Book

The Bank actively improved the market risk management system of the banking book, further enhanced measurement of interest rate and exchange rate risks, and strengthened the capability in managing interest rate and exchange rate risks at the Group level. The Bank strengthened the capability in monitoring and analyzing interest rate risk of the banking book at the Group level, upgraded interest rate management system, and improved the accuracy of system measurement, laying a solid foundation for refined management of interest rate risk.

Market Risk Management of the Trading Book

The Bank continued to strengthen and improve risk measurement and product control of the trading book by adopting multiple methods including Value at Risk (VaR), sensitivity analysis and exposure analysis to measure and manage products in the trading book. The Bank further also optimized the market risk limit management system based on trading portfolios, expanded the coverage of the limit management in overseas institutions, refined management of limit indicators, and realized dynamic monitoring and management with the help of its global market risk management (GMRM) system.

Market Risk Analysis

◆ *Interest Rate Risk Analysis*

In the first half of 2013, as China's interest rate liberalization reform substantially deepened, a new financial market price formation and transmission mechanism gradually improved, and market interest rates fluctuated in a greater span. The Bank paid close attention to the changes in monetary policy and domestic and overseas financial markets, and actively responded to the challenge posed by interest rate liberalization. In order to actively prevent the re-pricing risk during the interest rate downward cycle and improve interest rate risk management, the Bank strengthened the deposit and loan interest rate pricing management, improved the maturity structure of assets and liabilities, and reasonably controlled long-term liability business. It moderately prolonged asset duration.

As at the end of June 2013, the Bank had a cumulative negative exposure of RMB630,103 million for interest rate sensitivity within one year, representing an increase of RMB430,584 million over the end of the previous year, mainly due to the increase in customer deposits within one year; the Bank had a positive exposure of RMB1,759,578 million for interest rate sensitivity for more than one year, which had increased by RMB634,327 million, mainly because the Bank at its own initiative adopted investment policy to moderately increase asset duration, which led to the increase in the bond investment with a term of over one year. 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 3 months	3 months to 1 year	1 to 5 years	Over 5 years
At 30 June 2013	(2,949,267)	2,319,164	440,049	1,319,529
At 31 December 2012	(1,539,586)	1,340,067	(48,908)	1,174,159

Note: Please refer to "Note 45.(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 takes no account of the risk management actions that the Management may take to mitigate interest rate risk:

INTEREST RATE SENSITIVITY ANALYSIS

In RMB millions

	At 30 June 2013		At 31 December 2012	
Changes of interest rate in basis points	Impact on net interest income	Impact on equity	Impact on net interest income	Impact on equity
Increase by 100 basis points	(15,624)	(26,343)	(6,994)	(22,489)
Decrease by 100 basis points	15,624	28,068	6,994	23,851

Note: Please refer to "Note 45.(c)(iii) to the Financial Statements: Interest Rate Risk".

◆ *Exchange Rate Risk Analysis*

In the first half of 2013, the PBC further improved the Renminbi exchange rate formation mechanism. Renminbi appreciated slightly with obvious two-way fluctuations feature while the exchange rate elasticity was significantly enhanced, and the exchange rate of Renminbi against US dollar appreciated by 1.73% from the end of the previous year. The Bank closely monitored the changes in external market and internal funds, actively adopted a combination of measures such as price leverage to adjust and optimize the aggregate amount and structure of foreign exchange assets and liabilities, and controlled the exchange rate risk of the Bank while maintaining a coordinated development of foreign exchange deposit and loan businesses.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

	At 30 June 2013		At 31 December 2012	
Foreign exchange exposure	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	295,399	48,040	266,916	42,820
Exposure of off-balance sheet foreign exchange items, net	(176,973)	(28,781)	(187,054)	(30,008)
Total foreign exchange exposure, net	**118,426**	**19,259**	**79,862**	**12,812**

Please refer to "Note 45.(c)(ii) to the Financial Statements: Currency Risk" for analysis of exchange rate sensitivity.

◆ *Market Risk Analysis of the Trading Book*

The Bank applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of one day and historical data of 250 days) to measure the VaR of the interest rate risk, exchange rate risk, and commodity risk of underlying and derivative products of the trading books of the Head Office and all overseas branches.

VALUE AT RISK (VAR) OF THE TRADING BOOK

In RMB millions

	Six months ended 30 June 2013				Six months ended 30 June 2012			
Item	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
Interest rate risk	74	26	78	13	36	34	43	27
Exchange rate risk	37	29	51	18	31	17	37	3
Commodity risk	1	3	12	0	14	9	20	1
Total portfolio VaR	**68**	**37**	**80**	**26**	**47**	**36**	**48**	**29**

Note: The scope of VaR measurement in the first half of 2013 was widened in comparison with the same period of the previous year, and the comparative figures are not restated. Please refer to "Note 45.(c)(i) to the Financial Statement: VaR".

Liquidity Risk

Integrated with the changes in the macroeconomic environment and the financial regulatory policies, the Bank continued to strengthen the development of its liquidity risk management system and improve the management of its liquidity risk. In light of the Guideline on Liquidity Risk Management of Commercial Banks promulgated by CBRC and relevant requirements, the Bank enhanced the liquidity risk management at the Group level, improved the Renminbi treasury operation management plan of overseas institutions, and widened the monitoring scope of liquidity risk of off-balance sheet business. It intensified monitoring to further enhance the coordination and management capability of liquidity risk of on- and off-balance sheet business and the capability of the Group to prevent liquidity risk .

Liquidity Risk Analysis

In the first half of 2013, liquidity of Chinese domestic Renminbi market remained stable as a whole, and due to seasonal and structural factors at certain time points, inter-bank market interest rates fluctuated in a bigger span. The Bank closely monitored the macro-control policy and the situation of market funds, and dynamically adjusted its liquidity management strategy and fund operation tempo according to the Bank's asset and liability business development and liquidity status. It maintained liquidity reserve assets at various levels, raised its fund use efficiency while ensuring bank-wide liquidity security, and practically improved its ability to deal with liquidity risk.

In respect of foreign currencies, the Bank closely observed the changes in market interest rates and funds, adjusted foreign currency liquidity management strategy and internal and external fund prices in a flexible manner, coordinated the balanced development of foreign currency assets and liabilities business while ensuring a safe liquidity level.

The Bank assessed the liquidity risk status by using liquidity exposure analysis. The Bank's negative liquidity exposure for one to three months reduced mainly due to the increase of customer loans and decrease of customer deposits. The negative liquidity exposure for three months to one year increased mainly due to the increase of customer deposits and decrease in investment in bond with a corresponding term. The long and medium-term customer loans and investment in bond with a term of over one year increased, leading to the expansion of the positive liquidity exposure for one to five years and for over five years. Given demand deposits of the Bank continued to grow while keeping a relatively high deposition rate, and at the same time, the Bank made major investment in central bank bills, treasury bonds and other high-liquidity assets, the Bank had sufficient liquidity reserves and the cumulative positive liquidity exposure had further increased compared to the end of last year. Therefore, the overall liquidity of the Bank was safe. The liquidity exposure analysis of the Bank as at the end of June 2013 is shown in the table below:

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
At 30 June 2013	(7,354,448)	(515,200)	(169,903)	(907,823)	2,692,274	4,417,270	3,012,923	1,175,093
At 31 December 2012	(7,008,584)	(439,485)	(461,287)	(697)	2,158,073	4,046,904	2,833,535	1,128,459

Note: Please refer to "Note 45.(b) to the Financial Statements: Liquidity Risk".

As at the end of June 2013, the relevant indicators reflecting the Bank's liquidity status satisfied the regulatory requirements, with details shown in the table below:

Item		Regulatory criteria	At 30 June 2013	At 31 December 2012	At 31 December 2011
Liquidity ratio (%)	RMB	>=25.0	31.8	32.5	27.6
	Foreign currency	>=25.0	67.5	65.2	90.6
Loan-to-deposit ratio (%)	RMB and foreign currency	<=75.0	64.8	64.1	63.5

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

Internal Control and Operational Risk

Internal Control

The Bank constantly pushed forward the development of internal control system according to the general requirements of "regulation-based behavior, proper authorization, effective monitoring, inspection and control" on internal control. It deployed the streamlining of rules, strengthened the proposal and approval of rules and overall management of rules, and improved the effective rule management mechanism of the Group. It also dynamically tracked external regulatory laws and regulations, and coordinated the deployment of the monitoring and inspection of the Bank's major risk areas and key risk points. Besides, it gave full play of the internal control monitoring and analysis platform and strengthened off-site supervision and management, and utilised the monitoring results of information system to improve internal control assessment measures and the quality of internal control assessment. During the reporting period, the Bank further improved its internal control system and enhanced the integrity, reasonableness and effectiveness of internal control.

Operational Risk Management

In accordance with the latest regulatory requirements on and the trend of changes in operational risk of banking industry, the Bank further improved operational risk management mechanism, implemented operational risk management rules, gave full play to the role of the three defense lines in operational risk management, and continuously promoted the preparation for the implementation of operational risk advanced measurement approach (AMA). The Bank improved the key risk indicator system of operational risk and amended the criteria for identifying operational risk loss events. It kept promoting self-assessment on operational risk and risk control throughout all business lines, and made operational risk management more foresighted. It upgraded the internal control functions of asset management system to realize the pre-event control of compliance problems of credit business. The Bank also monitored fraudulent transactions on a round-the-clock basis through relying on the credit card risk monitoring system, and established a forged card inspection and handling mechanism to prevent credit card fraud risk. It continuously strengthened the operational risk management and control of the overseas institutions, and promoted the application of operational risk management instruments in overseas institutions, thereby enhancing overseas institutions' operational risk management. During the reporting period, the Bank's operational risk management continuously improved, and risk prevention and control capability further enhanced.

Legal Risk

The Bank continued to deepen the reform of its legal affairs management system, reinforced the role of the Legal Affairs Department of the Head Office as the Bank's core legal risk control department, and enhanced the legal risk prevention and control capability of branches' legal affairs departments. It strengthened the development of legal risk management system and rules and improved the legal risk consolidated management mechanism and process. It also strengthened its legal service initiative, and applied legal means to support the internationalized and diversified operations as well as the development and innovation of various business lines. The Bank strengthened the monitoring and management of legal proceedings, in particular where the Bank was the defendant, thereby preventing and controlling the risk in such legal proceedings, and kept improving its standard of lawsuit management. It further regulated contract management, and strengthened the authorization management, trademark management, and the protection of relevant intellectual properties.

Anti-money Laundering

In strict compliance with applicable laws and regulations concerning anti-money laundering, the Bank actively implemented the "risk-based" regulatory requirements in respect of anti-money laundering, and fully enhanced the compliance management standard in this aspect. As required by the PBC, the Bank earnestly deployed the pilot reporting of large-value and suspicious transactions, designed a series of new anti-money laundering operation processes, monitoring indicators and models, and rolled out the new-generation anti-money laundering monitoring system, which greatly improved the effectiveness of anti-money laundering. It continuously deepened the reform of centralized processing of anti-money laundering, and developed a centralized and efficient anti-money laundering mode of work. It formulated a number of anti-money laundering internal control rules, including large-value and suspicious transaction reporting management rules. In addition, the Bank continued its efforts in maintaining customer information and further improved the completeness and authenticity of customer information. It actively carried out anti-money laundering assessment for overseas institutions, steadily promoted the application of anti-money laundering system in overseas institutions, and continually improved the Group's anti-money laundering management standard. It also enhanced the buildup of anti-money laundering expert team, continuously carried out entry training to anti-money laundering posts of financial industry and professional training for personnel of anti-money laundering posts, and organized employees to participate in the Certified Anti-Money Laundering Specialist (CAMS) qualification certification and enhance their awareness and skills in anti-money laundering risk prevention.

During the reporting period, no domestic or overseas institution or any employee was found to be or was suspected of being involved in money laundering or terrorist financing activities.

Reputational Risk

The Bank continued to strengthen reputational risk management and promote the development of reputational risk management system and work mechanism. It deployed work on the identification, assessment, monitoring, control, mitigation and evaluation of reputational risk, and strengthened the consolidated management of reputational risk. Targeted at protection of consumers' rights and improvement of service quality and internal management, the Bank carried out its reputational risk management work and enhanced the pre-event control and mitigation of reputational risk factors. It paid attention to the influence of Weibo and other new media on reputational risk, and studied the new changes in reputational risk transmission and corresponding countermeasures for reputational risk management. During the reporting period, the Bank's reputational risk was controllable.

Country Risk

In the face of the complex and volatile international situation during the first half of 2013, the Bank continued to strengthen country risk management and improve country risk management system. The Bank closely watched changes in risk exposures, constantly tracked, monitored and reported country risk, timely updated and adjusted the country risk rating and limits, and actively conducted stress testing on country risk. In addition, the Bank further strengthened the pre-warning mechanism for country risk, improved relevant contingency plans, effectively controlled country risk while pushing ahead the internationalization strategy.

CAPITAL MANAGEMENT

In the first half of 2013, focusing on establishing a long-acting capital replenishment and constraint mechanism, the Bank continued to improve the capital management system and promote the enterprise capital management in all areas. Besides, it proactively sought exogenous channels for capital replenishment, strengthened the coordinated management on capital replenishment and utilization, reinforced capital constraint and maintained stable capital adequacy level.

Capital Adequacy Ratio

As at the end of June 2013, the Bank calculated capital adequacy ratios at various levels in accordance with the Capital Regulation. Specifically, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio stood at 10.48%, 10.48% and 13.11% respectively, all fulfilled regulatory requirements. During the reporting period, the Bank's profit maintained continuous growth, which effectively supplemented the core tier-one capital. Meanwhile, the growth rate of risk-weighted assets was controlled effectively and the capital adequacy ratio kept moderate.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 30 June 2013
Core tier-one capital	**1,173,434**
Paid-in capital	349,650
Valid portion of capital reserve	128,086
Surplus reserve	98,195
General reserve	189,296
Retained profits	427,043
Valid portion of non-controlling interests	1,831
Others(2)	(20,667)
Core tier-one capital deductions	**8,735**
Goodwill	8,209
Other intangible assets other than land use right	1,704
Cumulative cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,877)
Investment in core tier-one capital instruments issued by financial sector entities that are under control but not subject to consolidation	2,699
Net core tier-one capital	**1,164,699**
Other tier-one capital(3)	**23**
Net tier-one capital	**1,164,722**
Tier-two capital	**312,226**
Valid portion of tier-two capital instrument and related premium	186,842
Surplus provision for loan impairment	125,301
Valid portion of non-controlling interests	83
Tier-two capital deductions	**20,400**
Significant capital investments in tier-two capital instruments issued by financial sector entities that are not subject to consolidation	20,400
Net capital base	**1,456,548**
Risk-weighted assets	**11,108,508**
Core tier-one capital adequacy ratio	**10.48%**
Tier-one capital adequacy ratio	**10.48%**
Capital adequacy ratio	**13.11%**

Notes: (1) Please refer to "Note 45.(d) to the Financial Statements: Capital management".

(2) Others are foreign currency translation reserve.

(3) As at 30 June 2013, the Group's other tier-one capital was the valid portion of non-controlling interests.

For more information about the Bank's capital measurement, please refer to the section headed "Information Disclosed Pursuant to the Capital Regulation".

Capital Financing Management

The Bank proactively sought exogenous channels for capital replenishment, and further optimized the capital structure. The Board of Directors held a meeting on 15 January 2013, reviewing and approving the proposal on the issuance of up to an equivalent of RMB60.0 billion eligible tier-two capital instruments with the write-down clause other than the clause of converting to share capital and with a term of no less than five years in accordance with the Capital Regulation by the end of 2014. The proposal was reviewed and approved by the First Extraordinary General Meeting of 2013 convened on 20 March 2013. The meeting of the Board of Directors of the Bank convened on 27 June 2013 reviewed and approved the authorization to the Senior Management for handling the matters relating to the issuance. For the particulars of the planned new issuance of the eligible tier-two capital instruments, please refer to the announcements published by the Bank at the websites of SEHK and SSE.

OUTLOOK

In the second half of 2013, international economic situation will remain complicated and uncertain. The slow growth trend of the world economy will not change. The US economy will recover gradually, but its debt problem will drag its economic growth. Meanwhile, whether maintaining or abandoning the quantitative easing policy will bring about a chain reaction to the world economy and international financial market, and make macro-economic management of other economies more difficult. Due to various factors such as decrease in external demand and cyclical economic downturn, the emerging economies' economic growth will slow down and restructuring pressure will increase. China's economic operation will generally remain smooth, but the structural contradictions will still be prominent. In particular, the overcapacity of some industries highly relevant to investment is more obvious.

The next stage will bring about not only opportunities but also challenges to the Bank. The opportunities mainly include: first, the country will speed up economic restructuring, including promoting the transformation and upgrade of traditional industries, accelerating the development of strategic emerging industries and supporting the development of small and micro enterprises, which will provide broad space for the Bank to achieve operational transformation and exploit new sources of business growth. Second, the synchronous development of industrialization, IT application, urbanization and agricultural modernization, particularly the steady advancement of new-type urbanization and renovation of shanty towns in urban areas, will release a great amount of financial service demand and provide strategic support for business development of the Bank. Third, the country will promote investment, fiscal taxation and financial reform as an important means of stabilizing economic growth and adjusting economic structure. It has promulgated a series of measures in support of economic restructuring, transformation and upgrade by financial services, bringing about favorable environment and policy opportunities for the Bank to optimize resource allocation, accelerate financial innovation, and prevent and mitigate financial risks. Fourth, the country's intensification of opening-up, in particular the quickening of Renminbi internationalization and enterprise "going global" process, has created favorable conditions for the Bank to steadily promote internationalization and exploit external development opportunities. On the whole, the Bank is still at a developing stage with great strategic opportunities.

At the same time, the Bank will face some new challenges: first, full liberalization of loan interest rates signals that interest rate liberalization reform will further speed up, posing multiple challenges on the Bank's capacity in interest rate pricing and management, innovation and competitive development. Second, financial disintermediation is intensifying, posing more urgent requirements on the Bank's innovation and transformation. Third, in face of the pressure of economic downturn, the Bank will face some new problems in respect of preventing and controlling credit risk and preventing external risk from spreading to the banking sector.

In the first half of 2013, facing the complex economic environment at home and abroad, the Bank generally maintained smooth operation and over-fulfilled its business target. In the second half of the year, the Bank will, in light of its pre-set strategic arrangements, further grasp opportunities and respond to challenges. It will strive to successfully attain all business targets, and consolidate and maintain the sound momentum of operation and development.

i. Enhance the capability and efficiency in serving the real economy. According to the prudent monetary policy and macro-prudential management requirements, the Bank will step up efforts to accelerate the restructuring of existing credit and improve the quality and efficiency in supporting the real economy, while maintaining moderate growth of aggregate credit and balanced credit extension. In respect of credit extension, the Bank will give priority to major projects under construction and continuing projects, actively support industrial restructuring and upgrading, and further enhance credit support for small and micro enterprises. It will support the resolving of overcapacity, make great efforts to develop direct consumption credit business, and improve the day-to-day financial services for the general public.

ii. Drive transformation and development by reform and innovation. The Bank will actively respond to the challenges of interest rate liberalization and reform of capital regulation, improve capital management and pricing system, accelerate the innovation of new business, new products and new technologies and further shape a diversified and balanced pattern of profit growth. It will push forward its business internationalization and diversification and enhance its global financial service capability. It will deepen the organizational reform at all levels, optimize service process and business operation system, accelerate IT-based banking construction and enhance the vitality of competitive development.

iii. Ensure the stability of asset quality and safe and sound operation. The Bank will take measures with thorough solutions to strengthen the management of business areas with prominent risks, and press forward with the recovery of overdue loans and collection and disposal of NPLs. It will enhance credit reform in the Big Data era, and ensure the general stability of credit asset quality amid the severe and complex situation. It will effectively prevent external risks, including illegal financing risk, from spreading to the banking sector, and firmly avoid various risk events.

