

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2011 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of Industrial and Commercial Bank of China Limited (the “Bank”) is pleased to announce the unaudited interim results of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2011. The Board of Directors and the Audit Committee of the Board of Directors of the Bank has reviewed and confirmed the unaudited interim results.

1. Important Notice

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

The 2011 Interim Report of the Bank and the results announcement have been considered and approved at the meeting of the Board of Directors of the Bank held on 25 August 2011. There were 16 directors eligible for attending the meeting, of whom 15 directors attended the meeting in person and one director by proxy. Ms. Wang Lili appointed Mr. Li Xiaopeng to attend the meeting and exercise the voting right on her behalf.

The 2011 interim financial statements prepared by the Bank in accordance with the Chinese Accounting Standards for Business Enterprises (“PRC GAAP”) and the International Financial Reporting Standards (“IFRSs”) have been reviewed by Ernst & Young Hua Ming and Ernst & Young in accordance with the Chinese and international standards on review engagements, respectively.

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

25 August 2011

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

2. Corporate Information

2.1 Basic Information

Stock name	工商銀行 (A shares)	ICBC (H shares)
Stock code	601398	1398
Stock exchange on which shares are listed	Shanghai Stock Exchange (“SSE”)	The Stock Exchange of Hong Kong Limited (“SEHK”)
Registered address and office address	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, People’s Republic of China	
Postal code	100140	
Internet website	www.icbc.com.cn, www.icbc-ltd.com	
E-mail	ir@icbc.com.cn	

2.2 Contact

Board Secretary and Company Secretary

Name	Hu Hao
Contact address	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, People’s Republic of China
Telephone	86-10-66108608
Facsimile	86-10-66106139
E-mail	ir@icbc.com.cn

3. Financial Highlights

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

3.1 Financial Data

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
Operating results (in RMB millions)			
Net interest income	174,504	143,312	303,749
Net fee and commission income	53,791	36,889	72,840
Operating income	231,160	180,928	380,748
Operating expenses	73,255	61,869	139,480
Impairment losses	16,881	9,693	27,988
Operating profit	141,024	109,366	213,280
Profit before tax	142,345	110,616	215,426
Net profit	109,575	84,965	166,025
Net profit attributable to equity holders of the parent company	109,481	84,603	165,156
Net cash flows from operating activities	237,491	483,477	278,176
Per share data (in RMB yuan)			
Basic earnings per share ⁽¹⁾	0.31	0.25	0.48
Diluted earnings per share ⁽¹⁾	0.31	0.25	0.48
Net cash flows per share from operating activities	0.68	1.45	0.80
	30 June 2011	31 December 2010	31 December 2009
Balance sheet items (in RMB millions)			
Total assets	14,896,048	13,458,622	11,785,053
Total loans and advances to customers	7,334,040	6,790,506	5,728,626
Allowance for impairment losses on loans	181,453	167,134	145,452
Net investment in securities	3,729,597	3,732,268	3,599,173
Total liabilities	14,036,433	12,636,965	11,106,119
Due to customers	12,047,138	11,145,557	9,771,277
Due to banks and other financial institutions	1,284,008	1,048,002	1,001,634
Equity attributable to equity holders of the parent company	858,391	820,430	673,893
Net assets per share ⁽²⁾ (in RMB yuan)	2.46	2.35	2.02
Net capital base	999,280	872,373	731,956
Net core capital base	795,613	709,193	586,431
Supplementary capital	214,418	174,505	172,994
Risk-weighted assets ⁽³⁾	8,105,103	7,112,357	5,921,330
Credit rating			
S&P ⁽⁴⁾	A/Stable	A/Stable	A-/Positive
Moody's ⁽⁴⁾	A1/Stable	A1/Stable	A1/Positive

- Notes: (1) In consideration of the rights issue in 2010, the data for the six months ended 30 June 2010 were restated.
- (2) 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.
- (3) Being risk-weighted assets and market risk capital adjustment. Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio”.
- (4) The rating results are in form of “long-term foreign currency deposits rating/outlook”.

3.2 Financial Indicators

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
Profitability (%)			
Return on average total assets ⁽¹⁾	1.55*	1.37*	1.32
Return on weighted average equity ⁽²⁾	25.12*	23.90*	22.79
Net interest spread ⁽³⁾	2.49*	2.28*	2.35
Net interest margin ⁽⁴⁾	2.60*	2.37*	2.44
Return on risk-weighted assets ⁽⁵⁾	2.88*	2.69*	2.55
Ratio of net fee and commission income to operating income	23.27	20.39	19.13
Cost-to-income ratio ⁽⁶⁾	25.82	28.47	30.99
	30 June 2011	31 December 2010	31 December 2009
Asset quality (%)			
Non-performing loans (“NPL”) ratio ⁽⁷⁾	0.95	1.08	1.54
Allowance to NPL ⁽⁸⁾	261.14	228.20	164.41
Allowance to total loans ratio ⁽⁹⁾	2.47	2.46	2.54
Capital adequacy (%)			
Core capital adequacy ratio ⁽¹⁰⁾	9.82	9.97	9.90
Capital adequacy ratio ⁽¹⁰⁾	12.33	12.27	12.36
Total equity to total assets ratio	5.77	6.11	5.76
Risk-weighted assets to total assets ratio	54.41	52.85	50.24

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 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 (“CSRC”).
- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets and adjustment to market risk capital at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expenses (less business tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPL by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans and advances by total balance of NPL.
- (9) Calculated by dividing allowance for impairment losses on loans and advances by total balance of loans and advances to customers.
- (10) Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio”.

3.3 Reconciliation of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, profit for the period attributable to equity holders of the parent company for the six months ended 30 June 2011 and equity attributable to equity holders of the parent company as at 30 June 2011 have no differences.

4. Business Overview

In the first half of 2011, the domestic and global economic situation has remained very complex, market competition has intensified and financial regulation has tightened. In the face of multiple challenges, the Bank has committed to promoting the transformation while accelerating the innovation and to seeking development while stepping up restructuring. Both our operation and management have maintained a good momentum of development.

— **Business benefits continued to grow steadily.** In the first half of 2011, the Bank reaped a net profit of RMB109,575 million, registering an increase of 28.96% over the same period of last year. The Bank’s annualized average return on equity (ROE) reached 25.12%, 2.33 percentage points higher than that in 2010. Through the constant optimization of loan structure and improvement of return on investment (ROI) in securities, the Bank’s net interest margin climbed steadily back to 2.60%, up 16 basis points over the previous year; by vigorously creating fee-based business products and improving services, the

Bank registered a 45.5% increase in fee and commission income. As a result, the Bank's proportion of net fee and commission income to operating income reached 23.27%, up 2.88 percentage points as compared to the same period of 2010.

- **The Bank significantly accelerated its optimization of credit structure.** In the first half of 2011, RMB loans of the Bank's domestic branches increased by RMB410,867 million, up 6.6%. While controlling the total volume and pace of lending, the Bank further increased its effort in the optimization of credit structure. Through a comprehensive use of credit policy tools, the Bank actively channeled credit resources to areas with a proper match in terms of benefits and risks, better liquidity and lower capital consumption, so as to promote the sustained development of credit. In the first half of 2011, the Bank also registered rapid growth in small enterprise loans, trade finance, and personal loans, up 25.2%, 21.2% and 10.9% respectively over the end of 2010, significantly higher than the Bank's overall growth rate of credit. Customers of small enterprise loans accounted for 70% of all customers of corporate loans and the growth of small enterprise loans represented 4.5 times of the growth of all corporate loans granted by domestic operations. The increment of non-housing loans accounted for 75.6% of the total increment of personal loans, surpassing personal housing loans for the first time. At the same time, the increment of property loans dropped by RMB87,141 million as compared to the same period of 2010. Loans in relation to the local government financing vehicle (LGFV) were put under effective control. Loans to over-capacity industries continued to decrease. Since the beginning of this year, the Bank has achieved a significant result in its optimization of credit structure by further improving customers, varieties, industries and terms of credit business.
- **All businesses maintained a good momentum of development.** In the first half of 2011, the Bank's deposits increased by RMB901,581 million, with the growth leading its peers, the Bank has further secured its position as the world's top bank in terms of deposits. Additionally, its fee-based business and new business have been gaining a competitive edge. With over 70 million credit cards in issue, the Bank became the leading bank in terms of number of credit card issued, the amount of consumption and overdraft. It also invented and launched a new type of credit card based on personal payroll accounts and linkage with merchants, which can be used directly for consumption. With the net value of assets under the Bank's custody reaching RMB3.26 trillion, the Bank became the only custodian bank which had in its custody assets worth over RMB3 trillion. The volume of precious metal business was 3.5 times that of the entire year in 2010. The Bank was also the only Chinese bank that had more than 100 million personal Internet banking customers. With the volume of domestic and international settlement business reaching USD506.5 billion, the Bank's market share in this regard was further increased. Its cross-border RMB business realized prominently rapid development and handled in total RMB406.0 billion in the first half of 2011, three times that of the previous year. Besides, the Bank also maintained its lead in businesses such as investment banking, settlement and cash management, private banking, pension, and underwriting of enterprise debt financing instruments among its peers.
- **New breakthroughs were accomplished in product and service innovation.** In the first half of 2011, the Bank continued to make it one of its strategic undertakings to carry out product innovation and improve services so as to attain sustainable development.

To gain an “intergeneration” advantage in its technical development, the Bank stepped up the construction of the fourth-generation comprehensive service system, thereby creating an application system that is more flexible, advanced and risk-resistant. Keenly aware of customers’ need for financial services, it released in succession a series of key new products including mobile banking service on iPhone and Internet banking on iPad, thereby opening up new markets and winning new customers. The Bank committed itself to upgrading its network of outlets and service channels, and improving their distribution, accelerated the extension of its arm to areas with no or little presence of banking services, including new urban areas, and fast-developing counties, villages and towns. The Bank’s outlets now have a more pleasant environment, provide a wider range of improved services and a broader service coverage. The Bank increased its bid to construct the self-service bank and various self-service banking facilities; with the continuous improvement of its electronic service system, its service capability has grown significantly. In the first half of 2011, the business volume handled via E-banking reached 62%. New service patterns such as SMS and online customer services were rapidly in the making.

- **Risk management and internal control were further strengthened.** In face of a complex and volatile economic situation and fluctuations in the international financial market, the Bank paid high attention to the evolution of various risk factors and constantly improved its capability of risk prevention and control in terms of mechanism and technology. It further advanced the construction and application of internal rating system, conducted the assessment following the implementation of the New Capital Accord and earnestly followed the requirements concerning capital constraints throughout the process of operation and management. On the interbank bond market, the Bank successfully issued RMB38.0 billion of RMB subordinated bonds. By the end of June, the Bank’s capital adequacy ratio reached 12.33%, and the core capital adequacy ratio stood at 9.82%. Its capital strength has been further strengthened. The Bank paid special attention to the changes in the real estate market under macro-control, took a series of risk management measures such as exerting reasonable control over total credit, tightening customer access standards and intensifying post-loan management. Additionally, it also recognized and cleared risks regarding to the loans in relation to LGFV and took measures such as confirming the legitimacy and validity of collateral and pledged assets by loan, thus effectively controlling the risks in the loans in relation to LGFV. By the end of June, both of the Bank’s non-performing loan balance and non-performing loan ratio were on the decrease, with the non-performing loan ratio decreasing to 0.95%. The Bank’s provision coverage hit 261.14%, 32.94 percentage points higher than the end of 2010, which indicated that its capability of risk prevention and compensation was further improved. The Bank built a new risk quality-oriented supervision mode based on data analysis as the foundation, with supervision models as the engine of risk recognition, and continued to improve the working mechanism of operational risk examination and rectification. As a result, both accuracy of risk recognition and efficiency of supervision have improved significantly, and internal control and case prevention have become more clearly targeted and more effective. The favorable trend of lower case incidence in recent years has been maintained.

Currently, the global economy is still struggling to recover, and the international financial system is getting increasingly fragile. While the Chinese economy has generally been running

smoothly, we have also encountered some new circumstances. However, while clearly seeing a full picture of the challenges confronting us, we should also see new opportunities. The Bank will continue to strengthen its foresight, sharpen its competitiveness, improve its capability of risk prevention and control and ensure its sustainable development through measures like restructuring, deepening reform, strengthening of management and improvement of services, continue its momentum for transformation and development, and lay a solid foundation and establish new advantages for sustained development.

5. Discussion and Analysis

5.1 Income Statement Analysis

In the first half of 2011, in response to the volatile operating environment and increasingly fierce competition, the Bank has proactively seized the market opportunities, accelerated the transformation of growth pattern, deepened the reform and innovation, continuously pushed forward the diversification of income structure, strictly controlled cost, strengthened risk management and maintained sustainable growth in profit. Net profit reached RMB109,575 million, representing an increase of RMB24,610 million or 28.96% over the same period of last year. The annualized return on weighted average equity was 25.12%, representing an increase of 1.22 percentage points over the same period of last year. Operating income rose by 27.8% to RMB231,160 million. As a result of expansion in the volume of interest-generating assets and rebound of the net interest margin, net interest income increased by 21.8% to RMB174,504 million. Non-interest income grew by 50.6% to RMB56,656 million, of which, net fee and commission income kept growing quickly. Operating expenses increased by 18.4% to RMB73,255 million. Cost-to-income ratio was 25.82%, representing a decrease of 2.65 percentage points, maintaining at a low level. Due to the implementation of prudent provisioning policy together with the steady improvement of assets quality, impairment losses increased by 74.2% over the same period of last year to RMB16,881 million.

