ICBC

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398
USD Preference Shares Stock Code: 4603
EUR Preference Shares Stock Code: 4604
RMB Preference Shares Stock Code: 84602

Company Profile

Industrial and Commercial Bank of China was established on 1 January 1984. On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Through its continuous endeavor and stable development, the Bank has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank regards service as the very foundation to seek further development and adheres to create value through services while providing a comprehensive range of financial products and services to 6,706 thousand corporate customers and 587 million personal customers. The Bank has been consciously integrating the social responsibilities with its development strategy and operation and management activities, and gaining wide recognition in the aspects of promoting inclusive finance, supporting targeted poverty relief, protecting environment and resources and participating in public welfare undertakings.

The Bank always keeps in mind its underlying mission of serving the real economy with its principal business, and along with the real economy it prospers, suffers and grows. Taking a risk-based approach and never overstepping the bottom line, it constantly enhances its capability in controlling and resolving risks. Besides, the Bank remains steadfast in understanding and following the business rules of commercial banks to strive to be a century-old bank. It also stays committed to seeking progress with innovation while maintaining stability, continuously enhances the strategy of mega retail, mega asset management, mega investment banking as well as international and comprehensive development, and actively embraces the internet. The Bank unswervingly delivers specialized services, and pioneers a specialized business model, thus making it "a craftsman in large banking".

The Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker*, ranked 1st place in the Global 2000 listed by *Forbes* and topped the sub-list of commercial banks of the Global 500 in *Fortune* for the sixth consecutive year, and took the 1st place among the Top 500 Banking Brands of *Brand Finance* for the second consecutive year.

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Definitions

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

Articles of Association	The Articles of Association of Industrial and Commercial Bank of China Limited
Bank ICBC (JSC)	Bank ICBC (Joint stock company)
Capital Regulation	Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the former CBRC in June 2012
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
Former CBRC	Former China Banking Regulatory Commission
Former CIRC	Former China Insurance Regulatory Commission
Global Systemically Important Banks	Banks undertaking key functions with global features in the financial markets as released by the Financial Stability Board
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
ICBC (Almaty)	Industrial and Commercial Bank of China (Almaty) Joint Stock Company
ICBC (Argentina)	Industrial and Commercial Bank of China (Argentina) S.A.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Brasil)	Industrial and Commercial Bank of China (Brasil) S.A.
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBC (Europe)	Industrial and Commercial Bank of China (Europe) S.A.
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC (London)	ICBC (London) PLC
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Mexico)	Industrial and Commercial Bank of China Mexico S.A.
ICBC (New Zealand)	Industrial and Commercial Bank of China (New Zealand) Limited
ICBC (Peru)	ICBC PERU BANK
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC (Turkey)	ICBC Turkey Bank Anonim Şirketi
ICBC (USA)	Industrial and Commercial Bank of China (USA) NA
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC International	ICBC International Holdings Limited
ICBC Investment	ICBC Financial Asset Investment Co., Limited
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
ICBC Standard Bank	ICBC Standard Bank PLC
ICBC-AXA	ICBC-AXA Assurance Co., Ltd.
ICBCFS	Industrial and Commercial Bank of China Financial Services LLC
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
MOF	Ministry of Finance of the People's Republic of China
New Financial Instrument Standards	International Financial Reporting Standard 9 — Financial Instruments that was promulgated by International Accounting Standards Board and became effective on 1 January 2018 as well as Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Assets and Accounting Standard for Business Enterprises No. 24 — Hedging that were promulgated by MOF and became effective on 1 January 2018

New Rules on Asset Management	The Guiding Opinions on Regulating the Asset Management Business of Financial Institutions jointly promulgated by PBC, CBIRC, CSRC and State Administration of Foreign Exchange in 2018 and relevant rules
PBC	The People's Bank of China
PRC GAAP	Accounting Standards for Business Enterprises promulgated by MOF
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
Standard Bank	Standard Bank Group Limited
State Council	The State Council of the People's Republic of China
The Bank/The Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries

Important Notice

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

The 2018 Interim Report of the Bank and the results announcement have been considered and approved at the meeting of the Board of Directors of the Bank held on 30 August 2018. There were 15 directors eligible for attending the meeting, of whom 13 directors attended the meeting in person and 2 directors by proxy, namely, Ms. Mei Yingchun appointed Mr. Zheng Fuqing to attend the meeting and exercise the voting right on her behalf, and Mr. Ye Donghai appointed Mr. Fei Zhoulin to attend the meeting and exercise the voting right on his behalf.

Upon the approval at the Annual General Meeting for the Year 2017 held on 26 June 2018, the Bank distributed cash dividends of about RMB85,823 million, or RMB2.408 per ten shares (pre-tax), for the period from 1 January 2017 to 31 December 2017 to the ordinary shareholders whose names appeared on the share register after the close of market on 12 July 2018. The Bank will not declare or distribute interim dividends for 2018, nor will it convert any capital reserves to share capital.

The 2018 interim financial report prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by KPMG Huazhen LLP and KPMG in accordance with Chinese and international standards on review engagements, respectively.

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

30 August 2018

Mr. Yi Huiman, Legal Representative of the Bank, Mr. Gu Shu, President in charge of finance of the Bank, and Mr. Zhang Wenwu, General Manager of the Finance and Accounting Department of the Bank, hereby represent and warrant that the financial statements contained in the Interim Report are authentic, accurate and complete.

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

The Bank is primarily exposed to credit risk, market risk, liquidity risk, operational risk, reputational risk and country risk. The Bank has actively adopted measures to effectively manage various types of risks. Please refer to the section headed "Discussion and Analysis — Risk Management" for detailed information.

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

Corporate Information

Legal name in Chinese
中國工商銀行股份有限公司(「中國工商銀行」)

Legal name in English
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED ("ICBC")

Legal Representative
Yi Huiman

Registered address and office address
55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal code: 100140
Telephone: 86-10-66106114
Business enquiry and complaint hotline: 86-95588
Website: www.icbc.com.cn, www.icbc-ltd.com

Principal place of business in Hong Kong
33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorized representatives
Gu Shu and Guan Xueqing

Board Secretary and Company Secretary
Guan Xueqing
Address: 55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Telephone: 86-10-66108608
Facsimile: 86-10-66107571
E-mail: ir@icbc.com.cn

Selected media for information disclosure
China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by CSRC for publication of the interim report in respect of A shares
www.sse.com.cn

The "HKEXnews" website of SEHK for publication of the interim report in respect of H shares
www.hkexnews.hk

Legal advisors

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

Haiwen & Partners
20/F, Fortune Financial Center, 5 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Hong Kong, China
Allen & Overy
9/F, Three Exchange Square, Central, Hong Kong

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

Share registrars

A Share
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
3/F China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, China
Telephone: 86-4008058058

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

Location where copies of the interim report are kept
Board of Directors' Office of the Bank

Place where shares are listed, and their names and codes

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

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

Offshore Preference Share
The Stock Exchange of Hong Kong Limited
Stock name: ICBC USDPREF1
Stock code: 4603

Stock name: ICBC EURPREF1
Stock code: 4604

Stock name: ICBC CNHPREF1-R
Stock code: 84602

Domestic Preference Share
Shanghai Stock Exchange
Stock name: 工行優1
Stock code: 360011

Name and office address of auditors

Domestic auditors
KPMG Huazhen LLP
8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, China
CPAs (Practicing): Li Li and He Qi

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

Financial Highlights

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

Financial Data

	Six months ended 30 June 2018	Six months ended 30 June 2017	Six months ended 30 June 2016
Operating results (in RMB millions)			
Net interest income	277,616	250,922	234,280
Net fee and commission income	79,260	76,670	81,715
Operating income	361,302	336,739	328,981
Operating expenses	81,958	80,270	90,594
Impairment losses	83,458	61,343	44,433
Operating profit	195,886	195,126	193,954
Profit before taxation	197,216	196,498	195,075
Net profit	160,657	153,687	150,656
Net profit attributable to equity holders of the parent company	160,442	152,995	150,217
Net cash flows from operating activities	186,532	346,542	297,632
Per share data (in RMB yuan)			
Basic earnings per share	0.45	0.43	0.42
Diluted earnings per share	0.45	0.43	0.42

Financial Data (continued)

	30 June 2018	31 December 2017	31 December 2016
Assets and liabilities (in RMB millions)			
Total assets	27,303,080	26,087,043	24,137,265
Total loans and advances to customers	14,934,137	14,233,448	13,056,846
Corporate loans	9,341,405	8,936,864	8,140,684
Personal loans	5,312,980	4,945,458	4,196,169
Discounted bills	279,752	351,126	719,993
Allowance for impairment losses on loans(1)	398,331	340,482	289,512
Investment	6,257,681	5,756,704	5,481,174
Total liabilities	25,110,879	23,945,987	22,156,102
Due to customers	20,818,042	19,562,936	18,113,931
Corporate deposits	11,423,249	10,705,465	9,574,551
Personal deposits	9,192,002	8,568,917	8,302,879
Other deposits	202,791	288,554	236,501
Due to banks and other financial institutions	1,924,082	1,706,549	2,016,799
Equity attributable to equity holders of the parent company	2,178,599	2,127,491	1,969,751
Share capital	356,407	356,407	356,407
Net asset value per share(2) (in RMB yuan)	5.87	5.73	5.29
Net core tier 1 capital(3)	2,081,371	2,030,108	1,874,976
Net tier 1 capital(3)	2,161,384	2,110,060	1,954,770
Net capital base(3)	2,485,361	2,406,920	2,127,462
Risk-weighted assets(3)	16,878,254	15,902,801	14,564,617
Credit rating			
S&P(4)	A	A	A
Moody's(4)	A1	A1	A1

Notes: (1) Calculated by adding impairment losses of loans and advances to customers measured at amortised cost with impairment losses of loans and advances to customers measured at fair value through other comprehensive income.

(2) 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.

(3) Calculated in accordance with the Capital Regulation.

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

Financial Indicators

	Six months ended 30 June 2018	Six months ended 30 June 2017	Six months ended 30 June 2016
Profitability (%)			
Return on average total assets[(1)]	1.20*	1.24*	1.32*
Return on weighted average equity[(2)]	15.33*	15.69*	16.83*
Net interest spread[(3)]	2.16*	2.03*	2.07*
Net interest margin[(4)]	2.30*	2.16*	2.21*
Return on risk-weighted assets[(5)]	1.96*	2.07*	2.21*
Ratio of net fee and commission income to operating income	21.94	22.77	24.84
Cost-to-income ratio[(6)]	21.51	22.68	23.44
	30 June 2018	**31 December 2017**	**31 December 2016**
Asset quality (%)			
Non-performing loans ("NPL") ratio[(7)]	1.54	1.55	1.62
Allowance to NPL[(8)]	173.21	154.07	136.69
Allowance to total loans ratio[(9)]	2.67	2.39	2.22
Capital adequacy (%)			
Core tier 1 capital adequacy ratio[(10)]	12.33	12.77	12.87
Tier 1 capital adequacy ratio[(10)]	12.81	13.27	13.42
Capital adequacy ratio[(10)]	14.73	15.14	14.61
Total equity to total assets ratio	8.03	8.21	8.21
Risk-weighted assets to total assets ratio	61.82	60.96	60.34

Notes: *indicates annualized ratios.

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

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

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

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

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

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

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

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

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

(10) Calculated in accordance with the Capital Regulation.

Chairman's Statement

As a saying goes, time and tide wait for no man. While we are welcoming the second half year of 2018, it is again the time to review and reflect, through this interim report, we would like to respond to market concerns and to thank for the support from all sides.

How did we perform in the First Half-year?

In general, we have achieved the best interim results in the past five years and delivered a brilliant set of "performance report" with "hard work and execution" spirit, in spite of an exceptionally difficult and complicated environment in the first half of the year. Our hard endeavors and concrete actions have paid off across an array of dimensions, including quantitative indicators and qualitative and structural indicators, as well as operational development, basic management and service level. Our performance was improved in a more stable and high-quality way.

In terms of performance, the Group reported a net profit at RMB160.7 billion and a profit before provision reflecting the business growth at RMB280.7 billion, representing an increase of 4.5% and 8.9% compared with the same period of last year, respectively, both of which were record highs in the recent years. Net interest margin (NIM) rose by 8 basis points over the prior whole year to 2.30%, becoming a key driver of profit growth. Overseas institutions realized a net profit of USD1.55 billion, 12.8% higher than last year. **In terms of quality,** through implementing the asset quality reinforcement project, major indicators improve quarter by quarter, quality becomes cleaner and the foundation turns stronger. The non-performing loan ratio dropped by 0.01 percentage points from the end of last year to 1.54%, marking a consecutive decline over a six-quarter period; the "scissors difference" between overdue and non-performing loans fell by 39.1%, and went down for eight quarters in a row; the non-performing loan ratio of new lending granted since 2013 stayed at a good level of 0.88%; and the allowance to NPL reached 173.21%, steadily enhancing the capability of offsetting risks. **In terms of deposit,** under the context of growth slowdown and channel diversion of financial institutional deposits, our customer deposits increased by RMB1.26 trillion over the end of last year, achieving the strongest growth since 2010. **In terms of loan,** we actively put the credit resources to use through means such as deepening the merged management of existing and incremental loans and accelerating the asset securitization, etc., with the loan disbursement volume and availability progress exceeding the same-period levels of the past few years. In the first half of the year, the Bank granted new loans of RMB1.68 trillion, including re-lending after collections of RMB1.05 trillion, thereby ramping up the support for the real economy.

How did we achieve brilliant results?

The hard-won achievements, on the one hand, benefited from the good fundamentals of China's economic operation, and on the other hand, were attributable to our deepened understanding and application of governance philosophies and tactics in a new market environment.

We unswervingly followed the direction of strategic guidelines. At the Reform and Development Seminar held at the end of last year, the Bank proposed to strive for a critical leap development from a traditional large bank to a modernized strong bank, aiming to build a world-class and modern financial enterprise with global competitiveness by adhering to the principles of "delivering excellence, sticking to our founding mission, customers' favourite, leading in innovation, security and prudence, and people-oriented", and also formulated a new round of three-year plan. We strengthened the publicity and interpretation of the strategy, and informed our employees of our status quo, vision and the path in order to steer the entire Bank towards the pursuit of common values. We not only knew the importance of planning but also emphasized on execution, addressed the ineffective execution of policies and solved the "last mile" problem to facilitate the implementation of strategy. A benign development pattern has surfaced as a result of our dedication to the goal and the long-lasting efforts.

We took actions in line with the rules governing commercial banks. We adapted ourselves to the general trends rather than drifting with the tide, we sought development but would not act prematurely, we defined the bottom line but we were not conservative. We derived value from services, and our essential strength lied in our competitiveness. We always stayed true to the underlying mission of serving the real economy, took initiatives to be aligned with the high-quality development standards, gathered strength and made efforts in the crucial fields and key links. In particular, by establishing the philosophy that "no small and micro enterprise business, no future for ICBC", the Bank restructured the online product mix in an innovative way, and pressed ahead with the setup of specialized SME service institutions and the enhancement of professional competencies offline to further strengthen and increase the benefits of inclusive finance. In the meanwhile, we endeavored to cut the cost of inclusive financing, and utilized the "leading wild goose" effect of large bank in driving the financing interest rate down. We defended the bottom line of risk prevention and control, and highlighted the on and off-balance sheet activities and the domestic and overseas business lines to secure a victory in the tough battle against risks, ensured that all types of risks were identified clearly, managed properly and controlled well, and cement our strength in operation. What's more, as a large bank, we shouldered our due responsibilities and stabilized the market in the campaign of correcting financial disorders.

We remained customer-centric. Customers form the foundation and the pillar for bank development, and they are the source of value creation. "Being customer-centric" is at the core of our business philosophies and it is essential to our corporate culture. What we are convinced is that only specialized services can lead us onto the right growth track, and that the maximum enhancement of customer experience and sense of gain can win us trust and recognition from customers. In view of the changes in customer groups, their distribution and behavioral patterns in the era of FinTech, we have raised the concept of the "broadest customer base", and enriched the customer strategy with brand-new connotation and the vitality of our current times. In particular, we treated scenario development as the breakthrough point for customer on-boarding by setting more than 900 scenarios, and created a series of landmark scenario such as "ICBC Xiaobai" and "ICBC Campus Connect", thus achieving development in an all-around way with several eye-catching products. In the first half of the year, there were 19.92 million new personal customers, which reached a five-year high. Among them, one half was acquired online. Corporate borrowers having outstanding loans with the Bank recorded a net increase of nearly 7,000, with total exceeding 100,000.

We drove development through innovation. Each enterprise must face up to the pressure from innovation, and the opportunity brought by innovation only favors those that are ready to change on the basis or even ahead of the changes in market and customer demands. During the process of inheritance and innovation, we remained true to the founding mission and never deviated from the right track, and carried reform and innovation further and deeper. In particular, we adhered to the specific concept and approach of internet finance development with ICBC characteristics, leveraged the essence of finance and the traditional technological advantages, and drove the implementation of the e-ICBC 3.0 intelligent banking strategy across the board. We restructured the logic of operation, the business process, the services system, the management model and the IT architecture under the guidance of FinTech, and created an open, inclusive and vigorous image of the Bank in the market, thus turning a traditional player in the financial industry into a leading force in the FinTech sector.

We adhered to people-oriented philosophy for increasing unity and cohesion. We always believe that human resource is the very first resource of an enterprise, and the key to build an enterprise with strong competitiveness is to trust and rely on its employees and fully unlock their potential. We remained committed to building specialized teams, and highly valued professionalism, expertise and competence. We made consistent efforts to develop more high-caliber personnel who are passionate about their work and are capable of delivering excellent quality, and to cultivate more employees who are motivated to meet customer demands, passionate about innovation, thoughtful about work, and persistent with achieving the working objectives. We regarded the business philosophy, style of work and morale as the key to conquer difficulties in the new era, made "hardworking and execution" as the thematic words for the year, and took concrete actions in a down-to-earth manner to fully tap the readiness and momentum of flourishing our undertakings. What we have achieved in the first half of the year is attributable to the fact that all of our employees rolled up sleeves to work harder and more pragmatically.

How is the Outlook for the Second Half-year?

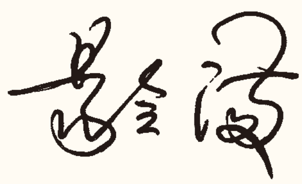
There are still many favorable factors in the second half of the year. China's economic growth has strong resilience and adjustment space, a series of macro-control policies have been proved effective, the correction of disorders in the financial market has achieved preliminary results, and the Bank's business development has a sound foundation and comprehensive advantages. These make us fully qualified and confident to carry our good momentum into the second half year. Meanwhile, though the current economic operation is stable, it is still undergoing some changes, and posing some new issues and new challenges. In particular, the instability and uncertainty of the international environment has risen remarkably, the deep structural problems in the domestic economy are becoming more explicit under external shocks, and there are more risks and disturbances in the bank operation. These test our strategic strength and our wisdom of how to deal with them properly.

In such a complicated situation, we will maintain stability while taking the concerns into account. We will consider very carefully all the difficulties and challenges, maintain rational in business operations, take precautions against any unexpected events, deal with challenges promptly and effectively, strive for the best results with the greatest initiatives, and turn external pressure into the momentum of development. In this way, we will become more focused and confident at the same time of growing our business. It is especially important to adopt the theory of macro-history, that is, finding out the right path without being distracted by adversities. We will do our things properly, and be responsible as a large bank in the endeavors of reshaping the environment, stabilizing the market expectations and boosting the market confidence.

In such a complicated situation, we will make progress while maintaining stable performance. The focus of "stable performance" will be placed on core indicators such as efficiency, quality and risk, ensuring that there are no major fluctuations in operation and all types of risks are controllable as a whole, and creating a "multi-stable" landscape to respond to changes. The focus of "progress" will be placed on key areas such as source, customer, service, innovation and transformation, creating a "co-progressing" landscape through the effective breakthroughs and enhancements in quality and effectiveness of serving the real economy, expansion of the broadest-customer base and nourishment of new growth momentum so as to increase stability.

In such a complicated situation, we will plan well ahead of taking any action. Guided by the consistent "Philosophy of Action" and the culture of "hardworking and execution", we will become prepared for any possible risk and strategically win a battle of transforming any dangerous factor into opportunity. We will fully demonstrate the prudence of a large bank and the development characteristics of a strong bank, and guarantee the stabilization of the indicators that should be stable, the increase of the indicators that should increase, the progression of the indicators that should make progress and the strengthening of the indicators that should become stronger, in an effort to firmly seize the initiative of business development.

When the ship is in the middle of the river, it is more necessary to row harder. We will raise the sails of struggle, consolidate the foundation of "stable performance", "progress" in the right direction, strengthen the responsibility-taking, enhance our capabilities, and forge ahead into a new development chapter through the waves.



Chairman: Yi Huiman

30 August 2018

Since the beginning of this year, the Bank has centred on the "Three Major Missions" of serving the real economy, preventing and controlling financial risks and deepening reforms and innovations in a complicated external circumstance, with focus on enhancing the ability to create value, control risk and compete. The Bank managed to make progress while ensuring stability more markedly, laying a solid foundation for meeting the annual operation targets. In the first half of 2018, the Group reported a net profit at RMB160.7 billion and a profit before provision at RMB280.7 billion, representing an increase of 4.5% and 8.9% compared with the same period of last year, respectively, both of which were record highs in the recent years. The return on weighted average equity (ROE) was 15.33%, staying ahead of our international peers.

The Bank's operation and management showed the following main characteristics in the first half of 2018:

The Bank further improved the quality of operation in serving the high-quality development of the economy. The Bank followed the main thrust of macro-economic structural reform, coordinated the overall balance of credit with its structural improvement and sought to ensure total credit supply remain stable, well targeted and paced. In the first half of 2018, the Bank granted new loans of RMB1.68 trillion, including re-lending after collections of RMB1.05 trillion. Non-credit financing and local government bond investment increased by RMB351.5 billion, demonstrating that the Bank played its role as a large bank in guiding and stabilizing market expectations reasonably well. The credit structure of "focusing on key customers and projects in important sectors, developing micro finance and new businesses and highlighting quality customers" was further improved, with financial resources aligned better with development of the real economy. Increasing supports were provided to the major national strategies and key projects, including the "four regions" strategy and the "three supporting belts" strategy. New domestic project loans issued amounted to RMB210.5 billion, accounting for 65% of incremental corporate loans. Inclusive finance grew faster, and loans to small and micro businesses with total credit amount of RMB10.00 million or below for a single customer increased by RMB45.8 billion or 16.8% from the beginning of the year. The CBIRC's requirements on "Two Increases, Two Controls" and the PBC's MPA requirements were met. The Bank remained oriented to economic transformation and upgrading to develop new markets and high-quality customers, build the "technological innovation center + special sub-branches" framework and improve the integrated marketing service system. Loans to the happiness industries, advanced manufacturing, internet of things and other new markets grew by RMB68.5 billion, accounting for 21% of the incremental domestic corporate loans. Overall, the Bank has further improved the quality of development in the course of integrating corporate operation into national strategies and interacting with the real economy.

The foundation of operation and development was further cemented with risk prevention and mitigation. The Bank persisted in putting risk prevention and control in a more prominent position, closely monitored high-risk fields and key areas and took well-targeted preventive and control measures to build a safe and sound bank. The asset quality reinforcement project was carried out. The Bank seized the "window period" featuring stable profit growth and high allowance to NPL to step up disposal of non-performing assets with more financial resources, reduce potential risks and deliver cleaner, continuously improved quality of assets. In the first half of 2018, the Bank collected or disposed RMB107.7 billion of non-performing loans cumulatively, increased by RMB16.6 billion on a year-on-year basis. The non-performing loan ratio dropped by 0.01 percentage points from the end of last year to 1.54%, and has been decreasing consecutively for the last six quarters. The scissors difference between overdue loans and non-performing loans fell by RMB25.5 billion from the end of last year, decreased by 39.1%, declining consecutively for the last eight quarters. The allowance to NPL was 173.21%, representing an increase of 19.14 percentage points. Efforts were strengthened to prevent and control cross risks and explore how to establish a full-scale monitoring and penetrative management system. The Bank deepened the crackdown in key risk areas and intensified rectification and accountability in line with regulatory requirements. A new compliance manager mechanism was established to form a framework characterized by connectivity in the full-process and collaboration among business lines, internal control and internal audit. In the first half of 2018, the Bank met the objective of "decrease in number of cases on a year-on-year basis, no material adverse cases and no risk events". In response to the tighter and stricter financial regulation worldwide, the Bank enhanced overseas compliance management in alignment with global best practices.

The in-depth transformation and innovation further stimulated energy and vitality within the Bank. Rooted in the real economy and customer needs, the Bank continued with transformation and innovation in pursuit of the healthy interaction between traditional and emerging businesses, organic collaboration between domestic and overseas operations and integrated development of finance and technology. In the first half of 2018, the Bank's customer deposits grew by RMB1.26 trillion from the end of last year, reaching an eight-year high in spite of the weakest ever year-on-year growth of national RMB deposits. We provided value-creating services based on the well managed books of key products, prospective products and innovative products, ranking first by both total and incremental fee and commission income across the industry. A batch of strategic segments manifested stronger momentum and sustainability. With the launch of the intelligent retail strategy, the proportion of mega retail banking contributing to the turnover increased continuously. Mega asset management and mega investment banking advanced their transformation steadily in a changing market landscape reshaped by new regulations, and further enhanced their leading market position. The financial market business line seized the opportunity of sector rotation to increase net profit by 30%. Overseas institutions achieved USD1.55 billion of net profit, representing an increase of 12.8% compared with the same period last year. All-round innovation, driven principally by innovation in mechanisms and technologies, became the impetus for development. Positive progress has been made in a series of reforms, including reform of credit system and mechanism, market-based pricing of interest rate, competitiveness enhancement of key city branches, staff structure adjustment and differentiated performance evaluation. Technological innovation accelerated. e-ICBC 3.0 made a good start. In particular, 7.06 million customers were acquired online based on the significantly improved capability of traffic attraction in platform interfaces. The future-oriented new-generation information system ECOS progressed smoothly, with improvements made in some pain points and difficulties that constrain operating efficiency, customer experience and competitiveness enhancement.

As an ancient Chinese poetry goes, "Listen not to the rain beating against the trees. Why don't you slowly walk and chant at ease?" Currently we face an external situation that is changing faster, more drastically and more complicated than expected. Numerous factors interact with each other and produce chain reactions. Challenges are also accompanied by opportunities. The Bank will keep a close eye on the situation developments, remain calm and rational in turbulences, maintain resolve and confidence and forge ahead regardless of the weather. We will ride on the trends to make further progress while strengthening stability, in a bid to generate greater value for the real economy and customers.

President: Gu Shu

30 August 2018

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

The recovery momentum of global economy continued in the first half year of 2018. However, the increasing scale of trade frictions initiated by the U.S. and the further tightening of global monetary policies have dragged down the economic growth. Specifically, the U.S. economy continued to improve, Europe and Japan witnessed a slowdown in economy, and major emerging economies reported a slower recovery of economy due to capital outflow and currency depreciation. The international financial market remained rocky. The U.S. dollar index jittered upwards, the stock markets of major economies became more volatile, the developed markets outperformed the emerging markets in terms of stock indexes, geopolitical risks pushed the oil price higher, a strong dollar guided the gold price onto a fall, and treasury bond yields were mixed.

The Chinese economy sustained a stable growth. China's gross domestic product (GDP), consumer price index, retail sales of consumer goods, fixed asset investment, industrial added value of above-scale enterprises, and total imports and exports rose by 6.8%, 2.0%, 9.4%, 6.0%, 6.7% and 7.9% respectively in the first half of the year.

The PBC continued to implement a prudent, neutral monetary policy. It flexibly utilized tools such as cutting required reserve ratios of targeted financial institutions to keep liquidity at a reasonably sufficient level and develop monetary credit and social financing at a reasonable pace; it improved the framework of regulation underpinned by monetary policy and macro-prudential policy, and smoothened the channels of communicating the monetary policy; it took initiatives to widen the open-up of financial market in an orderly way, and strengthened the development vitality and resilience of financial industry. The "strict regulation" of financial industry became normal. The former CBRC and the former CIRC were merged into the CBIRC aimed at heightening the comprehensive regulation and optimizing the allocation of regulatory resources; a series of regulatory documents including New Rules on Asset Management were released.

Both monetary credit and social financing maintained a stable growth. At the end of June 2018, the M2 balance was RMB177.02 trillion, representing an increase of 8.0% compared with the same period of last year. The outstanding RMB loans reached RMB129.15 trillion, representing an increase of 12.7%. The balance of RMB deposits registered RMB173.12 trillion, up 8.4%. The social financing scale expanded by 9.8% to RMB183.27 trillion. Major stock indexes declined in volatile trading, with a decrease of 13.9% and 15.0% in the Shanghai Composite Index and the Shenzhen Component Index respectively. The total issuance amount of various bonds in the bond market came in at RMB20.2 trillion, representing an increase of RMB2.4 trillion over the same period of last year. The bond yields shifted downwards on a whole. The central parity of RMB against the US dollar was RMB6.6166 at the end of June 2018, depreciating by 1.25% for RMB on a year-on-year basis.

In the first half of the year, asset scale of Chinese banking industry grew steadily, with the quality of credit assets remaining stable overall. At the end of June 2018, the total assets of banking financial institutions (corporate) in China were RMB260.19 trillion, representing an increase of 7.00% compared with the same period of last year. The balance of NPLs of commercial banks reached RMB1.96 trillion, and the NPL ratio was 1.86%; allowance to NPL was 178.70%; and the core tier 1 capital adequacy ratio was 10.65%, the tier 1 capital adequacy ratio was 11.20%, and the capital adequacy ratio was 13.57%.

Looking into the second half of the year, it is expected that the U.S. economy will continue the good momentum, the economic recovery in Europe will be promising, the economic growth in Japan is likely to slow down further, and the exchange rate risk exposures of some emerging markets cannot be ignored. The interest rate hike by the U.S. Federal Reserve may strengthen the U.S. dollar exchange rate, there may be further division in the performance of global stock markets, the mean price of global oil will rise further, the gold price is expected to fall in choppy trading, and global treasury bond yields may rally in general. The positive outlook of China's long-term economic fundamentals will not change because there are significant potential for development and adjustment in the new-type urbanization, service industries, high-end manufacturing and consumption upgrade. The monetary policy will remain prudent and neutral, supporting the de-leverage as well as prevention and mitigation of financial risks at the same time of maintaining a reasonably sufficient liquidity. The fiscal policy will be still proactive, optimizing the fiscal expenditure structure at the same time of accelerating fiscal expenditure progress, and further strengthening the efforts on tax and fee reduction.

FINANCIAL STATEMENTS ANALYSIS

Income Statement Analysis

In the first half of 2018, in response to the complicated and changing economic and financial environment, the Bank stayed committed to serving the real economy based on financial demands of the customers, fully implemented the financial regulatory requirements, strengthened reform and innovation, and improved value creation capability and risk prevention and control capacity to maintain a sound profitability. The Bank realized a net profit of RMB160,657 million in the first half of 2018, representing an increase of 4.5% as compared to the same period of last year. Annualized return on average total assets stood at 1.20%, and annualized return on weighted average equity was 15.33%. Operating income amounted to RMB361,302 million, representing an increase of 7.3%, of which, due to the increase in interest-generating assets and net interest margin, net interest income grew by 10.6% to RMB277,616 million; non-interest income reported RMB83,686 million, down by 2.5%. Operating expenses amounted to RMB81,958 million, representing an increase of 2.1%, and the cost-to-income ratio dropped to 21.51%. Impairment losses were RMB83,458 million, representing an increase of 36.1%. Income tax expense dropped by 14.6% to RMB36,559 million.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	Six months ended 30 June 2018	Six months ended 30 June 2017	Increase/ (decrease)	Growth rate (%)
Net interest income	277,616	250,922	26,694	10.6
Non-interest income	83,686	85,817	(2,131)	(2.5)
Operating income	361,302	336,739	24,563	7.3
Less: Operating expenses	81,958	80,270	1,688	2.1
Less: Impairment losses	83,458	61,343	22,115	36.1
Operating profit	195,886	195,126	760	0.4
Share of profits of associates and joint ventures	1,330	1,372	(42)	(3.1)
Profit before taxation	197,216	196,498	718	0.4
Less: Income tax expense	36,559	42,811	(6,252)	(14.6)
Net profit	160,657	153,687	6,970	4.5
Attributable to: Equity holders of the parent company	160,442	152,995	7,447	4.9
Non-controlling interests	215	692	(477)	(68.9)

Net Interest Income

In the first half of 2018, net interest income amounted to RMB277,616 million, representing an increase of RMB26,694 million or 10.6% compared to the same period of last year. Interest income grew by RMB38,454 million or 9.2% to RMB456,807 million and interest expenses increased by RMB11,760 million or 7.0% to RMB179,191 million. Net interest spread and net interest margin came at 2.16% and 2.30%, 13 basis points and 14 basis points higher than those of the same period of last year, respectively.

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

In RMB millions, except for percentages

	Six months ended 30 June 2018			Six months ended 30 June 2017		
Item	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Assets						
Loans and advances to customers	14,354,420	308,525	4.33	13,585,552	278,043	4.13
Investment	5,313,645	96,174	3.65	5,113,807	90,927	3.59
Due from central banks(2)	3,153,941	24,495	1.57	3,049,809	23,018	1.52
Due from banks and other financial institutions(3)	1,515,512	27,613	3.67	1,648,082	26,365	3.23
Total interest-generating assets	**24,337,518**	**456,807**	**3.79**	**23,397,250**	**418,353**	**3.61**
Non-interest-generating assets	2,288,134			1,873,288		
Allowance for impairment losses	(378,758)			(309,523)		
Total assets	**26,246,894**			**24,961,015**		
Liabilities						
Deposits	18,959,576	134,025	1.43	17,952,242	127,754	1.43
Due to banks and other financial institutions(3)	2,529,011	31,520	2.51	2,743,299	30,198	2.22
Debt securities issued	730,992	13,646	3.76	622,388	9,479	3.07
Total interest-bearing liabilities	**22,219,579**	**179,191**	**1.63**	**21,317,929**	**167,431**	**1.58**
Non-interest-bearing liabilities	1,695,294			1,487,647		
Total liabilities	**23,914,873**			**22,805,576**		
Net interest income		**277,616**			**250,922**	
Net interest spread			**2.16**			**2.03**
Net interest margin			**2.30**			**2.16**

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

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

ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSE

In RMB millions

Item	Comparison between six months ended 30 June 2018 and 30 June 2017		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	17,008	13,474	30,482
Investment	3,779	1,468	5,247
Due from central banks	721	756	1,477
Due from banks and other financial institutions	(2,348)	3,596	1,248
Changes in interest income	**19,160**	**19,294**	**38,454**
Liabilities			
Deposits	6,271	–	6,271
Due to banks and other financial institutions	(2,623)	3,945	1,322
Debt securities issued	2,037	2,130	4,167
Changes in interest expenses	**5,685**	**6,075**	**11,760**
Impact on net interest income	**13,475**	**13,219**	**26,694**

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

Interest Income

◆ *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB308,525 million, RMB30,482 million or 11.0% higher as compared to the same period of last year, as affected by the increase in loans and advances to customers and the increase of average yield of 20 basis points.

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

In RMB millions, except for percentages

Item	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	3,397,885	67,522	4.01	3,987,642	67,931	3.44
Medium to long-term loans	10,956,535	241,003	4.44	9,597,910	210,112	4.41
Total loans and advances to customers	**14,354,420**	**308,525**	**4.33**	**13,585,552**	**278,043**	**4.13**

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

In RMB millions, except for percentages

	Six months ended 30 June 2018			Six months ended 30 June 2017		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	7,924,274	172,934	4.40	7,464,190	161,385	4.36
Discounted bills	297,223	7,334	4.98	500,729	8,758	3.53
Personal loans	4,736,890	103,024	4.39	4,313,598	87,103	4.07
Overseas business	1,396,033	25,233	3.64	1,307,035	20,797	3.21
Total loans and advances to customers	**14,354,420**	**308,525**	**4.33**	**13,585,552**	**278,043**	**4.13**

◆ *Interest Income on Investment*

Interest income on investment amounted to RMB96,174 million, representing an increase of RMB5,247 million or 5.8% as compared to the same period of last year, mainly due to the increase in investment and the increase in average yield of investment by 6 basis points.

◆ *Interest Income on Due from Central Banks*

Interest income on due from central banks was RMB24,495 million, recording an increase of RMB1,477 million or 6.4% 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 RMB27,613 million, representing an increase of RMB1,248 million or 4.7% as compared to the same period of last year, principally due to the increase of 44 basis points of the average yield of due from banks and other financial institutions as affected by the overall growth of market interest rate during the reporting period.

Interest Expense

◆ *Interest Expense on Deposits*

Interest expense on deposits amounted to RMB134,025 million, representing an increase of RMB6,271 million or 4.9% as compared to the same period of last year, due to the expansion in the size of due to customers.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	4,189,911	47,496	2.29	3,948,889	44,418	2.27
Demand deposits	5,775,956	19,761	0.69	5,180,872	17,032	0.66
Subtotal	**9,965,867**	**67,257**	**1.36**	**9,129,761**	**61,450**	**1.36**
Personal deposits						
Time deposits	4,430,268	52,886	2.41	4,445,058	54,057	2.45
Demand deposits	3,740,038	6,954	0.37	3,653,019	7,039	0.39
Subtotal	**8,170,306**	**59,840**	**1.48**	**8,098,077**	**61,096**	**1.52**
Overseas business	**823,403**	**6,928**	**1.70**	**724,404**	**5,208**	**1.45**
Total deposits	**18,959,576**	**134,025**	**1.43**	**17,952,242**	**127,754**	**1.43**

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

Interest expense on due to banks and other financial institutions was RMB31,520 million, RMB1,322 million or 4.4% higher as compared to the same period of last year, principally attributable to the rise of interest rates during the reporting period which then resulted in the increase of 29 basis points of the average cost of due to banks and other financial institutions.

◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB13,646 million, indicating an increase of RMB4,167 million or 44.0% as compared to the same period of last year, mainly attributable to the increase in the average cost and size of the financial bonds and bills issued by overseas institutions, and the issuance of RMB88.0 billion of tier 2 capital bonds by the Bank in the second half of 2017. Please refer to "Note 28. to the Financial Statements: Debt Securities Issued" for the debt securities issued by the Bank.

Non-interest Income

In the first half of 2018, the Bank realized non-interest income of RMB83,686 million, RMB2,131 million or 2.5% lower than that of the same period of the previous year, accounting for 23.2% of the operating income. Specifically, net fee and commission income increased by 3.4% to RMB79,260 million, and other non-interest income dropped by 51.6% to RMB4,426 million.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2018	Six months ended 30 June 2017	Increase/ (decrease)	Growth rate (%)
Bank card business	21,939	18,792	3,147	16.7
Settlement, clearing business and cash management	16,478	14,076	2,402	17.1
Personal wealth management and private banking services	16,402	17,421	(1,019)	(5.8)
Investment banking business	13,489	14,729	(1,240)	(8.4)
Corporate wealth management services	7,537	10,103	(2,566)	(25.4)
Guarantee and commitment business	5,569	4,290	1,279	29.8
Asset custody business	3,844	3,487	357	10.2
Trust and agency services	1,094	1,088	6	0.6
Others	1,351	1,416	(65)	(4.6)
Fee and commission income	**87,703**	**85,402**	**2,301**	**2.7**
Less: Fee and commission expense	**8,443**	**8,732**	**(289)**	**(3.3)**
Net fee and commission income	**79,260**	**76,670**	**2,590**	**3.4**

The Bank proactively responded to the New Rules on Asset Management and other regulatory requirements, focused on serving the real economy and satisfying the financial needs of consumers, made continuous efforts to promote the transformation and innovation of intermediary services, and continued to reduce fees and provide concessions to the real economy and consumers. In the first half of 2018, the Bank realized a net fee and commission income of RMB79,260 million, representing an increase of RMB2,590 million or 3.4% as compared to the same period of last year. The bank card business income recorded an increase of RMB3,147 million, as benefited by the fast increase in credit card installment service fee and consumption return commission income; income on settlement, clearing business and cash management increased by RMB2,402 million, mainly due to the income increase on third party payment; income on guarantee and commitment business registered an increase of RMB1,279 million, primarily attributable to the fast development of commitment business. As a result of various factors such as regulatory oversight over insurance products in last year, and implementation of VAT for asset management products started from this year, income on personal wealth management, corporate wealth management services have declined. Income on investment banking business dropped as compared to the same period of last year due to decrease in the debt and equity financing business.

OTHER NON-INTEREST RELATED GAINS

In RMB millions, except for percentages

Item	Six months ended 30 June 2018	Six months ended 30 June 2017	Increase/ (decrease)	Growth rate (%)
Net trading income	3,044	2,912	132	4.5
Net gain on financial investments	1,929	631	1,298	205.7
Other operating (expense)/income, net	(547)	5,604	(6,151)	(109.8)
Total	**4,426**	**9,147**	**(4,721)**	**(51.6)**

Other non-interest related gains amounted to RMB4,426 million, recording a decrease of RMB4,721 million or 51.6% compared to the same period of the previous year. Specifically, the decrease in other net operating income was mainly attributable to the increase in net loss on exchange and exchange rate products and other factors, while the increase in the net gain on financial investments was primarily due to the increase in realized gains on the principal-guaranteed wealth management products.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	Six months ended 30 June 2018	Six months ended 30 June 2017	Increase/ (decrease)	Growth rate (%)
Staff costs	51,005	49,194	1,811	3.7
Premises and equipment expenses	12,627	13,072	(445)	(3.4)
Taxes and surcharges	4,237	3,908	329	8.4
Amortisation	1,124	1,006	118	11.7
Others	12,965	13,090	(125)	(1.0)
Total	**81,958**	**80,270**	**1,688**	**2.1**

The Bank continued to strengthen cost control and management. Operating expenses amounted to RMB81,958 million, an increase of RMB1,688 million or 2.1%, as compared to the same period of last year.

Impairment Losses

The Bank set aside an allowance for impairment losses of RMB83,458 million, an increase of RMB22,115 million or 36.1% as compared to the same period of last year. Specifically, the allowance for impairment losses on loans was RMB77,552 million, indicating an increase of RMB16,551 million or 27.1%. Please refer to "Note 17. to the Financial Statements: Loans and Advances to Customers" and "Note 9. to the Financial Statements: Impairment Losses on Assets Other than Loans and Advances to Customers" for details.

Income Tax Expense

Income tax expense decreased by RMB6,252 million or 14.6% to RMB36,559 million as compared to the same period of last year. The effective tax rate was 18.54%. Please see "Note 10. to the Financial Statements: Income Tax Expense" for the reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax expense.

Segment Information

The Bank's principal operating segments include corporate banking, personal banking and treasury operations. The Bank adopts the MOVA (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 2018		Six months ended 30 June 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating income	**361,302**	**100.0**	**336,739**	**100.0**
Corporate banking	176,779	49.0	168,552	50.0
Personal banking	137,831	38.1	119,860	35.6
Treasury operations	43,751	12.1	46,314	13.8
Others	2,941	0.8	2,013	0.6
Profit before taxation	**197,216**	**100.0**	**196,498**	**100.0**
Corporate banking	79,576	40.3	80,319	40.9
Personal banking	78,856	40.0	76,837	39.1
Treasury operations	37,400	19.0	38,536	19.6
Others	1,384	0.7	806	0.4

Note: Please see "Note 43. to the Financial Statements: Segment Information" for details.

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

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	Six months ended 30 June 2018		Six months ended 30 June 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating income	**361,302**	**100.0**	**336,739**	**100.0**
Head Office	44,432	12.3	35,731	10.6
Yangtze River Delta	63,485	17.6	58,079	17.2
Pearl River Delta	48,830	13.5	43,457	12.9
Bohai Rim	65,528	18.1	64,299	19.1
Central China	44,230	12.2	41,036	12.2
Western China	54,185	15.0	50,098	14.9
Northeastern China	13,951	3.9	13,681	4.1
Overseas and others	26,661	7.4	30,358	9.0
Profit before taxation	**197,216**	**100.0**	**196,498**	**100.0**
Head Office	19,148	9.7	22,137	11.3
Yangtze River Delta	41,418	21.0	38,288	19.5
Pearl River Delta	28,517	14.5	25,281	12.9
Bohai Rim	33,872	17.1	35,739	18.2
Central China	23,309	11.8	19,887	10.1
Western China	30,677	15.6	27,629	14.0
Northeastern China	3,167	1.6	6,077	3.1
Overseas and others	17,108	8.7	21,460	10.9

Note: Please see "Note 43. to the Financial Statements: Segment Information" for details.

Balance Sheet Analysis

In the first half of 2018, in line with the macroeconomic policies, the Bank actively rose up to the complicated and variable market environment and promoted the healthy and stable development of asset and liability business. In addition, the Bank made active efforts to support the development of the real economy, appropriately accelerated loan issuance and bond investment, and further cemented the customer base for deposits, thereby ensuring a stable and sustainable growth of funding sources.