OTHER FINANCIAL INFORMATION DISCLOSED PURSUANT TO REGULATORY REQUIREMENTS

Major Regulatory Indicators

Item		Regulatory criteria	At 30 June 2013	At 31 December 2012	At 31 December 2011
Liquidity ratio (%)	RMB	>=25.0	31.8	32.5	27.6
	Foreign currency	>=25.0	67.5	65.2	90.6
Loan-to-deposit ratio (%)	RMB and foreign currency	<=75.0	64.8	64.1	63.5
Percentage of loans to single largest customer (%)		<=10.0	3.8	4.0	3.6
Percentage of loans to top 10 customers (%)			17.2	17.9	19.3
Loan migration ratio (%)	Pass		1.1	1.9	2.0
	Special mention		7.6	4.1	7.3
	Substandard		23.6	28.1	32.8
	Doubtful		1.6	4.4	4.9

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

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

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the six months ended 30 June 2013 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

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

SECURITIES INVESTMENT

S/N	Stock (Fund) code	Stock (Fund) name	Number of shares held at the end of the period (10,000 shares/units)	Initial investment cost (RMB yuan)	Book value at the end of the period (RMB yuan)	Book value at the beginning of the period (RMB yuan)	Accounting item
1	966 (Hong Kong, China)	CHINA TAIPING	2,688.55	95,490,974	255,749,889	339,449,347	Available-for-sale financial assets
2	1299 (Hong Kong, China)	AIA	539.80	92,556,985	140,139,475	131,315,405	Financial assets held for trading
3	485105	ICBCCS Enhanced Income Bond Fund A	10,626.32	112,356,560	119,163,508	113,457,176	Available-for-sale financial assets
4	601998	CNCB	3,103.44	167,223,692	115,137,624	133,137,576	Available-for-sale financial assets
5	MY (U.S.)	Mingyang Wind Power	1,085.26	337,323,470	112,778,552	82,172,989	Available-for-sale financial assets
6	871 (Hong Kong, China)	XIANGYU DREDG	4,590.00	121,752,858	66,218,293	75,298,004	Available-for-sale financial assets
7	450004	Franklin Templeton Sealand Deepening Value Stock Fund	5,356.13	69,495,284	60,395,685	41,959,721	Available-for-sale financial assets
8	2468 (Hong Kong, China)	TRONY SOLAR	18,823.53	168,439,670	52,223,143	52,979,726	Available-for-sale financial assets
9	380006	BOC Pure Bond Fund	4,232.40	43,890,000	43,720,704	–	Available-for-sale financial assets
10	150108	Changsheng Tonghui Fund	3,327.65	34,922,851	35,938,622	35,605,857	Available-for-sale financial assets
Total			**—**	**1,243,452,344**	**1,001,465,495**	**1,005,375,801**	

Notes: (1) The stock and fund investment listed in the table includes stocks issued by other listed companies, open-ended funds or close-ended funds and other securities investment (top 10 as ranked by book value at the end of the period) calculated under available-for-sale financial assets and financial assets held for trading of the Bank as at the end of the reporting period.

(2) The shares in CHINA TAIPING and AIA were held by ICBC (Asia), a controlling subsidiary of the Bank; ICBCCS Enhanced Income Bond Fund A was held by ICBC Credit Suisse Asset Management, a controlling subsidiary of the Bank; the shares in Mingyang Wind Power, XIANGYU DREDG and TRONY SOLAR were held by ICBC International, a controlling subsidiary of the Bank; and the shares in Franklin Templeton Sealand Deepening Value Stock Fund, BOC Pure Bond Fund and Changsheng Tonghui Fund were held by ICBC-AXA, a controlling subsidiary of the Bank.

SHARES IN UNLISTED FINANCIAL INSTITUTIONS

Company	Initial investment cost (RMB yuan)	Number of shares held (10,000 shares)	Shareholding percentage (%)	Book value at the end of the period (RMB yuan)
China UnionPay Co., Ltd.	146,250,000	11,250.00	3.84	146,250,000
Xiamen International Bank	102,301,500	20,043.00	10.00	102,301,500
Guangdong Development Bank	56,522,225	2,722.29	0.18	56,522,225
Joint Electronic Teller Services Limited	8,208,370	0.0024	0.03	7,167,677
Bangkok BTMU Ltd.	4,272,984	20.00	10.00	4,025,806
Huarong Xiangjiang Bank	3,500,000	353.64	0.09	3,617,582
Luen Fung Hang Insurance Co., Ltd.	1,518,440	2.40	6.00	1,335,230
Bank of Guilin	420,000	149.91	0.12	1,289,934
Bank of Nanchang	300,000	39.00	0.03	522,646
Subtotal	**323,293,519**	**—**	**—**	**323,032,600**

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

Capital Adequacy Ratio

Scope of Capital Adequacy Ratio Calculation

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

Result of Capital Adequacy Ratio Measurement

The table below sets out the capital adequacy ratios of the Bank measured in accordance with the Capital Regulation and the Regulations Governing Capital Adequacy of Commercial Banks promulgated by CBRC at the end of the reporting period.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Calculated in accordance with the Capital Regulation promulgated by CBRC:		
Item	**Group[1]**	**Parent Company**
Net core tier-one capital	1,164,699	1,093,145
Net tier-one capital	1,164,722	1,093,145
Net capital	1,456,548	1,373,283
Core tier-one capital adequacy ratio	10.48%	10.33%
Tier-one capital adequacy ratio	10.48%	10.33%
Capital adequacy ratio	13.11%	12.98%
Calculated in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC:		
Item	**Group**	**Parent Company**
Core capital adequacy ratio	10.80%	10.98%
Capital adequacy ratio	13.65%	13.52%

Note: (1) Please refer to the section headed "Discussion and Analysis — Capital Management" for detail of capital adequacy ratio of the Group at the end of the reporting period.

Measurement of Risk-Weighted Assets

The table below sets out the risk-weighted assets of the Bank measured in accordance with the Capital Regulation. Specifically, the weighted approach, standardized approach and basic indicator approach are applied to the measurement of credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets, respectively.

RISK-WEIGHTED ASSETS

In RMB millions

Item	At 30 June 2013
Credit risk-weighted assets	10,149,350
On-balance sheet credit risk	9,263,438
Off-balance sheet credit risk	845,418
Counterparty credit risk	40,494
Market risk-weighted assets	103,245
Operational risk-weighted assets	855,913
Total	**11,108,508**

Credit Risk Exposure

The table below sets out the credit risk exposure measured with the weighted approach.

CREDIT RISK EXPOSURE

In RMB millions

	At 30 June 2013	
Item	Risk exposure	Risk exposure with no risk mitigation
On-balance sheet credit risk	**18,634,901**	**17,802,394**
Cash assets	3,301,258	3,301,258
Claims on the central governments and central banks	1,611,426	1,611,423
Claims on public sector entities	224,087	106,138
Claims on China's financial institutions	3,180,497	3,153,251
Claims on financial institutions registered in other countries/regions	413,762	189,243
Claims on corporates	6,797,921	6,348,941
Claims on qualified small and micro enterprises	79,792	78,068
Claims on retail portfolios	2,493,563	2,483,154
Residual value of leasing assets	82,723	82,723
Equity investment	31,521	31,521
Others	417,721	416,044
On-balance sheet securitization exposures	630	630
Off-balance sheet credit risk	**1,173,649**	**973,254**
Counterparty credit risk	**51,541**	**51,541**
Total	**19,860,091**	**18,827,189**

Please refer to the section headed "Discussion and Analysis — Risk Management" for overdue loans and non-performing loans and allowances for impairment losses on loans of the Bank at the end of the reporting period.

Market Risk Capital Requirement

The table below sets out the market risk capital requirement of the Bank measured with standardized approach at the end of the reporting period.

MARKET RISK CAPITAL REQUIREMENT

In RMB millions

Risk type	Capital requirement
Exchange rate risk	7,127
Interest rate risk	1,062
Commodity risk	52
Option risk	17
Equity risk	2
Total	**8,260**

Please refer to the section headed "Discussion and Analysis — Risk Management" for result of the measurement of the Bank's Value at Risk in trading book.

Operational Risk

Please refer to the section headed "Discussion and Analysis — Risk Management" for details of the operational risk management progress of the Bank during the reporting period.

Equity Investments and Gain (Loss) in Banking Book

The table below sets out the equity investments and gain (loss) in banking book.

EQUITY RISK IN BANKING BOOK

In RMB millions

	At 30 June 2013		
Equity type	Publicly traded equity investment risk exposure(1)	Non-publicly traded equity investment risk exposure(1)	Unrealized potential risk gain (loss)(2)
Financial institutions	29,016	456	139
Company	618	1,431	44
Total	**29,634**	**1,887**	**183**

Notes: (1) Publicly traded equity investment refers to the equity investment invested in listed companies. Non-publicly traded equity investment refers to the equity investment invested in non-listed companies.

(2) Unrealized potential gains (losses) refers to the unrealized gains or losses recognized in the balance sheet but not in the statement of income.

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

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Share Capital

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

		At 31 December 2012		Increase/decrease during the reporting period (+, -)	At 30 June 2013	
		Number of shares	Percentage (%)	Conversion of convertible bonds	Number of shares	Percentage (%)
I.	Shares subject to restrictions on sales	–	–	–	–	–
II.	Shares not subject to restrictions on sales	349,618,757,526	100.0	30,101,849	349,648,859,375	100.0
	1. RMB-denominated ordinary shares	262,824,712,976	75.2	30,101,849	262,854,814,825	75.2
	2. Foreign shares listed overseas	86,794,044,550	24.8	–	86,794,044,550	24.8
III.	Total number of shares	349,618,757,526	100.0	30,101,849	349,648,859,375	100.0

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

Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 903,594 shareholders, including 148,436 holders of H shares and 755,158 holders of A shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 SHAREHOLDERS OF THE BANK

Unit: Share

Total number of shareholders	903,594 (number of shareholders of A shares and H shares on the register of shareholders as at 30 June 2013)

Particulars of shareholding of the top 10 shareholders
(The following data are based on the register of shareholders as at 30 June 2013)

Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restriction on sales	Number of pledged or locked-up shares
Huijin	State-owned	A shares	35.5	124,138,037,059	–	None
MOF	State-owned	A shares	35.3	123,316,451,864	–	None
HKSCC Nominees Limited	Overseas legal person	H shares	24.6	86,011,066,925	–	Unknown
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other domestic investor	A shares	0.9	3,305,655,968	–	None
ICBC Credit Suisse Asset Management Co., Ltd. — ICBC — Asset management for specific customers	Other domestic investor	A shares	0.3	1,053,190,083	–	None
An-Bang Insurance (Group) Company — Traditional insurance products	Other domestic investor	A shares	0.2	544,890,787	–	None
China Life Insurance Company Limited — Participating — Individual participating 005L — FH002 Hu	Other domestic investor	A shares	0.1	467,185,997	–	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic investor	A shares	0.1	455,009,931	–	None
China Pacific Life Insurance Co., Ltd. — Traditional — Ordinary insurance products	Other domestic investor	A shares	0.1	296,915,320	–	None
Ping An Life Insurance Company of China, Ltd. — Traditional — High-interest-rate insurance products	Other domestic investor	A shares	0.1	261,629,846	–	None

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

(2) Huijin had increased, in its own capacity, its shareholding in the Bank by acquiring shares from the secondary market within six months from 10 October 2012. From 10 October 2012 to 9 April 2013, Huijin increased its holding by 211,717,258 A shares of the Bank accumulatively, accounting for 0.061% of the total shares issued by the Bank as at 30 June 2013.

On 14 June 2013, the Bank was notified by Huijin that Huijin intended to continue to increase, in its own capacity, its shareholding in the Bank by acquiring shares from the secondary market within six months from 13 June 2013. From 13 June 2013 to 30 June 2013, Huijin increased its shareholding by 157,629,605 A shares of the Bank accumulatively, accounting for 0.045% of the total shares issued by the Bank as at 30 June 2013.

(3) Both "Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products" and "Ping An Life Insurance Company of China, Ltd. — Traditional — High-interest-rate insurance products" are managed by Ping An Life Insurance Company of China, Ltd. Both "China Life Insurance Company Limited — Participating — Individual participating 005L — FH002 Hu" and "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" are managed by China Life Insurance Company Limited. Apart from these, the Bank is not aware of any connected relations or concerted action among the afore-mentioned shareholders.

Changes of the Controlling Shareholders and De Facto Controller

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

Interests and Short Positions Held by Substantial Shareholders and Other Persons

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

As at 30 June 2013, the Bank had received notices from the following persons stating that they had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
MOF[1]	Beneficial owner	118,006,174,032	Long position	44.89	33.75
Huijin[2]	Beneficial owner	118,006,174,032	Long position	44.89	33.75

Notes: (1) According to the register of shareholders of the Bank as at 30 June 2013, MOF held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 30 June 2013, Huijin held 124,138,037,059 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	10,405,376,524	Long position	11.99	2.98
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,002,665,393	Long position	8.07	2.00
JPMorgan Chase & Co.	Beneficial owner	652,143,385	Long position	0.75	0.19
	Investment manager	1,404,910,833	Long position	1.62	0.40
	Custodian-corporation/ approved lending agent	4,042,223,891	Long position	4.66	1.16
	Total	6,099,278,109		7.03	1.74
	Beneficial owner	273,429,763	Short position	0.32	0.08
Blackrock, Inc.	Interest of controlled corporations	5,152,004,522	Long position	5.94	1.47

Particulars of Convertible Bonds

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

Unit: RMB yuan

Name of bond holder	Nominal value of bonds held
Sunshine Life Insurance Co., Ltd — Participating insurance products	1,833,390,000
Guotai Junan Investment Management Co., Ltd.	813,724,000
Bosera Enhanced Convertible Bond-type Securities Investment Fund	730,318,000
An-Bang Insurance (Group) Company — Traditional insurance products	642,093,000
EverBright Securities Co., Ltd.	426,056,000
CITIC Trust Co., Ltd. — Double Profit No. 10	420,987,000
GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD	400,520,000
UBS AG	367,134,000
Xingquan Trend Investment Mixed Securities Investment Fund	353,747,000
Taikang Life Insurance Company Limited — Participating — Individual participating 019L — FH002 Hu	309,746,000

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

◆ *Particulars of Guarantors of Convertible Bonds*

The Bank had no guarantor of convertible bonds.

◆ *Adjustment of Conversion Price of Convertible Bonds*

On 31 August 2010, the Bank issued A share convertible bonds with an aggregate nominal value of RMB25.0 billion and an initial conversion price of RMB4.20 per share. The conversion price at the end of the reporting period was RMB3.53 per share. Historical adjustments are listed below:

Unit: RMB yuan/share

Adjustment date of conversion price	Conversion price after adjustment	Notes to the adjustments
26 November 2010	4.16	Rights issue of A shares
27 December 2010	4.15	Rights issue of H shares
15 June 2011	3.97	2010 profit distribution, dividends of RMB1.84 (pre-tax) per ten shares
14 June 2012	3.77	2011 profit distribution, dividends of RMB2.03 (pre-tax) per ten shares
26 June 2013	3.53	2012 profit distribution, dividends of RMB2.39 (pre-tax) per ten shares

◆ *Conversion of Convertible Bonds*

The conversion period of ICBC Convertible Bonds started on 1 March 2011. As at 30 June 2013, a total of 24,354,830 bonds were converted to A shares of the Bank, making the accumulated converted shares reach the number of 630,313,548. As at the end of the reporting period, there were still 225,645,170 ICBC Convertible Bonds trading in the market, accounting for approximately 90.26% of the total ICBC Convertible Bonds issued by the Bank.

◆ *Credit Rating of Convertible Bonds*

China Chengxin Securities Appraisal Co., Ltd. traced and analyzed the credit standing of the ICBC Convertible Bonds and issued a credit rating report (Xin Ping Wei Han Zi [2013] Gen Zong No. 056). The Bank was rated AAA with a stable prospect, and the credit rating for the ICBC convertible bonds as at the end of the reporting period was AAA.

Basic Information on Directors, Supervisors and Senior Management

The composition of the Board of Directors, the Board of Supervisors and the senior management of the Bank is as follows:

The Board of Directors of the Bank consists of 16 directors, including four Executive Directors: Mr. Jiang Jianqing, Mr. Yi Huiman, Mr. Luo Xi and Mr. Liu Lixian; six Non-executive Directors: Mr. Huan Huiwu, Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Li Jun, Mr. Wang Xiaolan and Mr. Yao Zhongli; and six Independent Non-executive Directors: Mr. Xu Shanda, Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Or Ching Fai and Mr. Hong Yongmiao.

The Board of Supervisors of the Bank consists of seven supervisors, including two Shareholder Supervisors, namely Mr. Zhao Lin and Ms. Wang Chixi; two External Supervisors, namely Ms. Dong Juan and Mr. Meng Yan; and three Employee Supervisors, namely Mr. Zhang Wei, Mr. Zhu Lifei and Mr. Li Mingtian.

The Bank has 9 senior management members, namely Mr. Jiang Jianqing, Mr. Yi Huiman, Mr. Luo Xi, Mr. Liu Lixian, Mr. Zhang Hongli, Mr. Wang Xiquan, Mr. Wei Guoxiong, Mr. Lin Xiaoxuan and Mr. Hu Hao.

During the reporting period, the Bank did not implement share incentives. None of the directors, supervisors and senior management members of the Bank, currently in office or leaving office during the reporting period, except Mr. Zhang Hongli who held 2,000 H shares of the Bank, held shares or share options or were granted restricted shares of the Bank, which remained unchanged during the reporting period.

Appointment and Removal

The Board of Directors of the Bank had three directors newly appointed, three directors and three senior management members ceased to hold office.

At the First Extraordinary General Meeting of 2013 held on 20 March 2013, Sir. Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung were re-appointed as Independent Non-executive Directors of the Bank, and their terms of office took effect from the date of review and approval by the meeting. At the 2012 Annual General Meeting held on 7 June 2013, Mr. Yi Huiman, Mr. Luo Xi and Mr. Liu Lixian were elected as Executive Directors of the Bank. The qualifications of Mr. Yi Huiman as Vice Chairman and Director, Mr. Luo Xi and Mr. Liu Lixian as Directors of the Bank were approved by CBRC in July 2013.

On 22 May 2013, the Board of Directors of the Bank reviewed and approved the appointment of Mr. Yi Huiman as President of the Bank, whose qualification was approved by CBRC on 30 May 2013.

On 22 May 2013, Mr. Yang Kaisheng, Ms. Wang Lili and Mr. Li Xiaopeng submitted their resignations to Board of Directors of the Bank. Mr. Yang Kaisheng ceased to act as Executive Director and President of the Bank and Ms. Wang Lili ceased to act as Executive Director and Senior Executive Vice President of the Bank due to their age. Mr. Li Xiaopeng ceased to act as Executive Director and Senior Executive Vice President of the Bank due to change of job assignments.

Changes in Information of Directors and Supervisors

Mr. Wong Kwong Shing, Frank, Independent Non-executive Director of the Bank, has acted as Chairman and Director of Mapletree Greater China Commercial Trust Management Ltd. since February 2013.

Mr. Kenneth Patrick Chung, Independent Non-executive Director of the Bank, has served as Chairman of the Audit Committee of Harvest Real Estate Investments (Cayman) Limited since May 2013.

Ms. Dong Juan, External Supervisor of the Bank, ceased to act as Independent Non-executive Director of Sinotex Investment & Development Co., Ltd. in March 2013.

Basic Information on Employees and Institutions

As at the end of June 2013, the Bank had 424,516 employees[1], representing a decrease of 2,840 persons as compared with the end of the previous year, of whom 4,263 were employees in major domestic subsidiaries and 9,576 were local employees in overseas institutions.

As at the end of June 2013, the Bank had a total of 17,613 institutions, representing an increase of 105 as compared with the end of the previous year. Among them, there were 17,225 domestic operations and 388 overseas institutions.

1 Does not include labors dispatched for services totaling 27,729 persons, of which 54 were dispatched to major domestic subsidiaries.

Corporate Governance

Corporate Governance and Measures for Improvement during the Reporting Period

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

- Improving the corporate governance rules. The Bank amended the Articles of Association and the Administrative Regulations for Related Party Transactions, and prepared the Corporate Governance Development Report (2009-2012). The Bank also formulated the Administrative Measures for Duty Performance of Full-time Directors Dispatched to Holding Companies, the Administrative Measures for Duty Performance of Full-time Supervisors Dispatched to Holding Companies and other rules to strengthen management on performance of full-time directors and supervisors dispatched to subsidiaries.
- Adjusting the composition of the Board of Directors and its special committees as well as the senior management. Pursuant to relevant regulations and procedures, the Bank made adjustments to the positions of some directors and senior management members and also adjusted the structure of special committees of the Board of Directors accordingly, to ensure that the corporate governance framework meet the regulatory requirements and guarantee the proper operation of the Board of Directors and the senior management.
- Strengthening the supervisory role of the Board of Supervisors. The Bank conducted in-depth performance supervision and assessment, earnestly reviewed the periodical reports, final accounts and profit distribution plans, organized the relevant inspections and surveys, and implemented the Working Guidelines for the Board of Supervisors of Commercial Banks issued by CBRC to improve the relevant supervision measures.
- Fully safeguarding the legitimate rights of all the shareholders and proactively performing the Bank's social responsibilities. The Bank maintained good communication with domestic and overseas investors via multiple channels, fully safeguarded the legitimate rights and interests of minority shareholders and protected the shareholders' rights to equally participate in meetings, vote and inquire. Moreover, the Bank proactively fulfilled its social responsibilities, and won awards such as "Annual Best Social Responsibility Financial Institution Award" granted by China Banking Association.
- Continuously improving the Group's governance, promoting group-based operating strategy and further consolidating management system of its subsidiaries. The Bank pushed forward the localized, mainstream and differentiated development of overseas institutions, and continuously improved corporate governance of its subsidiaries to increase their risk management capability. Bank-wide interactions between domestic and overseas institutions were intensified via multiple channels and dimensions.
- Constantly deepening enterprise risk management of the Group. The Bank carried forward building, upgrade and application of risk measurement system and improved the Group's consolidated management system. The governance structure, institutional system, IT system and appraisal mechanism of risk management were improved, and the risk management capability of the Group were boosted continuously.