Net Interest Income

In the first half of 2011, the Bank actively promoted the adjustment of the credit structure, increased the loan yield, optimized the investment portfolio structure, and also adopted various measures to control the liability cost and realized a relatively rapid growth of net interest income. Net interest income increased by RMB31,192 million or 21.8% over the same period of 2010 to RMB174,504 million, accounting for 75.5% of operating income. Interest income increased by RMB52,854 million or 24.0% over the same period of last year to RMB272,719 million, and interest expense increased by RMB21,662 million or 28.3% over the same period of last year to RMB98,215 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 2011			Six months ended 30 June 2010		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	7,076,342	190,883	5.39	6,120,030	149,722	4.89
Investment in securities	3,635,115	56,751	3.12	3,581,321	51,114	2.85
Investment in securities not related to restructuring	3,232,985	52,272	3.23	2,740,756	42,255	3.08
Investment in securities related to restructuring ⁽²⁾	402,130	4,479	2.23	840,565	8,859	2.11
Due from central banks	2,266,068	17,927	1.58	1,745,274	13,494	1.55
Due from banks and other financial institutions ⁽³⁾	471,709	7,158	3.03	637,708	5,535	1.74
Total interest-generating assets	13,449,234	272,719	4.06	12,084,333	219,865	3.64
Non-interest-generating assets	674,016			498,887		
Allowance for impairment losses	(179,000)			(153,695)		
Total assets	13,944,250			12,429,525		
Liabilities						
Deposits	11,148,747	84,222	1.51	10,095,715	67,982	1.35
Due to banks and other financial institutions ⁽³⁾	1,218,612	11,957	1.96	1,110,332	7,282	1.31
Debt securities issued	121,807	2,036	3.34	75,000	1,289	3.44
Total interest-bearing liabilities	12,489,166	98,215	1.57	11,281,047	76,553	1.36
Non-interest-bearing liabilities	578,134			384,513		
Total liabilities	13,067,300			11,665,560		
Net interest income		174,504			143,312	
Net interest spread			2.49			2.28
Net interest margin			2.60			2.37

- 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 allowance for impairment losses represent the average of beginning balances and ending balances of the reporting period.
- (2) Investment in securities related to restructuring includes Huarong bonds, special government bonds, the Ministry of Finance of the People's Republic of China ("MOF") receivables and special bills of The People's Bank of China ("PBOC").
- (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*

In the first half of 2011, the Bank strived to improve the management of interest rate, enhanced the loan negotiation capability, adjusted and optimized the investment portfolio structure and continued to increase assets yields. Meanwhile, the Bank took various measures to reduce the adverse impact of interest hike policy on liability cost, so that profitability was further strengthened. Net interest spread and net interest margin stood at 2.49% and 2.60%, respectively, representing an increase of 21 and 23 basis points respectively as compared to the same period of last year, and an increase of 14 and 16 basis points respectively as compared to the whole year of 2010.

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 2011, the first half of 2010 and the year of 2010, respectively.

Item	Percentages		
	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
Yield of interest-generating assets	4.06	3.64	3.72
Cost of interest-bearing liabilities	1.57	1.36	1.37
Net interest spread	2.49	2.28	2.35
Net interest margin	2.60	2.37	2.44

Interest Income

- *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB190,883 million, representing an increase of RMB41,161 million or 27.5% over the same period of last year, due to the growth in the average balance and an increase of 50 basis points in the average yield. The growth of average yield was mainly because (1) from the second half of 2010 to the first half of 2011, PBOC raised the RMB loan benchmark interest rate for four times, of which, one-year term RMB loan benchmark interest rate increased by 100 basis points. Due to the impact of interest hike policy, the newly issued loans in the first half of 2011 and re-priced stock loans applied a relatively higher interest rate; and (2) the management on the Bank's loan interest rate and the negotiation capability was improved, and the average floating level of loan interest rate rose to some extent.

In terms of maturity structure, the average balance of short-term loans was RMB1,894,227 million, interest income derived therefrom was RMB48,917 million, and the average yield was 5.16%. The average balance of medium to long-term loans was RMB5,182,115 million, interest income arising therefrom was RMB141,966 million, and the average yield was 5.48%.

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 2011			Six months ended 30 June 2010		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	4,844,073	135,258	5.58	4,250,234	110,729	5.21
Discounted bills	107,792	4,213	7.82	247,836	3,945	3.18
Personal loans	1,730,019	44,829	5.18	1,349,622	32,049	4.75
Overseas and others	394,458	6,583	3.34	272,338	2,999	2.20
Total loans and advances to customers	7,076,342	190,883	5.39	6,120,030	149,722	4.89

In terms of the business line, interest income on corporate loans increased by 22.2% over the same period of last year to RMB135,258 million, accounting for 70.9% of the interest income on loans and advances to customers. The increase resulted from the expansion of volume of corporate loans and the rise of average yield. The rise of 37 basis points in average yield was mainly due to (1) the impact of interest rate hike policy; and (2) the improvement in the Bank's loan interest rate management and negotiation capability.

Interest income on discounted bills increased by 6.8% over the same period of last year to RMB4,213 million. The increase was caused by the rise of average yield. The large increase of 464 basis points in the average yield was mainly because (1) there was a remarkable increase in SHIBOR-based market interest rate for discounting compared to the same period of last year; and (2) the Bank intensified both the buying and selling operation on bills, accelerated the discounting assets turnover and promoted the steady enhancement in yield of discounting assets. The decrease in average balance was mainly because the Bank cut down the bill discounting scale to support other credit businesses.

Interest income on personal loans increased by 39.9% over the same period of last year to RMB44,829 million. The increase was caused mainly by the rise in personal loans and average yield. The increase of 43 basis points in the average yield was mainly due to (1) the impact of interest hike policy; (2) the improvement in the Bank's loan interest rate management level and negotiation capability; and (3) the initiative adjustment in personal loan structure by the Bank and the growth in the percentage of personal consumption loans and personal business loans with relatively higher average yield.

Interest income on overseas and others increased by 119.5% over the same period of last year to RMB6,583 million. The increase was caused mainly by the increasing pace of the Bank in

internationalized and integrated development as well as the fast growth in loans of overseas branches and of both domestic and overseas subsidiaries.

- *Interest Income on Investment in Securities*

Interest income on investment in securities was RMB56,751 million, representing an increase of RMB5,637 million or 11.0%. Interest income on investment in securities not related to restructuring increased by 23.7% to RMB52,272 million, and the rise was because the Bank properly increased investment in policy bank bonds, government bonds and quality corporate bonds which led to a rapid increase in the average balance as compared to the same period of last year. The rise of 15 basis points in the average yield of investment in securities not related to restructuring was principally because the yield curve of RMB bonds market for the reporting period shifted up as compared to the same period of last year and the yield of newly increased investment in RMB bonds was relatively high.

Interest income on investment in securities related to restructuring decreased by RMB4,380 million or 49.4% to RMB4,479 million, which was mainly attributable to the normal maturity and repayment of non-negotiable special PBOC bills with par value of RMB430,465 million in June 2010 and the relatively large decrease in the average balance of investment in securities relating to restructuring compared to the same period of last year.

- *Interest Income on Due from Central Banks*

Due from central banks of the Bank mainly include mandatory reserve deposits and excess reserve deposits. Interest income on due from central banks reached RMB17,927 million, representing an increase of RMB4,433 million or 32.9% over the same period of last year. The growth was due to the relatively fast increase of mandatory reserve deposits with high yield, led by the raise of the mandatory reserve deposits ratio by PBOC and the increase of customer deposits.

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

Interest income on due from banks and other financial institutions was RMB7,158 million, representing an increase of RMB1,623 million or 29.3% over the same period of last year. The increase was mainly caused by the increase in average interest rate on the domestic money market in the first half of 2011 as compared with the same period of last year. The Bank actively seized this favorable market opportunity, improved pricing capacity, which resulted in the rise of average yield of due from banks and other financial institutions by 129 basis points.

Interest Expense

- *Interest Expense on Deposits*

Interest expense on deposits amounted to RMB84,222 million, representing an increase of RMB16,240 million or 23.9%, and accounted for 85.8% of the total interest expense. The increase in interest expense was mainly due to the increase in the deposit volume and average cost. Average balance increased by RMB1,053,032 million or 10.4%, mainly attributed to that the Bank unleashed the comprehensive competitive advantages and promoted stable growth in deposit business. From the second half of 2010 and the first half of 2011, PBOC raised the RMB deposit benchmark interest rate for four times, of which, one-year RMB deposit benchmark interest rate increased by 100 basis points accumulatively, and the demand deposit

interest rate increased by 14 basis points accumulatively; and due to the time lag in the re-pricing of time deposits and high proportion of demand deposits, average cost only increased by 16 basis points to 1.51%.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	Six months ended 30 June 2011			Six months ended 30 June 2010		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	2,001,320	24,365	2.43	1,763,274	18,629	2.11
Demand deposits ⁽¹⁾	3,567,215	13,466	0.75	3,291,916	10,287	0.62
Subtotal	5,568,535	37,831	1.36	5,055,190	28,916	1.14
Personal deposits						
Time deposits	3,126,775	39,678	2.54	2,884,005	34,810	2.41
Demand deposits	2,191,831	5,272	0.48	1,919,444	3,455	0.36
Subtotal	5,318,606	44,950	1.69	4,803,449	38,265	1.59
Overseas and others	261,606	1,441	1.10	237,076	801	0.68
Total deposits	11,148,747	84,222	1.51	10,095,715	67,982	1.35

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 RMB11,957 million, representing an increase of RMB4,675 million or 64.2%, which was resulted from the rise of average cost and average balance. Average cost increased by 65 basis points, mainly because (1) in the first half of 2011, average level of domestic money market interest rate rose dramatically; and (2) capital market vibration and decrease in overall fund size of new share subscription resulted from the decline in the yield of new share subscription led to the drop in the proportion of due to banks and other financial institutions with relatively low average cost.

- *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB2,036 million, representing an increase of RMB747 million or 58.0% over the same period of last year, primarily because the Bank issued RMB25.0 billion A share convertible bonds in August 2010.

Non-Interest Income

In the first half of 2011, non-interest income of the Bank reached RMB56,656 million, representing an increase of RMB19,040 million or 50.6% over the same period of last year, accounting for 24.5% of operating income, and 3.7 percentage points higher as compared to the same period of last year.

In response to the changes in market environment and customer demands, the Bank expanded the market and deeply explored customers' resources and potential to consolidate competitive advantages over its peers through product innovation and service enhancement. In the first half of 2011, net fee and commission income was RMB53,791 million, representing a growth of RMB16,902 million or 45.8% as compared to the same period of last year and accounting for 23.27% of total operating income, an increase of 2.88 percentage points over the same period of last year. The Bank realized a relatively fast growth in income from settlement, clearing business and cash management, investment banking, personal wealth management and private banking services, asset custody, guarantee and commitment business. During the reporting period, income from the wealth management services amounted to RMB5,072 million and income from various agency services amounted to RMB3,874 million.

COMPOSITION OF NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2011	Six months ended 30 June 2010	Increase/ (decrease)	Growth rate (%)
Settlement, clearing business and cash management	13,582	9,546	4,036	42.3
Investment banking business	13,155	8,666	4,489	51.8
Personal wealth management and private banking services	10,552	7,166	3,386	47.3
Bank card business	8,058	6,186	1,872	30.3
Corporate wealth management services	4,394	3,436	958	27.9
Asset custody business	3,007	1,499	1,508	100.6
Guarantee and commitment business	2,925	1,518	1,407	92.7
Trust and agency services	746	524	222	42.4
Others	425	514	(89)	(17.3)
Fee and commission income	56,844	39,055	17,789	45.5
Less: Fee and commission expense	3,053	2,166	887	41.0
Net fee and commission income	53,791	36,889	16,902	45.8

Income from settlement, clearing business and cash management business was RMB13,582 million, representing an increase of RMB4,036 million or 42.3% as compared to the same period of last year, mainly because the Bank sustained relatively rapid growth in income from RMB settlement, international settlement, agency treasury operation and trade finance.

Income from investment banking business increased by RMB4,489 million or 51.8% over the same period of last year to RMB13,155 million, mainly because the Bank achieved rapid increase in income from innovative businesses such as M&A and reorganization, private equity fund leading bank while seeing continuous growth in income from investment and financing advisory, enterprise information service and regular financial advisory.

Income from personal wealth management and private banking business was RMB10,552 million, representing an increase of RMB3,386 million or 47.3% over the same period of last year. This was mainly due to the rapid growth in income from personal loans, personal banking wealth management products, personal precious metal business and private banking.

Income from bank card business increased by RMB1,872 million or 30.3% over the same period of last year to RMB8,058 million, mainly due to the growth in bank card issuance and consumption which raised fee income such as settlement charges on bank cards and consumption rebate income.

Income from corporate wealth management services amounted to RMB4,394 million, representing an increase of RMB958 million or 27.9% over the same period of last year. The increase was mainly due to the growth in agency precious metal trade services and banking wealth management services.

Income from asset custody business amounted to RMB3,007 million, representing an increase of RMB1,508 million or 100.6% over the same period of last year, mainly attributable to the large increase in the scale of agency asset custody services.

Income from guarantee and commitment business amounted to RMB2,925 million, representing an increase of RMB1,407 million or 92.7% over the same period of last year, mainly due to the fast growth in the income from loan commitment.

Income from trust and agency services amounted to RMB746 million, representing an increase of RMB222 million or 42.4% over the same period of last year, mainly driven by the development of entrusted loan business.

