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中國工商銀行股份有限公司

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**

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

Stock Code: 1398

USD Preference Shares Stock Code: 4603

EUR Preference Shares Stock Code: 4604

RMB Preference Shares Stock Code: 84602

## 2016 Interim Results Announcement

The Board of Directors of Industrial and Commercial Bank of China Limited (the “Bank”) announces the unaudited interim results of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2016. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the unaudited interim results. Information disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by China Banking Regulatory Commission (“CBRC”) is also presented in this Announcement.

### 1. Corporate Information

#### 1.1 Basic Information

	Stock name	Stock code	Stock exchange on which shares are listed
A Share	工商銀行	601398	Shanghai Stock Exchange
H Share	ICBC	1398	The Stock Exchange of Hong Kong Limited
Offshore preference shares	ICBC USDPREF1	4603	The Stock Exchange of Hong Kong Limited
	ICBC EURPREF1	4604	The Stock Exchange of Hong Kong Limited
	ICBC CNHPREF1-R	84602	The Stock Exchange of Hong Kong Limited
Domestic preference shares	工行優 1	360011	Shanghai Stock Exchange

#### 1.2 Contact

##### Board Secretary and Company Secretary

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## 2. Financial Highlights

(Financial data and indicators in this Results Announcement are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

### 2.1 Financial Data

	<b>Six months ended 30 June 2016</b>	Six months ended 30 June 2015	Six months ended 30 June 2014
<b>Operating results</b> (in RMB millions)			
Net interest income	<b>234,280</b>	252,087	237,607
Net fee and commission income	<b>81,715</b>	77,120	73,228
Operating income	<b>328,981</b>	336,737	316,853
Operating expenses	<b>90,594</b>	101,499	99,612
Impairment losses	<b>44,433</b>	41,951	24,167
Operating profit	<b>193,954</b>	193,287	193,074
Profit before taxation	<b>195,075</b>	194,678	194,090
Net profit	<b>150,656</b>	149,426	148,381
Net profit attributable to equity holders of the parent company	<b>150,217</b>	149,021	148,100
Net cash flows from operating activities	<b>297,632</b>	1,083,849	418,091
<b>Per share data</b> (in RMB yuan)			
Basic earnings per share	<b>0.42</b>	0.42	0.42
Diluted earnings per share	<b>0.42</b>	0.42	0.42
	<b>30 June 2016</b>	31 December 2015	31 December 2014
<b>Assets and liabilities</b> (in RMB millions)			
Total assets	<b>23,524,327</b>	22,209,780	20,609,953
Total loans and advances to customers	<b>12,677,317</b>	11,933,466	11,026,331
Corporate loans	<b>8,134,402</b>	7,869,552	7,612,592
Personal loans	<b>3,871,626</b>	3,541,862	3,063,465
Discounted bills	<b>671,289</b>	522,052	350,274
Allowance for impairment losses on loans	<b>280,756</b>	280,654	257,581
Investment	<b>5,515,645</b>	5,009,963	4,433,237
Total liabilities	<b>21,656,550</b>	20,409,261	19,072,649
Due to customers	<b>17,369,524</b>	16,281,939	15,556,601
Corporate deposits	<b>9,256,016</b>	8,437,014	8,037,133
Personal deposits	<b>7,890,793</b>	7,601,114	7,188,607
Other deposits	<b>222,715</b>	243,811	330,861
Due to banks and other financial institutions	<b>2,245,263</b>	2,265,860	1,539,239
Equity attributable to equity holders of the parent company	<b>1,856,593</b>	1,789,474	1,530,859
Share capital	<b>356,407</b>	356,407	353,495
Net asset value per share <sup>(1)</sup> (in RMB yuan)	<b>4.99</b>	4.80	4.23
Net core tier 1 capital <sup>(2)</sup>	<b>1,767,849</b>	1,701,495	1,486,733
Net tier 1 capital <sup>(2)</sup>	<b>1,847,634</b>	1,781,062	1,521,233
Net capital base <sup>(2)</sup>	<b>2,010,145</b>	2,012,103	1,812,137
Risk-weighted assets <sup>(2)</sup>	<b>14,097,738</b>	13,216,687	12,475,939
<b>Credit rating</b>			
S&P <sup>(3)</sup>	<b>A</b>	A	A
Moody's <sup>(3)</sup>	<b>A1</b>	A1	A1

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

(2) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

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

## 2.2 Financial Indicators

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

Notes: \* indicates annualized ratios.

