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中國工商銀行股份有限公司

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**

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

(Stock Code: 1398)

## 2013 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of Industrial and Commercial Bank of China Limited (the “Bank”) announces the unaudited interim results of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2013. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the unaudited interim results.

### 1. Corporate Information

#### 1.1 Basic Information

<b>Stock name</b>	工商銀行 (A Share)	ICBC (H Share)
<b>Stock code</b>	601398	1398
<b>Stock exchange on which shares are listed</b>	Shanghai Stock Exchange (“SSE”)	The Stock Exchange of Hong Kong Limited (“SEHK”)

#### 1.2 Contact

##### Board Secretary and Company Secretary

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## 2. Financial Highlights

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

### 2.1 Financial Data

	<b>Six months ended 30 June 2013</b>	Six months ended 30 June 2012	Year ended 31 December 2012
<b>Operating results</b> (in RMB millions)			
Net interest income	<b>215,889</b>	204,058	417,828
Net fee and commission income	<b>67,382</b>	54,804	106,064
Operating income	<b>291,476</b>	262,828	529,720
Operating expenses	<b>91,749</b>	84,531	189,940
Impairment losses	<b>21,941</b>	19,237	33,745
Operating profit	<b>177,786</b>	159,060	306,035
Profit before tax	<b>178,841</b>	160,212	308,687
Net profit	<b>138,477</b>	123,241	238,691
Net profit attributable to equity holders of the parent company	<b>138,347</b>	123,160	238,532
Net cash flows from operating activities	<b>142,724</b>	821,025	533,508
<b>Per share data</b> (in RMB yuan)			
Basic earnings per share	<b>0.40</b>	0.35	0.68
Diluted earnings per share	<b>0.39</b>	0.35	0.67
	<b>30 June 2013</b>	31 December 2012	31 December 2011
<b>Balance sheet items</b> (in RMB millions)			
Total assets	<b>18,723,353</b>	17,542,217	15,476,868
Total loans and advances to customers	<b>9,437,642</b>	8,803,692	7,788,897
Allowance for impairment losses on loans	<b>235,619</b>	220,403	194,878
Investment	<b>4,382,264</b>	4,083,887	3,915,902
Total liabilities	<b>17,548,260</b>	16,413,758	14,519,045
Due to customers	<b>14,508,402</b>	13,642,910	12,261,219
Due to banks and other financial institutions	<b>1,271,443</b>	1,486,805	1,341,290
Equity attributable to equity holders of the parent company	<b>1,171,507</b>	1,124,997	956,742
Share capital	<b>349,650</b>	349,620	349,084
Net asset value per share <sup>(1)</sup> (in RMB yuan)	<b>3.35</b>	3.22	2.74
Net capital base <sup>(2)</sup>	<b>1,456,548</b>	1,299,014	1,112,463
Risk-weighted assets <sup>(2)</sup>	<b>11,108,508</b>	9,511,205	8,447,263
<b>Credit rating</b>			
S&P <sup>(3)</sup>	<b>A/Stable</b>	A/Stable	A/Stable
Moody's <sup>(3)</sup>	<b>A1/Stable</b>	A1/Stable	A1/Stable

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

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

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

## 2.2 Financial Indicators

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

Notes: \* indicates annualized ratios.

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

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

- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expense (less business tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPL by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans and advances by total balance of NPL.
- (9) Calculated by dividing allowance for impairment losses on loans and advances by total balance of loans and advances to customers.
- (10) Indicators relating to capital adequacy ratio at 30 June 2013 were calculated in accordance with the Capital Regulation promulgated by CBRC and those for 2011-2012 were calculated in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC.