OTHER NON-INTEREST INCOME

In RMB millions, except for percentages

Item	Six months ended	Six months ended	Increase/ (decrease)	Growth rate (%)
	30 June 2011	30 June 2010		
Net trading expense	(21)	(322)	301	(93.5)
Net loss on financial assets and liabilities designated at fair value through profit or loss	(224)	(124)	(100)	80.6
Net gain on financial investments	309	89	220	247.2
Other operating income, net	2,801	1,084	1,717	158.4
Total	2,865	727	2,138	294.1

Other non-interest income was RMB2,865 million, an increase of RMB2,138 million or 294.1% over the same period of last year. Other net operating income amounted to RMB2,801 million, representing an increase of RMB1,717 million or 158.4% over the same period of last year, mainly due to the increase of RMB730 million in net gain from foreign exchange and foreign exchange products and the increase of RMB512 million in leasing income compared to the same period of last year.

Operating Expenses

Operating expenses were RMB73,255 million, representing an increase of RMB11,386 million or 18.4% over the same period of last year. Staff costs amounted to RMB36,969 million, representing an increase of RMB6,185 million or 20.1%. Business tax and surcharges increased by RMB3,224 million or 31.1% over the same period of last year to RMB13,574 million, mainly motivated by the growth in taxable interest income and fee and commission income. Cost to income ratio was 25.82%, representing a decrease of 2.65 percentage points from the same period of last year and maintaining at a relatively low level.

Impairment Losses

Impairment losses increased by RMB7,188 million or 74.2% over the same period of last year to RMB16,881 million, of which, impairment loss on loans increased by RMB7,051 million or 72.4% to RMB16,794 million. The Bank strengthened the control over loan risks, thereby the loan quality was improved gradually. The net reversal of individually assessed impairment losses increased by RMB1,608 million over the same period of last year to RMB2,647 million. In the meantime, the Bank adhered to sound and prudent provisioning policy to strengthen the ability of risk compensation, and collectively assessed impairment losses increased by RMB8,659 million.

Income Tax Expense

Income tax expense increased by RMB7,119 million or 27.8% over the same period of last year to RMB32,770 million, and the effective income tax rate was 23.0%.

5.2 Segment Information

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

SUMMARY OF OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	118,017	51.0	93,933	51.9
Personal banking	80,878	35.0	56,745	31.4
Treasury operations	30,205	13.1	29,317	16.2
Others	2,060	0.9	933	0.5
Total operating income	231,160	100.0	180,928	100.0

SUMMARY OF GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	17,239	7.5	2,745	1.5
Yangtze River Delta	49,333	21.3	41,361	22.9
Pearl River Delta	32,200	13.9	26,941	14.9
Bohai Rim	46,457	20.1	39,474	21.8
Central China	30,708	13.3	25,300	14.0
Western China	34,793	15.0	28,451	15.7
Northeastern China	13,581	5.9	11,884	6.6
Overseas and others	6,849	3.0	4,772	2.6
Total operating income	231,160	100.0	180,928	100.0

5.3 Balance Sheet Analysis

Assets Deployment

As at the end of June 2011, total assets amounted to RMB14,896,048 million, representing an increase of RMB1,437,426 million or 10.7% over the end of 2010, of which gross loans and advances to customers (collectively referred to as “loans”) increased by RMB543,534 million or 8.0%, net investment in securities decreased by RMB2,671 million or 0.1%, cash and balances with central banks increased by RMB562,903 million or 24.7%. In terms of the asset structure, net loans accounted for 48.0% of total assets, representing a decrease of 1.2 percentage points from the end of 2010; net investment in securities accounted for 25.0%, representing a decrease of 2.7 percentage points; and cash and balances with central banks accounted for 19.1%, representing an increase of 2.1 percentage points.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

Item	At 30 June 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	7,334,040	—	6,790,506	—
Less: Allowance for impairment losses on loans	181,453	—	167,134	—
Loans and advances to customers, net	7,152,587	48.0	6,623,372	49.2
Investment in securities, net	3,729,597	25.0	3,732,268	27.7
Cash and balances with central banks	2,845,902	19.1	2,282,999	17.0
Due from banks and other financial institutions, net	461,686	3.1	248,860	1.8
Reverse repurchase agreements	357,829	2.4	262,227	2.0
Others	348,447	2.4	308,896	2.3
Total assets	14,896,048	100.0	13,458,622	100.0

Loans

In the first half of 2011, by closely following macro-control policies and financial regulatory requirements and taking the needs from the operation of real economy as well as consumption and financing of residents into consideration, the Bank reasonably managed volume and pace of credit granting, actively adjusted credit structure, optimized credit resource allocation and promoted coordinated development of regional credits. The Bank continued to support key projects under construction and continuing projects which comply with the orientation of national industrial policies, actively bolstered the development of advanced manufacturing industry, modern service industry and strategic emerging industries, supported credit and trade finance needs of small enterprises, and strengthened credit support to the rational demand of residents’ consumption, so the credit supply maintained steady and moderate and the

adjustment of credit structure gradually showed its effects. As at the end of June 2011, loans amounted to RMB7,334,040 million, representing an increase of RMB543,534 million or 8.0% from the end of 2010, and the increment of loans fell by RMB82,224 million as compared to the same period of the previous year. In particular, RMB-denominated loans of domestic branches reached RMB6,622,780 million, representing an increase of RMB410,867 million or 6.6%, and the growth rate fell by 3.3 percentage points as compared to the same period of the previous year and was 2.2 percentage points lower than that of all domestic financial institutions.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans of domestic branches	6,879,243	93.8	6,450,670	95.0
Corporate loans	4,963,135	67.7	4,700,343	69.2
Discounted bills	105,331	1.4	117,135	1.7
Personal loans	1,810,777	24.7	1,633,192	24.1
Overseas and others	454,797	6.2	339,836	5.0
Total	<u>7,334,040</u>	<u>100.0</u>	<u>6,790,506</u>	<u>100.0</u>

Corporate loans increased by RMB262,792 million or 5.6%. In terms of the structure of maturity, short-term corporate loans increased by RMB161,303 million or 11.9%, while its percentage increased by 1.8 percentage points to 30.5%, and medium to long-term corporate loans added by RMB101,489 million or 3.0%. In terms of the product line, working capital loans grew by RMB211,793 million or 14.0%, of which, trade finance increased by RMB103,614 million or 21.2%, mainly due to the continuous strengthening of the support to credit demand of enterprises in production and circulation areas. Project loans increased by RMB43,332 million or 1.6%, and the increment decreased by RMB162,582 million as compared to the same period of last year, mainly invested in national key projects under construction and continuing projects. Property loans increased by RMB7,667 million or 1.5%, and the increment decreased by RMB87,141 million as compared to the same period of last year.

Discounted bills decreased by RMB11,804 million, mainly because the Bank proactively adjusted the business volume of discounted bills in accordance with the credit supply of the Bank, to achieve balanced credit supply and earnings target.

Personal loans increased by RMB177,585 million or 10.9%, accounting for 24.7% of loans, up 0.6 percentage point from the end of 2010, mainly because the Bank implemented the differentiated housing credit policy and supported the growth of personal consumption loans and personal business loans in response to national macro-economic policy. Personal housing loans added by RMB43,251 million or 4.0%, accounting for 62.6% of personal loans and representing a decrease of 4.1 percentage points from the end of 2010; personal

consumption loans grew by RMB55,088 million or 20.6%, mainly because the Bank made more efforts to innovate personal consumption loan products and actively supported reasonable consumption demands of individuals; personal business loans increased by RMB40,902 million or 22.2%, mainly because the Bank strengthened marketing efforts and services and actively promoted rapid development of related businesses; credit card overdrafts increased by RMB38,344 million or 41.9%, mainly due to vigorous development of credit card installment business as well as rapid growth in credit card issuance volume and consumption amount.

DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

In RMB millions, except for percentages

Item	At 30 June 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	7,042,146	96.02	6,489,450	95.57
Special mention	222,408	3.03	227,815	3.35
Non-performing loans	69,486	0.95	73,241	1.08
Substandard	18,884	0.26	18,932	0.28
Doubtful	40,362	0.55	41,765	0.62
Loss	10,240	0.14	12,544	0.18
Total	7,334,040	100.00	6,790,506	100.00

Loan quality continued to improve. As at the end of June 2011, according to the five-tier classification, pass loans amounted to RMB7,042,146 million, representing an increase of RMB552,696 million from the end of the previous year and accounting for 96.02% of total loans. Special mention loans stood at RMB222,408 million, representing a decrease of RMB5,407 million and accounting for 3.03% of total loans. NPL balance amounted to RMB69,486 million, down RMB3,755 million, and NPL ratio was 0.95%, down 0.13 percentage point, continuing on the downtrend in both NPL balance and NPL ratio. This is mainly attributable to the Bank's continued efforts in strengthening the withdrawal of loans with potential risks and NPL collection and disposal.

DISTRIBUTION OF LOANS AND NPLs BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2011				At 31 December 2010			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Corporate loans	4,963,135	67.7	57,367	1.16	4,700,343	69.2	61,610	1.31
Discounted bills	105,331	1.4	—	—	117,135	1.7	—	—
Personal loans	1,810,777	24.7	9,592	0.53	1,633,192	24.1	9,656	0.59
Overseas and others	454,797	6.2	2,527	0.56	339,836	5.0	1,975	0.58
Total	7,334,040	100.0	69,486	0.95	6,790,506	100.0	73,241	1.08

The balance of non-performing corporate loans stood at RMB57,367 million, down RMB4,243 million from the end of the previous year, and NPL ratio was 1.16%, down 0.15 percentage point. The balance of non-performing personal loans stood at RMB9,592 million, down RMB64 million, and NPL ratio was 0.53%, down 0.06 percentage point.

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

In RMB millions, except for percentages

Item	At 30 June 2011				At 31 December 2010			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Transportation, storage and postal services	1,028,453	20.7	9,638	0.94	990,916	21.1	9,075	0.92
Manufacturing	996,807	20.1	24,513	2.46	940,641	20.0	26,844	2.85
Machinery	155,677	3.1	2,444	1.57	134,355	2.8	3,004	2.24
Chemicals	151,493	3.1	3,661	2.42	141,007	3.0	4,816	3.42
Metal processing	129,818	2.6	1,437	1.11	114,635	2.4	1,319	1.15
Textiles and apparels	104,735	2.1	3,670	3.50	96,769	2.1	4,488	4.64
Iron and steel	95,684	1.9	2,044	2.14	92,866	2.0	973	1.05
Transportation equipment	57,118	1.2	1,509	2.64	49,557	1.0	1,513	3.05
Telecommunications equipment, computer and other electronic equipment	46,120	0.9	1,873	4.06	51,334	1.1	2,017	3.93
Non-metallic mineral	45,775	0.9	1,783	3.90	40,317	0.9	2,000	4.96
Petroleum processing, coking and nuclear fuel	39,576	0.8	276	0.70	69,577	1.5	299	0.43
Others	170,811	3.5	5,816	3.40	150,224	3.2	6,415	4.27
Production and supply of electricity, gas and water	597,959	12.0	4,858	0.81	571,072	12.1	5,275	0.92
Water, environment and public utility management	528,866	10.7	261	0.05	549,326	11.7	208	0.04
Real estate	523,414	10.5	4,472	0.85	512,018	10.9	5,355	1.05
Wholesale, retail and lodging	478,076	9.6	9,011	1.88	388,023	8.3	10,117	2.61
Leasing and commercial services	360,176	7.3	953	0.26	357,624	7.6	1,105	0.31
Mining	158,070	3.2	349	0.22	129,488	2.8	297	0.23
Construction	96,530	1.9	1,147	1.19	84,048	1.8	1,168	1.39
Science, education, culture and sanitation	71,980	1.5	912	1.27	68,102	1.4	845	1.24
Others	122,804	2.5	1,253	1.02	109,085	2.3	1,321	1.21
Total	4,963,135	100.0	57,367	1.16	4,700,343	100.0	61,610	1.31

In the first half year of 2011, the Bank granted relatively more loans to the wholesale, retail and lodging, manufacturing and transportation, storage and postal services industries, in which the increment of loans in these industries accounted for 69.9% of the total increment of corporate loans, of which, loans to the wholesale, retail and lodging industry increased by RMB90,053 million or 23.2%, principally driven by the growth in trade finance and small enterprises loan business; loans to the manufacturing industry increased by RMB56,166 million, mainly benefiting from the Bank's intensified effort towards supporting the credit demand of the advanced manufacturing industry; and loans to the transportation, storage and postal services industry grew by RMB37,537 million, mainly lent to transportation projects under construction and continuing projects.

A relatively more significant decrease in NPL balance occurred to the manufacturing, wholesale, retail and lodging and real estate industries. The NPL balance in relation to the iron and steel industry grew by RMB1,071 million, mainly as a result of production and operation difficulties encountered by very few enterprises due to multiple factors; and the NPL balance in relation to the transportation, storage and postal services industry grew by RMB563 million, largely because of the increase of NPL of certain highway enterprises.

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
At the beginning of the period	41,300	125,834	167,134
Charge for the period	(2,647)	19,441	16,794
Including: Impairment allowances charged	3,856	53,632	57,488
Impairment allowances transferred	207	(207)	—
Reversal of impairment allowances	(6,710)	(33,984)	(40,694)
Accreted interest on impaired loans	(240)	—	(240)
Write-offs	(2,479)	(261)	(2,740)
Recoveries of loans and advances previously written off	461	44	505
At the end of the period	<u>36,395</u>	<u>145,058</u>	<u>181,453</u>

At the end of June 2011, the allowance for impairment losses on loans stood at RMB181,453 million, up RMB14,319 million over the end of the previous year. Provision coverage increased by 32.94 percentage points to 261.14%, further strengthening its capability of resisting and offsetting risks; and allowance to total loans ratio was 2.47%.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 30 June 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	3,007,260	41.0	2,780,346	40.9
Including: Personal housing loans ⁽¹⁾	1,133,346	15.5	1,090,095	16.1
Pledged loans	719,951	9.8	665,641	9.8
Including: Discounted bills ⁽¹⁾	105,331	1.4	117,135	1.7
Guaranteed loans	1,166,709	15.9	1,070,211	15.8
Unsecured loans	2,440,120	33.3	2,274,308	33.5
Total	7,334,040	100.0	6,790,506	100.0

Note: (1) Data of domestic branches.