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

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

- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expenses (less business tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
- (9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.
- (10) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

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

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the six months ended 30 June 2016 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

## **3. Business Review**

**The Bank maintained stable operations: we overcame various difficulties and sustained the profit growth; and in the meantime, we kept the asset quality stable and put various risks under control.** Since the beginning of the year, a series of measures adopted by the Bank to boost income and reduce expense came into play. In response to the situation that growing NPLs pushed up the credit risk cost, concentrated re-pricing of deposits and loans arising from the successive interest rate cuts during 2015 narrowed the Bank's interest spread, and reduction of service fees to develop inclusive finance challenged the efforts to maintain profit growth, the Bank pressed ahead with business transformation and innovation to tap the potentials and increase the profit. In the first half year, the Bank recorded before-provision profit of RMB239,508 million and net profit of RMB150,656 million, up 1.2% and 0.8% when compared to the same period of last year, respectively. More encouragingly, the Bank's profit growth structure witnessed profound changes, with the development potential of a number of new business fields expanding continuously. The Bank realized net fee and commission income of RMB81,715 million, up 6.0% from the same period of last year, accounting for 24.84% of the Bank's operating income, up 3.40 percentage points from 2015. This critically boosted the Bank's profit growth. Through rigorous cost control, the Bank's operating expenses (excluding business tax and surcharges) fell 3.4% from the same period of last year, and its cost-to-income ratio was controlled at 23.44%. These operating results were achieved on the basis of effective control of credit and other risks. In response to the growing financing risks during the economic downturns, the Bank paid close attention to maintenance of stable credit asset quality, implemented the responsibility mechanism for quality management level by level, set

up a new credit institutional mechanism, a team of experts and a new credit culture to adapt to the economic new normal, and adopted various measures to step up resolution of NPLs. The outstanding NPLs amounted to RMB196,303 million at the end of June 2016, up RMB16,785 million from the end of last year but down RMB8,356 million from the end of the first quarter; and its NPL ratio stood at 1.55%, up 0.05 percentage points from the end of last year but down 0.11 percentage points on the first quarter. Despite the on-going grave pressure of NPL rebound, the Bank kept the overall credit risks under control. In addition, in response to the frequent breakout of financial risk incidents, the Bank took this year as a “year to consolidate the internal control and compliance basis”, deepened governance of risks in “ten major fields and critical links”, and resolutely prevented and curbed breakout of various cases and risk incidents.

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

The Bank relentlessly pushed ahead with business transformation, accelerated fostering of new growth engines, and upgraded growth momentum of traditional business. As a traditionally advantaged business, retail banking played a stabilizing role and helped iron out the cyclical

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

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

## 4. Discussion and Analysis

### 4.1 Income Statement Analysis

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

#### *Net Interest Income*

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

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

*In RMB millions, except for percentages*

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

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

(2) Investment in bonds related to restructuring includes Huarong bonds and special government bond.

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

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

## ***Interest Income***

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

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

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

*In RMB millions, except for percentages*

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

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

*In RMB millions, except for percentages*

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

### ◆ *Interest Income on Investment*

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

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

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

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

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

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

## ***Interest Expense***

### **◆ *Interest Expense on Deposits***

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

### **ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS**

*In RMB millions, except for percentages*

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

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

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

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

◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB8,383 million, indicating an increase of RMB574 million or 7.4% as compared to the same period of last year, mainly attributable to the issuance of financial bonds, bills and CDs by overseas institutions.

*Non-interest Income*

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

**NET FEE AND COMMISSION INCOME**

*In RMB millions, except for percentages*

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

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

insurance business; and income from corporate wealth management services rose by RMB2,041 million or 22.1% to RMB11,276 million, mainly due to the increase in investment management fee of corporate wealth management products and income from agency bond issuance and underwriting.