### **2.3 Reconciliation of Differences between the Financial Statements Prepared under Chinese Accounting Standards for Business Enterprises (“PRC GAAP”) and those under IFRSs**

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

## **3. Business Overview**

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

Profit maintained steady growth. The Bank actively responded to various operational difficulties and stress caused by China’s economic growth slowdown, acceleration of interest rate liberalization and volatility of the international financial market, and achieved steady profit growth by accelerated operational transformation, reinforced cost control and stringent risk management. In the first half of the year, net profits reached RMB138,477 million, representing an increase of 12.4% compared to the same period of last year. Profit structure was further improved, and the standardized management and innovative development of the fee-based business played an important driving role in overall profit growth. The Bank generated net fee

and commission income of RMB67,382 million, representing an increase of 23.0% compared to the same period of last year, and it accounted for 23.12% of operating income, representing an increase of 2.27 percentage points over the same period of last year. Overseas institutions and domestic subsidiaries in diversified operations continuously increased their profit contributions to the Group, and achieved net profit (including investment income from Standard Bank of South Africa) of RMB6,845 million, representing an increase of 36.2% compared to the same period of last year, further reflecting the effect of business internationalization and diversification in maintaining profit stability. While maintaining reasonable expense growth, the Bank has been actively broadening sources of income and reducing costs, and its cost-to-income ratio dropped by 0.48 percentage points over the same period of the previous year to 25.09%, staying at a relatively low level as compared to its international peers, which demonstrated strong cost control capability. In consideration of the rebound of non-performing loans (“NPLs”) in the first half of 2013, the Bank strengthened credit management and improved risk management mechanism. As at the end of June, the balance of NPLs and NPL ratio were RMB81,768 million and 0.87% respectively, and the allowance to NPL ratio was 288.16%. The overall stability of credit asset quality and adequacy of allowance laid a solid foundation for the Bank to attain its profit target and achieve sustainable profit growth.

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

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

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



## 4. Discussion and Analysis

### 4.1 Income Statement Analysis

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

#### *Net Interest Income*

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

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

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



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

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

(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.

#### ◆ *Net Interest Spread and Net Interest Margin*

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

The table below sets out the yield of interest-generating assets, cost of interest-bearing liabilities, net interest spread and net interest margin in the first half of 2013, the first half of 2012 and the whole year of 2012.

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

#### *Interest income*

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

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

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

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

*In RMB millions, except for percentages*

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

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

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

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

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

### ◆ *Interest Income on Investment*

Interest income on investment amounted to RMB71,920 million, representing an increase of RMB4,056 million or 6.0% compared to the same period of last year. Specifically, interest income on investment in bonds not related to restructuring was RMB69,018 million,

representing an increase of RMB5,219 million or 8.2%, mainly due to an increase of RMB245,735 million in average balance. During the reporting period, the Bank reinforced portfolio management, proactively seized favorable market opportunities, and reasonably increased investment in financial bonds with relatively high yield and quality corporate bonds. The new investment in bonds generated relatively high yield, driving a growth of 7 basis points in the average yield of bonds not related to restructuring.

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

◆ *Interest Income on Due From Central Banks*

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

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

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

***Interest Expense***

◆ *Interest Expense on Deposits*

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

## ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

*In RMB millions, except for percentages*

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

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

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

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

### ◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB5,823 million, representing an increase of RMB726 million or 14.2% compared to the same period of last year, mainly attributable to the Bank's issuance of RMB20.0 billion subordinated bonds in June 2012.

## *Non-interest Income*

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

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

### **NET FEE AND COMMISSION INCOME**

*In RMB millions, except for percentages*

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

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

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

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

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

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

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

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

## OTHER NON-INTEREST RELATED GAIN

*In RMB millions, except for percentages*

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



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

### *Operating Expenses*

## **OPERATING EXPENSES**

*In RMB millions, except for percentages*

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

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

### *Impairment Losses*

The Bank continued to intensify risk prevention and control on loans and insisted on steady and prudent provisioning policy while maintaining stable loan quality as a whole. Allowance for impairment losses on assets was RMB21,941 million, representing an increase of RMB2,704 million or 14.1% compared to the same period of last year. In particular, allowance for impairment losses on loans was RMB21,927 million, representing an increase of RMB2,898 million or 15.2% compared to the same period of last year.

