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中國工商銀行股份有限公司

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**

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

**Stock Code: 1398**

## **2014 INTERIM RESULTS ANNOUNCEMENT**

The Board of Directors of Industrial and Commercial Bank of China Limited (the “Bank”) announces the unaudited interim results of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2014. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the unaudited interim results. Information disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by China Banking Regulatory Commission (“CBRC”) is also presented in this Announcement.

### **1. Corporate Information**

#### **1.1 Basic Information**

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

#### **1.2 Contact**

##### **Board Secretary and Company Secretary**

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

## 2. Financial Highlights

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

### 2.1 Financial Data

	<b>Six months ended 30 June 2014</b>	Six months ended 30 June 2013	Six months ended 30 June 2012
<b>Operating results</b> (in RMB millions)			
Net interest income	<b>237,607</b>	215,889	204,058
Net fee and commission income	<b>73,228</b>	67,382	54,804
Operating income	<b>316,853</b>	291,476	262,828
Operating expenses	<b>99,612</b>	91,749	84,531
Impairment losses	<b>24,167</b>	21,941	19,237
Operating profit	<b>193,074</b>	177,786	159,060
Profit before taxation	<b>194,090</b>	178,841	160,212
Net profit	<b>148,381</b>	138,477	123,241
Net profit attributable to equity holders of the parent company	<b>148,100</b>	138,347	123,160
Net cash flows from operating activities	<b>418,091</b>	142,724	821,025
<b>Per share data</b> (in RMB yuan)			
Basic earnings per share	<b>0.42</b>	0.40	0.35
Diluted earnings per share	<b>0.42</b>	0.39	0.35
	<b>30 June 2014</b>	31 December 2013	31 December 2012
<b>Balance sheet items</b> (in RMB millions)			
Total assets	<b>20,303,677</b>	18,917,752	17,542,217
Total loans and advances to customers	<b>10,646,115</b>	9,922,374	8,803,692
Corporate loans	<b>7,576,419</b>	7,046,515	6,332,578
Personal loans	<b>2,915,114</b>	2,727,601	2,287,103
Discounted bills	<b>154,582</b>	148,258	184,011
Allowance for impairment losses on loans	<b>251,680</b>	240,959	220,403
Investment	<b>4,476,040</b>	4,322,244	4,083,887
Total liabilities	<b>18,944,174</b>	17,639,289	16,413,758
Due to customers	<b>15,728,332</b>	14,620,825	13,642,910
Corporate deposits	<b>8,120,197</b>	7,503,497	6,908,245
Personal deposits	<b>7,330,378</b>	6,895,839	6,554,287
Other deposits	<b>277,757</b>	221,489	180,378
Due to banks and other financial institutions	<b>1,418,199</b>	1,269,255	1,486,805
Equity attributable to equity holders of the parent company	<b>1,354,857</b>	1,274,134	1,124,997
Share capital	<b>351,406</b>	351,390	349,620
Net asset value per share <sup>(1)</sup> (in RMB yuan)	<b>3.86</b>	3.63	3.22
Net core tier 1 capital <sup>(2)</sup>	<b>1,346,946</b>	1,266,841	—
Net tier 1 capital <sup>(2)</sup>	<b>1,347,009</b>	1,266,859	—
Total net capital <sup>(2)</sup>	<b>1,620,616</b>	1,572,265	1,299,014
Risk-weighted assets <sup>(2)</sup>	<b>11,858,669</b>	11,982,187	9,511,205
<b>Credit rating</b>			
S&P <sup>(3)</sup>	<b>A/Stable</b>	A/Stable	A/Stable
Moody's <sup>(3)</sup>	<b>A1/Stable</b>	A1/Stable	A1/Stable

- Notes: (1) Calculated by dividing equity attributable to equity holders of the parent company at the end of the reporting period by the number of shares issued at the end of the reporting period.
- (2) Data of 2013 and 2014 were calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and those for 2012 were calculated in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC.
- (3) The rating results are in the form of “long-term foreign currency deposits rating/outlook”.