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

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

## OTHER NON-INTEREST RELATED GAIN

*In RMB millions, except for percentages*

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

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

## *Operating Expenses*

### **OPERATING EXPENSES**

*In RMB millions, except for percentages*

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

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

### *Impairment Losses*

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

### *Income Tax Expense*

Income tax expense decreased by RMB833 million to RMB44,419 million as compared to the same period of last year. The effective tax rate was 22.8%.

## 4.2 Segment Information

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

### SUMMARY OPERATING SEGMENT INFORMATION

*In RMB millions, except for percentages*

Item	Six months ended 30 June 2016		Six months ended 30 June 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	162,310	49.4	163,683	48.6
Personal banking	121,281	36.9	123,821	36.8
Treasury operations	43,620	13.3	46,969	13.9
Others	1,770	0.4	2,264	0.7
<b>Total operating income</b>	<b>328,981</b>	<b>100.0</b>	<b>336,737</b>	<b>100.0</b>

### SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

*In RMB millions, except for percentages*

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

### 4.3 Balance Sheet Analysis

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

#### *Assets Deployment*

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

#### ASSETS DEPLOYMENT

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

## Loan

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

### DISTRIBUTION OF LOANS BY BUSINESS LINE

*In RMB millions, except for percentages*

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

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

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

Personal loans augmented by RMB329,764 million or 9.3% from the end of last year. Specifically, residential mortgages grew by RMB345,362 million or 13.7%, mainly because the Bank actively supported the citizens’ borrowing requirement for house purchase in line with the adjustment of governmental property policy. Personal consumption loans dropped by RMB16,185 million or 5.2%, principally because the Bank strengthened management on the purpose of personal consumption loans and actively adjusted the credit product structure.

Personal business loans declined by RMB12,744 million or 4.3%, mainly dragged down by the decreasing demand of some small and micro business owners for effective financing as affected by the slowdown of macroeconomic growth. Credit card overdrafts grew by RMB13,331 million or 3.2%, primarily attributable to a stable growth in the number of credit cards issued and their consumption volume as well as the development of credit card installment business.

## DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

*In RMB millions, except for percentages*

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

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

## DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

*In RMB millions, except for percentages*

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

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

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

*In RMB millions, except for percentages*

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

In the first half of 2016, the Bank actively followed major national development strategies, and strived to satisfy the loan demand of investment projects in national key areas. The Bank prioritized the sub-industries from traditional industries meeting state policies and with good prospect, as well as leading industrial enterprises and transformation and upgrading, to continuously improve and adjust industrial credit structure. Loans to the leasing and commercial services increased by RMB71,020 million or 10.9%, mainly due to the fast growth

of loans to investment and asset management and other commercial services. Loans to the transportation, storage and postal services increased by RMB59,543 million or 4.2%, which was mainly used to support high-quality national transportation infrastructure construction projects.

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

## DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

*In RMB millions, except for percentages*

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

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

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

## CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

*In RMB millions*

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

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

## DISTRIBUTION OF LOANS BY COLLATERAL

*In RMB millions, except for percentages*

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

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

## OVERDUE LOANS

*In RMB millions, except for percentages*

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

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

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

### *RENEGOTIATED LOANS*

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

### *BORROWER CONCENTRATION*

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

### *Investment*

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

## INVESTMENT

*In RMB millions, except for percentages*

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

Investment in bonds not related to restructuring amounted to RMB5,028,953 million, RMB480,266 million or 10.6% higher than that at the end of last year. Investment in bonds related to restructuring stood at RMB193,187 million, remaining unchanged as compared to the end of last year.

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

*In RMB millions, except for percentages*

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

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

## DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

*In RMB millions, except for percentages*

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

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

### *Liabilities*

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

## LIABILITIES

*In RMB millions, except for percentages*

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

### *Due to Customers*

Due to customers is the Bank's main source of funds. In the first half of 2016, proactively responding to the changes in the external environment such as interest rate liberalization and increasingly fierce interbank competition, the Bank improved the differential pricing mechanism for deposit interest rates, and fully utilized its comprehensive advantages in financial services to reinforce marketing towards key deposit customers, and promote steady growth in deposits. As at the end of June 2016, the balance of due to customers was

RMB17,369,524 million, representing an increase of RMB1,087,585 million or 6.7% from the end of the previous year. In terms of customer structure, the balance of corporate deposits increased by RMB819,002 million or 9.7%; and the balance of personal deposits increased by RMB289,679 million or 3.8%. In terms of maturity structure, the balance of time deposits increased by RMB318,681 million or 3.9%, while the balance of demand deposits increased by RMB790,000 million or 10.0%.

## DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

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

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

### 4.4 Capital Adequacy Ratio and Leverage Ratio

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

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

## CAPITAL ADEQUACY RATIO

*In RMB millions, except for percentages*

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

Note: (1) Refers to risk-weighted assets after capital floor and adjustments.

## LEVERAGE RATIO

*In RMB millions, except for percentages*

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

*Note:* Calculated based on relevant provisions in the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) promulgated by CBRC in 2015.

## 4.5 Other Information Disclosed Pursuant to Regulatory Requirements

### Major Regulatory Indicators

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

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

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

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

## 4.6 Outlook

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

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

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

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

❖ **Serve the real economy and adjust credit structure at a faster pace.** The Bank will reinforce support to strategic emerging industries, advanced manufacturing industry, modern service industry and modern agriculture. It will participate in the building of "Three Supporting Belts", and actively serve key projects and major engineering programs. The Bank will speed up retail banking innovation and market expansion. It will also develop inclusive finance and enhance its financial service capability in weak links.

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

## 5. Information Disclosed Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional)

### Capital Adequacy Ratio

#### ◆ *Scope of Capital Adequacy Ratio Calculation*

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

#### ◆ *Results of Capital Adequacy Ratio Calculation*

*In RMB millions, except for percentages*

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

#### **Calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations:**

Core capital adequacy ratio	<b>11.75%</b>	<b>12.00%</b>	11.83%	12.09%
Capital adequacy ratio	<b>14.54%</b>	<b>14.48%</b>	14.75%	14.67%

#### ◆ *Measurement of Risk-Weighted Assets*

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

## RISK-WEIGHTED ASSETS

*In RMB millions*

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

### *Credit Risk*

## CREDIT RISK EXPOSURE

*In RMB millions*

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

## Market Risk

### CAPITAL REQUIREMENT FOR MARKET RISK

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

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

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

### VALUE AT RISK (VAR)

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

### Operational Risk

The Bank adopts the standardized approach to measure capital requirement for operational risk. As at the end of June 2016, the capital requirement for operational risk was RMB92,172 million.

## Equity Risk in the Banking Book

*In RMB millions*

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

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

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

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

### 6.1 Number of Shareholders and Particulars of Shareholding

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

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

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

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

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

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

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

## 6.2 Changes of the Controlling Shareholders and De Facto Controller

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

## 6.3 Interests and Short Positions Held by Substantial Shareholders and Other Persons

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

As at 30 June 2016, the Bank received notices from the following persons about their interests or short positions held in the Bank's shares and relevant shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

Interests or short positions of ordinary shares of the Bank:

#### HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares (%)	Percentage of total ordinary shares (%)
Ministry of Finance of the People's Republic of China <sup>(1)</sup>	Beneficial owner	118,006,174,032	Long position	43.77	33.11
Central Huijin Investment Ltd. <sup>(2)</sup>	Beneficial owner	124,731,774,651	Long position	46.26	35.00

Notes: (1) According to the register of shareholders of the Bank as at 30 June 2016, Ministry of Finance of the People's Republic of China held 123,316,451,864 shares in the Bank.

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

## HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares (%)	Percentage of total ordinary shares (%)
Temasek Holdings (Private) Limited	Interest of controlled corporations	8,682,954,081	Long position	10.00	2.44
National Council for Social Security Fund	Beneficial owner	8,663,703,234	Long position	9.98	2.43
JPMorgan Chase & Co.	Beneficial owner	1,409,722,416	Long position	1.62	0.40
	Investment manager	97,841,975	Long position	0.11	0.03
	Trustee (excluding bare trustee)	75,620	Long position	0.00	0.00
	Custodian/ approved lending agent	2,857,679,138	Shares available for lending	3.29	0.80
	Total	<u>4,365,319,149</u>		<u>5.03</u>	<u>1.22</u>
	Beneficial owner	157,848,359	Short position	0.18	0.04

## 6.4 Preference Shares

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

On 10 December 2014, the Bank privately offered non-cumulative, non-participating and perpetual offshore preference shares in U.S. dollar, Euro and Renminbi, which were listed on The Stock Exchange of Hong Kong Limited on 11 December 2014.