### *Income Tax Expense*

Income tax expense was RMB40,364 million, representing an increase by RMB3,393 million or 9.2% compared the same period of last year. The effective tax rate was 22.6%.

## 4.2 Segment Information

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

### SUMMARY OPERATING SEGMENT INFORMATION

*In RMB millions, except for percentages*

Item	Six months ended 30 June 2013		Six months ended 30 June 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	148,224	50.9	145,940	55.5
Personal banking	95,097	32.6	80,564	30.7
Treasury operations	44,691	15.3	35,405	13.5
Others	3,464	1.2	919	0.3
<b>Total operating income</b>	<b>291,476</b>	<b>100.0</b>	<b>262,828</b>	<b>100.0</b>

### SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

*In RMB millions, except for percentages*

Item	Six months ended 30 June 2013		Six months ended 30 June 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	18,264	6.3	24,417	9.3
Yangtze River Delta	58,405	20.0	53,190	20.2
Pearl River Delta	37,821	13.0	34,812	13.3
Bohai Rim	59,966	20.6	52,564	20.0
Central China	40,276	13.8	34,625	13.2
Western China	47,320	16.2	39,969	15.2
Northeastern China	15,870	5.4	14,786	5.6
Overseas and others	13,554	4.7	8,465	3.2
<b>Total operating income</b>	<b>291,476</b>	<b>100.0</b>	<b>262,828</b>	<b>100.0</b>

### 4.3 Balance Sheet Analysis

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

#### *Assets Deployment*

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

#### ASSETS DEPLOYMENT

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

## Loans

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

### DISTRIBUTION OF LOANS BY BUSINESS LINE

*In RMB millions, except for percentages*

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

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

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

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

million or 9.6%, mainly due to the Bank's vigorous development in credit card installments and continuous growth in issuance volume and consumptions of credit cards.

## DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

*In RMB millions, except for percentages*

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

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

## DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

*In RMB millions, except for percentages*

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

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

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

*In RMB millions, except for percentages*

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

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



There was a significant decrease in the NPL balance in the transportation, storage and postal services, and electricity, heat, gas and water production and supply industries. The increase in the NPLs of wholesale and retail industry was mainly due to weak downstream demand of wholesale industry, fund shortage of some wholesale enterprises such as steel trade enterprises and decline in the income and profits of retail enterprises, caused by economic growth slowdown.

## CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

*In RMB millions*

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

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

## DISTRIBUTION OF LOANS BY COLLATERAL

*In RMB millions, except for percentages*

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

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

## OVERDUE LOANS

*In RMB millions, except for percentages*

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

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

### *Renegotiated Loans*

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

### *Extended Loans*

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

### *Borrower Concentration*

The total amount of loans granted by the Bank to the single largest customer and top 10 single customers accounted for 3.8% and 17.2% of the Bank's net capital, respectively. The total amount of loans granted to the top 10 single customers was RMB250,027 million, accounting for 2.6% of the total loans.

### *Investment*

In the first half of 2013, the Bank precisely seized opportunities in the market, reasonably controlled the balance between investment income and interest rate risk in strict adherence to the trends in financial markets, and appropriately increased investments while the market interest rate stayed at a relatively higher level to continuously enhance the return on

investment portfolios. As at the end of June 2013, total investment of the Bank amounted to RMB4,382,264 million, representing an increase of RMB298,377 million or 7.3% from the end of the previous year.

## INVESTMENT

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

Investment in bonds not related to restructuring amounted to RMB3,926,315 million, representing an increase of RMB207,013 million or 5.6% over the end of the previous year. Investment in bonds related to restructuring was RMB260,096 million, keeping unchanged over the end of the previous year.

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

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

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

## DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

*In RMB millions, except for percentages*

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

### *Liabilities*

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

## LIABILITIES

*In RMB millions, except for percentages*

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

### *Due to customers*

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

## DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

*In RMB millions, except for percentages*

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

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

### *Due to Banks and Other Financial Institutions*

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

### *Repurchase Agreements*

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

## 4.4 Capital Adequacy Ratio

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

## CAPITAL ADEQUACY RATIO

*In RMB millions, except for percentages*

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

Notes: (1) Others are foreign currency translation reserve.