## 2.2 Financial Indicators

	<b>Six months ended 30 June 2014</b>	Six months ended 30 June 2013	Six months ended 30 June 2012
<b>Profitability (%)</b>			
Return on average total assets <sup>(1)</sup>	<b>1.51*</b>	1.53*	1.51*
Return on weighted average equity <sup>(2)</sup>	<b>21.77*</b>	23.25*	24.31*
Net interest spread <sup>(3)</sup>	<b>2.43*</b>	2.41*	2.48*
Net interest margin <sup>(4)</sup>	<b>2.62*</b>	2.57*	2.66*
Return on risk-weighted assets <sup>(5)</sup>	<b>2.49*</b>	2.69*	2.82*
Ratio of net fee and commission income to operating income	<b>23.11</b>	23.12	20.85
Cost-to-income ratio <sup>(6)</sup>	<b>24.97</b>	25.09	25.57
	<b>30 June 2014</b>	31 December 2013	31 December 2012
<b>Asset quality (%)</b>			
Non-performing loans (“NPL”) ratio <sup>(7)</sup>	<b>0.99</b>	0.94	0.85
Allowance to NPL <sup>(8)</sup>	<b>238.02</b>	257.19	295.55
Allowance to total loans ratio <sup>(9)</sup>	<b>2.36</b>	2.43	2.50
<b>Capital adequacy (%)</b>			
Core tier 1 capital adequacy ratio <sup>(10)</sup>	<b>11.36</b>	10.57	—
Tier 1 capital adequacy ratio <sup>(10)</sup>	<b>11.36</b>	10.57	—
Capital adequacy ratio <sup>(10)</sup>	<b>13.67</b>	13.12	13.66
Total equity to total assets ratio	<b>6.70</b>	6.76	6.43
Risk-weighted assets to total assets ratio <sup>(10)</sup>	<b>58.41</b>	63.34	54.22

Notes: \* indicates annualized ratios.

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

- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expense (less business tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of 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) Data of 2013 and 2014 were calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and those for 2012 were calculated in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC.

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

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the six months ended 30 June 2014 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

## **3. Business Review**

In the first half of 2014, facing the complex changes in the business environment, the Bank kept enhancing its financial services, continued to propel reform and innovation as well as business transformation, and strengthened its risk prevention and control in response to the growing demands of the real economy. The Bank has achieved “steady progress” in terms of the overall performance.

Our “steadiness” was reflected in the steady profit growth. The Bank realized a net profit of RMB148,381 million for the first half of 2014, up 7.2% compared to the same period of last year. Growth in the second quarter was 0.79 percentage point higher than that in the first quarter. The steady growth in profit can be attributed to three key factors: first, net interest margin (NIM) rose, at a steady rate, by 5 basis points to 2.62% compared to 2013 as a result of an optimized credit structure and increased yield on bonds investment and so forth; second, our fee-based income also grew steadily with net fee and commission income increasing by 8.7% to RMB73,228 million in the first half of the year compared to the same period of last year; third, our overseas institutions also delivered higher profits with a 41.0% increase to RMB7,462 million in their net profit compared to the same period of last year, which contributed 1.4 percentage points to the growth in Group profits. In addition, the Group managed to control its costs well in the first half of 2014, keeping its cost-to-income ratio at 24.97%.

Our “steadiness” was also reflected in the stability of asset quality. With its focus on comprehensive risk management, by being selected as a global systemically important bank and implementing advanced capital management approaches, the Bank further enhanced its capital and risk management and launched recovery and resolution planning (RRP) on all fronts, making a series of improvements in its enterprise risk management system which covers credit risk, market risk, liquidity risk and operational risk. The Bank has particularly taken into account the cyclical and structural changes of the economy, and placed a stronger emphasis on credit risk prevention and control in priority areas and industries, and proactively reformed its risk management mechanisms and methods with innovative means, applying Big Data technology to information digging and analysis so as to timely monitor and provide early warnings of risks. In the meantime, the Bank ensured the implement of credit management responsibilities and accelerated the recovery and disposal of non-performing assets, through which it maintained the overall stability of the asset quality. As at the end of June 2014, the Group’s non-performing loan ratio slightly rose by 0.05 percentage point compared to the beginning of the year, reaching 0.99%, which remained at a satisfactory level compared with those of international and domestic peer banks. The Bank’s allowance to NPL reached 238.02%, proving that we were considerably well-protected against risk losses.