Assets Deployment

As at 30 June 2018, total assets of the Bank amounted to RMB27,303,080 million, RMB1,216,037 million or 4.7% higher than the prior year-end. Specifically, total loans and advances to customers (collectively referred to as "total loans") increased by RMB700,689 million or 4.9% to RMB14,934,137 million, investment increased by RMB500,977 million or 8.7% to RMB6,257,681 million, and cash and balances with central banks increased by RMB204,581 million or 5.7% to RMB3,818,453 million.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

Item	At 30 June 2018		At 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Net loans and advances to customers	14,536,141	53.3	13,892,966	53.2
Investment	6,257,681	22.9	5,756,704	22.1
Cash and balances with central banks	3,818,453	14.0	3,613,872	13.9
Due from banks and other financial institutions	906,466	3.3	847,611	3.2
Reverse repurchase agreements	687,913	2.5	986,631	3.8
Others	1,096,426	4.0	989,259	3.8
Total assets	**27,303,080**	**100.0**	**26,087,043**	**100.0**

Loan

In the first half of 2018, in accordance with national and regulatory policies, the Bank took serving the real economy as its starting point and goal, centered on major national strategies and key areas of development, and provided strong financing support to the implementation of major projects and programs, structural deleverage, inclusive finance, and targeted poverty relief to promote the quality and efficiency of financial services in serving the real economy. In addition, the Bank actively supported residents' rational housing demand and consumption upgrade, and promoted consumption to further drive the real economy. As at 30 June 2018, total loans amounted to RMB14,934,137 million, RMB700,689 million or 4.9% higher compared with the end of the previous year, of which RMB denominated loans of domestic branches were RMB13,035,956 million, RMB604,630 million or 4.9% higher than that at the end of 2017.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2018		At 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	9,341,405	62.5	8,936,864	62.8
Discounted bills	279,752	1.9	351,126	2.5
Personal loans	5,312,980	35.6	4,945,458	34.7
Total	**14,934,137**	**100.0**	**14,233,448**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

Item	At 30 June 2018 Amount	At 30 June 2018 Percentage (%)	At 31 December 2017 Amount	At 31 December 2017 Percentage (%)
Short-term corporate loans	2,753,468	29.5	2,802,542	31.4
Medium to long-term corporate loans	6,587,937	70.5	6,134,322	68.6
Total	**9,341,405**	**100.0**	**8,936,864**	**100.0**

Corporate loans rose by RMB404,541 million or 4.5% from the end of last year. Centering on major national strategies and key areas of development, the Bank supported the implementation of key projects in sectors such as public facilities, transportation, advanced manufacturing and modern services, in a bid to promote regional collaborated development and industrial transformation and upgrade.

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 30 June 2018 Amount	At 30 June 2018 Percentage (%)	At 31 December 2017 Amount	At 31 December 2017 Percentage (%)
Residential mortgages	4,280,514	80.5	3,938,689	79.6
Personal consumption loans	226,324	4.3	255,783	5.2
Personal business loans	222,273	4.2	216,210	4.4
Credit card overdrafts	583,869	11.0	534,776	10.8
Total	**5,312,980**	**100.0**	**4,945,458**	**100.0**

Personal loans increased by RMB367,522 million or 7.4% than that at the end of last year. Specifically, residential mortgages grew by RMB341,825 million or 8.7%, mainly because the Bank actively supported the residents' financing need for owner-occupied houses and improved housing.

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

Investment

In the first half of 2018, in line with the development trend of financial markets, the Bank appropriately accelerated its progress in investment and actively supported the development of the real economy. As at 30 June 2018, investment amounted to RMB6,257,681 million, representing an increase of RMB500,977 million or 8.7% from the end of the previous year.

INVESTMENT

In RMB millions, except for percentages

Item	At 30 June 2018 Amount	At 30 June 2018 Percentage (%)	At 31 December 2017 Amount	At 31 December 2017 Percentage (%)
Bonds	5,632,488	90.0	5,373,733	93.4
Equity instruments	30,758	0.5	19,073	0.3
Funds and others(1)	594,435	9.5	363,898	6.3
Total	**6,257,681**	**100.0**	**5,756,704**	**100.0**

Note: (1) Includes assets invested by funds raised by the issuance of principal-guaranteed wealth management products by the Bank.

Bonds rose by RMB258,755 million or 4.8% from the end of the previous year to RMB5,632,488 million. Funds and others grew by RMB230,537 million or 63.4% to RMB594,435 million.

DISTRIBUTION OF INVESTMENT IN BONDS BY ISSUERS

In RMB millions, except for percentages

Item	At 30 June 2018		At 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	3,575,085	63.5	3,286,729	61.2
Central bank bills	18,657	0.3	18,902	0.4
Policy bank bonds	875,312	15.5	996,669	18.5
Other bonds	1,163,434	20.7	1,071,433	19.9
Total	**5,632,488**	**100.0**	**5,373,733**	**100.0**

In terms of distribution by issuers, government bonds increased by RMB288,356 million or 8.8%; central bank bills decreased by RMB245 million or 1.3%; policy bank bonds went down by RMB121,357 million or 12.2%; and other bonds increased by RMB92,001 million or 8.6%. In order to support the development of the real economy, the Bank stepped up the investment in local government bonds and treasury bonds taking into consideration the bond market supply and the value of bond investment.

DISTRIBUTION OF INVESTMENT IN BONDS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 30 June 2018		At 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Undated[(1)]	4	0.0	–	–
Less than 3 months	331,720	5.9	281,658	5.2
3 to 12 months	584,840	10.4	561,566	10.5
1 to 5 years	3,073,909	54.6	2,819,961	52.5
Over 5 years	1,642,015	29.1	1,710,548	31.8
Total	**5,632,488**	**100.0**	**5,373,733**	**100.0**

Note: (1) Refers to overdue and impaired bonds.

DISTRIBUTION OF INVESTMENT IN BONDS BY CURRENCY

In RMB millions, except for percentages

Item	At 30 June 2018		At 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB-denominated bonds	5,191,068	92.2	4,945,340	92.0
USD-denominated bonds	306,013	5.4	295,590	5.5
Other foreign currency bonds	135,407	2.4	132,803	2.5
Total	**5,632,488**	**100.0**	**5,373,733**	**100.0**

In terms of currency structure, RMB-denominated bonds rose by RMB245,728 million or 5.0%; USD-denominated bonds and other foreign currency bonds increased by an equivalent of RMB10,423 million or 3.5% and RMB2,604 million or 2.0%, respectively. During the reporting period, the Bank balanced the risk and returns of foreign currency bond investment portfolios and timely increased the investment in USD-denominated bonds.

DISTRIBUTION OF INVESTMENT BY MEASURING METHOD

In RMB millions, except for percentages

Item	At 30 June 2018		At 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial investments measured at fair value through profit or loss	800,685	12.8	440,938	7.7
Financial investments measured at fair value through other comprehensive income	1,450,163	23.2		
Financial investments measured at amortised cost	4,006,833	64.0		
Available-for-sale financial assets			1,496,453	26.0
Held-to-maturity investments			3,542,184	61.5
Receivables			277,129	4.8
Total	**6,257,681**	**100.0**	**5,756,704**	**100.0**

As at 30 June 2018, the Group held RMB1,401,743 million of financial bonds[1], including RMB875,312 million of policy bank bonds and RMB526,431 million of bonds issued by banks and non-bank financial institutions, accounting for 62.4% and 37.6% of financial bonds, respectively.

TOP 10 FINANCIAL BONDS HELD BY THE BANK

In RMB millions, except for percentages

Debt securities	Nominal value	Annual interest rate	Maturity date	Allowance for impairment losses[(1)]
Policy bank bonds 2011	13,993	4.49%	25 August 2018	–
Policy bank bonds 2012	11,400	4.04%	25 June 2022	–
Policy bank bonds 2010	11,050	3.51%	27 July 2020	–
Policy bank bonds 2012	10,580	3.94%	21 August 2019	–
Policy bank bonds 2011	10,505	4.62%	22 February 2021	–
Policy bank bonds 2014	10,410	5.75%	14 January 2019	–
Policy bank bonds 2012	10,140	3.76%	13 July 2019	–
Policy bank bonds 2012	9,770	4.32%	23 April 2019	–
Policy bank bonds 2010	9,700	3.65%	26 March 2020	–
Commercial bank bonds 2017	9,500	4.20%	17 April 2020	–

Note: (1) Excludes allowance for impairment losses for the first phase set aside in accordance with the New Financial Instrument Standards.

Reverse Repurchase Agreements

The reverse repurchase agreements were RMB687,913 million, a decrease of RMB298,718 million or 30.3% from the end of last year, mainly because the Bank appropriately adjusted the size of funds lent to the market based on its internal and external liquidity status.

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

Liabilities

As at 30 June 2018, total liabilities reached RMB25,110,879 million, an increase of RMB1,164,892 million or 4.9% compared with the end of last year.

LIABILITIES

In RMB millions, except for percentages

Item	At 30 June 2018 Amount	At 30 June 2018 Percentage (%)	At 31 December 2017 Amount	At 31 December 2017 Percentage (%)
Due to customers	20,818,042	82.9	19,562,936	81.7
Due to banks and other financial institutions	1,924,082	7.7	1,706,549	7.1
Repurchase agreements	556,277	2.2	1,046,338	4.4
Debt securities issued	579,235	2.3	526,940	2.2
Others	1,233,243	4.9	1,103,224	4.6
Total liabilities	**25,110,879**	**100.0**	**23,945,987**	**100.0**

Due to Customers

Due to customers is the Bank's main source of funds. As at 30 June 2018, the balance of due to customers was RMB20,818,042 million, RMB1,255,106 million or 6.4% higher than that at the end of the previous year. In terms of customer structure, the balance of corporate deposits increased by RMB717,784 million or 6.7%; and the balance of personal deposits increased by RMB623,085 million or 7.3%. In terms of maturity structure, the balance of time deposits increased by RMB840,096 million or 9.0%, while the balance of demand deposits increased by RMB500,773 million or 5.1%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2018 Amount	At 30 June 2018 Percentage (%)	At 31 December 2017 Amount	At 31 December 2017 Percentage (%)
Corporate deposits				
Time deposits	4,986,953	24.0	4,635,661	23.7
Demand deposits	6,436,296	30.9	6,069,804	31.0
Subtotal	**11,423,249**	**54.9**	**10,705,465**	**54.7**
Personal deposits				
Time deposits	5,237,329	25.2	4,748,525	24.3
Demand deposits	3,954,673	19.0	3,820,392	19.5
Subtotal	**9,192,002**	**44.2**	**8,568,917**	**43.8**
Other deposits(1)	**202,791**	**0.9**	**288,554**	**1.5**
Total	**20,818,042**	**100.0**	**19,562,936**	**100.0**

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

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 30 June 2018		At 31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	51,718	0.2	60,261	0.3
Yangtze River Delta	3,938,626	18.9	3,722,756	19.0
Pearl River Delta	2,764,848	13.3	2,736,614	14.0
Bohai Rim	5,662,663	27.2	5,203,857	26.6
Central China	2,984,000	14.3	2,780,882	14.2
Western China	3,505,472	16.9	3,236,441	16.6
Northeastern China	1,082,347	5.2	1,033,381	5.3
Overseas and others	828,368	4.0	788,744	4.0
Total	**20,818,042**	**100.0**	**19,562,936**	**100.0**

In terms of currency structure, RMB deposits stood at RMB19,546,456 million, an increase of RMB1,168,835 million or 6.4% over the end of the previous year. The balance of foreign currency deposits was equivalent to RMB1,271,586 million, an increase of RMB86,271 million or 7.3%.

Repurchase Agreements

Repurchase agreements were RMB556,277 million, a decrease of RMB490,061 million or 46.8% from the end of last year, mainly because the Bank appropriately adjusted the size of funds raised based on its internal and external liquidity status.

Shareholders' Equity

As at 30 June 2018, shareholders' equity amounted to RMB2,192,201 million in aggregate, RMB51,145 million or 2.4% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB51,108 million or 2.4% to RMB2,178,599 million. Please refer to the "Financial Statements: Consolidated Statement of Changes in Equity" for details.

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

Analysis on Statement of Cash Flows

Net cash inflows from operating activities amounted to RMB186,532 million, representing a decrease of RMB160,010 million as compared to the same period of last year, mainly attributable to cash outflows resulted from a decline of repurchase agreements which resulted in cash inflows in the last period. Specifically, cash outflows of operating assets dropped by RMB191,062 million and cash inflows of operating liabilities dropped by RMB365,482 million.

Net cash outflows from investing activities amounted to RMB228,421 million. Specifically, cash inflows were RMB782,614 million, representing a decrease of RMB256,789 million as compared with the same period of last year, mainly due to the decreased cash inflows from the recovery of investment assets; and cash outflows were RMB1,011,035 million, representing a decrease of RMB147,278 million, mainly due to the decrease in cash outflows generated from bond investment payment.

Net cash inflows from financing activities amounted to RMB33,099 million, of which, cash inflows were RMB534,660 million, mainly due to the issuance of debt securities by overseas institutions; and cash outflows were RMB501,561 million, mainly due to the repayment of debt securities.

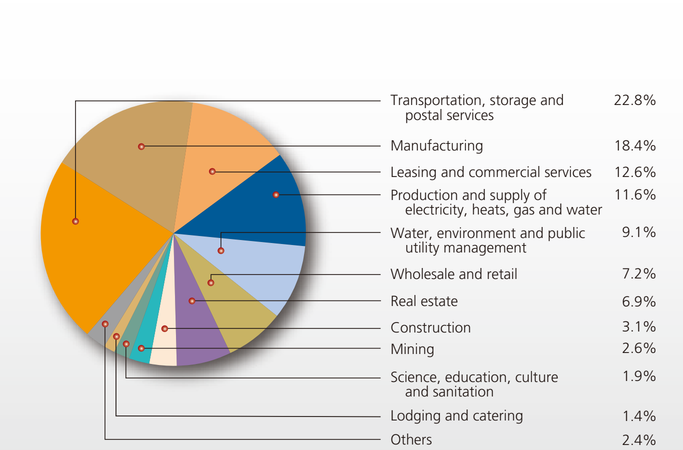
BUSINESS OVERVIEW

Corporate Banking

The Bank actively supported the development of the real economy and served the supply-side structural reform. It addressed the diversity of customer requirements with product innovation, strived to develop new customers and improve the quality of existing customers and continued to strengthen the customer base. As a result, corporate banking business showed a sound development momentum.

- The Bank fully supported the real economy, and served customers' financing requirements from six focuses of loan, bond, stock, agency, lease and consultant.
- The Bank continuously promoted credit restructuring. Focusing on the basic industrial sectors, the Bank steadily expanded into a triple of sectors, i.e. happiness industries, advanced manufacturing and internet of things/connectivity. It actively supported project constructions in the Xiongan New Area, Hainan Free Trade Zone, Guangdong, Hong Kong and Macau Greater Bay Area and regional cooperation of the Yangtze River Delta.
- The Bank expanded the base of corporate depositors while striving for a higher corporate deposit quality. The Bank proactively attracted new customers through the three models - source marketing, derivation throughout a group and expansion of core enterprises. On the basis of an in-depth research into the operations management structure, fund settlement pattern and market service preference of key customers, the Bank tailor-made a package of financial services solutions for each of them and offered innovative products to address their requirements.
- At the end of June 2018, the Bank maintained 6,706 thousand corporate customers, representing an increase of 435 thousand from the end of the previous year. The corporate loans reached RMB9,341,405 million, representing an increase of RMB404,541 million or 4.5%. The corporate deposits hit RMB11,423,249 million, representing an increase of RMB717,784 million or 6.7%.

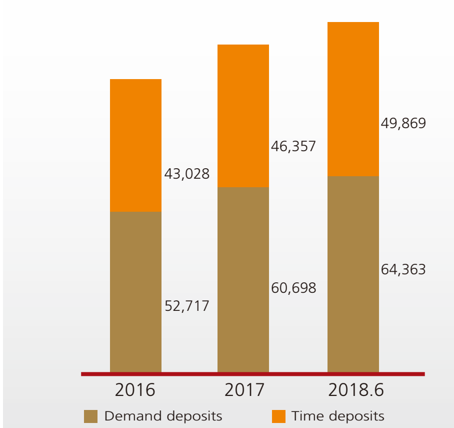
Corporate Loans by Industry



Note: Domestic operations data.

Corporate Deposits

Unit: RMB100 millions



Inclusive Finance

- The Bank advanced a strategy of "One Body, Two Wings" for development of small and micro enterprise banking, taking advantage of the supporting function provided by the Bank's internal data with two focuses of external scenarios and characteristic scenarios of branches. It developed a mix of internet financing products mainly consisting of "Quick Lending for Operation", "Online Revolving Loan" and "Online Supply Chain".
- The Small and Micro Enterprise Platform was improved to provide one-stop comprehensive financial services including convenient account opening, account service, settlement, financial management, Small and Micro Enterprise e Management, investment and wealth management and e-financing for corporate customers.
- The Bank earnestly implemented China's financial policy of supporting the real economy and serving small and micro enterprises by extending more vigorous support for key sectors of inclusive finance and driving the high-quality development of financial services for small and micro enterprises. At the end of June 2018, the loans to small and micro enterprises amounted to RMB2.18 trillion, of which the loans to small and micro enterprises with the total loans of no more than RMB10 million for each enterprise was RMB318,333 million, representing an increase of RMB45,851 million or 16.8% over the beginning of the year.

Institutional Banking

- Promotion of the new structure for ICBC-government cooperation. Following the institutional reforms of the Communist Party of China and the Chinese regulatory authorities, the Bank launched a series of marketing campaigns targeting key departments subject to the reforms with the aim of becoming their account bank and made great efforts to be a good financial service provider for the pension insurance reform of governmental agencies and administrative institutions. It ranked the first in the banking industry in terms of opening the special fiscal, receipts and payments accounts for the basic pension insurance and the occupational annuity fund pooling accounts. Moreover, it also maintained the largest number of county-level, city-level and provincial-level accounts in the banking industry. The Bank actively aligned itself with the e-reform of income and expenditure of national treasury, and topped the banking industry in terms of the number of regions and customers for launching the fiscal e-payment agency and e-collection of non-tax revenue agency, as well as the relevant business volumes under agency.
- The Bank fortified cooperation with other banks and financial institutions. It signed comprehensive strategic collaboration agreements with Everbright Group, PICC Group, China Life Group and Dalian Commodity Exchange, among other key customers. It also acted as the underwriter of financial bonds issued by key customers such as PICC Group, PICC Life Insurance and China Merchants Bank.

Settlement and Cash Management

- The Bank improved the corporate payment and settlement system, drove the development of the transaction banking. It improved the six product lines including account management, liquidity management, trade finance, risk management, investment and wealth management and management of collection and payment management, and provided comprehensive service solutions in a customer-centric way. The application scenarios of transaction banking were rolled out on platforms such as Enterprise Link and ICBC e Payment.
- The Bank promoted the financial services platform — "ICBC Pooling" to connect with the financial requirements of customers, thus realizing an effective customer on-boarding model via "transaction plus finance".
- At the end of June 2018, the Bank maintained 7,980 thousand corporate settlement accounts, representing an increase of 6.6% over the end of the previous year, and the volume of settlements reached RMB1,290 trillion, increased by 4.4% over the same period of last year. There were 1,359 thousand cash management customers and 6,929 global cash management customers.

International Settlement and Trade Finance

- The Bank put in place an integrated interactive development mechanism of international businesses in the Greater Bay Area, and facilitated the integrated development of local institutions in a variety of aspects such as customer marketing, business interaction and service improvement.
- The Bank constantly promoted product innovation. It made a good working plan for building the international trade single-window and also promoted related work creatively, researched and developed new factoring product for foreign contracting projects with specific contract insurance.
- In the first half of 2018, the Bank disbursed an aggregate of USD32,290 million in international trade finance for domestic customers. International settlements amounted to USD1,449,246 million, of which USD535,876 million was handled by overseas institutions.

Investment Banking

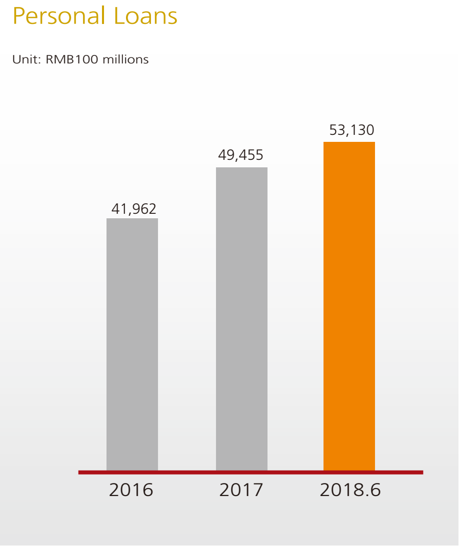
- The Bank expanded its merger and acquisition advisory business, debt financing advisory and equity financing advisory business by successfully carrying out projects of Lu Zhou Lao Jiao, Infore Investment, Liaoning SIASUN Robot, Wuhan Subway, Yunnan Provincial Energy Investment, Xiaomi Yangtze Industrial Fund, China Three Gorges New Energy, etc.
- The Bank was ranked for the fourth year in a row by Thomson Reuters as the No. 1 M&A financial advisor in China and Asia Pacific by number of deals advised. According to Thompson Reuters, the Bank remained as the global top financial advisor in terms of the number of deals completed for Chinese outbound acquisition transactions.
- The Bank underwrote various debt financing instruments worth RMB503.0 billion as a lead manager in the first half of 2018.

Personal Banking

In the first half of 2018, the Bank seized the development opportunities of residents' consumption structure upgrade and demand expansion, as well as deepened popularization of FinTech, actively explored how to apply new technologies such as big data and artificial intelligence in customer relationship maintenance, marketing services, product innovation, business decision-making and other retail banking fields, spared no effort to advance the intelligent retail strategy, and comprehensively enhanced the retail banking service capability and customer experience.

- The Bank accelerated the popularization and penetration of FinTech application, steadily promoted the development of a multi-touch, event-based and intelligent retail services system covering all the online and offline channels, and built a two-dimensional customer acquisition mechanism and a hierarchical and grouped maintenance system for broad base customers so as to realize the overall management of customer maintenance and precision marketing.
- The Bank promoted the online scenario-embedded digital banking application model, and jointly launched a number of high-quality cooperation projects with the internet platforms, enterprises and governments so that customers could fully enjoy the fresh experience of intelligent retail banking.
- The Bank upgraded the "ICBC Intelligent Defender" account security service which integrated account security detection, account security lock, transaction limit customization and other personalized functions, and built a complete "cloud plus application" intelligent prevention and control system on the basis of "Monitoring Cloud" to provide all-around and intelligent security protection for customers' account transactions and capital security.
- The Bank continued to strengthen the innovation of deposit products, launched innovative deposit products for various exclusive customer groups, and developed a mix of personal deposit products including basic, inclusive, structured, exclusive and prestigious series to effectively enhance the competitiveness in the personal deposit market.
- The personal loan business developed in a stable manner with the two-pronged emphasizes on business development and risk prevention moved the personal loan business forward stably. The Bank actively supported the residents' financing needs for owner-occupied houses and improved housing, introduced a mortgage direct connection system, integrated residential mortgage application acceptance channels into business scenarios, and improved customer experience; increased support for personal consumption and financing needs, and launched personal housing leasing loans and personal housing mortgage comprehensive consumption loans, thus increasingly improving the personal consumption loan product system.

- The Bank strengthened agent sales business innovation, and upgraded AI Investment by adding functions such as AI index, AI smart investment, AI strategy, and realizing intelligent and professional investment services such as "One-Click Investment" and "One-Click Transfer". The Bank launched a wealth management festival themed with "providing customers with a great variety of wealth management products and enabling them to manage wealth with expertise". In the first half of 2018, funds under agency sales amounted to RMB409.3 billion, sales of treasury bonds under agency arrangement were valued at RMB27.4 billion, and personal insurance products under agency sales reported at RMB43.5 billion.
- At the end of June 2018, personal financial assets totaled RMB13.40 trillion, representing an increase of RMB419.1 billion compared with the end of last year. The Bank had 587 million personal customers, including 12.72 million personal loan customers, representing an increase of 19.92 million and 0.46 million respectively. The personal loans stood at RMB5,312,980 million, representing an increase of RMB367,522 million or 7.4%. The personal deposits arrived at RMB9,192,002 million, representing an increase of RMB623,085 million or 7.3%.



Private Banking

- The Bank leveraged on its overall advantages of the Bank in retail, asset management, investment banking and technology, etc. to provide customers with a whole package of all-around, full-view, full-process, comprehensive and specialized services of private banking.
- The Bank accelerated the optimization of asset structure, improved asset allocations, raised the capability of investment research, shifted products towards net worth-based model, and stabilized the product scales in line with the requirements of the New Rules on Asset Management.
- The Bank organized an exhibition of financial culture in cooperation with business partners and also sponsored a charity project with them to make the private banking brand more influential.
- At the end of June 2018, the Bank managed RMB1.46 trillion assets for 83.9 thousand private banking customers. The assets under management increased by RMB0.12 trillion or 9.0% compared with the previous year end and the customer size expanded by 8.4 thousand or 11.1%.

Bank Card Business

- With continuous efforts on debit card product innovation, the Bank provided direct mailing service of debit cards after online application by customers, and released a new generation of debit-credit cards which combined functions such as cash deposit and withdrawal, transfer and settlement and investment and wealth management and benefits such as overdraft for consumption and installment payment.
- Credit card products and functions were further diversified and upgraded, e.g. the release of a series of new products like ICBC Zodiac Card, Overseas Student Card, Universe "Jurassic World" Card, "Like China" ICBC Endeavour Credit Card.
- The Bank unified the brands of credit card installment business under a new brand named "Happy Installment". It released the featured "ICBC e Installment", strengthened cooperation with some well-known internet platforms of auto finance, and expanded into other business areas such as home decoration, house lease and bill installment.

- To support the upgrade of consumption, the Bank launched "I GO" serial promotional campaigns in partnership with Chinese and foreign merchants, thus increasing brand influence. The Bank increased the scale of spending derived from internet platform-linked cards through bonus point accumulation, diversified promotions and one-click card linking function under ICBC e Life, etc.
- At the end of June 2018, the Bank issued 962 million bank cards, representing an increase of 54.26 million cards from the end of the previous year, which consisted of 806 million debit cards and 156 million credit cards. Overdraft balance of credit cards rose by RMB49,093 million or 9.2% from the end of the previous year to RMB583,869 million. In the first half year of 2018, the consumption volume of bank cards reached RMB3.50 trillion, including RMB2.09 trillion of debit card consumptions and RMB1.41 trillion of credit card consumptions.

Asset Management Services

The Bank actively responded to the challenges and opportunities brought by the release of the New Rules on Asset Management, and carried forward the implementation of the mega retail strategy as a whole. The Bank pushed forward the transformation of asset management business and products in a steady manner and comprehensively enhanced investment management and research capabilities. The Bank established a mega asset management business system allowing allocation of capital in all markets and value creation across the whole value chain by relying on the strength of the Group's asset management, custody and pension businesses, and the functions of its comprehensive subsidiaries specialized in fund, insurance, leasing and investment banking, and to provide diversified, integrated and specialized services for the clients.

Wealth Management Services

- The Bank steadily pushed forward the net worth-based transformation of wealth management products, offering such innovative wealth management products as "Xin De Li", "Tian Li Bao" and "Bogu Tongli" for personal customers and "Tian Li Bao" for corporate customers. It also strengthened the marketing of "Xin De Li" for corporate customers.
- The Bank strengthened the investment research capability, improved the macro-research with large-class asset allocation as the core, optimized the asset allocation models, revised and adjusted the classification criteria of large-class asset allocations according to the New Rules on Asset Management.
- The development level of overseas asset management platforms was steadily improved with higher ability of capital operation, continuous diversification and expansion of product lines and greater reputation and brand influence abroad with the help of the Group's channel and resource advantages.
- At the end of June 2018, the wealth management products issued by the Bank increased to RMB3,370,823 million, maintaining the first place in the banking industry.

Asset Custody Services

- Following the principles of "honesty, credibility, diligence and responsibility", and with a well-regulated management mode, specialized custody services, a complete package of product offerings, a rigorous risk control system and an advanced custody system in place, the Bank remained a market leader in respect of primary custody products, e.g. securities investment funds, insurance, banking wealth management, enterprise annuities, special fund accounts and global asset custody.
- On the occasion of marking the 20th anniversary of custody business, the Bank held an asset custody forum, and strengthened external publicity and customer marketing, further enhancing the reputation of "ICBC Custody" brand.
- The Bank was awarded the "Custodian Bank of the Year in Asia Pacific" by *The Asian Banker*, and the "Best National Custodian, China" and the "Best Insurance Custodian, China" by *The Asset*.
- At the end of June 2018, total net value of assets under the Bank's custody reported at RMB16.30 trillion.

Pension Services

- The Bank actively launched the marketing campaigns of occupational annuities. In the first half year, the Bank successfully became the trustee of occupational annuities of central governmental agencies and administrative institutions and Shandong Province, with the bid-winning rate ranking first among banks.
- The Bank marketed key products persistently. It successfully expanded the scale of "Ruyi Pension Management" Collective Enterprise Annuity Plans and "Ruyi Life" pension wealth management products.
- Service operation was optimized, and customers were more satisfied with it. The Bank continued to optimize the assets allocation strategy of pension funds, and placed more emphasis upon the supervision of investment managers and risk alert. As a result, the expertise of managing pension funds under trusteeship was enhanced.
- At the end of June 2018, the pension funds under the Bank's trusteeship amounted to RMB110.7 billion; the Bank managed 17.64 million individual pension accounts, and the pension funds under the Bank's custody totaled RMB523.0 billion. The Bank led other banks in terms of the scale of enterprise annuity funds under the Bank's trusteeship, number of individual enterprise annuity accounts and enterprise annuity funds under the Bank's custody.

Financial Market Business

Money Market Activities

- The Bank took the following actions on the RMB money market: on the premise of protecting liquidity safety, it enhanced the fund use efficiency through scientifically arranging the financing terms and product structures; it consolidated the customer base and strengthened the marketing and customer expansion of bond borrowing/lending business in response to horizontal competition.
- In relation to the foreign exchange money market: the Bank flexibly adjusted it trading strategies, increased the weight of lending to domestic banks which could bring a higher return, and improved the earnings from fund operation; it expanded the channels for operations in foreign exchange, prudently engaged in investment in foreign-currency certificates of deposit of overseas branches of Chinese banks, and actively scaled up the foreign-exchange lending business of non-bank financial institutions.

Investment

- With respect to RMB bonds, on the basis of balancing investment risks and returns, the Bank took into account national policy orientation, bond investment value, its own investment strategy and investment portfolio structure. It participated in treasury bond, local bond and credit bond investment, and strove to improve the efficiency of capital operation.
- In terms of foreign-currency bond investment, facing the unfavorable circumstance that the U.S. Federal Reserve interest rate increase caused the foreign-currency capital cost to rise and the bond portfolio's net interest margin to narrow, the Bank actively managed the foreign-currency bond portfolio with greater efforts, strictly controlled the portfolio duration during the interest rate hike cycle, strengthened the investment in bond products with good credit quality and liquidity, and actively increased allocations at the high point of the yield to improve the overall rate of return of the investment portfolio.

Financing

- In line with its fund operation and liquidity management needs, the Bank closely monitored the market trends, rationally arranged the scale and structure of active liabilities including interbank borrowing, structured deposits and large-value CDs in order to enhance the supporting capacity of diverse liabilities to asset business growth.
- For details on the CDs and debt securities issued by the Bank, please refer to "Notes to the Financial Statements: 26. Certificates of Deposit; 28. Debt Securities Issued".

Franchise Treasury Business

- Franchise foreign exchange settlement and sales focused on serving the real economy. There was a sharp increase of customers that applied for franchise foreign exchange settlement and sales over the e-banking channels. The first half of 2018 saw the volume of franchise foreign exchange settlement and sales at USD229.1 billion, increased by 11.3% compared with the same period of last year.
- Franchise foreign exchange trading experienced a stable growth. In active response to the Chinese government's "Belt and Road" initiative, the Bank provided innovative and comprehensive financial services solutions for customers, and further consolidated the leading advantage in foreign exchange business in the emerging markets. In the first half of 2018, the franchise trading in currencies of countries along the "Belt and Road" and also the emerging markets grew by 166.2% compared with the same period of last year.
- The big data technology was applied in franchise account trading business to further explore the customer characteristics, and precision marketing was advanced across the board. In the first half of 2018, account trading business registered a transaction value of RMB256.5 billion, increasing by 23.7% compared with the same period of last year.
- The Bank continued to enrich the products of commodities trading for corporate customers, adding COMEX copper, LME cobalt, NZX whole milk powder and CME whey powder to further consolidate the competitive advantage in this business.
- The Bank vigorously promoted the China's inter-bank bond market agent trading business. It actively followed the internationalization of RMB and the liberalization of China's inter-bank market, vigorously expanded the number of foreign institutional clients for correspondent banking business, and topped in terms of the number of foreign institutional customers under correspondent relationship among Chinese-funded banks. It also continued to promote innovation in the OTC bond business. The Bank distributed the five-year CDB bonds to OTC investors as one of the first group of handling banks, and distributed the two tranches of OTC poverty-alleviation bonds of CDB.

Asset Securitization

- The asset securitization programs effectively support the Bank's disposal of NPLs, revitalization of stock assets, saving of occupied capital and optimization and readjustment of credit structure.
- In the first half of 2018, the Bank issued eight tranches of asset securitization programs totaling RMB47,310 million in the mainland. Specifically, there were four tranches of residential mortgage securitization programs worth RMB44,634 million in aggregate, three tranches of non-performing personal loans securitization programs worth RMB2,206 million, and one tranche of non-performing credit card asset securitization program worth RMB470 million.

Precious Metal Business

- The Bank increased the marketing efforts on ICBC Mall and JD e-commerce platform, and accelerated the integrated development of both online and offline business. It optimized the physical product mix, vigorously promoted the customization of physical products in alignment with the trend of consumption upgrade, and expanded the marketing in a variety of scenarios such as celebrations and commending events to address the individualized requirements of customers.
- The Bank became one of the first group of commercial banks participating in the silver OTC business at the Shanghai Gold Exchange, and a member of the price quoting group for silver OTC market forward curve of the Shanghai Gold Exchange.
- In the first half of 2018, the sum of precious metal business transactions was RMB685.5 billion. The Bank cleared RMB192.4 billion on behalf of the Shanghai Gold Exchange, ranking No. 1.

Internet-based Finance

The Bank fully implemented the e-ICBC 3.0 strategy for internet-based financial development. It promoted the intelligent transformation of traditional financial services, built an open, cooperative and win-win financial services ecosphere, and shifted towards to become a "bank by your side" providing services everywhere, an "open bank" driven by innovation and an "intelligent bank" with powerful applications. The first half of the year saw a simultaneously rapid growth in scale, quality and economic benefits of internet-based financial business.

Advancement of Three Platforms

◆ *ICBC Mobile*

- With a focus on the core functions of finance, the Bank tried to build ICBC Mobile as the main front of online financial services. ICBC Mobile was the first to launch the eye-catching services such as "Inquiry as You Wish under Mobile Banking" and "One-Click Transfer" and provide convenient functions such as separation of self-registration and card-linking and login-free inquiry of account balance.
- At the end of June 2018, ICBC Mobile customers had 297 million customers, which made it the banking service APP with the largest number of monthly active users according to Analysys.

◆ *ICBC Mall*

- The Bank devoted itself to developing high-quality e-commerce and building a one-stop commercial and financial services platform with e-commerce as the core and finance as the foundation. Leveraging the Bank's safe, real and reliable information and credit intermediary advantages, a benign interaction between users, merchants and platforms emerged. The Bank launched a new version of enterprise mall, and worked hard to promote ICBC e Procurement, ICBC e Travel, ICBC e Assets, ICBC e Cross-border and ICBC e Charity brand building.
- In the first half of 2018, ICBC Mall achieved an accumulative transaction amount of RMB644.2 billion.

◆ *ICBC Link*

- The Bank positioned ICBC Link as the main bearer of scenarios and the main portal for users, and built an interactive service platform covering both online and offline users. It launched a comprehensive upgrade and revision of ICBC Link by creating a new messenger center and wallet function, and providing the exclusive homepage for public account and recommendation mechanism.
- At the end of June 2018, ICBC Link had 137 million registered users.

Development of Four Business Lines

◆ *Payment*

- The Bank diversified the cloud platform scenarios in the financial ecosphere, and successively rolled out "ICBC Campus Connect", "Smart Property" and "Cloud Party Membership Fee" modules on the basis of ICBC e Payment, which provided functions such as payee information management, bill import, accounting and report statistics to enterprises, public institutions and merchants with diversified fee charging and collection demands.
- The Bank further improved the aggregation payment function of e Payment, and promoted the construction of e-payment scenarios such as public transportation, education, medical care and catering.
- The Bank newly launched "e-business dream plan" to build a highly recognizable brand of comprehensive financial services for the merchants, and with e Payment as the entry point, provided merchants with a full package of financial solutions, e.g. fund collection and payment, deposit and wealth management, credit and financing, private banking services and customization of precious metals.

◆ *Online Wealth Management*

✧ The Bank made deployments in the online wealth management market to meet the customers' needs for online wealth management services. It innovatively launched the "Ju Fu Tong" platform on which the online fund clearing project for cloud commerce of Maotai Group went alive smoothly.

◆ *Consumer Finance*

✧ The Bank enriched the product features, cooperation models and scenario applications of ICBC e-Loan in a bid to enhance the customers' experience with internet-based financing. It continued to expand the application scenarios of "Credit Granting in Seconds", and achieved online real-time credit granting and real-time lending by importing external credible data such as credit reference information, provident fund and personal tax information.

◆ *Industrial Finance*

✧ With the "Quick Lending for Operation" product covering the procurement, production and sales scenarios of small and micro enterprises, the Bank provided financing services on the basis of account opening, acquiring and collection, fee and tax payment, transaction settlement and other scenarios for newly incorporated start-ups and growing enterprises.

✧ The Bank actively carried out online supply chain financing services, and used blockchain technology to create "ICBC e Credit", a cross-level credit flow tool to support the extension of core enterprises' credit to small and micro enterprises at the end of the industrial chain.

Building of a Financial Ecosphere

✧ The Bank comprehensively promoted the co-building of internet-based financial scenarios, and focused on the users as the core, set up scenario guidance and built an ecosphere of financial services, on the basis of internet-based cooperation models and means, and by relying on the "scenario-embedded and finance-exporting" API open platform and the financial ecological cloud platform featured with "green deployment and agile launching".

✧ While centering the development of scenarios in key sectors, the Bank achieved breakthroughs in new technologies and new models of scenarios related to political affairs, travel and education. The Bank successfully carried out survival verification of social security relying on the human face recognition interface of ICBC Link; smoothly rolled out the road and bridge toll contactless payment project; and helped school staff flexibly manage students' registration information and various types of education costs using "ICBC Campus Connect".

✧ The Bank advanced the online connectivity with partners in an effort to expand the customer on-boarding channels. It established a mutually-trusted online identity authentication system for individual customers with non-financial service companies, which enabled customers to apply for e-accounts of the Bank through the online channels of partners, and could be used in investment and wealth management, online consumption and other scenarios. The "ICBC Xiaobai" digital bank developed and operated in association with JD Finance was awarded the "Best Digital Brand Innovation Award" by *The Asian Banker*.

✧ With ICBC e Life as the core, the Bank built a consumer finance ecosphere covering all the scenarios, e.g. clothing, eating, housing, travel, entertainment, learning and medical care. The Bank offered services in provident fund inquiry, redemption of bonus points for lottery tickets, Starbucks takeaway and other scenarios, and launched Smart Credit, Online Installment and other financing products; introduced sections related to rights and interests of the people such as "Insurance Protection" and "Health Care", and launched the hospital appointment and registration service.

Channel Development and Service Enhancement

Channel Development

- Regional distribution and structural optimization of business formats were jointly advanced. In line with the trend of distribution of urban financial resources and the changes in population movement, the Bank continued to channel more outlet resources to emerging and vibrant regions to effectively seize new places with a concentration of customers and new entry points, and further increase the accessibility, coverage and penetration of outlets network; put in place and improved a five-in-one outlet distribution optimization and management system, and made the optimization of regional distribution more scientific and standard; furthered the structural optimization of business formats at outlets in combination of building flagship outlets and asset-light outlets while pursuing the innovation in management, regulations, models and approaches.

Proportion of Internet Financial Transaction

Note: The proportion of internet financial transactions refers to the number of internet financial transactions against the total number transactions of the bank.

- The Bank pushed forward standardization of outlets in an orderly way. Efforts were made to further improve customer experience, stimulate the vitality of operation and drive operational transformation of outlets. The Bank prepared the decoration plan for outlet standardization in 2018 which gave priority to constructing the outlets of key urban branches, resource-rich outlets, core and key outlets and inefficient but promising outlets, and scientifically filtered and developed the target list of decoration for outlet standardization in a bid to push forward outlet standardization forward in a steady manner.
- Intelligent service model was promoted at outlets forcefully. At the end of June 2018, the Bank completed the intelligent transformation of 15,318 outlets, representing an increase of 421 over the end of last year. Intelligent services covered 237 businesses across 10 business lines, e.g. personal banking, corporate settlement, e-banking and credit cards. The outlets continuously improved the service offering capability and brought better service experience to customers.
- The outlets' transformation towards integrated online and offline development was pushed ahead. The Bank continued to enrich and improve the portals and tools of new-type channels such as channel QR codes, outlet WiFi and outlet miniprograms, and carried out series of joint promotion activities for new products. It built a new three-dimensional marketing model featured with promotion across a multiple of interfaces such as employees, outlets, self-service machines and mobile APPs, and online and offline interconnection. The Bank promoted the convenient account opening model for small and medium-sized enterprises based on the mobile terminals, and enabled customers to receive one-stop services including online application, offline account opening and basic payment and settlement products through QR code scanning, business information direct connection and face recognition.
- At the end of June 2018, the Bank had 16,024 outlets, 27,205 self-service banks and 93,767 ATMs whose trading volume amounted to RMB5,481.8 billion. In the first half of 2018, the internet financial transaction amount hit RMB338 trillion; the proportion of internet financial transactions rose 3.0 percentage points from the end of last year to 97.9%.

Service Enhancement

- The Bank improved the level of refined customer service management. It promoted the top-down mega service management pattern, and optimized the customer experience indicator assessment system to realize the thorough assessment of customer service evaluation indicators in the specialized lines. With the theme of "entering a new era, creating new experience, and establishing a new image", the Bank organized and launched the "Ten Actions to Enhance Services". It broke down the focal problems in customer experience, took action to resolve them in chronological order and in batches, and improved the customer experience.
- The Bank advanced the construction of a new post system for outlets. To address the needs of outlet transformation and customer service, the Bank built a new post system for outlets featured with division of responsibilities and coordination in work among outlet managers, operations supervisors, account managers, customer service managers and tellers, and opened up the post barriers inside and outside the counters of outlets to provide customers with more efficient one-stop services. Thanks to these efforts, outlets' human resource utilization efficiency and integrated customer service and marketing capabilities were greatly enhanced.

Consumer Protection

- In the first half of 2018, the Bank actively implemented the laws, regulations and regulatory requirements on the consumer protection, further strengthened the leading role of top-level design, and continuously improved the consumer protection system and mechanism. The Bank continued to lay a solid management foundation for standardizing the service charges, strengthened the education of consumers about financial knowledge, and safeguarded the legitimate rights and interests of financial consumers. The Bank also highlighted the value creation derived from complaints management, always acted from the standpoints of customers, cared about what the customers cared, and fully listened to the comments and suggestions of customers, significantly improving the service quality.

Internationalized and Diversified Operation

Internationalized Operation

- The Bank continued to improve its global network. Zurich Branch in Switzerland and Astana Representative Office of ICBC (Almaty) commenced operation officially, and the proposed establishment of a representative office in Ho Chi Minh City of Vietnam was approved by the CBIRC.
- The Bank proactively advanced the cross-border RMB business. It tapped deeper into the business advantages and potential of the RMB clearing business, and further improved the around-the-clock global RMB clearing network. The Bank seized the market opportunities to accelerate the expansion of FTZ business and product innovation. It also expanded the cross-border e-commerce business, and continued to optimize the comprehensive financial service solutions and the comprehensive financial services platform for cross-border e-commerce firms.
- In the first half of 2018, the Bank's cross-border RMB business volume reached RMB2.38 trillion. The Bank lent money totaling at USD11.0 billion to 50 new "Belt and Road" projects.
- At the end of June 2018, the Bank established 420 institutions in 45 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank Group. The Bank also established correspondent banking relationships with 1,543 overseas banking institutions in 146 countries and regions, making its service network covering six continents and important international finance centers around the world. Among which, the Bank maintained 129 institutions in 20 countries and regions along the "Belt and Road".

MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

	Assets (in USD millions)		Profit before taxation (in USD millions)		Number of institutions	
Item	At 30 June 2018	At 31 December 2017	Six months ended 30 June 2018	Six months ended 30 June 2017	At 30 June 2018	At 31 December 2017
Hong Kong and Macau	192,277	178,045	956	848	105	106
Asia-Pacific Region (except Hong Kong and Macau)	94,510	84,346	564	451	89	89
Europe	70,342	69,933	136	145	80	81
America	70,394	66,745	290	289	145	142
African Representative Office	–	–	–	–	1	1
Eliminations	(43,103)	(44,757)				
Subtotal	**384,420**	**354,312**	**1,946**	**1,733**	**420**	**419**
Investment in Standard Bank[1]	3,836	4,285	187	190		
Total	**388,256**	**358,597**	**2,133**	**1,923**	**420**	**419**

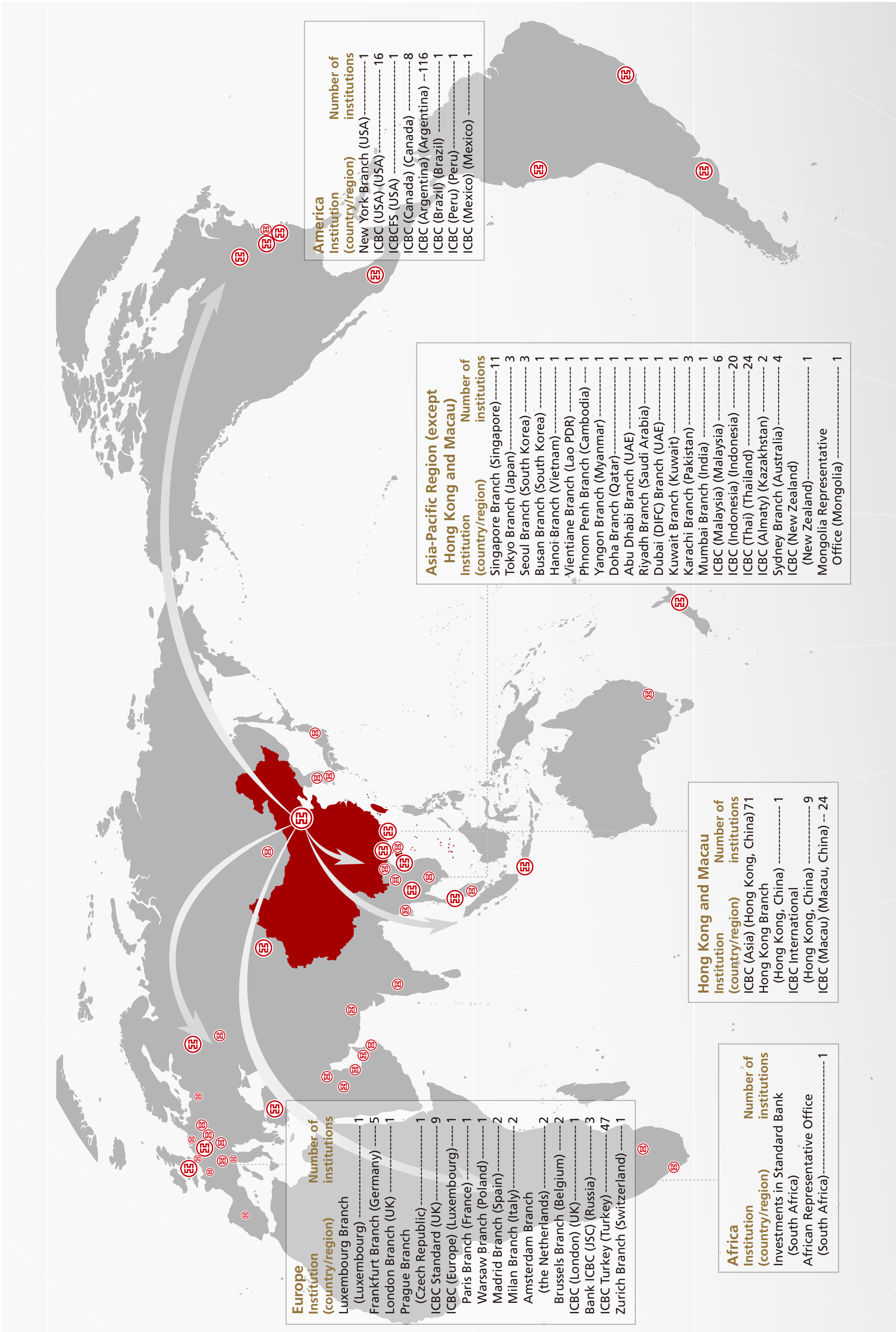
Note: (1) The assets represent the balance of the Bank's investment in Standard Bank and the profit before taxation represents the Bank's gain on investment recognized by the Bank during the reporting period.

- At the end of June 2018, total assets of overseas institutions (including overseas branches, overseas subsidiaries and investment in Standard Bank) were USD388,256 million, representing an increase of USD29,659 million or 8.3% from the end of the previous year, and they accounted for 9.4% of the Group's total assets, representing an increase of 0.4 percentage points. In the first half year, profit before tax was USD2,133 million, increasing by USD210 million or 10.9% compared with the previous year and representing 7.2% of the Group's profit before tax. Various loans came in at USD213,749 million, and due to customers arrived at USD124,897 million.

Diversified Operation

- Through strengthening the collaboration with the Group and improving its market competitive edges, ICBC Credit Suisse Asset Management has steadily promoted the development of money market funds, strengthened the offering and marketing of non-money market funds, further explored the potential of segregated accounts, corporate annuities and social security funds as well as businesses in overseas markets, expedited the development and transformation of unlisted assets management business, strictly managed and controlled risks of all types, to maintain its steady and prudent development.
- ICBC Leasing further advanced the specialization of aviation and shipping business, enhanced the ability of equipment business to serve the real economy, and explored a new-type lease model to support intelligent manufacturing. ICBC Aviation Leasing Company Limited, a wholly-owned subsidiary of ICBC Leasing, commenced operation in Hong Kong officially on 28 March 2018, further improving the specialized aviation service capability of ICBC Leasing and its competitiveness in the global aviation leasing market.
- ICBC-AXA continued to improve the product structure and actively promoted the implementation of key projects. Being customer-centric, it made more efforts on bringing in new customers, expanding customer base and maintaining customer relationship, was successfully enlisted under the list of companies piloting the tax-deferred endowment products, and was permitted to establish ICBC-AXA Asset Management Co., Ltd.
- Capturing the opportunity arising from the reform of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, ICBC International focused on marketing a series of projects in new economic sectors such as FinTech, health care and education, actively built an IPO project pipeline, and successfully participated in the IPO of Xiaomi Group in Hong Kong. It recorded a fast-growing scale of bonds underwritten, and completed the issuance of USD11.0 billion sovereign bonds for Saudi Arabia. Following the concept of value investing, ICBC International selected good-quality investment projects, and wrapped up the series-1 financing for JD Logistics and the series-3 financing for Guazi.com.
- ICBC Investment cemented the coordination with the Group's strategies, explored the development models of innovative business, continued to enhance the support for fund-raising and financing, actively and prudently promoted the implementation of market-oriented debt-for-equity swap projects. It effectively helped companies reduce leverages, cut costs and improve corporate governance, and assisted the Group in resolving and disposing of risky assets and the Bank in improving the capability of supporting the real economy with comprehensive services.

DISTRIBUTION MAP OF OVERSEAS INSTITUTIONS



Controlled Subsidiaries and Major Equity Participation Company

- *Overseas Subsidiaries*

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

ICBC (Asia) is a wholly-owned Hong Kong registered bank by the Bank, and has an issued share capital of HKD36,379 million. It provides comprehensive commercial banking services and the major businesses include commercial credit, trade finance, investment service, retail banking, e-banking, custody, credit card, receiving bank services for IPOs and dividend distribution etc. At the end of June 2018, ICBC (Asia) recorded total assets of USD124,421 million and net assets of USD14,583 million. It generated a net profit of USD522 million in the first half of the year.

ICBC INTERNATIONAL HOLDINGS LIMITED

ICBC International, a licensed integrated platform for financial services in Hong Kong that is wholly owned by the Bank, has a paid-up capital of HKD4,882 million. It mainly renders a variety of financial services, including corporate finance, investment management, sales and trading, and asset management. At the end of June 2018, ICBC International recorded total assets of USD8,567 million and net assets of USD1,006 million. It generated a net profit of USD79 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MACAU) LIMITED

ICBC (Macau) is the largest local legal banking entity in Macau. It has a share capital of MOP589 million, in which the Bank holds an 89.33% stake. ICBC (Macau) mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. At the end of June 2018, ICBC (Macau) recorded total assets of USD33,550 million and net assets of USD2,636 million. It generated a net profit of USD140 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD

ICBC (Malaysia) is a wholly-owned subsidiary of the Bank established in Malaysia. With a paid-up capital of MYR833 million, it is able to provide a full range of commercial banking services. At the end of June 2018, ICBC (Malaysia) recorded total assets of USD1,267 million and net assets of USD264 million. It generated a net profit of USD10.40 million in the first half of the year.

PT. BANK ICBC INDONESIA

ICBC (Indonesia) is a full-licensed commercial banking subsidiary of the Bank registered in Indonesia, with a paid-up capital of IDR3.69 trillion, in which the Bank holds a 98.61% stake. ICBC (Indonesia) mainly specializes in financial services such as deposit, loan, trade finance, settlement, agency services, interbank borrowing and lending and foreign exchange. At the end of June 2018, ICBC (Indonesia) recorded total assets of USD3,964 million and net assets of USD359 million. It generated a net profit of USD13.70 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

ICBC (Thai), a subsidiary of the Bank in Thailand, has a share capital of THB20,132 million, in which the Bank holds a 97.86% stake. ICBC (Thai) holds a comprehensive banking license and provides various services including deposit, loan, trade finance, remittance, settlement, leasing and consulting. At the end of June 2018, ICBC (Thai) recorded total assets of USD6,588 million and net assets of USD847 million. It generated a net profit of USD29.83 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ALMATY) JOINT STOCK COMPANY

ICBC (Almaty), a wholly-owned subsidiary of the Bank, was incorporated in Kazakhstan with a share capital of KZT8,933 million. It principally engages in commercial banking services such as deposit, loan, international settlement and trade finance, foreign currency exchange, guarantee, account management, internet banking and bank card service. At the end of June 2018, ICBC (Almaty) recorded total assets of USD433 million and net assets of USD63 million. It generated a net profit of USD7.55 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

ICBC (New Zealand), a wholly-owned subsidiary of the Bank in New Zealand, has a paid-up capital of NZD234 million. ICBC (New Zealand) provides corporate and personal banking services such as account management, transfer and remittance, international settlement, trade finance, corporate credit, residential mortgages and credit card business. At the end of June 2018, ICBC (New Zealand) recorded total assets of USD1,758 million and net assets of USD157 million.

ICBC (LONDON) PLC

ICBC (London), a wholly-owned subsidiary of the Bank, was incorporated in the United Kingdom with a paid-up capital of USD200 million. It provides banking services such as deposit and exchange, loan, trade finance, international settlement, funds clearing, agency, foreign exchange trading and retail banking services. At the end of June 2018, ICBC (London) recorded total assets of USD2,256 million and net assets of USD406 million. It generated a net profit of USD10.41 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A.

ICBC (Europe), a wholly-owned subsidiary of the Bank, was incorporated in Luxembourg with a paid-up capital of EUR437 million. It has several institutions including Paris Branch, Amsterdam Branch, Brussels Branch, Milan Branch, Madrid Branch and Warsaw Branch, which mainly offer financial services including loan, trade finance, settlement, treasury, investment banking, custody, and franchise wealth management. At the end of June 2018, ICBC (Europe) recorded total assets of USD7,104 million and net assets of USD737 million. It generated a net profit of USD12.44 million in the first half of the year.

BANK ICBC (JOINT STOCK COMPANY)

Bank ICBC (JSC), a wholly-owned subsidiary of the Bank, was incorporated in Russia with a share capital of RUB10,810 million. Bank ICBC (JSC) provides a full range of corporate and personal banking services including corporate and project loan, trade finance, deposit, settlement, securities brokerage, custody, franchise treasury business and securities trading, foreign currency exchange, global cash management, investment banking and corporate financial advisory. At the end of June 2018, Bank ICBC (JSC) recorded total assets of USD914 million and net assets of USD225 million. It generated a net profit of USD5.44 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (USA) NA

ICBC (USA), a controlled subsidiary of the Bank in the United States, has a paid-up capital of USD369 million, in which the Bank holds an 80% stake. It holds a full-functional commercial banking license registered in the UFIQAC and is a member of Federal Deposit Insurance Corporation. ICBC (USA) provides a full range of corporate and consumer retail banking products and services including deposits, loans, settlement and remittance services, trade finance, cross-border settlements, cash management services, internet banking and bank cards. At the end of June 2018, ICBC (USA) recorded total assets of USD2,615 million and net assets of USD406 million. It generated a net profit of USD12.63 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC

ICBCFS, a wholly-owned subsidiary of the Bank in the United States, has a paid-up capital of USD50.00 million. With a focus on securities clearing business in Europe and America, ICBCFS offers institutional customers securities brokerage services such as securities clearing, clearing and financing. At the end of June 2018, ICBCFS recorded total assets of USD33,402 million and net assets of USD165 million. It generated a net profit of USD10.44 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

ICBC (Canada) is a subsidiary of the Bank in Canada with a paid-up capital of CAD158.00 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license, ICBC (Canada) provides various corporate and retail banking services such as deposit, loan, settlement remittance, trade finance, foreign exchange trading, funds clearing, RMB cross-border settlement, RMB currency notes, cash management, e-banking, bank card and investment and financing information consulting service. At the end of June 2018, ICBC (Canada) recorded total assets of USD1,486 million and net assets of USD196 million. It generated a net profit of USD10.20 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ARGENTINA) S.A.

ICBC (Argentina), a controlled subsidiary of the Bank in Argentina, has a share capital of ARS1,345 million, in which the Bank holds an 80% stake. With a full-functional commercial banking license, ICBC (Argentina) provides a full range of commercial banking services including working capital loan, syndicated loan, structured financing, trade finance, personal loan, auto loan, spot/forward foreign exchange trading, financial markets, cash management, investment banking, bond underwriting, asset custody, leasing, international settlement, e-banking, credit card and asset management. At the end of June 2018, ICBC (Argentina) recorded total assets of USD4,844 million and net assets of USD457 million. It generated a net profit of USD64.07 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (BRASIL) S.A.

ICBC (Brasil), a wholly-owned subsidiary of the Bank in Brazil, has a paid-up capital of BRL202 million. ICBC (Brasil) offers commercial banking and investment banking services such as deposit, loan, trade finance, international settlement, fund transaction, franchise wealth management and financial advisory. At the end of June 2018, ICBC (Brasil) recorded total assets of USD281 million and net assets of USD56 million. It generated a net profit of USD0.68 million in the first half of the year.

ICBC PERU BANK

ICBC (Peru), a wholly-owned subsidiary of the Bank in Peru, has a paid-up capital of USD100 million. Holding a full-functional commercial banking license, ICBC (Peru) offers a wide range of services including corporate deposit, loan, financial leasing, international settlement, trade finance, foreign exchange trading and e-banking. At the end of June 2018, ICBC (Peru) recorded total assets of USD249 million and net assets of USD80 million.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA MEXICO S.A.

ICBC (Mexico), a wholly-owned subsidiary of the Bank in Mexico, has a paid-up capital of MXN1,597 million. Holding a full-functional commercial banking license, ICBC (Mexico) offers corporate deposit, loan, international settlement, trade finance, foreign exchange trading and other services. At the end of June 2018, ICBC (Mexico) recorded total assets of USD263 million and net assets of USD71 million. It generated a net profit of USD0.81 million in the first half of the year.

ICBC TURKEY BANK ANONIM ŞIRKETI

ICBC (Turkey), a controlled subsidiary of the Bank in Turkey, has a share capital of TRY860 million, in which the Bank holds a 92.84% stake. With licenses for commercial banking, investment banking and asset management, ICBC (Turkey) provides corporate customers with integrated financial services including deposit, project loan, syndicated loan, trade finance, small and medium-sized enterprise loan, investment and financing advisory services, securities brokerage and asset management. At the same time, it provides personal customers with financial services such as deposit, personal consumption loan, residential mortgages, credit card and e-banking. At the end of June 2018, ICBC (Turkey) recorded total assets of USD3,194 million and net assets of USD264 million. It generated a net profit of USD16.05 million in the first half of the year.

ICBC STANDARD BANK PLC

ICBC Standard Bank, a controlled subsidiary of the Bank in the United Kingdom, has an issued share capital of USD1,083 million, in which the Bank holds a 60% stake directly. ICBC Standard Bank mainly engages in global commodity trading businesses such as base metals, precious metals, bulk commodities and energy. It also provides global financial markets services such as exchange rate, interest rate, unsecured products and equities. At the end of June 2018, ICBC Standard Bank recorded total assets of USD24,217 million and net assets of USD1,263 million.

◆ *Major Domestic Subsidiaries*

ICBC CREDIT SUISSE ASSET MANAGEMENT CO., LTD.

ICBC Credit Suisse Asset Management, a subsidiary of the Bank, has a paid-up capital of RMB200 million, in which the Bank holds an 80% stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by CSRC, and owns many business qualifications including mutual fund, QDII, enterprise annuity, specific asset management, domestic and overseas investment manager of social security fund, RQFII, insurance asset management, non-listed asset management, occupational annuity, manager of basic pension insurance investment. It is one of the fund companies with the most comprehensive qualifications in the industry. ICBC Credit Suisse Asset Management (International) and ICBC Credit Suisse Investment Management are structured under ICBC Credit Suisse Asset Management. As of the end of June 2018, ICBC Credit Suisse Asset Management managed a total of 113 mutual funds and over 540 enterprise annuity accounts and segregated management accounts as well as non-listed assets portfolios, with the assets under management exceeding RMB1.38 trillion; it recorded total assets of RMB8,587 million and net assets of RMB7,024 million, and generated a net profit of RMB725 million in the first half of the year.

ICBC FINANCIAL LEASING CO., LTD.

ICBC Leasing, a wholly-owned subsidiary of the Bank, has a paid-up capital of RMB18.0 billion. It mainly engages in financial leasing of large-scale equipment in key fields such as aviation, shipping, energy and power, rail transit and equipment manufacturing and provides a variety of financial and industrial services including retail assignment, investment funds, securitization of investment assets, assets transactions and management. It has become a financial leasing company with the strongest comprehensive strength in China. At the end of June 2018, ICBC Leasing recorded total assets of RMB341,690 million and net assets of RM30,678 million. It generated a net profit of RMB1,451 million in the first half of the year.

ICBC-AXA ASSURANCE CO., LTD.

ICBC-AXA, a subsidiary of the Bank, has a paid-up capital of RMB12,505 million, in which the Bank holds a 60% stake. ICBC-AXA engages in a variety of insurance businesses such as life insurance, health insurance and accident insurance, and re-insurance of these businesses, businesses in which use of insurance capital is permitted by laws and regulations of the State, and other businesses approved by the CBIRC. At the end of June 2018, ICBC-AXA recorded total assets of RMB110,865 million and net assets of RMB11,731 million.

ICBC FINANCIAL ASSET INVESTMENT CO., LIMITED

With a paid-in capital of RMB12.0 billion, ICBC Investment is a wholly-owned subsidiary of the Bank and one of the first pilot banks in China authorized by the State Council to conduct debt-for-equity swap. It holds the franchise license of non-bank financial institution and is mainly engaged in debt-for-equity swap and the supporting business. At the end of June 2018, ICBC Investment recorded total assets of RMB12,588 million and net assets of RMB12,466 million. It generated a net profit of RMB273 million in the first half of the year.

◆ *Majority Equity Participation Company*

STANDARD BANK GROUP LIMITED

Standard Bank is the largest commercial bank in Africa. Its scope of business covers commercial banking, investment banking, life insurance business and other areas. The Bank holds 20.08% ordinary shares of Standard Bank, and the two banks engage in cooperation and communication frequently. At the end of June 2018, Standard Bank recorded total assets of ZAR2,046,932 million and net assets of ZAR189,078 million. It generated a net profit of ZAR12,706 million in the first half of the year.

Information Technology

- The Bank tried hard to build an intelligent bank as the original momentum of transformation and development. It developed an intelligent banking information system, and integrated and built an enterprise-level business structure covering all the customers, areas and channels, deepened the transformation of IT architecture, and reduced the coupling between systems; and established a "data lake" shared by means of ODS (Operational Data Store) to achieve data sharing in all areas. Focusing on the "e-ICBC 3.0" strategy, the Bank integrated the financial products under ICBC e Life, continuously improved the customer service capabilities and satisfaction of the internet-based financial platforms; built a financial services ecosystem, opened up the API platform-based internet portal, and formed a "two-driver" system for creation of internet-based financial scenarios.
- The Bank developed new technology platforms such as machine learning, internet of things, blockchain and biometrics. Based on the blockchain technology, the Bank carried out application scenario innovation, completed the design of "Blockchain Plus" integrated financial services platform, and cooperated with Xiongan New Area to realize project fund management in the 10,000-mu afforestation project and serve "Digital Xiongan" building with the use of blockchain; enabled the access of all intelligent POS to the internet of things platform to improve the monitoring level of collateral and equipment; launched the high-dimensional feature engineering and other functions on the enterprise-level artificial intelligence machine learning platform to achieve the application in the transaction fraud prevention and intelligent customer service fields; and introduced biometrics and blockchain technologies on the ICBC Pooling platform to build a complete financial services circle for core enterprises and upstream and downstream enterprises.
- The Bank continued to enhance the operation services system. It continuously optimized the group-wide management of production and operation, improved the business system monitoring and intelligent operation and maintenance platform, and worked to ensure the smooth operation of information systems and the constant improvement of the production and operation quality. It fully promoted the cloud platform to meet the requirements of the intensive utilization of resources and the flexible deployment of resources for hot businesses. The asymmetric architecture of the host dual-active 2.0 was rolled out successfully, achieving system-level zero data loss and improving the continuous operation level of information systems.

- The Bank consolidated the information security system. It strengthened the information security management of the whole group, continuously improved the information security system, carried out information security exercises, and raised the effectiveness of information security measures of the whole group; it continued to perform information security inspection, evaluation and audit from the perspectives of information security policy compliance and risk prevention and control. It perfected the information security operation center (SOC) to achieve second- or minute-level security monitoring and continuously improve protection capabilities. More than two thousand high-risk attacks were successfully blocked, and hundreds of fake websites were banned each month. Qualified and authoritative third parties were engaged to conduct special inspections and safety assessments on relevant systems. Routine penetration testing and special security assessment were furthered to remove potential threats to information system security.

- The Bank rolled out new IT-based services. It completed the account-establishment work of Xiongan Branch to support the branch's subsequent business development. It launched the "Quick Lending for Operation" product enabling the online automatic approval of lending to enhance the inclusive financial service capabilities. It offered the financing business pledged with the assets in the online bill pool for corporate customers. It rolled out Rong Zhi e Xin to provide customers with professional think tank services in the fields of strategic planning, investment and wealth management decision-making. Singapore Branch launched the PAYNOW service to provide customers with a more convenient electronic transfer and payment service.

- In the first half of 2018, the Bank was granted 28 patents, and the total number of patents owned by the Bank increased to 534, including 261 patents for inventions granted by the State Intellectual Property Office and 273 patents for utility model and product design patents granted by the State Intellectual Property Office.

Human Resources Management

- The Bank deepened the readjustment of staff structure, finalized the Group's human resources planning system for 2018-2020, and furthered the implementation of the three-year plan for human resources. It promoted the position settings and the optimization of labor combination at all outlets, and prepared a plan for integration of tellers and customer service managers at outlets. The "Honorary Global Employees" selection and commendation was organized, and outstanding local employees of overseas institutions were organized to work at the Head Office through exchange program.

- The Bank improved talent introduction and training, and launched the "ICBC Star" campus recruitment plan and the "ICBC Star Sailor" summer internship program. It formulated guidelines for the management of new employees, and gradually built a new employee management system with ICBC characteristics which effectively linked introduction, growth and success.

- The Bank continuously improved the training support system, optimized the examination and certification mechanism, strengthened the construction of training channels and of training resource guarantee, and developed a three-dimensional training channel system of "online and offline, human intelligence and artificial intelligence, promotion and interaction". The Bank promoted the training of high-caliber and professionalized talents, with a focus on strengthening the training of managers, experts, front-line staff as well as employees from overseas institutions, which helped the participants to apply what they learned into their daily work, and enhanced the capability of performing their duties. In the first half of 2018, the Bank organized 20 thousand sessions of training, and the participants reached 1.95 million, with each participant receiving 3.4-day training on average.

- The Bank improved the corporate culture system, and officially released the core concept of "focusing on the source, changing with the times, pursuing innovation with collaboration and retaining permanent vitality" for innovation culture. It vigorously advocated the "fighter + doer" culture, actively communicated the excellent cultural concept to the frontline employees of outlets and customers, and displayed how the employees made arduous efforts at work. With a focus on the theme of "ONE ICBC, ONE FAMILY", the Bank held a special exhibition on corporate cultures of overseas institutions, displaying the cultural construction and good spirits of more than 40 overseas institutions in many dimensions and aspects.

RISK MANAGEMENT

Enterprise Risk Management System

In the first half of 2018, the Bank continued to improve the Group's enterprise risk management system, and made risk management more forward-looking and effective. It implemented the latest regulatory requirements, improved the enterprise risk management system, refined the management of risk appetite and risk limits, and enhanced management and control of cross-financial risks. It enhanced the consolidated risk management, boosted the risk management capability of non-banking subsidiaries and advanced unified management of tier-two subsidiaries. It continued to press ahead with the building and results application of risk measurement system, actively pushed forward the application of FinTech means such as big data in risk management. It kept improving the formulation of credit rules, and reinforced the whole-process management of credit risk. It boosted the Group's market risk management to a higher level, with focus on strengthening market risk management of overseas institutions and fully implementing product control requirements. It further refined the liquidity risk management to enhance the measurement, monitoring and management and control of the Group's consolidated liquidity risk. It deepened its management of interest risk in the banking book with the interest term structure reasonably set and the asset and liability duration effectively controlled. The Bank strengthened the application of operational risk management tools and data quality management, and continued to carry out risk governance in key areas and links. It actively implemented the requirements of the New Rules on Asset Management to deepen the risk management in wealth management business.

Credit Risk

Credit Risk Management

The Bank adhered to serving the real economy with financial services, strengthened the whole-process management of credit risk, further improving the credit risk control capability.

The Bank continued to improve the credit rules, and consolidated the basis for credit management. The Bank strictly implemented the financial regulatory requirements, improved the basic framework of financial institution customer credit risk management, and standardized the credit risk management of financing guarantee institutions. It revised the management regulations on the duration of corporate customer credit and agency investment business, and further improved the customer-centered credit risk management system. It continued to improve the system of personal loan business regulations, highlighted the whole-process management requirements for personal loans, and strengthened the control over substantive risks.

The Bank strengthened the strategic guiding role of credit policy, focused on the key areas and weak links of the real economy, adhered to the basic principles of green credit, and accurately managed credit granting and layout. It coordinated the uniform management of existing and new loans, promoted the transfer of credit resources to high-quality and efficient areas, and facilitated the improvement of credit structure. It highlighted the financing services for major national projects, and actively supported the transformation and upgrading of advanced manufacturing and traditional industries. It effectively met the financing needs in the areas of inclusive finance and targeted poverty relief, and steadily pushed forward the high-quality financing projects in the fields of medical care, education, elderly care and cultural tourism.

The Bank strengthened risk management of the real estate industry. It continued to grant loans for selective shantytown renovation projects by the government purchased services at higher level with strong fiscal strength, and steadily carried out the business of loans for housing leasing. On the basis of controlling the total size of commercial housing loans, the Bank implemented the differential credit policies for different regions: mainly supporting ordinary commercial housing projects in first-tier cities and second-tier cities with reasonable inventory digestion cycle and sufficient potential demand, and prudently granting new loans for housing development in third and fourth-tier cities, and tightening the access of customers and projects. It standardized the management of loans for merger and acquisition of real estate companies, and strictly controlled the business-purpose housing development loans and commercial shantytown renovation.

The Bank strengthened credit risk management of small enterprises. It strengthened management over access of small enterprise customers, tightened the granting of new loans, and strictly controlled the quality of new loans. It enhanced the management and control, investigation and analysis of existing loans, formulated the risk mitigation plans for different categories of risks. It strengthened risk prevention and control in key areas, focused on the investigation of overfinancing loans, loans for a group of cooperated small enterprises and business-purpose house mortgaged loans, organized on-site inspections, prepared and implemented risk mitigation plans in time, and effectively improved asset quality in key risk areas.

The Bank enhanced risk management of personal loans. It stepped up cooperation with large-scale real estate enterprises, and further ensured authenticity of transactions through direct connection of personal housing mortgage system and other ways, improving its risk prevention and control capability in personal housing loan business. It strengthened the risk management of personal pledged loans, adjusted the single account limit through self-service channels, and strengthened management over loan utilization. It enhanced the formulation of the risk reporting regulations and the building of monitoring and analysis system for personal loans, and strengthened the monitoring and supervision of risky loans.

The Bank stepped up risk management of credit card business. It strengthened the group-based credit strategy for customers, optimized the allocation of credit resources, prudently reduced the credit line for customers with high credit lines, and enhanced the management and control over risky customers' credit line. It strengthened post-loan management, and strengthened the collection of overdue credit card loans.

The Bank improved credit risk management of treasury operations. The Bank continued to strictly implement the unified requirements in the bank-wide credit risk management policy, and strengthened the pre-investment screening analysis and credit risk evaluation of bonds. It enhanced the risk management during the duration of bond investment, and improved the sorting and investigation mechanism for risks. It strictly implemented the regulatory requirements for currency market transactions, strengthened the list-based management of counterparties, paid close attention to the change of counterparties' qualification, and took prospective measures to prevent risks.

Credit Risk Analysis

As at the end of June 2018, the maximum credit risk exposure without taking account of any collateral and other credit enhancements reached RMB30,230,356 million, representing an increase of RMB1,351,836 million compared with the end of the previous year. Please refer to "Note 44.(a)(i) to the Financial Statements: Details of the Bank's Maximum Exposure to Credit Risk without Taking Account of Any Collateral and Other Credit Enhancements". For mitigated risk exposures of credit risk asset portfolio, please refer to "Information Disclosed Pursuant to the Capital Regulation".

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

	At 30 June 2018		At 31 December 2017	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Pass	14,221,487	95.23	13,450,486	94.50
Special mention	482,674	3.23	561,974	3.95
NPLs	229,976	1.54	220,988	1.55
Substandard	97,319	0.65	81,209	0.57
Doubtful	95,612	0.64	108,854	0.76
Loss	37,045	0.25	30,925	0.22
Total	**14,934,137**	**100.00**	**14,233,448**	**100.00**

The quality of loans continues to improve. As at the end of June 2018, according to the five-category classification, pass loans amounted to RMB14,221,487 million, representing an increase of RMB771,001 million compared to the end of the previous year and accounting for 95.23% of total loans. Special mention loans amounted to RMB482,674 million, representing a decrease of RMB79,300 million and accounting for 3.23% of total loans, dropping by 0.72 percentage points. NPLs amounted to RMB229,976 million, and NPL ratio was 1.54%, with a drop of 0.01 percentage points.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2018				At 31 December 2017			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	9,341,405	62.5	187,087	2.00	8,936,864	62.8	175,903	1.97
Discounted bills	279,752	1.9	324	0.12	351,126	2.5	525	0.15
Personal loans	5,312,980	35.6	42,565	0.80	4,945,458	34.7	44,560	0.90
Total	**14,934,137**	**100.0**	**229,976**	**1.54**	**14,233,448**	**100.0**	**220,988**	**1.55**

Corporate NPLs were RMB187,087 million, showing an increase of RMB11,184 million when compared with the end of the previous year, and representing a NPL ratio of 2.00%. Personal NPLs stood at RMB42,565 million, showing a decrease of RMB1,995 million, and representing a NPL ratio of 0.80%, with a drop of 0.10 percentage points.

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

In RMB millions, except for percentages

Item	At 30 June 2018				At 31 December 2017			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Transportation, storage and postal services	1,788,971	22.8	11,675	0.65	1,715,562	22.8	9,568	0.56
Manufacturing	1,455,430	18.4	77,776	5.34	1,409,206	18.6	67,604	4.80
Leasing and commercial services	995,323	12.6	8,032	0.81	910,672	12.1	6,250	0.69
Production and supply of electricity, heat, gas and water	916,545	11.6	1,468	0.16	900,484	12.0	1,407	0.16
Water, environment and public utility management	721,752	9.1	1,317	0.18	655,533	8.7	975	0.15
Wholesale and retail	566,356	7.2	51,085	9.02	568,011	7.6	55,366	9.75
Real estate	548,471	6.9	10,464	1.91	501,769	6.7	13,631	2.72
Construction	248,588	3.1	2,850	1.15	223,484	3.0	2,856	1.28
Mining	207,366	2.6	3,277	1.58	208,675	2.8	2,998	1.44
Science, education, culture and sanitation	149,756	1.9	898	0.60	126,906	1.7	850	0.67
Lodging and catering	106,801	1.4	4,047	3.79	111,047	1.5	3,256	2.93
Others	189,352	2.4	5,700	3.01	191,651	2.5	4,142	2.16
Total	**7,894,711**	**100.0**	**178,589**	**2.26**	**7,523,000**	**100.0**	**168,903**	**2.25**

In the first half of 2018, the Bank made more efforts to serve the development of the real economy, actively followed major national development strategies, strived to satisfy the loan demands of investment projects in key national areas, and continuously stepped up efforts to improve and adjust the allocation of credits to industries. Loans to leasing and commercial service increased by RMB84,651 million, representing a growth rate of 9.3%, mainly due to fast growth in lending to commercial services including investment and asset management and development zones etc. Loans to transportation, storage and postal services increased by RMB73,409 million, representing a growth rate of 4.3%, mainly due to satisfaction of the financing demands from road, urban rail transit and other infrastructure construction. Loans to water, environment and public utility management increased by RMB66,219 million, representing a growth rate of 10.1%, mainly for supporting the significant projects and projects for people's livelihood in the areas of new urbanization development, environmental protection and public services.

Some light industry, equipment manufacturing, chemical industry and other low-end manufacturing areas in the manufacturing industry are affected by factors such as slowing down effective market demand and fierce market competition in the industry. Some enterprises default on loans due to broken fund chains and non-performing loans have increased.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 30 June 2018				At 31 December 2017			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	687,668	4.6	19,298	2.81	629,733	4.4	14,702	2.33
Yangtze River Delta	2,734,646	18.4	25,988	0.95	2,599,171	18.2	27,955	1.08
Pearl River Delta	1,990,149	13.3	30,002	1.51	1,896,063	13.3	32,878	1.73
Bohai Rim	2,450,170	16.4	49,712	2.03	2,339,537	16.4	46,903	2.00
Central China	2,113,062	14.1	31,864	1.51	2,003,202	14.1	32,911	1.64
Western China	2,645,316	17.7	42,538	1.61	2,512,303	17.7	38,628	1.54
Northeastern China	748,697	5.0	21,563	2.88	734,343	5.2	19,596	2.67
Overseas and others	1,564,429	10.5	9,011	0.58	1,519,096	10.7	7,415	0.49
Total	**14,934,137**	**100.0**	**229,976**	**1.54**	**14,233,448**	**100.0**	**220,988**	**1.55**

MOVEMENTS OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

Allowance for impairment losses on loans and advances to customers measured at amortised cost	12-month ECL	Lifetime ECL — not credit-impaired	Lifetime ECL — credit-impaired	Total
Balance at 1 January 2018	**107,961**	**111,867**	**152,770**	**372,598**
Transfer:				
to 12-month ECL	7,951	(7,528)	(423)	–
to lifetime ECL — not credit-impaired	(903)	1,213	(310)	–
to lifetime ECL — credit-impaired	(941)	(18,033)	18,974	–
Charge	29,435	2,025	46,229	77,689
Write-offs	(118)	(978)	(51,127)	(52,223)
Recoveries of loans and advances previously written off	–	–	1,082	1,082
Other movements	47	54	(1,251)	(1,150)
Balance at 30 June 2018	**143,432**	**88,620**	**165,944**	**397,996**

Allowance for impairment losses on loans and advances to customers measured at FVOCI	12-month ECL	Lifetime ECL — not credit-impaired	Lifetime ECL — credit-impaired	Total
Balance at 1 January 2018	**23**	**0**	**448**	**471**
Transfer:				
to 12-month ECL	–	–	–	–
to lifetime ECL — not credit-impaired	–	–	–	–
to lifetime ECL — credit-impaired	–	–	–	–
Charge/(reverse)	63	0	(200)	(137)
Other movements	1	–	–	1
Balance at 30 June 2018	**87**	**0**	**248**	**335**

As at the end of June 2018, the allowance for impairment losses stood at RMB398,331 million, including RMB397,996 million of allowance for impairment losses at amortized cost, and RMB335 million of that at fair value through other comprehensive income. Allowance to NPL was 173.21%, showing an increase of 19.14 percentage points as compared to the end of last year; allowance to total loans ratio was 2.67%, showing an increase of 0.28 percentage points.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 30 June 2018 Amount	At 30 June 2018 Percentage (%)	At 31 December 2017 Amount	At 31 December 2017 Percentage (%)
Loans secured by mortgages	6,789,599	45.5	6,480,800	45.5
Pledged loans	1,256,012	8.4	1,265,834	8.9
Guaranteed loans	2,134,092	14.3	2,059,779	14.5
Unsecured loans	4,754,434	31.8	4,427,035	31.1
Total	**14,934,137**	**100.0**	**14,233,448**	**100.0**

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 30 June 2018 Amount	At 30 June 2018 % of total loans	At 31 December 2017 Amount	At 31 December 2017 % of total loans
Less than 3 months	87,970	0.59	107,218	0.75
3 months to 1 year	81,399	0.55	68,209	0.48
1 to 3 years	66,913	0.45	80,919	0.57
Over 3 years	33,328	0.22	29,729	0.21
Total	**269,610**	**1.81**	**286,075**	**2.01**

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 any portion of the installments is overdue.

Overdue loans stood at RMB269,610 million, representing a decrease of RMB16,465 million from the end of the previous year. Among which, loans overdue for over 3 months amounted to RMB181,640 million, representing an increase of RMB2,783 million.

RESCHEDULED LOANS

Rescheduled loans and advances amounted to RMB5,171 million, representing an increase of RMB13 million as compared to the end of the previous year. Rescheduled loans and advances overdue for over 3 months amounted to RMB778 million, representing a decrease of RMB596 million.

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 3.9% and 13.3% of the Bank's net capital respectively. The total amount of loans granted to the top ten single customers was RMB329,631 million, accounting for 2.2% of the total loans. The table below shows the details of the loans granted to the top ten single borrowers of the Bank as at the end of June 2018.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total loans
Borrower A	Transportation, storage and postal services	96,557	0.6
Borrower B	Transportation, storage and postal services	38,259	0.3
Borrower C	Transportation, storage and postal services	33,286	0.2
Borrower D	Finance	26,970	0.2
Borrower E	Manufacturing	25,699	0.2
Borrower F	Manufacturing	24,355	0.2
Borrower G	Transportation, storage and postal services	22,150	0.2
Borrower H	Production and supply of electricity, heat, gas and water	21,483	0.1
Borrower I	Manufacturing	20,449	0.1
Borrower J	Transportation, storage and postal services	20,423	0.1
Total		**329,631**	**2.2**

Risk Management for Asset Management

The Bank continued to strengthen risk management for the asset management business of the Group. The Bank further improved the management system of agency investment business, formulated detailed rules on the management of agency investment cooperation institutions and the management plan for debt-for-equity swap business. It optimized and adjusted the annual risk authorization plan for non-standardized agency investment business. It also promoted the upgrading of the management system for asset management business, and strengthened the system hard control of risk management.

The Bank actively implemented the requirements of New Rules on Asset Management, regarded the building of asset management risk control system as an important cornerstone of business transformation and development, and endeavored to build an enterprise risk management system for asset management business with "unified risk appetite on- and off-balance sheet, whole-process all-risk line coverage, and matching of risk and return".

Market Risk

Market Risk Management of the Banking Book

The Bank actively improved the system of market risk management rules for the banking book and further increased interest rate and currency risk management and measurement capability of the Group. It focused on adopting stable and prudent interest rate risk appetite, prudently formulated the Group's interest rate risk management strategy, improved the management system and system building of interest risk limits, and comprehensively used the tools such as interest rate limit system management, term structure management, internal and external pricing management to effectively control the Group's interest rate risk.

Market Risk Management of the Trading Book

The Bank continued to strengthen and improve trading book market risk management and product control, adopted the value at risk (VaR), stress testing, sensitivity analysis, exposure analysis, profit/loss analysis, price monitoring and other means to measure and manage trading book products. It continued to improve the portfolio-based market risk limit management system, refined the limit indicator system and dynamic management mechanism to meet the requirements of new products and businesses for timeliness, and realized quick and flexible limit monitoring and dynamic adjustments based on the global market risk management system. For VaR of the trading book, please refer to "Note 44. (c)(i) to the Financial Statements: Value at Risk (VaR)".

Market Risk Analysis

◆ *Interest Rate Risk Analysis*

By making judgment on macro-economic and interest rate trends based on scientific approach and research, the Bank prudently formulated the management strategy for interest risk, made active efforts to properly guide and improve the maturity structure of assets and liabilities, effectively controlled the duration of assets and liabilities and interest rate sensitivity exposure to stabilize and improve net interest income.

As at the end of June 2018, the Bank had a positive cumulative interest rate risk exposure within one year of RMB36,878 million, representing an increase of RMB243,492 million from the end of the previous year, mainly resulted from the increase in repriced or matured loans and advances to customers within one year; interest rate risk over one year had a positive exposure of RMB1,989,332 million, representing a decrease of RMB51,764 million from the end of the previous year.

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
At 30 June 2018	(4,949,836)	4,986,714	439,127	1,550,205
At 31 December 2017	(951,368)	744,754	447,734	1,593,362

Note: Please refer to "Note 44.(c)(ii) to the Financial Statements: Interest Rate Risk".

Please refer to "Note 44.(c)(ii) to the Financial Statements: Interest Rate Risk" for the interest rate sensitivity analysis.

◆ *Currency Risk Analysis*

The Bank closely watched the changes in external environment and market conditions, actively took a combination of limit management and risk hedge to adjust and optimize the aggregate amount and structure of foreign exchange assets and liabilities, and strengthened assets and liabilities currency structure management and capital fund preservation management of overseas institutions. The currency risk of the Bank was under control.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

Item	At 30 June 2018		At 31 December 2017	
	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	353,144	53,385	371,875	57,111
Exposure of off-balance sheet foreign exchange items, net	(200,781)	(30,352)	(206,760)	(31,753)
Total foreign exchange exposure, net	**152,363**	**23,033**	**165,115**	**25,358**

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

Liquidity Risk

The Bank constantly improved its liquidity risk management rules system following changes in the macroeconomic environment and financial regulatory policies, and upgraded liquidity risk management mechanism, strengthened liquidity risk monitoring and management of items on- and off- balance sheet, in both domestic and overseas institutions, and in local and foreign currencies, thus continuously enhancing the liquidity risk management quality. The Bank continued to implement the stable and prudent liquidity management strategy, and vigorously made the daily liquidity management more flexible and forward-looking to ensure smooth and orderly payment to the customers of the whole Bank and the reasonable and appropriate reserves. It kept making more efforts to improve the total size and structure of the fund sources and utilization, focused on the matching, stability and diversification of fund sources, boosted the balanced and stable increase of assets and liability businesses, and took multiple measures to ensure the smooth and safe liquidity operation of the Group.

Liquidity Risk Analysis

As at the end of June 2018, RMB liquidity ratio and foreign currency liquidity ratio of the Bank were 43.9% and 75.5% respectively, both meeting the regulatory requirements. Loan-to-deposit ratio was 69.7%. Please refer to "Discussion and Analysis — Other Information Disclosed Pursuant to Regulatory Requirements" for details.

Net stable funding ratio aims to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of assets and off-balance sheet risk exposures. The net stable funding ratio is the ratio of the available stable funding to the required stable funding. The available stable funding refers to the sum of the product of the book value of capital and liability items of commercial banks and the corresponding available stable fund coefficient. The required stable funding refer to the sum of the product of the book value of asset items of commercial banks and the off-balance sheet exposure and the corresponding required stable funding coefficient. As at the end of June 2018, the net stable funding ratio was 127.47%, the available stable funding was RMB18,320,711 million, and the required stable funding was RMB14,372,163 million.

The daily average of liquidity coverage ratio for the second quarter of 2018 was 118.36%, 2.21 percentage points lower than the previous quarter. This was mainly because the increase of net cash outflows exceeded the high-quality liquid assets (HQLAs). HQLAs cover cash, available central bank reserves for use under stress and level 1 and level 2 bond assets that can be included in the liquidity coverage ratio under the regulatory requirements. For the quantitative information for liquidity coverage ratio based on the Administrative Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks promulgated by the former CBRC, please refer to "Unaudited Supplementary Financial Information".

The Bank also assessed its liquidity risk profile by using liquidity exposure analysis. As at the end of June 2018, the liquidity exposure for the less than 1 month category turned from negative to positive, which was mainly due to the decrease of repurchase agreements with corresponding term; the negative liquidity exposure for the 3 months to 1 year category increased, which was mainly due to the increase of customer deposits with corresponding term; the positive liquidity exposure for the category of 1 to 5 years expanded, which was mainly due to increase in bond investment and loans and advances to customers with corresponding term; the positive liquidity exposure for the category of over 5 years expanded, which was mainly due to increase in loans and advances to customers with corresponding term. The Bank had sufficient liquidity reserves and good overall liquidity as its deposits grew steadily with a relatively high deposition rate, coupled by the substantial holdings in high-liquidity bond assets.

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than 1 months	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
At 30 June 2018	(11,378,648)	238,249	(648,106)	(1,230,127)	3,770,792	8,022,728	3,417,313	2,192,201
At 31 December 2017	(10,793,525)	(200,327)	(595,509)	(829,587)	3,452,159	7,619,544	3,488,301	2,141,056

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

Internal Control and Operational Risk

Internal Control

The Bank continually refined its internal control mechanism and actively improved its internal control management. It formulated the Planning for Internal Control System Building for 2018-2020 to continue refining the internal control system. It advanced the formulation and optimization of the Internal Control Manual based on the Business Operation Guide to push forward the realization of procedure-based regulations, the standardization of procedures and the specification of operations. It constantly improved the assessment indicator system and assessment methods, facilitated the evolution of internal control assessment to one featuring "big data monitoring and regular assessment". It enhanced the fostering of compliance culture, refining the regular, systematic and diversified compliance training mechanism, made the Group's compliance management more IT-based, strengthened the compliance inspection and supervision to ensure the sound operation of the Bank.

Operational Risk Management

The Bank continued to push the Group's operational risk management to a higher level in line with the regulatory focus and operational risk trends. It conducted risk governance in key fields and links on an ongoing basis, and actively conducted in-depth crackdown campaign to improve or update policies, procedures, systems and mechanisms and the procedure-based hard control over key links. It enhanced the external fraud risk management to effectively protect customers' fund safety. It reinforced the operational risk limit management, and productively monitored and reported the limit indicators. It refined the measurement system for operational risk, intensified large-value operational risk event control, and continuously strengthened the application of operational risk management tools and management of data quality. During the reporting period, the operational risk management system of the Bank operated smoothly and the operational risk was controllable on the whole.