Loans secured by mortgages stood at RMB3,007,260 million, representing an increase of RMB226,914 million or 8.2% from the end of the previous year. Unsecured loans amounted to RMB2,440,120 million, representing an increase of RMB165,812 million or 7.3% from the end of the previous year.

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 30 June 2011		At 31 December 2010	
	Amount	% of total	Amount	% of total
3 to 6 months	4,401	0.1	3,264	0.0
6 to 12 months	4,156	0.0	5,248	0.1
Over 12 months	50,807	0.7	55,836	0.8
Total	59,364	0.8	64,348	0.9

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 RMB9,544 million, representing a decrease of RMB1,172 million or 10.9% as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB6,498 million, down RMB1,104 million.

Borrower Concentration

The total amount of loans granted by the Bank to the single largest customer and the top ten single customers accounted for 3.4% and 20.6% of the Bank's net capital, respectively. The total amount of loans granted to the top ten single customers was RMB206,075 million, accounting for 2.8% of the total loans.

Investment

In the first half of 2011, domestic and international macro economic and financial environments were complicated and volatile. The Bank accurately seized favorable policies and market opportunities, arranged for reasonable investment schedule, optimized the investment structure and continuously raised the return on portfolios on the basis of ensuring liquidity needs and controllable risks in accordance with the trends in financial markets. As at the end of June 2011, net investment in securities amounted to RMB3,729,597 million, representing a decrease of RMB2,671 million or 0.1% as compared to the end of the previous year.

INVESTMENT

Item	<i>In RMB millions, except for percentages</i>			
	At 30 June 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Investment in securities not related to restructuring	3,255,163	87.3	3,322,915	89.0
Investment in securities related to restructuring	397,996	10.7	402,321	10.8
Other debt instruments	71,645	1.9	1,850	0.1
Equity instruments	4,793	0.1	5,182	0.1
Total	<u>3,729,597</u>	<u>100.0</u>	<u>3,732,268</u>	<u>100.0</u>

Investment in securities not related to restructuring amounted to RMB3,255,163 million, representing a decrease of RMB67,752 million or 2.0% from the end of 2010. In terms of distribution by issuers, investment in government bonds increased by RMB48,422 million or 6.6%; investment in bonds issued by the central bank decreased by RMB425,982 million or 36.0%; investment in bonds issued by policy banks increased by RMB230,123 million or 23.5%; and investment in other bonds increased by RMB79,685 million or 18.5%, mainly because during the reporting period, PBOC bills held by the Bank matured, and the Bank properly strengthened the investment in treasury bonds, bonds of policy banks and quality debenture bonds. In terms of distribution by remaining maturity, bonds not related to restructuring with a term of less than 1 year decreased by RMB390,967 million or 36.5%, and their percentage fell by 11.4 percentage points; bonds not related to restructuring with a term of 1 to 5 years increased by RMB235,271 million or 16.2%, and their percentage increased by 8.1 percentage points, mainly because the Bank seized investment opportunities arising from

the changes in bond yield curve to actively adjust its investment strategy, properly invest in medium-term bonds, stabilize yields of portfolios and control the duration of portfolios so as to prevent interest rate risk. In terms of distribution by currency, RMB bonds decreased by RMB58,332 million or 1.8%; the RMB equivalent of investment in USD bonds decreased by RMB7,223 million or 10.6%; and the RMB equivalent of investment in other foreign currency bonds decreased by RMB2,197 million or 8.2%, mainly because the Bank reduced the holding of some low-yield and risky foreign currency bonds at an opportune time.

Investment in securities related to restructuring was RMB397,996 million, representing a decrease of RMB4,325 million from the end of 2010, because non-negotiable special PBOC bills with par value of RMB4,325 million was matured and repaid in June 2011.

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY ISSUER

In RMB millions, except for percentages

Item	At 30 June 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	776,821	23.9	728,399	21.9
Central bank bonds	758,735	23.3	1,184,717	35.7
Policy bank bonds	1,208,026	37.1	977,903	29.4
Other bonds	511,581	15.7	431,896	13.0
Total	3,255,163	100.0	3,322,915	100.0

DISTRIBUTION OF INVESTMENT IN SECURITIES BY HOLDING PURPOSE

In RMB millions, except for percentages

Item	At 30 June 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	131,496	3.5	12,986	0.4
Available-for-sale financial assets	829,832	22.2	904,795	24.2
Held-to-maturity investments	2,274,928	61.1	2,312,781	62.0
Receivables	493,341	13.2	501,706	13.4
Total	3,729,597	100.0	3,732,268	100.0

As at the end of June 2011, the Group held RMB1,324,145 million of financial bonds¹, including RMB1,208,026 million of policy bank bonds and RMB116,119 million of bonds issued by commercial banks and non-bank financial institutions, accounting for 91.2% and 8.8% of financial bonds, respectively.

Due from Banks and Other Financial Institutions, Net

The net balance of due from banks and other financial institutions was RMB461,686 million, representing an increase of RMB212,826 million or 85.5% from the end of 2010, mainly because the Bank strengthened fund operation in light of changes in market liquidity so that due from banks and other financial institutions increased by a large margin.

Liabilities

As at the end of June 2011, total liabilities amounted to RMB14,036,433 million, representing an increase of RMB1,399,468 million or 11.1% from the end of the previous year.

LIABILITIES

Item	<i>In RMB millions, except for percentages</i>			
	At 30 June 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	12,047,138	85.8	11,145,557	88.2
Due to banks and other financial institutions	1,284,008	9.2	1,048,002	8.3
Debt securities issued	145,248	1.0	102,264	0.8
Repurchase agreements	61,901	0.4	84,888	0.7
Others	498,138	3.6	256,254	2.0
Total liabilities	<u>14,036,433</u>	<u>100.0</u>	<u>12,636,965</u>	<u>100.0</u>

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

Due to Customers

Customer deposits are the Bank's main source of fund. In the first half of 2011, the State continued to implement proactive fiscal policy and sound monetary policy, the residents' income grew continuously and the market competition for deposits was fierce. The Bank leveraged on its comprehensive competitive advantages to boost the steady growth of deposits, thus maintaining the top position in terms of both balance and increment of deposits. As at the end of June 2011, the balance of due to customers was RMB12,047,138 million, representing an increase of RMB901,581 million or 8.1% from the end of 2010, of which, corporate deposits increased by RMB429,298 million or 7.8%; personal deposits increased by RMB435,398 million or 8.3%. In terms of the maturity structure, the balance of demand deposits grew by RMB442,855 million or 7.6%, and the balance of time deposits increased by RMB421,841 million or 8.6%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits of domestic operations	11,776,047	97.7	10,907,842	97.9
Corporate deposits	5,900,607	49.0	5,471,309	49.1
Time deposits	2,112,556	17.5	1,925,605	17.3
Demand deposits	3,788,051	31.5	3,545,704	31.8
Personal deposits	5,679,055	47.1	5,243,657	47.0
Time deposits	3,225,835	26.8	2,990,945	26.8
Demand deposits	2,453,220	20.3	2,252,712	20.2
Others ⁽¹⁾	196,385	1.6	192,876	1.8
Overseas and others	271,091	2.3	237,715	2.1
Total	<u>12,047,138</u>	<u>100.0</u>	<u>11,145,557</u>	<u>100.0</u>

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

Due to Banks and Other Financial Institutions

The balance of due to banks and other financial institutions was RMB1,284,008 million, representing an increase of RMB236,006 million or 22.5% from the end of the previous year. In the first half of 2011, domestic monetary market witnessed squeezed liquidity. The Bank actively adopted measures and effectively supported the development of assets operations by attracting short-term deposits from banks at the same time of controlling interest payment cost.

5.4 Other Financial Information to be Disclosed according to Regulatory Requirements

MAJOR REGULATORY INDICATORS

		Regulatory criteria	30 June 2011	31 December 2010	31 December 2009
Liquidity ratio (%)	RMB	≥ 25.0	30.3	31.8	30.7
	Foreign currency	≥ 25.0	50.7	53.4	61.1
Loan-to-deposit ratio (%)	RMB and foreign currency	≤ 75.0	61.2	62.0	59.5
Percentage of loans to single largest customer (%)		≤ 10.0	3.4	3.5	2.8
Percentage of loans to top 10 customers (%)			20.6	22.8	20.9
Loan migration rate (%)	Pass		1.0	2.6	3.5
	Special mention		3.8	4.8	9.9
	Substandard		23.3	43.4	31.3
	Doubtful		2.4	10.9	18.1

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

5.5 Capital Adequacy Ratio

The Bank calculates capital adequacy ratio and core capital adequacy ratio in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by China Banking Regulatory Commission (“CBRC”). As at the end of June 2011, capital adequacy ratio of the Bank was 12.33%, representing an increase of 0.06 percentage point from the end of 2010; and core capital adequacy ratio was 9.82%, representing a decrease of 0.15 percentage point from the end of 2010, mainly because (1) the businesses of the Bank developed rapidly during the reporting period, thus risk-weighted assets grew accordingly as compared to the end of 2010; (2) the Bank successfully issued RMB subordinated bonds of RMB38.0 billion in the interbank bond market during the reporting period and used all of the net proceeds to replenish the supplementary capital.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 30 June 2011	At 31 December 2010
Core capital	834,799	750,970
Share capital	349,020	349,019
Reserves ⁽¹⁾	484,555	400,724
Minority interests	1,224	1,227
Supplementary capital	214,418	174,505
General provisions for loan impairment	73,340	67,905
Long term subordinated bonds	116,211	78,286
Convertible bonds	24,867	24,870
Other supplementary capital	—	3,444
Total capital base before deductions	1,049,217	925,475
Deductions	49,937	53,102
Goodwill	26,121	27,369
Unconsolidated equity investments	21,501	22,649
Others	2,315	3,084
Net capital base	999,280	872,373
Net core capital base	795,613	709,193
Risk-weighted assets and market risk capital adjustment	8,105,103	7,112,357
Core capital adequacy ratio	9.82%	9.97%
Capital adequacy ratio	12.33%	12.27%

Note: (1) Mainly includes the valid portion of capital reserve, surplus reserves, general reserve and the valid portion of retained profits.

The Proposal on the Issuance of Subordinated Bonds was reviewed and approved at the First Extraordinary General Meeting of the Bank in 2008 held on 27 October 2008, and the Bank was authorized to issue subordinated bonds in an amount not exceeding RMB100.0 billion in different series by the end of 2011 to replenish the supplementary capital. The Bank publicly issued RMB40.0 billion and RMB22.0 billion RMB subordinated bonds in the national interbank bond market in July 2009 and September 2010, respectively. The RMB22.0 billion RMB subordinated bonds issued in September 2010 were issued on a revolving basis within the limit approved by CBRC.

Upon approval by CBRC and PBOC, the Bank successfully issued RMB38.0 billion RMB subordinated bonds in the national interbank bond market on 29 June 2011 to further expand the Bank's capital base for business development. For details of the subordinated bond issuance, please refer to the Bank's announcements published on the websites of SEHK and SSE.

5.6 Outlook

In the second half of 2011, the Chinese economy will transform from policy-stimulated to self-sustained growth in an orderly way and continue to grow towards the anticipated direction of macro-controls. Economic growth will remain stable and rapid, prices are expected to be controlled effectively and macro-economic control policies will not undergo significant changes, which will provide a favorable external environment for the Bank to maintain a rapid growth.

The Bank will embrace the following opportunities in the second half of 2011. Firstly, sustained and stable growth of national economy will continue to generate sufficient financial needs and underpin continued business development of the Bank. Secondly, full-scale implementation of the National Twelfth Five-year Plan and supporting industrial and regional development strategies will accelerate a new round of industrial upgrading and coordinated regional development and provide the Bank with a broader potential for new services, new customers and new markets. Thirdly, a stable monetary policy will continue to tighten market liquidity and improve commercial banks' bargaining power, thereby providing a good opportunity for the Bank to optimize asset structure and increase rate of return. Lastly, the acceleration of "going global" of Chinese companies and continued RMB internationalization create favorable conditions for the Bank to expand global presence and advance internationalized development.

In the second half of 2011, the Bank will face the following challenges. Firstly, the regulators are developing new domestic standards for capital regulation in accordance with Basel III. New capital standards will place stronger capital restrictions on the Chinese banking industry and raise more stringent requirements for banks' business restructuring and capital management enhancement. In recent years, the Bank has adhered to a relatively low capital consumption approach in its development. Therefore, even if new standards are promulgated, the Bank will be able to respond effectively. However, capital regulation reform also requires the Bank to focus on balancing the relationship between capital and other factors when it formulates its business strategies and expands its business activities. Secondly, effects of macro-control measures introduced earlier will add to one another and increasingly severe peer competition for deposits will entail higher requirements for asset and liability management and liquidity management of the Bank in the second half of 2011. Thirdly, inflation control will remain an important element of macro-controls in the foreseeable future. PBOC may continue to implement its monetary policy using price-based or quantitative instruments. Interest spread between deposits and loans for commercial banks may narrow. Lastly, as strategic emerging industries and modern service sectors develop at a fast pace, how to accelerate the establishment of a system of financial services that caters for needs and characteristics of emerging industries while effectively monitoring and controlling related risks has become a crucial agenda that the Bank must deal with.