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

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

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

For particulars of the Bank's issuance of domestic and offshore preference shares, please refer to the 2015 Annual Report and related announcements of the Bank on the websites of Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Bank.

#### 6.4.2 Changes in Preference Shares

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

PARTICULARS OF SHAREHOLDING OF THE TOP 10 OFFSHORE PREFERENCE SHAREHOLDERS (OR PROXIES) OF THE BANK (The following data are based on the register of offshore preference shareholders as at 30 June 2016)

*Unit: Share*

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

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

(2) As the issuance was private offering, the register of preference shareholders presented the information on proxies of places.

(3) The Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.

(4) "Shareholding percentage" refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

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

*Unit: Share*

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

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

(2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the aforementioned preference shareholders and top 10 ordinary shareholders.

(3) "Shareholding percentage" refers to the percentage of domestic preference shares held by preference shareholders in total number of domestic preference shares.

### ***6.4.3 Dividend Distribution of Preference Shares***

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

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

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

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

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

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

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

## **7. Material Assets Acquisition, Sale and Merger**

During the reporting period, the Bank had no material assets acquisition, sale and merger.

## **8. Other Information**

### **8.1 Corporate Governance Code**

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

## **8.2 Profits and Dividends Distribution**

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

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

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

## **8.3 Purchase, Sale and Redemption of Securities**

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

## **8.4 Securities Transactions of Directors and Supervisors**

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries with all directors and supervisors of the Bank, the Bank is satisfied that during the reporting period, all directors and supervisors have complied with the provisions of the aforesaid codes of conduct.

## **8.5 Review of the Interim Report**

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

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

## 9 Interim Financial Report

### 9.1 Consolidated Statement of Profit or Loss, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement

#### 9.1.1 Unaudited Interim Consolidated Statement of Profit or Loss

(In RMB millions, unless otherwise stated)

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

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

(In RMB millions, unless otherwise stated)

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

### 9.1.3 Unaudited Interim Consolidated Statement of Financial Position

(In RMB millions, unless otherwise stated)

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

## 9.1.4 Unaudited Interim Consolidated Statement of Changes in Equity

(In RMB millions, unless otherwise stated)

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

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

(ii) Includes the appropriation made by subsidiaries in the amount of RMB123 million.

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

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

(ii) Includes the appropriation made by subsidiaries in the amount of RMB898 million.

Attributable to equity holders of the parent company

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

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

## 9.1.5 Unaudited Interim Consolidated Cash Flow Statement

(In RMB millions, unless otherwise stated)

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

(In RMB millions, unless otherwise stated)

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment and other assets	<b>(12,489)</b>	(17,482)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	<b>428</b>	678
Purchases of financial investments	<b>(1,395,585)</b>	(876,105)
Proceeds from sale and redemption of financial investments	<b>980,624</b>	512,323
Investments in associates and joint ventures	<b>(426)</b>	—
Dividends received	<b>548</b>	596
	<hr/>	<hr/>
Net cash flows from investing activities	<b>(426,900)</b>	(379,990)
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital injection by non-controlling shareholders	<b>1,520</b>	49
Proceeds from issuance of debt securities	<b>458,522</b>	39,291
Interest paid on debt securities	<b>(5,617)</b>	(3,776)
Repayments of other debt securities	<b>(450,724)</b>	(21,258)
	<hr/>	<hr/>
Net cash flows from financing activities	<b>3,701</b>	14,306
	<hr/>	<hr/>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	<b>(125,567)</b>	718,165
Cash and cash equivalents at beginning of the period	<b>1,441,298</b>	994,264
Effect of exchange rate changes on cash and cash equivalents	<b>15,786</b>	(940)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b><u>1,331,517</u></b>	<b><u>1,711,489</u></b>
	<hr/>	<hr/>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:</b>		
Interest received	<b>390,728</b>	425,951
Interest paid	<b>(155,513)</b>	(168,638)
	<hr/>	<hr/>

## 9.2 Significant accounting policies

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

### *IFRS14, Regulatory deferral accounts*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- An investment entity measuring all of its subsidiaries at fair value is still required to provide the disclosures relating to investment entities required by IFRS 12, even though it is not preparing consolidated financial statements.