Legal Risk

The Bank constantly improved its capacity to prevent and control legal risk, and made active efforts to form a full-process legal risk prevention and control mechanism. Following the current financial regulatory requirements, the Bank advanced the prevention, control and mitigation of relevant legal risks in key fields and links, and made the legal risk prevention and control more prospective, proactive and targeted.

Anti-Money Laundering

In strict compliance with applicable laws and regulations concerning anti-money laundering of China and the host countries (regions) of overseas institutions, the Bank implemented the "risk-based" regulatory requirements in an in-depth way, earnestly fulfilled the legal obligations and social duties concerning anti-money laundering, and kept enhancing the Group's risk management level regarding anti-money laundering and anti-terrorist financing. It continued to improve the Group's money laundering risk management system, strengthened money laundering risk management in core fields and businesses and key links, and highlighted the responsibility of first line of defense against money laundering. It actively cooperated with the regulatory authorities in the risk assessment over China by international anti-money laundering organizations, and coordinated with competent institutions in investigating anti-money laundering activities. It orderly advanced the building of intelligent anti-money laundering system, proactively promoted the comprehensive application of the anti-money laundering risk management results to various businesses. Additionally, it organized targeted anti-money laundering training, improved the compliance consciousness, professionalism and performance capability of anti-money laundering personnel.

Reputational Risk

The Bank constantly advanced the building of the reputational risk management mechanism and reinforced the prevention and control of the reputational risk sources. It stepped up efforts to apply and improve the reputational risk management system and further improve the IT application in reputational risk management. It conducted reputational risk assessments on new businesses and products, and investigated and prevented potential reputational risks. It performed reputational risk management and protection of consumer rights and interests by synchronized method, actively responded to the comments and suggestions of the public, and continued to increase the reputational risk awareness of all the employees. It actively promoted the project of high-quality services, and organized a series of featured reports with greater influence for publicity. During the reporting period, the Bank's reputational risk was controllable without the occurrence of any material reputational risk event.

Country Risk

In the first half of 2018, facing the increasingly complicated international political and economic environment, the Bank continued to enhance country risk management. It continuously improved the policies and procedures for country risk management; closely watched changes in country risk exposures, constantly tracked, monitored and reported country risks; and timely updated and adjusted the country risk rating and limits. It also conducted stress tests on country risk actively, strengthened early warning for country risks, and effectively controlled country risks while pushing ahead with the internationalization strategy.

CAPITAL MANAGEMENT

In the first half of 2018, the Bank further deepened the capital management reform, intensified the constraint of economic capital on the bank-wide risk-weighted assets and continued to elevate the capital use efficiency and return on capital. It steadily enhanced the supplementation capacity of endogenous capital, and further consolidated the bank-wide capital base to reinforce its capacity in supporting the real economy. During the reporting period, the Bank's capital indicators performed well, and its capital adequacy ratio was kept at a sound and appropriate level.

Capital Adequacy Ratio and Leverage Ratio

The Bank calculated capital adequacy ratios at all tiers in accordance with the Capital Regulation. According to the scope of implementing the advanced capital management approaches as approved by the former CBRC, the foundation internal ratings-based (IRB) approach is 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 is 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 2018, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 12.33%, 12.81% and 14.73% respectively, all complying with regulatory requirements.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 30 June 2018	At 31 December 2017
Core tier 1 capital	**2,095,885**	**2,044,390**
Paid-in capital	356,407	356,407
Valid portion of capital reserve	151,958	151,952
Surplus reserve	233,080	232,660
General reserve	266,360	264,850
Retained profits	1,114,821	1,096,868
Valid portion of minority interests	2,996	2,716
Others	(29,737)	(61,063)
Core tier 1 capital deductions	**14,514**	**14,282**
Goodwill	8,508	8,478
Other intangible assets other than land use rights	1,776	1,532
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,750)	(3,708)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net core tier 1 capital	**2,081,371**	**2,030,108**
Additional tier 1 capital	**80,013**	**79,952**
Additional tier 1 capital instruments and related premium	79,375	79,375
Valid portion of minority interests	638	577
Net tier 1 capital	**2,161,384**	**2,110,060**
Tier 2 capital	**323,977**	**297,360**
Valid portion of tier 2 capital instruments and related premium	202,253	222,321
Surplus provision for loan impairment	118,764	71,736
Valid portion of minority interests	2,960	3,303
Tier 2 capital deductions	**–**	**500**
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	500
Net capital base	**2,485,361**	**2,406,920**
Risk-weighted assets(2)	**16,878,254**	**15,902,801**
Core tier 1 capital adequacy ratio	**12.33%**	**12.77%**
Tier 1 capital adequacy ratio	**12.81%**	**13.27%**
Capital adequacy ratio	**14.73%**	**15.14%**

Notes: (1) Please refer to "Note 44.(d) to the Financial Statements: Capital Management".

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

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

LEVERAGE RATIO

In RMB millions, except for percentages

Item	At 30 June 2018	At 31 March 2018	At 31 December 2017	At 30 September 2017
Net tier 1 capital	2,161,384	2,154,625	2,110,060	2,074,109
Balance of adjusted on- and off-balance sheet assets	29,421,922	28,551,949	28,084,967	27,689,701
Leverage ratio	**7.35%**	**7.55%**	**7.51%**	**7.49%**

Note: Please refer to "Unaudited Supplementary Financial Information" for details on disclosure of leverage ratio information.

Capital Financing Management

On the basis of capital replenishment by retained profits, the Bank proactively expanded the channels for external capital replenishment and continuously promoted the issuance of new types of capital instruments. In August 2018, the Board of Directors of the Bank convened a meeting, at which the proposal on issuing the eligible tier 2 capital instruments with the total amount up to an equivalent of RMB110.0 billion by the end of 2020 was reviewed and approved. The proposal is still to be presented to the Shareholders' General Meeting for deliberation. Please refer to the announcements published by the Bank on the websites of SEHK and SSE for details on the issuance of tier 2 capital instruments by the Bank. Please refer to the section headed "Significant Events" for details on the issuance of preference shares by the Bank.

OUTLOOK

Year to date, Chinese economy has been running stably with a positive outlook, securing a good start towards high-quality development. In the meanwhile, along with more uncertainties in the external environment, China's economic restructuring is currently in a critical period of tackling key challenges and interweaving of multiple factors, which requires us to pay close attention, conduct comprehensive research and assessment, and deal with them properly.

The Bank is facing the following opportunities: **First,** Chinese economy has vast growth potential, great resilience, sufficient momentum for further development and adequate room to adjust. The economic growth has been underpinned by consumption, service industries and domestic demand mainly instead of excessive reliance on being driven by investment and export in the past, creating a general environment which is favorable for bank operation. **Second**, a series of macro-regulation policies have begun to take effect. The reforms in some key fields and links such as those in relation to "administrative streamlining, power delegation, regulation improvement and service optimization" are continuously deepening, and there is a further enhancement of the ability to allocate the factors of resource in a market-oriented way, effectively stimulating and unleashing the endogenous power and intrinsic vitality of economic development. As a result, a sound foundation has been laid for bank transformation and development. **Third,** the innovation-driven strategy is being implemented in depth, the incubation and development of new growth drivers are speeding up, "mass entrepreneurship and innovation" are popular in China, new business formats and new models are springing up, which not only backs the building of an intelligent banking system but also opens up market space for the advancement of FinTech. **Fourth,** the "13th Five-Year Plan" for building a modern financial system has been released, the framework of regulation underpinned by monetary policy and macro-prudential policy has been further improved, and the remediation of financial disorders has made periodic achievements, providing guidance and creating conditions for the Bank to serve the real economy and ward off financial risks.

The Bank is confronting with the following challenges: **First,** there are more unstable and uncertain factors in the international environment, global financial market is fluctuating more sharply, and the U.S.-China trade frictions may in particular negatively affect multiple sectors, bringing more risks and disturbances to bank operation. **Second,** China is emphasising strong regulation and strict regulation, together with global financial regulation becoming increasingly stringent, which posed even higher requirements on compliance management and prudent operation of the Bank's domestic and overseas institutions. **Third,** the cross-over competition is intensifying, customers' financial requirements are becoming more and more scenario-based, and there is an obvious trend of financial behavior taking place in the mobile device and financial service provided off the premise, urgently calling the Bank to accelerate its pace of innovation and transformation.

2018 marks the 40th anniversary of China's reform and opening-up. In the year, ICBC is determined to usher into a new journey of becoming a strong bank from a large bank. Aiming to build **a world-class and modern financial enterprise with global competitiveness by adhering to the principles of** "**delivering excellence, sticking to our founding mission, customers**' **favorite, leading in innovation, security and prudence, and people-oriented**", the Bank will be well prepared and strive hard along a long march in the new era.

- **The Bank will improve the quality and efficiency of serving the real economy on an all-round basis.** Following the trend of economic development and industrial change, the Bank will actively align itself to China's major strategies, perfect the comprehensive services system with six focuses of loan, bond, stock, agency, lease and consultant, optimize the allocation of existing resources and increase the supply of new superior resources. Highlighting that "no small and micro enterprise business, no future for ICBC", the Bank will deepen and strengthen inclusive finance and provide more specialized services with a focus on product and service innovation and online-offline coordination.

- **The Bank will deepen reform and innovation on all fronts.** Reforms across such fields as business operation, human resources, assessment and evaluation and key urban branches will be promoted in a coordinated way to inspire operational vitality and value creation. The Bank will speed up the development of intelligent banking, build a new IT architecture, and put in place new "data-based, intelligent and smart" operations management and financial services systems with the new philosophy and new technology.

- **The Bank will carry forward the enterprise risk management system.** With a focus on on- and off-balance sheet activities and domestic and overseas institutions, the Bank will strengthen management and control from the source and adopt well-targeted solutions to put all types of risks under control. It will actively advance the cross-risk prevention and control, and improve the pass-through risk monitoring mechanism. The Bank will also press ahead with the governance of risks in important fields, and cultivate a prudent compliance culture and a long-effective mechanism of compliance management.

OTHER INFORMATION DISCLOSED PURSUANT TO REGULATORY REQUIREMENTS

Major Regulatory Indicators

Item		Regulatory criteria	At 30 June 2018	At 31 December 2017	At 31 December 2016
Liquidity ratio (%)	RMB	>=25.0	43.9	41.7	35.7
	Foreign currency	>=25.0	75.5	86.2	82.3
Loan-to-deposit ratio (%)	RMB and foreign currency		69.7	71.1	70.9
Percentage of loans to single largest customer (%)		<=10.0	3.9	4.9	4.5
Percentage of loans to top 10 customers (%)			13.3	14.2	13.3
Loan migration ratio (%)	Pass		0.9	2.7	3.4
	Special mention		14.8	23.2	23.5
	Substandard		26.5	71.1	36.8
	Doubtful		16.6	10.6	7.4

Note: 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.

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 2018 and equity attributable to equity holders of the parent company as at the end of the reporting period had no differences.

Corporate Bonds

The Bank did not issue any corporate bonds which shall be disclosed according to the No. 3 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of Half-Year Reports (Revision 2017) or the No. 39 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of Half-Year Reports on Corporate Bonds.

Information Disclosed Pursuant to the Capital Regulation

Capital Adequacy Ratio

Scope of Capital Adequacy Ratio Calculation

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

Results of Capital Adequacy Ratio Calculation

In RMB millions, except for percentages

Item	At 30 June 2018		At 31 December 2017	
	Group	Parent Company	Group	Parent Company
Calculated in accordance with the Capital Regulation:				
Net core tier 1 capital	2,081,371	1,903,021	2,030,108	1,856,054
Net tier 1 capital	2,161,384	1,965,620	2,110,060	1,935,429
Net capital base	2,485,361	2,273,534	2,406,920	2,216,707
Core tier 1 capital adequacy ratio	12.33%	12.46%	12.77%	12.88%
Tier 1 capital adequacy ratio	12.81%	12.87%	13.27%	13.44%
Capital adequacy ratio	14.73%	14.89%	15.14%	15.39%
Calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks and related regulations:				
Core capital adequacy ratio	11.36%	11.60%	11.65%	11.96%
Capital adequacy ratio	14.06%	14.09%	14.56%	14.67%

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

Measurement of Risk-Weighted Assets

According to the scope of implementing the advanced capital management approaches as approved by the former CBRC, the foundation internal ratings-based (IRB) approach is 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 is 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 2018	At 31 December 2017
Credit risk-weighted assets	15,267,276	14,332,051
Parts covered by internal ratings-based approach	10,156,147	9,789,156
Parts uncovered by internal ratings-based approach	5,111,129	4,542,895
Market risk-weighted assets	387,893	347,665
Parts covered by internal model approach	290,330	268,963
Parts uncovered by internal model approach	97,563	78,702
Operational risk-weighted assets	1,223,085	1,223,085
Total	**16,878,254**	**15,902,801**

Credit Risk

CREDIT RISK EXPOSURE

In RMB millions

Item	At 30 June 2018		At 31 December 2017	
	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach
Corporate	9,432,619	1,684,919	9,056,035	1,584,005
Sovereign	—	5,077,020	—	4,881,015
Financial institution	—	2,944,507	—	2,954,157
Retail	5,155,725	434,721	4,800,855	396,636
Equity	—	59,055	—	50,614
Asset securitization	—	45,395	—	18,669
Others	—	5,780,773	—	5,826,641
Total risk exposure	**14,588,344**	**16,026,390**	**13,856,890**	**15,711,737**

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

Market Risk

CAPITAL REQUIREMENT FOR MARKET RISK

In RMB millions

Risk type	At 30 June 2018	At 31 December 2017
Parts covered by internal model approach	**23,226**	**21,517**
Parts uncovered by internal model approach	**7,805**	**6,296**
Interest rate risk	3,472	3,012
Commodity risk	4,255	3,201
Stock risk	28	39
Option risk	50	44
Total	**31,031**	**27,813**

Note: According to the scope of implementing the advanced capital management approaches as approved by the former 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 applies the Historical Simulation Method (adopting a confidence interval of 99%, holding period of 10 days and historical data of 250 days) to measure VaR for use in capital measurement by internal model approach.

VALUE AT RISK (VAR)

In RMB millions

Item	Six months ended 30 June 2018				Six months ended 30 June 2017			
	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
VaR	**3,902**	**3,504**	**3,902**	**3,087**	**1,798**	**1,427**	**1,818**	**1,135**
Interest rate risk	88	109	147	74	219	389	535	208
Currency risk	3,837	3,421	3,837	2,990	1,765	1,417	1,789	1,158
Commodity risk	42	52	101	21	91	97	148	64
Stressed VaR	**3,902**	**3,504**	**3,902**	**3,087**	**2,013**	**2,140**	**2,726**	**1,886**
Interest rate risk	96	136	356	76	246	354	460	234
Currency risk	3,837	3,414	3,837	2,990	2,022	2,166	2,677	1,840
Commodity risk	33	45	99	19	138	117	172	65

Operational Risk

The Bank adopts the standardized approach to measure capital requirement for operational risk. As at the end of June 2018, the capital requirement for operational risk was RMB97,847 million. Please refer to "Discussion and Analysis — Risk Management" for operational risk management of the Bank during the reporting period.

Interest Rate Risk in the Banking Book

Supposing that there is parallel shift of overall market interest rates, and taking no account of possible risk management actions taken by the management to mitigate the interest rate risk, the analysis on interest rate sensitivity in the banking book of the Bank categorized by major currencies in the first half of 2018 is shown in the following table:

In RMB millions

	+100 basis points		-100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(25,546)	(31,326)	25,546	33,857
USD	(2,074)	(3,845)	2,074	3,847
HKD	576	–	(576)	–
Others	881	(666)	(881)	667
Total	**(26,163)**	**(35,837)**	**26,163**	**38,371**

Equity Risk in the Banking Book

In RMB millions

	At 30 June 2018			At 31 December 2017		
Equity type	Publicly-traded equity investment risk exposure[(1)]	Non-publicly-traded equity investment risk exposure[(1)]	Unrealized potential gains (losses)[(2)]	Publicly-traded equity investment risk exposure[(1)]	Non-publicly-traded equity investment risk exposure [(1)]	Unrealized potential gains (losses)[(2)]
Financial institution	30,355	8,214	3,662	33,199	1,822	207
Corporate	4,370	13,604	274	3,193	11,076	194
Total	**34,725**	**21,818**	**3,936**	**36,392**	**12,898**	**401**

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.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Ordinary Shares

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	At 31 December 2017		Increase/decrease during the reporting period	At 30 June 2018	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares subject to restrictions on sales	–	–	–	–	–
II. Shares not subject to restrictions on sales	356,406,257,089	100.00	–	356,406,257,089	100.00
1. RMB-denominated ordinary shares	269,612,212,539	75.65	–	269,612,212,539	75.65
2. Foreign shares listed overseas	86,794,044,550	24.35	–	86,794,044,550	24.35
III. Total number of shares	356,406,257,089	100.00	–	356,406,257,089	100.00

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

Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 604,243 ordinary shareholders and no holders of preference shares with voting rights restored, including 123,938 holders of H shares and 480,305 holders of A shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 ORDINARY SHAREHOLDERS OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage (%)	Total number of shares held	Number of pledged or locked-up shares	Increase/ decrease of shares during the reporting period
Huijin	State-owned	A Share	34.71	123,717,852,951	None	–
MOF	State-owned	A Share	34.60	123,316,451,864	None	–
HKSCC Nominees Limited/ Hong Kong Securities Clearing Company Limited[4]	Foreign legal person	H Share	24.17	86,134,094,908	Unknown	34,244,480
		A Share	0.20	704,986,268	None	235,135,800
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other entities	A Share	1.03	3,687,330,676	None	-44,000,000
China Securities Finance Co., Ltd.	State-owned legal person	A Share	0.67	2,375,725,040	None	-1,600,354,846
Sycamore Investment Platform Co., Ltd.	State-owned legal person	A Share	0.40	1,420,781,042	None	–
Central Huijin Asset Management Co., Ltd.	State-owned legal person	A Share	0.28	1,013,921,700	None	–
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other entities	A Share	0.12	431,141,549	None	68,433,722
China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu	Other entities	A Share	0.10	344,613,344	None	212,810,999
Anbang Property & Casualty Insurance Co., Ltd. — Traditional products	Other entities	A Share	0.06	207,691,297	None	–

Notes: (1) The above data are based on the Bank's register of shareholders as at 30 June 2018.

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

(3) Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Huijin. Both the "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" and the "China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu" are managed by China Life Insurance Company Limited. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

(4) HKSCC Nominees Limited held 86,134,094,908 H shares, and Hong Kong Securities Clearing Company Limited held 704,986,268 A shares.

Changes of the Controlling Shareholders and De Facto Controller

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

Interests and Short Positions Held by Substantial Shareholders and Other Persons

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

As at 30 June 2018, the Bank received notices from the following persons about their interests or short positions held in the Bank's ordinary shares and underlying shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares (%)	Percentage of total ordinary shares (%)
MOF[1]	Beneficial owner	118,006,174,032	Long position	43.77	33.11
Huijin[2]	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 2018, MOF held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 30 June 2018, Huijin held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Huijin, held 1,013,921,700 shares in the Bank.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares (%)	Percentage of total ordinary shares (%)
National Council for Social Security Fund	Beneficial owner	8,663,703,234	Long position	9.98	2.43
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,317,475,731	Long position	8.43	2.05
Ping An Asset Management Co., Ltd.[1]	Investment manager	6,115,905,000	Long position	7.05	1.72
BlackRock, Inc.	Interest of controlled corporations	5,164,443,669	Long position	5.95	1.45
		1,059,000	Short position	0.00	0.00

Note: (1) As confirmed by Ping An Asset Management Co., Ltd., such shares were held by Ping An Asset Management Co., Ltd. on behalf of certain customers (including but not limited to Ping An Life Insurance Company of China, Ltd.) in its capacity as investment manager and the interests in such shares were disclosed based on the latest disclosure of interests form filed by Ping An Asset Management Co., Ltd. for the period ended 30 June 2018 (the date of relevant event being 28 November 2017). Both Ping An Life Insurance Company of China, Ltd. and Ping An Asset Management Co., Ltd. are subsidiaries of Ping An Insurance (Group) Company of China, Ltd. As Ping An Asset Management Co., Ltd. is in a position to fully exercise the voting rights in respect of such shares on behalf of customers and independently exercise the rights of investment and business management in its capacity as investment manager, and is completely independent from Ping An Insurance (Group) Company of China, Ltd., Ping An Insurance (Group) Company of China, Ltd. is exempted from aggregating the interests in such shares as a holding company under the aggregation exemption and disclosing the holding of the same in accordance with the Securities and Futures Ordinance of Hong Kong.

Preference Shares

Issuance and Listing of Preference Shares in Latest Three Years

The Bank privately issued 450 million preference shares in domestic market on 18 November 2015 upon the approval by the former CBRC pursuant to Yin Jian Fu [2015] No. 189 and by CSRC pursuant to Zheng Jian Xu Ke [2015] No. 1023. Each domestic preference share had a nominal value of RMB100 and was issued at nominal value. The coupon rate, as determined by benchmark rate plus a fixed spread, shall remain unchanged for the first 5 years commencing from the issuance date. Subsequently, the benchmark rate shall be readjusted once every 5 years during which the coupon rate shall remain unchanged. The coupon rate for the Domestic Preference Shares during the first 5 years is determined at 4.5% through price discovery. Upon approval by SSE pursuant to Shang Zheng Han [2015] No. 2391, the domestic preference shares were listed on the integrated trading platform of SSE for transfer as of 11 December 2015 (stock name: ICBC Preference Share 1, stock code: 360011). Total proceeds from the issuance amounted to RMB45.0 billion. After deduction of expenses relating to the issuance, net proceeds from the issuance amounted to around RMB44.95 billion, all of which will be used to replenish additional tier 1 capital of the Bank.

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

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

Unit: Share

Name of shareholder	Nature of Shareholder	Class 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
Cede & Co.	Foreign legal person	USD offshore preference shares	–	147,000,000	47.9	–	Unknown
The Bank of New York Depository (Nominees) Limited	Foreign legal person	RMB offshore preference shares	–	120,000,000	39.1	–	Unknown
		EUR offshore preference shares	–	40,000,000	13.0	–	Unknown

Notes: (1) The above data are based on the Bank's register of offshore preference shareholders as at 30 June 2018.

(2) As the issuance of the offshore preference shares above was private offering, the register of preference shareholders presented the information on proxies of placees.

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

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

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class 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
China Mobile Communications Corporation	Other entities	Domestic preference shares	–	200,000,000	44.4	–	None
China National Tobacco Corporation	Other entities	Domestic preference shares	–	50,000,000	11.1	–	None
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	–	35,000,000	7.8	–	None
Ping An Life Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	30,000,000	6.7	–	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
China Resources SZITIC Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
BOC International (China) Limited	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
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) The above data are based on the Bank's register of domestic preference shareholders as at 30 June 2018.

(2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. Both the "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" and the "China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu" are managed by China Life Insurance Company Limited. The "Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products" is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China Ltd. have connected relations. 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 afore-mentioned 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.

Dividend Distribution of Preference Shares

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

Redemption or Conversion of Preference Shares

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

Restoration of Voting Rights of Preference Shares

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

Accounting Policy Adopted for Preference Shares and Rationale

According to the Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments and the Rules for Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatment (Cai Kuai [2014] No. 13) promulgated by MOF as well as the International Financial Reporting Standard 9 — Financial Instruments 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.

Directors, Supervisors, Senior Management, Employees and Institutions

Basic Information on Directors, Supervisors and Senior Management

As at the disclosure date of the results, the composition of the Board of Directors, the Board of Supervisors and the Senior Management of the Bank is as follows:

The Board of Directors of the Bank consists of 15 directors, including three Executive Directors: Mr. Yi Huiman, Mr. Gu Shu and Mr. Wang Jingdong; six Non-executive Directors: Mr. Cheng Fengchao, Mr. Zheng Fuqing, Mr. Fei Zhoulin, Ms. Mei Yingchun, Mr. Dong Shi and Mr. Ye Donghai; and six Independent Non-executive Directors: Mr. Or Ching Fai, Mr. Hong Yongmiao, Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Ms. Sheila Colleen Bair and Mr. Shen Si.

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

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

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

Appointment and Removal

- *Directors*

At the Annual General Meeting for the Year 2017 held on 26 June 2018, Mr. Cheng Fengchao was elected as Non-executive Director of the Bank, and his new term of office started from the day of approval by the Annual General Meeting.

In July 2018, Mr. Zhang Hongli ceased to act as Executive Director of the Bank due to expiration of the term of office.

- *Supervisors*

On 5 January 2018, Mr. Qian Wenhui resigned from the positions of Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments.

- *Senior Management Members*

On 2 July 2018, Mr. Zhang Hongli resigned from the position of Senior Executive Vice President due to family reasons.

Changes in Information of Directors and Supervisors

Since April 2018, the Bank's Independent Non-executive Director Mr. Or Ching Fai changed his positions from Chairman and Executive Director to Chairman and Non-executive Director of China Strategic Holdings Limited, and from Independent Non-executive Chairman and Independent Non-executive Director to Executive Chairman and Executive Director of Esprit Holdings Limited.

Basic Information on Employees and Institutions

As at the end of June 2018, the Bank had a total of 443,169 employees[1], representing a decrease of 9,879 as compared with the end of the previous year. Among them, 5,886 were employees in domestic subsidiaries and 15,306 were employees in overseas institutions.

As at the end of June 2018, the Bank had a total of 16,823 institutions, representing a decrease of 65 as compared with the end of the previous year. Among them, there were 16,403 domestic institutions and 420 overseas ones.

GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES

Item	Assets (in RMB millions)	Percentage (%)	Number of institutions	Percentage (%)	Number of employees	Percentage (%)
Head Office	9,978,167	36.5	30	0.2	16,061	3.6
Yangtze River Delta	4,870,768	17.8	2,527	15.0	60,166	13.6
Pearl River Delta	3,019,519	11.1	2,050	12.2	48,691	11.0
Bohai Rim	3,565,102	13.0	2,718	16.2	69,695	15.7
Central China	2,505,524	9.2	3,542	21.1	89,337	20.2
Western China	3,189,689	11.7	3,759	22.3	90,199	20.3
Northeastern China	1,037,659	3.8	1,655	9.8	47,828	10.8
Overseas and others	3,648,260	13.4	542	3.2	21,192	4.8
Eliminated and undistributed assets	(4,511,608)	(16.5)				
Total	**27,303,080**	**100.0**	**16,823**	**100.0**	**443,169**	**100.0**

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

1 Does not include labor dispatched for services totaling 77 persons, of whom 34 were dispatched to major domestic subsidiaries.

Corporate Governance

Corporate Governance and Measures for Improvement

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

The Bank improved the structure and relevant mechanisms of the Board of Directors. During the reporting period, the Bank orderly pushed ahead with the change of members of the Board of Directors to ensure the structure of the Board of Directors to be legal and compliant. It made plans for adjustment of members of special committees of the Board of Directors to further leverage the role of special committees as advisor in decision-making. It revised the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors and other detailed rules on governance, further improved the system of rules on corporate governance. It actively adapted to the changes in regulatory rules, improved the duty performance mechanism of the Board of Directors, and ensured the Board of Directors reviewed the relevant important matters in time and performed its duties legally and compliantly.

It refined the relevant rules on the Board of Supervisors. During the reporting period, it revised the Measures of the Board of Supervisors for Supervision Work, the Rules on Assessment of Duty Performance of the Board of Directors and the Senior Management and Their Members by the Board of Supervisors, the Rules on Assessment of Duty Performance of Supervisors by the Board of Supervisors, etc. These efforts further regulated the contents in supervision, enriched the supervision approaches, and enhanced the application of results of Board of Supervisors' supervision, effectively leveraging the important role of the Board of Supervisors in corporate governance.

It reinforced the enterprise risk management, pressed ahead with the implementation of the latest regulatory requirements, and enhanced the building of the three lines of defense mechanism in risk management. It improved the management over risk appetite and risk limit, strengthened the monitoring of cross-financial risks, coordinated risk management and control of on-balance sheet and off-balance sheet risks, domestic and overseas risks, and existing volume and incremental volume. It carried out risk-oriented audit activities, and kept enhancing its audit service capabilities and specialism.

It continued to improve the Group's transparency. It fulfilled its information disclosure obligations in accordance with laws and regulations, made continuous efforts to improve the quality and effects of information disclosure management, orderly made voluntary information disclosure, effectively protecting the legitimate rights and interests of investors, especially the minority shareholders. It stepped up warning on compliance and supervision to consistently improve the Group's information disclosure management.

Corporate Governance Code 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.

Shareholders' General Meeting The Bank convened the Annual General Meeting for the Year 2017 on 26 June 2018. It was convened and held in strict compliance with relevant laws and regulations and the Articles of Association of the Bank. The Bank disclosed the relevant announcement of resolutions and legal opinions in a timely manner in accordance with regulatory requirements. For details of the meeting, please refer to the announcement of the Bank dated 26 June 2018 on the websites of SSE, SEHK and the Bank.

Profits and Dividends Distribution

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

Upon the approval at the Annual General Meeting for the Year 2017 held on 26 June 2018, the Bank distributed cash dividends of about RMB85,823 million, or RMB2.408 per ten shares (pre-tax), for the period from 1 January 2017 to 31 December 2017 to the ordinary shareholders whose names appeared on the share register after the close of market on 12 July 2018. The Bank will not declare or distribute interim dividends for 2018, nor will it convert any capital reserves to share capital.

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

Use of Proceeds from Fundraising Activities

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

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

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

Material Legal Proceedings and Arbitration The Bank was involved in several legal proceedings in the ordinary course of business. Most of these legal proceedings were initiated by the Bank to recover non-performing loans. The rest are mainly related to disputes with clients. As at 30 June 2018, the amount of pending proceedings in which the Bank and/or its subsidiaries acted as defendants totaled RMB4,704 million. The Bank does not expect any material adverse effect from the above-mentioned pending legal proceedings on the Bank's business, financial position or operating results.

Credit Standing During the reporting period, there was no significant valid court judgment with which the Bank and its controlling shareholders had not complied, nor was there any outstanding debt of significant amount.

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

Material Related Party Transactions

During the reporting period, the Bank did not enter into any material related party transactions.

Please refer to "Note 42. to the Financial Statements: Related Party Disclosures" for details of the related party transactions defined under the laws and regulations of China and the relevant accounting standards.

Material Contracts and Performance of Obligations thereunder

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

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

Commitments

As at 30 June 2018, all of the continuing commitments made by the shareholders were properly fulfilled, and were listed as follows:

Shareholder	Type of commitment	Time and term of commitment	Legal document under which the commitment is made	Commitment	Fulfillment of commitment
Huijin	Commitment of non-competition	October 2006/No specific term	Prospectus of Industrial and Commercial Bank of China Limited on Initial Public Offering (A Share)	Provided that Huijin continues to hold any share of the Bank or is deemed as the controlling shareholder of the Bank or the related party of the controlling shareholder of the Bank according to the laws or listing rules of China or the listing place of the Bank, Huijin will not engage in or participate in any competitive commercial banking business including but not limited to granting loans, attracting deposits and providing settlement, fund custody, bank card and money exchange services. However, Huijin can engage in or participate in some competitive businesses by investing in other commercial banks. In this regard, Huijin has committed that it will: (1) fairly treat the investments in commercial banks and will not make any decision or judgment that will have adverse impact on the Bank or be beneficial to other commercial banks by taking advantage of the status of being a shareholder of the Bank or information obtained by taking advantage of the status of being a shareholder of the Bank; and (2) perform the shareholders' rights for the maximum interests of the Bank.	As at 30 June 2018, Huijin strictly fulfilled the above commitment and did not do anything in violation of the commitment.
		November 2010/No specific term	Prospectus on A Share Rights Issue of Industrial and Commercial Bank of China Limited		

Save as disclosed above, neither the Bank nor any of its other related parties made any commitments.

Disciplinary Actions During the reporting period, neither the Bank nor any of its Directors, Supervisors, Senior Management members and controlling shareholders was subject to any investigation by competent authorities, coercive measures taken by judicial authorities or disciplinary inspection departments, transferred to judicial authorities or charged with criminal responsibility, case filing investigation or administrative penalty by CSRC, restricted access to market, identification as unqualified, major administrative penalty by other administrative authorities of environmental protection, taxation, safety supervision, etc. or public reprimand by the stock exchanges.

Purchase, Sale and Redemption of Securities During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Bank.

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

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

As at 30 June 2018, Mr. Zhang Hongli, then Executive Director of the Bank, held 2,000 H shares of the Bank, and the spouse of Mr. Or Ching Fai, Independent Non-executive Director of the Bank, held 1,316,040 H shares of the Bank. Save as stated above, as at 30 June 2018, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Implementation of Share Incentive Plan and Employee Stock Ownership Plan during the Reporting Period

During the reporting period, the Bank did not implement any share incentive plan or any employee stock ownership plan.

Performance of the Social Responsibilities of Targeted Poverty Relief

The Bank adhered to the basic principle of targeted poverty relief and elimination, continued to make more efforts in poverty relief through finance, stimulate the inner power of the poor people, endeavored to consolidate the basis for poor people to steadily throw off poverty, focused on the extremely poverty-stricken areas, and went all out to advance poverty relief through finance and targeted poverty relief to assume its responsibility as a big commercial bank with concrete actions.

Poverty relief through finance. The Bank unveiled new products for poverty relief through finance, and implemented the new "Head Office + branches" two-tier structure of credit products for poverty relief to cater for the financial demand of poverty-stricken areas; expanded service provision, stepped up efforts to grant more petty credit loans for poverty relief; promoted inclusive finance, improved the channel layout and enlarged the coverage of financial services; gave play to the role of ICBC Mall to promote the sales of specialties products in poverty-stricken areas.

Poverty relief through education. The Bank deepened the awareness of "stimulating the aspiration and prioritizing education for poverty relief", continued to support job creation, sponsored poor students, carried out the Sunshine Campus project and other branded poverty relief projects to help mitigate the issue of falling into poverty due to schooling in poverty-stricken areas, especially its targeted areas for poverty relief, improved the education infrastructure, and facilitated the constant improvement in education level.

Poverty relief through industries. Adhering to the principle of commercial sustainability, the Bank made profound efforts to promote the development of special industries in poverty-stricken areas, helped foster the poor households' ability to live better lives and overcome poverty through their own efforts. By following the principle of "one policy for one county" in conducting poverty relief through industries in its targeted areas for poverty relief in particular, it explored an industry development model featuring "ICBC+government+CPC village committees and autonomous village committees+enterprises+poor households", and transformed poverty relief efforts from being driven by external forces to being driven by internal forces.

Targeted poverty relief achievements

in RMB10,000

Item	Amount
Balance of loans	14,486,858.36
Including: Loans for industry targeted poverty relief	2,625,410.03
Loans for project targeted poverty relief	9,874,980.50
Including: Rural transport facilities	4,862,450.05
Upgrading of rural power network	197,561.21
Rural water conservancy facilities	729,092.94
Rural education loan	152,030.00

Green and Environment Protection

The Bank actively acted in line with the government's five development concepts of "innovation, coordination, green, opening up and sharing" and the requirements of "promoting balanced economic, political, cultural, social, and ecological progress", and regarded green credit strengthening as a key strategy for long-term pursuit. The Bank comprehensively carried out green credit from the aspects of credit policy, management process, business innovation and its own performance, gave full support to the development of green industries, and reinforced the prevention and control of environmental and social risks. Thus it built itself into a model as a responsible major state-owned bank.

The Bank continuously promoted low-carbon operation, advocated green office and strove to increase the working and management efficiency through information technology. It improved the functions of the office system, continued to promote paperless office work, reformed the car use system, and established a diversified official car use system focused on self-owned cars and complemented by the commercial car service. The Bank called on the employees to proactively protect the natural eco-environment, enhanced employees' environmental awareness, and strengthened their sense of responsibility for the environment. All these efforts synchronously improved economic, social and ecological benefits.

Capital Participation in National Financing Guarantee Fund Co., Ltd.

The Bank signed the Agreement on Sponsors of National Financing Guarantee Fund Co., Ltd. in July 2018, and made a commitment of contributing RMB3.0 billion to National Financing Guarantee Fund Co., Ltd., accounting for 4.5386% of the total registered capital, and the proposed contribution will be paid up in four years as from 2018. Relevant procedures of the regulatory authority need to be carried out for this investment.

Issuance of Preference Shares

On 30 August 2018, the Board of Directors of the Bank reviewed and approved the Proposal on the Domestic Preference Share Issuance Plan of Industrial and Commercial Bank of China Limited and the Proposal on the Offshore Preference Share Issuance Plan of Industrial and Commercial Bank of China Limited. The Bank plans to issue preference shares with a total amount up to an equivalent of RMB100.0 billion on the domestic and offshore markets. Among which, preference shares up to RMB100.0 billion will be issued in a single or multiple series in the domestic market and preference shares up to an equivalent of RMB44.0 billion will be issued in the offshore market. The specific issuance amount will be determined within the above-mentioned limits by the Board of Directors as authorized by the Shareholders' General Meeting (sub-authorization is available). All the funds raised from the domestic and offshore issuance of preference shares after deducting the issuance costs will be used to replenish additional tier 1 capital of the Bank. The preference share issuance plan is still subject to the review and approval by the Shareholders' General Meeting of the Bank, after which it also needs to be approved by relevant regulatory authorities.

Please refer to the announcements published by the Bank on the websites of SEHK and SSE for details on the Bank's planned issuance of domestic and offshore preference shares.

Review of the Interim Report

The 2018 interim financial report prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by KPMG Huazhen LLP and KPMG in accordance with Chinese and international standards on review engagements, respectively.

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

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

Not applicable.

Review Report and Interim Financial Report

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

CONTENTS

KPMG

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

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

Introduction

We have reviewed the interim financial report set out on pages 83 to 188, which comprises the consolidated statement of financial position of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2018 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated cash flow statement for the six month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

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

30 August 2018

Unaudited Interim Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Interest income	3	456,807	418,353
Interest expense	3	(179,191)	(167,431)
NET INTEREST INCOME	3	277,616	250,922
Fee and commission income	4	87,703	85,402
Fee and commission expense	4	(8,443)	(8,732)
NET FEE AND COMMISSION INCOME	4	79,260	76,670
Net trading income	5	3,044	2,912
Net gain on financial investments	6	1,929	631
Other operating (expense)/income, net	7	(547)	5,604
OPERATING INCOME		361,302	336,739
Operating expenses	8	(81,958)	(80,270)
Impairment losses on:			
Loans and advances to customers	17	(77,552)	(61,001)
Others	9	(5,906)	(342)
OPERATING PROFIT		195,886	195,126
Share of profits of associates and joint ventures		1,330	1,372
PROFIT BEFORE TAXATION		197,216	196,498
Income tax expense	10	(36,559)	(42,811)
PROFIT FOR THE PERIOD		160,657	153,687
Attributable to:			
Equity holders of the parent company		160,442	152,995
Non-controlling interests		215	692
PROFIT FOR THE PERIOD		160,657	153,687
EARNINGS PER SHARE			
— Basic (RMB yuan)	12	0.45	0.43
— Diluted (RMB yuan)	12	0.45	0.43

Details of the dividends declared and paid or proposed are disclosed in note 11 to this interim financial report.

The notes on pages 92 to 188 form part of this interim financial report.

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

For the six months ended 30 June 2018
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Profit for the period		160,657	153,687
Other comprehensive income (after tax, net):	33		
Items that will not be reclassified to profit or loss:			
Net gain from equity instruments designated as at fair value through other comprehensive income		329	
Share of the other comprehensive income of investees accounted for using equity method which will not be reclassified to profit or loss		6	(11)
Others		(3)	1
Items that may be reclassified subsequently to profit or loss:			
Net gain from debt instruments measured at fair value through other comprehensive income		10,510	
Net loss from change in fair value of available-for-sale financial assets			(18,245)
Effective hedging portion of gains or losses arising from cash flow hedging instruments		(40)	104
Share of the other comprehensive income of investees accounted for using equity method which may be reclassified subsequently to profit or loss		395	(180)
Foreign currency translation differences		(2,359)	(2,980)
Others		(230)	(29)
Subtotal of other comprehensive income for the period		8,608	(21,340)
Total comprehensive income for the period		169,265	132,347
Total comprehensive income attributable to:			
Equity holders of the parent company		169,083	132,046
Non-controlling interests		182	301
		169,265	132,347

The notes on pages 92 to 188 form part of this interim financial report.

Unaudited Interim Consolidated Statement of Financial Position

As at 30 June 2018
(In RMB millions, unless otherwise stated)

	Notes	30 June 2018 (unaudited)	31 December 2017 (audited)
ASSETS			
Cash and balances with central banks	13	3,818,453	3,613,872
Due from banks and other financial institutions	14	906,466	847,611
Derivative financial assets	15	87,287	89,013
Reverse repurchase agreements	16	687,913	986,631
Loans and advances to customers	17	14,536,141	13,892,966
Financial investments	18	6,257,681	5,756,704
— Financial investments measured at fair value through profit or loss		800,685	440,938
— Financial investments measured at fair value through other comprehensive income		1,450,163	
— Financial investments measured at amortised cost		4,006,833	
— Available-for-sale financial assets			1,496,453
— Held-to-maturity investments			3,542,184
— Receivables			277,129
Investments in associates and joint ventures	19	31,719	32,441
Property and equipment	20	258,824	247,744
Deferred income tax assets	21	57,627	48,392
Other assets	22	660,969	571,669
TOTAL ASSETS		**27,303,080**	**26,087,043**
LIABILITIES			
Due to central banks		428	456
Financial liabilities designated as at fair value through profit or loss	23	86,667	89,361
Derivative financial liabilities	15	80,580	78,556
Due to banks and other financial institutions	24	1,924,082	1,706,549
Repurchase agreements	25	556,277	1,046,338
Certificates of deposit	26	276,060	260,274
Due to customers	27	20,818,042	19,562,936
Income tax payable		44,691	70,644
Deferred income tax liabilities	21	634	433
Debt securities issued	28	579,235	526,940
Other liabilities	29	744,183	603,500
TOTAL LIABILITIES		**25,110,879**	**23,945,987**

The notes on pages 92 to 188 form part of this interim financial report.

(In RMB millions, unless otherwise stated)

	Notes	30 June 2018 (unaudited)	31 December 2017 (audited)
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	30	356,407	356,407
Other equity instruments	31	86,051	86,051
Reserves	32	620,942	587,489
Retained profits		1,115,199	1,097,544
		2,178,599	2,127,491
Non-controlling interests		13,602	13,565
TOTAL EQUITY		**2,192,201**	**2,141,056**
TOTAL EQUITY AND LIABILITIES		**27,303,080**	**26,087,043**

Yi Huiman
Chairman

Gu Shu
Vice Chairman and President

Zhang Wenwu
General Manager of Finance and Accounting Department

The notes on pages 92 to 188 form part of this interim financial report.

Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
			Reserves											
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 31 December 2017	356,407	86,051	152,043	232,703	264,892	(31,752)	(26,302)	(3,761)	(334)	587,489	1,097,544	2,127,491	13,565	2,141,056
Impact of adopting IFRS 9	–	–	–	–	–	22,877	–	–	–	22,877	(55,035)	(32,158)	(32)	(32,190)
Balance as at 1 January 2018	356,407	86,051	152,043	232,703	264,892	(8,875)	(26,302)	(3,761)	(334)	610,366	1,042,509	2,095,333	13,533	2,108,866
Profit for the period	–	–	–	–	–	–	–	–	–	–	160,442	160,442	215	160,657
Other comprehensive income (note 33)	–	–	–	–	–	10,649	(2,149)	(27)	168	8,641	–	8,641	(33)	8,608
Total comprehensive income	–	–	–	–	–	10,649	(2,149)	(27)	168	8,641	160,442	169,083	182	169,265
Dividends — ordinary shares 2017 final (note 11)	–	–	–	–	–	–	–	–	–	–	(85,823)	(85,823)	–	(85,823)
Appropriation to surplus reserve (i)	–	–	–	419	–	–	–	–	–	419	(419)	–	–	–
Appropriation to general reserve (ii)	–	–	–	–	1,510	–	–	–	–	1,510	(1,510)	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	76	76
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(189)	(189)
Others	–	–	–	–	–	–	–	–	6	6	–	6	–	6
Balance as at 30 June 2018 (unaudited)	**356,407**	**86,051**	**152,043**	**233,122**	**266,402**	**1,774**	**(28,451)**	**(3,788)**	**(160)**	**620,942**	**1,115,199**	**2,178,599**	**13,602**	**2,192,201**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB24 million and RMB395 million, respectively.

(ii) Includes the reversal made by overseas branches in the amounts of RMB15 million and appropriation made by subsidiaries in the amounts of RMB1,525 million, respectively.

The notes on pages 92 to 188 form part of this interim financial report.

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company												Non-controlling interests	Total equity
			Reserves											
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total		
Balance as at 1 January 2017	356,407	86,051	152,043	205,021	251,349	1,133	(18,050)	(4,645)	(221)	586,630	940,663	1,969,751	11,412	1,981,163
Profit for the period	–	–	–	–	–	–	–	–	–	–	152,995	152,995	692	153,687
Other comprehensive income (note 33)	–	–	–	–	–	(17,997)	(2,804)	69	(217)	(20,949)	–	(20,949)	(391)	(21,340)
Total comprehensive income	–	–	–	–	–	(17,997)	(2,804)	69	(217)	(20,949)	152,995	132,046	301	132,347
Dividends — ordinary shares 2016 final (note 11)	–	–	–	–	–	–	–	–	–	–	(83,506)	(83,506)	–	(83,506)
Appropriation to surplus reserve (i)	–	–	–	292	–	–	–	–	–	292	(292)	–	–	–
Appropriation to general reserve (ii)	–	–	–	–	424	–	–	–	–	424	(424)	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	792	792
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(166)	(166)
Others	–	–	–	–	–	–	–	–	4	4	–	4	–	4
Balance as at 30 June 2017 (unaudited)	**356,407**	**86,051**	**152,043**	**205,313**	**251,773**	**(16,864)**	**(20,854)**	**(4,576)**	**(434)**	**566,401**	**1,009,436**	**2,018,295**	**12,339**	**2,030,634**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB49 million and RMB243 million, respectively.