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



#### 4.4.1 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 direct or indirect investment as specified in the Capital Regulation promulgated by CBRC.

###### ◆ Result of Capital Adequacy Ratio Measurement

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

##### CAPITAL ADEQUACY RATIO

*In RMB millions, except for percentages*

Calculated in accordance with the Capital Regulation promulgated by CBRC:

Item	Group	Parent Company
Net core tier-one capital	1,164,699	1,093,145
Net tier-one capital	1,164,722	1,093,145
Net capital	1,456,548	1,373,283
Core tier-one capital adequacy ratio	10.48%	10.33%
Tier-one capital adequacy ratio	10.48%	10.33%
Capital adequacy ratio	<u>13.11%</u>	<u>12.98%</u>

Calculated in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC:

Item	Group	Parent Company
Core capital adequacy ratio	10.80%	10.98%
Capital adequacy ratio	<u>13.65%</u>	<u>13.52%</u>

◆ *Measurement of Risk-Weighted Assets*

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

**RISK-WEIGHTED ASSETS**

	<i>In RMB millions</i>
<b>Item</b>	<b>At 30 June 2013</b>
Credit risk-weighted assets	<b>10,149,350</b>
On-balance sheet credit risk	<b>9,263,438</b>
Off-balance sheet credit risk	<b>845,418</b>
Counterparty credit risk	<b>40,494</b>
Market risk-weighted assets	<b>103,245</b>
Operational risk-weighted assets	<b>855,913</b>
<b>Total</b>	<b><u>11,108,508</u></b>

## *Credit Risk Exposure*

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

### **CREDIT RISK EXPOSURE**

*In RMB millions*

**At 30 June 2013**

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

## *Market Risk Capital Requirement*

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

### **MARKET RISK CAPITAL REQUIREMENT**

<b>Risk type</b>	<i>In RMB millions</i>
	<b>Capital requirement</b>
Exchange rate risk	7,127
Interest rate risk	1,062
Commodity risk	52
Option risk	17
Equity risk	2
<b>Total</b>	<b>8,260</b>

### *Equity Investments and Gains (Losses) in Banking Book*

The table below sets out the equity investments and gains (losses) in banking book.

### **EQUITY RISK IN BANKING BOOK**

<b>Equity type</b>	<i>In RMB millions</i>		
	<b>At 30 June 2013</b>		
	<b>Publicly traded equity investment risk exposure<sup>(1)</sup></b>	<b>Non-publicly traded equity investment risk exposure<sup>(1)</sup></b>	<b>Unrealized potential risk gains (losses)<sup>(2)</sup></b>
Financial institutions	29,016	456	139
Company	618	1,431	44
<b>Total</b>	<b>29,634</b>	<b>1,887</b>	<b>183</b>

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

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

## 4.5 Other Financial Information Disclosed Pursuant to Regulatory Requirements

### MAJOR REGULATORY INDICATORS

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

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

## 4.6 Outlook

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

The next stage will bring about not only opportunities but also challenges to the Bank. The opportunities mainly include: first, the country will speed up economic restructuring, including promoting transformation and upgrade of traditional industries, accelerating the development of strategic emerging industries and supporting the development of small and micro enterprises, which will provide broad space for the Bank to achieve business transformation and exploit new sources of business growth. Second, the synchronous development of industrialization, IT application, urbanization and agricultural modernization, particularly the steady advancement of new-type urbanization and renovation of shanty towns in urban areas, will release a great amount of financial service demand and provide strategic support for business development of the Bank. Third, the country will promote investment, fiscal taxation and financial reform as an important means of stabilizing economic growth and adjusting economic structure. It has promulgated a series of measures in support of economic restructuring, transformation and upgrade by financial services, bringing about favorable environment and policy opportunities

for the Bank to optimize resource allocation, accelerate financial innovation, and prevent and mitigate financial risks. Fourth, the country's intensification of opening-up, in particular the quickening of Renminbi internationalization and enterprise "going abroad" process, has created favorable conditions for the Bank to steadily promote internationalization and exploit external development opportunities. On the whole, the Bank is still at a key strategic stage with enormous developing opportunities.