In the first half of 2011, the Bank recorded stable growth in its operating results, laying a good foundation for smoothly achieving the full-year operating targets. In the second half of 2011, the Bank will continue to follow established development strategies, respond to changes in economic and market conditions at home and abroad effectively and flexibly, continuously strengthen the capability of enterprise risk management, accelerate business development, continue to maintain stable and rapid profit growth, fulfill annual operating objectives, further consolidate and enhance the Bank's overall competitiveness in domestic and overseas markets and push up the Bank's operating results to a higher level. Specifically, the Bank will carry out works in the following aspects in the second half of 2011:

Firstly, the Bank will take the opportunity of the present reform of capital regulation to conduct an in-depth analysis of the impact of new capital regulatory rules on development of the Bank, develop a farsighted capital management plan appropriate for the development objectives and actual operations of the Bank, explore strategies for and approaches to strengthen capital management and achieve a balance among overall risk, rate of return and capital occupation. Secondly, the Bank will continue to strengthen the management of the matching of assets and liabilities and optimize the efficiency of capital allocation and operation, respond to market volatilities flexibly, maintain a good liquidity and continuously increase the rate of return on capital. Thirdly, the Bank will fully unleash its competitive advantages, continuously step up the efforts in seeking new customers and tapping new markets, expand fee-based business vigorously, further optimize the structure of business and profit and enhance the Bank's capability of sustainable development. Fourthly, the Bank will make strong efforts to advance its credit restructuring and continuously optimize credit distribution in terms of industries, regions, customers, product types and maturities in line with the trends and requirements of China's transformation of economic development mode. The Bank will strengthen innovation of credit products, continuously improve the financing service system for emerging industries and small and medium customers and effectively increase the overall rate of return on credit. Fifthly, the Bank will continue to aggressively push forward the reform of operating mechanisms and business processes, further enhance quality of services and efficiency of business processing and effectively improve customer experience and optimize customer satisfaction. Sixthly, the Bank will advance the internationalization strategy actively and steadily. The Bank will devote more resources and policy supports to existing outlets of overseas institutions, accelerate extension of FOVA to overseas institutions, significantly enhance overseas service functions and operational strengths and improve influence in the local markets. The Bank will seize policy and market opportunities to expand preferential overseas outlets prudently and make continuous improvements in the overseas network of presence. Lastly, the Bank will strengthen risk monitoring of risk sensitive areas and take a broad range of measures to ensure good asset quality across the Bank.

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

6.1 Changes in Share Capital

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	At 31 December 2010		Increase/ decrease during the reporting period (+, -) Convertible bond to equity	At 30 June 2011	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares not subject to restrictions on sales	349,018,545,827	100.0	917,353	349,019,463,180	100.0
1. RMB-denominated ordinary shares	262,224,501,277	75.1	917,353	262,225,418,630	75.1
2. Foreign shares listed overseas	86,794,044,550	24.9	0	86,794,044,550	24.9
II. Total number of shares	349,018,545,827	100.0	917,353	349,019,463,180	100.0

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

6.2 Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 1,042,947 shareholders, including 156,232 holders of H shares and 886,715 holders of A shares.

Particulars of Shareholding of the Top 10 Shareholders of the Bank

Unit: Share

Total number of shareholders 1,042,947 (number of holders of A shares and H shares on the register of shareholders as at 30 June 2011)

Particulars of shareholding of the top 10 shareholders (The following data are based on the register of shareholders as at 30 June 2011)

Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Central Huijin Investment Ltd.	State-owned	A shares	35.4	123,641,072,864	0	None
MOF	State-owned	A shares	35.3	123,316,451,864	0	None
HKSCC Nominees Limited	Foreign legal person	H shares	24.5	85,340,276,931	0	Unknown
Ping An Life Insurance Company of China, Ltd — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.4	1,382,510,286	0	None
ICBC Credit Suisse Asset Management Co., Ltd. — Asset management for specific customers	Other domestic entities	A shares	0.3	1,053,190,083	0	None
American Express	Foreign legal person	H shares	0.2	638,061,117	0	None
Anbang Property & Casualty Insurance Company Ltd. — Traditional insurance products	Other domestic entities	A shares	0.1	502,499,792	0	None
China Huarong Asset Management Corporation	Other domestic entities	A shares	0.1	472,889,000	0	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic entities	A shares	0.1	419,539,119	0	None
Ping An Life Insurance Company of China, Ltd — Traditional — High interest rate policy products	Other domestic entities	A shares	0.1	414,841,549	0	None

Notes: (1) The Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

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

6.3 Changes of the Controlling Shareholders and De Facto Controller

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

6.4 Convertible Bonds

Particulars of Holding of the Top 10 Holders of the A Share Convertible Bonds

Name of bond holder	<i>Unit: RMB</i>
	Nominal Value of Bonds Held
New China Life Insurance Company Limited	
— Dividend distribution — Group dividend — 018L — FH001 Hu	792,052,000
Bosera Enhanced Convertible Bond-type Securities Investment Fund	682,696,000
China Credit Trust Co., Ltd. — Single trust for fixed income of Bank of Communications	655,623,000
CITIC Trust Co., Ltd. — Double Profit No. 10	586,774,000
Fullgoal Convertible Bonds and Securities Investment Fund	540,000,000
China AMC Growth Securities Investment Fund	520,255,000
Annuity Plan of China National Petroleum Corporation	502,574,000
National Social Security Fund 202 Portfolio	451,122,000
Harvest Solid Open End Securities Investment Fund	419,173,000
Bosera Theme Industry Equity Securities Investment Fund	396,562,000

Note: The above data are based on the register of holders of the A share convertible bonds as at 30 June 2011.

- *Convertible Bonds Guarantors*

There is no guarantor for the convertible bonds of the Bank.

- *Changes in Conversion Prices of Convertible Bonds*

On 31 August 2010, the Bank issued A share convertible bonds (“ICBC Convertible Bonds”) with an aggregate nominal value of RMB25.0 billion and an initial conversion price of RMB4.20 per share.

In 2010, as approved by domestic and overseas regulatory authorities, the Bank issued 11,262,153,213 A shares to the then existing A shareholders and 3,737,542,588 H shares to H shareholders respectively. Upon completion of the rights issue of A shares and since 26 November 2010, the conversion price of ICBC Convertible Bonds has been adjusted to RMB4.16 per share from RMB4.20 per share. Upon completion of the rights issue of H shares and since 27 December 2010, the conversion price of ICBC Convertible Bonds has been adjusted to RMB4.15 per share from RMB4.16 per share.

On 31 May 2011, the Annual General Meeting for the Year 2010 of the Bank considered and approved the 2010 ICBC Profit Distribution Plan for payment of cash dividends of RMB1.84 (pre-tax) per ten shares to holders of A shares and H shares whose names appear on the register of shareholders of the Bank after trading hours on 14 June 2011. Pursuant to relevant undertakings in the Prospectus of the Public Offering of A Share Convertible Corporate Bonds of Industrial and Commercial Bank of China Limited and relevant laws and regulations, the conversion price of ICBC Convertible Bonds has been adjusted to RMB3.97 per share from RMB4.15 per share since 15 June 2011.

- *Conversion of Convertible Bonds*

Conversion period of ICBC Convertible Bonds commenced on 1 March 2011. As at 30 June 2011, a total of 37,930 ICBC Convertible Bonds were converted to A shares of the Bank, accounting for a total of 917,353 converted shares; there are still 249,962,070 ICBC Convertible Bonds trading in the market, accounting for 99.98% of the total number of bonds in issue.

7. Directors, Supervisors and Senior Management

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

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

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

The senior management of the Bank consists of twelve members, namely Mr. Jiang Jianqing, Mr. Yang Kaisheng, Ms. Wang Lili, Mr. Li Xiaopeng, Mr. Luo Xi, Mr. Liu Lixian, Mr. Yi Huiman, Mr. Zhang Hongli, Mr. Wang Xiquan, Mr. Wei Guoxiong, Mr. Lin Xiaoxuan and Mr. Hu Hao.

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

8. Significant Events

8.1 Compliance with the Code on Corporate Governance Practices (Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”))

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

8.2 Profits and Dividends Distribution

Upon the approval by shareholders at the Annual General Meeting for the Year 2010 on 31 May 2011, the Bank has distributed cash dividends totaling approximately RMB64.2 billion, or RMB1.84 (pre-tax) per ten shares, for the period from 1 January 2010 to 31 December 2010 to the shareholders whose names appeared on the register of shareholders after trading hours on 14 June 2011. The Bank will not distribute interim dividends for 2011, nor will it convert any reserves to share capital.

8.3 Use of Proceeds from Fundraising Activities

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

8.4 Material Legal Proceedings and Arbitration

The Bank was involved in several legal proceedings in the ordinary course of business. Most of these legal proceedings were initiated by the Bank for recovering non-performing loans. In addition, some legal proceedings arose from customer disputes. As at 30 June 2011, the amount of pending proceedings which the Bank and/or its subsidiaries acted as defendant totaled RMB2,041 million. The Bank does not expect any material adverse effect from the abovementioned pending legal proceedings on the Bank’s business, financial position or operating results.

8.5 Material Asset Acquisition, Sale and Merger

Acquisition of Shares in The Bank of East Asia (U.S.A.) National Association

On 21 January 2011, the Bank, The Bank of East Asia, Limited (“BEA”) and East Asia Holding Company, Inc. (referred to as “EAHC”, a wholly-owned subsidiary of BEA in the United States, through which BEA held 100% equity interest in The Bank of East Asia (U.S.A.) National Association) entered into a share sale agreement on the acquisition of the shares of The Bank of East Asia (U.S.A.) National Association. The Bank agreed to purchase 80% of the shares of The Bank of East Asia (U.S.A.) National Association for a consideration of approximately USD140 million payable to BEA. Upon completion of this transaction, the Bank will hold 80% of the shares of The Bank of East Asia (U.S.A.) National Association, while EAHC will hold 20%. Pursuant to the terms of the agreement, EAHC will have a put option to sell to the Bank the remaining shares held by it pursuant to their mutual agreement at any time from the date that is 18 months after the date of completion of the transaction to the tenth anniversary of the date of completion of the transaction. As at the end of the reporting period, the transaction was still in the process of obtaining regulatory approvals.

Delisting of ICBC (Thai)

On 8 March 2011, the Bank completed the voluntary delisting tender offer for Industrial and Commercial Bank of China (Thai) Public Company Limited (“ICBC (Thai)”) . The Bank acquired 7,276,848 ordinary shares and 73,533 preferred shares of ICBC (Thai) (in aggregate representing approximately 0.46% of the total issued shares of ICBC (Thai)) under the voluntary delisting tender offer. Upon completion of the voluntary delisting tender offer, the Bank held approximately 97.70% of the total issued shares of ICBC (Thai). The shares of ICBC (Thai) were listed and traded on The Stock Exchange of Thailand until 18 March 2011.

Acquisition of Equity in Standard Bank Argentina S.A.

On 5 August 2011, the Bank entered into a memorandum of agreement with Standard Bank London Holdings Plc (“SBL”), Holding W-S De Inversiones S.A. (“Holding W-S”, and together with SBL collectively referred to as the “Sellers”), and Standard Bank, Sielecki family members and Werthein family members as guarantors for the Sellers, on the acquisition of shares in Standard Bank Argentina S.A. (“Standard Bank Argentina”), Standard Investments S.A. Sociedad Gerente de Fondos Comunes de Inversión (“Standard Investments”) and Inversora Diagonal Sociedad Anónima (together with Standard Investments, collectively referred to as “Related Companies”) by the Bank. Pursuant to the memorandum of agreement entered into among the parties, the Bank shall purchase from SBL 55% of the shares of Standard Bank Argentina and 50% of the shares of each of its Related Companies held by SBL, and from Holding W-S 25% of the shares of Standard Bank Argentina and 30% of the shares of each of its Related Companies held by Holding W-S, for a consideration of approximately USD600 million to be paid to the Sellers. Upon completion of this transaction, the Bank will hold 80% of the shares in each of Standard Bank Argentina and its Related Companies, and SBL will hold the remaining 20% of the shares. Pursuant to the shareholders’ agreement, SBL will have a put option, exercisable at any time during the period between the second anniversary and the seventh anniversary of the date of completion of the transaction, to require

the Bank to purchase the remaining 20% of the shares held by SBL in each of Standard Bank Argentina and its Related Companies. After completion of the transaction, the Bank and SBL intend to make a capital contribution of an aggregate amount of USD100 million in Standard Bank Argentina by way of share subscription in proportion to their respective shareholding in Standard Bank Argentina in due time. Final completion of the transaction is subject to the obtaining of approvals from domestic and foreign regulatory authorities.

Investment in AXA-Minmetals Assurance Co., Ltd.

On 28 October 2010, the Board of Directors of the Bank approved the investment by the Bank in AXA-Minmetals Assurance Co., Ltd. On the same day, the Bank, AXA CHINA (a subsidiary of AXA Group) and China Minmetals Corporation entered into relevant agreement on the purchase of equity interest in AXA-Minmetals Assurance Co., Ltd. As at the end of the reporting period, the transaction was still undergoing approval procedures by regulatory authorities.

8.6 Related Party Transactions

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

8.7 Material Contracts and Performance of Obligations Thereunder

Material Trust, Sub-contract and Lease

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

Material Guarantees

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

Material Events Concerning Entrusting Other Persons for Cash Management or Entrusted Loans

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

8.8 Occupation of Funds by Controlling Shareholders

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

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

During the reporting period, the Bank and its shareholders holding 5% shares or above did not make any new commitments. As at 30 June 2011, all of the commitments made by shareholders were properly fulfilled.