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

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

The amendments clarify various presentation issues relating to:

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

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

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

### 9.3 Notes to the Unaudited Interim Financial Report

(In RMB millions, unless otherwise stated)

#### 9.3.1 NET INTEREST INCOME

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

### 9.3.2 NET FEE AND COMMISSION INCOME

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

### 9.3.3 NET TRADING INCOME

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

### 9.3.4 NET LOSS ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2016	2015
Financial assets	5,095	8,009
Financial liabilities	(5,348)	(13,091)
	<hr/>	<hr/>
	<u>(253)</u>	<u>(5,082)</u>

### 9.3.5 NET GAIN ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2016	2015
Dividend income from unlisted investments	70	52
Dividend income from listed investments	34	6
	<hr/>	<hr/>
Dividend income	104	58
Gain on disposal of available-for-sale financial assets, net	2,461	2,555
	<hr/>	<hr/>
	<b>2,565</b>	<b>2,613</b>
	<hr/> <hr/>	<hr/> <hr/>

### 9.3.6 OTHER OPERATING INCOME, NET

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

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

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

### 9.3.7 OPERATING EXPENSES

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

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

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

### 9.3.9 INCOME TAX EXPENSE

#### (a) Income tax

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

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

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

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

### 9.3.10 *DIVIDENDS*

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Dividends on ordinary shares declared and paid or proposed:		
Final dividend on ordinary shares for 2015: RMB0.2333 per share (2014: RMB0.2554 per share)	<u><b>83,150</b></u>	<u>91,026</u>

### 9.3.11 *EARNINGS PER SHARE*

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

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

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

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

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

Diluted earnings per share was computed from dividing the profit attributable to ordinary equity holders of the parent company (after adjusting for interest expense on the convertible bonds) by the weighted average number of ordinary shares outstanding. As of the end of the financial reporting period, the balance of outstanding convertible bonds of the bank is nil.

### **9.3.12 DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

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

30 June 2016							
	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,264,361	1,745,623	139,872	4,790	3,154,646	34,524	(33,211)
Option contracts purchased	67,391	28,838	893	—	97,122	1,018	—
Option contracts written	60,385	23,248	508	—	84,141	—	(1,019)
	<u>1,392,137</u>	<u>1,797,709</u>	<u>141,273</u>	<u>4,790</u>	<u>3,335,909</u>	<u>35,542</u>	<u>(34,230)</u>
Interest rate contracts:							
Swap contracts	137,419	329,879	664,876	167,110	1,299,284	23,364	(24,116)
Forward contracts	122,947	86,031	358,318	—	567,296	40	(205)
Option contracts purchased	1,168	17,719	16,440	—	35,327	76	—
Option contracts written	1,168	16,283	12,742	16	30,209	—	(24)
	<u>262,702</u>	<u>449,912</u>	<u>1,052,376</u>	<u>167,126</u>	<u>1,932,116</u>	<u>23,480</u>	<u>(24,345)</u>
Commodity derivatives and others	705,050	320,906	58,189	2,301	1,086,446	12,158	(20,856)
	<u>2,359,889</u>	<u>2,568,527</u>	<u>1,251,838</u>	<u>174,217</u>	<u>6,354,471</u>	<u>71,180</u>	<u>(79,431)</u>
31 December 2015							
	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,211,545	1,309,472	139,060	4,290	2,664,367	35,533	(37,722)
Option contracts purchased	39,851	65,470	778	—	106,099	1,074	—
Option contracts written	50,866	53,240	283	—	104,389	—	(1,203)
	<u>1,302,262</u>	<u>1,428,182</u>	<u>140,121</u>	<u>4,290</u>	<u>2,874,855</u>	<u>36,607</u>	<u>(38,925)</u>
Interest rate contracts:							
Swap contracts	209,289	373,438	647,015	161,450	1,391,192	26,769	(28,079)
Forward contracts	69,289	193,918	322,529	—	585,736	119	(111)
Option contracts purchased	5,386	28	8,059	—	13,473	101	—
Option contracts written	5,386	—	7,383	16	12,785	—	(46)
	<u>289,350</u>	<u>567,384</u>	<u>984,986</u>	<u>161,466</u>	<u>2,003,186</u>	<u>26,989</u>	<u>(28,236)</u>
Commodity derivatives and others	691,028	266,823	44,352	1,460	1,003,663	15,274	(9,665)
	<u>2,282,640</u>	<u>2,262,389</u>	<u>1,169,459</u>	<u>167,216</u>	<u>5,881,704</u>	<u>78,870</u>	<u>(76,826)</u>