(ii) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB21 million and RMB403 million, respectively.

The notes on pages 92 to 188 form part of this interim financial report.

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
			Reserves											
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2017	356,407	86,051	152,043	205,021	251,349	1,133	(18,050)	(4,645)	(221)	586,630	940,663	1,969,751	11,412	1,981,163
Profit for the year	–	–	–	–	–	–	–	–	–	–	286,049	286,049	1,402	287,451
Other comprehensive income	–	–	–	–	–	(32,885)	(8,252)	884	(67)	(40,320)	–	(40,320)	(1,058)	(41,378)
Total comprehensive income	–	–	–	–	–	(32,885)	(8,252)	884	(67)	(40,320)	286,049	245,729	344	246,073
Dividends — ordinary shares 2016 final	–	–	–	–	–	–	–	–	–	–	(83,506)	(83,506)	–	(83,506)
Dividends — preference shares	–	–	–	–	–	–	–	–	–	–	(4,437)	(4,437)	–	(4,437)
Appropriation to surplus reserve (i)	–	–	–	27,682	–	–	–	–	–	27,682	(27,682)	–	–	–
Appropriation to general reserve (ii)	–	–	–	–	13,543	–	–	–	–	13,543	(13,543)	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	2,312	2,312
Change in share holding in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(194)	(194)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(309)	(309)
Others	–	–	–	–	–	–	–	–	(46)	(46)	–	(46)	–	(46)
Balance as at 31 December 2017 (audited)	**356,407**	**86,051**	**152,043**	**232,703**	**264,892**	**(31,752)**	**(26,302)**	**(3,761)**	**(334)**	**587,489**	**1,097,544**	**2,127,491**	**13,565**	**2,141,056**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB107 million and RMB516 million, respectively.

(ii) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB20 million and RMB477 million, respectively.

The notes on pages 92 to 188 form part of this interim financial report.

Unaudited Interim Consolidated Cash Flow Statement

For the six months ended 30 June 2018
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		197,216	196,498
Adjustments for:			
Share of profits of associates and joint ventures		(1,330)	(1,372)
Depreciation		9,867	9,365
Amortisation	8	1,124	1,006
Amortisation of financial investments		2,487	13,762
Impairment losses on loans and advances to customers	17	77,552	61,001
Impairment losses on assets other than loans and advances to customers	9	5,906	342
Unrealised loss on foreign exchange		7,769	2,634
Interest expense on debt securities issued		10,641	7,736
Accreted interest on impaired loans		(1,318)	(1,632)
Net gain on disposal of financial investments		(708)	(520)
Net trading gain on equity investments	5	(217)	(231)
Net loss on changes at fair value		3,336	3
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)		(1,173)	(720)
Dividend income	6	(142)	(114)
		311,010	287,758
Net decrease/(increase) in operating assets:			
Due from central banks		82,101	(140,013)
Due from banks and other financial institutions		(62,790)	(5,595)
Financial investments measured at fair value through profit or loss		(277,088)	(26,764)
Reverse repurchase agreements		15,465	(22,890)
Loans and advances to customers		(634,484)	(877,588)
Other assets		(107,182)	(102,190)
		(983,978)	(1,175,040)
Net (decrease)/increase in operating liabilities:			
Financial liabilities designated as at fair value through profit or loss		(8,383)	20,776
Due to central banks		(28)	(34)
Due to banks and other financial institutions		207,225	(186,068)
Repurchase agreements		(490,061)	92,619
Certificates of deposit		11,925	14,580
Due to customers		1,236,900	1,293,469
Other liabilities		(32,424)	55,294
		925,154	1,290,636
Net cash flows from operating activities before tax		252,186	403,354
Income tax paid		(65,654)	(56,812)
Net cash flows from operating activities		186,532	346,542

The notes on pages 92 to 188 form part of this interim financial report.

(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2018 (unaudited)	2017 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(15,308)	(6,485)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		817	1,476
Purchases of financial investments		(994,124)	(1,150,318)
Proceeds from sale and redemption of financial investments		780,827	1,037,197
Investments in associates and joint ventures		(1,603)	(1,510)
Proceeds from disposal of associates and joint ventures		28	–
Dividends received		942	730
Net cash flows from investing activities		(228,421)	(118,910)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by non-controlling shareholders		76	792
Proceeds from issuance of debt securities		534,584	407,043
Interest paid on debt securities		(5,287)	(6,271)
Repayment of debt securities		(496,085)	(350,054)
Dividends paid to non-controlling shareholders		(189)	(166)
Net cash flows from financing activities		33,099	51,344
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(8,790)	278,976
Cash and cash equivalents at beginning of the period		1,520,330	1,189,368
Effect of exchange rate changes on cash and cash equivalents		9,283	(10,654)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	35	1,520,823	1,457,690
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		469,024	446,317
Interest paid		(182,841)	(163,140)

The notes on pages 92 to 188 form part of this interim financial report.

1. CORPORATE INFORMATION

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

The Bank obtained its finance permit No. B0001H111000001 from the China Banking and Insurance Regulatory Commission (the "CBIRC") of the PRC. The Bank obtained its business license with unified social credit code 91100000100003962T from the State Administration for Industry and Commerce of the PRC. The legal representative is Yi Huiman and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank's A Shares and H Shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and the stock codes are 601398 and 1398, respectively. The Bank's offshore preference shares are listed on the Stock Exchange of Hong Kong Limited and the stock codes are 4603, 4604 and 84602, respectively. The Bank's domestic preference shares are listed on the Shanghai Stock Exchange and the stock code is 360011.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. It was authorised for issue on 30 August 2018.

The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's last annual financial report for the year ended 31 December 2017.

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

Accounting judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of *IFRS 9 "Financial Instruments"*, which are described in significant accounting policies.

Basis of consolidation

The interim financial report comprises the financial statements of the Bank and its subsidiaries for the six months ended 30 June 2018. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

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

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

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

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

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

(In RMB millions, unless otherwise stated)

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

Name	Percentage of equity interest 30 June 2018 %	Percentage of equity interest 31 December 2017 %	Voting rights 30 June 2018 %	Nominal value of issued share/ paid-in capital 30 June 2018	Amount invested by the Bank	Place of incorporation/ registration and operations	Principal activities
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia")	100	100	100	HKD36,379 million	HKD46,930 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	100	HKD4,882 million	HKD4,882 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	100	KZT8,933 million	KZT8,933 million	Almaty, Kazakhstan	Commercial banking
ICBC (London) PLC ("ICBC London")	100	100	100	USD200 million	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. *	80	80	80	RMB200 million	RMB433 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China (Europe) S.A.	100	100	100	EUR437 million	EUR437 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia ("ICBC Indonesia")	98.61	98.61	98.61	IDR3,692 billion	USD361 million	Jakarta, Indonesia	Commercial banking
Bank ICBC (Joint stock company)	100	100	100	RUB10,810 million	RUB10,810 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd. * ("ICBC Leasing")	100	100	100	RMB18,000 million	RMB11,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")	89.33	89.33	89.33	MOP589 million	MOP12,064 million	Macau, the PRC	Commercial banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd. *	60	60	60	RMB200 million	RMB120 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd. *	100	100	100	RMB100 million	RMB100 million	Chongqing, the PRC	Commercial banking
Industrial and Commercial Bank of China (Canada)	80	80	80	CAD158 million	CAD178.66 million	Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	100	MYR833 million	MYR833 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai")	97.86	97.86	97.86	THB20,132 million	THB23,711 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	100	USD50 million	USD50.25 million	Delaware and New York, United States	Broker dealer
ICBC-AXA Assurance Co., Ltd. *	60	60	60	RMB12,505 million	RMB7,980 million	Shanghai, the PRC	Insurance
Industrial and Commercial Bank of China (USA) NA	80	80	80	USD369 million	USD306 million	New York, United States	Commercial banking
Industrial and Commercial Bank of China (Argentina) S.A. ("ICBC Argentina")	80	80	80	ARS1,345 million	ARS3,505 million	Buenos Aires, Argentina	Commercial banking
ICBC PERU BANK	100	100	100	USD100 million	USD100 million	Lima, Peru	Commercial banking
Industrial and Commercial Bank of China (Brazil) S.A.	100	100	100	Real202 million	Real202 million	Sao Paulo, Brazil	Commercial and investment banking
Industrial and Commercial Bank of China (New Zealand) Limited ("ICBC New Zealand")	100	100	100	NZD234 million	NZD234 million	Auckland, New Zealand	Commercial banking
Industrial and Commercial Bank of China Mexico S.A.	100	100	100	MXN1,597 million	MXN1,597 million	Mexico City, Mexico	Commercial banking
ICBC Turkey Bank Anonim Sirketi ("ICBC Turkey")	92.84	92.84	92.84	TRY860 million	USD425 million	Istanbul, Turkey	Commercial banking
ICBC Standard Bank PLC ("ICBC Standard")	60	60	60	USD1,083 million	USD839 million	London, United Kingdom	Banking
ICBC Financial Asset Investment Co., Limited*	100	100	100	RMB12,000 million	RMB12,000 million	Nanjing, the PRC	Financial asset investment

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

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

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

Significant accounting policies

Except as described below 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 2017. The changes in accounting policies are also expected to be reflected in the Group's annual financial statements for the year ending 31 December 2018. The principal effects of new and revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs"), and International Financial Reporting Interpretations Committee ("IFRICs")) are as follows:

IFRS 15 "Revenue from contracts with customers"

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption has no material impact on the financial position and the financial result of the Group.

IFRS 9 "Financial instruments"

IFRS 9 Financial Instruments ("IFRS 9") introduces new requirements for classification and measurement of financial instruments, measurement of impairment for financial assets and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis and includes an exception from the requirement to restate comparative information. The Group used the exemption from restating comparative information and recognised any transition adjustments against the opening balance of equity at 1 January 2018.

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVOCI"):

- The classification for debt instruments is determined based on the entity's business model for managing the financial instruments and the contractual cash flow characteristics of the assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If a debt instrument is classified as financial assets measured at FVOCI, then interest income, impairment loss, foreign exchange gains or losses and gains or losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model, except for the equity security is not held for trading and the entity irrevocably elects to designate that security as at FVOCI. If an equity security is designated as at FVOCI then only dividend income on that security will be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without reclassification to profit or loss.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39 Financial instruments: Recognition and measurement ("IAS 39"), except that IFRS 9 requires the fair value change of a financial liability designated as at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit losses ("ECL")" model. Under the expected credit loss model, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances, which results in an early recognition of credit losses.

(In RMB millions, unless otherwise stated)

Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting.

Disclosure

IFRS 9 requires extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

Transition

The Group is required to adopt IFRS 9 from 1 January 2018. The Group used the exemption from restating comparative information and recognised any transition adjustments against the opening balance of equity at 1 January 2018.

The following table illustrates the original classification and measurement of financial instruments under IAS 39 and the new classification and measurement of financial instruments under IFRS 9 as at 1 January 2018.

	IAS 39		IFRS 9	
Financial instruments	Classification	Carrying amount	Classification	Carrying amount
Financial assets:				
Cash and balances with central banks	Amortised cost (loans and receivables)	3,613,872	Amortised cost	3,613,872
Due from banks and other financial institutions	Amortised cost (loans and receivables)	847,611	Amortised cost	847,341
Derivative financial assets	FVTPL	89,013	FVTPL (mandatory)	89,013
Reverse repurchase agreements	Amortised cost (loans and receivables)	986,631	Amortised cost FVTPL (mandatory)	791,065 195,520
Loans and advances to customers	Amortised cost (loans and receivables)	13,892,966	Amortised cost FVOCI FVTPL (mandatory)	13,759,417 100,975 410
Financial investments	Amortised cost (receivables) Amortised cost (held to maturity) FVOCI (available for sale) FVTPL (held for trading) FVTPL (designated)	277,129 3,542,184 1,496,453 87,337 353,601	Amortised cost FVOCI FVTPL (mandatory) FVTPL (designated)	3,835,107 1,443,785 148,518 351,802
Other assets	Amortised cost (loans and receivables)	450,166	Amortised cost	449,233
Financial liabilities:				
Debt securities issued	Amortised cost	526,940	Amortised cost	527,928
Financial liabilities designated as at fair value through profit or loss	FVTPL (designated)	89,361	FVTPL (designated)	88,391

Note: As at 1 January 2018, the financial liabilities issued by the Group had not been reclassified or re-measured except for the financial liabilities listed above.

(In RMB millions, unless otherwise stated)

The following table reconciles the carrying amounts of financial assets and financial liabilities under IAS 39 to the carrying amounts under IFRS 9.

	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial assets					
Financial assets measured at amortised cost					
Cash and balances with central banks					
Balance under IAS 39 and balance under IFRS 9		3,613,872	–	–	3,613,872
Due from banks and other financial institutions					
Balance under IAS 39		847,611			
Remeasurement: provision for expected credit losses				(270)	
Balance under IFRS 9					847,341
Reverse repurchase agreements					
Balance under IAS 39		986,631			
Less: to FVTPL — mandatory (IFRS 9)	A		(195,520)		
Remeasurement: provision for expected credit losses				(46)	
Balance under IFRS 9					791,065
Loans and advances to customers					
Balance under IAS 39		13,892,966			
Less: to FVOCI (IFRS 9)	B		(99,945)		
Less: to FVTPL — mandatory (IFRS 9)	C		(411)		
Remeasurement: provision for expected credit losses				(33,193)	
Balance under IFRS 9					13,759,417

(In RMB millions, unless otherwise stated)

	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial investments — amortised cost					
Balance under IAS 39		277,129			
Remeasurement: provision for expected credit losses				5	
Less: to FVOCI (IFRS 9)	B		(2,600)		
Less: to FVTPL — mandatory (IFRS 9)	C		(22,050)		
Add: from held-to-maturity investments (IAS 39)	D		3,286,309		
Remeasurement: provision for expected credit losses				(843)	
Remeasurement: reversal of the fair value adjustments recognised during previous reclassifications				66	
Add: from financial assets designated as at FVTPL (IAS 39)	E		1,799		
Remeasurement: provision for expected credit losses				(2)	
Add: from available-for-sale financial assets (IAS 39)	F		277,841		
Remeasurement: provision for expected credit losses				(97)	
Remeasurement: from fair value to amortised cost				17,550	
Balance under IFRS 9					3,835,107
Financial investments — held-to-maturity investments					
Balance under IAS 39		3,542,184			
Less: to amortised cost (IFRS 9)	D		(3,286,309)		
Less: to FVOCI (IFRS 9)	B		(247,760)		
Less: to FVTPL — mandatory (IFRS 9)	C		(8,115)		
Balance under IFRS 9					–
Other assets					
Balance under IAS 39		450,166			
Remeasurement: provision for expected credit losses				(933)	
Balance under IFRS 9					449,233
Financial assets measured at amortised cost		23,610,559	(296,761)	(17,763)	23,296,035

(In RMB millions, unless otherwise stated)

	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial assets measured at FVTPL					
Derivative financial assets					
Balance under IAS 39 and balance under IFRS 9		89,013	–	–	89,013
Reverse repurchase agreements					
Balance under IAS 39		–			
Add: from amortised cost (IAS 39)	A		195,520		
Balance under IFRS 9					195,520
Loans and advances to customers					
Balance under IAS 39		–			
Add: from amortised cost (IAS 39)	C		411		
Remeasurement: from amortised cost to fair value				(1)	
Balance under IFRS 9					410
Financial investments — FVTPL (mandatory)					
Balance under IAS 39		87,337			
Add: from receivables (IAS 39)	C		22,050		
Remeasurement: from amortised cost to fair value				(465)	
Add: from held-to-maturity investments (IAS 39)	C		8,115		
Remeasurement: from amortised cost to fair value				(86)	
Add: from available-for-sale financial assets (IAS 39)	C, H		31,563		
Remeasurement: reversal of impairment allowance under IAS 39				724	
Remeasurement: fair value remeasurement				(720)	
Balance under IFRS 9					148,518
Financial investments — designated as at FVTPL					
Balance under IAS 39		353,601			
Less: to amortised cost (IFRS 9)	E		(1,799)		
Balance under IFRS 9					351,802
Financial assets measured at FVTPL		529,951	255,860	(548)	785,263

(In RMB millions, unless otherwise stated)

	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial assets measured at FVOCI					
Loans and advances to customers					
Balance under IAS 39		–			
Add: from amortised cost (IAS 39)	B		99,945		
Remeasurement: reversal of impairment allowance under IAS 39				1,077	
Remeasurement: from amortised cost to fair value				(47)	
Balance under IFRS 9					100,975
Financial investments — FVOCI (debt instruments)					
Balance under IAS 39		–			
Add: from held-to-maturity investments (IAS 39)	B		247,760		
Remeasurement: from amortised cost to fair value				2,329	
Add: from available-for-sale financial assets (IAS 39)	D		1,185,275		
Remeasurement: reversal of impairment allowance under IAS 39				149	
Add: from receivables (IAS 39)	B		2,600		
Remeasurement: from amortised cost to fair value				(19)	
Balance under IFRS 9					1,438,094
Financial investments — FVOCI (equity instruments)					
Balance under IAS 39		–			
Add: from available-for-sale financial assets (IAS 39) — designated	G		1,774		
Remeasurement: reversal of impairment allowance under IAS 39				479	
Remeasurement: fair value remeasurement				3,438	
Balance under IFRS 9					5,691
Financial investments — available-for-sale financial assets (IAS 39)					
Balance under IAS 39		1,496,453			
Less: to amortised cost (IFRS 9)	F		(277,841)		
Less: to FVOCI (IFRS 9) — debt instruments	D		(1,185,275)		
Less: to FVOCI (IFRS 9) — equity instruments	G		(1,774)		
Less: to FVTPL — mandatory (IFRS 9)	C, H		(31,563)		
Balance under IFRS 9					–
Financial assets measured at FVOCI		1,496,453	40,901	7,406	1,544,760

(In RMB millions, unless otherwise stated)

	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial liabilities					
Financial liabilities measured at amortised cost					
Debt securities issued					
Balance under IAS 39		526,940			
Add: from financial liabilities designated as at FVTPL (IAS 39)	I		970		
Remeasurement: from fair value to amortised cost				18	
Balance under IFRS 9					527,928
Financial liabilities measured at amortised cost		526,940	970	18	527,928
Financial liabilities measured at FVTPL					
Financial liabilities designated as at FVTPL					
Balance under IAS 39		89,361			
Less: to amortised cost (IFRS 9)	I		(970)		
Balance under IFRS 9					88,391
Financial liabilities measured at FVTPL		89,361	(970)	–	88,391

Note: As at 1 January 2018, the financial liabilities issued by the Group had not been reclassified or re-measured except for the financial liabilities listed above.

The application of IFRS 9 resulted in the reclassifications set out in the table above and explained below.

A. Certain reverse repurchase agreements held by the Group were held within a business model whose objective at the date of initial application was neither collecting contractual cash flows, nor both collecting contractual cash flows and selling financial assets. Therefore, these assets were classified as financial assets measured at FVTPL under IFRS 9.

B. Certain loans and advances to customers held by the Group, and certain debt instruments originally classified as receivables or held-to-maturity investments were held within a business model in which objective at the date of initial application was both collecting contractual cash flows and selling financial assets. In addition, their contractual cash flows were identified as solely payments of principal and interest on the principal amount outstanding. Therefore, these assets were classified as financial assets measured at FVOCI under IFRS 9.

C. Certain loans and advances to customers held by the Group, and certain debt instruments originally classified as receivables, held-to-maturity investments or available-for-sale financial assets, their contractual cash flows were not identified as solely payments of principal and interest on the principal outstanding. Therefore, these assets were classified as financial assets measured at FVTPL under IFRS 9.

D. In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories were no longer used, with no changes to their measurement basis:

(i) Those previously classified as available-for-sale financial assets and now classified as measured at FVOCI; and

(ii) Those previously classified as held-to-maturity investments and now classified as measured at amortised cost.

E. Under IAS 39, certain debt instruments held by the Group were designated as at FVTPL, which no longer met the criteria under IFRS 9 for designation as at FVTPL. Therefore, the Group revoked its previous designation of these financial assets, reassessed their business model and contractual cash flows and classified them as measured at amortised cost. The effective interest rate of these debt instruments was 0.75% to 4.38%, and interest income recognised during the reporting period amounted to RMB16 million. The fair value of these debt instruments as at 30 June 2018 was RMB1,804 million. Assuming that these debt instruments were not reclassified upon transition to IFRS 9, the gain arising from changes in their fair value during the current period that would have been recognised in the profit or loss was RMB5 million.

F. Certain debt instruments originally classified as available-for-sale financial assets were held within a business model whose objective at the date of initial application was to collect contractual cash flows. In addition, their contractual cash flows were identified as solely payments of principal and interest on the principal outstanding. Therefore, these assets were classified as financial assets measured at amortised cost under IFRS 9. The fair value of these instruments as at 30 June 2018 was RMB281,777 million. Assuming that these financial assets were not reclassified upon transition to IFRS 9, the gain arising from changes in their fair value during the current period that would have been recognised in other comprehensive income was RMB4,840 million.

G. The reclassified and re-measured financial assets are equity investments designated irrevocably by the Group as financial assets measured at FVOCI at the date of initial application.

H. The reclassified and re-measured financial assets amounted to RMB21,519 million are equity investments, which the Group did not designate as at FVOCI at the date of initial application.

I. Certain debt securities issued were designated as at FVTPL when the Group held related derivative financial instruments. As at 1 January 2018, the Group revoked the previous designation due to the expiration of some derivative financial instruments.

(In RMB millions, unless otherwise stated)

The following table reconciles the closing impairment allowance under IAS 39 to opening allowance determined in accordance with IFRS 9 on the initial application date:

	Impairment allowance under IAS 39/IAS 37 (i) as at 31 December 2017	Reclassification	Remeasurement	Impairment allowance under IFRS 9 as at 1 January 2018
Loans and receivables (IAS 39)/Financial assets measured at amortised cost (IFRS 9)				
Cash and balances with central banks	–	–	–	–
Due from banks and other financial institutions	583	–	270	853
Reverse repurchase agreements	–	–	46	46
Loans and advances to customers	340,482	(1,077)	33,193	372,598
Financial investments	152	–	(5)	147
Other assets	2,988	–	933	3,921
Loans and receivables (IAS 39)/Financial assets measured at FVOCI (IFRS 9)				
Loans and advances to customers	–	1,077	(606)	471
Financial assets designated as at FVTPL (IAS 39)/Financial assets measured at amortised cost (IFRS 9)				
Financial investments	–	–	2	2
Held-to-maturity investments (IAS 39)/ Financial assets measured at FVOCI (IFRS 9)				
Financial investments	–	–	23	23
Held-to-maturity investments (IAS 39)/ Financial assets measured at amortised cost (IFRS 9)				
Financial investments	167	–	843	1,010
Available-for-sale financial assets (IAS 39)/ Financial assets measured at amortised cost (IFRS 9)				
Financial investments	–	–	97	97
Available-for-sale financial assets (IAS 39)/ Financial assets measured at FVOCI (IFRS 9)				
Financial investments	628	(479)	2,951	3,100
Available-for-sale financial assets (IAS 39)/ Financial assets measured at FVTPL (IFRS 9)				
Financial investments	724	(724)	–	–
Loan commitments and financial guarantee contracts				
Credit commitments	100	–	30,807	30,907
Total	345,824	(1,203)	68,554	413,175

(i) IAS 37 stands for *International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets"*.

Amendments to IFRS 2, Share-based payment "Classification and measurement of share-based payment transactions"

The amendments clarify the accounting for the following classification and measurement issues under IFRS 2:

- Measurement of cash-settled share-based payments

  The amendments clarify that the fair value of liabilities for cash-settled share-based payments should be measured using the same approach as for equity-settled share-based payments — i.e. using the modified grant date method.

- Classification of share-based payments settled net of tax withholdings

  The amendments introduce an exception so that a share-based payment transaction with net settlement feature for withholding an amount to cover the employee's tax obligations is classified as equity-settled in its entirety when certain conditions are met, even though the entity is then required to transfer cash (or other assets) to the tax authority to settle the employee's tax obligation.

- Accounting for a modification of a share-based payment from cash-settled to equity-settled

  The amendments clarify that on such a modification the liability for the original cash-settled share-based payment is derecognised and the equity-settled share-based payment is measured at its fair value and recognised to the extent that the goods or services have been received up to that date.

  Any difference between the carrying amount of the liability derecognised and the amount recognised in equity at the modification date is recognised in profit or loss immediately.

The adoption has no material impact on the financial position and the financial result of the Group.

Amendments to IAS 40, Investment property "Transfers of investment property"

The amendments provide guidance on deciding when there is a change in use to transfer a property to or from investment property. The amendments clarify that a change in use occurs when the property meets or ceases to meet the definition of investment property and there is evidence of the change in use.

The amendments also re-characterise the list of evidence provided in the standard as a non-exhaustive list of examples i.e. other forms of evidence may support a transfer.

The adoption has no material impact on the financial position and the financial result of the Group.

IFRIC 22, "Foreign currency transactions and advance consideration"

The Interpretation provides guidance on how to determine "the date of the transaction" when applying IAS 21, The effects of changes in foreign exchange rates to situations where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability.

The Interpretation clarifies that "the date of the transaction" for the purpose of determining the exchange rate to use on initial application of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt.

The adoption has no material impact on the financial position and the financial result of the Group.

Annual Improvements to IFRSs 2014–2016 Cycle — Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards and Amendments to IAS 28, Investments in associates and joint ventures

The amendments to IFRS 1 delete the short-term exemptions for first-time adopters that are already out-of-date.

The amendments to IAS 28 clarify that:

- a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint ventures at fair value through profit or loss on an investment-by-investment basis; and
- a non-investment entity investor may elect to retain the fair value accounting applied by its investment entity associate or joint venture and this election can be made separately for each investment entity associate or joint venture.

The adoption has no material impact on the financial position and the financial result of the Group.

Amendments to IFRS 4, Insurance contracts "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts"

The amendments address concerns arising from the different effective dates of IFRS 9 and the new insurance contracts standard, IFRS 17. The amendments introduce the following two approaches:

- Deferral approach — Temporary exemption from IFRS 9

  Companies whose activities are predominantly connected with insurance may choose to defer the application of IFRS 9 until 2021 (the effective date of IFRS 17).

- Overlay approach

  All companies that issue insurance contracts may choose to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is applied.

The adoption has no 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, interpretations and amendments.

(In RMB millions, unless otherwise stated)

3. NET INTEREST INCOME

	Six months ended 30 June	
	2018	2017
Interest income on:		
Loans and advances to customers:		
Corporate loans and advances	196,416	180,089
Personal loans	104,814	88,968
Discounted bills	7,295	8,986
Financial investments	96,174	90,927
Due from central banks	24,495	23,018
Due from banks and other financial institutions	27,613	26,365
	456,807	418,353
Interest expense on:		
Due to customers	(134,025)	(127,754)
Due to banks and other financial institutions	(31,520)	(30,198)
Debt securities issued	(13,646)	(9,479)
	(179,191)	(167,431)
Net interest income	277,616	250,922

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

4. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2018	2017
Bank card business	21,939	18,792
Settlement, clearing business and cash management	16,478	14,076
Personal wealth management and private banking services (i)	16,402	17,421
Investment banking business	13,489	14,729
Corporate wealth management services (i)	7,537	10,103
Guarantee and commitment business	5,569	4,290
Asset custody business (i)	3,844	3,487
Trust and agency services (i)	1,094	1,088
Others	1,351	1,416
Fee and commission income	87,703	85,402
Fee and commission expense	(8,443)	(8,732)
Net fee and commission income	79,260	76,670

(i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above for the period is an amount of RMB8,818 million (six months ended 30 June 2017: RMB10,848 million) with respect to trust and other fiduciary activities.

(In RMB millions, unless otherwise stated)

5. NET TRADING INCOME

	Six months ended 30 June	
	2018	2017
Debt securities	2,648	1,569
Equity investments	217	231
Derivatives and others	179	1,112
	3,044	2,912

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

6. NET GAIN ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2018	2017
Dividend income from listed investments	89	34
Dividend income from unlisted investments	53	80
Dividend income	142	114
Gain/(loss) on financial assets measured at FVTPL, net	1,343	(3)
Including: Gain/(loss) on financial assets and liabilities designated as at FVTPL	1,079	(3)
Gain on disposal of financial assets measured at FVOCI, net	367	
Gain on available-for-sale financial assets, net		520
Others	77	–
	1,929	631

7. OTHER OPERATING (EXPENSE)/INCOME, NET

	Six months ended 30 June	
	2018	2017
Net premium income	18,100	21,717
Operating cost of insurance business	(18,070)	(21,650)
Net gain on disposal of property and equipment, repossessed assets and others	1,264	789
Others	(1,841)	4,748
	(547)	5,604

(In RMB millions, unless otherwise stated)

8. OPERATING EXPENSES

	Six months ended 30 June	
	2018	2017
Staff costs:		
Salaries and bonuses	33,336	31,742
Staff benefits	10,403	10,196
Post-employment benefits-defined contribution plans (i)	7,266	7,256
	51,005	49,194
Premises and equipment expenses:		
Depreciation	6,661	7,051
Lease payments under operating leases in respect of land and buildings	3,940	3,933
Repairs and maintenance charges	1,032	1,090
Utility expenses	994	998
	12,627	13,072
Amortisation	1,124	1,006
Other administrative expenses	8,278	8,154
Taxes and surcharges	4,237	3,908
Others	4,687	4,936
	81,958	80,270

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

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

		Six months ended 30 June	
	Notes	2018	2017
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	14	(184)	(68)
Financial investments:			
Financial investments measured at FVOCI	18(b)	(1,445)	
Financial investments measured at amortised cost	18(c)	116	
Available-for-sale financial assets			(31)
Held-to-maturity investments			6
Credit commitments	29(i)	6,812	42
Others		607	393
		5,906	342

(In RMB millions, unless otherwise stated)

10. INCOME TAX EXPENSE

(a) Income tax expense

	Six months ended 30 June	
	2018	2017
Current income tax expense:		
Mainland China	36,786	40,679
Hong Kong and Macau	1,162	994
Overseas	1,754	1,556
	39,702	43,229
Deferred income tax expense	(3,143)	(418)
	36,559	42,811

(b) Reconciliation between income tax and accounting profit

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

	Six months ended 30 June	
	2018	2017
Profit before taxation	197,216	196,498
Tax at the PRC statutory income tax rate	49,304	49,125
Effects of different applicable rates of tax prevailing in other countries/regions	(555)	(453)
Effects of non-deductible expenses (i)	1,240	3,714
Effects of non-taxable income (ii)	(13,237)	(10,448)
Effects of profits attributable to associates and joint ventures	(333)	(343)
Effects of others	140	1,216
Income tax expense	36,559	42,811

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

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

11. DIVIDENDS

	Six months ended 30 June	
	2018	2017
Dividends on ordinary shares declared and paid or proposed:		
Final dividend on ordinary shares for 2017: RMB0.2408 per share (2016: RMB0.2343 per share)	85,823	83,506

12. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	160,442	152,995
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	356,407	356,407
Basic and diluted earnings per share (RMB yuan)	0.45	0.43

Basic and diluted 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.

13. CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2018	31 December 2017
Cash and unrestricted balances with central banks:		
Cash on hand	66,668	75,214
Surplus reserves with the PBOC (i)	286,569	26,507
Unrestricted balances with central banks of overseas countries or regions	186,016	150,850
	539,253	252,571
Restricted balances with central banks:		
Mandatory reserves with the PBOC (ii)	2,916,700	3,015,150
Fiscal deposits with the PBOC	319,229	276,936
Other restricted balances with the PBOC (ii)	10,061	36,961
Mandatory reserves with central banks of overseas countries or regions (ii)	33,210	32,254
	3,279,200	3,361,301
	3,818,453	3,613,872

(i) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

(ii) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations. Mandatory reserve deposits mainly consist of deposits placed with the PBOC. As at 30 June 2018, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and in foreign currencies were consistent with the requirements of the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China were determined by local jurisdictions.

(In RMB millions, unless otherwise stated)

14. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2018	31 December 2017
Due from banks and other financial institutions:		
Banks operating in Mainland China	250,231	313,703
Other financial institutions operating in Mainland China	6,814	5,116
Banks and other financial institutions operating outside Mainland China	65,629	51,635
	322,674	370,454
Less: Allowance for impairment losses	(242)	(380)
	322,432	370,074
Placements with banks and other financial institutions:		
Banks operating in Mainland China	171,015	118,211
Other financial institutions operating in Mainland China	224,189	234,122
Banks and other financial institutions operating outside Mainland China	189,257	125,407
	584,461	477,740
Less: Allowance for impairment losses	(427)	(203)
	584,034	477,537
	906,466	847,611

As at 30 June 2018, the amount of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB51,300 million (31 December 2017: RMB21,000 million). During the reporting period, the maximum exposure of the placements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB88,988 million (2017: RMB130,125 million). The transactions were conducted in the ordinary course of business under normal terms and conditions.

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

	Due from banks and other financial institutions	Placements with banks and other financial institutions	Total
At 1 January 2017	327	118	445
Charge for the year	53	85	138
At 31 December 2017	380	203	583
Impact of adopting IFRS 9	(2)	272	270
At 1 January 2018	378	475	853
Reversal for the period	(136)	(48)	(184)
At 30 June 2018	242	427	669

(In RMB millions, unless otherwise stated)

15. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

In accordance with accounting policy for offsetting, the Group offsets derivative assets and derivative liabilities which meet the criteria for offsetting, and presents a net amount in the financial statements. As at 30 June 2018, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB56,208 million (31 December 2017: RMB51,266 million) and RMB57,423 million (31 December 2017: RMB52,649 million) respectively, and the net derivative assets and net derivative liabilities were RMB30,699 million (31 December 2017: RMB26,949 million) and RMB31,914 million (31 December 2017: RMB28,332 million) respectively.

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

	30 June 2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	2,239,724	2,068,040	112,083	4,121	4,423,968	45,735	(46,557)
Option contracts purchased	29,891	37,001	691	119	67,702	634	–
Option contract written	40,590	38,514	6,431	–	85,535	–	(518)
	2,310,205	2,143,555	119,205	4,240	4,577,205	46,369	(47,075)
Interest rate contracts:							
Swap contracts	192,375	499,684	683,973	223,103	1,599,135	17,237	(16,093)
Forward contracts	8,102	264,285	33,581	18	305,986	10	(197)
Option contracts purchased	732	16,387	3,884	1,782	22,785	99	–
Option contracts written	1,029	4,976	1,860	1,115	8,980	–	(111)
	202,238	785,332	723,298	226,018	1,936,886	17,346	(16,401)
Commodity derivatives and others	994,603	296,848	41,802	6,977	1,340,230	23,572	(17,104)
	3,507,046	3,225,735	884,305	237,235	7,854,321	87,287	(80,580)

(In RMB millions, unless otherwise stated)

	31 December 2017						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,951,140	1,833,069	97,581	34,293	3,916,083	49,806	(49,569)
Option contracts purchased	47,003	67,284	3,769	117	118,173	2,498	–
Option contracts written	29,612	41,938	351	–	71,901	–	(625)
	2,027,755	1,942,291	101,701	34,410	4,106,157	52,304	(50,194)
Interest rate contracts:							
Swap contracts	95,556	224,343	558,629	193,588	1,072,116	16,042	(14,671)
Forward contracts	102,731	33,737	24,739	–	161,207	31	(215)
Option contracts purchased	3,588	7,468	2,417	1,067	14,540	82	–
Option contracts written	528	8,770	8,653	397	18,348	–	(69)
	202,403	274,318	594,438	195,052	1,266,211	16,155	(14,955)
Commodity derivatives and others	784,044	265,794	34,722	5,625	1,090,185	20,554	(13,407)
	3,014,202	2,482,403	730,861	235,087	6,462,553	89,013	(78,556)

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 2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	453	3,899	13,376	2,022	19,750	276	(4)
Currency swap contracts	20,271	19,501	5,419	1,072	46,263	245	(549)
	20,724	23,400	18,795	3,094	66,013	521	(553)

	31 December 2017						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	1,953	2,383	6,441	2,081	12,858	152	(22)
Currency swap contracts	1,617	417	730	–	2,764	36	(45)
Equity derivatives	47	8	46	–	101	41	–
	3,617	2,808	7,217	2,081	15,723	229	(67)

(In RMB millions, unless otherwise stated)

Details of hedged risk exposures in cash flow hedges and the corresponding effect on equities are as follows:

	30 June 2018				
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the current period	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	5,324	–	(9)	(87)	Financial investments measured at FVOCI
Loans	9,021	–	(5)	(15)	Loans and advances to customers
Others	21,983	18,158	(26)	(171)	Financial investments measured at FVTPL/Due to customers
	36,328	18,158	(40)	(273)	

There was no ineffectiveness recognised in profit or loss that arises from the cash flow hedges for the current period (six months ended 30 June 2017: 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. Interest rate swaps are used as hedging instruments to hedge the interest risk of financial assets and financial liabilities, respectively.

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

	Six months ended 30 June	
	2018	2017
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	490	(264)
— Hedged items attributable to the hedged risk	(449)	238
	41	(26)

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

	30 June 2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	708	2,487	29,130	9,907	42,232	1,185	(51)
	708	2,487	29,130	9,907	42,232	1,185	(51)

	31 December 2017						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	–	2,012	34,715	13,084	49,811	830	(219)
	–	2,012	34,715	13,084	49,811	830	(219)

(In RMB millions, unless otherwise stated)

Details of hedged risk exposures in fair value hedges are set out below:

	30 June 2018				
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items		
	Assets	Liabilities	Assets	Liabilities	Line items in the statement of financial position
Bonds	16,094	–	(1,002)	(56)	Financial investments measured at FVOCI /Financial investments measured at FVTPL
Loans	3,092	–	(84)	(6)	Loans and advances to customers
Others	13,123	6,480	(519)	(73)	Reverse repurchase agreements /Financial investments measured at FVTPL /Due to banks and other financial institutions /Debt securities issued /Due to customers
	32,309	6,480	(1,605)	(135)	

Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the recording currency of the Bank and recording currencies of its branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using deposits taken in the same currencies as the recording currencies of related branches and subsidiaries which are accounted for as hedges of certain net investment in foreign operations.

As at 30 June 2018, an accumulated net gain from the hedging instrument of RMB441 million was recognised in "Other comprehensive income" on net investment hedges (31 December 2017, an accumulated net gain: RMB708 million). As at 30 June 2018, there was no ineffectiveness in profit or loss that arises from the net investment hedges (31 December 2017: Nil).

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

	30 June 2018	31 December 2017
Counterparty credit default risk-weighted assets	45,941	55,843
Currency derivatives	18,082	20,809
Interest rate derivatives	3,930	3,045
Credit derivatives	1	29
Commodity derivatives and others	9,728	16,393
Netting settled credit default risk-weighted assets	14,200	15,567
Credit value adjustment risk-weighted assets	18,644	18,812
Central counterparties credit risk-weighted assets	3,403	4,267
	67,988	78,922

The credit risk-weighted assets of derivative financial instruments were calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the former China Banking Regulatory Commission (the "former CBRC"). The credit risk-weighted assets of the Group's derivative financial instruments include counterparty credit default risk-weighted assets, credit value adjustment risk-weighted assets and central counterparties credit risk-weighted assets.

(In RMB millions, unless otherwise stated)

16. REVERSE REPURCHASE AGREEMENTS

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

	30 June 2018	31 December 2017
Measured at amortised cost:		
Reverse repurchase agreements-bills:		
Banks	142,854	207,123
	142,854	207,123
Reverse repurchase agreements-securities:		
Banks	73,226	189,140
Other financial institutions	264,514	532,323
	337,740	721,463
Cash advanced as collateral on securities borrowing	–	58,045
Less: Allowance for impairment losses	(44)	–
	480,550	986,631
Measured at FVTPL:		
Reverse repurchase agreements-securities:		
Banks	7,563	
Other financial institutions	139,169	
	146,732	
Cash advanced as collateral on securities borrowing	60,631	
	207,363	
	687,913	986,631

(i) In accordance with master repurchase agreements and related supplementary agreements, the Group offsets reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting, and presents net positive (or negative) amounts as reverse repurchase agreements (or repurchase agreements) in the financial statements. As at 30 June 2018, reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting were RMB380,484 million (31 December 2017: RMB542,062 million) and RMB398,358 million (31 December 2017: RMB560,138 million), respectively, and the net reverse repurchase agreements and net repurchase agreements were RMB146,732 million (31 December 2017: RMB137,155 million) and RMB164,606 million (31 December 2017: RMB155,231 million), respectively.

(ii) As at 30 June 2018, the amount of the placements through reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB299,086 million (31 December 2017: RMB329,559 million). During the reporting period, the maximum exposure of the placements through reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group is RMB329,559 million (2017: RMB329,559 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(iii) As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. At 30 June 2018, the Group had received securities with a fair value of approximately RMB158,111 million on such terms (31 December 2017: RMB157,222 million). Of these, securities with a fair value of approximately RMB145,398 million have been repledged under repurchase agreements (31 December 2017: RMB136,694 million). The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

(In RMB millions, unless otherwise stated)

17. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2018	31 December 2017
Measured at amortised cost:		
Corporate loans and advances	9,336,260	8,936,864
Personal loans	5,312,980	4,945,458
Discounted bills	72,878	351,126
	14,722,118	14,233,448
Less: Allowance for impairment losses of loans and advances to customers measured at amortised cost (note 17(a))	(397,996)	(340,482)
	14,324,122	13,892,966
Measured at FVOCI:		
Corporate loans and advances	4,745	
Discounted bills	206,874	
	211,619	
Measured at FVTPL:		
Corporate loans and advances	400	
	14,536,141	13,892,966

As at 30 June 2018, the Group's allowance for impairment losses on loans and advances to customers measured at FVOCI was RMB335 million, see Note 17(b). (31 December 2017: Not applicable)

During the reporting period, movements of the allowance for impairment losses on loans and advances to customers are as follows:

(a) Movements of allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

	12-month ECL	Lifetime ECL — not credit-impaired	Lifetime ECL — credit-impaired	Total
Balance at 1 January 2018	107,961	111,867	152,770	372,598
Transfer:				
to 12-month ECL	7,951	(7,528)	(423)	–
to lifetime ECL — not credit-impaired	(903)	1,213	(310)	–
to lifetime ECL — credit-impaired	(941)	(18,033)	18,974	–
Charge	29,435	2,025	46,229	77,689
Write-offs	(118)	(978)	(51,127)	(52,223)
Recoveries of loans and advances previously written off	–	–	1,082	1,082
Other movements	47	54	(1,251)	(1,150)
Balance at 30 June 2018	143,432	88,620	165,944	397,996

(In RMB millions, unless otherwise stated)

(b) Movements of the allowance for impairment losses on loans and advances to customers measured at FVOCI are as follows:

	12-month ECL	Lifetime ECL — not credit-impaired	Lifetime ECL — credit-impaired	Total
Balance at 1 January 2018	23	0	448	471
Transfer:				
to 12-month ECL	–	–	–	–
to lifetime ECL — not credit-impaired	–	–	–	–
to lifetime ECL — credit-impaired	–	–	–	–
Charge/(reverse)	63	0	(200)	(137)
Other movements	1	–	–	1
Balance at 30 June 2018	87	0	248	335

During the year of 2017, movements of the allowance for impairment losses on loans and advances to customers are as follows:

	Individually assessed	Collectively assessed	Total
At 1 January 2017	65,557	223,955	289,512
Impairment loss:	108,983	15,113	124,096
— impairment allowances charged	158,352	135,679	294,031
— impairment allowances transferred	1,399	(1,399)	–
— reversal of impairment allowances	(50,768)	(119,167)	(169,935)
Accreted interest on impaired loans	(3,189)	–	(3,189)
Recoveries of loans and advances previously written off	1,426	838	2,264
Write-offs and other movements	(57,031)	(15,170)	(72,201)
At 31 December 2017	115,746	224,736	340,482

18. FINANCIAL INVESTMENTS

		30 June 2018	31 December 2017
Financial investments measured at FVTPL	(a)	800,685	440,938
Financial investments measured at FVOCI	(b)	1,450,163	
Financial investments measured at amortised cost	(c)	4,006,833	
Available-for-sale financial assets	(d)		1,496,453
Held-to-maturity investments	(e)		3,542,184
Receivables	(f)		277,129
		6,257,681	5,756,704

(In RMB millions, unless otherwise stated)

(a) Financial investments measured at FVTPL

	30 June 2018	31 December 2017
Debt securities:		
Debt securities held for trading (analysed by type of issuers):		
Governments and central banks	32,693	24,468
Policy banks	2,591	2,228
Public sector entities	6,563	4,670
Banks and other financial institutions	21,717	8,452
Corporate entities	34,260	38,724
	97,824	78,542
Debt securities designated as at FVTPL (analysed by type of issuers):		
Governments and central banks	8,859	10,590
Policy banks	48,301	30,729
Public sector entities	2,067	2,953
Banks and other financial institutions	26,586	6,966
Corporate entities	5,367	8,539
	91,180	59,777
Debt securities measured at FVTPL (mandatory) (analysed by type of issuers):		
Policy banks	3,229	
Public sector entities	7	
Banks and other financial institutions	21,526	
Corporate entities	3,124	
	27,886	
	216,890	138,319

(In RMB millions, unless otherwise stated)

	30 June 2018	31 December 2017
Equity investments:		
Equity investments held for trading	7,251	7,331
Equity investments measured at FVTPL (mandatory)	15,156	
	22,407	7,331
Funds and other investments:		
Funds investments held for trading	1,901	1,464
Other investments designated as at FVTPL	529,920	293,824
Funds and other investments measured at FVTPL (mandatory)	29,567	
	561,388	295,288
	800,685	440,938
Analysed into:		
Debt securities:		
Listed in Hong Kong	3,431	2,668
Listed outside Hong Kong	12,706	12,860
Unlisted	200,753	122,791
	216,890	138,319
Equity investments:		
Listed in Hong Kong	6,081	3,615
Listed outside Hong Kong	5,181	2,967
Unlisted	11,145	749
	22,407	7,331
Funds and other investments:		
Listed in Hong Kong	–	1,462
Listed outside Hong Kong	1,556	–
Unlisted	559,832	293,826
	561,388	295,288

(In RMB millions, unless otherwise stated)

(b) Financial investments measured at FVOCI

	30 June 2018
Debt securities (analysed by type of issuers):	
Governments and central banks	397,441
Policy banks	245,588
Public sector entities	202,201
Banks and other financial institutions	345,282
Corporate entities	251,300
	1,441,812
Equity investments (i):	
Debt for equity swaps	1,361
Others	6,990
	8,351
	1,450,163
Analysed into:	
Debt securities:	
Listed in Hong Kong	112,850
Listed outside Hong Kong	206,682
Unlisted	1,122,280
	1,441,812
Equity investments:	
Listed outside Hong Kong	563
Unlisted	7,788
	8,351

(i) The Group designates part of non-trading equity investments as financial investments measured at fair value through other comprehensive income. As at 30 June 2018, the fair value of such equity investments was RMB8,351 million. During the reporting period, dividend income recognised in profit or loss for such equity investments was RMB95 million. The Group did not dispose of any such equity investment, nor transfer any cumulative gain or loss from other comprehensive income to retained earnings during the reporting period.