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

None.

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

During the reporting period, neither the Bank nor any of its directors, supervisors and members of the senior management was subject to any investigation, administrative penalty and criticism in a circulated notice by CSRC, public reprimand by the stock exchanges or punishment by other regulatory authorities that had material impact on the operation of the Bank.

8.12 Purchase, Sale or Redemption of Shares

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

8.13 Securities Transactions of Directors and Supervisors

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

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

As at 30 June 2011, the following supervisor is regarded to possess the interests as defined in Part XV of the Securities and Futures Ordinance of Hong Kong for the shares held by his spouse:

Name of supervisor	Capacity	Amount of A shares held (share)	Nature of Interests	Approximate percentage of issued A shares of the Bank (%)	Approximate percentage of total issued shares of the Bank (%)
Zhu Lifei	Spouse interests	18,000	Long position	0.000007	0.000005

Save as disclosed above, as at 30 June 2011, none of the directors or supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

8.15 Review of the Interim Financial Report

The 2011 interim financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by Ernst & Young Hua Ming and Ernst & Young in accordance with Chinese and international standards on review engagements, respectively.

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

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

Not applicable.

8.17 Other Major Events

SECURITIES INVESTMENT

S/N	Stock (Fund) code	Stock name	Holding at the end of the period (10,000 shares/ units)	Initial investment cost (RMB yuan)	Book value at the end of the period (RMB yuan)	Book value at the beginning of the period (RMB yuan)	Accounting item
1	MY (U.S.)	Mingyang Wind Power	1,098.54	341,450,000	445,042,898	835,204,538	Available-for-sale financial assets
2	966 (Hong Kong, China)	CHINA TAIPING	2,688.55	95,490,974	391,244,723	546,291,912	Available-for-sale financial assets
3	485105	ICBCCS Enhanced Income Bond Fund A	14,186.32	150,000,000	153,992,460	162,615,000	Available-for-sale financial assets
4	1115 (Hong Kong, China)	TIBET 5100	4,693.60	55,502,511	143,644,259	54,288,121	Available-for-sale financial assets
5	2468 (Hong Kong, China)	TRONY SOLAR	4,411.76	102,130,671	124,362,048	212,275,834	Available-for-sale financial assets
6	601998	CNCB	2,586.20	149,999,600	122,844,500	135,775,500	Available-for-sale financial assets
7	1299 (Hong Kong, China)	AIA	539.80	92,556,985	120,971,812	100,485,362	Trading financial assets
8	1688 (Hong Kong, China)	ALIBABA	1,002.80	131,782,620	103,068,352	119,266,431	Available-for-sale financial assets
9	871 (Hong Kong, China)	XIANGYU DREDG	4,590.00	121,752,858	92,399,993	—	Available-for-sale financial assets
10	2099 (Hong Kong, China)	CHINAGOLDINTL	173.48	66,674,242	42,698,923	62,049,522	Available-for-sale financial assets
	Total		—	<u>1,307,340,461</u>	<u>1,740,269,968</u>	<u>2,228,252,220</u>	—

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

(2) The shares in Mingyang Wind Power, TIBET 5100, TRONY SOLAR, XIANGYU DREDG and CHINAGOLDINTL were held by ICBC International Holdings Limited, a controlling subsidiary of the Bank; the shares in CHINA TAIPING, AIA and ALIBABA were held by Industrial and Commercial Bank of China (Asia) Limited (“ICBC (Asia)”), a controlling subsidiary of the Bank; and the ICBCCS Enhanced Income Bond Fund A were held by ICBC Credit Suisse Asset Management Co., Ltd., a controlling subsidiary of the Bank.

SHARES IN UNLISTED FINANCIAL INSTITUTIONS

Company	Initial investment cost (RMB yuan)	Number of shares held (10,000 shares)	Shareholding percentage (%)	Book value at the end of the period (RMB yuan)
China UnionPay Co., Ltd.	146,250,000	11,250.00	3.84	146,250,000
Xiamen International Bank	102,301,500	N/A	18.75	102,301,500
Guangdong Development Bank	52,465,475	2,498.18	0.16	52,465,475
Joint Electronic Teller Services Limited	8,208,370	0.0024	0.03	7,518,999
Bangkok BTMU Ltd.	4,272,984	20.00	10.00	4,283,199
Huarong Xiangjiang Bank	3,500,000	353.64	0.09	3,617,582
Luen Fung Hang Insurance Co., Ltd.	1,518,440	2.40	6.00	1,400,677
Bank of Guilin	420,000	124.97	0.19	1,289,934
Bank of Nanchang	300,000	39.00	0.03	522,646
Taiping General Insurance Co., Ltd.	243,550,678	N/A	12.45	—
Total	<u>562,787,447</u>	—	—	<u>319,650,012</u>

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

9. Financial Report

9.1 Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows

9.1.1 Unaudited Interim Consolidated Income Statement

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Interest income	272,719	219,865
Interest expense	(98,215)	(76,553)
NET INTEREST INCOME	174,504	143,312
Fee and commission income	56,844	39,055
Fee and commission expense	(3,053)	(2,166)
NET FEE AND COMMISSION INCOME	53,791	36,889
Net trading expense	(21)	(322)
Net loss on financial assets and liabilities designated at fair value through profit or loss	(224)	(124)
Net gain on financial investments	309	89
Other operating income, net	2,801	1,084
OPERATING INCOME	231,160	180,928
Operating expenses	(73,255)	(61,869)
Impairment losses on:		
Loans and advances to customers	(16,794)	(9,743)
Others	(87)	50
OPERATING PROFIT	141,024	109,366
Share of profits and losses of associates and jointly-controlled entities	1,321	1,250
PROFIT BEFORE TAX	142,345	110,616
Income tax expense	(32,770)	(25,651)
PROFIT FOR THE PERIOD	109,575	84,965
Attributable to:		
Equity holders of the parent company	109,481	84,603
Non-controlling interests	94	362
	109,575	84,965
EARNINGS PER SHARE		
— Basic (RMB yuan)	0.31	0.25
— Diluted (RMB yuan)	0.31	0.25

9.1.2 Unaudited Interim Consolidated Statement of Comprehensive Income

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Profit for the period	109,575	84,965
Other comprehensive income (after-tax, net):		
Net gain/(loss) on available-for-sale financial assets	(4,752)	4,491
Net gain/(loss) on cash flow hedges	102	(70)
Share of other comprehensive income of associates and jointly-controlled entities	138	(94)
Foreign currency translation differences	(2,812)	(1,757)
Others	11	—
Subtotal of other comprehensive income for the period	<u>(7,313)</u>	<u>2,570</u>
Total comprehensive income for the period	<u>102,262</u>	<u>87,535</u>
Total comprehensive income attributable to:		
Equity holders of the parent company	102,182	87,188
Non-controlling interests	80	347
	<u>102,262</u>	<u>87,535</u>

9.1.3 Unaudited Interim Consolidated Statement of Financial Position

(In RMB millions, unless otherwise stated)

	30 June 2011 (unaudited)	31 December 2010 (audited)
ASSETS		
Cash and balances with central banks	2,845,902	2,282,999
Due from banks and other financial institutions	461,686	248,860
Financial assets held for trading	34,317	10,188
Financial assets designated at fair value through profit or loss	97,179	2,798
Derivative financial assets	13,803	13,332
Reverse repurchase agreements	357,829	262,227
Loans and advances to customers	7,152,587	6,623,372
Financial investments	3,598,101	3,719,282
Investments in associates and jointly-controlled entities	38,530	40,325
Property and equipment	103,719	103,412
Deferred income tax assets	20,949	21,712
Other assets	171,446	130,115
TOTAL ASSETS	<u>14,896,048</u>	<u>13,458,622</u>
LIABILITIES		
Due to central banks	100	51
Financial liabilities designated at fair value through profit or loss	130,876	6,670
Derivative financial liabilities	11,025	10,564
Due to banks and other financial institutions	1,284,008	1,048,002
Repurchase agreements	61,901	84,888
Certificates of deposit	27,645	9,314
Due to customers	12,047,138	11,145,557
Income tax payable	21,684	33,759
Deferred income tax liabilities	231	318
Debt securities issued	145,248	102,264
Other liabilities	306,577	195,578
TOTAL LIABILITIES	<u>14,036,433</u>	<u>12,636,965</u>
EQUITY		
Equity attributable to equity holders of the parent company		
Issued share capital	349,020	349,019
Equity component of convertible bonds	2,985	2,985
Reserves	260,216	267,269
Retained profits	246,170	201,157
	858,391	820,430
Non-controlling interests	1,224	1,227
TOTAL EQUITY	<u>859,615</u>	<u>821,657</u>
TOTAL EQUITY AND LIABILITIES	<u>14,896,048</u>	<u>13,458,622</u>

9.1.4 Unaudited Interim Consolidated Statement of Changes in Equity

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company														
	Equity component	Reserves											Non-controlling interests	Total equity	
		Issued share capital	Convertible bonds	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits			Total
Balance as at 1 January 2011	349,019	2,985	131,923	53,782	93,071	(6,303)	581	(4,248)	(1,537)	267,269	201,157	820,430	1,227	821,657	
Profit for the period	—	—	—	—	—	—	—	—	—	—	109,481	109,481	94	109,575	
Other comprehensive income	—	—	11	—	—	(4,752)	(2,798)	102	138	(7,299)	—	(7,299)	(14)	(7,313)	
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	(4,752)	—	—	—	(4,752)	—	(4,752)	—	(4,752)	
— Cash flow hedges, net of tax	—	—	—	—	—	—	—	102	—	102	—	102	—	102	
— Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	—	138	138	—	138	—	138	
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	(2,798)	—	—	(2,798)	—	(2,798)	(14)	(2,812)	
— Others	—	—	11	—	—	—	—	—	—	11	—	11	—	11	
Total comprehensive income	—	—	11	—	—	(4,752)	(2,798)	102	138	(7,299)	109,481	102,182	80	102,262	
Dividend — 2010 final	—	—	—	—	—	—	—	—	—	—	(64,220)	(64,220)	—	(64,220)	
Appropriation to surplus reserves (i)	—	—	—	111	—	—	—	—	—	111	(111)	—	—	—	
Appropriation to general reserves (ii)	—	—	—	—	137	—	—	—	—	137	(137)	—	—	—	
Conversion of convertible bonds	1	—	3	—	—	—	—	—	—	3	—	4	—	4	
Change in shareholdings in subsidiaries	—	—	(5)	—	—	—	—	—	—	(5)	—	(5)	(14)	(19)	
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(69)	(69)	
Balance as at 30 June 2011 (unaudited)	<u>349,020</u>	<u>2,985</u>	<u>131,932</u>	<u>53,893</u>	<u>93,208</u>	<u>(11,055)</u>	<u>(2,217)</u>	<u>(4,146)</u>	<u>(1,399)</u>	<u>260,216</u>	<u>246,170</u>	<u>858,391</u>	<u>1,224</u>	<u>859,615</u>	

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB17 million and RMB94 million, respectively.

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

(In RMB millions, unless otherwise stated)

Attributable to equity holders of the parent company

	Reserves											Non-controlling interests	Total equity
	Issued share capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total		
Balance as at 1 January 2010	334,019	107,790	37,484	84,222	(897)	(1,919)	(4,082)	(655)	221,943	117,931	673,893	5,041	678,934
Profit for the period	—	—	—	—	—	—	—	—	—	84,603	84,603	362	84,965
Other comprehensive income	—	—	—	—	4,503	(1,762)	(62)	(94)	2,585	—	2,585	(15)	2,570
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	4,503	—	—	—	4,503	—	4,503	(12)	4,491
— Cash flow hedges, net of tax	—	—	—	—	—	—	(62)	—	(62)	—	(62)	(8)	(70)
— Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	(94)	(94)	—	(94)	—	(94)
— Exchange differences on translation of foreign operations	—	—	—	—	—	(1,762)	—	—	(1,762)	—	(1,762)	5	(1,757)
Total comprehensive income	—	—	—	—	4,503	(1,762)	(62)	(94)	2,585	84,603	87,188	347	87,535
Dividend — 2009 final	—	—	—	—	—	—	—	—	—	(56,783)	(56,783)	—	(56,783)
Appropriation to surplus reserves (i)	—	—	43	—	—	—	—	—	43	(43)	—	—	—
Appropriation to general reserves (ii)	—	—	—	57	—	—	—	—	57	(57)	—	—	—
Change in shareholdings in a subsidiary	—	(19)	—	—	—	—	—	—	(19)	—	(19)	21	2
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	108	108
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(196)	(196)
Balance as at 30 June 2010 (unaudited)	<u>334,019</u>	<u>107,771</u>	<u>37,527</u>	<u>84,279</u>	<u>3,606</u>	<u>(3,681)</u>	<u>(4,144)</u>	<u>(749)</u>	<u>224,609</u>	<u>145,651</u>	<u>704,279</u>	<u>5,321</u>	<u>709,600</u>

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

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

(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	of convertible bonds	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Retained profits	Subtotal			Total
Balance as at 1 January 2010	334,019	—	107,790	37,484	84,222	(897)	(1,919)	(4,082)	(655)	221,943	117,931	673,893	5,041	678,934
Profit for the year	—	—	—	—	—	—	—	—	—	—	165,156	165,156	869	166,025
Other comprehensive income	—	—	114	—	—	(5,406)	2,500	(166)	(882)	(3,840)	—	(3,840)	(232)	(4,072)
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	(5,406)	—	—	—	(5,406)	—	(5,406)	(104)	(5,510)
— Cash flow hedges, net of tax	—	—	—	—	—	—	—	(166)	—	(166)	—	(166)	(45)	(211)
— Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	—	(882)	(882)	—	(882)	—	(882)
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	2,500	—	—	2,500	—	2,500	(126)	2,374
— Others	—	—	114	—	—	—	—	—	—	114	—	114	43	157
Total comprehensive income	—	—	114	—	—	(5,406)	2,500	(166)	(882)	(3,840)	165,156	161,316	637	161,953
Dividend — 2009 final	—	—	—	—	—	—	—	—	—	—	(56,783)	(56,783)	—	(56,783)
Appropriation to surplus reserves (i)	—	—	—	16,298	—	—	—	—	—	16,298	(16,298)	—	—	—
Appropriation to general reserves (ii)	—	—	—	—	8,849	—	—	—	—	8,849	(8,849)	—	—	—
Rights issue	15,000	—	29,621	—	—	—	—	—	—	29,621	—	44,621	—	44,621
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	230	230
Change in shareholdings in subsidiaries	—	—	(5,602)	—	—	—	—	—	—	(5,602)	—	(5,602)	(4,373)	(9,975)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(308)	(308)
Issue of convertible bonds	—	2,985	—	—	—	—	—	—	—	—	—	2,985	—	2,985
Balance as at 31 December 2010 (audited)	<u>349,019</u>	<u>2,985</u>	<u>131,923</u>	<u>53,782</u>	<u>93,071</u>	<u>(6,303)</u>	<u>581</u>	<u>(4,248)</u>	<u>(1,537)</u>	<u>267,269</u>	<u>201,157</u>	<u>820,430</u>	<u>1,227</u>	<u>821,657</u>

(i) Includes the appropriation made by subsidiaries in the amount of RMB133 million.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB109 million.