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

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

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

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

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



## 5. Number of Shareholders and Particulars of Shareholding

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

### 5.1 Particulars of Shareholding of the Top 10 Shareholders of the Bank

*Unit: Share*

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

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

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

- Notes: (1) Particulars of shareholding of H shareholders were based on the number of shares set out in the Bank's register of shareholders maintained at the H share registrar.
- (2) Huijin had increased, in its own capacity, its shareholding in the Bank by acquiring shares from the secondary market within six months from 10 October 2012. From 10 October 2012 to 9 April 2013, Huijin increased its holding by 211,717,258 A shares of the Bank accumulatively, accounting for 0.061% of the total shares issued by the Bank as at 30 June 2013.

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

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

## **5.2 Changes of the Controlling Shareholders and De Facto Controller**

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

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

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

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

#### HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares (share)	Nature of interest	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
MOF <sup>(1)</sup>	Beneficial owner	118,006,174,032	Long position	44.89	33.75
Huijin <sup>(2)</sup>	Beneficial owner	118,006,174,032	Long position	44.89	33.75

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

(2) According to the register of shareholders of the Bank as at 30 June 2013, Huijin held 124,138,037,059 shares in the Bank.

## HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares (share)	Nature of interest	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
National Council for Social Security Fund	Beneficial owner	10,405,376,524	Long position	11.99	2.98
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,002,665,393	Long position	8.07	2.00
JPMorgan Chase & Co.	Beneficial owner	652,143,385	Long position	0.75	0.19
	Investment manager	1,404,910,833	Long position	1.62	0.40
	Custodian-corporation/ approved lending agent	4,042,223,891	Long position	4.66	1.16
	Total	<u>6,099,278,109</u>		<u>7.03</u>	<u>1.74</u>
Blackrock, Inc.	Beneficial owner	273,429,763	Short position	0.32	0.08
	Interest of controlled corporations	5,152,004,522	Long position	5.94	1.47

## **6. Material Asset Acquisition, Sale and Merger**

### **Acquisition of 20% Shares in Bank SinoPac**

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

## **7. Other Information**

### **7.1 Compliance with the Corporate Governance Code (Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Listing Rules"))**

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

### **7.2 Profits and Dividends Distribution**

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

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

### 7.3 Purchase, Sale and Redemption of Shares

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

### 7.4 Securities Transactions of Directors and Supervisors

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

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

As at 30 June 2013, the following Director and Supervisor of the Bank are regarded to possess the interests as defined in Part XV of the Securities and Futures Ordinance of Hong Kong for the shares held by their spouse:

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



Save as disclosed above, as at 30 June 2013, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“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.

## **7.6 Review of the Interim Report**

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

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

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

## **8. Interim Financial Statements**

### **8.1 Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows**

## 8.1.1 Unaudited Interim Consolidated Statement of Income

(In RMB millions, unless otherwise stated)

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

## 8.1.2 Unaudited Interim Consolidated Statement of Comprehensive Income

(In RMB millions, unless otherwise stated)

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

### 8.1.3 Unaudited Interim Consolidated Statement of Financial Position

(In RMB millions, unless otherwise stated)

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

## 8.1.4 Unaudited Interim Consolidated Statement of Changes in Equity

(In RMB millions, unless otherwise stated)

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

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

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

(In RMB millions, unless otherwise stated)

Attributable to equity holders of the parent company

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

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

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



(In RMB millions, unless otherwise stated)

Attributable to equity holders of the parent company

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

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

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

## 8.1.5 Unaudited Interim Consolidated Statement of Cash Flows

(In RMB millions, unless otherwise stated)

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

(In RMB millions, unless otherwise stated)