(In RMB millions, unless otherwise stated)

During the reporting period, movements of the allowance for impairment losses on financial investments measured at fair value through other comprehensive income are as follows:

	30 June 2018			
	12-month ECL	Lifetime ECL — not credit-impaired	Lifetime ECL — credit-impaired	Total
Balance at 1 January 2018	2,933	–	190	3,123
Transfer:				
to 12-month ECL	–	–	–	–
to lifetime ECL — not credit-impaired	–	–	–	–
to lifetime ECL — credit-impaired	–	–	–	–
Reverse (note 9)	(1,445)	–	–	(1,445)
Other movements	156	–	2	158
Balance at 30 June 2018	1,644	–	192	1,836

Allowance for impairment losses on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and any impairment loss or gain is recognised in the profit or loss. As at 30 June 2018, the financial investments measured at fair value through other comprehensive income included credit-impaired financial investments whose impairment provision have been fully charged.

(c) Financial investments measured at amortised cost

	30 June 2018
Debt securities (analysed by type of issuers):	
Governments and central banks	3,155,658
Including: Special government bond (i)	85,000
Policy banks	575,680
Public sector entities	5,832
Banks and other financial institutions	201,833
Including: Huarong bonds (ii)	90,309
Corporate entities	36,105
	3,975,108
Other investments (iii)	33,110
	4,008,218
Less: Allowance for impairment losses	(1,385)
	4,006,833

(In RMB millions, unless otherwise stated)

	30 June 2018
Analysed into:	
Debt securities:	
Listed in Hong Kong	27,824
Listed outside Hong Kong	84,689
Unlisted	3,861,273
	3,973,786
Other investments:	
Unlisted	33,047
	33,047
Market value of listed securities	112,547

During the reporting period, movements of the allowance for impairment losses on financial investments measured at amortised cost are as follows:

	30 June 2018			
	12-month ECL	Lifetime ECL — not credit-impaired	Lifetime ECL — credit-impaired	Total
Balance at 1 January 2018	1,171	2	83	1,256
Transfer:				
to 12-month ECL	–	–	–	–
to lifetime ECL — not credit-impaired	–	–	–	–
to lifetime ECL — credit-impaired	(2)	–	2	–
Charge (note 9)	77	–	39	116
Other movements	12	–	1	13
Balance at 30 June 2018	1,258	2	125	1,385

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

(ii) The Huarong bonds are a series of long-term bonds issued by China Huarong Asset Management Co., Ltd. ("Huarong") in the year of 2000 and 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-negotiable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. In 2010, the Bank received a notice from the MOF that the maturity dates of the Huarong bonds were extended for another ten years and the interest rate remains unchanged. Additionally, the MOF will continue providing funding in support of the repayment of the principal and interest of the bonds. As at 30 June 2018, the Bank received accumulated early repayments amounting to RMB222,687 million.

(iii) Other investments include debt investment plans, asset management plans and trust plans with fixed or determinable payments. They will mature from August 2018 to November 2032 and bear interest rates ranging from 2.00% to 7.50% per annum. During the reporting period, the amounts which have been matured have been repaid without overdue history.

(In RMB millions, unless otherwise stated)

(d) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	31 December 2017
Debt securities, at fair value (i)	1,466,995
Other debt instruments, at fair value	6,164
Equity investments:	
At fair value (i)	20,292
At cost (ii)	3,002
Debt for equity swaps	1,292
Others	2,189
Less: Allowance for impairment losses of equity investments, at cost	(479)
	1,496,453
Debt securities analysed into:	
Listed in Hong Kong	92,538
Listed outside Hong Kong	187,684
Unlisted	1,186,773
	1,466,995
Equity investments analysed into:	
Listed in Hong Kong	1,401
Listed outside Hong Kong	3,262
Unlisted	18,631
	23,294
Market value of listed securities:	
Debt securities	280,222
Equity investments	4,663
	284,885

(i) When impairment of an available-for-sale investment measured at fair value occurs, any impairment recognised is recorded in the carrying amount directly. As at 31 December 2017, the available-for-sale financial assets measured at fair value include impaired debt securities whose carrying amount was RMB85 million, and impaired equity investments whose impairment provision has been fully charged, with the accrual of impairment recognised in profit or loss of RMB22 million on available-for-sale debt securities; and the accrual of impairment recognised in profit or loss of RMB84 million on available-for-sale equity investments.

(ii) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise. During the year of 2017, the carrying amount of these equity investments decreased by RMB71 million. The gain on disposal of these equity investments was RMB743 million.

(In RMB millions, unless otherwise stated)

(e) Held-to-maturity investments

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

	31 December 2017
Debt securities	3,542,351
Less: Allowance for impairment losses	(167)
	3,542,184

	31 December 2017
Analysed into:	
Listed in Hong Kong	27,532
Listed outside Hong Kong	92,886
Unlisted	3,421,766
	3,542,184
Market value of listed debt securities	120,395

As at 31 December 2017, the total carrying amount of held-to-maturity investments that the Group disposed prior to their maturity with remaining maturity more than three months was RMB11,661 million, which accounted for 0.33% of the total amount of the Group's held-to-maturity investments.

(f) Receivables

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

	31 December 2017
Huarong bonds (i)	90,309
Special government bond	85,000
Others (ii)	101,820
	277,129

	31 December 2017
Analysed into:	
Listed outside Hong Kong	22,004
Unlisted	255,125
	277,129

(i) As at 31 December 2017, the Bank received accumulated early repayments on the Huarong bonds amounting to RMB222,687 million.

(ii) Others include financial and corporate bonds, debt investment plans, asset backed securities, asset management plans, wealth management products and trust plans with fixed or determinable payments. They will mature from January 2018 to November 2032 and bear interest rates ranging from 2.00% to 7.50% per annum. During the year of 2017, the amounts which have been matured have been repaid without overdue history.

(In RMB millions, unless otherwise stated)

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

	31 December 2017		
	Held-to-maturity investments	Available-for-sale equity investments	Total
At 1 January 2017	107	678	785
Charge	70	–	70
Reverse	(4)	–	(4)
Dispose	(6)	(194)	(200)
Other movements	–	(5)	(5)
At 31 December 2017	167	479	646

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are as follows:

		30 June 2018	31 December 2017
Interest in associates	(a)	26,790	28,586
Interest in joint ventures	(b)	4,929	3,855
		31,719	32,441

	30 June 2018	31 December 2017
Share of net assets	21,862	21,614
Goodwill	10,205	11,175
	32,067	32,789
Less: Allowance for impairment losses	(348)	(348)
	31,719	32,441

(a) Interest in associates

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

	Percentage of equity interest %		Voting rights %		
Name	30 June 2018	31 December 2017	30 June 2018	Place of incorporation/ registration	Principal activities
Standard Bank Group Limited ("Standard Bank") (i)	20.08	20.07	20.08	Johannesburg, Republic of South Africa	Commercial banking

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

The market value of the Group's investment in Standard Bank is RMB30,047 million as at 30 June 2018 (31 December 2017: RMB33,564 million).

(In RMB millions, unless otherwise stated)

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

	30 June 2018	31 December 2017
Gross amounts of the associate		
Assets	986,422	1,070,509
Liabilities	895,305	970,202
Net assets	91,117	100,307
Revenue	25,016	54,379
Profit from continuing operations	6,210	13,891
Other comprehensive income	1,783	(2,500)
Total comprehensive income	7,993	11,391
Dividends received from the associate	4,015	7,176
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attribute to the parent company	77,470	85,254
Group's effective interest	20.08%	20.07%
Group's share of net assets of the associate	15,556	17,109
Goodwill	10,169	11,139
Carrying amount of the Group's interest in Standard Bank in the consolidated financial statements	25,725	28,248

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

	Six months ended 30 June 2018	2017
Aggregate amounts of the Group's share of those associates:		
Profit from continuing operations	10	40
Other comprehensive income	–	(285)
Total comprehensive income	10	(245)

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

	30 June 2018	31 December 2017
Carrying amount of material associates — Standard Bank	25,725	28,248
Carrying amount of individually immaterial associates	1,413	686
Less: Allowance for impairment losses	(348)	(348)
Interest in associates in the consolidated financial statements	26,790	28,586

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

(In RMB millions, unless otherwise stated)

(b) Interest in joint ventures

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

	30 June 2018	31 December 2017
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	4,929	3,855

	Six months ended 30 June 2018	2017
Aggregate amounts of the Group's share of those joint ventures:		
Profit from continuing operations	83	138
Other comprehensive income	–	(20)
Total comprehensive income	83	118

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

20. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Aircraft and vessels	Total
Cost:						
At 1 January 2017	139,838	23,009	10,073	75,993	122,507	371,420
Additions	922	11,993	438	4,722	16,145	34,220
CIP transfer in/(out)	3,104	(5,333)	–	67	2,162	–
Disposals	(1,347)	(97)	(136)	(8,345)	(13,052)	(22,977)
At 31 December 2017 and 1 January 2018	142,517	29,572	10,375	72,437	127,762	382,663
Additions	3,986	5,094	172	1,047	12,807	23,106
CIP transfer in/(out)	1,540	(2,135)	–	19	576	–
Disposals	(409)	(47)	(50)	(1,221)	(2,348)	(4,075)
At 30 June 2018	147,634	32,484	10,497	72,282	138,797	401,694
Accumulated depreciation and impairment:						
At 1 January 2017	50,814	41	7,483	55,597	11,276	125,211
Depreciation charge for the year	5,654	–	936	7,283	4,085	17,958
Impairment charge for the year	–	–	–	–	558	558
Disposals	(822)	–	(101)	(6,405)	(1,480)	(8,808)
At 31 December 2017 and 1 January 2018	55,646	41	8,318	56,475	14,439	134,919
Depreciation charge for the period	2,821	–	427	3,413	3,206	9,867
Disposals	(246)	–	(25)	(1,169)	(476)	(1,916)
At 30 June 2018	58,221	41	8,720	58,719	17,169	142,870
Carrying amount:						
At 31 December 2017	86,871	29,531	2,057	15,962	113,323	247,744
At 30 June 2018	89,413	32,443	1,777	13,563	121,628	258,824

(In RMB millions, unless otherwise stated)

As at 30 June 2018, the process of obtaining the legal titles for the Group's properties and buildings with an aggregate carrying value of RMB11,871 million (31 December 2017: RMB12,850 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 30 June 2018, the carrying value of aircraft and vessels leased out by the Group under operating leases was RMB121,628 million (31 December 2017: RMB113,323 million).

As at 30 June 2018, the carrying value of aircraft and vessels owned by the Group that have been pledged as security for liabilities due to banks and other financial institutions was RMB76,023 million (31 December 2017: RMB68,355 million).

21. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

Deferred income tax assets:

	As at 30 June 2018		As at 31 December 2017	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	192,764	47,971	150,493	37,475
Change in fair value of financial instruments measured at FVTPL	1,650	406	(9,491)	(2,368)
Change in fair value of financial instruments measured at FVOCI	2,164	367		
Change in fair value of available-for-sale financial assets			38,471	9,748
Accrued staff costs	20,170	5,043	27,640	6,910
Allowance for impairment losses on credit commitments	37,883	9,471	100	25
Others	(23,467)	(5,631)	(13,661)	(3,398)
	231,164	57,627	193,552	48,392

Deferred income tax liabilities:

	As at 30 June 2018		As at 31 December 2017	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)
Allowance for impairment losses	(955)	(408)	(2,012)	(502)
Change in fair value of financial instruments measured at FVTPL	196	49	–	–
Change in fair value of financial instruments measured at FVOCI	692	231		
Change in fair value of available-for-sale financial assets			(367)	(38)
Others	2,602	762	4,053	973
	2,535	634	1,674	433

(In RMB millions, unless otherwise stated)

(b) Movements of deferred income tax

Deferred income tax assets:

	As at 31 December 2017	Impact of adopting IFRS 9	As at 1 January 2018	Recognised in profit or loss	Recognised in equity	As at 30 June 2018
Allowance for impairment losses	37,475	7,254	44,729	3,242	–	47,971
Change in fair value of financial instruments measured at FVTPL	(2,368)	577	(1,791)	2,197	–	406
Change in fair value of financial instruments measured at FVOCI		4,433	4,433	–	(4,066)	367
Change in fair value of available-for-sale financial assets	9,748	(9,748)	–			
Accrued staff costs	6,910	–	6,910	(1,867)	–	5,043
Allowance for impairment losses on credit commitments	25	7,702	7,727	1,744	–	9,471
Others	(3,398)	–	(3,398)	(2,247)	14	(5,631)
	48,392	10,218	58,610	3,069	(4,052)	57,627

Deferred income tax liabilities:

	As at 31 December 2017	Impact of adopting IFRS 9	As at 1 January 2018	Recognised in profit or loss	Recognised in equity	As at 30 June 2018
Allowance for impairment losses	(502)	6	(496)	88	–	(408)
Change in fair value of financial instruments measured at FVTPL	–	–	–	49	–	49
Change in fair value of financial instruments measured at FVOCI		(38)	(38)	–	269	231
Change in fair value of available-for-sale financial assets	(38)	38	–			
Others	973	–	973	(211)	–	762
	433	6	439	(74)	269	634

Deferred income tax assets:

	As at 1 January 2017	Recognised in profit or loss	Recognised in equity	As at 31 December 2017
Allowance for impairment losses	28,616	8,859	–	37,475
Change in fair value of financial instruments measured at FVTPL	(2,385)	17	–	(2,368)
Change in fair value of available-for-sale financial assets	(973)	–	10,721	9,748
Accrued staff costs	7,026	(116)	–	6,910
Allowance for impairment losses on credit commitments	15	10	–	25
Others	(3,901)	529	(26)	(3,398)
	28,398	9,299	10,695	48,392

(In RMB millions, unless otherwise stated)

Deferred income tax liabilities:

	As at 1 January 2017	Recognised in profit or loss	Recognised in equity	As at 31 December 2017
Allowance for impairment losses	(365)	(137)	–	(502)
Change in fair value of available-for-sale financial assets	120	–	(158)	(38)
Others	849	124	–	973
	604	(13)	(158)	433

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

22. OTHER ASSETS

	30 June 2018	31 December 2017
Interest receivable	137,500	126,606
Precious metals	175,991	239,922
Land use rights	17,888	18,280
Advance payments	16,106	8,217
Settlement accounts	267,716	138,501
Goodwill	8,987	8,956
Repossessed assets	11,028	10,274
Others	31,657	25,749
	666,873	576,505
Less: Allowance for impairment losses	(5,904)	(4,836)
	660,969	571,669

23. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2018	31 December 2017
Interbank wealth management products	(1)	11,618	10,758
Financial liabilities related to precious metals	(2)(a)	59,760	60,183
Debt securities	(2)(b)	6,808	8,192
Others		8,481	10,228
		86,667	89,361

(1) The principal-guaranteed interbank wealth management products issued by the Group and the financial assets in which the aforesaid products invest form parts of a group of financial instruments that are managed together on a fair value basis, and are classified as financial liabilities and financial assets designated as at fair value through profit or loss respectively. As at 30 June 2018, the fair value of the interbank wealth management products was approximately the same as the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity (31 December 2017: approximately the same).

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

(In RMB millions, unless otherwise stated)

(a) As at 30 June 2018, the fair value of the financial liabilities related to precious metals was higher than the amount that the Group would be contractually required to pay to the holders by RMB160 million (31 December 2017: RMB156 million higher).

(b) The debt securities including one note issued by the London Branch in 2015 at a fixed rate and 6 equity-linked notes issued by ICBC Asia in 2016 and 2017 were classified as financial liabilities designated as at fair value through profit or loss. As at 30 June 2018, the fair value of the debt securities is lower than the amount that the Group would be contractually required to pay to the holder of these debt securities upon maturity by RMB751 million (31 December 2017: RMB364 million lower).

There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities arising from changes in credit risk were not considered significant during the period of six months ended at 30 June 2018 and the year of 2017. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

24. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2018	31 December 2017
Deposits:		
Banks and other financial institutions operating in Mainland China	1,303,017	1,106,888
Banks and other financial institutions operating outside Mainland China	120,212	107,713
	1,423,229	1,214,601
Money market takings:		
Banks and other financial institutions operating in Mainland China	117,732	141,055
Banks and other financial institutions operating outside Mainland China	383,121	350,893
	500,853	491,948
	1,924,082	1,706,549

25. REPURCHASE AGREEMENTS

Repurchase agreements comprise repurchase of bills, securities and cash received as collateral on securities lending (note 16(i)).

	30 June 2018	31 December 2017
Repurchase agreements-bills:		
Banks	12,388	10,626
	12,388	10,626
Repurchase agreements-securities:		
Banks	366,183	854,724
Other financial institutions	135,592	143,742
	501,775	998,466
Cash received as collateral on securities lending	42,114	37,246
	556,277	1,046,338

(In RMB millions, unless otherwise stated)

26. CERTIFICATES OF DEPOSIT

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

27. DUE TO CUSTOMERS

	30 June 2018	31 December 2017
Demand deposits:		
Corporate customers	6,436,296	6,069,804
Personal customers	3,954,673	3,820,392
	10,390,969	9,890,196
Time deposits:		
Corporate customers	4,986,953	4,635,661
Personal customers	5,237,329	4,748,525
	10,224,282	9,384,186
Others	202,791	288,554
	20,818,042	19,562,936

28. DEBT SECURITIES ISSUED

		30 June 2018	31 December 2017
Subordinated bonds and Tier 2 Capital Notes issued by	(1)		
The Bank		269,362	269,143
Subsidiaries		12,095	11,965
		281,457	281,108
Other debt securities issued by	(2)		
The Bank		201,638	167,132
Subsidiaries		96,140	78,700
		297,778	245,832
		579,235	526,940

As at 30 June 2018, the amount of debt securities issued due within one year was RMB51,746 million (31 December 2017: RMB41,820 million).

(1) Subordinated bonds and Tier 2 Capital Notes

The Bank:

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds and Tier 2 Capital Notes through open market bidding in 2009, 2010, 2011, 2012, 2014 and 2017. Approved by the PBOC, these subordinated bonds and Tier 2 Capital Notes were traded in the bond market among banks. The relevant information is set out below:

Name	Issue date	Issue Price	Amount	Ending balance	Coupon rate	Value date	Maturity date	Circulation date	Notes
		(In RMB)	(In RMB)	(In RMB)					
			(million)	(million)					
09 ICBC 02 Bond	16/07/2009	100 Yuan	24,000	24,000	4.00%	20/07/2009	20/07/2024	20/08/2009	(i)
10 ICBC 02 Bond	10/09/2010	100 Yuan	16,200	16,200	4.10%	14/09/2010	14/09/2025	03/11/2010	(ii)
11 ICBC 01 Bond	29/06/2011	100 Yuan	38,000	38,000	5.56%	30/06/2011	30/06/2031	30/08/2011	(iii)
11 ICBC 02 Bond	29/12/2011	100 Yuan	50,000	50,000	5.50%	30/12/2011	30/12/2026	17/01/2012	(iv)
12 ICBC 01 Bond	11/06/2012	100 Yuan	20,000	20,000	4.99%	13/06/2012	13/06/2027	13/07/2012	(v)
14 ICBC 01 Bond	04/08/2014	100 Yuan	20,000	20,000	5.80%	05/08/2014	05/08/2024	24/09/2014	(vi)
17 ICBC 01 Bond	06/11/2017	100 Yuan	44,000	44,000	4.45%	08/11/2017	08/11/2027	10/11/2017	(vii)
17 ICBC 02 Bond	20/11/2017	100 Yuan	44,000	44,000	4.45%	22/11/2017	22/11/2027	23/11/2017	(viii)

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

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

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

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

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

(vi) The Bank has the option to redeem all of the bonds on 5 August 2019 upon the approval of the relevant regulatory authorities.

(vii) The Bank has the option to redeem all of the bonds on 8 November 2022 upon the approval of the relevant regulatory authorities.

(viii) The Bank has the option to redeem all of the bonds on 22 November 2022 upon the approval of the relevant regulatory authorities.

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

Name	Issue date	Currency	Issue price	Amount	Ending balance	Coupon rate	Value date	Maturity date	Circulation date	Note
				(original currency)	(In RMB)					
				(million)	(million)					
15 USD Tier 2 Capital Notes	15/09/2015	USD	99.189	2,000	13,230	4.875%	21/09/2015	21/09/2025	22/09/2015	(ix)

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

The Bank has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds during the reporting period (2017: Nil).

Subsidiaries:

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

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

On 10 October 2013, ICBC Asia issued a subordinated bond with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 4.500% per annum. The bond was issued at the price fixed at 99.463% of the nominal amount with maturity due on 10 October 2023.

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

The above subordinated bonds and notes are separately listed on the London Stock Exchange Plc and the Stock Exchange of Hong Kong Limited. ICBC Standard, ICBC Asia and ICBC Macau have not had any defaults of principal or interest or other breaches with respect to the subordinated bonds and notes during the period (2017: Nil).

(2) Other debt securities issued

As at 30 June 2018, the Group's other debt securities issued include:

The Bank:

(i) Sydney Branch issued notes amounting to RMB18,188 million denominated in AUD, CHF, RMB, HKD and USD with maturities between the second half of 2018 and 2024 at fixed or floating interest rates. Of which, in 2018, Sydney Branch issued notes amounting to RMB4,226 million denominated in AUD, RMB and USD with maturity in 2019 and 2023 at fixed or floating interest rates.

(ii) Singapore Branch issued notes amounting to RMB35,611 million denominated in RMB and USD with maturities between the second half of 2018 and 2023 at fixed or floating interest rates. Of which, in 2018, Singapore Branch issued notes amounting to RMB10,230 million denominated USD with maturity in 2021 and 2023 at floating interest rates.

(iii) Tokyo Branch issued notes amounting to RMB2,231 million denominated in JPY and RMB with maturities in the second half of 2018 and 2019 at fixed interest rates. Of which, in 2018, Tokyo Branch issued notes amounting to RMB836 million denominated in JPY with maturities in the second half of 2018 at fixed interest rates.

(iv) New York Branch issued notes amounting to RMB44,777 million denominated in USD with maturities between the second half of 2018 and 2027 at fixed or floating interest rates. Of which, in 2018, New York Branch issued notes amounting to RMB11,156 million denominated in USD with maturities in the second half of 2018 at fixed interest rates.

(v) Luxembourg Branch issued notes amounting to RMB25,618 million denominated in USD and EUR with maturities between the second half of 2018 and 2022 at fixed or floating interest rates.

(vi) Dubai (DIFC) Branch issued notes amounting to RMB26,237 million denominated in EUR and USD with maturities between 2019 and 2023 at fixed or floating interest rates. Of which, in 2018, Dubai (DIFC) Branch issued notes amounting to RMB9,251 million denominated in USD with maturity in 2021 and 2023 at floating interest rates.

(vii) Hong Kong Branch issued notes amounting to RMB22,642 million denominated in USD with maturities between 2019 and 2022 at fixed interest rates. Of which, in 2018, Hong Kong Branch issued notes amounting to RMB198 million denominated in USD with maturity in 2020 at fixed interest rates.

(viii) London Branch issued notes amounting to RMB21,709 million denominated in USD and EUR with maturities between 2019 and 2023 at floating interest rates. Of which, in 2018, London Branch issued notes amounting to RMB12,452 million denominated in USD and EUR with maturity in 2021 and 2023 at floating interest rates.

(ix) The Head Office issued debt securities in London and Hong Kong amounting to RMB1,199 million denominated in RMB with maturity in the second half of 2018 and 2019 at fixed interest rates.

(x) In 2018, the Head Office issued interbank deposits amounting to RMB3,326 million denominated in RMB with maturities in the second half of 2018 at fixed interest rates.

Subsidiaries:

(i) ICBC Asia issued notes amounting to RMB6,344 million denominated in HKD,RMB, EUR and USD with maturities between the second half of 2018 and 2023 at fixed or floating interest rates. Of which, in 2018, ICBC Asia issued notes amounting to RMB4,838 million denominated in HKD and USD with maturities between 2020 and 2023 at floating interest rates.

(ii) ICBC Financial Leasing issued medium-term debt securities and notes amounting to RMB67,896 million denominated in RMB and USD with maturities between the second half of 2018 and 2027 at fixed or floating interest rates.

Of which, Skysea International Capital Management Limited ("Skysea International"), which is controlled by the Group, issued guaranteed notes of USD750 million with a fixed interest rate of 4.875% in 2011. As at 30 June 2018, Skysea International has redeemed USD153 million and the carrying amount of the Notes were RMB3,932 million. The Notes were guaranteed by Hong Kong Branch and were issued at the price fixed at 97.708% of the nominal amount with maturities due on 7 December 2021. By satisfying certain conditions, Skysea International has the option to redeem all of the notes at any time. The Notes were listed on the Stock Exchange of Hong Kong Limited.

ICBCIL Finance Co. Ltd., which is controlled by the Group, issued medium-term notes amounting to RMB62,959 million denominated in RMB and USD with maturities between the second half of 2018 and 2027 at fixed or floating interest rates. Of which, in 2018, ICBCIL Finance Co. Ltd. issued medium-term notes amounting to RMB9,880 million denominated in USD with maturities in 2021 and 2023 at floating interest rates. By satisfying certain conditions, ICBCIL Finance Co. Ltd. has the option to redeem all of the notes at any time. Above notes were guaranteed by ICBC Financial Leasing Co. Ltd. and listed on the Irish Stock Exchange and the Stock Exchange of Hong Kong Limited respectively.

Hai Jiao 1400 limited, which is controlled by the Group, issued a private placement bond amounting to RMB1,005 million denominated in USD with maturity in 2025 at a fixed interest rate in 2016. The bond was guaranteed by The Export-Import Bank of Korea.

(iii) ICBC Thai issued debt securities amounting to RMB6,141 million denominated in THB with maturities between the second half of 2018 and 2028 at fixed interest rates. Of which, in 2018, ICBC Thai issued debt securities amounting to RMB2,492 million denominated in THB with maturities between the second half of 2018 and 2028 at fixed interest rates.

(iv) ICBC International issued medium-term debt securities amounting to RMB13,520 million denominated in USD with maturity between 2019 and 2021 at a fixed or floating interest rate. Of which, in 2018, ICBC International issued medium-term debt securities amounting to RMB4,631 million denominated in USD with maturities in 2021 at floating interest rate.

(v) ICBC New Zealand issued medium-term debt securities and notes amounting to RMB2,084 million denominated in NZD, AUD and USD with maturities between the second half of 2018 and 2023 at fixed or floating interest rates. Of which, in 2018, ICBC New Zealand issued medium-term debt securities and notes amounting to RMB687 million denominated in NZD with maturity between 2021 and 2023 at a fixed or floating interest rates.

(vi) In 2018, ICBC Argentina issued medium-term debt securities amounting to RMB255 million denominated in ARS with maturities in 2020 at floating interest rates.

(In RMB millions, unless otherwise stated)

29. OTHER LIABILITIES

	30 June 2018	31 December 2017
Interest payable	233,460	242,399
Settlement accounts	166,586	158,083
Dividend payable	85,840	–
Allowance for impairment losses on credit commitments (i)	37,883	100
Salaries, bonuses, allowances and subsidies payables (ii)	19,051	26,716
Sundry tax payables	14,508	11,906
Promissory notes	1,458	1,440
Early retirement benefits	958	1,361
Others	184,439	161,495
	744,183	603,500

(i) Allowance for impairment losses on credit commitments.

During the reporting period, movements of the allowance for impairment losses on credit commitments are as follows:

	30 June 2018			
	12-month ECL	Lifetime ECL — not credit-impaired	Lifetime ECL — credit-impaired	Total
Balance at 1 January 2018	26,612	4,041	254	30,907
Transfer:				
to 12-month ECL	–	–	–	–
to lifetime ECL — not credit-impaired	(6)	6	–	–
to lifetime ECL — credit-impaired	–	–	–	–
Charge/(reverse)	6,592	(41)	261	6,812
Other movements	145	17	2	164
Balance at 30 June 2018	33,343	4,023	517	37,883

During the year of 2017, movements of the allowance for impairment losses on credit commitments, which was accured under IAS 37, are as follows:

	Allowance for impairment losses on credit commitments
Balance at 1 January 2017	58
Charge	42
Balance at 31 December 2017	100

(ii) There was no overdue payment for staff salaries, bonuses, allowances, subsidies payables as at 30 June 2018 (31 December 2017: Nil).

(iii) As at 30 June 2018, the amount of other liabilities due within one year was RMB652,974 million (31 December 2017: RMB550,736 million).

30. SHARE CAPITAL

	30 June 2018		31 December 2017	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 Yuan each	86,795	86,795	86,795	86,795
A shares of RMB1 Yuan each	269,612	269,612	269,612	269,612
	356,407	356,407	356,407	356,407

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

31. OTHER EQUITY INSTRUMENTS

(1) Preference shares

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

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

(b) Main Clauses

(i) Overseas preference shares

a. Dividend

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

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

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

Dividends will be paid annually.

b. Conditions to distribution of dividends

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

c. Dividend stopper

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

d. Order of distribution and liquidation method

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

e. Mandatory conversion trigger events

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

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

f. Redemption

Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Group has right to redeem all or some of overseas preference shares in first call date and subsequent any dividend payment date. Redemption price is equal to issue price plus accrued dividend in current period.

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

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

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

g. Dividend setting mechanism

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

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

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

(ii) Domestic preference shares

a. Dividend

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

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

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

Dividends will be paid annually.

b. Conditions to distribution of dividends

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

c. Dividend stopper

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

d. Order of distribution and liquidation method

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

e. Mandatory conversion trigger events

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

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

f. Redemption

After five years have elapsed since the date of issuance (18 November 2015), under the premise of obtaining the approval of the CBIRC and compliance with regulatory requirements, the Group has right to redeem all or some of domestic preference shares. The redemption period of preference shares ranges from the start date of redemption to the date of full redemption or conversion. Redemption price is equal to book value plus accrued dividend in current period.

g. Dividend setting mechanism

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

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

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

(c) Changes in preference shares outstanding

		Preference Shares				
		Overseas			Domestic	
Financial instrument outstanding		**USD**	**EUR**	**RMB**	**RMB**	**Total**
1 January 2018	Amount (million shares)	147	40	120	450	757
and	In original currency (million)	2,940	600	12,000	45,000	N/A
30 June 2018	In RMB (million)	17,991	4,558	12,000	45,000	79,549

Note: The RMB amounts of offshore preference shares in U.S. dollar and Euro on 30 June 2018 are translated at the spot exchange rate on issuance date.

(2) Perpetual Bond

(a) Perpetual bond outstanding at the end of the period

Financial instrument outstanding	Issue date	Accounting classification	Interest rate	Issue price	Amount (million pieces)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
USD Perpetual bond	2016-07-21	Equity	4.25%	1,000USD/Piece	1	1,000	6,691	None	None	No
Total					1		6,691			
Less: Issue fees							15			
Book value							6,676			

Note: USD perpetual bond was issued by ICBC Asia, a subsidiary of the Bank.

(b) Main Clauses

On 21 July 2016, ICBC Asia issued Basel III-compliant Non-Cumulative Subordinated Additional Tier 1 Capital Securities (hereinafter referred to as "Perpetual Bond") in the aggregate amount of US$1 billion (equivalent to approximately RMB6,676 million net of related issuance costs). Fixed rate for the first 5 years after issuance of the bond is 4.25%. If perpetual bonds are not called, distribution will be reset based on the then prevailing 5-year USA national bonds yield plus a fixed initial spread (3.135 per cent. Per annum) every 5 years.

The distribution shall be payable semi-annually, with the first distribution payment date being 21 January 2017. ICBC Asia has the right to cancel distribution payment (subject to the requirement as set out in the terms and conditions of the perpetual bond) and the distribution cancelled shall not be cumulative.

The perpetual bond will be written off up to the amount as directed by the Hong Kong Monetary Authority (hereinafter referred to as "HKMA") if the HKMA notifies ICBC Asia that in the opinion of the HKMA or a relevant government body, ICBC Asia would become non-viable if there is no written off of the principal. The perpetual bond also contain Hong Kong Bail-in Power. Each holder of the perpetual bond shall be subject to the exercise by the Hong Kong Resolution Authority to any or a combination of the following:

(1) reduction or cancellation of all or a part of the principal and/or distribution of the perpetual bond;

(2) the conversion of all or a part of the principal and/or distribution of the perpetual bond into shares of ICBC Asia or another person; and/or

(3) the amendment of the maturity, distribution payment date and/or the distribution amount of the perpetual bond.

ICBC Asia has a call option to redeem all the outstanding perpetual bond from 21 July 2021 or any subsequent distribution payment date thereafter.

(c) Changes in perpetual bond outstanding

	1 January 2018			Movement during the period			30 June 2018		
Financial instrument outstanding	Amount (million pieces)	In original currency (million)	In RMB (million)	Amount (million pieces)	In original currency (million)	In RMB (million)	Amount (million pieces)	In original currency (million)	In RMB (million)
USD Perpetual bond	1	1,000	6,691	–	–	–	1	1,000	6,691
Total	1	1,000	6,691	–	–	–	1	1,000	6,691

Note: The RMB amount of perpetual bond as at 30 June 2018 is translated at the spot exchange rate on issuance date.

(3) Interests attributable to equity instruments' holders

Equity instrument		1 January 2018	30 June 2018
1.	Total equity attributable to equity holders of the parent company	2,095,333	2,178,599
	(1) Equity attributable to ordinary equity holders of the parent company	2,009,282	2,092,548
	(2) Equity attributable to other equity holders of the parent company	86,051	86,051
2.	Total equity attributable to non-controlling interests	13,533	13,602
	(1) Equity attributable to non-controlling interests of ordinary shares	13,533	13,602
	(2) Equity attributable to non-controlling interests of other equity instruments	–	–

32. RESERVES

(a) Capital reserve

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

(b) Surplus reserves

(i) Statutory surplus reserve

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

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

(ii) Discretionary surplus reserve

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

(iii) Other surplus reserve

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

(c) General reserve

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

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

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes and impairment provision of financial investments measured at FVOCI.

(e) Foreign currency translation reserve

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

(f) Cash flow hedging reserve

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

(g) Other reserves

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

(h) Distributable profits

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

(In RMB millions, unless otherwise stated)

33. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
Items that will not be reclassified to profit or loss:		
Net gain from equity instruments designated as at FVOCI	329	
Share of the other comprehensive income of investees accounted for using equity method which will not be reclassified to profit or loss	6	(11)
Others	(3)	1
Items that may be reclassified subsequently to profit or loss:		
Net gain from debt instruments measured at FVOCI	14,647	
Less: Amount transferred to profit or loss from other comprehensive income	298	
Income tax effect	(4,435)	
	10,510	
Net loss from change in fair value of available-for-sale financial assets		(24,022)
Less: Amount transferred to profit or loss from other comprehensive income		(214)
Income tax effect		5,991
		(18,245)
Effective hedging portion of gains or losses arising from cash flow hedging instruments:		
(Losses)/gains during the period	(54)	50
Less: Income tax effect	14	54
	(40)	104
Share of the other comprehensive income of investees accounted for using equity method which may be reclassified subsequently to profit or loss	395	(180)
Foreign currency translation differences	(2,359)	(2,980)
Others	(230)	(29)
	8,608	(21,340)

34. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

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

The following table sets out an analysis of the carrying amounts and maximum explosure of interests held by the Group in the structured entities sponsored by third party institutions:

	30 June 2018		31 December 2017	
	Carrying amount	Maximum explosure	Carrying amount	Maximum explosure
Investment funds	14,371	14,371	10,919	10,919
Wealth management products	–	–	200	200
Asset management plans	328,812	328,812	267,379	267,379
Trust plans	43,596	43,596	24,200	24,200
Asset-backed securities	45,412	45,412	24,400	24,400
	432,191	432,191	327,098	327,098

(In RMB millions, unless otherwise stated)

The maximum exposures to loss in the above investment funds, wealth management products, asset management plans, trust plans and asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date.

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

	30 June 2018		
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost
Investment funds	14,371	–	–
Asset management plans	309,944	–	18,868
Trust plans	29,417	–	14,179
Asset-backed securities	30,440	7,875	7,097
	384,172	7,875	40,144

	31 December 2017			
	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held for trading or designated as at FVTPL	Receivables
Investment funds	–	7,976	1,443	1,500
Wealth management products	–	–	–	200
Asset management plans	–	6,164	228,063	33,152
Trust plans	–	–	8,157	16,043
Asset-backed securities	54	18,549	4,798	999
	54	32,689	242,461	51,894

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

The types of unconsolidated structured entities sponsored by the Group include investment funds and non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 30 June 2018, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised are not material in the statement of financial positions.

As at 30 June 2018, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, were RMB2,580,189 million (31 December 2017: RMB2,665,795 million) and RMB1,370,231 million (31 December 2017: RMB1,296,300 million) respectively.

(c) Unconsolidated structured entities sponsored by the Group during the period which the Group does not have an interest in as at 30 June 2018

Six months ended 30 June 2018, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB824 million (six months ended 30 June 2017: RMB1,652 million).

(In RMB millions, unless otherwise stated)

Six months ended 30 June 2018, the amount of income received from such category of investment funds was RMB190 thousand (six months ended 30 June 2017: RMB20 million).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2018 but matured before 30 June 2018 was RMB246,206 million (the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2017 but matured before 30 June 2017 was RMB431,749 million).

The aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2018 but matured before 30 June 2018 was RMB66 million (the aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2017 but matured before 30 June 2017 was RMB28,680 million).

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of balances of cash and cash equivalents

	Note	30 June 2018	30 June 2017
Cash on hand	13	66,668	76,765
Balances with central banks other than restricted deposits	13	472,585	172,885
Nostro accounts with banks and other financial institutions with original maturity of three months or less		227,678	287,045
Placements with banks and other financial institutions with original maturity of three months or less		256,559	202,667
Reverse repurchase agreements with original maturity of three months or less		497,333	718,328
		1,520,823	1,457,690

36. TRANSFERRED FINANCIAL ASSETS

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

Repurchase transactions and securities lending transactions

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

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

	30 June 2018		31 December 2017	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	65,502	63,799	44,458	44,433
Securities lending agreements	222,626	–	277,169	–
	288,128	63,799	321,627	44,433

(In RMB millions, unless otherwise stated)

Securitisation transactions

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

As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets and it has retained control of them, those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The Group recognises the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets. As at 30 June 2018, loans with an original carrying amount of RMB139,164 million (31 December 2017: RMB91,855 million) had been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches. As at 30 June 2018, the carrying amount of assets that the Group continues to recognise was RMB14,937 million (31 December 2017: RMB5,466 million).

With respect to the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability. As at 30 June 2018, the Group does not have carrying amount of transferred assets that did not qualify for derecognition and carrying amount of their associated liabilities (31 December 2017: Nil).

37. SHARE APPRECIATION RIGHTS PLAN

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

38. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

	30 June 2018	31 December 2017
Authorised, but not contracted for	564	644
Contracted, but not provided for	26,466	22,380
	27,030	23,024

(b) Operating lease commitments

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

	30 June 2018	31 December 2017
Within one year	5,365	5,451
Over one year but within five years	8,667	9,166
Over five years	883	1,011
	14,915	15,628

(In RMB millions, unless otherwise stated)

(c) Credit commitments

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

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

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

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

	30 June 2018	31 December 2017
Bank acceptances	258,104	245,542
Guarantees issued		
— Financing letters of guarantees	140,620	160,947
— Non-financing letters of guarantees	328,732	337,930
Sight letters of credit	46,658	37,353
Usance letters of credit and other commitments	162,387	153,182
Loan commitments		
— With an original maturity of under one year	215,186	234,675
— With an original maturity of one year or over	1,443,883	1,439,090
Undrawn credit card limit	990,173	902,217
	3,585,743	3,510,936

Details of the allowance for impairment losses on credit commitments are disclosed in Note 29(i).

	30 June 2018	31 December 2017
Credit risk-weighted assets of credit commitments(i)	1,595,608	1,552,070

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

(d) Legal proceedings

As at 30 June 2018, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB4,704 million (31 December 2017: RMB4,496 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. 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 2018, the Bank had underwritten and sold bonds with an accumulated amount of RMB84,778 million (31 December 2017: RMB87,981 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.

(In RMB millions, unless otherwise stated)

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 2018, the unexpired securities underwriting obligations of the Group and the Bank amounted to RMB6,962 million (31 December 2017: Nil).

39. DESIGNATED FUNDS AND LOANS

	30 June 2018	31 December 2017
Designated funds	944,823	1,327,990
Designated loans	942,804	1,327,433

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

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

40. ASSETS PLEDGED

Financial assets of the Group including securities, bills and loans have been pledged as collateral for liabilities or contingent liabilities, mainly repurchase agreements and derivative contracts. As at 30 June 2018, the carrying value of the Group's financial assets pledged as collateral amounted to approximately RMB324,193 million (31 December 2017: RMB878,823 million).

41. FIDUCIARY ACTIVITIES

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

42. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in this interim financial report, the Group had the following transactions with related parties during the period:

(a) Shareholders with significant influence

(i) The MOF

The MOF is a ministry under the State Council of the PRC, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 30 June 2018, the MOF directly owned approximately 34.60% (31 December 2017: approximately 34.60%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, including the subscription and redemption of government bonds issued by the MOF. Details of the major transactions are as follows:

	30 June 2018	31 December 2017
Balances at end of the period/year:		
The PRC government bonds and the special government bond	941,358	927,432

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2018	2017
Transactions during the period:		
Subscription of the PRC government bonds	254,030	162,071
Redemption of the PRC government bonds	112,867	94,864
Interest income on the PRC government bonds	16,979	15,082
Interest rate ranges during the period:	%	%
Bond investments	2.13 to 5.41	2.10 to 6.15

As at 30 June 2018, the Group holds a series of long-term bonds issued by Huarong, which is under the control of the MOF, with an aggregate amount of RMB90,309 million (31 December 2017: RMB90,309 million). The details of the Huarong bonds are included in note 18.

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

(ii) Huijin

As at 30 June 2018, Central Huijin Investment Ltd. ("Huijin") directly owned approximately 34.71% (31 December 2017: approximately 34.71%) of the issued share capital of the Bank. Huijin is a state-owned investment company established on 16 December 2003 under the Company Law of the PRC. Huijin has a total registered and paid-in capital of RMB828,209 million. Huijin is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation by the State, Huijin makes equity investments in the key state-owned financial institutions, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

As at 30 June 2018, the Huijin Bonds held by the Bank had an aggregate face value of RMB28.02 billion (31 December 2017: RMB22.75 billion), with terms ranging from 1 to 30 years and coupon rates ranging from 3.32% to 5.15% per annum. The Huijin Bonds are government-backed, short-term financing bills and medium-term notes. The Bank's subscription of the Huijin Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory requirements and the corporate governance of the Bank.