We also saw “progress” in our efforts to gather pace on business transformation. Promoting strategic restructuring of our business is vital to sustainable development and the maintenance of our competitive edge. The Bank well understood the relationship between the speed and quality of its development in a scientific manner, persistent in achieving business structural adjustments and transformation, making our basic businesses and emerging businesses better coordinated. In the first half year of 2014, our due to customers increased by RMB1,107,507 million, with the increment increased by RMB242 billion over the same period of last year. RMB-denominated loans granted by our domestic operations increased by RMB523,084 million or 5.9%, of which over 95% of new project loans were granted to key projects under construction and continuing projects; new loans to advanced manufacturing, modern services, culture industries and strategic emerging industries stood at RMB302.6 billion, accounting for 76% of new domestic corporate loans; new residential mortgages and new consumption loans rose by RMB169,356 million or 8.2%, representing 29% of total domestic new loans; loans to local government financing vehicles, real estate and industries operating at overcapacity were reduced by RMB74.2 billion. Meanwhile, the Bank supported leading enterprises among the industries and eligible key project constructions through shifting and relending of existing loans as well as structural adjustment, demonstrating that our credit stock was better aligned with the imperatives of economic transformation and that credit structure was increasingly optimized. 620 million bank cards were issued and card-based consumption reached RMB3.5 trillion, representing an increase of 35% over the same period of last year. The number of credit cards issued and credit card-based consumption reached 95.37 million and RMB885 billion, respectively, making the Bank the No. 1 credit card issuer brand in China. The number of private banking customers rose by 25% compared to the beginning of 2014, with

RMB675.7 billion worth of assets under management. Assets under custody exceeded RMB5.2 trillion. Income from investment banking activities rose by 15.3% to RMB19,685 million compared to the same period of last year. Against the backdrop of the market downturn and price fluctuations, the precious metal business generated an income of RMB2,707 million, representing an increase of 13.2% compared to the same period of last year as a result of its innovative business approaches.

“Progress” was also reflected by our ongoing and entrenched innovation in the area of services. The Bank proactively took advantage of Big Data and IT development to pursue fundamental reforms in the way we run our operations by building up the IT-based banking. In particular, by studying and creating a general layout of the Internet-based finance, the Bank made an outstanding achievement in Internet-based finance innovation. The Bank’s “ICBC E-Shopping” B2C e-commerce platform has grown rapidly since its launch earlier this year, and more than 20 million customers used the “ICBC e Payment” products, which feature to quicken small payments. Total transaction volume grew by 7.5 times compared to the same period of last year. The Bank issued RMB121.3 billion worth of “Easy Loan” facilities, an innovative credit loan facility based on direct consumption online and offline. Currently the Bank serves 180 million internet banking customers and 135 million mobile banking customers. E-banking transactions represent 82.3% of total transactions processed by the Bank.

“A good game player looks at the bigger picture”. In the second half of 2014, the management of the Bank will hold on to the principle of “seeking growth while ensuring stability”, implement all strategic arrangements laid down by the Board of Directors, keep abreast of the times and changes in a practical down-to-earth manner, as well as pursue opportunities, innovation, restructuring and risk prevention while serving the needs of the real economy in order to continue to deliver results that match the expectations of our investors.

## 4. Discussion and Analysis

### 4.1 Income Statement Analysis

In the first half of 2014, on the basis of serving the real economy and satisfying customers' financial needs, the Bank continuously carried forward operational transformation and improved financial service. While achieving steady growth in income, the Bank reinforced control over expense and cost, maintained risk coverage capability and accomplished steady growth in profit. Net profit of the Bank reached RMB148,381 million in the first half year, representing an increase of RMB9,904 million or 7.2% as compared to the same period of last year. Operating income amounted to RMB316,853 million, representing an increase of 8.7%. Net interest income was RMB237,607 million, representing an increase of 10.1%. Non-interest income reached RMB79,246 million, representing an increase of 4.8%. Operating expenses amounted to RMB99,612 million, representing an increase of 8.6%, and the cost-to-income ratio decreased to 24.97%. Allowance for impairment losses was RMB24,167 million, representing an increase of 10.1%. Income tax expense increased by RMB5,345 million or 13.2% to RMB45,709 million.