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

## 8.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs")) as of 1 January 2013. The principal effects of adopting these revised IFRSs are as follows:

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

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

### ***IFRS 10 — Consolidated financial statements***

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

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

### ***IFRS 11 — Joint arrangements***

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

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

### ***IFRS 12 — Disclosure of interests in other entities***

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

### ***IFRS 13 — Fair value measurement***

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

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

### 8.3 NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In RMB millions, unless otherwise stated)

#### 8.3.1 Net Interest Income

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Interest income on:		
Loans and advances to customers		
— Corporate loans and advances	192,903	186,914
— Personal loans	67,849	61,139
— Discounted bills	5,305	7,683
Financial investments	71,920	67,864
Due from central banks	21,966	20,412
Due from banks and other financial institutions	12,564	10,510
	<u>372,507</u>	<u>354,522</u>
Interest expense on:		
Due to customers	(132,153)	(120,005)
Due to banks and other financial institutions	(18,642)	(25,362)
Debt securities issued	(5,823)	(5,097)
	<u>(156,618)</u>	<u>(150,464)</u>
Net interest income	<u>215,889</u>	<u>204,058</u>



### 8.3.2 Net Fee and Commission Income

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

### 8.3.3 Net Trading Expense

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

### 8.3.4 Net Gain/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

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

### 8.3.5 Net Gain on Financial Investments

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

### 8.3.6 Other Operating Income, Net

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

### 8.3.7 Operating Expenses

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

### 8.3.8 Impairment Losses on Assets other than Loans and Advances to Customers

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

### 8.3.9 Income Tax Expense

#### (a) Income tax

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

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

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit before tax	<u>178,841</u>	<u>160,212</u>
Tax at the PRC statutory income tax rate (25%)	44,710	40,053
Effects of different applicable rates of tax prevailing in other countries/regions	(11)	(97)
Effects of non-deductible expenses	1,771	966
Effects of profits and losses attributable to associates and joint ventures	(360)	(288)
Effects of non-taxable income	(4,247)	(3,949)
Adjustment in respect of current income tax of prior years	(2,002)	13
Others	<u>503</u>	<u>273</u>
Current income tax expense	<u>40,364</u>	<u>36,971</u>
The Group's effective income tax rate	<u>22.57%</u>	<u>23.08%</u>

8.3.10 *Dividends*

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

### 8.3.11 Earnings Per Share

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

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

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

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

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

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

### 8.3.12 *Derivative Financial Instruments*

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

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

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

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

	30 June 2013 (unaudited)					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Exchange rate contracts:							
Forward and swap contracts	757,025	580,475	108,903	1,609	1,448,012	13,197	(11,217)
Option contracts purchased	4,884	22,815	1,709	—	29,408	84	—
Option contracts written	830	2,349	1,758	—	4,937	—	(3)
	<u>762,739</u>	<u>605,639</u>	<u>112,370</u>	<u>1,609</u>	<u>1,482,357</u>	<u>13,281</u>	<u>(11,220)</u>
Interest rate contracts:							
Swap contracts	44,765	107,177	149,618	32,314	333,874	2,424	(2,688)
Forward contracts	—	61	—	—	61	—	—
	<u>44,765</u>	<u>107,238</u>	<u>149,618</u>	<u>32,314</u>	<u>333,935</u>	<u>2,424</u>	<u>(2,688)</u>
Commodity derivatives and others	<u>105,688</u>	<u>28,735</u>	<u>1,409</u>	<u>161</u>	<u>135,993</u>	<u>11,244</u>	<u>(9,943)</u>
	<u>913,192</u>	<u>741,612</u>	<u>263,397</u>	<u>34,084</u>	<u>1,952,285</u>	<u>26,949</u>	<u>(23,851)</u>