9.1.5 Unaudited Interim Consolidated Statement of Cash Flows

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	142,345	110,616
Adjustments for:		
Share of profits of associates and jointly-controlled entities	(1,321)	(1,250)
Depreciation	5,983	5,396
Amortisation	687	652
Amortisation of financial investments	(4,384)	(4,080)
Impairment losses on loans and advances to customers	16,794	9,743
Impairment losses on assets other than loans and advances to customers	87	(50)
Unrealised foreign exchange loss	4,013	823
Interest expense on bonds issued	1,935	1,289
Accreted interest on impaired loans	(240)	(506)
Gain on disposal of available-for-sale financial assets, net	(277)	(56)
Net trading (gain)/loss on equity investments	(23)	5
Net loss on financial assets and liabilities designated at fair value through profit or loss	224	124
Net gain on disposal of property and equipment and other assets (other than repossessed assets)	(350)	(82)
Dividend income	(32)	(33)
	165,441	122,591
Net decrease/(increase) in operating assets:		
Due from central banks	(392,913)	(314,443)
Due from banks and other financial institutions	(68,726)	9,754
Financial assets held for trading	(23,499)	4,367
Financial assets designated at fair value through profit or loss	(94,641)	221
Reverse repurchase agreements	2,116	196,622
Loans and advances to customers	(562,595)	(620,246)
Other assets	(25,897)	(19,877)
	(1,166,155)	(743,602)
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated at fair value through profit or loss	124,328	(8,621)
Due to central banks	49	—
Due to banks and other financial institutions	240,071	98,859
Repurchase agreements	(22,987)	(26,960)
Certificates of deposit	18,638	(3,033)
Due to customers	909,994	1,053,044
Other liabilities	10,892	22,362
	1,280,985	1,135,651
Net cash flows from operating activities before tax	280,271	514,640
Income tax paid	(42,780)	(31,163)
Net cash flows from operating activities	237,491	483,477

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	(3,871)	(4,468)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	1,080	502
Purchases of financial investments	(808,119)	(1,244,773)
Proceeds from sale and redemption of financial investments	947,076	1,122,604
Investments in associates and jointly-controlled entities	(3)	(823)
Acquisition of subsidiaries	—	(2,929)
Proceeds from disposal of a subsidiary	—	(528)
Dividends received	809	607
	<hr/>	<hr/>
Net cash flows from investing activities	136,972	(129,808)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of subordinated bonds	38,000	—
Proceeds from issuance of other bonds	2,926	—
Interest paid on subordinated bonds	(83)	(119)
Acquisition of non-controlling interests	(18)	—
Dividends paid on ordinary shares	(1,323)	(56,783)
Dividends paid to non-controlling shareholders	(34)	(135)
	<hr/>	<hr/>
Net cash flows from financing activities	39,468	(57,037)
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the period	528,971	409,394
Effect of exchange rate changes on cash and cash equivalents	(2,111)	(1,334)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	940,791	704,692
	<hr/> <hr/>	<hr/> <hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES		
INCLUDES:		
Interest received	259,733	212,693
Interest paid	(87,897)	(67,880)
	<hr/> <hr/>	<hr/> <hr/>

9.2 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 2010, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs")) and IFRIC interpretations as of 1 January 2011. The principal effects of adopting these new and revised IFRSs and IFRIC interpretations are as follows:

IAS 24 *Related Party Disclosures* clarified the definition of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group. The Group reevaluates the disclosures, both qualitatively and quantitatively, for transactions entered into between government related entities that are individually significant or collectively significant but individually not. The level of detail of disclosures is determined by considering the closeness of related parties and assessing the level of significance of these transactions based on whether these transactions are 1) significant in terms of size, 2) carried out on non-market terms, 3) outside normal day-to-day operations, 4) disclosed to regulatory authorities, 5) reported to senior management, and 6) subject to shareholders' approval.

IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues* has been amended to amend the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment had no effect on the financial position nor performance of the Group.

IFRIC 14 *Prepayments of a Minimum Funding Requirement* has been amended to provide guidance on assessing the recoverable amount of a net pension asset. The amendments permit an entity to treat the prepayment of a minimum funding requirement as an asset. The interpretation had no effect on the financial position nor performance of the Group.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The interpretation had no effect on the financial position nor performance of the Group.

Apart from the above, in May 2010, the IASB has issued its third omnibus of *Improvements to IFRSs** which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and

IFRIC 13 were applied from 1 January 2011 by the Group. Except the change in accounting policy described below resulted by the adoption of the amendment of IFRS 1, none of other amendments had impact on the financial position or performance of the Group.

IFRS 1 improvement in the special event such as privatisation or initial public offering, an entity may use fair value measurements at the valuation date as deemed cost to determine the book value of assets. For entity which has adopted IFRS can conduct a retroactive adjustment. The Group changed the accounting policies related to assets revaluation and deemed cost applied on stock reform in 2005 and made the related adjustment retroactively in accordance with the amendment. As the result, the balance of reserves as at 31 December 2010 increased by RMB829 million, while the balance of retained profits decreased by RMB829 million. The amendment had no impact on the income statement for the six months ended 30 June 2010.

* *Improvements to IFRSs* contain amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13.

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

9.3 Notes to Unaudited Interim Condensed Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

9.3.1 Net Interest Income

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Interest income on:		
Loans and advances to customers		
— Corporate loans and advances	141,720	113,660
— Personal loans	44,927	32,114
— Discounted bills	4,236	3,948
Financial investments	56,751	51,114
Due from central banks	17,927	13,494
Due from banks and other financial institutions	7,158	5,535
	<u>272,719</u>	<u>219,865</u>
Interest expense on:		
Due to customers	(84,222)	(67,982)
Due to banks and other financial institutions	(11,957)	(7,282)
Debt securities issued	(2,036)	(1,289)
	<u>(98,215)</u>	<u>(76,553)</u>
Net interest income	<u><u>174,504</u></u>	<u><u>143,312</u></u>

9.3.2 Net Fee and Commission Income

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Settlement, clearing business and cash management	13,582	9,546
Investment banking business	13,155	8,666
Personal wealth management and private banking services	10,552	7,166
Bank card business	8,058	6,186
Corporate wealth management services	4,394	3,436
Assets custody business	3,007	1,499
Guarantee and commitment business	2,925	1,518
Trust and agency services	746	524
Others	425	514
	<hr/>	<hr/>
Fee and commission income	56,844	39,055
Fee and commission expense	(3,053)	(2,166)
	<hr/>	<hr/>
Net fee and commission income	<u>53,791</u>	<u>36,889</u>

9.3.3 Net Trading Expense

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Debt securities	384	540
Equity investments	23	(5)
Derivatives	(428)	(857)
	<hr/>	<hr/>
	<u>(21)</u>	<u>(322)</u>

9.3.4 Net Loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Financial assets	998	36
Financial liabilities	(1,222)	(160)
	<hr/>	<hr/>
	<u>(224)</u>	<u>(124)</u>

9.3.5 Net Gain on Financial Investments

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Dividend income from unlisted investments	29	32
Dividend income from listed investments	3	1
Dividend income	32	33
Gain on disposal of available-for-sale investments, net	277	56
	309	89

9.3.6 Other Operating Income, Net

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Gain from foreign exchange and foreign exchange products, net	849	119
Net gain on disposal of property and equipment, repossessed assets and others	644	238
Sundry bank charge income	91	79
Leasing income	641	129
Others	576	519
	2,801	1,084

9.3.7 Operating Expenses

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Staff costs:		
Salaries and bonuses	25,168	20,834
Staff benefits	7,463	5,927
Contributions to defined contribution schemes	4,338	4,023
	<u>36,969</u>	<u>30,784</u>
 Premises and equipment expenses:		
Depreciation	5,983	5,396
Minimum lease payments under operating leases in respect of land and buildings	2,211	1,833
Repairs and maintenance charges	766	743
Utility expenses	999	924
	<u>9,959</u>	<u>8,896</u>
 Amortisation	687	652
Other administrative expenses	9,273	8,261
Business tax and surcharges	13,574	10,350
Others	2,793	2,926
	<u>73,255</u>	<u>61,869</u>

9.3.8 Impairment Losses on Assets other than Loans and Advances to Customers

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Charge/(reversal) of impairment losses on:		
Due from banks and other financial institutions	12	1
Financial investments:		
Held-to-maturity investments	(20)	(86)
Available-for-sale financial assets	(422)	(115)
Investments in associates and jointly-controlled entities	348	—
Other assets	169	150
	<u>87</u>	<u>(50)</u>

9.3.9 Income Tax Expense

(a) Income tax

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Current income tax expense:		
Mainland China	32,743	24,922
Hong Kong and Macau	399	245
Overseas	235	125
	<hr/>	<hr/>
	33,377	25,292
Adjustment in respect of current income tax of prior years	(2,672)	474
	<hr/>	<hr/>
	30,705	25,766
Deferred income tax expense	2,065	(115)
	<hr/>	<hr/>
	32,770	25,651
	<hr/> <hr/>	<hr/> <hr/>

(b) Reconciliation between income tax and accounting profit

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Profit before tax	<u>142,345</u>	<u>110,616</u>
Tax at the PRC statutory income tax rate	35,586	27,654
Effects of different applicable rates of tax prevailing in other countries/regions	(119)	(50)
Non-deductible expenses	644	320
Non-taxable income	(3,271)	(2,593)
Profits and losses attributable to associates and jointly-controlled entities	(328)	(313)
Adjustment in respect of current and deferred income tax of prior years	164	474
Others	<u>94</u>	<u>159</u>
Tax expense at the Group's effective income tax rate	<u>32,770</u>	<u>25,651</u>

9.3.10 Dividends

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Dividends on ordinary shares declared and paid:		
Final dividend for 2010: RMB0.184 per share (2009: RMB0.17 per share)	<u>64,220</u>	<u>56,783</u>

9.3.11 Earnings Per Share

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	<u>109,481</u>	<u>84,603</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares) (i)	<u>349,020</u>	<u>340,028</u>
Basic earnings per share (RMB yuan)	<u>0.31</u>	<u>0.25</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	
	2011	2010
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	109,481	84,603
Add: Interest expense on convertible bonds (net of tax)	320	—
Profit used to determine diluted earnings per share	<u>109,801</u>	<u>84,603</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares) (i)	349,020	340,028
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	<u>6,296</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	<u>355,316</u>	<u>340,028</u>
Diluted earnings per share (RMB yuan)	<u>0.31</u>	<u>0.25</u>

Diluted earnings per share was computed from dividing the profit attributable to ordinary equity holders of the parent company (after adjusting for interest expense on the convertible bonds) by the weighted average number of ordinary shares outstanding 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.

- (i) The weighted average number of ordinary shares in issue during the six months ended 30 June 2010 were adjusted to reflect the effect of the rights issue in 2010.