- Continuingly upgrading internal control system. The Bank reinforced coordinated management on rules and improved the long-acting mechanism for the Group's institutional management. Furthermore, the Bank launched risk-oriented audit activities to focus on credit restructuring, management of financial cost and return, business and product innovation, as well as risk management, control and resource integration during implementation of the internationalization strategy.
- Coordinating with the financial system and mechanism based on value creation in a scientific manner. The Bank upgraded its resources allocation mode, ceaselessly increased resources inputs in major businesses and key areas and enhanced the input and output efficiency of resources. It also revised performance appraisal methods for overseas institutions to further improve the Group's operational performance appraisal system with integration of departments and regions. Besides, the Bank continued to deepen the reform of profit center, incorporating the Private Banking Department into the reform scope.
- Boosting the building of incentive and disciplinary mechanism, strengthening vocational education and training and intensified corporate culture fostering. The Bank quickened the building of the compensation governance mechanism at group level and implemented the comprehensive management on the Group's budget for total salaries. Education and training were reinforced. Training sessions were carried out for 1.19 million man times, resulting in an average of 3.43 training days per person in the Group. Corporate culture fostering adhered to people foremost as well as innovation and practice to strengthen internal and external spreading of corporate culture.

Compliance with the Corporate Governance Code (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 Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules), and essentially complied with the recommended best practices of the Corporate Governance Code.

Profits and Dividends Distribution

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

Upon the approval at the Annual General Meeting for the Year 2012 held on 7 June 2013, the Bank has distributed cash dividends totaling approximately RMB83.6 billion, or RMB2.39 (pre-tax) per ten shares, for the period from 1 January 2012 to 31 December 2012 to the shareholders whose names appeared on the share register after trading hours on 25 June 2013. The Bank will not declare or distribute interim dividends for 2013, nor will it convert any capital reserves to share capital.

Use of Proceeds from Fundraising Activities

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

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

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 NPLs. In addition, some legal proceedings arose from customer disputes. As at 30 June 2013, the amount of pending proceedings which the Bank and its subsidiaries acted as defendant totaled RMB1,954 million. The Bank does not expect any material adverse effect from the abovementioned pending legal proceedings on the Bank's business, financial position or operating results.

Common Queries from the Media

During the reporting period, the Bank did not have any common query from the media.

Material Asset Acquisition, Sale and Merger

Acquisition of 20% Shares in Bank SinoPac

Taiwan's financial regulator indicated in the third meeting on the negotiation concerning the cross-straits banking supervision held on 1 April 2013 that it will relax the limit of shareholding percentage of a single bank from Chinese Mainland in a subsidiary bank of a Taiwan financial holdings company to a maximum of 20%. On 2 April 2013, the Bank, SinoPac Holdings Co., Ltd. ("SinoPac Holdings") and Bank SinoPac entered into an agreement on the subscription by the Bank of 20% shares of SinoPac Holdings or Bank SinoPac. The transaction will be carried out after the limit of shareholding percentage of a commercial bank from Chinese Mainland is relaxed to 20% by the Taiwan's financial regulator. At that time, the Bank will subscribe shares of Bank SinoPac. The basic subscription price for the transaction will be determined with reference to net assets value stated in the 2012 Interim Report of Bank SinoPac. The basic price for subscribing 20% shares of Bank SinoPac would be approximately NTD18.7 billion (equivalent to approximately RMB3.9 billion). After the transaction is approved by all necessary regulatory authorities, the basic acquisition price will be adjusted to reflect the actual status of net assets of Bank SinoPac before completion. The final completion of the abovementioned transaction also requires approval of relevant regulatory authorities respectively.

Material Related Party Transactions

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

Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-contract and Lease

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

Material Guarantees

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

Occupation of Fund by Controlling Shareholders and Other Related Parties

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

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

During the reporting period, the Bank and the shareholders holding 5% shares or above did not make any new commitments. As at 30 June 2013, all of the continuing commitments made by the shareholders were properly fulfilled, and were listed as follows:

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

Additional Commitments on Restrictions on Sale of Shares Made by the Shareholders Holding 5% Shares or Above During the Reporting Period

None.

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

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

Purchase, Sale and Redemption of Shares

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

Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries 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 2013, the following Director and Supervisor of the Bank are regarded to possess the interests as defined in Part XV of the Securities and Futures Ordinance of Hong Kong for the shares held by their spouse:

Name	Capacity	Number of A/H shares held (share)	Nature of interests	Approximate percentage of issued A/H shares of the Bank	Approximate percentage of total issued shares of the Bank
Or Ching Fai (Director)	Spouse's interest	1,316,040 (H shares)	Long position	Approximate 0.001516% of issued H shares of the Bank	0.000376%
Zhu Lifei (Supervisor)	Spouse's interest	18,000 (A shares)	Long position	Approximate 0.000007% of issued A shares of the Bank	0.000005%

Save as disclosed above, as at 30 June 2013, 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 Report

The 2013 interim financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by KPMG Huazhen (Special General Partnership) and KPMG in accordance with Chinese and international standards on review engagements, respectively.

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

According to relevant provisions of the Measures on Bidding Management of Financial Enterprises for Engagement of Auditors (Provisional) issued by the MOF, the Bank implemented the engagement of auditors for 2013. The Proposal on the Engagement of Auditors for 2013 was approved by the Second Extraordinary General Meeting in November 2012 and the Annual General Meeting for the Year 2012 held in June 2013. KPMG Huazhen (Special General Partnership) was appointed as domestic auditor of the Bank for 2013 to carry out internal control audits and issue independent audit opinions, and KPMG was appointed as international auditor of the Bank for 2013.

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.

Unaudited Interim Condensed Consolidated Financial Statements

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

CONTENTS

KPMG

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 87 to 174, which comprises the consolidated statement of financial position of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (collectively the "Group") as at 30 June 2013 and the related consolidated statement of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

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

Scope of review

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

Conclusion

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

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

29 August 2013

Unaudited Interim Consolidated Statement of Income

For the six months ended 30 June 2013
(In RMB millions, unless otherwise stated)

		Six months ended 30 June	
	Notes	2013 (unaudited)	2012 (unaudited)
Interest income	3	372,507	354,522
Interest expense	3	(156,618)	(150,464)
NET INTEREST INCOME	3	215,889	204,058
Fee and commission income	4	72,512	58,836
Fee and commission expense	4	(5,130)	(4,032)
NET FEE AND COMMISSION INCOME	4	67,382	54,804
Net trading expense	5	(338)	(248)
Net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss	6	90	(1,463)
Net gain on financial investments	7	608	454
Other operating income, net	8	7,845	5,223
OPERATING INCOME		291,476	262,828
Operating expenses	9	(91,749)	(84,531)
Impairment losses on:			
Loans and advances to customers	20	(21,927)	(19,029)
Others	10	(14)	(208)
OPERATING PROFIT		177,786	159,060
Share of profits of associates and joint ventures		1,055	1,152
PROFIT BEFORE TAX		178,841	160,212
Income tax expense	11	(40,364)	(36,971)
PROFIT FOR THE PERIOD		138,477	123,241
Attributable to:			
Equity holders of the parent company		138,347	123,160
Non-controlling interests		130	81
		138,477	123,241
EARNINGS PER SHARE			
— Basic (RMB yuan)	13	0.40	0.35
— Diluted (RMB yuan)	13	0.39	0.35

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

The notes on pages 95 to 174 form part of these financial statements.

Unaudited Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June	
		2013 (unaudited)	2012 (unaudited)
Profit for the period		138,477	123,241
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net (loss)/gain on available-for-sale financial assets	35	(1,456)	9,413
Net (loss)/gain on cash flow hedges	35	(210)	109
Share of other comprehensive income of associates and joint ventures	35	824	(77)
Foreign currency translation differences	35	(7,927)	(687)
Others	35	25	16
Tax effect of the items that may be reclassified subsequently to profit or loss	35	266	(2,306)
Subtotal of other comprehensive income for the period		(8,478)	6,468
Total comprehensive income for the period		129,999	129,709
Total comprehensive income attributable to:			
Equity holders of the parent company		129,968	129,619
Non-controlling interests		31	90
		129,999	129,709

The notes on pages 95 to 174 form part of these financial statements.

Unaudited Interim Consolidated Statement of Financial Position

As at 30 June 2013
(In RMB millions, unless otherwise stated)

	Notes	30 June 2013 (unaudited)	31 December 2012 (audited)
ASSETS			
Cash and balances with central banks	14	3,300,991	3,174,943
Due from banks and other financial institutions	15	641,073	636,450
Financial assets held for trading	16	43,935	20,463
Financial assets designated at fair value through profit or loss	17	268,216	201,208
Derivative financial assets	18	26,949	14,756
Reverse repurchase agreements	19	462,000	544,579
Loans and advances to customers	20	9,202,023	8,583,289
Financial investments	21	4,070,113	3,862,216
Investments in associates and joint ventures	22	28,983	33,284
Property and equipment	23	142,869	135,889
Deferred income tax assets	24	21,877	22,789
Other assets	25	514,324	312,351
TOTAL ASSETS		**18,723,353**	**17,542,217**
LIABILITIES			
Due to central banks		717	1,133
Financial liabilities designated at fair value through profit or loss	26	389,503	319,742
Derivative financial liabilities	18	23,851	13,261
Due to banks and other financial institutions	27	1,271,443	1,486,805
Repurchase agreements	28	337,871	237,764
Certificates of deposit	29	56,020	38,009
Due to customers	30	14,508,402	13,642,910
Income tax payable		32,211	56,922
Deferred income tax liabilities	24	395	552
Debt securities issued	31	250,203	232,186
Other liabilities	32	677,644	384,474
TOTAL LIABILITIES		**17,548,260**	**16,413,758**
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	33	349,650	349,620
Equity component of convertible bonds	31	2,694	2,708
Reserves	34	392,197	400,128
Retained profits		426,966	372,541
		1,171,507	1,124,997
Non-controlling interests		3,586	3,462
TOTAL EQUITY		**1,175,093**	**1,128,459**
TOTAL EQUITY AND LIABILITIES		**18,723,353**	**17,542,217**

Jiang Jianqing
Chairman

Yi Huiman
Vice Chairman and President

Shen Rujun
General Manager of Finance and Accounting Department

The notes on pages 95 to 174 form part of these financial statements.

Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
			Reserves											
	Issued share capital	Equity component of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2013	349,620	2,708	133,835	98,063	189,071	(3,757)	(12,822)	(3,754)	(508)	400,128	372,541	1,124,997	3,462	1,128,459
Profit for the period	—	—	—	—	—	—	—	—	—	—	138,347	138,347	130	138,477
Other comprehensive income	—	—	21	—	—	(1,207)	(7,845)	(172)	824	(8,379)	—	(8,379)	(99)	(8,478)
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	(1,207)	—	—	—	(1,207)	—	(1,207)	(15)	(1,222)
— Cash flow hedges, net of tax	—	—	—	—	—	—	—	(172)	—	(172)	—	(172)	(2)	(174)
— Share of other comprehensive income of associates and joint ventures	—	—	—	—	—	—	—	—	824	824	—	824	—	824
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	(7,845)	—	—	(7,845)	—	(7,845)	(82)	(7,927)
— Others	—	—	21	—	—	—	—	—	—	21	—	21	—	21
Total comprehensive income	—	—	21	—	—	(1,207)	(7,845)	(172)	824	(8,379)	138,347	129,968	31	129,999
Dividend — 2012 final (note 12)	—	—	—	—	—	—	—	—	—	—	(83,565)	(83,565)	—	(83,565)
Appropriation to surplus reserve (i)	—	—	—	132	—	—	—	—	—	132	(132)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	225	—	—	—	—	225	(225)	—	—	—
Conversion of convertible bonds	30	—	91	—	—	—	—	—	—	91	—	121	—	121
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	125	125
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(32)	(32)
Conversion of equity component of convertible bonds (note 31)	—	(14)	—	—	—	—	—	—	—	—	—	(14)	—	(14)
Balance as at 30 June 2013 (unaudited)	**349,650**	**2,694**	**133,947**	**98,195**	**189,296**	**(4,964)**	**(20,667)**	**(3,926)**	**316**	**392,197**	**426,966**	**1,171,507**	**3,586**	**1,175,093**

(i) Includes the appropriation made by subsidiaries in the amount of RMB132 million.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB225 million.

The notes on pages 95 to 174 form part of these financial statements.

(In RMB millions, unless otherwise stated)

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

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

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

The notes on pages 95 to 174 form part of these financial statements.

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
			Reserves											
	Issued share capital	Equity component of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2012	349,084	2,954	132,096	74,420	104,301	(3,999)	(10,792)	(3,893)	(763)	291,370	313,334	956,742	1,081	957,823
Profit for the year	—	—	—	—	—	—	—	—	—	—	238,532	238,532	159	238,691
Other comprehensive income	—	—	107	—	—	242	(2,030)	139	255	(1,287)	—	(1,287)	109	(1,178)
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	242	—	—	—	242	—	242	(8)	234
— Cash flow hedges, net of tax	—	—	—	—	—	—	—	139	—	139	—	139	—	139
— Share of other comprehensive income of associates and joint ventures	—	—	—	—	—	—	—	—	255	255	—	255	—	255
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	(2,030)	—	—	(2,030)	—	(2,030)	117	(1,913)
— Others	—	—	107	—	—	—	—	—	—	107	—	107	—	107
Total comprehensive income	—	—	107	—	—	242	(2,030)	139	255	(1,287)	238,532	237,245	268	237,513
Dividend — 2011 final (note 12)	—	—	—	—	—	—	—	—	—	—	(70,912)	(70,912)	—	(70,912)
Appropriation to surplus reserve (i)	—	—	—	23,643	—	—	—	—	—	23,643	(23,643)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	84,770	—	—	—	—	84,770	(84,770)	—	—	—
Conversion of convertible bonds	536	—	1,632	—	—	—	—	—	—	1,632	—	2,168	—	2,168
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	1,554	1,554
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	600	600
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(41)	(41)
Conversion of equity component of convertible bonds (note 31)	—	(246)	—	—	—	—	—	—	—	—	—	(246)	—	(246)
Balance as at 31 December 2012	349,620	2,708	133,835	98,063	189,071	(3,757)	(12,822)	(3,754)	(508)	400,128	372,541	1,124,997	3,462	1,128,459

(i) Includes the appropriation made by overseas branches and subsidiaries in the amount of RMB15 million and RMB310 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB1,314 million.

The notes on pages 95 to 174 form part of these financial statements.

Unaudited Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2013
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		178,841	160,212
Adjustments for:			
Share of profits of associates and joint ventures		(1,055)	(1,152)
Depreciation	9	7,196	6,471
Amortisation	9	1,002	807
Amortisation of financial investments		91	(2,388)
Impairment losses on loans and advances to customers	20	21,927	19,029
Impairment losses on assets other than loans and advances to customers	10	14	208
Unrealised foreign exchange loss		4,767	3,100
Interest expense on debt securities issued		5,487	4,788
Accreted interest on impaired loans	3	(937)	(419)
Gain on disposal of available-for-sale financial assets, net	7	(578)	(431)
Net trading gain on equity investments	5	(8)	(14)
Net (gain)/loss on financial assets and liabilities designated at fair value through profit or loss	6	(90)	1,463
Net gain on disposal of property and equipment and other assets (other than repossessed assets)		(423)	(318)
Dividend income	7	(30)	(23)
		216,204	191,333
Net decrease/(increase) in operating assets:			
Due from central banks		(239,541)	(63,988)
Due from banks and other financial institutions		111,677	(16,014)
Financial assets held for trading		(23,694)	3,340
Financial assets designated at fair value through profit or loss		(66,393)	17,810
Reverse repurchase agreements		9,817	(17,716)
Loans and advances to customers		(649,962)	(634,563)
Other assets		(39,640)	(20,361)
		(897,736)	(731,492)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated at fair value through profit or loss		69,995	232,333
Due to central banks		(416)	337
Due to banks and other financial institutions		(210,788)	261,850
Repurchase agreements		100,107	(29,279)
Certificates of deposit		18,407	12,724
Due to customers		871,542	917,409
Other liabilities		39,463	26,046
		888,310	1,421,420
Net cash flows from operating activities before tax		206,778	881,261
Income tax paid		(64,054)	(60,236)
Net cash flows from operating activities		142,724	821,025

The notes on pages 95 to 174 form part of these financial statements.

(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(12,274)	(10,779)
Acquisitions and disposals of joint ventures/associates		487	—
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		423	592
Purchases of financial investments		(648,030)	(508,695)
Proceeds from sale and redemption of financial investments		435,913	428,403
Investments in associates and joint ventures		—	(13)
Dividends received		152	783
Net cash flows from investing activities		(223,329)	(89,709)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by non-controlling shareholders		125	—
Proceeds from issuance of subordinated bonds		—	20,000
Proceeds from issuance of other debt securities		21,889	8,028
Interest paid on debt securities		(1,532)	(273)
Borrowing and repayments of debt		(3,289)	—
Dividends paid to non-controlling shareholders		(23)	(20)
Net cash flows from financing activities		17,170	27,735
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(63,435)	759,051
Cash and cash equivalents at beginning of the period		1,201,647	848,308
Effect of exchange rate changes on cash and cash equivalents		(6,520)	(18)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	36	1,131,692	1,607,341
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		351,432	327,669
Interest paid		(125,971)	(120,986)

The notes on pages 95 to 174 form part of these financial statements.

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, insurance and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established inside Mainland China. Overseas establishments refer to branches and subsidiaries outside Mainland China.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2013 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 2012.

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 2012.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the six months ended 30 June 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

(In RMB millions, unless otherwise stated)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Investees are consolidated as subsidiaries if they are controlled by the Bank. The Bank controls an investee if and only if the Bank has all of the following:

(a) power over the investee;

(b) exposure or rights to variable returns from its involvement with the investee; and

(c) the ability to use its power over the investee to affect those returns.

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

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

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

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

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

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

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

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

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated statement of income, 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.

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

	Percentage of equity interest directly attributable to the Bank				
Name	30 June 2013 %	31 December 2012 %	Nominal value of issued share/ paid-up capital	Place of incorporation registration and operations	Principal activities
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia")	100	100	HK$4,129 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	HK$4,839 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	KZT8,933 million	Almaty, Kazakhstan	Commercial banking
ICBC (London) PLC ("ICBC London")	100	100	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. *	80	80	RMB200 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China (Europe) S.A.	100	100	EUR115 million	Luxembourg	Commercial banking

(In RMB millions, unless otherwise stated)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Name	Percentage of equity interest directly attributable to the Bank 30 June 2013 %	31 December 2012 %	Nominal value of issued share/ paid-up capital	Place of incorporation registration and operations	Principal activities
PT. Bank ICBC Indonesia	97.50	97.50	IDR1,500 billion	Jakarta, Indonesia	Commercial banking
ZAO Industrial and Commercial Bank of China (Moscow)	100	100	RUB2,310 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd. ("ICBC Leasing") *	100	100	RMB8,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")	89.33	89.33	MOP461 million	Macau, the PRC	Commercial banking
Industrial and Commercial Bank of China (Middle East) Limited	100	100	USD50 million	Dubai, United Arab Emirates	Commercial and investment banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd. *	60	60	RMB200 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd. *	100	100	RMB100 million	Chongqing, the PRC	Commercial banking
Industrial and Commercial Bank of China (Canada) ("ICBC Canada")	80	80	CA$83 million	Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	MYR331 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai")	97.70	97.70	THB14,187 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	USD50 million	Delaware and New York, United States	Broker dealer
ICBC-AXA Assurance Co., Ltd ("ICBC-AXA") *	60	60	RMB3,705 million	Shanghai, China	Insurance
Industrial and Commercial Bank of China (USA) NA	80	80	USD169 million	Chicago, United States	Commercial banking
Industrial and Commercial Bank of China (Argentina) Limited ("ICBC Argentina")(i)	80	80	ARS1,345 million	Buenos Aires, Argentina	Commercial banking
Industrial and Commercial Bank of China (Peru) Limited ("ICBC Peru")	100	100	USD50 million	Lima, Peru	Commercial banking
Industrial and Commercial Bank of China (Brazil) ("ICBC Brazil") (ii)	100	—	Real202 million	Sao Paulo, Brazil	Commercial and investment banking

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

(i) On 4 February 2013, the Bank made an additional capital injection of USD80 million (ARS398 million) into ICBC Argentina. Its total registered and paid-in capital changed to ARS1,345 million after the injection.

(ii) On 22 January 2013, the Bank made a capital injection of Real202 million into ICBC Brazil. Its total registered and paid-in capital is Real202 million.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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 2012, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs")) as of 1 January 2013. The principal effects of adopting these revised IFRSs are as follows:

IAS 1 — Presentation of financial statements – Presentation of items of other comprehensive income (Amendment)

The amendment to IAS 1 enhances disclosures for other comprehensive income. These disclosures require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IFRS 10 — Consolidated financial statements

IFRS 10 replaces the requirements in *IAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and SIC 12 Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not have significant impact on the Group's financial statements.