31 December 2012 (audited)

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	672,192	511,474	73,218	2,689	1,259,573	10,781	(8,153)
Option contracts purchased	5,117	14,689	593	—	20,399	71	—
Option contracts written	2,798	2,969	593	—	6,360	—	(44)
	<u>680,107</u>	<u>529,132</u>	<u>74,404</u>	<u>2,689</u>	<u>1,286,332</u>	<u>10,852</u>	<u>(8,197)</u>
Interest rate contracts:							
Swap contracts	65,507	118,368	176,537	24,472	384,884	3,280	(3,640)
Forward contracts	1,610	2,619	1,745	—	5,974	38	(38)
Option contracts purchased	—	—	62	—	62	—	—
	<u>67,117</u>	<u>120,987</u>	<u>178,344</u>	<u>24,472</u>	<u>390,920</u>	<u>3,318</u>	<u>(3,678)</u>
Commodity derivatives and others	81,249	17,604	2,637	139	101,629	586	(1,386)
	<u>828,473</u>	<u>667,723</u>	<u>255,385</u>	<u>27,300</u>	<u>1,778,881</u>	<u>14,756</u>	<u>(13,261)</u>

### ***Cash flow hedges***

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

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

30 June 2013 (unaudited)

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

31 December 2012 (audited)

	Notional amounts with remaining life of				Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	1,427	312	1,976	3,613	7,328	400	(64)
Interest rate forward contracts	25	—	—	—	25	—	—
	<u>1,452</u>	<u>312</u>	<u>1,976</u>	<u>3,613</u>	<u>7,353</u>	<u>400</u>	<u>(64)</u>

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

### ***Fair value hedges***

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

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

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

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

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

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

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

	<b>30 June 2013 (unaudited)</b>
Counterparty credit default risk-weighted assets	
Currency derivatives	<b>18,663</b>
Interest rate derivatives	<b>1,109</b>
Commodity derivatives and others	<b>2,096</b>
	<u><b>21,868</b></u>
Credit value adjustment	<b>18,626</b>
	<u><u><b>40,494</b></u></u>

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

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

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

### 8.3.13 *Financial Investments*

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

### 8.3.14 Components of Other Comprehensive Income

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

### 8.3.15 *Commitments and Contingent Liabilities*

#### (a) *Capital commitments*

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

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

#### (b) *Operating lease commitments*

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

	<b>30 June 2013 (unaudited)</b>	31 December 2012 (audited)
Within one year	<b>4,857</b>	4,166
After one year but not more than five years	<b>11,554</b>	10,330
After five years	<b>1,354</b>	1,516
	<b><u>17,765</u></b>	<u>16,012</u>

#### (c) *Credit commitments*

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

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

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

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

	<b>30 June 2013 (unaudited)</b>	31 December 2012 (audited)
Bank acceptances	<b>380,452</b>	341,033
Guarantees issued		
Financing letters of guarantees	<b>92,495</b>	47,148
Non-financing letters of guarantees	<b>227,347</b>	213,874
Sight letters of credit	<b>47,759</b>	52,190
Usance letters of credit and other commitments	<b>402,051</b>	347,271
Loan commitments		
With an original maturity of under one year	<b>167,874</b>	214,370
With an original maturity of one year or over	<b>424,489</b>	453,520
Undrawn credit card limit	<b>431,063</b>	406,800
	<b><u>2,173,530</u></b>	<u>2,076,206</u>
		<b>30 June 2013 (unaudited)</b>
Credit risk weighted amount of credit commitments		<b><u>815,256</u></b>

- (i) The credit risk weighted amount refers to the amount computed in accordance with “Regulation Governing Capital of Commercial Banks (Provisional)” promulgated by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights ranged from 0% to 150% for credit commitments.
- (ii) On 31 December 2012 the credit risk weighted amount was RMB817 billion in accordance with “Regulations Governing Capital Adequacy of Commercial Banks” and relevant requirement promulgated by the CBRC, which was superseded from 1 January 2013.