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

	30 June 2018	31 December 2017
Balances at end of the period/year:		
Debt securities purchased	27,837	21,934
Interest receivable	711	317
Loans and advances to customers	26,970	27,000
Due to customers	2,519	5,606
Interest payable	–	1

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2018	2017
Transactions during the period:		
Interest income on debt securities purchased	458	303
Interest income on loans and advances to customers	590	83
Interest expense on amounts due to customers	50	38
Net loss on financial liabilities designated as at FVTPL	–	26
Interest rate ranges during the period:	%	%
Debt securities purchased	3.32 to 5.15	3.16 to 4.20
Loans and advances to customers	3.92 to 4.75	3.92
Due to customers	0.30 to 1.76	0.30 to 1.76

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

	30 June 2018	31 December 2017
Balances at end of the period/year:		
Debt securities purchased	527,380	650,186
Due from banks and other financial institutions	136,846	128,185
Loans and advances to customers	260	691
Derivative financial assets	5,295	6,431
Due to banks and other financial institutions	165,175	157,412
Derivative financial liabilities	5,598	6,023
Due to customers	9,926	10,758
Credit commitments	16,611	15,954

	Six months ended 30 June	
	2018	2017
Transactions during the period:		
Interest income on debt securities purchased	10,093	11,966
Interest income on amounts due from banks and other financial institutions	422	138
Interest income on loans and advances to customers	18	7
Interest expense on amounts due to banks and other financial institutions	1,014	821
Interest expense on due to customers	92	140
Interest rate ranges during the period:	%	%
Debt securities purchased	0 to 7.00	0.13 to 7.67
Due from banks and other financial institutions	0 to 7.50	0 to 10.55
Loans and advances to customers	4.13 to 6.18	4.35 to 5.40
Due to banks and other financial institutions	0 to 8.17	0 to 5.55
Due to customers	0 to 3.90	0.30 to 2.00

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

(In RMB millions, unless otherwise stated)

(b) Subsidiaries

	30 June 2018	31 December 2017
Balances at end of the period/year:		
Financial investments	46,752	14,478
Due from banks and other financial institutions	422,013	387,233
Loans and advances to customers	35,875	37,385
Derivative financial assets	1,924	757
Due to banks and other financial institutions	421,124	383,376
Derivative financial liabilities	1,524	4,353
Reverse repurchase agreements	6,436	1,235
Repurchase agreements	29,655	5,913
Credit commitments	108,112	144,810

	Six months ended 30 June	
	2018	2017
Transactions during the period:		
Interest income on financial investments	75	132
Interest income on amounts due from banks and other financial institutions	526	870
Interest income on loans and advances to customers	479	698
Interest expense on amounts due to banks and other financial institutions	1,516	540
Fee and commission income	885	1,109
Interest rate ranges during the period:	%	%
Financial investments	0 to 4.00	0.72 to 4.50
Due from banks and other financial institutions	0.01 to 4.50	0 to 105.00
Loans and advances to customers	1.40 to 5.83	0.25 to 6.15
Due to banks and other financial institutions	-0.20 to 4.80	0 to 40.00

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

(c) Associates and affiliates

	30 June 2018	31 December 2017
Balances at end of the period/year:		
Due from banks and other financial institutions	404	3,075
Loans and advances to customers	1,291	1,667
Derivative financial assets	1,218	1,238
Due to banks and other financial institutions	14,130	17,535
Due to customers	69	121
Derivative financial liabilities	1,170	1,178
Credit commitments	–	65

	Six months ended 30 June	
	2018	2017
Transactions during the period:		
Interest income on amounts due from banks and other financial institutions	14	0
Interest income on loans and advances to customers	37	22
Interest expense on amounts due to banks and other financial institutions	129	53
Interest expense on amounts due to customers	0	1
Interest rate ranges during the period:	%	%
Due from banks and other financial institutions	0 to 14.00	0 to 0.35
Loans and advances to customers	2.62 to 3.87	0.50 to 4.28
Due to banks and other financial institutions	0 to 2.67	0 to 0.72
Due to customers	0 to 0.72	0 to 1.79

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

(d) Joint ventures and affiliates

	30 June 2018	31 December 2017
Balances at end of the period/year:		
Due to customers	354	145

	Six months ended 30 June	
	2018	2017
Transactions during the period:		
Interest income on loans and advances to customers	–	1
Interest expense on amounts due to customers	0	3
Interest rate ranges during the period:	%	%
Loans and advances to customers	–	3.03
Due to customers	0.01 to 0.30	0.01 to 1.30

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

(e) Key management personnel

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

The aggregate compensation for the period is as follows:

	Six months ended 30 June	
	2018 In RMB'000	2017 In RMB'000
Short-term employment benefits	5,707	5,254
Post-employment benefits	294	291
	6,001	5,545

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

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Loans	2,558	2,603

During the reporting period, there were no other material transactions and balances with key management personnel on an individual basis. The Group enters into banking transactions with key management personnel in the normal course of business.

The aggregated balance of loans and credit card overdrafts to the persons which are considered as related parties according to the relevant rules of Shanghai Stock Exchange was RMB3.58 million as at 30 June 2018 (31 December 2017: RMB36.52 million).

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

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, Annuity Fund holds A shares of the Bank with an amount of RMB15.58 million as at 30 June 2018 (31 December 2017: RMB21.58 million).

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

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

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

43. SEGMENT INFORMATION

(a) Operating segments

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

Corporate banking

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

(In RMB millions, unless otherwise stated)

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 2018				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	132,780	41,475	103,361	–	277,616
Internal net interest income/(expense)	863	61,637	(62,500)	–	–
Net fee and commission income	44,294	34,717	249	–	79,260
Other (expense)/income, net (i)	(1,158)	2	2,641	2,941	4,426
Operating income	176,779	137,831	43,751	2,941	361,302
Operating expenses	(30,664)	(40,399)	(8,056)	(2,839)	(81,958)
Impairment losses on:					
Loans and advances to customers	(60,287)	(17,265)	–	–	(77,552)
Others	(6,252)	(1,311)	1,705	(48)	(5,906)
Operating profit	79,576	78,856	37,400	54	195,886
Share of profits of associates and joint ventures	–	–	–	1,330	1,330
Profit before taxation	79,576	78,856	37,400	1,384	197,216
Income tax expense					(36,559)
Profit for the period					160,657
Other segment information:					
Depreciation	2,809	2,521	1,119	212	6,661
Amortisation	485	366	205	68	1,124
Capital expenditure	10,169	9,046	4,043	810	24,068
As at 30 June 2018					
Segment assets	9,713,458	5,383,794	12,021,310	184,518	27,303,080
Including: Investments in associates and joint ventures	–	–	–	31,719	31,719
Property and equipment	95,578	85,565	37,881	39,800	258,824
Other non-current assets (ii)	21,003	7,082	4,184	11,980	44,249
Segment liabilities	12,108,178	9,396,003	3,299,717	306,981	25,110,879
Other segment information:					
Credit commitments	2,620,751	964,992	–	–	3,585,743

(i) Includes net trading income, net gain on financial investments and other operating (expense)/income (net).

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

(In RMB millions, unless otherwise stated)

	Six months ended 30 June 2017				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	123,129	25,386	102,407	–	250,922
Internal net interest (expense)/income	(2,710)	62,314	(59,604)	–	–
Net fee and commission income	44,385	32,139	146	–	76,670
Other income, net (i)	3,748	21	3,365	2,013	9,147
Operating income	168,552	119,860	46,314	2,013	336,739
Operating expenses	(30,936)	(39,005)	(7,856)	(2,473)	(80,270)
Impairment losses on:					
Loans and advances to customers	(57,045)	(3,956)	–	–	(61,001)
Others	(252)	(62)	78	(106)	(342)
Operating profit/(loss)	80,319	76,837	38,536	(566)	195,126
Share of profits of associates and joint ventures	–	–	–	1,372	1,372
Profit before taxation	80,319	76,837	38,536	806	196,498
Income tax expense					(42,811)
Profit for the period					153,687
Other segment information:					
Depreciation	3,107	2,578	1,223	143	7,051
Amortisation	461	328	190	27	1,006
Capital expenditure	6,498	5,368	2,547	302	14,715
As at 31 December 2017					
Segment assets	9,309,390	4,992,999	11,629,855	154,799	26,087,043
Including: Investments in associates and joint ventures	–	–	–	32,441	32,441
Property and equipment	96,515	79,646	37,649	33,934	247,744
Other non-current assets (ii)	20,975	7,076	4,435	11,124	43,610
Segment liabilities	11,294,092	8,627,592	3,854,496	169,807	23,945,987
Other segment information:					
Credit commitments	2,608,719	902,217	–	–	3,510,936

(i) Includes net trading income, net gain on financial investments and other operating income (net).

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

(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, Istanbul, Prague and Zurich, 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.

(In RMB millions, unless otherwise stated)

	Six months ended 30 June 2018									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
External net interest income	109,420	29,759	26,494	16,451	28,738	39,384	8,819	18,551	–	277,616
Internal net interest (expense)/income	(64,623)	12,690	6,614	37,018	5,690	2,728	2,656	(2,773)	–	–
Net fee and commission income	2,231	20,637	15,862	13,016	9,560	11,336	2,596	4,037	(15)	79,260
Other (expense)/income, net (i)	(2,576)	399	(140)	(957)	242	737	(120)	6,846	(5)	4,426
Operating income	44,452	63,485	48,830	65,528	44,230	54,185	13,951	26,661	(20)	361,302
Operating expenses	(7,402)	(11,715)	(9,944)	(13,881)	(11,940)	(13,100)	(5,085)	(8,911)	20	(81,958)
Impairment losses on:										
Loans and advances to customers	(16,282)	(9,143)	(9,667)	(17,139)	(8,545)	(9,410)	(5,534)	(1,832)	–	(77,552)
Others	(1,620)	(1,209)	(702)	(636)	(436)	(998)	(165)	(140)	–	(5,906)
Operating profit	19,148	41,418	28,517	33,872	23,309	30,677	3,167	15,778	–	195,886
Share of profits of associates and joint ventures	–	–	–	–	–	–	–	1,330	–	1,330
Profit before taxation	19,148	41,418	28,517	33,872	23,309	30,677	3,167	17,108	–	197,216
Income tax expense										(36,559)
Profit for the period										160,657
Other segment information:										
Depreciation	863	895	619	1,002	1,171	1,351	557	203	–	6,661
Amortisation	364	116	97	91	136	164	41	115	–	1,124
Capital expenditure	1,135	1,161	131	396	298	336	186	20,425	–	24,068

(i) Includes net trading income, net gain on financial investments and other operating (expense)/income (net).

	As at 30 June 2018									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Assets by geographical areas	9,978,167	4,870,768	3,019,519	3,565,102	2,505,524	3,189,689	1,037,659	3,648,260	(4,569,235)	27,245,453
Including: Investments in associates and joint ventures	–	–	–	–	–	–	–	31,719	–	31,719
Property and equipment	11,906	30,541	10,436	16,401	17,658	21,937	9,489	140,456	–	258,824
Other non-current assets (i)	11,194	5,769	3,902	3,839	5,264	8,494	1,426	4,361	–	44,249
Unallocated assets										57,627
Total assets										27,303,080
Liabilities by geographical areas	7,710,791	5,157,629	3,264,688	5,596,190	2,691,482	3,292,986	1,107,199	813,824	(4,569,235)	25,065,554
Unallocated liabilities										45,325
Total liabilities										25,110,879
Other segment information:										
Credit commitments	1,062,467	677,009	422,116	577,635	237,915	428,052	91,950	468,813	(380,214)	3,585,743

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

(In RMB millions, unless otherwise stated)

	Six months ended 30 June 2017									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
External net interest income	99,978	24,080	22,949	14,404	23,808	34,778	7,277	23,648	–	250,922
Internal net interest (expense)/income	(66,296)	13,940	6,639	33,401	6,858	4,091	3,843	(2,476)	–	–
Net fee and commission income	3,259	19,665	13,282	12,997	10,292	10,822	2,642	3,723	(12)	76,670
Other (expense)/income, net (i)	(1,178)	394	587	3,497	78	407	(81)	5,463	(20)	9,147
Operating income	35,763	58,079	43,457	64,299	41,036	50,098	13,681	30,358	(32)	336,739
Operating expenses	(8,040)	(11,348)	(8,868)	(13,212)	(11,540)	(13,192)	(5,158)	(8,944)	32	(80,270)
Impairment losses on:										
Loans and advances to customers	(5,730)	(8,408)	(9,411)	(15,306)	(9,239)	(9,201)	(2,440)	(1,266)	–	(61,001)
Others	144	(35)	103	(42)	(370)	(76)	(6)	(60)	–	(342)
Operating profit	22,137	38,288	25,281	35,739	19,887	27,629	6,077	20,088	–	195,126
Share of profits of associates and joint ventures	–	–	–	–	–	–	–	1,372	–	1,372
Profit before taxation	22,137	38,288	25,281	35,739	19,887	27,629	6,077	21,460	–	196,498
Income tax expense										(42,811)
Profit for the period										153,687
Other segment information:										
Depreciation	871	974	668	1,055	1,241	1,454	583	205	–	7,051
Amortisation	258	116	97	81	143	177	42	92	–	1,006
Capital expenditure	207	1,477	70	157	196	200	92	12,316	–	14,715

(j) Includes net trading income, net gain on financial investments and other operating income (net).

	As at 31 December 2017									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Assets by geographical areas	9,101,260	5,327,071	3,356,039	3,710,656	2,529,871	3,113,759	1,078,047	3,382,006	(5,560,058)	26,038,651
Including: Investments in associates and joint ventures	–	–	–	–	–	–	–	32,441	–	32,441
Property and equipment	12,166	30,359	10,955	17,080	18,588	23,054	9,900	125,642	–	247,744
Other non-current assets (i)	11,025	5,762	4,172	3,974	5,371	7,603	1,430	4,273	–	43,610
Unallocated assets										48,392
Total assets										26,087,043
Liabilities by geographical areas	7,179,622	5,564,511	3,692,171	5,568,370	2,624,956	3,164,294	1,069,369	571,676	(5,560,058)	23,874,911
Unallocated liabilities										71,076
Total liabilities										23,945,987
Other segment information:										
Credit commitments	946,311	657,602	466,598	558,078	254,474	433,536	89,923	690,097	(585,683)	3,510,936

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

44. FINANCIAL INSTRUMENT RISK MANAGEMENT

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

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

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

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

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

(a) Credit risk

Definition and scope

Credit risk is the risk of loss arising from a borrower or counterparty's failure to perform its obligations. Operational failures which result in unauthorised or inappropriate guarantees, financial commitments or investments by the Group may also give rise to credit risk. The Group's credit risk is mainly attributable to its loans, due from banks and other financial institutions and financial investments.

The Group is also exposed to credit risk in other areas in addition to the credit risk arising from the Group's loans, due from banks and other financial institutions and financial investments. The credit risk arising from derivative financial instruments is limited to derivative financial assets recorded in the statement of financial position. In addition, the Group provides guarantees for customers and may therefore be required to make payments on their behalf. These payments will be recovered from customers in accordance with the terms of the agreement. Therefore, the Group assumes a credit risk similar to that arising from loans and applies the same risk control procedures and policies to reduce risks.

Credit risk assessment method

Stage of financial instruments

The Group classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognised as loss allowance.

Stage 3: A financial instrument is considered to be credit-impaired as at statement of financial position date. The amount equal to lifetime expected credit losses is recognised as loss allowance.

(a) Credit risk (continued)

Significant increase in credit risk

The assessment of significant increase since initial recognition in the credit risk is performed at least on a quarterly basis for financial instruments held by the Group. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and operating environment, internal and external credit risk gradings, debt-servicing capacity, operating capabilities, contractual terms, and repayment records. The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at statement of financial position date and its risk of default at the date of initial application to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the Group considers factors indicating whether the probability of default has risen sharply, whether the financial instrument has been past due for more than 30 days, whether the market price has been falling to assess deterioration.

Definition of default

The Group defines a corporate borrower as in default when it meets one or more of the following criteria at the timing of recognition:

(i) The principal or interest of loan is past due more than 90 days to the Group;

(ii) The corporate borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidation against collateral;

(iii) The corporate borrower has the above matters in other financial institutions refers to (i), (ii)

The Group defines a retail business borrower as in default when single credit assets of borrowers meets one or more of the following criteria:

(i) The principal or interest of loan is past due more than 90 days to the Group;

(ii) Write-offs;

(iii) The Group considers the borrower is unlikely to pay its credit obligations to the Group in full.

Impairment assessment

Generally, a financial asset is considered to be credit-impaired if:

- It has been overdue for more than 90 days;
- In light of economic, legal or other factors, the Group has made concessions to a borrower in financial difficulties, which would otherwise have been impossible under normal circumstances;
- The borrower is probable to be insolvent or carry out other financial restructurings;
- Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- There are other objective evidences that the financial asset is impaired.

Description of parameters, assumptions, and estimation techniques

Expect for the credit-impaired corporate loans and advance to customers, expected credit losses ("ECL") is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the product of the Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"), considering the time value of money. Related definitions are as follows:

PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information.

(a) Credit risk (continued)

LGD is the magnitude of the likely loss if there is a default in light of forward-looking information.

EAD refers to the total amount of on- and off-balance sheet exposures in the event of default and is determined based on the historical repayment records.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are monitored and reviewed on a quarterly basis by the Group.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The impairment loss on credit-impaired corporate loans and advance to customers applied cash flow discount method, if there is objective evidence that an impairment loss on a loan or advance has incurred, the amount of the loss is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the statement of profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from projects and liquidation;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

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

Forward-looking information contained in ECL

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables, including GDP, CPI, PMI, M2, Industrial Added Value and Real Estate Climate Index, impacting ECL for each portfolio. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables, PD and LGD. Forecasts of these economic variables are provided by the Group at least once per year and provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL, the optimism, neutral and pessimism scenarios and its weightings determined by a combination of macro-statistical analysis and expert judgment are taken into account by the Group.

Write-off policy

The Group writes off financial assets when it has exhausted practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Contractual modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such rescheduling activities include extended payment term arrangements, payment holidays and payment forgiveness. Rescheduling policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

(In RMB millions, unless otherwise stated)

(a) Credit risk (continued)

The following table includes carrying amount of rescheduled loans and advance to customers:

	30 June 2018	31 December 2017
Rescheduled loans and advances to customers	5,171	5,158
Impaired loans and advances to customers included in above	3,805	1,989

Collaterals and other credit enhancements

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

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

Corporate loans and discounted bills are mainly collateralised by properties or other assets. As at 30 June 2018, the carrying value (before reduction of allowance for impairment loss) of corporate loans and discounted bills amounted to RMB9,621,157 million (31 December 2017: RMB9,287,990 million), of which credit exposure covered by collateral amounted to RMB3,281,099 million (31 December 2017: RMB3,335,404 million).

Retail loans are mainly collateralised by residential properties. As at 30 June 2018, the carrying value (before reduction of allowance for impairment loss) of retail loans amounted to RMB5,312,980 million (31 December 2017: RMB4,945,458 million), of which credit exposure covered by collateral amounted to RMB4,638,552 million (31 December 2017: RMB4,313,125 million).

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

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

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

During the reporting period, the Group took possession of collateral held as security with a carrying amount of RMB1,124 million (six months ended 30 June 2017: RMB846 million). Such collateral mainly comprises buildings and land and equipments.

(In RMB millions, unless otherwise stated)

(a) Credit risk (continued)

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

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

	30 June 2018	31 December 2017
Balances with central banks	3,751,785	3,538,658
Due from banks and other financial institutions	906,466	847,611
Derivative financial assets	87,287	89,013
Reverse repurchase agreements	687,913	986,631
Loans and advances to customers	14,536,141	13,892,966
Financial investments		
— Financial investments measured at FVTPL	761,531	432,143
— Financial investments measured at FVOCI	1,441,812	
— Financial investments measured at amortised cost	4,006,833	
— Available-for-sale financial assets		1,473,159
— Held-to-maturity investments		3,542,184
— Receivables		277,129
Others	464,845	288,090
	26,644,613	25,367,584
Credit commitments	3,585,743	3,510,936
Total maximum credit risk exposure	30,230,356	28,878,520

(ii) Risk concentrations

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

(In RMB millions, unless otherwise stated)

(a) Credit risk (continued)

By geographical distribution

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

30 June 2018

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	3,200,153	80,613	27,599	140,616	20,508	39,259	12,051	230,986	3,751,785
Due from banks and other financial institutions	538,278	8,813	1,194	928	259	744	221	356,029	906,466
Derivative financial assets	31,623	2,363	2,004	1,313	202	504	126	49,152	87,287
Reverse repurchase agreements	442,310	–	–	–	–	–	–	245,603	687,913
Loans and advances to customers	648,695	2,674,749	1,934,169	2,377,420	2,060,792	2,571,025	720,566	1,548,725	14,536,141
Financial investments									
— Financial investments measured at FVTPL	708,093	543	264	349	165	258	67	51,792	761,531
— Financial investments measured at FVOCI	892,920	37,615	20,370	185,921	15,987	21,985	994	266,020	1,441,812
— Financial investments measured at amortised cost	3,544,660	22,577	25,027	27,985	51,115	75,549	14,410	245,510	4,006,833
Others	137,316	80,930	55,061	47,242	34,568	29,876	9,058	70,794	464,845
	10,144,048	2,908,203	2,065,688	2,781,774	2,183,596	2,739,200	757,493	3,064,611	26,644,613
Credit commitments	1,010,617	577,470	371,153	539,752	222,907	366,720	82,971	414,153	3,585,743
Total maximum credit risk exposure	11,154,665	3,485,673	2,436,841	3,321,526	2,406,503	3,105,920	840,464	3,478,764	30,230,356

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

31 December 2017

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	3,065,933	59,322	34,559	115,233	26,569	33,744	9,270	194,028	3,538,658
Due from banks and other financial institutions	582,618	2,854	1,128	634	210	1,251	123	258,793	847,611
Financial assets held for trading	60,072	–	–	–	–	–	–	18,470	78,542
Financial assets designated as at FVTPL	333,921	557	373	563	253	370	91	17,473	353,601
Derivative financial assets	34,410	647	1,889	2,228	306	1,467	194	47,872	89,013
Reverse repurchase agreements	738,433	–	–	–	–	–	–	248,198	986,631
Loans and advances to customers	606,492	2,542,533	1,842,347	2,277,473	1,954,528	2,451,071	712,922	1,505,600	13,892,966
Financial investments									
— Receivables	221,242	24	284	1,736	3,540	270	120	49,913	277,129
— Held-to-maturity investments	3,124,591	28,576	22,004	24,344	44,699	68,913	12,677	216,380	3,542,184
— Available-for-sale financial assets	933,376	45,079	24,088	193,388	17,417	22,933	1,279	235,599	1,473,159
Others	128,867	32,024	13,558	18,148	20,255	14,593	3,773	56,872	288,090
	9,829,955	2,711,616	1,940,230	2,633,747	2,067,777	2,594,612	740,449	2,849,198	25,367,584
Credit commitments	911,612	579,997	414,893	517,276	220,802	371,775	84,106	410,475	3,510,936
Total maximum credit risk exposure	10,741,567	3,291,613	2,355,123	3,151,023	2,288,579	2,966,387	824,555	3,259,673	28,878,520

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

(In RMB millions, unless otherwise stated)

(a) Credit risk (continued)

By industry and issuers distribution

The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	30 June 2018	31 December 2017
Transportation, storage and postal services	1,959,017	1,868,700
Manufacturing	1,666,242	1,622,263
Leasing and commercial services	1,080,384	1,017,887
Production and supply of electricity, heating, gas and water	991,228	971,938
Real estate	790,947	739,783
Water, environment and public utility management	741,263	676,573
Wholesale and retail	716,322	702,151
Finance	309,523	295,919
Construction	276,700	249,244
Mining	261,347	262,262
Science, education, culture and sanitation	176,145	146,074
Others	372,287	384,070
Subtotal of corporate loans and advances	9,341,405	8,936,864
Personal mortgage and business loans	4,502,787	4,154,899
Others	810,193	790,559
Subtotal of personal loans	5,312,980	4,945,458
Discounted bills	279,752	351,126
Total loans and advances to customers	14,934,137	14,233,448

(In RMB millions, unless otherwise stated)

(a) Credit risk (continued)

The following tables present an analysis of the Group's debt securities by types of issuers and investments:

30 June 2018

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Total
Governments and central banks	41,552	397,441	3,154,749	3,593,742
Policy banks	54,121	245,588	575,603	875,312
Public sector entities	8,637	202,201	5,826	216,664
Banks and other financial institutions	69,829	345,282	201,629	616,740
Corporate entities	42,751	251,300	35,979	330,030
	216,890	1,441,812	3,973,786	5,632,488

31 December 2017

	Financial assets held for trading	Financial assets designated as at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Receivables	Total
Governments and central banks	24,468	10,590	514,597	2,670,976	85,000	3,305,631
Policy banks	2,228	30,729	206,621	757,091	–	996,669
Public sector entities	4,670	2,953	196,793	15,779	100	220,295
Banks and other financial institutions	8,452	6,966	307,105	72,985	123,237	518,745
Corporate entities	38,724	8,539	241,879	25,353	17,898	332,393
	78,542	59,777	1,466,995	3,542,184	226,235	5,373,733

(In RMB millions, unless otherwise stated)

(a) Credit risk (continued)

(iii) Analysis on the credit quality of financial instruments

As at 30 June 2018, the Group's credit risk stages of financial instruments are as followed:

30 June 2018

	Gross carrying amount				Provision for expected credit losses			
Financial assets measured at amortised cost	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central banks	3,818,453	–	–	3,818,453	–	–	–	–
Due from banks and other financial institutions	901,933	5,202	–	907,135	(660)	(9)	–	(669)
Reverse repurchase agreements	480,494	100	–	480,594	(44)	(0)	–	(44)
Loans and advances to customers	13,960,492	531,898	229,728	14,722,118	(143,432)	(88,620)	(165,944)	(397,996)
Including: Corporate loans and advances	8,635,424	513,749	187,087	9,336,260	(98,800)	(82,364)	(126,726)	(307,890)
Personal loans	5,252,370	18,045	42,565	5,312,980	(44,584)	(6,254)	(39,142)	(89,980)
Discounted bills	72,698	104	76	72,878	(48)	(2)	(76)	(126)
Financial investments	4,007,864	200	154	4,008,218	(1,258)	(2)	(125)	(1,385)
Precious metal leasing	112,653	2,758	527	115,938	(558)	(930)	(342)	(1,830)
Other financial assets (*)	N/A	N/A	N/A	429,102	N/A	N/A	N/A	(2,017)
Total	23,281,889	540,158	230,409	24,481,558	(145,952)	(89,561)	(166,411)	(403,941)

(*) As simplified approach of impairment allowance is applied to other financial assets, mainly including other receivables, three-stage model is not applicable.

30 June 2018

	Net carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVOCI:								
Loans and advances to customers	211,364	7	248	211,619	(87)	(0)	(248)	(335)
Including: Corporate loans and advances	4,745	–	–	4,745	(4)	–	–	(4)
Discounted bills	206,619	7	248	206,874	(83)	(0)	(248)	(331)
Financial investments	1,441,812	–	–	1,441,812	(1,644)	–	(192)	(1,836)
Total	1,653,176	7	248	1,653,431	(1,731)	(0)	(440)	(2,171)
Credit commitments	3,547,748	36,517	1,478	3,585,743	(33,343)	(4,023)	(517)	(37,883)

As at 31 December 2017, the analysis of the overdue situation of loans and advances to customers and bond investments of the Group is as follows:

31 December 2017

		Debt securities				
	Loans and advances to customers	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held for trading	Financial assets designated as at FVTPL
Neither past due nor impaired	13,932,977	226,240	3,542,268	1,467,059	78,542	59,777
Past due but not impaired	79,483	–	–	–	–	–
Impaired	220,988	–	83	281	–	–
	14,233,448	226,240	3,542,351	1,467,340	78,542	59,777
Less: Allowance for impairment losses	(340,482)	(5)	(167)	(345)	–	–
	13,892,966	226,235	3,542,184	1,466,995	78,542	59,777

(In RMB millions, unless otherwise stated)

(b) Liquidity risk

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

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

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

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

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

30 June 2018

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	858,482	3,154	6,773	–	–	–	2,950,044	3,818,453
Due from banks and other financial institutions (*)	243,136	835,220	179,413	276,823	57,751	2,036	–	1,594,379
Derivative financial assets	689	14,643	17,130	36,607	13,024	5,194	–	87,287
Loans and advances to customers	26,147	863,748	731,586	2,664,404	3,527,252	6,645,391	77,613	14,536,141
Financial investments								
— Financial investments measured at FVTPL	5,807	22,453	22,171	236,761	386,640	80,960	45,893	800,685
— Financial investments measured at FVOCI	–	34,753	76,560	234,728	821,965	273,806	8,351	1,450,163
— Financial investments measured at amortised cost	6	75,879	106,783	297,280	2,190,394	1,336,491	–	4,006,833
Investments in associates and joint ventures	–	–	–	–	–	–	31,719	31,719
Property and equipment	–	–	–	–	–	–	258,824	258,824
Others	260,966	167,416	32,241	97,452	61,596	54,056	44,869	718,596
Total assets	1,395,233	2,017,266	1,172,657	3,844,055	7,058,622	8,397,934	3,417,313	27,303,080
Liabilities:								
Due to central banks	–	–	6	22	400	–	–	428
Financial liabilities designated as at FVTPL	60,070	841	3,738	7,588	11,627	2,803	–	86,667
Derivative financial liabilities	338	14,944	17,691	31,724	10,155	5,728	–	80,580
Due to banks and other financial institutions (**)	1,183,491	575,566	199,648	437,068	31,679	52,907	–	2,480,359
Certificates of deposit	–	52,213	115,511	93,193	14,697	446	–	276,060
Due to customers	11,224,775	960,642	1,413,629	4,305,017	2,910,698	3,281	–	20,818,042
Debt securities issued	–	11,704	6,946	33,096	241,877	285,612	–	579,235
Others	305,207	163,107	63,594	166,474	66,697	24,429	–	789,508
Total liabilities	12,773,881	1,779,017	1,820,763	5,074,182	3,287,830	375,206	–	25,110,879
Net liquidity gap	(11,378,648)	238,249	(648,106)	(1,230,127)	3,770,792	8,022,728	3,417,313	2,192,201

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

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

(In RMB millions, unless otherwise stated)

(b) Liquidity risk (continued)

31 December 2017

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	529,507	7,598	14,578	14,650	–	–	3,047,539	3,613,872
Due from banks and other financial institutions (*)	359,750	900,047	213,862	299,346	60,936	301	–	1,834,242
Financial assets held for trading	–	7,682	6,099	50,873	7,089	6,799	8,795	87,337
Financial assets designated as at FVTPL	4,786	1,630	1,715	157,414	151,689	30,285	6,082	353,601
Derivative financial assets	162	15,459	21,188	34,609	12,171	5,424	–	89,013
Loans and advances to customers	40,414	906,587	780,058	2,643,941	3,244,181	6,195,484	82,301	13,892,966
Financial investments	–	100,504	173,033	505,890	2,803,426	1,709,619	23,294	5,315,766
Investments in associates and joint ventures	–	–	–	–	–	–	32,441	32,441
Property and equipment	–	–	–	–	–	–	247,744	247,744
Others	338,790	72,876	24,567	57,084	40,937	45,702	40,105	620,061
Total assets	1,273,409	2,012,383	1,235,100	3,763,807	6,320,429	7,993,614	3,488,301	26,087,043
Liabilities:								
Due to central banks	–	22	10	20	404	–	–	456
Financial liabilities designated as at FVTPL	60,436	1,027	1,796	11,523	12,769	1,810	–	89,361
Derivative financial liabilities	214	18,752	18,013	27,290	8,628	5,659	–	78,556
Due to banks and other financial institutions (**)	985,193	1,043,392	254,170	401,526	22,698	45,908	–	2,752,887
Certificates of deposit	–	49,685	95,928	102,316	12,049	296	–	260,274
Due to customers	10,701,914	1,014,915	1,387,688	3,895,490	2,549,415	13,514	–	19,562,936
Debt securities issued	–	7,330	11,620	22,870	200,826	284,294	–	526,940
Others	319,177	77,587	61,384	132,359	61,481	22,589	–	674,577
Total liabilities	12,066,934	2,212,710	1,830,609	4,593,394	2,868,270	374,070	–	23,945,987
Net liquidity gap	(10,793,525)	(200,327)	(595,509)	(829,587)	3,452,159	7,619,544	3,488,301	2,141,056

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

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

(ii) Maturity analysis of contractual undiscounted cash flows

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

(In RMB millions, unless otherwise stated)

(b) Liquidity risk (continued)

30 June 2018

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	858,482	3,154	10,756	–	–	–	2,950,044	3,822,436
Due from banks and other financial institutions (*)	243,312	847,749	182,432	289,937	62,575	2,038	–	1,628,043
Loans and advances to customers (**)	26,571	936,646	905,691	3,293,918	5,872,514	10,121,830	239,977	21,397,147
Financial investments								
— Financial investments measured at FVTPL	5,950	23,053	23,632	240,375	382,078	94,316	46,445	815,849
— Financial investments measured at FVOCI	216	39,523	85,630	274,398	939,032	332,751	4,439	1,675,989
— Financial investments measured at amortised cost	99	91,415	133,207	395,561	2,582,839	1,548,240	–	4,751,361
Others	348,426	103,398	30,744	7,115	9,674	473	340	500,170
	1,483,056	2,044,938	1,372,092	4,501,304	9,848,712	12,099,648	3,241,245	34,590,995

(*) Includes reverse repurchase agreements.

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

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

30 June 2018

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	–	–	6	23	400	–	–	429
Financial liabilities designated as at FVTPL	62,276	537	3,695	7,378	13,842	2,207	–	89,935
Due to banks and other financial institutions (*)	1,185,721	579,238	203,106	454,026	35,340	72,503	–	2,529,934
Certificates of deposit	–	52,574	116,337	95,330	15,375	475	–	280,091
Due to customers	11,239,891	981,600	1,466,213	4,388,861	2,999,975	3,622	–	21,080,162
Debt securities issued	–	12,914	10,385	49,812	311,845	359,744	–	744,700
Others	292,075	6,644	1,660	2,757	18,236	5,317	–	326,689
	12,779,963	1,633,507	1,801,402	4,998,187	3,395,013	443,868	–	25,051,940
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	63	(79)	2,550	2,714	807	–	6,055
Derivative financial instruments settled on gross basis								
Including: Cash inflow	27,142	1,555,080	1,133,168	2,108,545	182,682	16,038	–	5,022,655
Cash outflow	(26,417)	(1,551,666)	(1,127,983)	(2,091,657)	(179,831)	(15,426)	–	(4,992,980)
	725	3,414	5,185	16,888	2,851	612	–	29,675

(*) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

(b) Liquidity risk (continued)

31 December 2017

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	529,507	7,598	18,692	14,650	–	–	3,047,539	3,617,986
Due from banks and other financial institutions (*)	360,594	903,213	217,389	308,631	64,958	308	–	1,855,093
Financial assets held for trading	–	7,880	6,284	52,330	12,003	12,429	8,713	99,639
Financial assets designated as at FVTPL	4,955	1,741	2,007	137,453	157,443	31,276	4,996	339,871
Loans and advances to customers (**)	40,970	974,577	943,429	3,228,857	5,408,201	9,294,094	235,552	20,125,680
Financial investments	424	109,323	197,328	631,417	3,319,794	2,012,391	23,878	6,294,555
Others	328,444	28,573	29,028	4,665	6,271	928	303	398,212
	1,264,894	2,032,905	1,414,157	4,378,003	8,968,670	11,351,426	3,320,981	32,731,036

(*) Includes reverse repurchase agreements.

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

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

31 December 2017

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	–	22	10	21	404	–	–	457
Financial liabilities designated as at FVTPL	63,375	1,000	965	10,462	14,291	2,378	–	92,471
Due to banks and other financial institutions (*)	985,556	1,046,611	257,957	411,610	26,343	62,692	–	2,790,769
Certificates of deposit	–	49,886	96,506	103,895	12,395	323	–	263,005
Due to customers	10,711,266	1,024,078	1,430,458	3,975,296	2,646,341	15,087	–	19,802,526
Debt securities issued	–	7,536	12,946	40,985	272,959	351,122	–	685,548
Others	260,409	13,301	1,996	2,671	12,017	5,732	–	296,126
	12,020,606	2,142,434	1,800,838	4,544,940	2,984,750	437,334	–	23,930,902
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	779	141	3,780	3,098	249	–	8,047
Derivative financial instruments settled on gross basis								
— Cash inflow	10,846	1,337,254	913,371	2,032,741	151,844	48,177	–	4,494,233
— Cash outflow	(10,773)	(1,330,028)	(906,872)	(2,019,388)	(149,409)	(46,522)	–	(4,462,992)
	73	7,226	6,499	13,353	2,435	1,655	–	31,241

(*) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

(b) Liquidity risk (continued)

(iii) Analysis of credit commitments by contractual expiry date

Management does not expect all of the commitments will be drawn before the expiry of the commitments.

30 June 2018

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	1,144,076	123,002	206,962	657,492	1,087,188	367,023	3,585,743

31 December 2017

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	1,043,584	123,905	281,759	649,759	1,040,917	371,012	3,510,936

(c) Market risk

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

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

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

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

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

(i) VaR

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

(In RMB millions, unless otherwise stated)

(c) Market risk (continued)

A summary of VaR by risk type of the Group's trading portfolios is as follows:

	Six months ended 30 June 2018			
	30 June 2018	Average	Highest	Lowest
Interest rate risk	27	32	42	24
Currency risk	115	61	115	43
Commodity risk	23	25	39	13
Total portfolio VaR	102	73	102	52

	Six months ended 30 June 2017			
	30 June 2017	Average	Highest	Lowest
Interest rate risk	42	81	120	40
Currency risk	91	127	314	78
Commodity risk	31	27	43	10
Total portfolio VaR	108	165	360	106

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

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

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

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

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

(ii) Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB.

The Group manages its interest rate risk by:

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

(In RMB millions, unless otherwise stated)

(c) Market risk (continued)

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

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

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

Group

30 June 2018

	Increased by 100 basis points		Decreased by 100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(25,546)	(31,326)	25,546	33,857
USD	(2,074)	(3,845)	2,074	3,847
HKD	576	–	(576)	–
Others	881	(666)	(881)	667
Total	(26,163)	(35,837)	26,163	38,371

31 December 2017

	Increased by 100 basis points		Decreased by 100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(2,945)	(35,901)	2,945	38,284
USD	(1,911)	(5,574)	1,911	5,578
HKD	495	–	(495)	–
Others	90	(825)	(90)	826
Total	(4,271)	(42,300)	4,271	44,688

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

(In RMB millions, unless otherwise stated)

(c) Market risk (continued)

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

30 June 2018

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	3,422,630	–	–	–	395,823	3,818,453
Due from banks and other financial institutions (*)	1,233,863	276,804	54,961	2,036	26,715	1,594,379
Derivative financial assets	–	–	–	–	87,287	87,287
Loans and advances to customers	5,441,175	8,712,731	201,824	180,011	400	14,536,141
Financial investments						
— Financial investments measured at FVTPL	81,980	235,705	370,274	64,396	48,330	800,685
— Financial investments measured at FVOCI	175,632	231,556	772,980	261,644	8,351	1,450,163
— Financial investments measured at amortised cost	235,130	306,516	2,131,403	1,333,784	–	4,006,833
Investments in associates and joint ventures	–	–	–	–	31,719	31,719
Property and equipment	–	–	–	–	258,824	258,824
Others	11,861	266	–	–	706,469	718,596
Total assets	10,602,271	9,763,578	3,531,442	1,841,871	1,563,918	27,303,080
Liabilities:						
Due to central banks	6	22	400	–	–	428
Financial liabilities designated as at FVTPL	2,881	6,243	9,303	–	68,240	86,667
Derivative financial liabilities	–	–	–	–	80,580	80,580
Due to banks and other financial institutions (**)	2,010,783	422,870	26,038	6,980	13,688	2,480,359
Certificates of deposit	178,133	91,664	5,450	813	–	276,060
Due to customers	13,231,772	4,225,405	2,908,534	3,260	449,071	20,818,042
Debt securities issued	126,296	30,560	142,180	280,199	–	579,235
Others	2,236	100	410	414	786,348	789,508
Total liabilities	15,552,107	4,776,864	3,092,315	291,666	1,397,927	25,110,879
Interest rate mismatch	(4,949,836)	4,986,714	439,127	1,550,205	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

(c) Market risk (continued)

31 December 2017

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	3,224,896	–	–	–	388,976	3,613,872
Due from banks and other financial institutions (*)	1,446,100	300,248	56,177	291	31,426	1,834,242
Financial assets held for trading	14,834	51,087	6,008	6,613	8,795	87,337
Financial assets designated as at FVTPL	8,572	156,503	149,682	27,917	10,927	353,601
Derivative financial assets	–	–	–	–	89,013	89,013
Loans and advances to customers	9,243,369	4,163,670	265,147	163,052	57,728	13,892,966
Financial investments	384,969	524,266	2,688,511	1,694,726	23,294	5,315,766
Investments in associates and joint ventures	–	–	–	–	32,441	32,441
Property and equipment	–	–	–	–	247,744	247,744
Others	6,277	141	–	–	613,643	620,061
Total assets	14,329,017	5,195,915	3,165,525	1,892,599	1,503,987	26,087,043
Liabilities:						
Due to central banks	32	20	404	–	–	456
Financial liabilities designated as at FVTPL	1,180	7,395	10,374	–	70,412	89,361
Derivative financial liabilities	–	–	–	–	78,556	78,556
Due to banks and other financial institutions (**)	2,283,966	433,980	13,719	6,057	15,165	2,752,887
Certificates of deposit	159,465	97,204	3,309	296	–	260,274
Due to customers	12,748,893	3,891,544	2,547,149	13,514	361,836	19,562,936
Debt securities issued	84,631	20,919	142,430	278,960	–	526,940
Others	2,218	99	406	410	671,444	674,577
Total liabilities	15,280,385	4,451,161	2,717,791	299,237	1,197,413	23,945,987
Interest rate mismatch	(951,368)	744,754	447,734	1,593,362	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

(c) Market risk (continued)

(iii) Currency risk

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

The exchange rate of RMB to USD is managed under a floating exchange rate system. The HKD exchange rate is pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

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

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

		Effect on profit before tax		Effect on equity	
Currency	**Change in currency rate**	**30 June 2018**	**31 December 2017**	**30 June 2018**	**31 December 2017**
USD	-1%	8	23	(320)	(297)
HKD	-1%	266	307	(1,254)	(1,026)

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

(In RMB millions, unless otherwise stated)

(c) Market risk (continued)

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

30 June 2018

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	3,545,565	163,520	9,398	99,970	3,818,453
Due from banks and other financial institutions (*)	928,882	562,225	38,691	64,581	1,594,379
Derivative financial assets	38,326	29,193	10,484	9,284	87,287
Loans and advances to customers	13,022,796	922,082	294,198	297,065	14,536,141
Financial investments					
— Financial investments measured at FVTPL	754,391	27,411	2,450	16,433	800,685
— Financial investments measured at FVOCI	1,153,295	238,410	1,503	56,955	1,450,163
— Financial investments measured at amortised cost	3,894,549	52,703	22,658	36,923	4,006,833
Investments in associates and joint ventures	1,914	2,441	1,439	25,925	31,719
Property and equipment	133,571	123,288	745	1,220	258,824
Others	483,759	82,363	5,963	146,511	718,596
Total assets	23,957,048	2,203,636	387,529	754,867	27,303,080
Liabilities:					
Due to central banks	20	–	–	408	428
Financial liabilities designated as at FVTPL	20,045	6,863	–	59,759	86,667
Derivative financial liabilities	36,700	31,095	4,656	8,129	80,580
Due to banks and other financial institutions (**)	1,550,390	777,740	40,263	111,966	2,480,359
Certificates of deposit	19,510	181,262	14,859	60,429	276,060
Due to customers	19,545,407	786,318	290,434	195,883	20,818,042
Debt securities issued	277,425	262,866	2,872	36,072	579,235
Others	668,494	102,370	9,362	9,282	789,508
Total liabilities	22,117,991	2,148,514	362,446	481,928	25,110,879
Net position	1,839,057	55,122	25,083	272,939	2,192,201
Credit commitments	2,870,698	508,259	47,952	158,834	3,585,743

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

(c) Market risk (continued)

31 December 2017

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	3,354,447	161,857	18,834	78,734	3,613,872
Due from banks and other financial institutions (*)	1,302,946	474,008	12,961	44,327	1,834,242
Financial assets held for trading	66,930	4,355	–	16,052	87,337
Financial assets designated as at FVTPL	338,276	12,302	1,403	1,620	353,601
Derivative financial assets	38,019	38,278	6,828	5,888	89,013
Loans and advances to customers	12,460,372	894,502	263,423	274,669	13,892,966
Financial investments	4,921,646	280,390	26,117	87,613	5,315,766
Investments in associates and joint ventures	1,651	907	1,498	28,385	32,441
Property and equipment	134,446	111,188	736	1,374	247,744
Others	329,095	73,018	3,594	214,354	620,061
Total assets	22,947,828	2,050,805	335,394	753,016	26,087,043
Liabilities:					
Due to central banks	20	–	–	436	456
Financial liabilities designated as at FVTPL	20,895	7,314	–	61,152	89,361
Derivative financial liabilities	39,863	27,047	3,964	7,682	78,556
Due to banks and other financial institutions (**)	1,869,144	734,390	28,831	120,522	2,752,887
Certificates of deposit	20,218	164,308	11,518	64,230	260,274
Due to customers	18,377,621	722,852	262,791	199,672	19,562,936
Debt securities issued	266,870	227,961	669	31,440	526,940
Others	584,016	65,228	10,120	15,213	674,577
Total liabilities	21,178,647	1,949,100	317,893	500,347	23,945,987
Net position	1,769,181	101,705	17,501	252,669	2,141,056
Credit commitments	2,817,674	505,943	43,071	144,248	3,510,936

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(d) Capital management

The Group's objectives on capital management are:

- Maintain reasonable capital adequacy ratio to continuously meet regulatory requirements on capital. Keeping stable capital base to ensure the Group's business growth and the implementation of business development and strategic plan in order to achieve comprehensive, coordinated and sustainable development;
- Adopt the advanced measurement approaches, improve the internal capital adequacy assessment process (ICAAP), disclose information on capital management, cover all types of risks, and ensure the stable operation of the Group;
- Integrate the quantified results of various risks into daily management, establish a bank value management system with economic capital as the core tool, improve the policy, process and application management system, strengthen the capital constraint and incentive mechanism, enhance the product pricing and decision-making capabilities, and improve the capital allocation efficiency; and
- Make reasonable use of various capital instruments, continuously enhance capital strengths, refine capital structure, improve capital quality, reduce capital cost, and maximize shareholder returns.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or repurchase own shares, qualifying other tier 1 capital instruments, qualifying tier 2 capital instruments and convertible bonds, etc.

The Group's Management monitors the capital adequacy ratios regularly based on regulations issued by the CBIRC. The required information is respectively filed with the CBIRC by the Group and the Bank semi-annually and quarterly.

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations promulgated by the former CBRC. In April 2014, former CBRC officially approved the Bank to adopt advanced capital management approaches. Within the scope of the approval, the foundation internal ratings-based (IRB) approach is adopted to corporate credit risk, the IRB approach to retail credit risk, the internal model approach (IMA) to market risk, and the standardized approach to operational risk meeting regulatory requirements.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Regulation Governing Capital of Commercial Banks (Provisional). For systemically important banks, former CBRC requires minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, former CBRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. In addition, overseas entities are directly regulated by local banking regulatory commissions, and the requirements of capital adequacy ratios differ by countries.