IFRS 11 — Joint arrangements

IFRS 11, which replaces *IAS 31, Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

IFRS 12 — Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

(In RMB millions, unless otherwise stated)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

IFRS 13 — Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and nonfinancial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 46 "fair value of financial instruments". The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

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	
	2013 (unaudited)	2012 (unaudited)
Interest income on:		
Loans and advances to customers (i)		
— Corporate loans and advances	192,903	186,914
— Personal loans	67,849	61,139
— Discounted bills	5,305	7,683
Financial investments (ii)	71,920	67,864
Due from central banks	21,966	20,412
Due from banks and other financial institutions	12,564	10,510
	372,507	354,522
Interest expense on:		
Due to customers	(132,153)	(120,005)
Due to banks and other financial institutions	(18,642)	(25,362)
Debt securities issued	(5,823)	(5,097)
	(156,618)	(150,464)
Net interest income	215,889	204,058

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

(i) Included in interest income on loans and advances to customers for the period is an amount of RMB937 million (six months ended 30 June 2012: RMB419 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 RMB4 million (six months ended 30 June 2012: RMB4 million) with respect to interest income on impaired debt securities.

(In RMB millions, unless otherwise stated)

4. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Investment banking business	17,077	14,950
Settlement, clearing business and cash management	15,638	13,784
Bank card business	14,275	10,505
Personal wealth management and private banking services (i)	9,920	8,886
Corporate wealth management services (i)	6,868	4,792
Asset custody business (i)	3,738	2,806
Guarantee and commitment business	2,812	1,463
Trust and agency services (i)	1,004	895
Others	1,180	755
Fee and commission income	72,512	58,836
Fee and commission expense	(5,130)	(4,032)
Net fee and commission income	67,382	54,804

(i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above for the period is an amount of RMB8,375 million (six months ended 30 June 2012: RMB5,759 million) with respect to trust and other fiduciary activities.

5. NET TRADING EXPENSE

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Debt securities	552	879
Equity investments	8	14
Derivatives and others	(898)	(1,141)
	(338)	(248)

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

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

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Financial assets	4,122	4,072
Financial liabilities	(4,032)	(5,535)
	90	(1,463)

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.

(In RMB millions, unless otherwise stated)

7. NET GAIN ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Dividend income from unlisted investments	27	20
Dividend income from listed investments	3	3
Dividend income	30	23
Gain on disposal of available-for-sale financial assets, net	578	431
	608	454

8. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Insurance net income (i)	544	—
Gain from foreign exchange and foreign exchange products, net	4,569	3,624
Leasing income	1,430	847
Net gain on disposal of property and equipment, repossessed assets and others	363	427
Sundry bank charge income	42	56
Others	897	269
	7,845	5,223

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

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Premium income	6,498	—
Less: premiums ceded to reinsurers	(34)	—
Net premium income	6,464	—
Insurance operating cost	(5,920)	—
Insurance net income	544	—

(In RMB millions, unless otherwise stated)

9. OPERATING EXPENSES

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Staff costs:		
Salaries and bonuses	30,532	28,792
Staff benefits	9,296	8,361
Contributions to defined contribution schemes (i)	4,872	5,156
	44,700	42,309
Premises and equipment expenses:		
Depreciation (note 23)	7,196	6,471
Lease payments under operating leases in respect of land and buildings	3,136	2,519
Repairs and maintenance charges	1,125	881
Utility expenses	1,198	1,126
	12,655	10,997
Amortisation	1,002	807
Other administrative expenses	10,443	9,763
Business tax and surcharges	18,613	17,327
Others	4,336	3,328
	91,749	84,531

(i) Contributions to defined contribution schemes mainly include contributions to the state pension and the Bank's Annuity Plan. During the period and as at the end of the reporting period, the Group's forfeited contributions available to reduce its contributions to the pension schemes in future years were not material.

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

		Six months ended 30 June	
	Notes	2013 (unaudited)	2012 (unaudited)
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	15	17	128
Financial investments:			
Held-to-maturity investments	21(d)	(283)	1
Available-for-sale financial assets	21(c)(i), (d)	30	(79)
Other assets		250	158
		14	208

(In RMB millions, unless otherwise stated)

11. INCOME TAX EXPENSE

(a) Income tax

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Current income tax expense:		
Mainland China	40,073	37,694
Hong Kong and Macau	645	494
Overseas	627	420
	41,345	38,608
Adjustments in respect of current income tax of prior years	(2,002)	13
	39,343	38,621
Deferred income tax expense	1,021	(1,650)
	40,364	36,971

(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	
	2013 (unaudited)	2012 (unaudited)
Profit before tax	178,841	160,212
Tax at the PRC statutory income tax rate (25%)	44,710	40,053
Effects of different applicable rates of tax prevailing in other countries/regions	(11)	(97)
Effects of non-deductible expenses (i)	1,771	966
Effects of profits and losses attributable to associates and joint ventures	(360)	(288)
Effects of non-taxable income (ii)	(4,247)	(3,949)
Adjustment in respect of current income tax of prior years	(2,002)	13
Others	503	273
Current income tax expense	40,364	36,971
The Group's effective income tax rate	22.57%	23.08%

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

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

12. DIVIDENDS

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Dividends on ordinary shares declared and paid:		
Final dividend for 2012: RMB0.239 per share (2011: RMB0.203 per share)	83,565	70,912

13. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	138,347	123,160
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	349,640	349,245
Basic earnings per share (RMB yuan)	0.40	0.35

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

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

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	138,347	123,160
Add: Interest expense on convertible bonds (net of tax)	308	317
Profit used to determine diluted earnings per share	138,655	123,477
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	349,640	349,245
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	6,398	6,313
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	356,038	355,558
Diluted earnings per share (RMB yuan)	0.39	0.35

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

(In RMB millions, unless otherwise stated)

14. CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2013 (unaudited)	31 December 2012 (audited)
Cash and unrestricted balances with central banks:		
Cash on hand	74,899	76,060
Surplus reserves with central banks (i)	174,283	276,483
Unrestricted balances with central banks of overseas countries or regions	32,033	42,165
	281,215	394,708
Restricted balances with central banks:		
Mandatory reserves with central banks (ii)	2,736,574	2,571,357
Fiscal deposits with the PBOC	276,719	201,319
Mandatory reserves with central banks of overseas countries or regions (ii)	6,342	7,374
Other restricted balances with the PBOC (ii)	141	185
	3,019,776	2,780,235
	3,300,991	3,174,943

(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 2013, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.

15. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2013 (unaudited)	31 December 2012 (audited)
Nostro accounts:		
Banks operating in Mainland China	240,098	335,545
Other financial institutions operating in Mainland China	949	1,479
Banks and other financial institutions operating outside Mainland China	62,177	74,961
	303,224	411,985
Less: Allowance for impairment losses	(160)	(48)
	303,064	411,937
Placements with banks and other financial institutions:		
Banks operating in Mainland China	110,045	61,224
Other financial institutions operating in Mainland China	171,200	60,974
Banks and other financial institutions operating outside Mainland China	56,812	102,458
	338,057	224,656
Less: Allowance for impairment losses	(48)	(143)
	338,009	224,513
	641,073	636,450

(In RMB millions, unless otherwise stated)

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

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

	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2012	34	61	95
Charge for the year	15	82	97
Reversal for the period	(1)	—	(1)
At 31 December 2012 and 1 January 2013 (audited)	48	143	191
Charge for the period	112	—	112
Reversal for the period	—	(95)	(95)
At 30 June 2013 (unaudited)	160	48	208

16. FINANCIAL ASSETS HELD FOR TRADING

	30 June 2013 (unaudited)	31 December 2012 (audited)
Debt securities	43,771	20,317
Equity investments	164	146
	43,935	20,463
Debt securities analyzed into:		
Listed in Hong Kong	210	98
Listed outside Hong Kong	1,184	1,495
Unlisted	42,377	18,724
	43,771	20,317

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Debt securities	86,332	103,460
Other debt instruments:		
Banks and other financial institutions	133,569	85,010
Others	48,315	12,738
	268,216	201,208
Analyzed into:		
Listed in Hong Kong	65	66
Listed outside Hong Kong	2,104	2,029
Unlisted	266,047	199,113
	268,216	201,208

(In RMB millions, unless otherwise stated)

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

	30 June 2013 (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	757,025	580,475	108,903	1,609	1,448,012	13,197	(11,217)
Option contracts purchased	4,884	22,815	1,709	—	29,408	84	—
Option contracts written	830	2,349	1,758	—	4,937	—	(3)
	762,739	605,639	112,370	1,609	1,482,357	13,281	(11,220)
Interest rate contracts:							
Swap contracts	44,765	107,177	149,618	32,314	333,874	2,424	(2,688)
Forward contracts	—	61	—	—	61	—	—
	44,765	107,238	149,618	32,314	333,935	2,424	(2,688)
Commodity derivatives and others	105,688	28,735	1,409	161	135,993	11,244	(9,943)
	913,192	741,612	263,397	34,084	1,952,285	26,949	(23,851)

	31 December 2012 (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	672,192	511,474	73,218	2,689	1,259,573	10,781	(8,153)
Option contracts purchased	5,117	14,689	593	—	20,399	71	—
Option contracts written	2,798	2,969	593	—	6,360	—	(44)
	680,107	529,132	74,404	2,689	1,286,332	10,852	(8,197)
Interest rate contracts:							
Swap contracts	65,507	118,368	176,537	24,472	384,884	3,280	(3,640)
Forward contracts	1,610	2,619	1,745	—	5,974	38	(38)
Option contracts purchased	—	—	62	—	62	—	—
	67,117	120,987	178,344	24,472	390,920	3,318	(3,678)
Commodity derivatives and others	81,249	17,604	2,637	139	101,629	586	(1,386)
	828,473	667,723	255,385	27,300	1,778,881	14,756	(13,261)

(In RMB millions, unless otherwise stated)

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts and interest rate forward contracts that are used to protect against exposures to variability of future cash flows arising from foreign currency denominated assets and foreign currency denominated liabilities during the period/year.

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

	30 June 2013 (unaudited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	—	899	4,722	3,261	8,882	189	(103)

	31 December 2012 (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	1,427	312	1,976	3,613	7,328	400	(64)
Interest rate forward contracts	25	—	—	—	25	—	—
	1,452	312	1,976	3,613	7,353	400	(64)

There was no ineffectiveness recognised in the statement of income that arose from the cash flow hedge for the current period (six months ended 30 June 2012: Nil).

Fair value hedges

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

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

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	55	29
— Hedged items attributable to the hedged risk	(59)	(30)
	(4)	(1)

(In RMB millions, unless otherwise stated)

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hedges (continued)

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

	30 June 2013 (unaudited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over 3 months but within one year	Over 1 year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	203	189	—	392	7	(1)
Currency forward contracts	2,946	775	459	—	4,180	1	(119)
Interest rate swap contracts	307	2,229	4,786	3,290	10,612	—	(373)
	3,253	3,207	5,434	3,290	15,184	8	(493)

	31 December 2012 (audited)						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over 3 months but within one year	Over 1 year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	—	438	—	438	2	(24)
Interest rate swap contracts	727	1,359	9,295	4,005	15,386	40	(743)
	727	1,359	9,733	4,005	15,824	42	(767)

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 2013 (unaudited)
Counterparty credit default risk-weighted assets	
Currency derivatives	18,663
Interest rate derivatives	1,109
Commodity derivatives and others	2,096
	21,868
Credit value adjustment	18,626
	40,494

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

(ii) The Group previously calculated the credit risk-weighted assets for derivatives as at 31 December 2012 in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and relevant requirements promulgated by the CBRC, which was superseded from 1 January 2013. The calculation is listed as follow:

	31 December 2012 (audited)
Currency derivatives	10,080
Interest rate derivatives	2,568
Commodity derivatives and others	1,093
	13,741

(In RMB millions, unless otherwise stated)

19. REVERSE REPURCHASE AGREEMENTS

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Reverse repurchase	432,778	526,054
Cash advanced as collateral on securities borrowing	29,222	18,525
	462,000	544,579
Reverse repurchase analyzed by counterparty:		
Banks	215,864	153,324
Other financial institutions	216,914	372,730
	432,778	526,054
Reverse repurchase analyzed by collateral:		
Securities	340,240	448,409
Bills	87,696	73,358
Loans	4,842	4,287
	432,778	526,054

As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. At 30 June 2013, the Group had received securities with a fair value of approximately RMB214,901 million on such terms (31 December 2012: RMB353,994 million), among which securities with a fair value of approximately RMB211,610 million have been repledged under repurchase agreements (31 December 2012: RMB353,994 million). The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

20. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2013 (unaudited)	31 December 2012 (audited)
Corporate loans and advances	6,710,747	6,332,578
Personal loans	2,541,240	2,287,103
Discounted bills	185,655	184,011
	9,437,642	8,803,692
Less: Allowance for impairment losses	(235,619)	(220,403)
	9,202,023	8,583,289

(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 2012	35,409	159,469	194,878
Impairment loss:	2,286	30,286	32,572
— impairment allowances charged	13,933	103,257	117,190
— impairment allowances transferred	84	(84)	—
— reversal of impairment allowances	(11,731)	(72,887)	(84,618)
Accreted interest on impaired loans	(944)	—	(944)
Write-offs	(6,279)	(1,249)	(7,528)
Recoveries of loans and advances previously written off	701	191	892
Others	232	301	533
At 31 December 2012 and 1 January 2013 (audited)	31,405	188,998	220,403
Impairment loss:	6,547	15,380	21,927
— impairment allowances charged	11,124	57,407	68,531
— impairment allowances transferred	284	(284)	—
— reversal of impairment allowances	(4,861)	(41,743)	(46,604)
Accreted interest on impaired loans (note 3)	(937)	—	(937)
Write-offs	(5,351)	(1,173)	(6,524)
Recoveries of loans and advances previously written off	719	31	750
At 30 June 2013 (unaudited)	32,383	203,236	235,619

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

	Corporate loans and advances and discounted bills	Personal loans	Total
At 1 January 2012	147,337	47,541	194,878
Impairment loss:	19,051	13,521	32,572
— impairment allowances charged	88,269	28,921	117,190
— reversal of impairment allowances	(69,218)	(15,400)	(84,618)
Accreted interest on impaired loans	(944)	—	(944)
Write-offs	(6,279)	(1,249)	(7,528)
Recoveries of loans and advances previously written off	701	191	892
Others	188	345	533
At 31 December 2012 and 1 January 2013 (audited)	160,054	60,349	220,403
Impairment loss:	17,465	4,462	21,927
— impairment allowances charged	56,371	12,160	68,531
— reversal of impairment allowances	(38,906)	(7,698)	(46,604)
Accreted interest on impaired loans (note 3)	(937)	—	(937)
Write-offs	(5,351)	(1,173)	(6,524)
Recoveries of loans and advances previously written off	719	31	750
At 30 June 2013 (unaudited)	171,950	63,669	235,619

(In RMB millions, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	30 June 2013 (unaudited)	31 December 2012 (audited)
Loans and advances for which allowance for impairment losses are:		
Individually assessed	65,164	60,977
Collectively assessed	9,372,478	8,742,715
	9,437,642	8,803,692
Less: Allowance for impairment losses:		
Individually assessed	32,383	31,405
Collectively assessed	203,236	188,998
	235,619	220,403
Net loans and advances for which allowance for impairment losses are:		
Individually assessed	32,781	29,572
Collectively assessed	9,169,242	8,553,717
	9,202,023	8,583,289
Identified impaired loans and advances	81,768	74,575
Percentage of impaired loans and advances	0.87%	0.85%

21. FINANCIAL INVESTMENTS

	Notes	30 June 2013 (unaudited)	31 December 2012 (audited)
Receivables	(a)	369,542	364,715
Held-to-maturity investments	(b)	2,674,164	2,576,562
Available-for-sale financial assets	(c)	1,026,407	920,939
		4,070,113	3,862,216

(a) Receivables

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

	Notes	30 June 2013 (unaudited)	31 December 2012 (audited)
Huarong bonds	(i)	175,096	175,096
Special government bond	(ii)	85,000	85,000
Others	(iii)	109,446	104,619
		369,542	364,715

(i) The Huarong bonds are a series of long term bonds issued by China Huarong Asset Management Co., Ltd ("Huarong") in 2000 to 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-negotiable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. In 2010, the Bank received a notice from the MOF that the maturity dates of the Huarong bonds are extended for another ten years and the interest rate remains unchanged. Besides, the MOF will continue providing funding in support of the repayment of the principal and interest of the bonds. In 2012, the Bank received early repayment amounting to RMB137,900 million.

(In RMB millions, unless otherwise stated)

21. FINANCIAL INVESTMENTS (CONTINUED)

(a) Receivables (continued)

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

(iii) Others include government, financial and corporate bonds and debt investment plans, etc with fixed or determinable payments that are not quoted in an active market. They will mature from August 2013 to July 2027 and bear interest rates ranging from 3.26% to 7.50% per annum.

(b) Held-to-maturity investments

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Debt securities	2,674,323	2,577,022
Less: Allowance for impairment losses	(159)	(460)
	2,674,164	2,576,562

	30 June 2013 (unaudited)	31 December 2012 (audited)
Analyzed into:		
Listed in Hong Kong	107	107
Listed outside Hong Kong	974,014	744,456
Unlisted	1,700,043	1,831,999
	2,674,164	2,576,562
Market value of listed debt securities	977,334	746,087

For the six months ended 30 June 2013, the Group disposed of securities classified as held-to-maturity with a total carrying amount of RMB755 million prior to their maturity. The carrying amount of held-to-maturity securities sold accounted for 0.03% of the total amount of the Group's held-to-maturity investments.

(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 2013 (unaudited)	31 December 2012 (audited)
Debt securities, at fair value (i)	1,012,602	914,344
Other debt instruments, at fair value	10,198	2,799
Equity investments:		
At fair value (i)	2,424	2,655
At cost (ii)		
Debt for equity swaps	1,630	1,619
Others	356	325
Less: Allowance for impairment losses on equity investments	(803)	(803)
	1,183	1,141
Subtotal for equity investments	3,607	3,796
	1,026,407	920,939
Debt securities analyzed into:		
Listed in Hong Kong	13,238	7,633
Listed outside Hong Kong	157,495	134,210
Unlisted	841,869	772,501
	1,012,602	914,344
Equity investments analyzed into:		
Listed in Hong Kong	393	502
Listed outside Hong Kong	677	320
Unlisted	2,537	2,974
	3,607	3,796
Market value of listed securities:		
Debt securities	170,733	141,843
Equity investments	1,070	822
	171,803	142,665

(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 2013, the available-for-sale financial assets measured at fair value include impaired debt securities whose carrying amount was RMB80 million (31 December 2012: RMB106 million), and impaired equity investments whose carrying amount was RMB234 million (31 December 2012: RMB483 million)with the accrual of impairment loss recognised in the statement of income for the period of RMB16 million (six months ended 30 June 2012: the reversal of impairment loss of RMB79 million) on available-for-sale bonds, and the accrual of impairment loss recognised in the statement of income for the period of RMB14 million (six months ended 30 June 2012: Nil.) on available-for-sale equity investments.

(ii) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise. During the six months ended 30 June 2013, the carrying amount of these equity investments were disposed of was RMB31 million (six months ended 30 June 2012: Nil, full impairment made). A gain of RMB10 million was recognised on disposal during the period (six months ended 30 June 2012: RMB315 million).

(In RMB millions, unless otherwise stated)

21. FINANCIAL INVESTMENTS (CONTINUED)

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

	Held-to-maturity Investments	Available-for-sale investments	Total
At 1 January 2012	494	958	1,452
Charge for the year	1	19	20
Reversal for the year	(31)	—	(31)
Disposals	(4)	(174)	(178)
At 31 December 2012 and 1 January 2013 (audited)	460	803	1,263
Reversal for the period	(283)	—	(283)
Disposals	(18)	—	(18)
At 30 June 2013 (unaudited)	159	803	962

22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	30 June 2013 (unaudited)	31 December 2012 (audited)
Share of net assets	16,244	18,163
Goodwill	13,087	15,469
	29,331	33,632
Less: Allowance for impairment losses	(348)	(348)
	28,983	33,284

The following table illustrates the summarised financial information of the Group's associates and joint ventures:

	30 June 2013 (unaudited)	31 December 2012 (audited)
Assets	1,052,476	1,138,509
Liabilities	(962,435)	(1,040,166)
Net assets	90,041	98,343

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Revenue	42,048	48,094
Profit for the period	5,079	6,538

The financial information above was extracted from the financial statements of the associates and joint ventures.