#### *Net Interest Income*

In face of the interest rate liberalization reform and increasingly fierce market competition, the Bank continued to take its initiative to strengthen asset and liability management, proactively adjusted its credit structure and optimized its investment portfolio structure. Meanwhile, the Bank reinforced liquidity management and interest rate pricing management, strived to control liability cost and achieved stable growth in net interest income. In the first half of 2014, net interest income increased by RMB21,718 million or 10.1% to RMB237,607 million, accounting for 75.0% of the Bank's operating income. Interest income increased by RMB40,106 million or 10.8% to RMB412,613 million, and interest expenses increased by RMB18,388 million or 11.7% to RMB175,006 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 2014	Interest income/expense	Average yield/cost (%)	Six months ended 30 June 2013	Interest income/expense	Average yield/cost (%)
	Average balance			Average balance		
<b>Assets</b>						
Loans and advances to customers	10,349,467	297,753	5.80	9,235,044	266,057	5.81
Investment	4,006,223	77,490	3.90	3,944,131	71,920	3.68
Investment in bonds not related to restructuring	3,775,176	74,912	4.00	3,684,035	69,018	3.78
Investment in bonds related to restructuring <sup>(2)</sup>	231,047	2,578	2.25	260,096	2,902	2.25
Due from central banks	3,046,399	23,695	1.57	2,809,481	21,966	1.58
Due from banks and other financial institutions <sup>(3)</sup>	885,134	13,675	3.12	928,604	12,564	2.73
<b>Total interest-generating assets</b>	<b>18,287,223</b>	<b>412,613</b>	<b>4.55</b>	<b>16,917,260</b>	<b>372,507</b>	<b>4.44</b>
Non-interest-generating assets	1,383,544			1,215,149		
Allowance for impairment losses	(249,948)			(231,415)		
<b>Total assets</b>	<b>19,420,819</b>			<b>17,900,994</b>		
<b>Liabilities</b>						
Deposits	14,402,012	146,493	2.05	13,580,315	132,153	1.96
Due to banks and other financial institutions <sup>(3)</sup>	1,842,986	21,474	2.35	1,712,411	18,642	2.20
Debt securities issued	383,933	7,039	3.70	287,851	5,823	4.08
<b>Total interest-bearing liabilities</b>	<b>16,628,931</b>	<b>175,006</b>	<b>2.12</b>	<b>15,580,577</b>	<b>156,618</b>	<b>2.03</b>
Non-interest-bearing liabilities	1,379,450			1,210,513		
<b>Total liabilities</b>	<b>18,008,381</b>			<b>16,791,090</b>		
<b>Net interest income</b>		<b>237,607</b>			<b>215,889</b>	
<b>Net interest spread</b>			<b>2.43</b>			<b>2.41</b>
<b>Net interest margin</b>			<b>2.62</b>			<b>2.57</b>



- Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses represent the average of the balances at the beginning of the period and that at the end of the period.
- (2) Investment in bonds related to restructuring includes Huarong bonds and special government bonds.
- (3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements, and due to banks and other financial institutions includes the amount of repurchase agreements.

◆ *Net Interest Spread and Net Interest Margin*

In the first half of 2014, net interest spread and net interest margin were 2.43% and 2.62%, respectively representing an increase of 2 and 5 basis points as compared to the same period of last year, and representing an increase of 3 and 5 basis points, respectively, as compared to the whole year of 2013.

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 2014, the first half of 2013 and the whole year of 2013.

<b>Item</b>	<i>Percentages</i>		
	<b>Six months ended 30 June 2014</b>	Six months ended 30 June 2013	Year ended 31 December 2013
Yield of interest-generating assets	<b>4.55</b>	4.44	4.45
Cost of interest-bearing liabilities	<b>2.12</b>	2.03	2.05
Net interest spread	<b>2.43</b>	2.41	2.40
Net interest margin	<b>2.62</b>	2.57	2.57

*Interest Income*

◆ *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB297,753 million, representing an increase of RMB31,696 million or 11.9% as compared to the same period of the previous year, principally due to an increase of RMB1,114,423 million in average balance. Average yield dropped slightly by 1 basis point.