*(d) Legal proceedings*

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

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

*(e) Redemption commitments of government bonds*

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

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

*(f) Underwriting obligations*

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

### **8.3.16 Segment Information**

*(a) Operating segments*

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

#### **Corporate banking**

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

## Personal banking

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

## Treasury operations

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

## Others

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

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

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

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

	<b>Six months ended 30 June 2013 (unaudited)</b>				
	<b>Corporate banking</b>	<b>Personal banking</b>	<b>Treasury operations</b>	<b>Others</b>	<b>Total</b>
External net interest income/(expense)	135,075	(2,844)	83,487	171	215,889
Internal net interest income/(expense)	(30,984)	74,362	(43,378)	—	—
Net fee and commission income	43,567	23,577	682	(444)	67,382
Other income, net	566	2	3,900	3,737	8,205
Operating income	148,224	95,097	44,691	3,464	291,476
Operating expenses	(42,683)	(38,159)	(7,752)	(3,155)	(91,749)
Impairment losses on:					
Loans and advances to customers	(17,465)	(4,462)	—	—	(21,927)
Others	(130)	1	139	(24)	(14)
Operating profit/(loss)	87,946	52,477	37,078	285	177,786
Share of profits and losses of associates and joint ventures	—	—	—	1,055	1,055
Profit before tax	87,946	52,477	37,078	1,340	178,841
Income tax expense					(40,364)
Profit for the period					<u>138,477</u>
Other segment information:					
Depreciation	3,199	2,587	1,301	109	7,196
Amortisation	493	303	194	12	1,002
Capital expenditure	6,986	5,528	2,802	219	15,535
	<u>7,077,766</u>	<u>2,573,779</u>	<u>8,932,623</u>	<u>139,185</u>	<u>18,723,353</u>
	<u>52,857</u>	<u>42,423</u>	<u>21,188</u>	<u>26,401</u>	<u>142,869</u>
	<u>14,594</u>	<u>7,266</u>	<u>4,764</u>	<u>9,904</u>	<u>36,528</u>
Segment liabilities	<u>7,723,774</u>	<u>7,145,414</u>	<u>2,548,931</u>	<u>130,141</u>	<u>17,548,260</u>
Other segment information:					
Credit commitments	<u>1,742,467</u>	<u>431,063</u>	<u>—</u>	<u>—</u>	<u>2,173,530</u>

**As at 30 June 2013 (unaudited)**

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

## Six months ended 30 June 2012 (unaudited)

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

## As at 31 December 2012 (audited)

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

*(b) Geographical information*

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

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

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

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

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

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

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

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

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

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

**Six months ended 30 June 2013 (unaudited)**

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

**As at 30 June 2013 (unaudited)**

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

## Six months ended 30 June 2012 (unaudited)

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

## As at 31 December 2012 (audited)

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



## 9. Issue of Results Announcement and Interim Report

This announcement will be released on the HKExnews website of the SEHK (www.hkexnews.hk) and the websites of the Bank (www.icbc.com.cn, www.icbc-ltd.com) simultaneously. The 2013 Interim Report prepared in accordance with IFRSs will be released on the HKExnews website of the SEHK (www.hkexnews.hk) and the websites of the Bank (www.icbc.com.cn, www.icbc-ltd.com), and will be dispatched to holders of H shares of the Bank. The 2013 Interim Report and its abstract prepared in accordance with PRC GAAP will be released simultaneously on the websites of the SSE (www.sse.com.cn) and the Bank (www.icbc.com.cn, www.icbc-ltd.com).

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

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

29 August 2013

*As at the date of this announcement, the board of directors of the Bank comprises Mr. JIANG Jianqing, Mr. YI Huiman, Mr. LUO Xi and Mr. LIU Lixian as executive directors; Mr. HUAN Huiwu, Ms. WANG Xiaoya, Ms. GE Rongrong, Mr. LI Jun, Mr. WANG Xiaolan and Mr. YAO Zhongli as non-executive directors; and Mr. XU Shanda, Mr. WONG Kwong Shing, Frank, Sir Malcolm Christopher MCCARTHY, Mr. Kenneth Patrick CHUNG, Mr. OR Ching Fai and Mr. HONG Yongmiao as independent non-executive directors.*