(In RMB millions, unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The following table illustrates the market value of the Group's listed investments in associates and joint ventures:

	30 June 2013 (unaudited)	31 December 2012 (audited)
Market value of listed investments	22,403	28,049

Particulars of the Group's principal associates and joint ventures are as follows:

	Percentage of equity interest		Voting rights		
Name	30 June 2013 %	31 December 2012 %	30 June 2013 %	Place of incorporation/ registration	Principal activities
Associates:					
Listed investment directly held:					
Standard Bank Group Limited ("Standard Bank")(i)	20.09	20.05	20.09	Johannesburg, Republic of South Africa	Commercial banking
Listed investment indirectly held:					
Finansia Syrus Securities Public Company Limited (ii)	23.07	23.52	23.61	Bangkok, Thailand	Securities
Unlisted investment indirectly held:					
IEC Investments Limited (iii)	40.00	40.00	40.00	Hong Kong, the PRC	Investment
All Winwin Holdings Limited (iv)	20.00	20.00	20.00	British Virgin Islands	Investment
Tianjin ICBC IHG Equity Investment Fund Management Limited ("ICBC IHG") (v)	30.00	30.00	33.33	Tianjin, the PRC	Fund management
Joint ventures:					
Unlisted investment indirectly held:					
Jiangxi Poyanghu Industry Investment Management Company Limited (vi)	50.00	50.00	50.00	Jiangxi, the PRC	Investment management
COLI ICBCI China Investment Management (Cayman Islands) Limited (vii)	45.00	45.00	Note1	Cayman Islands	Investment management
ICBC HNA (Tianjin) Equity Investment Fund Management Limited ("ICBC HNA") (viii)	50.00	50.00	50.00	Tianjin, the PRC	Fund management
Tianjin ICBC International Advisory LLP (ix)	50.00	50.00	Note2	Tianjin, the PRC	Investment advisory
Tianjin ICBC International Capital Management LLP (x)	50.00	50.00	Note2	Tianjin, the PRC	Assets management

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

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

(i) On 22 April 2013 according to dividend warrant plan of Standard Bank, The Bank acquired 4,593,673 shares.

(ii) The shareholding of a 23.61% equity interest in this associate is held by a non-wholly-owned subsidiary, ICBC Thai. The percentage of equity interest disclosed represents the effective percentage of equity held by the Group.

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

(In RMB millions, unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

(v) The shareholding of a 33.33% equity interest in this associate is held by a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage of equity held by the Group.

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

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

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

(ix) Tianjin ICBC International Advisory LLP is a joint venture of a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage held by the Group.

(x) Tianjin ICBC International Capital Management LLP is a joint venture of a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage held by the Group.

23. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Aircraft and vessels	Total
Cost:						
1 January 2012	98,031	16,112	5,528	45,912	10,310	175,893
Additions	2,684	13,308	1,095	7,291	6,159	30,537
CIP transfer in/(out)	6,067	(6,688)	—	505	116	—
Acquisition of subsidiaries	282	—	143	270	—	695
Disposals	(438)	(70)	(106)	(2,200)	(791)	(3,605)
At 31 December 2012 and 1 January 2013 (audited)	106,626	22,662	6,660	51,778	15,794	203,520
Additions	717	8,073	424	1,377	3,972	14,563
CIP transfer in/(out)	2,232	(5,816)	—	11	3,573	—
Disposals	(119)	(155)	(17)	(697)	(100)	(1,088)
At 30 June 2013 (unaudited)	109,456	24,764	7,067	52,469	23,239	216,995
Accumulated depreciation and impairment:						
At 1 January 2012	25,100	58	2,800	28,433	474	56,865
Depreciation charge for the year	5,071	—	927	6,658	559	13,215
Disposals	(232)	—	(77)	(2,102)	(38)	(2,449)
At 31 December 2012 and 1 January 2013 (audited)	29,939	58	3,650	32,989	995	67,631
Depreciation charge for the period (note 9)	2,618	—	532	3,587	459	7,196
Disposals	(72)	—	(7)	(540)	(82)	(701)
At 30 June 2013 (unaudited)	32,485	58	4,175	36,036	1,372	74,126
Net carrying amount:						
At 31 December 2012 (audited)	76,687	22,604	3,010	18,789	14,799	135,889
At 30 June 2013 (unaudited)	76,971	24,706	2,892	16,433	21,867	142,869

As at 30 June 2013, the process of obtaining the legal titles for the Group's properties and buildings with an aggregate net carrying value of RMB7,464 million (31 December 2012: RMB10,126 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor would it have any significant impact on the business operation of the Group.

As at 30 June 2013, the net carrying value of aircraft and vessels leased out by the Group under operating leases was RMB21,867 million (31 December 2012: RMB14,799 million).

(In RMB millions, unless otherwise stated)

24. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analyzed by nature

	At 30 June 2013 (unaudited)		At 31 December 2012 (audited)	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	85,780	21,433	78,301	19,561
Change in fair value of available-for-sale financial assets	6,975	1,815	6,545	1,670
Change in fair value of financial instruments at fair value through profit or loss	(920)	(231)	(1,569)	(387)
Accrued staff costs	19,501	4,875	23,726	5,932
Others	(23,989)	(6,015)	(16,241)	(3,987)
	87,347	21,877	90,762	22,789

	At 30 June 2013 (unaudited)		At 31 December 2012 (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	(47)	(12)	(235)	(45)
Change in fair value of available-for-sale financial assets	606	160	908	151
Others	987	247	1,944	446
	1,546	395	2,617	552

(b) Movements of deferred income tax

	At 1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	At 30 June 2013 (unaudited)
Deferred income tax assets:				
Allowance for impairment losses	19,561	1,872	—	21,433
Change in fair value of available-for-sale financial assets	1,670	—	145	1,815
Change in fair value of financial instruments at fair value through profit or loss	(387)	156	—	(231)
Accrued staff costs	5,932	(1,057)	—	4,875
Others	(3,987)	(1,929)	(99)	(6,015)
	22,789	(958)	46	21,877

(In RMB millions, unless otherwise stated)

24. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Movements of deferred income tax (continued)

	At 1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	Acquisition of subsidiaries	At 31 December 2012 (audited)
Deferred income tax assets:					
Allowance for impairment losses	19,378	112	—	71	19,561
Change in fair value of available-for-sale financial assets	1,446	—	222	2	1,670
Change in fair value of financial instruments at fair value through profit or loss	(1,247)	837	—	23	(387)
Accrued staff costs	5,764	168	—	—	5,932
Others	(3,403)	(807)	(15)	238	(3,987)
	21,938	310	207	334	22,789

	At 1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	At 30 June 2013 (unaudited)
Deferred income tax liabilities:				
Allowance for impairment losses	(45)	33	—	(12)
Change in fair value of available-for-sale financial assets	151	—	9	160
Others	446	30	(229)	247
	552	63	(220)	395

	At 1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	Acquisition of subsidiaries	At 31 December 2012 (audited)
Deferred income tax liabilities:					
Allowance for impairment losses	(51)	6	—	—	(45)
Change in fair value of available-for-sale financial assets	78	—	73	—	151
Others	76	20	35	315	446
	103	26	108	315	552

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

(In RMB millions, unless otherwise stated)

25. OTHER ASSETS

	30 June 2013 (unaudited)	31 December 2012 (audited)
Interest receivable	108,606	87,496
Precious metal	38,533	55,358
Land use rights	20,549	20,921
Advance payments	36,131	32,639
Settlement accounts	290,003	89,561
Goodwill	8,687	8,821
Repossessed assets	1,837	1,849
Others	9,978	15,706
	514,324	312,351

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

	Notes	30 June 2013 (unaudited)	31 December 2012 (audited)
Structured deposits	(1)(a)	59,923	60,425
Wealth management products	(2)	270,345	205,064
Financial liabilities related to precious metals	(1)(b)	57,324	52,346
Debt securities	(1)(c)	1,841	1,907
Others		70	—
		389,503	319,742

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

(a) As at 30 June 2013, the fair value of structured deposits was lower than the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity by RMB14.60 million (31 December 2012: RMB81.73 million higher).

(b) As at 30 June 2013, the fair value of the financial liabilities related to precious metals was approximately the same as the amount that the Group would be contractually required to pay to the holders (31 December 2012: approximately the same).

(c) The debt securities were all issued by Singapore Branch at fixed rates and were classified as financial liabilities designated at fair value through profit or loss. The fair value of the debt securities was lower than the amount that the Group would be contractually required to pay to the holders of these debt securities upon maturity as at 30 June 2013 by RMB19.17 million.

(2) The principal guaranteed wealth management products issued by the Group and the financial assets invested by the aforesaid products form part of a group of financial instruments that are managed together on a fair value basis, and are classified as financial liabilities and financial assets designated at fair value through profit or loss, respectively. The fair value of the wealth management products was RMB65 million lower than the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity as at 30 June 2013 (31 December 2012: RMB90 million higher).

There were no significant changes in the credit spread of the Bank and therefore the amounts of changes in fair value of the financial liabilities that were attributable to changes in credit risk were considered not significant during the period/year presented and cumulatively as at 30 June 2013 and 31 December 2012. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

(In RMB millions, unless otherwise stated)

27. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2013 (unaudited)	31 December 2012 (audited)
Deposits		
Banks and other financial institutions operating in Mainland China	875,501	1,218,829
Banks and other financial institutions operating outside Mainland China	30,700	13,794
	906,201	1,232,623
Money market takings		
Banks and other financial institutions operating in Mainland China	154,576	104,304
Banks and other financial institutions operating outside Mainland China	210,666	149,878
	365,242	254,182
	1,271,443	1,486,805

28. REPURCHASE AGREEMENTS

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Repurchase	320,563	226,098
Cash received as collateral on securities lending	17,308	11,666
	337,871	237,764
Repurchase analyzed by counterparty:		
Banks	93,113	16,517
Other financial institutions	227,450	209,581
	320,563	226,098
Repurchase analyzed by collateral:		
Securities	309,655	216,449
Bills	10,903	5,927
Loans	5	3,722
	320,563	226,098

29. CERTIFICATES OF DEPOSIT

Certificates of deposit were mainly issued by Tokyo Branch, Luxembourg Branch, New York Branch, Doha Branch, Sydney Branch, Abu Dhabi Branch, and the Bank's subsidiaries including ICBC Asia, ICBC Macau, ICBC Argentina and ICBC London, and were carried at amortised cost.

(In RMB millions, unless otherwise stated)

30. DUE TO CUSTOMERS

	30 June 2013 (unaudited)	31 December 2012 (audited)
Demand deposits:		
Corporate customers	3,954,207	3,993,173
Personal customers	3,007,246	2,800,169
Time deposits:		
Corporate customers	3,323,182	2,915,072
Personal customers	3,979,111	3,754,118
Others	244,656	180,378
	14,508,402	13,642,910

31. DEBT SECURITIES ISSUED

	Notes	30 June 2013 (unaudited)	31 December 2012 (audited)
Subordinated bonds issued by:			
The Bank	(1)(a)	183,101	183,000
A subsidiary	(1)(b)	4,551	4,589
		187,652	187,589
Convertible bonds	(2)	21,556	21,353
Other debt securities issued by:	(3)		
The Bank		19,260	9,691
Subsidiaries		21,735	13,553
		40,995	23,244
		250,203	232,186

(1) Subordinated bonds

(a) As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds through open market bidding in 2005, 2009, 2010, 2011 and 2012. These subordinated bonds were traded in the bond market among banks. The Bank has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds during the period (six months ended 30 June 2012: None). The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue price (RMB)	Coupon rate	Value date	Maturity date	Circulation date	Issue amount (RMB)	Notes
05 ICBC 02 Bond	2005-8-19	100	3.77%	2005-9-6	2020-9-6	2005-10-11	13,000 million	(i)
09 ICBC 01 Bond	2009-7-16	100	3.28%	2009-7-20	2019-7-20	2009-8-20	10,500 million	(ii)
09 ICBC 02 Bond	2009-7-16	100	4.00%	2009-7-20	2024-7-20	2009-8-20	24,000 million	(iii)
09 ICBC 03 Bond	2009-7-16	100	Base rate +0.58%	2009-7-20	2019-7-20	2009-8-20	5,500 million	(iv)
10 ICBC 01 Bond	2010-9-10	100	3.90%	2010-9-14	2020-9-14	2010-11-3	5,800 million	(v)
10 ICBC 02 Bond	2010-9-10	100	4.10%	2010-9-14	2025-9-14	2010-11-3	16,200 million	(vi)
11 ICBC 01 Bond	2011-6-29	100	5.56%	2011-6-30	2031-6-30	2011-8-30	38,000 million	(vii)
11 ICBC 02 Bond	2011-12-29	100	5.50%	2011-12-30	2026-12-30	2012-1-17	50,000 million	(viii)
12 ICBC 01 Bond	2012-6-11	100	4.99%	2012-6-13	2027-6-13	2012-7-9	20,000 million	(ix)

(In RMB millions, unless otherwise stated)

31. DEBT SECURITIES ISSUED (CONTINUED)

(1) Subordinated bonds (continued)

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

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

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

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

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

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

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

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

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

(b) On 30 November 2010, ICBC Asia, a subsidiary of the Bank, issued a subordinated bond with aggregate nominal amount of USD500 million, bearing a fixed interest rate of 5.125% per annum. The bond was issued at the price fixed at 99.737% of the nominal amount with maturity due on 30 November 2020.

On 4 November 2011, ICBC Asia issued subordinated notes in an aggregate nominal amount of RMB1,500 million, with a fixed interest rate of 6% per annum. The subordinated notes were issued at the price fixed at 100% of the nominal amount maturing on 4 November 2021. The above subordinated bonds and notes are both listed on the Singapore Exchange Securities Trading Limited. ICBC Asia has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds and notes during the period (six months ended 30 June 2012: Nil).

(2) Convertible bonds

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

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

The convertible bonds have a term of six years. From the first year to the sixth year, the bonds are paying annual coupon at the rates of 0.5%, 0.7%, 0.9%, 1.1%, 1.4% and 1.8%, respectively. The conversion period of the bonds commenced on 1 March 2011, which was the first trading day immediately following the expiry of the six-month period after the date of issuance of the convertible bonds, and ends on 31 August 2016, which is the maturity date of the bonds. Within five trading days after the maturity of the bonds, the Bank shall redeem all the outstanding convertible bonds which have not been converted into shares by then at 105% of the nominal value of these convertible bonds (including the interest last accrued). RMB2,435 million with an aggregate nominal amount of convertible bonds have been converted into shares from 1 March 2011 to 30 June 2013(1 March 2011 to 31 December 2012: RMB2,323 million).

(In RMB millions, unless otherwise stated)

31. DEBT SECURITIES ISSUED (CONTINUED)

(2) Convertible bonds (continued)

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

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

The initial conversion price was RMB4.20 per share. The conversion price is subject to adjustment, upon the occurrence of certain events which affect the share capital of the Bank, such as distribution of share dividend, capitalisation, issuance of new shares, rights issue or distribution of cash dividend. During the period from the date of issuance to 30 June 2013, the conversion price was adjusted from RMB4.20 per share to RMB3.53 per share, as a result of the cash dividend distribution and rights issue of A share and H share.

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

	Liability component	Equity component	Total
Nominal value of convertible bonds	21,998	3,002	25,000
Direct transaction costs	(113)	(17)	(130)
Balance as at the issuance date	21,885	2,985	24,870
Accretion of interest	239	—	239
Balance as at 31 December 2010 (audited)	22,124	2,985	25,109
Conversion	(234)	(31)	(265)
Accretion of interest	718	—	718
Balance as at 31 December 2011 (audited)	22,608	2,954	25,562
Conversion	(1,916)	(246)	(2,162)
Accretion of interest	661	—	661
Balance as at 31 December 2012 (audited)	21,353	2,708	24,061
Conversion	(107)	(14)	(121)
Accretion of interest	310	—	310
Balance as at 30 June 2013 (unaudited)	21,556	2,694	24,250

(3) Other debt securities issued

As at 30 June 2013, other debt securities issued mainly include:

(a) Sydney Branch issued debt securities amounted to RMB13,684 million denominated in USD, EUR, HKD, AUD and RMB. These securities were issued at par value with maturities between 2013 and 2017 at fixed or floating interest rates;

(b) Singapore Branch issued Euro medium term notes amounted to RMB1,691 million denominated in USD. These notes were issued at par value with maturities in 2014 at floating interest rates;

(c) Tokyo Branch issued interest free commercial papers amounted to RMB2,885 million denominated in RMB and USD. These commercial papers were issued at a discount with maturities between 2013 and 2014;

(d) The Head Office issued fixed interest rate RMB bond in Hong Kong amounting to RMB1,000 million. The bond was issued at par value with maturity in 2015.

31. DEBT SECURITIES ISSUED (CONTINUED)

(3) Other debt securities issued (continued)

(e) ICBC Asia issued interest-free Equity Linked Notes at 99.989% to 99.998% of the nominal amount denominated in HKD, and Senior Notes at 99.365% to 100.000% of the nominal amount denominated in USD, HKD and RMB at fixed interest rates. These notes amounted to RMB13,297 million with maturity between 2013 and 2016;

(f) ICBC Thai issued debt securities amounted to RMB3,901 million denominated in THB. These securities were issued at par value with maturities between 2013 and 2017 at fixed interest rates;

(g) Skysea International Capital Management Limited, which is a structured entity of the Group, issued guaranteed notes of USD750 million with a fixed interest rate of 4.875%. The notes were guaranteed by Hong Kong Branch and were issued at the price fixed at 97.708% of the nominal amount with maturity amounted to RMB4,537 million due on 7 December 2021. By satisfying certain conditions, the structured entity has the option to redeem all of the notes at any time. The notes were listed on The Stock Exchange of Hong Kong Limited.

32. OTHER LIABILITIES

	30 June 2013 (unaudited)	31 December 2012 (audited)
Interest payable	193,156	164,451
Settlement accounts	280,779	138,141
Dividends payable	83,576	—
Salaries, bonuses, allowances and subsidies payables	13,557	16,394
Early retirement benefits	6,044	7,761
Sundry tax payables	11,158	11,240
Bank drafts	2,575	3,030
Others	86,799	43,457
	677,644	384,474

33. SHARE CAPITAL

	30 June 2013 (unaudited)		31 December 2012 (audited)	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 each	86,795	86,795	86,795	86,795
A shares of RMB1 each (i)	262,855	262,855	262,825	262,825
	349,650	349,650	349,620	349,620

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

(i) According to the "Announcement in Relation to the Conversion of ICBC Convertible Bonds", the 250 million convertible bonds (with a nominal value of RMB100 each and an aggregate amount of RMB25 billion) issued by the Bank on 31 August 2010 can be converted into the Bank's A shares from 1 March 2011. As of 30 June 2013, a total of 24,354,830 convertible bonds were converted into A shares of the Bank, resulting in an increase of 630,313,548 A shares since date of issuance. The number of the Bank's A shares amounted to 262,854,814,825 at the end of the period.

34. RESERVES

(a) Capital reserve

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

(b) Surplus reserve

(i) Statutory surplus reserve

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

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

(ii) Discretionary surplus reserve

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

(iii) Other surplus reserve

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

(c) General reserve

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

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

(d) Investment revaluation reserve

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

(e) Foreign currency translation reserve

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

(f) Cash flow hedge reserve

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

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and joint ventures other than the items listed above.

(In RMB millions, unless otherwise stated)

35. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Available-for-sale financial assets:		
Changes in fair value recorded in other comprehensive (loss)/income	(1,072)	9,558
Less: Transfer to the statement of income arising from disposal/impairment	(384)	(145)
Income tax effect	234	(2,287)
	(1,222)	7,126
Cash flow hedges:		
(Loss)/gain during the period	(210)	109
Less: Income tax effect	36	(16)
	(174)	93
Share of other comprehensive income of associates and joint ventures	824	(77)
Foreign currency translation differences	(7,927)	(687)
Others	25	16
Less: Income tax effect	(4)	(3)
	21	13
	(8,478)	6,468

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of balances of cash and cash equivalents

	Note	30 June 2013 (unaudited)	30 June 2012 (unaudited)
Cash on hand	14	74,899	64,086
Balances with central banks other than restricted deposits	14	206,316	304,077
Nostro accounts with banks and other financial institutions with original maturity of three months or less		208,560	580,171
Placements with banks and other financial institutions with original maturity of three months or less		416,950	163,136
Reverse repurchase agreements with original maturity of three months or less		224,967	495,871
		1,131,692	1,607,341

37. TRANSFERRED FINANCIAL ASSETS

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

(In RMB millions, unless otherwise stated)

37. TRANSFERRED FINANCIAL ASSETS (CONTINUED)

Repurchase transactions and securities lending transactions

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

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

	30 June 2013 (unaudited)		31 December 2012 (audited)	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	2,700	2,660	590	539
Securities lending agreements	11,914	—	15,906	—
	14,614	2,660	16,496	539

Securitisation transactions

Transferred financial assets that achieved partial de-recognition mainly include financial assets transferred under securitisation transactions. The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets.

As at 30 June 2013, loans with an original carrying amount of RMB3,592 million (31 December 2012: RMB8,011 million) have been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets. As at 30 June 2013, the carrying amount of assets that the Group continues to recognise was RMB182 million (31 December 2012: Nil), and the assets were classified as available-for-sale financial assets.

38. 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.

39. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Authorised, but not contracted for	261	952
Contracted, but not provided for	10,828	11,992
	11,089	12,944

(In RMB millions, unless otherwise stated)

39. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) Operating lease commitments

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Within one year	4,857	4,166
Over one year but within five years	11,554	10,330
Over five years	1,354	1,516
	17,765	16,012

(c) Credit commitments

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

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

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

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Bank acceptances	380,452	341,033
Guarantees issued		
Financing letters of guarantees	92,495	47,148
Non-financing letters of guarantees	227,347	213,874
Sight letters of credit	47,759	52,190
Usance letters of credit and other commitments	402,051	347,271
Loan commitments		
With an original maturity of under one year	167,874	214,370
With an original maturity of one year or over	424,489	453,520
Undrawn credit card limit	431,063	406,800
	2,173,530	2,076,206

	30 June 2013 (unaudited)
Credit risk weighted amount of credit commitments	815,256

(i) The credit risk weighted amount refers to the amount computed in accordance with "Regulations Governing Capital of Commercial Banks (Provisional)" 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 150% for credit commitments.

(ii) On 31 December 2012 the credit risk weighted amount was RMB817 billion in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and relevant requirements promulgated by the CBRC, which was superseded from 1 January 2013.

(In RMB millions, unless otherwise stated)

39. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(d) Legal proceedings

As at 30 June 2013, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB1,954 million (31 December 2012: RMB1,559 million).

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

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 June 2013, the Bank had underwritten and sold bonds with an accumulated amount of RMB104,893 million (31 December 2012: RMB99,861 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

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

(f) Underwriting obligations

As at 30 June 2013, the Group had no unexpired securities underwriting obligations (31 December 2012: Nil).

40. DESIGNATED FUNDS AND LOANS

	30 June 2013 (unaudited)	31 December 2012 (audited)
Designated funds	800,635	730,140
Designated loans	799,983	729,451

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.

41. ASSETS PLEDGED

Financial assets of the Group including securities, bills and loans have been pledged as collateral for liabilities or contingent liabilities, mainly the repurchase agreements and derivative contracts. As at 30 June 2013, the carrying value of the financial assets of the Group pledged as collateral amounted to approximately RMB100,154 million (31 December 2012: RMB13,341 million).

42. FIDUCIARY ACTIVITIES

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

(In RMB millions, unless otherwise stated)

43. RELATED PARTY DISCLOSURES

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

(a) Shareholders with significant influence

(i) The MOF

The MOF is a ministry under the State Council, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 30 June 2013, the MOF directly owned approximately 35.27% (31 December 2012: approximately 35.27%) 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 2013 (unaudited)	**31 December 2012 (audited)**
Balances at end of the period/year:		
The PRC government bonds and the special government bond	1,021,151	831,417

	Six months ended 30 June	
	2013 (unaudited)	**2012 (unaudited)**
Transactions during the period:		
Subscription of the PRC government bonds	148,005	36,035
Redemption of the PRC government bonds	42,012	53,117
Interest income on the PRC government bonds	17,280	16,328

	%	**%**
Interest rate ranges during the period are as follows:		
Bond investments	1.77 to 6.34	0.93 to 6.34

As at 30 June 2013, the Group holds a series of long term bonds issued by Huarong, which is under the control of the MOF, with an aggregate amount of RMB175,096 million (31 December 2012: RMB175,096 million). The details of Huarong bonds are included in note 21.

Other related party transactions between the Group and enterprises under the control or joint control of the MOF are disclosed in note 43(g) "transactions with state-owned entities in the PRC".

(In RMB millions, unless otherwise stated)

43. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Shareholders with significant influence (continued)

(ii) Huijin

As at 30 June 2013, Central Huijin Investment Ltd. ("Huijin") directly owned approximately 35.46% (31 December 2012: approximately 35.46%) of the issued share capital of the Bank. Huijin is a state-owned investment company established on 16 December 2003 under the Company Law of the PRC. Huijin has a total registered and paid-in capital of RMB828,209 million, and its legal representative is Mr. Lou Jiwei. Huijin is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation by the State, Huijin makes equity investments in the key state-owned financial institutions, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

As at 30 June 2013, the Huijin Bonds held by the Bank were of an aggregate face value of RMB21.63 billion (31 December 2012: RMB18.13 billion), with the terms ranging from 5 to 30 years and coupon rate ranging from 3.14% to 4.20% per annum. The Huijin Bonds are government-backed and the Bank's subscription of the Huijin Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory requirements and the corporate governance of the Bank.

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Balances at end of the period/year:		
Debt securities purchased	20,574	17,288
Interest receivable	618	190
Deposits	448	10,236
Interest payable	0	16

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Transactions during the period:		
Interest income on debt securities purchased	375	381
Interest expense on deposits	112	3

	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	3.14 to 4.20	3.14 to 4.20
Deposits	0.35 to 1.15	0.02 to 1.30

(In RMB millions, unless otherwise stated)

43. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Shareholders with significant influence (continued)

(ii) Huijin (continued)

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Significant transactions during the period conducted with these banks and financial institutions, and the corresponding balances as at 30 June 2013 are as follows:

	30 June 2013 (unaudited)	31 December 2012 (audited)
Balances at end of the period/year:		
Debt securities purchased	1,040,797	979,291
Due from these banks and financial institutions	58,708	142,413
Loans to these banks and financial institutions	35	—
Derivative financial assets	917	809
Due to these banks and financial institutions	57,359	115,434
Derivative financial liabilities	1,161	1,754

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Transactions during the period:		
Interest income on debt securities purchased	19,203	16,404
Interest income on amounts due from these banks and financial institutions	359	577
Interest income on loans to these banks and financial institutions	0	118
Interest expense on amounts due to these banks and financial institutions	339	655

	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	2.68 to 6.30	1.01 to 8.25
Due from these banks and financial institutions	0 to 9.38	0 to 9.00
Loans to these banks and financial institutions	0.94 to 2.41	0.95 to 5.80
Due to these banks and financial institutions	0.0001 to 10.00	0.0001 to 7.40

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

(In RMB millions, unless otherwise stated)

43. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Subsidiaries

	30 June 2013 (unaudited)	31 December 2012 (audited)
Balances at end of the period/year:		
Debt securities purchased	11,879	14,029
Due from banks and other financial institutions	231,502	105,779
Loans and advances to customers	6,681	5,784
Derivative financial assets	696	887
Due to banks and other financial institutions	232,617	41,466
Derivative financial liabilities	366	764
Commitments	105,886	116,423

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Transactions during the period:		
Interest income on debt securities purchased	44	69
Interest income on amounts due from banks and other financial institutions	329	460
Interest expense on amounts due to banks and other financial institutions	184	167
Net trading expense	49	56
Net fee and commission income	51	57

	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	0.45 to 3.15	0.75 to 1.55
Due from banks and other financial institutions	0 to 4.00	0 to 7.66
Due to banks and other financial institutions	0 to 5.00	0 to 6.00

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

(c) Associates and affiliates

	30 June 2013 (unaudited)	31 December 2012 (audited)
Balances at end of the period/year:		
Due from banks	247	334
Loans to associates	108	3,100
Other receivables	—	209
Due to banks	177	3,341
Deposits	—	125

(In RMB millions, unless otherwise stated)

43. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Associates and affiliates (continued)

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Transactions during the period:		
Interest income on amounts due from banks	—	1
Interest income on loans to associates	1	43
Interest expense on amounts due to banks	1	28

	%	%
Interest rate ranges during the period are as follows:		
Due from banks	0.01 to 0.13	5.40
Loans to associates	1.63	1.47 to 2.70
Due to banks	0.92 to 2.25	0.50 to 1.65

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

(d) Joint ventures and affiliates

	30 June 2013 (unaudited)	31 December 2012 (audited)
Balances at end of the period/year:		
Deposits	54	264
Loans to joint ventures	98	—

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Transactions during the period:		
Interest expense on deposits	—	2
Interest income on loans to joint ventures	1	—

	%	%
Interest rates during the period are as follows:		
Deposits	0.35 to 1.05	0.50 to 1.05
Loans to joint ventures	2.68	—

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

(In RMB millions, unless otherwise stated)

43. RELATED PARTY DISCLOSURES (CONTINUED)

(e) Key management personnel

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

The aggregate compensation for the period is as follows:

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Short term employment benefits	7,989	7,353
Post-employment benefits	223	511
	8,212	7,864

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

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Loans	—	687

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

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, Annuity Fund holds the convertible bonds issued by the Group with an amount of RMB47.70 million (six months ended 30 June 2012: RMB36.07 million).

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

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

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

44. SEGMENT INFORMATION

(a) Operating segments

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

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

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

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

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

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

(In RMB millions, unless otherwise stated)

44. SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (continued)

	Six months ended 30 June 2013 (unaudited)				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income/(expense)	135,075	(2,844)	83,487	171	215,889
Internal net interest income/(expense)	(30,984)	74,362	(43,378)	—	—
Net fee and commission income	43,567	23,577	682	(444)	67,382
Other income, net (i)	566	2	3,900	3,737	8,205
Operating income	148,224	95,097	44,691	3,464	291,476
Operating expenses	(42,683)	(38,159)	(7,752)	(3,155)	(91,749)
Impairment losses on:					
Loans and advances to customers	(17,465)	(4,462)	—	—	(21,927)
Others	(130)	1	139	(24)	(14)
Operating profit/(loss)	87,946	52,477	37,078	285	177,786
Share of profits and losses of associates and joint ventures	—	—	—	1,055	1,055
Profit before tax	87,946	52,477	37,078	1,340	178,841
Income tax expense					(40,364)
Profit for the period					138,477
Other segment information:					
Depreciation	3,199	2,587	1,301	109	7,196
Amortisation	493	303	194	12	1,002
Capital expenditure	6,986	5,528	2,802	219	15,535

	As at 30 June 2013 (unaudited)				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	7,077,766	2,573,779	8,932,623	139,185	18,723,353
Including: Investments in associates and joint ventures	—	—	—	28,983	28,983
Property and equipment	52,857	42,423	21,188	26,401	142,869
Other non-current assets (ii)	14,594	7,266	4,764	9,904	36,528
Segment liabilities	7,723,774	7,145,414	2,548,931	130,141	17,548,260
Other segment information:					
Credit commitments	1,742,467	431,063	—	—	2,173,530

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

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

(In RMB millions, unless otherwise stated)

44. SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (continued)

	Six months ended 30 June 2012 (unaudited)				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income/(expense)	139,489	(5,242)	69,811	—	204,058
Internal net interest income/(expense)	(29,025)	66,384	(37,359)	—	—
Net fee and commission income	35,190	19,420	194	—	54,804
Other income, net (i)	286	2	2,759	919	3,966
Operating income	145,940	80,564	35,405	919	262,828
Operating expenses	(40,849)	(33,729)	(7,924)	(2,029)	(84,531)
Impairment losses on:					
Loans and advances to customers	(13,177)	(5,852)	—	—	(19,029)
Others	(147)	(2)	(49)	(10)	(208)
Operating profit/(loss)	91,767	40,981	27,432	(1,120)	159,060
Share of profits and losses of associates and joint ventures	—	—	—	1,152	1,152
Profit before tax	91,767	40,981	27,432	32	160,212
Income tax expense					(36,971)
Profit for the period					123,241
Other segment information:					
Depreciation	2,815	2,290	1,256	110	6,471
Amortisation	383	250	163	11	807
Capital expenditure	3,945	3,164	1,743	148	9,000

	As at 31 December 2012 (audited)				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	6,495,908	2,320,534	8,591,801	133,974	17,542,217
Including: Investments in associates and joint ventures	—	—	—	33,284	33,284
Property and equipment	49,902	40,056	21,514	24,417	135,889
Other non-current assets (ii)	13,911	7,611	4,958	9,439	35,919
Segment liabilities	7,275,642	6,704,125	2,376,936	57,055	16,413,758
Other segment information:					
Credit commitments	1,669,406	406,800	—	—	2,076,206

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

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

44. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (including: Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Busan, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Islamabad, Chicago, Lima, Buenos Aires and Sao Paulo).

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

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

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

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

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

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

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

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

Overseas and others: branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and joint ventures.

(In RMB millions, unless otherwise stated)

44. 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 2013 (unaudited)										
External net interest income	83,460	29,734	20,951	15,072	19,944	30,458	8,352	7,918	—	215,889
Internal net interest income/(expense)	(70,056)	12,239	5,759	30,566	9,401	6,828	4,980	283	—	—
Net fee and commission income	2,986	16,317	10,578	11,347	10,835	9,886	2,539	2,943	(49)	67,382
Other income/(expense), net (i)	1,923	115	533	2,981	96	148	(1)	2,410	—	8,205
Operating income	18,313	58,405	37,821	59,966	40,276	47,320	15,870	13,554	(49)	291,476
Operating expenses	(7,061)	(15,679)	(11,516)	(15,903)	(14,120)	(16,102)	(6,054)	(5,363)	49	(91,749)
Impairment losses on:										
Loans and advances to customers	(1,030)	(7,860)	(2,717)	(2,812)	(2,455)	(3,254)	(917)	(882)	—	(21,927)
Others	114	(5)	1	(52)	(1)	(8)	—	(63)	—	(14)
Operating profit	10,336	34,861	23,589	41,199	23,700	27,956	8,899	7,246	—	177,786
Share of profits and losses of associates and joint ventures	—	—	—	—	—	—	—	1,055	—	1,055
Profit before tax	10,336	34,861	23,589	41,199	23,700	27,956	8,899	8,301	—	178,841
Income tax expense										(40,364)
Profit for the period										138,477
Other segment information:										
Depreciation	780	1,083	747	976	1,137	1,297	536	640	—	7,196
Amortisation	414	120	59	61	121	120	32	75	—	1,002
Capital expenditure	1,771	1,018	376	659	1,126	1,239	218	9,128	—	15,535

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

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
As at 30 June 2013 (unaudited)										
Assets by geographical area	8,555,966	3,348,098	2,131,995	4,178,493	2,262,955	2,611,501	992,380	1,429,627	(6,809,539)	18,701,476
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	28,983	—	28,983
Property and equipment	12,657	22,808	11,904	17,440	18,222	20,970	9,675	29,193	—	142,869
Other non-current assets (i)	11,450	5,643	2,206	3,738	4,857	4,376	1,482	2,776	—	36,528
Unallocated assets										21,877
Total assets										18,723,353
Liabilities by geographical area	7,652,703	3,311,630	2,106,360	4,135,759	2,237,343	2,580,845	981,168	1,319,386	(6,809,539)	17,515,655
Unallocated liabilities										32,605
Total liabilities										17,548,260
Other segment information:										
Credit commitments	460,613	431,676	340,380	317,723	134,986	159,992	67,118	261,042	—	2,173,530

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

(In RMB millions, unless otherwise stated)

44. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (continued)

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

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

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
As at 31 December 2012 (audited)										
Assets by geographical area	8,224,142	3,294,148	2,296,600	3,902,655	2,095,440	2,466,885	923,766	1,234,420	(6,918,628)	17,519,428
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	33,284	—	33,284
Property and equipment	11,154	23,167	12,356	17,969	18,701	21,393	10,046	21,103	—	135,889
Other non-current assets (i)	11,014	5,731	2,320	4,041	4,869	4,257	1,681	2,006	—	35,919
Unallocated assets										22,789
Total assets										17,542,217
Liabilities by geographical area	7,410,679	3,237,528	2,259,922	3,839,768	2,064,592	2,428,238	909,743	1,124,442	(6,918,628)	16,356,284
Unallocated liabilities										57,474
Total liabilities										16,413,758
Other segment information:										
Credit commitments	418,897	390,236	337,265	321,305	120,188	162,835	59,386	266,094	—	2,076,206

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

45. FINANCIAL INSTRUMENT RISK MANAGEMENT

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

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

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

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

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

(a) Credit risk

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

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

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

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

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

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

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

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

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

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

Collectively assessed loans

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

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

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

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

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

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Impairment assessment (continued)

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 analyzes 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

Individually assessed loans with no objective evidence of impairment are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account:

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

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

Collateral

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

Reverse repurchase business is mainly collateralised by bills, loans or investment securities. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. Fair value of collateral is shown in note 19.

Corporate loans are mainly collateralised by properties or other assets. As at 30 June 2013, the carrying value of corporate loans amounted to RMB6,896,402 million (31 December 2012: RMB6,516,589 million), of which credit exposure of corporate loans covered by collateral amounted to RMB3,169,009 million (31 December 2012: RMB2,907,405 million).

Retail loans are mainly collateralised by residential properties. As at 30 June 2013, the carrying value of retail loans amounted to RMB2,541,240 million (31 December 2012: RMB2,287,103 million), of which credit exposure of retail loans covered by collateral amounted to RMB2,158,472 million (31 December 2012: RMB1,952,522 million).

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

Although collateral can be an important mitigation of credit risk, the Group grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flow, instead of the value of collateral. The necessity of a collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. The fair value of collateral of past due but not impaired loans and impaired loans are disclosed in note 45(a)(iii).

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

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

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

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

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Balances with central banks	3,226,092	3,098,883
Due from banks and other financial institutions	641,073	636,450
Financial assets held for trading	43,771	20,317
Financial assets designated at fair value through profit or loss	268,216	201,208
Derivative financial assets	26,949	14,756
Reverse repurchase agreements	462,000	544,579
Loans and advances to customers	9,202,023	8,583,289
Financial investments		
— Receivables	369,542	364,715
— Held-to-maturity investments	2,674,164	2,576,562
— Available-for-sale financial assets	1,022,800	917,143
Others	439,054	220,183
	18,375,684	17,178,085
Credit commitments	2,173,530	2,076,206
Total maximum credit risk exposure	20,549,214	19,254,291

(ii) Risk concentrations

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

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

By geographical distribution

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

30 June 2013 (unaudited)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Total
Balances with central banks	2,829,877	63,136	41,069	164,275	21,670	33,960	10,638	61,467	3,226,092
Due from banks and other financial institutions	297,388	29,681	32,377	156,997	17,995	3,750	19,136	83,749	641,073
Financial assets held for trading	42,336	—	—	—	—	—	—	1,435	43,771
Financial assets designated at fair value through profit or loss	267,298	131	97	165	63	110	20	332	268,216
Derivative financial assets	19,576	919	2,056	729	220	834	190	2,425	26,949
Reverse repurchase agreements	165,234	11,178	1,484	9,996	12,293	2,484	15,961	243,370	462,000
Loans and advances to customers	331,794	1,968,113	1,259,786	1,609,094	1,231,414	1,613,269	531,982	656,571	9,202,023
Financial investments									
— Receivables	360,388	300	300	2,560	2,180	1,488	120	2,206	369,542
— Held-to-maturity investments	2,573,686	55,167	27,276	8,334	—	—	1,000	8,701	2,674,164
— Available-for-sale financial assets	571,344	57,250	35,691	230,283	14,186	14,004	4,251	95,791	1,022,800
Others	308,078	18,353	11,931	17,363	10,913	12,871	4,837	54,708	439,054
	7,766,999	2,204,228	1,412,067	2,199,796	1,310,934	1,682,770	588,135	1,210,755	18,375,684
Credit commitments	460,613	431,676	340,380	317,723	134,986	159,992	67,118	261,042	2,173,530
Total maximum credit risk exposure	8,227,612	2,635,904	1,752,447	2,517,519	1,445,920	1,842,762	655,253	1,471,797	20,549,214

The compositions of each geographical distribution above are set out in note 44(b).

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

By geographical distribution (continued)

31 December 2012 (audited)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Total
Balances with central banks	2,792,670	48,293	32,904	110,108	19,753	31,345	8,301	55,509	3,098,883
Due from banks and other financial institutions	291,330	49,415	61,071	52,112	16,588	20,166	37,278	108,490	636,450
Financial assets held for trading	18,064	—	—	—	—	—	—	2,253	20,317
Financial assets designated at fair value through profit or loss	200,778	2	—	—	4	—	2	422	201,208
Derivative financial assets	9,923	362	433	841	88	109	139	2,861	14,756
Reverse repurchase agreements	222,043	24,603	4,587	52,565	7,355	6,028	2,188	225,210	544,579
Loans and advances to customers	303,625	1,887,989	1,208,518	1,518,202	1,158,116	1,485,267	499,870	521,702	8,583,289
Financial investments									
— Receivables	358,110	300	220	2,224	1,860	1,398	120	483	364,715
— Held-to-maturity investments	2,481,924	44,108	26,543	10,853	—	—	1,000	12,134	2,576,562
— Available-for-sale financial assets	518,842	54,141	26,764	214,574	13,535	13,404	4,187	71,696	917,143
Others	122,366	15,199	6,106	13,004	7,440	8,248	2,636	45,184	220,183
	7,319,675	2,124,412	1,367,146	1,974,483	1,224,739	1,565,965	555,721	1,045,944	17,178,085
Credit commitments	418,897	390,236	337,265	321,305	120,188	162,835	59,386	266,094	2,076,206
Total maximum credit risk exposure	7,738,572	2,514,648	1,704,411	2,295,788	1,344,927	1,728,800	615,107	1,312,038	19,254,291

The compositions of each geographical distribution above are set out in note 44(b).