The Group calculates the following core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and relevant requirements promulgated by the former CBRC. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

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

(In RMB millions, unless otherwise stated)

(d) Capital management (continued)

The capital adequacy ratios calculated after implementation of the advanced capital management approaches are as follows:

	30 June 2018	31 December 2017
Core tier 1 capital	2,095,885	2,044,390
Paid-in capital	356,407	356,407
Valid portion of capital reserve	151,958	151,952
Surplus reserve	233,080	232,660
General reserve	266,360	264,850
Retained profits	1,114,821	1,096,868
Valid portion of minority interests	2,996	2,716
Others	(29,737)	(61,063)
Core tier 1 capital deductions	14,514	14,282
Goodwill	8,508	8,478
Other intangible assets other than land use rights	1,776	1,532
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,750)	(3,708)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net core tier 1 capital	2,081,371	2,030,108
Additional tier 1 capital	80,013	79,952
Additional tier 1 capital instruments and related premium	79,375	79,375
Valid portion of minority interests	638	577
Net tier 1 capital	2,161,384	2,110,060
Tier 2 capital	323,977	297,360
Valid portion of tier 2 capital instruments and related premium	202,253	222,321
Surplus provision for loan impairment	118,764	71,736
Valid portion of minority interests	2,960	3,303
Tier 2 capital deductions	–	500
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	500
Net capital base	2,485,361	2,406,920
Risk-weighted assets (i)	16,878,254	15,902,801
Core tier 1 capital adequacy ratio	12.33%	12.77%
Tier 1 capital adequacy ratio	12.81%	13.27%
Capital adequacy ratio	14.73%	15.14%

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

45. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, specifically the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial Accounting Department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. Risk Management Department is responsible for verifying trade details and valuation models.

The following is a description of the fair value of the financial instruments recorded at fair value which are determined using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Financial investments valued using valuation techniques consist of debt securities and asset-backed securities. The Group values such securities in use of a discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Structured products are mainly valued using dealer's quotations.

Loans and advances to customers

The loans and advances to customers valued by the valuation technology are mainly the bill business and the discounted cash flow model is used. For the bank acceptance bill, based on the different credit risk of the acceptor, the interest rate curve is set up with the actual transaction data in the market as the sample; for the commercial bill, based on the interbank offered rate, the interest rate curve is constructed according to the credit risk and liquidity point difference adjustment.

Other liabilities designated as at fair value through profit or loss

For unquoted other liabilities designated as at fair value through profit or loss, a discounted cash flow model is used based on current yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads; and the Heston model is applied based on yield curves, foreign exchange forward rates, foreign exchange rate volatilities, etc., which is calibrated by active market quotes of standard European options with the same underlying.

(In RMB millions, unless otherwise stated)

(a) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

30 June 2018

	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Derivative financial assets				
Exchange rate contracts	1,134	44,971	264	46,369
Interest rate contracts	451	16,680	215	17,346
Commodity derivatives and others	7,279	15,592	701	23,572
	8,864	77,243	1,180	87,287
Reverse repurchase measured at FVTPL	–	207,363	–	207,363
Loans and advances to customers measured at FVTPL	–	–	400	400
Loans and advances to customers measured at FVOCI	3,090	208,529	–	211,619
Financial investments measured at FVTPL				
Debt securities	4,848	200,252	11,790	216,890
Equity investments	11,262	1,222	9,923	22,407
Funds and other investments	13,346	298,883	249,159	561,388
	29,456	500,357	270,872	800,685
Financial investments measured at FVOCI				
Debt securities	258,713	1,181,180	1,919	1,441,812
Equity investments	515	5,209	2,627	8,351
	259,228	1,186,389	4,546	1,450,163
	300,638	2,179,881	276,998	2,757,517
Financial liabilities which are measured at fair value on a recurring basis:				
Due to customers	–	786,512	–	786,512
Financial liabilities designated as at FVTPL				
Wealth management products	–	11,618	–	11,618
Financial liabilities related to precious metals	–	59,760	–	59,760
Other debt securities issued	–	6,808	–	6,808
Others	103	7,171	1,207	8,481
	103	85,357	1,207	86,667
Derivative financial liabilities				
Exchange rate contracts	1,114	45,716	245	47,075
Interest rate contracts	165	15,224	1,012	16,401
Commodity derivatives and others	7,147	9,204	753	17,104
	8,426	70,144	2,010	80,580
	8,529	942,013	3,217	953,759

(In RMB millions, unless otherwise stated)

(a) Financial instruments recorded at fair value (continued)

31 December 2017

	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
Debt securities	3,033	74,868	641	78,542
Equity investments	6,582	2,213	–	8,795
	9,615	77,081	641	87,337
Financial assets designated as at FVTPL				
Debt securities	3,862	54,476	1,439	59,777
Other debt instruments	1,462	30,600	19,846	51,908
Others	–	105,902	136,014	241,916
	5,324	190,978	157,299	353,601
Derivative financial assets				
Exchange rate contracts	640	51,335	329	52,304
Interest rate contracts	493	15,424	238	16,155
Commodity derivatives and others	6,841	13,180	533	20,554
	7,974	79,939	1,100	89,013
Available-for-sale financial assets				
Debt securities	219,749	1,241,806	5,440	1,466,995
Equity investments	14,456	401	5,435	20,292
Other debt instruments	–	6,164	–	6,164
	234,205	1,248,371	10,875	1,493,451
	257,118	1,596,369	169,915	2,023,402
Financial liabilities which are measured at fair value on a recurring basis:				
Due to customers	–	336,587	–	336,587
Financial liabilities designated as at FVTPL				
Wealth management products	–	10,758	–	10,758
Financial liabilities related to precious metals	–	60,183	–	60,183
Other debt securities issued	1,950	6,242	–	8,192
Others	563	8,316	1,349	10,228
	2,513	85,499	1,349	89,361
Derivative financial liabilities				
Exchange rate contracts	494	49,429	271	50,194
Interest rate contracts	91	14,136	728	14,955
Commodity derivatives and others	8,169	4,575	663	13,407
	8,754	68,140	1,662	78,556
	11,267	490,226	3,011	504,504

(In RMB millions, unless otherwise stated)

(b) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and financial liabilities which are recorded at fair value and the movement during the reporting period:

	1 January 2018	Total gains/(losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of level 3	30 June 2018
Financial assets:								
Derivative financial assets								
Exchange rate contracts	329	(7)	–	39	(1)	(23)	(73)	264
Interest rate contracts	238	30	–	–	(67)	–	14	215
Commodity derivatives and others	533	168	–	–	–	–	–	701
Loans and advances to customers measured at FVTPL	410	–	–	–	–	(10)	–	400
Financial investments measured at FVTPL								
Debt securities	7,834	(47)	–	8,181	(386)	(218)	(3,574)	11,790
Equity investments	5,522	177	–	4,300	(76)	–	–	9,923
Funds and other investments	170,240	5,552	–	100,289	(23,546)	(3,376)	–	249,159
Financial investments measured at FVOCI								
Debt securities	1,853	3	1	658	(2)	(324)	(270)	1,919
Equity investments	2,627	–	–	–	–	–	–	2,627
	189,586	5,876	1	113,467	(24,078)	(3,951)	(3,903)	276,998

	1 January 2018	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of level 3	30 June 2018
Financial liabilities:								
Financial liabilities designated as at FVTPL	(1,349)	(13)	–	–	–	155	–	(1,207)
Derivative financial liabilities								
Exchange rate contracts	(271)	4	–	(39)	2	23	36	(245)
Interest rate contracts	(728)	(339)	–	–	65	–	(10)	(1,012)
Commodity derivatives and others	(663)	(91)	–	–	–	1	–	(753)
	(3,011)	(439)	–	(39)	67	179	26	(3,217)

	1 January 2017	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of level 3	31 December 2017
Financial assets:								
Derivative financial assets								
Exchange rate contracts	320	28	–	23	(9)	(11)	(22)	329
Interest rate contracts	412	(100)	–	1	(4)	(81)	10	238
Commodity derivatives and others	67	510	–	–	(8)	(39)	3	533
Financial assets held for trading	191	39	–	497	–	(86)	–	641
Financial assets designated as at FVTPL	157,296	9,574	–	54,382	(60,335)	(1,184)	(2,434)	157,299
Available-for-sale financial assets								
Debt securities	1,264	(35)	(1,918)	6,336	(10)	(197)	–	5,440
Equity investments	–	–	148	5,287	–	–	–	5,435
	159,550	10,016	(1,770)	66,526	(60,366)	(1,598)	(2,443)	169,915
Financial liabilities:								
Financial liabilities designated as at FVTPL	(2,101)	(81)	–	(437)	–	1,270	–	(1,349)
Derivative financial liabilities								
Exchange rate contracts	(310)	49	–	(23)	9	9	(5)	(271)
Interest rate contracts	(1,308)	451	–	(1)	4	125	1	(728)
Commodity derivatives and others	(173)	(534)	–	(42)	8	81	(3)	(663)
	(3,892)	(115)	–	(503)	21	1,485	(7)	(3,011)

(In RMB millions, unless otherwise stated)

(b) Movement in level 3 financial instruments measured at fair value (continued)

Gains or losses on level 3 financial instruments included in the statement of profit or loss for the period comprise:

	Six months ended 30 June 2018		
	Realised	Unrealised	Total
Total gains	5,392	45	5,437

	Six months ended 30 June 2017		
	Realised	Unrealised	Total
Total gains	2,801	2,720	5,521

(c) Transfers between levels

(i) Transfers between level 1 and level 2

Due to changes in market conditions for certain securities, quoted prices in active markets were available for these securities. Therefore, these securities were transferred from level 2 to level 1 of the fair value hierarchy as at statement of financial position date.

Due to changes in market conditions for certain securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from level 1 to level 2 of the fair value hierarchy as at statement of financial position date.

During the reporting period, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

(ii) Transfers between level 2 and level 3

As at statement of financial position date, certain financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy for financial assets and liabilities when significant inputs used in their fair value measurements, which was previously unobservable became observable.

During the reporting period, certain derivatives financial instruments were transferred out from Level 3 to level 2 of the fair value hierarchy when significant inputs used in their fair value measurements such as market price volatility, which was previously unobservable became observable.

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives, certain debt securities and asset-backed securities. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 30 June 2018, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

(In RMB millions, unless otherwise stated)

(e) Fair value of financial assets and financial liabilities not measured at fair value

No significant difference between the carrying amount and the fair value of the financial assets and financial liabilities not measured at fair value, except for the following items:

	30 June 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	4,006,833	3,956,686	54,924	3,681,909	219,853
	4,006,833	3,956,686	54,924	3,681,909	219,853
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	281,457	276,156	–	276,156	–
	281,457	276,156	–	276,156	–

	31 December 2017				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	3,542,184	3,453,155	52,723	3,399,055	1,377
Receivables	277,129	276,551	–	45,877	230,674
	3,819,313	3,729,706	52,723	3,444,932	232,051
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	281,108	274,307	–	274,307	–
	281,108	274,307	–	274,307	–

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

(i) The fair values of financial investments measured at amortised cost relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of financial investments measured at amortised cost irrelevant to the restructuring of the Bank are determined based on the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of subordinated bonds and tier 2 capital notes are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group and the Bank's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

46. AFTER THE REPORTING PERIOD EVENT

Capital Participation in National Financing Guarantee Fund Co., Ltd.

The Bank signed the Agreement on Sponsors of National Financing Guarantee Fund Co., Ltd. in July 2018, and made a commitment of contributing RMB3 billion to National Financing Guarantee Fund Co., Ltd., accounting for 4.5386% of the total registered capital, and the proposed contribution will be paid up in four years as from 2018. Relevant procedures of the regulatory authority need to be carried out for this investment.

Issuance of Preference Shares

On 30 August 2018, the Board of Directors of the Bank reviewed and approved the Proposal on the Domestic Preference Share Issuance Plan of Industrial and Commercial Bank of China Limited and the Proposal on the Offshore Preference Share Issuance Plan of Industrial and Commercial Bank of China Limited. The Bank plans to issue preference shares with a total amount up to an equivalent of RMB100 billion on the domestic and offshore markets. Among which, preference shares up to RMB100 billion will be issued in a single or multiple series in the domestic market and preference shares up to an equivalent of RMB44 billion will be issued in the offshore market. The specific issuance amount will be determined within the above-mentioned limits by the Board of Directors as authorized by the Shareholders' General Meeting (sub-authorization is available). All the funds raised from the domestic and offshore issuance of preference shares after deducting the issuance costs will be used to replenish additional tier 1 capital of the Bank. The preference share issuance plan is still subject to the review and approval by the Shareholders' General Meeting of the Bank, after which it also needs to be approved by relevant regulatory authorities.

Issuance of Tier 2 Capital Instruments

On the basis of capital replenishment by retained profits, the Bank proactively expanded the channels for external capital replenishment and continuously promoted the issuance of new types of capital instruments. In August 2018, the Board of Directors of the Bank convened a meeting, at which the proposal on issuing the eligible tier 2 capital instruments with the total amount up to an equivalent of RMB110 billion by the end of 2020 was reviewed and approved. The proposal is still to be presented to the Shareholders' General Meeting for deliberation.

47. COMPARATIVE AMOUNTS

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

48. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the board of directors on 30 August 2018.

(In RMB millions, unless otherwise stated)

(a) Illustration of differences between the financial statements prepared based on IFRSs and those prepared under PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company based on PRC GAAP and IFRSs for the six months ended 30 June 2018 (for the six months ended 30 June 2017: no differences). There are no differences between the equity attributable to equity holders of the Bank based on PRC GAAP and IFRSs as at 30 June 2018 (31 December 2017: no differences).

(b) Foreign currency concentrations

	As at 30 June 2018			
	USD	HKD	Others	Total
Spot assets	2,077,907	385,345	727,722	3,190,974
Spot liabilities	(2,114,672)	(361,954)	(481,928)	(2,958,554)
Forward purchases	2,545,928	189,891	622,534	3,358,353
Forward sales	(2,612,446)	(103,365)	(836,557)	(3,552,368)
Net option position	(7,555)	776	13	(6,766)
Net (short)/long position	(110,838)	110,693	31,784	31,639
Net structural position	91,887	1,692	27,145	120,724

	As at 31 December 2017			
	USD	HKD	Others	Total
Spot assets	1,938,710	333,160	723,257	2,995,127
Spot liabilities	(1,915,913)	(317,406)	(500,347)	(2,733,666)
Forward purchases	2,303,473	208,462	450,962	2,962,897
Forward sales	(2,317,162)	(160,053)	(653,429)	(3,130,644)
Net option position	(40,225)	998	214	(39,013)
Net (short)/long position	(31,117)	65,161	20,657	54,701
Net structural position	78,908	1,747	29,759	110,414

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and joint ventures.

(In RMB millions, unless otherwise stated)

(c) International claims

International claims refers to the sum of cross-border claims in all currencies and local claims in foreign currencies, including loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions and debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	As at 30 June 2018				
	Banks and other financial institutions	Official sector	Non-bank private sector	Others	Total
Asia Pacific	556,925	197,689	1,051,975	96,134	1,902,723
— of which attributed to Hong Kong	42,298	12,889	287,934	89,118	432,239
North and South America	47,395	141,767	130,011	8,982	328,155
	604,320	339,456	1,181,986	105,116	2,230,878

	As at 31 December 2017				
	Banks and other financial institutions	Official sector	Non-bank private sector	Others	Total
Asia Pacific	449,111	200,396	1,015,836	85,642	1,750,985
— of which attributed to Hong Kong	40,545	16,143	283,624	79,305	419,617
North and South America	52,287	112,257	130,222	12,511	307,277
	501,398	312,653	1,146,058	98,153	2,058,262

(d) Loans and advances to customers

(i) Analysis by location of the counterparties

	30 June 2018	31 December 2017
Mainland China	13,817,349	13,139,958
Asia Pacific (excluding Mainland China)	683,249	673,839
of which attributed to Hong Kong	462,135	467,601
North and South America	182,508	180,746
Europe	156,022	143,907
Africa	95,009	94,998
	14,934,137	14,233,448

(In RMB millions, unless otherwise stated)

(ii) Overdue loans and advances to customers

	30 June 2018	31 December 2017
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	29,672	24,122
Between 6 and 12 months	51,727	44,087
Over 12 months	100,241	110,648
	181,640	178,857
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.20%	0.17%
Between 6 and 12 months	0.35%	0.31%
Over 12 months	0.67%	0.78%
	1.22%	1.26%

The definition of overdue loans and advances to customers is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans and advances would be classified as overdue.

(iii) Overdue loans and advances to customers by geographical distribution

	30 June 2018	31 December 2017
Head Office	25,588	28,509
Bohai Rim	56,540	56,270
Western China	46,536	49,380
Central China	38,948	39,839
Pearl River Delta	33,653	38,161
Yangtze River Delta	28,637	33,658
Northeastern China	25,873	23,596
Overseas and others	13,835	16,662
	269,610	286,075

(iv) Rescheduled loans and advances to customers

	30 June 2018		31 December 2017	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	5,171	0.03%	5,158	0.04%
Less: Rescheduled loans and advances overdue for more than three months	(778)	(0.01%)	(1,374)	(0.01%)
Rescheduled loans and advances overdue for less than three months	4,393	0.02%	3,784	0.03%

(In RMB millions, unless otherwise stated)

(e) Overdue placements with banks and other financial institutions

	30 June 2018	31 December 2017
The Group's gross placements with banks and other financial institutions which have been overdue with respect to either principal or interest for a period of:		
Over 12 months	16	16
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.00%	0.00%

(f) Exposures to Mainland China non-bank entities

	30 June 2018	31 December 2017
On-balance sheet exposure	17,722,449	17,106,967
Off-balance sheet exposure	3,291,982	3,220,988
	21,014,431	20,327,955
Allowance for impairment losses of lifetime ECL credit-impaired financial assets	164,545	
Individually assessed allowance for impairment losses		81,707

In addition to those disclosed above, exposures to other non-bank counterparties outside Mainland China to which credit is granted for use in Mainland China are considered insignificant to the Group.

(g) Correspondence between balance sheet in published financial statements and capital composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on former CBRC Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

(i) Capital composition

Item		30 June 2018	31 December 2017	Reference
Core tier 1 capital				
1	Paid-in capital	356,407	356,407	X18
2	Retained earnings	1,614,261	1,594,378	
2a	Surplus reserve	233,080	232,660	X21
2b	General reserve	266,360	264,850	X22
2c	Retained profits	1,114,821	1,096,868	X23
3	Accumulated other comprehensive income (and other public reserves)	122,221	90,889	
3a	Capital reserve	151,958	151,952	X19
3b	Others	(29,737)	(61,063)	X24
4	Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	–	–	
5	Valid portion of minority interests	2,996	2,716	X25
6	**Core tier 1 capital before regulatory adjustments**	**2,095,885**	**2,044,390**	

(In RMB millions, unless otherwise stated)

Item		30 June 2018	31 December 2017	Reference
Core tier 1 capital: Regulatory adjustments				
7	Prudential valuation adjustments	–	–	
8	Goodwill (net of deferred tax liabilities)	8,508	8,478	X16
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	1,776	1,532	X14-X15
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of deferred tax liabilities)	–	–	
11	Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,750)	(3,708)	X20
12	Shortfall of provision for loan impairment	–	–	
13	Gain on sale related to asset securitization	–	–	
14	Unrealised gains and losses due to changes in own credit risk on fair valued liabilities	–	–	
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–	–	
16	Direct or indirect investments in own ordinary shares	–	–	
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–	–	
18	Deductible amount of non-significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
19	Deductible amount of significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
20	Mortgage servicing rights	N/A	N/A	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of deferred tax liabilities)	–	–	
22	Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of deferred tax assets arising from temporary differences (net of deferred tax liabilities)	–	–	
23	Including: Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions	–	–	
24	Including: Deductible amount of mortgage servicing rights	N/A	N/A	
25	Including: Deductible amount in deferred tax assets arising from temporary differences	–	–	
26a	Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980	X11
26b	Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
26c	Others that should be deducted from core tier 1 capital	–	–	
27	Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–	–	
28	**Total regulatory adjustments to core tier 1 capital**	**14,514**	**14,282**	
29	**Core tier 1 capital**	**2,081,371**	**2,030,108**	

(In RMB millions, unless otherwise stated)

Item		30 June 2018	31 December 2017	Reference
Additional tier 1 capital:				
30	Additional tier 1 capital instruments and related premium	79,375	79,375	
31	Including: Portion classified as equity	79,375	79,375	X28
32	Including: Portion classified as liabilities	–	–	
33	Invalid instruments to additional tier 1 capital after the transition period	–	–	
34	Valid portion of minority interests	638	577	X26
35	Including: Invalid portion to additional tier 1 capital after the transition period	–	–	
36	**Additional tier 1 capital before regulatory adjustments**	**80,013**	**79,952**	
Additional tier 1 capital: Regulatory adjustments				
37	Direct or indirect investments in own additional tier 1 instruments	–	–	
38	Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	–	–	
39	Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
40	Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
41a	Investment in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41b	Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41c	Others that should be deducted from additional tier 1 capital	–	–	
42	Undeducted shortfall that should be deducted from tier 2 capital	–	–	
43	**Total regulatory adjustments to additional tier 1 capital**	**–**	**–**	
44	**Additional tier 1 capital**	**80,013**	**79,952**	
45	**Tier 1 capital (core tier 1 capital + additional tier 1 capital)**	**2,161,384**	**2,110,060**	
Tier 2 capital:				
46	Tier 2 capital instruments and related premium	202,253	222,321	X17
47	Invalid instruments to tier 2 capital after the transition period	81,140	101,425	
48	Valid portion of minority interests	2,960	3,303	X27
49	Including: Invalid portion to tier 2 capital after the transition period	744	1,051	
50	Valid portion of surplus provision for loan impairment	118,764	71,736	X02+X04
51	**Tier 2 capital before regulatory adjustments**	**323,977**	**297,360**	
Tier 2 capital: Regulatory adjustments				
52	Direct or indirect investments in own tier 2 instruments	–	–	
53	Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	–	–	

(In RMB millions, unless otherwise stated)

Item		30 June 2018	31 December 2017	Reference
54	Deductible portion of non-significant minority investment in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
55	Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	500	X31
56a	Investment in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
56b	Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
56c	Others that should be deducted from tier 2 capital	–	–	
57	**Total regulatory adjustments to tier 2 capital**	**–**	**500**	
58	**Tier 2 capital**	**323,977**	**296,860**	
59	**Total capital (tier 1 capital + tier 2 capital)**	**2,485,361**	**2,406,920**	
60	**Total risk-weighted assets**	**16,878,254**	**15,902,801**	
Requirements for capital adequacy ratio and reserve capital				
61	Core tier 1 capital adequacy ratio	12.33%	12.77%	
62	Tier 1 capital adequacy ratio	12.81%	13.27%	
63	Capital adequacy ratio	14.73%	15.14%	
64	Institution specific buffer requirement	4.0%	3.5%	
65	Including: Capital conservation buffer requirement	2.5%	2.5%	
66	Including: Countercyclical buffer requirement	–	–	
67	Including: G-SIB buffer requirement	1.5%	1.0%	
68	Percentage of core tier 1 capital meeting buffers to risk-weighted assets	7.33%	7.77%	
Domestic minima for regulatory capital				
69	Core tier 1 capital adequacy ratio	5.0%	5.0%	
70	Tier 1 capital adequacy ratio	6.0%	6.0%	
71	Capital adequacy ratio	8.0%	8.0%	
Amounts below the thresholds for deduction				
72	Undeducted amount of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	29,844	35,059	X05+X07+X08+ X09+X12+X29 +X30
73	Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	31,327	28,353	X06+X10 +X13
74	Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75	Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	57,182	48,158	
Valid caps of surplus provision for loan impairment to tier 2 capital				
76	Provision for loan impairment under the weighted approach	23,999	17,943	X01
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	14,411	9,937	X02
78	Surplus provision for loan impairment under the internal ratings-based approach	373,997	322,539	X03
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	104,353	61,799	X04

(In RMB millions, unless otherwise stated)

Item		30 June 2018	31 December 2017	Reference
Capital instruments subject to phase-out arrangements				
80	Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
81	Excluded from core tier 1 capital due to cap	–	–	
82	Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
83	Excluded from additional tier 1 capital due to cap	–	–	
84	Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	81,140	101,425	
85	Excluded from tier 2 capital for the current period due to cap	67,110	46,822	

(ii) Consolidated financial statements

	30 June 2018 Consolidated balance sheet as in published financial statements*	30 June 2018 Balance sheet Under regulatory scope of consolidation*	31 December 2017 Consolidated balance sheet as in published financial statements*	31 December 2017 Balance sheet Under regulatory scope of consolidation*
Assets				
Cash and balances with central banks	3,818,453	3,818,453	3,613,872	3,613,872
Due from banks and other financial institutions	322,432	314,157	370,074	363,278
Precious metals	174,024	174,024	238,714	238,714
Placements with banks and other financial institutions	584,034	584,034	477,537	477,537
Derivative financial assets	87,287	87,287	89,013	89,013
Reverse repurchase agreements	687,913	686,823	986,631	981,553
Loans and advances to customers	14,536,141	14,535,524	13,892,966	13,892,372
Financial investments	6,257,681	6,174,419	5,756,704	5,669,906
— Financial investments measured at FVTPL	800,685	771,290	440,938	440,912
— Financial investments measured at FVOCI	1,450,163	1,432,782		
— Financial investments measured at amortised cost	4,006,833	3,970,347		
— Available-for-sale financial assets			1,496,453	1,465,021
— Held-to-maturity investments			3,542,184	3,536,757
— Receivables			277,129	227,216
Long-term equity investments	31,719	39,699	32,441	40,421
Fixed assets	224,604	224,542	216,156	216,088
Construction in progress	32,443	32,443	29,531	29,531
Deferred income tax assets	57,627	57,627	48,392	48,392
Other assets	488,722	473,624	335,012	318,891
Total assets	27,303,080	27,202,656	26,087,043	25,979,568

(*) Prepared in accordance with PRC GAAP.

(In RMB millions, unless otherwise stated)

	30 June 2018 Consolidated balance sheet as in published financial statements*	30 June 2018 Balance sheet Under regulatory scope of consolidation*	31 December 2017 Consolidated balance sheet as in published financial statements*	31 December 2017 Balance sheet Under regulatory scope of consolidation*
Liabilities				
Due to central banks	428	428	456	456
Due to banks and other financial institutions	1,423,229	1,423,229	1,214,601	1,214,601
Placements from banks and other financial institutions	500,853	500,853	491,948	491,948
Financial liabilities measured at FVTPL	86,667	86,665	89,361	89,359
Derivative financial liabilities	80,580	80,580	78,556	78,556
Repurchase agreements	556,277	551,810	1,046,338	1,044,481
Certificates of deposit	276,060	276,060	260,274	260,274
Due to customers	20,818,042	20,821,739	19,562,936	19,564,945
Employee benefits payable	25,467	25,215	33,142	32,820
Taxes payable	59,199	59,056	82,550	82,502
Debt securities issued	579,235	579,235	526,940	526,940
Deferred income tax liabilities	634	445	433	233
Other liabilities	704,208	609,938	558,452	456,349
Total liabilities	25,110,879	25,015,253	23,945,987	23,843,464
Equity				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	86,051	86,051	86,051	86,051
Capital reserve	151,958	151,958	151,952	151,952
Other comprehensive income	(30,540)	(29,737)	(62,058)	(61,063)
Surplus reserve	233,122	233,080	232,703	232,660
General reserve	266,402	266,360	264,892	264,850
Retained profits	1,115,199	1,114,821	1,097,544	1,096,868
Equity attributable to equity holders of the parent company	2,178,599	2,178,940	2,127,491	2,127,725
Minority interests	13,602	8,463	13,565	8,379
Total equity	2,192,201	2,187,403	2,141,056	2,136,104

(*) Prepared in accordance with PRC GAAP.

(In RMB millions, unless otherwise stated)

(iii) Description of related items

Item	30 June 2018 Balance sheet under regulatory scope of consolidation	Reference
Loans and advances to customers	14,535,524	
Total loans and advances to customers	14,933,520	
Less: Provision for loan impairment under the weighted approach	23,999	X01
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	14,411	X02
Less: Provision for loan impairment under the internal ratings-based approach	373,997	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	104,353	X04
Financial investments		
Financial investments measured at FVTPL	771,290	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	132	X05
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	28	X06
Including: Non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	4,609	X07
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	12,815	X08
Financial investments measured at FVOCI	1,432,782	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	2,744	X09
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	1,368	X10
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	5,931	X29
Financial investments measured at amortised cost	3,970,347	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	3,507	X30
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X31
Long-term equity investments	39,699	
Including: Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	106	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	29,931	X13

(In RMB millions, unless otherwise stated)

Item	30 June 2018 Balance sheet under regulatory scope of consolidation	Reference
Other assets	473,624	
Interest receivable	136,660	
Intangible assets	19,574	X14
Including: Land use rights	17,798	X15
Other receivables	313,323	
Goodwill	8,508	X16
Long-term deferred expenses	3,299	
Repossessed assets	9,243	
Others	(16,983)	
Debt securities issued	579,235	
Including: Valid portion of tier 2 capital instruments and their premium	202,253	X17
Share capital	356,407	X18
Other equity instruments	86,051	
Including: Preference shares	79,375	X28
Capital reserve	151,958	X19
Other comprehensive income	(29,737)	X24
Reserve for changes in fair value of financial assets	2,676	
Reserve for cash flow hedging	(3,788)	
Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,750)	X20
Changes in share of other owners' equity of associates and joint ventures	(1,287)	
Foreign currency translation reserve	(27,750)	
Others	412	
Surplus reserve	233,080	X21
General reserve	266,360	X22
Retained profits	1,114,821	X23
Minority interests	8,463	
Including: Valid portion to core tier 1 capital	2,996	X25
Including: Valid portion to additional tier 1 capital	638	X26
Including: Valid portion to tier 2 capital	2,960	X27

(iv) Main features of eligible capital instruments

As at 30 June 2018, the main features of the Bank's eligible capital instruments are set out as follows:

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Issuer	The Bank	The Bank	The Bank	The Bank	The Bank	The Bank
Unique identifier	601398	1398	4603	4604	84602	360011
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong /Hong Kong, China	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital /China
Regulatory treatment						
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Core tier 1 capital instrument	Core tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB339,126	RMB169,202	RMB equivalent 17,928	RMB equivalent 4,542	RMB11,958	RMB44,947
Par value of instrument (in millions)	RMB269,612	RMB86,795	USD 2,940	EUR 600	RMB12,000	RMB45,000
Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity	Other equity	Other equity	Other equity
Original date of issuance	19 October 2006	19 October 2006	10 December 2014	10 December 2014	10 December 2014	18 November 2015
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 10 December 2021, in full or partial amount	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 18 November 2020, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares

(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Coupons/dividends						
Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	6% (dividend rate) before 10 December 2019	6% (dividend rate) before 10 December 2021	6% (dividend rate) before 10 December 2019	4.5% (dividend rate) before 18 November 2020
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes	Yes	Yes	Yes
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs
Including: If convertible, conversion rate	N/A	N/A	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the A Shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory	Mandatory	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital	Core tier 1 capital	Core tier 1 capital	Core tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank	The Bank	The Bank	The Bank

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Write-down feature	No	No	No	No	No	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
Including: If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders	Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Domestic Preference Shares, pari passu with the holders of Parity Obligations
Non-compliant transitioned features	No	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	ICBC (Asia)	The Bank	The Bank	The Bank	The Bank
Unique identifier	ISIN: XS0976879279 BBGID:BBG005CMF4N6	1428009	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1728021	1728022
Governing law(s) of the instrument	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with English law, except that the provision of the Notes relating to Subordination shall be governed by, and construed in accordance with, the laws of Hong Kong	Securities Law of the People's Republic of China/China	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment					
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Group	Parent company /Group	Parent company /Group	Parent company /Group	Parent company /Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 1,267	RMB19,999	RMB equivalent 13,113	RMB44,000	RMB44,000
Par value of instrument (in millions)	USD 500	RMB20,000	USD 2,000	RMB44,000	RMB44,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	10 October 2013	4 August 2014	21 September 2015	6 November 2017	20 November 2017
Perpetual or dated	Dated	Dated	Dated	Dated	Dated
Including: Original maturity date	10 October 2023	5 August 2024	21 September 2025	8 November 2027	22 November 2027
Issuer call (subject to prior supervisory approval)	Yes	Yes	No	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	10 October 2018, in full amount	5 August 2019, in full amount	N/A	8 November 2022, in full amount	22 November 2022, in full amount

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A
Coupons/dividends					
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.50%	5.80%	4.875%	4.45%	4.45%
Including: Existence of a dividend stopper	No	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No	No
Including: Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	No	No	No	No	No
Including: If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Non-viability of ICBC(Asia) or the Bank	Non-viability of the Bank	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: If write-down, full or partial	Full write-down	Full write-down	Full write-down	Full write-down	Full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

(In RMB millions, unless otherwise stated)

(h) Disclosure of Leverage Ratio

The following information is disclosed in accordance with the former CBRC Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No.1, 2015) Appendix 3 Disclosure Templates of Leverage Ratio.

Comparison of Regulatory Leverage Ratio Items and Accounting Items

S/N	Item	30 June 2018	31 December 2017
1	Total consolidated assets as per published financial statements	27,303,080	26,087,043
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	(100,424)	(107,475)
3	Adjustments for fiduciary assets	–	–
4	Adjustments for derivative financial instruments	55,248	61,814
5	Adjustment for securities financing transactions	57,070	57,693
6	Adjustment for off-balance sheet items	2,121,462	2,000,174
7	Other adjustments	(14,514)	(14,282)
8	Balance of adjusted on- and off-balance sheet assets	29,421,922	28,084,967

Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On- and Off-balance Sheet Assets and Related Information

S/N	Item	30 June 2018	31 December 2017
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	26,778,716	25,174,171
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(14,514)	(14,282)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	26,764,202	25,159,889
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	89,818	93,955
5	Add-on amounts for PFE associated with all derivatives transactions	61,833	63,145
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	(18,783)	(25,768)
9	Effective notional amount of written credit derivatives	49,160	46,496
10	Less: Adjusted effective notional deductions for written credit derivatives	(39,490)	(27,001)
11	Total derivative exposures	142,538	150,827
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	336,650	716,384
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	57,070	57,693
15	Agent transaction exposures	–	–
16	Total securities financing transaction exposures	393,720	774,077
17	Off-balance sheet exposure at gross notional amount	4,384,309	4,211,871
18	Less: Adjustments for conversion to credit equivalent amounts	(2,262,847)	(2,211,697)
19	Balance of adjusted off-balance sheet assets	2,121,462	2,000,174
20	Net tier 1 capital	2,161,384	2,110,060
21	Balance of adjusted on- and off-balance sheet assets	29,421,922	28,084,967
22	Leverage ratio	7.35%	7.51%

(In RMB millions, unless otherwise stated)

(i) Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

		Second-quarter 2018	
S/N	Item	Total un-weighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		4,956,187
Cash outflows			
2	Retail deposits and deposits form small business customers, of which:	9,672,239	964,002
3	Stable deposits	50,417	1,820
4	Less stable deposits	9,621,822	962,182
5	Unsecured wholesale funding, of which:	11,438,110	3,887,662
6	Operational deposits (excluding those generated from correspondent banking activities)	6,368,344	1,545,465
7	Non-operational deposits (all counterparties)	5,013,053	2,285,484
8	Unsecured debt	56,713	56,713
9	Secured funding		47,665
10	Additional requirements, of which:	4,182,809	1,517,561
11	Outflows related to derivative exposures and other collateral requirements	1,280,880	1,280,880
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	2,901,929	236,681
14	Other contractual funding obligations	54,669	54,343
15	Other contingent funding obligations	2,967,561	121,121
16	Total cash outflows		6,592,354
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	686,919	243,218
18	Inflows from fully performing exposures	1,287,886	886,893
19	Other cash inflows	1,294,810	1,287,792
20	Total cash inflows	3,269,615	2,417,903
			Total adjusted value
21	Total HQLA		4,956,187
22	Total net cash outflows		4,174,451
23	Liquidity coverage ratio (%)		118.36%

Data of the above table are all the simple arithmetic means of the 91 natural days' figures of the recent quarter.

(j) Net Stable Funding Ratio (NSFR)

As at 30 June 2018, the NSFR of the Group was 127.47%, the available stable finding (ASF) was RMB18,320,711 million and the required stable finding (RSF) was RMB14,372,163 million.

List of Domestic and Overseas Branches and Offices

Domestic Institutions

ANHUI PROVINCIAL BRANCH
Address: No. 189 Wuhu Road, Hefei City, Anhui Province, China
Postcode: 230001
Tel: 0551-62869178/62868101
Fax: 0551-62868077

BEIJING MUNICIPAL BRANCH
Address: Tower B, Tianyin Mansion, No. 2 Fuxingmen South Street, Xicheng District, Beijing, China
Postcode: 100031
Tel: 010-66410579
Fax: 010-66410579

CHONGQING MUNICIPAL BRANCH
Address: No. 9 Jiangnan Road, Nan'an District, Chongqing, China
Postcode: 400060
Tel: 023-62918002
Fax: 023-62918059

DALIAN BRANCH
Address: No. 5 Zhongshan Square, Dalian City, Liaoning Province, China
Postcode: 116001
Tel: 0411-82378888/82378000
Fax: 0411-82808377

FUJIAN PROVINCIAL BRANCH
Address: No. 108 Gutian Road, Fuzhou City, Fujian Province, China
Postcode: 350005
Tel: 0591-88087819/88087000
Fax: 0591-83353905/83347074

GANSU PROVINCIAL BRANCH
Address: No. 408 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province, China
Postcode: 730030
Tel: 0931-8434172
Fax: 0931-8435166

GUANGDONG PROVINCIAL BRANCH
Address: No. 123 Yanjiangxi Road, Guangzhou City, Guangdong Province, China
Postcode: 510120
Tel: 020-81308130
Fax: 020-81308789

GUANGXI AUTONOMOUS REGION BRANCH
Address: No. 15-1 Jiaoyu Road, Nanning City, Guangxi Autonomous Region, China
Postcode: 530022
Tel: 0771-5316617
Fax: 0771-5316617/2806043

GUIZHOU PROVINCIAL BRANCH
Address: No. 200 Zhonghua North Road, Yunyan District, Guiyang City, Guizhou Province, China
Postcode: 550001
Tel: 0851-88620004/88620018
Fax: 0851-85963911

HAINAN PROVINCIAL BRANCH
Address: No. 54 Heping South Road, Haikou City, Hainan Province, China
Postcode: 570203
Tel: 0898-65303138/65342829
Fax: 0898-65303138

HEBEI PROVINCIAL BRANCH
Address: Tower B, Zhonghua Shangwu Tower, No. 188 Zhongshan West Road, Shijiazhuang City, Hebei Province, China
Postcode: 050051
Tel: 0311-66001999/66000001
Fax: 0311-66001889/66000002

HENAN PROVINCIAL BRANCH
Address: No. 99 Jingsan Road, Zhengzhou City, Henan Province, China
Postcode: 450011
Tel: 0371-65776888/65776808
Fax: 0371-65776889/65776988

HEILONGJIANG PROVINCIAL BRANCH
Address: No. 218 Zhongyang Street, Daoli District, Harbin City, Heilongjiang Province, China
Postcode: 150010
Tel: 0451-84668023/84668577 (on-duty)
Fax: 0451-84698115

HUBEI PROVINCIAL BRANCH
Address: No. 31 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province, China
Postcode: 430071
Tel: 027-69908676/69908658
Fax: 027-69908040

HUNAN PROVINCIAL BRANCH
Address: No. 619 Furong Middle Road Yi Duan, Changsha City, Hunan Province, China
Postcode: 410011
Tel: 0731-84428833/84420000
Fax: 0731-84430039

JILIN PROVINCIAL BRANCH
Address: No. 9559 Renmin Avenue, Changchun City, Jilin Province, China
Postcode: 130022
Tel: 0431-89569718/89569712
Fax: 0431-88923808

JIANGSU PROVINCIAL BRANCH
Address: No. 408 Zhongshan South Road, Nanjing City, Jiangsu Province, China
Postcode: 210006
Tel: 025-52858000
Fax: 025-52858111

JIANGXI PROVINCIAL BRANCH
Address: No. 233, Fuhe North Road, Nanchang City, Jiangxi Province, China
Postcode: 330008
Tel: 0791-86695682/86695018
Fax: 0791-86695230

LIAONING PROVINCIAL BRANCH
Address: No. 88 Nanjing North Road, Heping District, Shenyang City, Liaoning Province, China
Postcode: 110001
Tel: 024-23491603
Fax: 024-23491609

INNER MONGOLIA AUTONOMOUS REGION BRANCH
Address: No. 10 East 2nd Ring Road, Xincheng District, Hohhot City, Inner Mongolia Autonomous Region, China
Postcode: 010060
Tel: 0471-6940323/6940297 (on-duty)
Fax: 0471-6940048

NINGBO BRANCH
Address: No. 218 Zhongshan West Road, Ningbo City, Zhejiang Province, China
Postcode: 315010
Tel: 0574-87361162
Fax: 0574-87361190

NINGXIA AUTONOMOUS REGION BRANCH
Address: No. 901 Huanghe East Road, Jinfeng District, Yinchuan City, Ningxia Autonomous Region, China
Postcode: 750002
Tel: 0951-5029200
Fax: 0951-5042348

QINGDAO BRANCH
Address: No. 25 Shandong Road, Shinan District, Qingdao City, Shandong Province, China
Postcode: 266071
Tel: 0532-85809988-621031
Fax: 0532-85814711

QINGHAI PROVINCIAL BRANCH
Address: No. 2 Shengli Road, Xining City, Qinghai Province, China
Postcode: 810001
Tel: 0971-6169722/6152326
Fax: 0971-6152326

SHANDONG PROVINCIAL BRANCH
Address: No. 310 Jingsi Road, Jinan City, Shandong Province, China
Postcode: 250001
Tel: 0531-66681622
Fax: 0531-87941749

SHANXI PROVINCIAL BRANCH
Address: No. 145 Yingze Street, Taiyuan City, Shanxi Province, China
Postcode: 030001
Tel: 0351-6248888/6248011
Fax: 0351-6248004

SHAANXI PROVINCIAL BRANCH
Address: No. 395 Dongxin Street, Xi'an City, Shaanxi Province, China
Postcode: 710004
Tel: 029-87602608/87602630
Fax: 029-87602999

SHANGHAI MUNICIPAL BRANCH
Address: No. 9 Pudong Avenue, Pudong New District, Shanghai, China
Postcode: 200120
Tel: 021-58885888
Fax: 021-58886888

SHENZHEN BRANCH
Address: North Block Financial Center, No. 5055 Shennan East Road, Luohu District, Shenzhen City, Guangdong Province, China
Postcode: 518015
Tel: 0755-82246400
Fax: 0755-82246247

SICHUAN PROVINCIAL BRANCH
Address: No. 45 Zongfu Road, Jinjiang District, Chengdu City, Sichuan Province, China
Postcode: 610020
Tel: 028-82866000
Fax: 028-82866025

TIANJIN MUNICIPAL BRANCH
Address: No. 123 Weidi Road, Hexi District, Tianjin, China
Postcode: 300074
Tel: 022-28400648
Fax: 022-28400123/022-28400647

XIAMEN BRANCH
Address: No. 17 Hubin North Road, Xiamen City, Fujian Province, China
Postcode: 361012
Tel: 0592-5292000
Fax: 0592-5054663

XINJIANG AUTONOMOUS REGION BRANCH
Address: No. 231 Remin Road, Tianshan District, Urumqi, Xinjiang Autonomous Region, China
Postcode: 830002
Tel: 0991-5981888
Fax: 0991-2828608

TIBET AUTONOMOUS REGION BRANCH
Address: No. 31 Jinzhu Mid-Rd., Lhasa, Tibet Autonomous Region, China
Postcode: 850000
Tel: 0891-6898019/6898002
Fax: 0891-6898001

YUNNAN PROVINCIAL BRANCH
Address: Bank Mansion, No. 395 Qingnian Road, Kunming City, Yunnan Province, China
Postcode: 650021
Tel: 0871-63136172
Fax: 0871-63134637

ZHEJIANG PROVINCIAL BRANCH
Address: No. 150 Zhonghe Middle Road, Hangzhou City, Zhejiang Province, China
Postcode: 310009
Tel: 0571-87803888
Fax: 0571-87808207

ICBC Credit Suisse Asset Management Co., Ltd.
Address: Tower A, Xinsheng Plaza, No. 5 Financial Street, Xicheng District, Beijing, China
Postcode: 100033
Tel: 010-66583333
Fax: 010-66583158

ICBC Financial Leasing Co., Ltd.
Address: E5AB, Finance Street, No. 20 Plaza East Road, Economic Development Zone, Tianjin, China
Postcode: 300457
Tel: 022-66283766/010-66105888
Fax: 022-66224510/010-66105999

ICBC-AXA Assurance Co., Ltd.
Address: 19/F Mirae Asset Tower, No. 166 Lujiazui Ring Road, Pudong New Area, Shanghai, China
Postcode: 200120
Tel: 021-5879-2288
Fax: 021-5879-2299

ICBC Financial Asset Investment Co., Limited
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Postcode: 211800
Tel: 025-58172219

Chongqing Bishan ICBC Rural Bank Co., Ltd.
Address: No.1 Aokang Avenue, Bishan District, Chongqing, China
Postcode: 402760
Tel: 023-85297704
Fax: 023-85297709

Zhejiang Pinghu ICBC Rural Bank Co., Ltd.
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Postcode: 314200
Tel: 0573-85139616
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Overseas Institutions

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Fax: +852-28051166
SWIFT: UBHKHKHH

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SWIFT: ICBKJPJT

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