## Cash flow hedges

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

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

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

  

	31 December 2015						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
		three months	one year	five years			
Interest rate swap contracts	265	503	10,406	2,192	13,366	201	(32)
Currency swap contracts	2,347	1,018	790	—	4,155	20	(30)
Equity derivatives	77	84	104	—	265	—	(60)
	<u>2,689</u>	<u>1,605</u>	<u>11,300</u>	<u>2,192</u>	<u>17,786</u>	<u>221</u>	<u>(122)</u>

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

## Fair value hedges

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

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

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

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

	<b>30 June 2016</b>					<b>Fair values</b>	
	<b>Notional amounts with remaining life of</b>					<b>Fair values</b>	
	<b>Within three months</b>	<b>Over three months but within one year</b>	<b>Over one year but within five years</b>	<b>Over five years</b>	<b>Total</b>	<b>Assets</b>	<b>Liabilities</b>
Interest rate swap contracts	<u>73</u>	<u>1,151</u>	<u>22,792</u>	<u>5,201</u>	<u>29,217</u>	<u>558</u>	<u>(346)</u>
	<u><u>73</u></u>	<u><u>1,151</u></u>	<u><u>22,792</u></u>	<u><u>5,201</u></u>	<u><u>29,217</u></u>	<u><u>558</u></u>	<u><u>(346)</u></u>
	<b>31 December 2015</b>						
	<b>Notional amounts with remaining life of</b>					<b>Fair values</b>	
	<b>Within three months</b>	<b>Over three months but within one year</b>	<b>Over one year but within five years</b>	<b>Over five years</b>	<b>Total</b>	<b>Assets</b>	<b>Liabilities</b>
Interest rate swap contracts	<u>279</u>	<u>339</u>	<u>18,828</u>	<u>2,896</u>	<u>22,342</u>	<u>311</u>	<u>(133)</u>
	<u><u>279</u></u>	<u><u>339</u></u>	<u><u>18,828</u></u>	<u><u>2,896</u></u>	<u><u>22,342</u></u>	<u><u>311</u></u>	<u><u>(133)</u></u>

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

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

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

### 9.3.13 *FINANCIAL INVESTMENTS*

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

### 9.3.14 OTHER COMPREHENSIVE INCOME

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

### 9.3.15 COMMITMENTS AND CONTINGENT LIABILITIES

#### (a) Capital commitments

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

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

#### (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:

	<b>30 June 2016</b>	31 December 2015
Within one year	<b>5,094</b>	5,516
Over one year but within five years	<b>9,993</b>	11,093
Over five years	<b>2,132</b>	2,369
	<u><b>17,219</b></u>	<u>18,978</u>

#### (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.

	<b>30 June 2016</b>	31 December 2015
Bank acceptances	<b>317,015</b>	339,494
Guarantees issued		
Financing letters of guarantees	<b>105,440</b>	61,839
Non-financing letters of guarantees	<b>267,775</b>	281,804
Sight letters of credit	<b>26,760</b>	27,148
Usance letters of credit and other commitments	<b>158,638</b>	219,199
Loan commitments		
With an original maturity of under one year	<b>175,032</b>	102,375
With an original maturity of one year or over	<b>886,291</b>	727,316
Undrawn credit card limit	<b>600,895</b>	538,709
	<b><u>2,537,846</u></b>	<u>2,297,884</u>
	<b>30 June 2016</b>	31 December 2015
Credit risk-weighted assets of credit commitments(i)	<b><u>1,104,076</u></b>	<u>1,071,193</u>

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

*(d) Legal proceedings*

As at 30 June 2016, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB4,711 million (31 December 2015: RMB4,715 million).