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers and investments in securities. Details of the composition of the Group's investments in debt securities are set out in note 45(a)(iv) to the financial statements. The composition of the Group's gross loans and advances to customers by industry is analyzed as follows:

	30 June 2013 (unaudited)	31 December 2012 (audited)
Manufacturing	1,526,064	1,455,792
Transportation, storage and postal services	1,256,854	1,154,071
Wholesale and retail	865,125	816,650
Production and supply of electricity, heating, gas and water	610,352	617,734
Real estate	544,272	562,563
Water, environment and public utility management	480,156	468,526
Leasing and commercial services	435,416	398,359
Mining	261,139	243,289
Construction	170,294	153,701
Lodging and catering	182,860	162,971
Science, education, culture and sanitation	95,560	87,450
Others	282,655	211,472
Subtotal for corporate loans and advances	6,710,747	6,332,578
Personal mortgage and business loans	1,871,012	1,660,600
Others	670,228	626,503
Subtotal for personal loans	2,541,240	2,287,103
Discounted bills	185,655	184,011
Total for loans and advances to customers	9,437,642	8,803,692

(iii) Loans and advances to customers

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Neither past due nor impaired	9,285,459	8,672,503
Past due but not impaired	70,415	56,614
Impaired	81,768	74,575
	9,437,642	8,803,692
Less: Allowance for impairment losses	(235,619)	(220,403)
	9,202,023	8,583,289

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) 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 2013 (unaudited)			31 December 2012 (audited)		
	Pass	Special Mention	Total	Pass	Special Mention	Total
Unsecured loans	2,649,656	40,920	2,690,576	2,626,242	50,142	2,676,384
Guaranteed loans	1,273,492	38,713	1,312,205	1,197,403	42,074	1,239,477
Loans secured by mortgages	4,000,824	70,948	4,071,772	3,610,019	69,638	3,679,657
Pledged loans	1,188,150	22,756	1,210,906	1,052,280	24,705	1,076,985
	9,112,122	173,337	9,285,459	8,485,944	186,559	8,672,503

Past due but not impaired

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

	30 June 2013 (unaudited)			31 December 2012 (audited)		
	Corporate loans and advances	Personal loans	Total	Corporate loans and advances	Personal loans	Total
Past due for:						
Less than one month	22,488	32,344	54,832	12,010	31,814	43,824
One to two months	73	7,994	8,067	192	7,478	7,670
Two to three months	246	7,270	7,516	53	5,060	5,113
Over three months	—	—	—	5	2	7
Total	22,807	47,608	70,415	12,260	44,354	56,614
Fair value of collateral held	19,824	100,162	119,986	13,313	93,568	106,881

Impaired

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

The fair values of collateral that the Group hold relating to loans individually determined to be impaired as at 30 June 2013 amounted to RMB19,830 million (31 December 2012: RMB13,994 million). The collateral mainly consists of land and buildings, equipment and others.

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Loans and advances to customers (continued)

Renegotiated loans and advances to customers

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

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Renegotiated loans and advances to customers	7,932	7,188
Impaired loans and advances to customers included in above	4,022	4,761

Collateral repossessed

During the period, the Group took possession of collateral held as security with a carrying amount of RMB510 million (six months ended 30 June 2012: RMB139 million). Such collateral mainly comprises land and buildings, equipment and others.

(iv) Debt securities

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

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

30 June 2013 (unaudited)

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	95,104	1,264,856	97,404	1,453	1,965	1,460,782
Policy banks	35,090	1,359,114	326,058	540	33,544	1,754,346
Public sector entities	2,020	14,212	48,446	2,248	2,332	69,258
Banks and other financial institutions	183,127	14,144	147,272	1,651	4,887	351,081
Corporate entities	54,201	21,795	393,342	37,879	43,604	550,821
Subtotal	369,542	2,674,121	1,012,522	43,771	86,332	4,186,288
Impaired (i)						
Banks and other financial institutions	—	172	80	—	—	252
Corporate entities	—	30	—	—	—	30
	—	202	80	—	—	282
Less: Allowance for impairment losses	—	(159)	—	—	—	(159)
Subtotal	—	43	80	—	—	123
Total	369,542	2,674,164	1,012,602	43,771	86,332	4,186,411

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Debt securities (continued)

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

31 December 2012 (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	101,276	1,260,176	149,997	1,525	1,118	1,514,092
Policy banks	35,090	1,271,887	252,416	516	28,040	1,587,949
Public sector entities	2,500	22,508	66,048	190	3,354	94,600
Banks and other financial institutions	204,406	12,165	116,975	890	5,738	340,174
Corporate entities	21,443	9,533	328,802	17,196	65,210	442,184
Subtotal	364,715	2,576,269	914,238	20,317	103,460	3,978,999
Impaired (i)						
Banks and other financial institutions	—	723	—	—	—	723
Corporate entities	—	30	106	—	—	136
	—	753	106	—	—	859
Less: Allowance for impairment losses	—	(460)	—	—	—	(460)
Subtotal	—	293	106	—	—	399
Total	364,715	2,576,562	914,344	20,317	103,460	3,979,398

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

(b) Liquidity risk

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

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

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

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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

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

30 June 2013 (unaudited)

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	557,934	—	—	—	—	—	2,743,057	3,300,991
Due from banks and other financial institutions (i)	256,323	433,656	210,352	181,259	20,324	1,159	—	1,103,073
Financial assets held for trading	—	1,686	5,843	32,130	3,337	775	164	43,935
Financial assets designated at fair value through profit or loss	588	46,458	84,104	12,320	102,632	9,527	12,587	268,216
Derivative financial assets	—	3,979	9,814	10,335	2,044	777	—	26,949
Loans and advances to customers	25,756	686,717	869,002	2,271,339	2,113,226	3,195,891	40,092	9,202,023
Financial investments	—	98,462	167,481	380,246	2,021,829	1,398,365	3,730	4,070,113
Investments in associates and joint ventures	—	—	—	—	—	—	28,983	28,983
Property and equipment	—	—	—	—	—	—	142,869	142,869
Others	138,539	219,485	53,540	58,773	11,689	12,734	41,441	536,201
Total assets	979,140	1,490,443	1,400,136	2,946,402	4,275,081	4,619,228	3,012,923	18,723,353
Liabilities:								
Due to central banks	—	—	—	100	617	—	—	717
Financial liabilities designated at fair value through profit or loss	57,323	228,335	97,861	4,143	1,841	—	—	389,503
Derivative financial liabilities	—	4,006	9,125	7,485	1,951	1,284	—	23,851
Due to banks and other financial institutions (ii)	660,546	475,021	283,702	159,937	19,462	10,646	—	1,609,314
Certificates of deposit	—	8,750	28,215	14,254	4,801	—	—	56,020
Due to customers	7,465,105	971,315	1,098,734	3,475,094	1,479,208	18,946	—	14,508,402
Debt securities issued	462	1,550	8,794	15,991	66,033	157,373	—	250,203
Others	150,152	316,666	43,608	177,221	8,894	13,709	—	710,250
Total liabilities	8,333,588	2,005,643	1,570,039	3,854,225	1,582,807	201,958	—	17,548,260
Net liquidity gap	(7,354,448)	(515,200)	(169,903)	(907,823)	2,692,274	4,417,270	3,012,923	1,175,093

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

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

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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

31 December 2012 (audited)

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	596,027	—	—	—	—	—	2,578,916	3,174,943
Due from banks and other financial institutions (i)	106,092	647,390	206,587	112,412	108,213	335	—	1,181,029
Financial assets held for trading	—	488	2,467	10,815	6,091	456	146	20,463
Financial assets designated at fair value through profit or loss	9	29,380	47,522	17,518	87,014	10,469	9,296	201,208
Derivative financial assets	105	1,189	3,194	5,703	2,785	1,780	—	14,756
Loans and advances to customers	17,189	599,599	746,692	2,308,352	1,946,681	2,927,776	37,000	8,583,289
Financial investments	—	29,975	57,999	766,932	1,709,631	1,293,623	4,056	3,862,216
Investments in associates and joint ventures	—	—	—	—	—	—	33,284	33,284
Property and equipment	—	—	—	—	—	—	135,889	135,889
Others	165,191	35,938	28,595	50,748	6,789	12,931	34,948	335,140
Total assets	884,613	1,343,959	1,093,056	3,272,480	3,867,204	4,247,370	2,833,535	17,542,217
Liabilities:								
Due to central banks	—	219	18	50	846	—	—	1,133
Financial liabilities designated at fair value through profit or loss	52,346	160,691	103,980	818	1,907	—	—	319,742
Derivative financial liabilities	11	2,396	1,448	4,595	3,024	1,787	—	13,261
Due to banks and other financial institutions (ii)	581,632	746,416	190,709	138,616	64,405	2,791	—	1,724,569
Certificates of deposit	—	6,323	2,895	27,376	1,415	—	—	38,009
Due to customers	7,076,646	818,534	1,222,968	2,964,264	1,533,049	27,449	—	13,642,910
Debt securities issued	—	581	2,516	7,970	63,721	157,398	—	232,186
Others	182,562	48,284	29,809	129,488	40,764	11,041	—	441,948
Total liabilities	7,893,197	1,783,444	1,554,343	3,273,177	1,709,131	200,466	—	16,413,758
Net liquidity gap	(7,008,584)	(439,485)	(461,287)	(697)	2,158,073	4,046,904	2,833,535	1,128,459

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

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

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows

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

30 June 2013 (unaudited)

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	557,934	—	1,234	—	—	—	2,743,057	3,302,225
Due from banks and other financial institutions (i)	256,668	444,879	212,992	185,191	22,451	1,364	—	1,123,545
Financial assets held for trading	—	1,979	5,915	33,691	3,185	1,012	164	45,946
Financial assets designated at fair value through profit or loss	588	154,323	36,758	14,949	62,925	10,601	12,587	292,731
Loans and advances to customers (ii)	26,289	746,068	1,008,036	2,723,134	3,564,539	4,620,560	87,434	12,776,060
Financial investments	—	118,926	206,876	524,216	2,319,467	1,668,004	3,730	4,841,219
Others	159,055	207,829	527	1,280	451	13	8,898	378,053
	1,000,534	1,674,004	1,472,338	3,482,461	5,973,018	6,301,554	2,855,870	22,759,779

(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.

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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

30 June 2013 (unaudited)

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	—	—	—	103	688	—	—	791
Financial liabilities designated at fair value through profit or loss	57,323	229,094	98,473	4,255	2,023	—	—	391,168
Due to banks and other financial institutions (i)	661,170	489,368	295,270	164,357	21,403	12,791	—	1,644,359
Certificates of deposit	—	8,773	28,516	14,459	5,353	—	—	57,101
Due to customers	7,467,110	982,988	1,127,993	3,605,412	1,615,313	22,310	—	14,821,126
Debt securities issued	462	3,074	10,310	22,834	99,335	227,893	—	363,908
Others	85,162	2,739	509	39,984	273	5,662	—	134,329
	8,271,227	1,716,036	1,561,071	3,851,404	1,744,388	268,656	—	17,412,782
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	3	(3)	309	(74)	(499)	—	(264)
Derivative financial instruments settled on gross basis								
— Cash inflow	—	470,842	397,586	634,373	113,778	1,770	—	1,618,349
— Cash outflow	—	(468,852)	(371,476)	(631,902)	(112,574)	(1,768)	—	(1,586,572
	—	1,990	26,110	2,471	1,204	2	—	31,777

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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

31 December 2012 (audited)

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	596,027	—	1,316	—	—	—	2,578,916	3,176,259
Due from banks and other financial institutions (i)	106,650	648,657	208,535	115,129	118,200	433	—	1,197,604
Financial assets held for trading	—	500	2,605	11,578	7,098	521	146	22,448
Financial assets designated at fair value through profit or loss	9	29,844	48,967	21,752	99,404	11,757	9,296	221,029
Loans and advances to customers (ii)	17,944	677,978	881,125	2,749,973	3,172,666	4,522,308	76,275	12,098,269
Financial investments	—	35,160	79,114	891,374	2,057,438	1,539,585	4,926	4,607,597
Others	154,899	11,269	10,440	8,124	371	4,009	664	189,776
	875,529	1,403,408	1,232,102	3,797,930	5,455,177	6,078,613	2,670,223	21,512,982

(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 2012 (audited)

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	—	220	22	55	852	—	—	1,149
Financial liabilities designated at fair value through profit or loss	52,346	161,202	104,881	822	1,952	—	—	321,203
Due to banks and other financial institutions (i)	582,655	748,231	192,119	140,817	65,406	4,054	—	1,733,282
Certificates of deposit	—	6,378	3,108	27,674	1,531	—	—	38,691
Due to customers	7,079,079	838,220	1,258,654	3,069,964	1,660,171	30,817	—	13,936,905
Debt securities issued	—	605	2,546	17,789	98,579	199,755	—	319,274
Others	160,629	29	23	225	1,021	10,325	—	172,252
	7,874,709	1,754,885	1,561,353	3,257,346	1,829,512	244,951	—	16,522,756
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	2	(44)	(128)	77	(83)	—	(176)
Derivative financial instruments settled on gross basis								
— Cash inflow	30,968	388,784	311,498	537,367	53,489	—	—	1,322,106
— Cash outflow	(30,735)	(382,958)	(308,246)	(535,419)	(53,933)	—	—	(1,311,291)
	233	5,826	3,252	1,948	(444)	—	—	10,815

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(iii) Analysis of credit commitments by contractual expiry date

Management does not expect all of the commitments will be drawn before the expiry of the commitments.

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
30 June 2013 (unaudited)							
Credit commitments	786,844	154,587	275,870	555,103	285,438	115,688	2,173,530
31 December 2012 (audited)							
Credit commitments	635,824	143,048	278,689	510,723	287,642	220,280	2,076,206

(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 largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

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

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

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolios. The following sections include a VaR analysis by risk type of the Group's trading portfolios including Head Office and all overseas branches and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios) (six months ended 30 June 2012: VaR was calculated at the Head Office and six overseas branches including Singapore Branch, New York Branch, Seoul Branch, Tokyo Branch, Hanoi Branch, and Sydney Branch).

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) VaR

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

A summary of VaR by risk type of the Group's trading portfolios is as follows:

	Six months ended 30 June 2013 (unaudited)			
	30 June 2012	Average	Highest	Lowest
Interest rate risk	74	26	78	13
Foreign exchange risk	37	29	51	18
Commodity risk	1	3	12	0
Total portfolio VaR	68	37	80	26

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

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

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

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

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

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

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Currency risk

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

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

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

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

		Effect on profit before tax		Effect on equity	
Currency	Change in currency rate	30 June 2013 (unaudited)	31 December 2012 (audited)	30 June 2013 (unaudited)	31 December 2012 (audited)
USD	-1%	(104)	(172)	(58)	(58)
HK$	-1%	342	62	(496)	(375)

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

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Currency risk (continued)

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

30 June 2013 (unaudited)

	RMB	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	3,222,786	42,626	18,263	17,316	3,300,991
Due from banks and other financial institutions (i)	667,160	366,437	5,775	63,701	1,103,073
Financial assets held for trading	41,810	999	483	643	43,935
Financial assets designated at fair value though profit or loss	267,297	333	—	586	268,216
Derivative financial assets	11,131	15,437	24	357	26,949
Loans and advances to customers	8,333,884	671,234	115,706	81,199	9,202,023
Financial investments	3,969,844	74,536	3,992	21,741	4,070,113
Investments in associates and joint ventures	108	122	68	28,685	28,983
Property and equipment	126,137	14,571	722	1,439	142,869
Others	440,597	31,539	2,535	61,530	536,201
Total assets	17,080,754	1,217,834	147,568	277,197	18,723,353
Liabilities:					
Due to central banks	100	—	—	617	717
Financial liabilities designated at fair value through profit or loss	330,332	1,858	1	57,312	389,503
Derivative financial liabilities	5,566	17,115	48	1,122	23,851
Due to banks and other financial institutions (ii)	1,026,819	512,246	8,467	61,782	1,609,314
Certificates of deposit	15,624	28,635	3,265	8,496	56,020
Due to customers	13,931,127	284,704	169,052	123,519	14,508,402
Debt securities issued	215,093	21,476	1,277	12,357	250,203
Others	676,399	18,313	2,576	12,962	710,250
Total liabilities	16,201,060	884,347	184,686	278,167	17,548,260
Net position	879,694	333,487	(37,118)	(970)	1,175,093
Credit commitments	1,625,032	422,539	64,943	61,016	2,173,530

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Currency risk (continued)

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

31 December 2012 (audited)

	RMB	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	3,099,725	36,778	10,617	27,823	3,174,943
Due from banks and other financial institutions (i)	725,041	371,620	15,730	68,638	1,181,029
Financial assets held for trading	18,458	460	991	554	20,463
Financial assets designated at fair value though profit or loss	200,777	340	82	9	201,208
Derivative financial assets	7,186	2,373	171	5,026	14,756
Loans and advances to customers	7,827,810	575,977	108,872	70,630	8,583,289
Financial investments	3,772,068	63,498	3,980	22,670	3,862,216
Investments in associates and joint ventures	121	719	184	32,260	33,284
Property and equipment	118,917	15,490	488	994	135,889
Others	220,571	44,129	7,503	62,937	335,140
Total assets	15,990,674	1,111,384	148,618	291,541	17,542,217
Liabilities:					
Due to central banks	68	219	—	846	1,133
Financial liabilities designated at fair value through profit or loss	265,489	1,906	1	52,346	319,742
Derivative financial liabilities	2,017	10,132	71	1,041	13,261
Due to banks and other financial institutions (ii)	1,175,996	450,420	1,034	97,119	1,724,569
Certificates of deposit	10,646	14,116	4,444	8,803	38,009
Due to customers	13,076,332	250,042	137,219	179,317	13,642,910
Debt securities issued	209,050	18,420	549	4,167	232,186
Others	389,533	34,441	4,164	13,810	441,948
Total liabilities	15,129,131	779,696	147,482	357,449	16,413,758
Net position	861,543	331,688	1,136	(65,908)	1,128,459
Credit commitments	1,566,440	298,301	140,770	70,695	2,076,206

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB.

The Group manages its interest rate risk by:

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

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

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

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

	Effect on net interest income		Effect on equity	
Change in basis points	**30 June 2013 (unaudited)**	**31 December 2012 (audited)**	**30 June 2013 (unaudited)**	**31 December 2012 (audited)**
+100 basis points	(15,624)	(6,994)	(26,343)	(22,489)
- 100 basis points	15,624	6,994	28,068	23,851

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

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

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

30 June 2013 (unaudited)

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	2,895,226	—	—	—	405,765	3,300,991
Due from banks and other financial institutions (i)	912,954	166,876	18,636	614	3,993	1,103,073
Financial assets held for trading	8,372	32,130	2,544	725	164	43,935
Financial assets designated at fair value through profit or loss	141,198	12,320	96,260	5,264	13,174	268,216
Derivative financial assets	—	—	—	—	26,949	26,949
Loans and advances to customers	3,429,902	5,441,816	122,676	169,085	38,544	9,202,023
Financial investments	650,896	351,091	1,743,810	1,320,708	3,608	4,070,113
Investments in associates and joint ventures	—	—	—	—	28,983	28,983
Property and equipment	—	—	—	—	142,869	142,869
Others	34,297	1,000	17	1	500,886	536,201
Total assets	8,072,845	6,005,233	1,983,943	1,496,397	1,164,935	18,723,353
Liabilities:						
Due to central banks	—	100	617	—	—	717
Financial liabilities designated at fair value through profit or loss	326,196	4,143	1,841	—	57,323	389,503
Derivative financial liabilities	—	—	—	—	23,851	23,851
Due to banks and other financial institutions (ii)	1,404,503	169,883	12,271	3,206	19,451	1,609,314
Certificates of deposit	36,965	14,254	4,801	—	—	56,020
Due to customers	9,219,014	3,479,864	1,484,809	16,273	308,442	14,508,402
Debt securities issued	35,434	17,825	39,555	157,389	—	250,203
Others	—	—	—	—	710,250	710,250
Total liabilities	11,022,112	3,686,069	1,543,894	176,868	1,119,317	17,548,260
Interest rate mismatch	(2,949,267)	2,319,164	440,049	1,319,529	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

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

31 December 2012 (audited)

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	2,736,423	—	—	—	438,520	3,174,943
Due from banks and other financial institutions (i)	979,890	166,681	31,010	335	3,113	1,181,029
Financial assets held for trading	3,831	10,707	5,493	286	146	20,463
Financial assets designated at fair value through profit or loss	84,272	19,330	77,366	7,502	12,738	201,208
Derivative financial assets	—	—	—	—	14,756	14,756
Loans and advances to customers	5,041,876	3,363,398	22,392	117,512	38,111	8,583,289
Financial investments	276,967	939,062	1,446,678	1,195,889	3,620	3,862,216
Investments in associates and joint ventures	—	—	—	—	33,284	33,284
Property and equipment	—	—	—	—	135,889	135,889
Others	30,406	813	—	—	303,921	335,140
Total assets	9,153,665	4,499,991	1,582,939	1,321,524	984,098	17,542,217
Liabilities:						
Due to central banks	237	50	846	—	—	1,133
Financial liabilities designated at fair value through profit or loss	266,578	818	—	—	52,346	319,742
Derivative financial liabilities	—	—	—	—	13,261	13,261
Due to banks and other financial institutions (ii)	1,523,838	172,359	9,461	1,199	17,712	1,724,569
Certificates of deposit	22,360	14,359	1,290	—	—	38,009
Due to customers	8,873,020	2,962,878	1,527,808	23,100	256,104	13,642,910
Debt securities issued	7,218	9,460	92,442	123,066	—	232,186
Others	—	—	—	—	441,948	441,948
Total liabilities	10,693,251	3,159,924	1,631,847	147,365	781,371	16,413,758
Interest rate mismatch	(1,539,586)	1,340,067	(48,908)	1,174,159	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(d) Capital management

The Group's objectives on capital management are:

- Maintain reasonable capital adequacy ratio to continuously meet regulatory requirements on capital. Keeping stable capital base to ensure the Group's business growth and the implementation of business development and strategic plan in order to achieve comprehensive, coordinated and sustainable development;
- Comply with laws and regulations regarding capital, gradually adopt the advanced measurement approaches, improve the internal capital adequacy assessment process (ICAAP), disclose information on capital management, cover all types of risks, and ensure the stable operation of the Group;
- Integrated the quantified results of various risks into daily management, establish a bank value management system with economic capital as the core tool, improve the policy, process and application management system, strengthen the capital constraint and incentive mechanism, enhance the product pricing and decision-making capabilities, and improve the capital allocation efficiency; and
- Make reasonable use of various capital instruments, continuously enhance capital strengths, refine capital structure, improve capital quality, reduce capital cost, and maximize shareholder returns.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or repurchase own shares, other tier-one capital instruments, qualifying tier-two capital instruments and convertible bonds, etc.