9.3.12 Derivative Financial Instruments

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

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

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

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

30 June 2011 (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
Exchange rate contracts:							
Forward and swap contracts	567,097	513,901	29,851	6,064	1,116,913	9,871	(6,767)
Option contracts purchased	3,935	14,838	1,745	—	20,518	232	—
Option contracts written	3,472	2,554	1,745	—	7,771	—	(50)
	<u>574,504</u>	<u>531,293</u>	<u>33,341</u>	<u>6,064</u>	<u>1,145,202</u>	<u>10,103</u>	<u>(6,817)</u>
Interest rate contracts:							
Swap contracts	29,643	148,681	257,699	30,455	466,478	2,885	(4,040)
Forward contracts	2,718	2,459	7,468	—	12,645	167	(167)
	<u>32,361</u>	<u>151,140</u>	<u>265,167</u>	<u>30,455</u>	<u>479,123</u>	<u>3,052</u>	<u>(4,207)</u>
Other derivative contracts	162	1,672	127	—	1,961	648	(1)
	<u>607,027</u>	<u>684,105</u>	<u>298,635</u>	<u>36,519</u>	<u>1,626,286</u>	<u>13,803</u>	<u>(11,025)</u>
31 December 2010 (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	427,922	422,225	33,400	6,179	889,726	9,551	(6,194)
Option contracts purchased	2,739	10,326	698	—	13,763	186	—
Option contracts written	1,989	2,242	698	—	4,929	—	(102)
	<u>432,650</u>	<u>434,793</u>	<u>34,796</u>	<u>6,179</u>	<u>908,418</u>	<u>9,737</u>	<u>(6,296)</u>
Interest rate contracts:							
Swap contracts	16,321	83,121	185,975	37,197	322,614	2,695	(4,089)
Forward contracts	3,559	1,470	5,364	—	10,393	178	(178)
Option contracts purchased	—	—	430	—	430	—	—
Option contracts written	—	—	430	—	430	—	—
	<u>19,880</u>	<u>84,591</u>	<u>192,199</u>	<u>37,197</u>	<u>333,867</u>	<u>2,873</u>	<u>(4,267)</u>
Other derivative contracts	226	526	1,386	—	2,138	722	(1)
	<u>452,756</u>	<u>519,910</u>	<u>228,381</u>	<u>43,376</u>	<u>1,244,423</u>	<u>13,332</u>	<u>(10,564)</u>

Cash flow hedges

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

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

30 June 2011 (unaudited)							
Notional amounts with remaining life of					Fair values		
	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities	
Currency swap contracts	—	337	—	337	1	—	
Interest rate swap contracts	—	762	3,949	3,430	18	(160)	
	—	1,099	3,949	3,430	19	(160)	

31 December 2010 (audited)							
Notional amounts with remaining life of					Fair values		
	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities	
Currency swap contracts	—	344	—	344	1	—	
Interest rate swap contracts	—	661	3,874	3,311	—	(247)	
	—	661	4,218	3,311	1	(247)	

There is no ineffectiveness recognised in the income statement that arises from the cash flow hedges for the current period (six months ended 30 June 2010: Nil).

Fair value hedges

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

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	111	(350)
— Hedged items attributable to the hedged risk	(109)	352
	<u>2</u>	<u>2</u>

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

	30 June 2011 (unaudited)					Fair values	
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	53	186	612	—	851	—	(124)
Interest rate swap contracts	797	2,039	9,271	1,338	13,445	—	(620)
	<u>850</u>	<u>2,225</u>	<u>9,883</u>	<u>1,338</u>	<u>14,296</u>	<u>—</u>	<u>(744)</u>

	31 December 2010 (audited)					Fair values	
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	53	817	—	870	1	(83)
Interest rate swap contracts	377	2,922	10,711	1,628	15,638	8	(716)
	<u>377</u>	<u>2,975</u>	<u>11,528</u>	<u>1,628</u>	<u>16,508</u>	<u>9</u>	<u>(799)</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:

	30 June 2011 (unaudited)	31 December 2010 (audited)
Currency derivatives	10,268	8,267
Interest rate derivatives	2,178	2,066
Other derivatives	749	858
	<u>13,195</u>	<u>11,191</u>

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

9.3.13 Financial Investments

	30 June 2011 (unaudited)	31 December 2010 (audited)
Receivables	493,341	501,706
Held-to-maturity investments	2,274,928	2,312,781
Available-for-sale financial assets	829,832	904,795
	<u>3,598,101</u>	<u>3,719,282</u>

9.3.14 Components of Other Comprehensive Income

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Available-for-sale financial assets:		
Changes in fair value recorded in other comprehensive income	(6,079)	6,026
Less: Transfer to the income statement arising from disposal/impairment	(79)	8
Income tax effect	1,406	(1,543)
	<u>(4,752)</u>	<u>4,491</u>
Cash flow hedges:		
Gain/(loss) during the period	117	(78)
Less: Transfer to the income statement	—	2
Income tax effect	(15)	6
	<u>102</u>	<u>(70)</u>
Share of other comprehensive income of associates and jointly-controlled entities	138	(94)
Less: Transfer to the income statement	—	—
Income tax effect	—	—
	<u>138</u>	<u>(94)</u>
Foreign currency translation differences	(2,812)	(1,757)
Less: Transfer to the income statement	—	—
	<u>(2,812)</u>	<u>(1,757)</u>
Other	13	—
Less: Income tax effect	(2)	—
	<u>11</u>	<u>—</u>
	<u>(7,313)</u>	<u>2,570</u>

9.3.15 Commitments and Contingent Liabilities

(a) Capital commitments

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

	30 June 2011 (unaudited)	31 December 2010 (audited)
Authorised, but not contracted for	2,104	1,507
Contracted, but not provided for	6,602	6,730
	8,706	8,237

(b) Operating lease commitments

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

	30 June 2011 (unaudited)	31 December 2010 (audited)
Within one year	2,903	2,859
After one year but not more than five years	6,697	6,606
After five years	1,885	1,700
	11,485	11,165

(c) Credit commitments

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

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

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

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under

the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	30 June 2011 (unaudited)	31 December 2010 (audited)
Bank acceptances	330,679	249,522
Guarantees issued		
Financing letters of guarantees	82,845	67,035
Non-financing letters of guarantees	186,811	172,179
Sight letters of credit	90,945	60,513
Usance letters of credit and other commitments	265,895	207,117
Loan commitments		
With original maturity of not more than one year	220,404	179,087
With original maturity of more than one year	534,649	469,675
Undrawn credit card limit	322,683	244,029
	<u>2,034,911</u>	<u>1,649,157</u>
	30 June 2011 (unaudited)	31 December 2010 (audited)
Credit risk weighted amounts of credit commitments	<u>785,593</u>	<u>677,500</u>

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

(d) Legal proceedings

As at 30 June 2011, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB2,041 million (31 December 2010: RMB2,048 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 2011, the Bank had underwritten and sold bonds with an accumulated amount of RMB149,585 million (31 December 2010: RMB167,744 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 2011, the Group had unexpired securities underwriting obligations of RMB2,640 million (31 December 2010: Nil).

9.3.16 Segment Information

(a) Operating segments

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

Corporate banking

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

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.

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2011					
(unaudited)					
External net interest income/(expense)	107,178	(782)	68,108	—	174,504
Internal net interest income/(expense)	(24,264)	62,591	(38,327)	—	—
Net fee and commission income	34,538	19,068	185	—	53,791
Other income, net	565	1	239	2,060	2,865
Operating income	118,017	80,878	30,205	2,060	231,160
Operating expenses	(34,196)	(29,425)	(6,765)	(2,869)	(73,255)
Impairment losses on:					
Loans and advances to customers	(9,235)	(7,559)	—	—	(16,794)
Others	(99)	—	430	(418)	(87)
Operating profit/(loss)	74,487	43,894	23,870	(1,227)	141,024
Share of profits and losses of associates and jointly-controlled entities	—	—	—	1,321	1,321
Profit before tax	74,487	43,894	23,870	94	142,345
Income tax expense					(32,770)
Profit for the period					109,575
Other segment information:					
Depreciation	2,814	2,396	634	139	5,983
Amortisation	345	223	105	14	687
Capital expenditure	3,532	2,971	809	174	7,486
As at 30 June 2011 (unaudited)					
Segment assets	5,486,061	1,870,943	7,433,549	105,495	14,896,048
Including: Investments in associates and jointly-controlled entities	—	—	—	38,530	38,530
Property and equipment	43,959	37,456	9,892	12,412	103,719
Other non-current assets	14,320	7,539	3,777	6,999	32,635
Segment liabilities	6,487,235	5,832,233	1,643,781	73,184	14,036,433
Other segment information:					
Credit commitments	1,712,228	322,683	—	—	2,034,911

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2010 (unaudited)					
External net interest income/(expense)	87,758	(6,590)	62,144	—	143,312
Internal net interest income/(expense)	(16,830)	49,269	(32,439)	—	—
Net fee and commission income	22,674	14,065	150	—	36,889
Other income/(expense), net	331	1	(538)	933	727
Operating income	93,933	56,745	29,317	933	180,928
Operating expenses	(28,942)	(26,300)	(4,510)	(2,117)	(61,869)
Impairment losses on:					
Loans and advances to customers	(5,189)	(4,554)	—	—	(9,743)
Others	(179)	—	200	29	50
Operating profit/(loss)	59,623	25,891	25,007	(1,155)	109,366
Share of profits and losses of associates and jointly-controlled entities	—	—	—	1,250	1,250
Profit before tax	59,623	25,891	25,007	95	110,616
Income tax expense					(25,651)
Profit for the period					84,965
Other segment information:					
Depreciation	2,253	2,284	667	192	5,396
Amortisation	270	229	102	51	652
Capital expenditure	2,001	1,619	906	84	4,610
As at 31 December 2010 (audited)					
Segment assets	5,103,058	1,690,881	6,567,786	96,897	13,458,622
Including: Investments in associates and jointly-controlled entities	—	—	—	40,325	40,325
Property and equipment	41,773	35,246	15,309	11,084	103,412
Other non-current assets	13,175	7,577	5,229	7,132	33,113
Segment liabilities	5,970,540	5,393,918	1,262,381	10,126	12,636,965
Other segment information:					
Credit commitments	1,405,128	244,029	—	—	1,649,157

(b) Geographical information

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

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 jointly-controlled entities.

Mainland China (HO and domestic branches)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Six months ended 30 June 2011										
(unaudited)										
External net interest income	67,392	27,348	16,642	14,913	15,238	21,300	7,151	4,520	—	174,504
Internal net interest income/(expense)	(53,693)	8,532	6,276	21,699	7,506	6,010	3,723	(53)	—	—
Net fee and commission income	1,499	13,532	9,526	9,769	7,869	7,348	2,593	1,728	(73)	53,791
Other income/(expense), net	2,114	(79)	(244)	76	95	135	114	654	—	2,865
Operating income	17,312	49,333	32,200	46,457	30,708	34,793	13,581	6,849	(73)	231,160
Operating expenses	(5,343)	(13,427)	(9,370)	(13,528)	(11,636)	(12,634)	(5,174)	(2,216)	73	(73,255)
Impairment losses on:										
Loans and advances to customers	(1,560)	(2,946)	(2,586)	(3,252)	(2,657)	(3,174)	(286)	(333)	—	(16,794)
Others	89	(17)	(1)	(35)	47	(5)	(76)	(89)	—	(87)
Operating profit	10,498	32,943	20,243	29,642	16,462	18,980	8,045	4,211	—	141,024
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	—	—	—	1,321	—	1,321
Profit before tax	10,498	32,943	20,243	29,642	16,462	18,980	8,045	5,532	—	142,345
Income tax expense										(32,770)
Profit for the period										<u>109,575</u>
Other segment information:										
Depreciation	644	968	670	872	987	1,089	480	273	—	5,983
Amortisation	240	100	48	59	99	97	28	16	—	687
Capital expenditure	610	480	367	397	444	655	146	4,387	—	7,486

Mainland China (HO and domestic branches)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
As at 30 June 2011 (unaudited)										
Assets by geographical area	7,197,432	2,846,036	1,954,216	3,459,115	1,862,863	2,049,693	842,776	821,488	(6,158,520)	14,875,099
Including: Investments in associates and jointly-controlled entities	—	—	—	—	—	—	—	38,530	—	38,530
Property and equipment	8,815	18,580	10,818	15,539	15,606	16,966	8,821	8,574	—	103,719
Other non-current assets	7,605	6,228	2,203	4,048	5,077	4,262	1,910	1,302	—	32,635
Unallocated assets										20,949
Total assets										<u>14,896,048</u>
Liabilities by geographical area	6,540,986	2,812,653	1,935,627	3,430,441	1,848,434	2,032,753	834,693	737,451	(6,158,520)	14,014,518
Unallocated liabilities										21,915
Total liabilities										<u>14,036,433</u>
Other segment information:										
Credit commitments	329,029	458,590	383,976	368,704	135,202	148,806	53,917	156,687	—	2,034,911

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

	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			
As at 31 December 2010 (audited)										
Assets by geographical area	6,416,616	2,647,319	1,816,317	3,204,012	1,687,592	1,861,269	767,301	588,788	(5,552,304)	13,436,910
Including: Investments in associates and jointly-controlled entities	—	—	—	—	—	—	—	40,325	—	40,325
Property and equipment	9,059	19,197	11,172	16,059	16,179	17,513	9,135	5,098	—	103,412
Other non-current assets	7,763	6,230	2,228	4,044	5,312	4,270	1,932	1,334	—	33,113
Unallocated assets										21,712
Total assets										<u>13,458,622</u>
Liabilities by geographical area	5,792,020	2,608,612	1,794,891	3,173,023	1,674,977	1,845,875	760,387	505,407	(5,552,304)	12,602,888
Unallocated liabilities										34,077
Total liabilities										<u>12,636,965</u>
Other segment information:										
Credit commitments	253,436	369,051	323,712	319,667	94,448	107,885	46,026	134,932	—	1,649,157

10. Issue of Results Announcement and Interim Report

This announcement will be released on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the websites of the Bank (www.icbc.com.cn, www.icbc-ltd.com) simultaneously. The 2011 Interim Report prepared in accordance with IFRSs will be released on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) 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 2011 Interim Report and its abstract prepared in accordance with PRC GAAP will be released simultaneously on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Bank (www.icbc.com.cn, www.icbc-ltd.com).

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

The Board of Directors
Industrial and Commercial Bank of China Limited

25 August 2011

As at the date of this announcement, the Board of Directors of the Bank comprises Mr. Jiang Jianqing, Mr. Yang Kaisheng, Ms. Wang Lili and Mr. Li Xiaopeng as executive directors; Mr. Huan Huiwu, Mr. Gao Jianhong, Ms. Li Chunxiang, Mr. Li Jun, Mr. Li Xiwen and Mr. Wei Fusheng as non-executive directors; and Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi, Mr. Xu Shanda, Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung as independent non-executive directors.