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

*(e) Redemption commitments of government bonds*

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 June 2016, the Bank had underwritten and sold bonds with an accumulated amount of RMB90,986 million (31 December 2015: RMB97,477 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

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

*(f) Underwriting obligations*

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

### **9.3.16 SEGMENT INFORMATION**

*(a) Operating segments*

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

#### **Corporate banking**

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

## Personal banking

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

## Treasury operations

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

## Others

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

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

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and 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.



	Six months ended 30 June 2015				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	148,700	9,022	94,365	—	252,087
Internal net interest (expense)/income	(31,700)	80,572	(48,872)	—	—
Net fee and commission income	42,760	34,030	330	—	77,120
Other income, net	3,923	197	1,146	2,264	7,530
Operating income	163,683	123,821	46,969	2,264	336,737
Operating expenses	(45,013)	(45,656)	(8,491)	(2,339)	(101,499)
Impairment (losses)/reversal on:					
Loans and advances to customers	(33,103)	(8,849)	—	—	(41,952)
Others	(71)	4	43	25	1
Operating profit/(loss)	85,496	69,320	38,521	(50)	193,287
Share of profits of associates and joint ventures	—	—	—	1,391	1,391
Profit before taxation	85,496	69,320	38,521	1,341	194,678
Income tax expense					(45,252)
Profit for the period					<u>149,426</u>
Other segment information:					
Depreciation	3,847	3,021	1,557	175	8,600
Amortisation	536	364	247	36	1,183
Capital expenditure	9,207	7,129	3,727	450	20,513
	<u>9,207</u>	<u>7,129</u>	<u>3,727</u>	<u>450</u>	<u>20,513</u>
	As at 31 December 2015				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>8,427,930</u>	<u>3,587,372</u>	<u>10,075,355</u>	<u>119,123</u>	<u>22,209,780</u>
Including: Investments in associates and joint ventures	—	—	—	24,185	24,185
Property and equipment	89,197	69,444	35,629	30,156	224,426
Other non-current assets	18,472	7,148	5,077	11,083	41,780
Segment liabilities	<u>9,073,983</u>	<u>7,843,009</u>	<u>3,379,557</u>	<u>112,712</u>	<u>20,409,261</u>
Other segment information:					
Credit commitments	<u>1,759,175</u>	<u>538,709</u>	<u>—</u>	<u>—</u>	<u>2,297,884</u>

*(b) Geographical information*

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

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

- Head Office (“HO”): the HO business division (including institutions directly controlled by the HO and their offices);
- Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang and Ningbo;
- Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;
- Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;
- Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;
- Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and
- Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian
- Overseas and others: branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and joint ventures.

## Six months ended 30 June 2016

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

## As at 30 June 2016

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

## Six months ended 30 June 2015

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

## As at 31 December 2015

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

## 10. Issue of Results Announcement and Interim Report

This Announcement will be released on HKExnews website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.icbc-ltd.com](http://www.icbc-ltd.com)) simultaneously. The 2016 Interim Report prepared in accordance with IFRSs will be released on the HKExnews website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.icbc-ltd.com](http://www.icbc-ltd.com)) and will be dispatched to the shareholders of H shares of the Bank. The 2016 Interim Report and its abstract prepared in accordance with PRC GAAP will be released simultaneously on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Bank ([www.icbc-ltd.com](http://www.icbc-ltd.com)).

This Results Announcement has been prepared in both Chinese and English languages. In case of any discrepancy between the two versions, the Chinese version shall prevail.

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

30 August 2016

*As at the date of this announcement, the Board of Directors comprises Mr. YI Huiman and Mr. ZHANG Hongli as executive directors, Ms. WANG Xiaoya, Ms. GE Rongrong, Mr. FU Zhongjun, Mr. ZHENG Fuqing, Mr. FEI Zhoulin and Mr. CHENG Fengchao as non-executive directors, Sir Malcolm Christopher McCARTHY, Mr. Kenneth Patrick CHUNG, Mr. OR Ching Fai, Mr. HONG Yongmiao, Mr. Anthony Francis NEOH and Mr. YANG Siu Shun as independent non-executive directors.*