The Group's Management monitors the capital adequacy and the use of regulatory capital regularly based on regulations issued by the CBRC. The required information is respectively filed with the CBRC by the Group and the Bank semi-annually and quarterly.

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC. As at 31 December 2012, the Group calculated the capital adequacy ratios in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For systematically important banks, CBRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. In addition, overseas entities are directly regulated by local banking regulatory commissions, and the requirements of capital adequacy ratios differ by countries.

The risk-weighted assets of on-balance sheet exposures 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 guarantee. The similar calculation is adopted for off-balance sheet exposures, with adjustments made to reflect the more contingent nature of any potential loss. The risk-weighted assets of counterparty credit risk for over-the-counter (OTC) derivatives are the summation of default risk and credit value adjustment (CVA) risk capital charges. Market risk-weighted assets are calculated using the standardized approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculates the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

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

(In RMB millions, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(d) Capital management (continued)

The capital adequacy ratios calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC are as follows:

	30 June 2013 (unaudited)
Core tier-one capital	1,173,434
Paid-in capital	349,650
Valid portion of capital reserve	128,086
Surplus reserve	98,195
General reserve	189,296
Retained profits	427,043
Valid portion of non-controlling interests	1,831
Others (i)	(20,667)
Core tier-one capital deductions:	8,735
Goodwill	8,209
Other intangible assets other than land use right	1,704
Cumulative cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,877)
Investments in core tier-one capital instruments issued by financial sector entities that are under control but not subject to consolidation	2,699
Net core tier-one capital	1,164,699
Other tier-one capital (ii)	23
Net tier-one capital	1,164,722
Tier-two capital	312,226
Valid portion of tier-two capital instruments issued and related premium	186,842
Surplus provision for loan impairment	125,301
Valid portion of non-controlling interests	83
Tier-two capital deductions	20,400
Significant capital investments in tier-two capital instruments issued by financial sector entities that are not subject to consolidation	20,400
Net capital base	1,456,548
Risk-weighted assets	11,108,508
Core tier-one capital adequacy ratio	10.48%
Tier-one capital adequacy ratio	10.48%
Capital adequacy ratio	13.11%

(i) Others are foreign currency translation reserve.

(ii) As at 30 June 2013, the Group's other tier-one capital is the valid portion of non-controlling interests.

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

(d) Capital management (continued)

The Group calculates the capital adequacy ratios as at 31 December 2012 in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and relevant requirements promulgated by the CBRC.

	31 December 2012 (audited)
Core capital adequacy ratio	10.62%
Capital adequacy ratio	13.66%

46. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(In RMB millions, unless otherwise stated)

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 June 2013 (unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
Equity investments	164	—	—	164
Debt securities	1,743	42,028	—	43,771
	1,907	42,028	—	43,935
Financial assets designated at fair value through profit or loss				
Debt securities	—	86,332	—	86,332
Other debt instruments	—	133,569	—	133,569
Others	—	48,315	—	48,315
	—	268,216	—	268,216
Derivative financial assets				
Exchange rate contracts	—	13,158	123	13,281
Interest rate contracts	—	1,549	875	2,424
Commodity derivatives and others	—	11,181	63	11,244
	—	25,888	1,061	26,949
Available-for-sale financial assets				
Equity investments	1,800	624	—	2,424
Debt securities	89,301	921,035	2,266	1,012,602
Other debt instruments	—	10,198	—	10,198
	91,101	931,857	2,266	1,025,224
	93,008	1,267,989	3,327	1,364,324
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss				
Wealth management products	—	270,345	—	270,345
Structured deposits	—	59,923	—	59,923
Financial liabilities related to precious metals	—	57,324	—	57,324
Other debt securities issued	—	1,841	—	1,841
Others	—	70	—	70
	—	389,503	—	389,503
Derivative financial liabilities				
Exchange rate contracts	—	11,038	182	11,220
Interest rate contracts	—	1,810	878	2,688
Commodity derivatives and others	—	9,880	63	9,943
	—	22,728	1,123	23,851
	—	412,231	1,123	413,354

(In RMB millions, unless otherwise stated)

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value (continued)

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy (continued):

	31 December 2012 (audited)			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
Equity investments	146	—	—	146
Debt securities	1,955	18,362	—	20,317
	2,101	18,362	—	20,463
Financial assets designated at fair value through profit or loss				
Debt securities	341	103,119	—	103,460
Other debt instruments	—	85,010	—	85,010
Others	—	12,738	—	12,738
	341	200,867	—	201,208
Derivative financial assets				
Exchange rate contracts	—	10,674	178	10,852
Interest rate contracts	—	2,422	896	3,318
Commodity derivatives and others	—	277	309	586
	—	13,373	1,383	14,756
Available-for-sale financial assets				
Equity investments	2,479	176	—	2,655
Debt securities	54,237	859,092	1,015	914,344
Other debt instruments	—	2,799	—	2,799
	56,716	862,067	1,015	919,798
	59,158	1,094,669	2,398	1,156,225
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss				
Wealth management products	—	205,064	—	205,064
Structured deposits	—	60,425	—	60,425
Financial liabilities related to precious metals	—	52,346	—	52,346
Other debt securities issued	—	1,907	—	1,907
	—	319,742	—	319,742
Derivative financial liabilities				
Exchange rate contracts	—	8,017	180	8,197
Interest rate contracts	—	2,735	943	3,678
Commodity derivatives and others	—	1,310	76	1,386
	—	12,062	1,199	13,261
	—	331,804	1,199	333,003

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value (continued)

The following is a description of the fair value of the financial instruments recorded at fair value which are determined using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Financial investments valued using a valuation technique consists of certain debt securities and asset-backed securities. The Group values such securities in use of a discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps contracts, forward and swap contracts, etc. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate yield curves.

Derivatives valued using a valuation technique with significant non-market observable inputs are primarily certain structured products. These derivatives are valued using models. Which calculate present value such as the binomial model for options. The models incorporate various non-observable assumptions such as market rate volatilities.

Other liabilities designated at fair value through profit or loss

For unquoted other liabilities designated at fair value through profit or loss, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads.

(In RMB millions, unless otherwise stated)

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the period:

	As at 1 January 2013	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to level 2 from level 3	As at 30 June 2013 (unaudited)
Financial assets:								
Derivative financial assets								
Exchange rate contracts	178	(53)	—	—	—	(2)	—	123
Interest rate contracts	896	(40)	—	44	—	(20)	(5)	875
Commodity derivatives and others	309	37	—	1	—	(234)	(50)	63
	1,383	(56)	—	45	—	(256)	(55)	1,061
Available-for-sale financial assets								
Debt securities	1,015	—	351	940	(36)	—	(4)	2,266
	1,015	—	351	940	(36)	—	(4)	2,266
	2,398	(56)	351	985	(36)	(256)	(59)	3,327
Financial liabilities:								
Derivative financial liabilities								
Exchange rate contracts	(180)	(6)	—	—	—	4	—	(182)
Interest rate contracts	(943)	37	—	(44)	—	67	5	(878)
Commodity derivatives and others	(76)	(37)	—	(1)	—	1	50	(63)
	(1,199)	(6)	—	(45)	—	72	55	(1,123)

	As at 1 January 2012	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to level 2 from level 3	As at 31 December 2012 (audited)
Financial assets:								
Derivative financial assets								
Exchange rate contracts	716	(296)	—	—	—	(242)	—	178
Interest rate contracts	1,796	(266)	—	—	—	(377)	(257)	896
Commodity derivatives and others	542	(261)	—	29	—	(1)	—	309
	3,054	(823)	—	29	—	(620)	(257)	1,383
Available-for-sale financial assets								
Debt securities	2,040	—	(311)	647	(953)	(408)	—	1,015
	5,094	(823)	(311)	676	(953)	(1,028)	(257)	2,398
Financial liabilities:								
Derivative financial liabilities								
Exchange rate contracts	(731)	294	—	—	—	257	—	(180)
Interest rate contracts	(2,329)	283	—	—	—	416	687	(943)
Commodity derivatives and others	(2)	(76)	—	—	—	2	—	(76)
	(3,062)	501	—	—	—	675	687	(1,199)

(In RMB millions, unless otherwise stated)

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Movement in level 3 financial instruments measured at fair value (continued)

Gains or losses on level 3 financial instruments included in the statement of income for the period comprise:

	30 June 2013 (unaudited)		
	Realised	Unrealised	Total
Total gains/(losses) for the period	18	(81)	(63)

	30 June 2012 (unaudited)		
	Realised	Unrealised	Total
Total losses for the period	(49)	(273)	(322)

(c) Transfers between level 1 and level 2

During the period, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

(d) Fair value of financial assets and liabilities not carried at fair value

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

	Carrying value	Fair value
30 June 2013 (unaudited)		
Receivables	369,542	369,497
Held-to-maturity investments	2,674,164	2,677,377
Subordinated bonds	187,652	184,545
Convertible bonds	21,556	24,648
31 December 2012 (audited)		
Receivables	364,715	364,669
Held-to-maturity investments	2,576,562	2,566,959
Subordinated bonds	187,589	183,135
Convertible bonds	21,353	20,472

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value (continued)

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

(i) The receivables are not quoted in an active market. The fair values of those receivables relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of receivables other than those relating to the restructuring of the Bank are estimated on the basis of pricing models or discounted cash flows.

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

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	Liabilities
Balances with central banks	Due to banks and other financial institutions
Due from banks and other financial institutions	Repurchase agreements
Reverse repurchase agreements	Due to customers
Loans and advances to customers	Other financial liabilities
Other financial assets	

47. OTHER EVENTS

On 2 April 2013, the Bank entered into a share subscription agreement with SinoPac Financial Holdings Company Limited ("SPH") and Bank SinoPac Co., Ltd. ("BSP") regarding to subscribing for 20% shares of SPH or BSP. Completion of the transaction is conditional upon the obtaining of necessary regulatory approvals from the relevant regulatory authorities.

48. AFTER THE REPORTING PERIOD EVENT

Up to the date of this report, the Group had no material events that require disclosure in or adjustments of the interim financial report after the reporting date.

49. COMPARATIVE AMOUNTS

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

50. 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 29 August 2013.

(In RMB millions, unless otherwise stated)

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

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for the period ended 30 June 2013 (for the six months ended 30 June 2012: no differences). There are no differences between the equity attributable to equity holders of the Bank under PRC GAAP and IFRSs as at 30 June 2013 (31 December 2012: no differences).

(b) Liquidity ratios

	As at 30 June 2013	Average for the period ended 30 June 2013	As at 31 December 2012	Average for the year ended 31 December 2012
RMB current assets to RMB current liabilities	31.84%	32.19%	32.54%	32.64%
Foreign currency current assets to foreign currency current liabilities	67.52%	66.38%	65.23%	72.75%

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

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

(c) Foreign currency concentrations

	USD	HK$	Others	Total
As at 30 June 2013				
Spot assets	1,203,141	146,778	247,073	1,596,992
Spot liabilities	(884,347)	(184,686)	(278,167)	(1,347,200)
Forward purchases	476,140	55,035	224,493	755,668
Forward sales	(718,900)	(13,656)	(175,016)	(907,572)
Net option position	(25,069)	—	—	(25,069)
Net long position	50,965	3,471	18,383	72,819
Net structural position	14,693	790	30,124	45,607
As at 31 December 2012				
Spot assets	1,095,207	147,946	257,293	1,500,446
Spot liabilities	(779,717)	(147,482)	(357,428)	(1,284,627)
Forward purchases	520,694	52,815	336,903	910,412
Forward sales	(827,449)	(21,721)	(246,209)	(1,095,379)
Net option position	(2,068)	16	(35)	(2,087)
Net long/(short) position	6,667	31,574	(9,476)	28,765
Net structural position	16,177	672	34,248	51,097

(In RMB millions, unless otherwise stated)

(c) Foreign currency concentrations (continued)

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

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

(d) Cross-border claims

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

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

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

	Banks and other financial institutions	Public sector entities	Others	Total
As at 30 June 2013				
Asia Pacific excluding Mainland China	91,432	9,201	93,383	194,016
— of which attributed to Hong Kong	26,808	8,254	12,014	47,076
Europe	31,953	344	14,037	46,334
North and South America	61,611	—	20,336	81,947
	184,996	9,545	127,756	322,297
As at 31 December 2012				
Asia Pacific excluding Mainland China	163,667	25,540	264,335	453,542
— of which attributed to Hong Kong	91,553	5,779	134,656	231,988
Europe	55,135	7,040	25,436	87,611
North and South America	81,836	1,461	34,672	117,969
	300,638	34,041	324,443	659,122

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers

(i) Analysis by industry sector

30 June 2013

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses		
					Individually assessed	Collectively assessed	Total
Manufacturing	1,526,064	705,344	29,120	24,626	12,961	30,491	43,452
Transportation, storage and postal services	1,256,854	311,490	7,079	7,885	4,265	25,364	29,629
Wholesale and retail	865,125	533,980	27,169	19,627	8,632	17,170	25,802
Production and supply of electricity, heating, gas and water	610,352	101,143	2,431	2,584	1,184	12,342	13,526
Real estate	544,272	482,062	6,914	4,764	2,735	10,956	13,691
Water, environment and public utility management	480,156	207,601	81	119	76	9,749	9,825
Leasing and commercial services	435,416	265,142	1,834	972	479	8,823	9,302
Mining	261,139	43,743	1,114	620	277	5,291	5,568
Construction	170,294	83,449	1,025	739	373	3,443	3,816
Lodging and catering	182,860	141,308	1,877	940	332	3,694	4,026
Science, education, culture and sanitation	95,560	26,772	772	591	442	1,929	2,371
Others	282,655	81,320	3,415	1,697	627	5,705	6,332
Subtotal of corporate loans and advances	6,710,747	2,983,354	82,831	65,164	32,383	134,957	167,340
Personal mortgage and business loans	1,871,012	1,805,567	41,663	—	—	47,495	47,495
Others	670,228	352,905	21,257	—	—	17,013	17,013
Subtotal of personal loans	2,541,240	2,158,472	62,920	—	—	64,508	64,508
Discounted bills	185,655	185,655	730	—	—	3,771	3,771
Total loans and advances to customers	9,437,642	5,327,481	146,481	65,164	32,383	203,236	235,619
Current market value of collateral held against the covered portion of overdue loans and advances *							156,248
Covered portion of overdue loans and advances *							72,248
Uncovered portion of overdue loans and advances *							74,233

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

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

(i) Analysis by industry sector (continued)

31 December 2012

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses		
					Individually assessed	Collectively assessed	Total
Manufacturing	1,455,792	661,890	24,603	23,793	13,091	32,864	45,955
Transportation, storage and postal services	1,154,071	334,842	8,662	9,955	4,309	20,568	24,877
Wholesale and retail	816,650	470,869	18,731	14,293	6,797	13,038	19,835
Production and supply of electricity, heating, gas and water	617,734	113,365	2,866	2,778	1,208	16,553	17,761
Real estate	562,563	444,353	6,704	4,691	2,735	15,979	18,714
Water, environment and public utility management	468,526	178,217	85	341	158	11,400	11,558
Leasing and commercial services	398,359	218,788	931	961	477	4,685	5,162
Mining	243,289	34,401	503	474	252	860	1,112
Construction	153,701	73,997	1,452	1,027	610	2,283	2,893
Lodging and catering	162,971	88,360	928	972	391	2,003	2,394
Science, education, culture and sanitation	87,450	21,286	725	592	421	546	967
Others	211,472	83,026	1,631	1,100	956	4,151	5,107
Subtotal of corporate loans and advances	6,332,578	2,723,394	67,821	60,977	31,405	124,930	156,335
Personal mortgage and business loans	1,660,600	1,594,477	37,989	—	—	51,323	51,323
Others	626,503	358,045	19,792	—	—	9,026	9,026
Subtotal of personal loans	2,287,103	1,952,522	57,781	—	—	60,349	60,349
Discounted bills	184,011	184,011	60	—	—	3,719	3,719
Total loans and advances to customers	8,803,692	4,859,927	125,662	60,977	31,405	188,998	220,403
Current market value of collateral held against the covered portion of overdue loans and advances *							134,863
Covered portion of overdue loans and advances *							61,635
Uncovered portion of overdue loans and advances *							64,027

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

(ii) Overdue loans and advances to customers

	30 June 2013	31 December 2012
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods:		
Between 3 and 6 months	12,155	9,485
Between 6 and 12 months	15,457	11,903
Over 12 months	41,603	40,707
	69,215	62,095
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.13%	0.11%
Between 6 and 12 months	0.16%	0.14%
Over 12 months	0.44%	0.46%
	0.73%	0.71%

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

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

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

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans and advances would be classified as overdue.

(iii) Overdue and impaired loans and advances to customers by geographical distribution

30 June 2013

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	9,287	90	90	119	92	7,719
Yangtze River Delta	37,023	15,797	5,882	16,130	7,020	45,931
Pearl River Delta	20,795	5,734	2,662	9,548	4,407	29,420
Bohai Rim	20,358	10,866	5,205	11,734	6,054	37,607
Central China	19,099	9,034	5,020	11,542	5,542	28,743
Western China	20,521	5,280	2,794	8,296	4,911	37,768
Northeastern China	10,652	5,461	3,049	4,381	2,543	12,429
Overseas and others	8,746	2,863	676	3,414	1,814	3,619
Total	146,481	55,125	25,378	65,164	32,383	203,236

31 December 2012

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	7,131	136	90	136	106	9,196
Yangtze River Delta	30,067	12,831	4,886	13,130	6,159	42,574
Pearl River Delta	16,493	7,180	3,552	8,619	4,358	27,438
Bohai Rim	19,517	10,476	5,947	10,925	6,354	34,412
Central China	18,949	10,072	4,175	12,097	5,554	26,657
Western China	19,021	8,392	4,379	8,983	5,065	33,742
Northeastern China	7,340	4,125	2,125	4,362	2,486	11,674
Overseas and others	7,144	2,408	1,175	2,725	1,323	3,305
Total	125,662	55,620	26,329	60,977	31,405	188,998

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

(iv) Renegotiated loans and advances to customers

	30 June 2013		31 December 2012	
		% of total loans and advances		% of total loans and advances
Renegotiated loans and advances	7,932	0.09%	7,188	0.08%
Less: Renegotiated loans and advances overdue for more than three months	(3,408)	(0.04%)	(3,969)	(0.04%)
Renegotiated loans and advances overdue for less than three months	4,524	0.05%	3,219	0.04%

(f) Overdue placements with banks and other financial institutions

	30 June 2013	31 December 2012
The Group's gross placements with banks and other financial institutions which have been overdue with respect to either principal or interest for a period of:		
Over 12 months	33	16
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.01%	0.01%

(g) Exposures to Mainland China non-bank entities

	30 June 2013	31 December 2012
On-balance sheet exposure	11,291,818	10,374,194
Off-balance sheet exposure	2,162,403	1,765,308
	13,454,221	12,139,502
Individually assessed allowance for impairment losses	32,693	30,289

In addition to those disclosed above, exposures to other non-bank counterparties outside Mainland China to which credit is granted for use in Mainland China are considered insignificant to the Group.

ICBC

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