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

*In RMB millions, except for percentages*

Item	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	3,620,723	90,179	5.02	3,280,391	82,120	5.05
Medium to long-term loans	<u>6,728,744</u>	<u>207,574</u>	<u>6.22</u>	<u>5,954,653</u>	<u>183,937</u>	<u>6.23</u>
<b>Total loans and advances to customers</b>	<b><u>10,349,467</u></b>	<b><u>297,753</u></b>	<b><u>5.80</u></b>	<b><u>9,235,044</u></b>	<b><u>266,057</u></b>	<b><u>5.81</u></b>

## 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 2014			Six months ended 30 June 2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	6,685,215	202,508	6.11	6,138,785	185,025	6.08
Discounted bills	141,016	4,594	6.57	182,125	5,212	5.77
Personal loans	2,791,921	78,055	5.64	2,397,591	66,741	5.61
Overseas business	<u>731,315</u>	<u>12,596</u>	<u>3.47</u>	<u>516,543</u>	<u>9,079</u>	<u>3.54</u>
<b>Total loans and advances to customers</b>	<b><u>10,349,467</u></b>	<b><u>297,753</u></b>	<b><u>5.80</u></b>	<b><u>9,235,044</u></b>	<b><u>266,057</u></b>	<b><u>5.81</u></b>

In terms of business line, interest income on corporate loans amounted to RMB202,508 million, representing an increase of RMB17,483 million or 9.4% as compared to the same period of the previous year and accounting for 68.0% of total interest income on loans and advances to customers, mainly due to an increase of RMB546,430 million in average balance of corporate loans.

Interest income on discounted bills was RMB4,594 million, representing a decrease of RMB618 million or 11.9% as compared to the same period of last year, principally due to a decrease of RMB41,109 million in average balance of discounted bills. Average yield rose by 80 basis points, mainly due to a large increase in the average level of bill market interest rate as compared to the same period of last year during the reporting period.

Interest income on personal loans was RMB78,055 million, representing an increase of RMB11,314 million or 17.0% as compared to the same period of last year, principally due to an increase of RMB394,330 million in average balance of personal loans.

Interest income on overseas loans was RMB12,596 million, representing an increase of RMB3,517 million or 38.7% as compared to the same period of last year, mainly driven by the growth in overseas loans.

◆ *Interest Income on Investment*

Interest income on investment amounted to RMB77,490 million, representing an increase of RMB5,570 million or 7.7% as compared to the same period of last year. Specifically, interest income on investment in bonds not related to restructuring was RMB74,912 million, representing an increase of RMB5,894 million or 8.5%, mainly because the Bank seized a favorable opportunity in the bond market to increase bond investment during the reporting period and the new bond investment produced a relatively high yield, resulting into an increase of 22 basis points in average yield of bonds not related to restructuring.

Interest income on investment in bonds related to restructuring decreased by RMB324 million or 11.2% to RMB2,578 million from the same period of the previous year, mainly due to the advance repayment of part of the Huarong bonds in 2013, resulting in a decrease in average balance.

◆ *Interest Income on Due From Central Banks*

Due from central banks mainly includes mandatory reserves and surplus reserves with central banks. Interest income on due from central banks was RMB23,695 million, representing an increase of RMB1,729 million or 7.9% as compared to the same period of last year, mainly due to the increase in the size of mandatory reserves with central banks resulted from the growth in customers' deposits of the Bank.

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

Interest income on due from banks and other financial institutions was RMB13,675 million, representing an increase of RMB1,111 million or 8.8% as compared to the same period of last year, mainly because the Bank actively adjusted the outward financing structure based on the trend of market interest rate and effectively enhanced return on fund operation, resulting in an increase of 39 basis points in average yield.

***Interest Expense***

◆ *Interest Expense on Deposits*

Interest expense on deposits amounted to RMB146,493 million, representing an increase of RMB14,340 million or 10.9% as compared to the same period of last year, and accounted for 83.7% of total interest expense, principally because: (1) the Bank played a full role of the comprehensive advantage of financial service and proactively promoted deposit growth, resulting in an increase of RMB821,697 million in average balance; (2) as affected by the rise of percentage of corporate time deposits with relatively high cost and upward floating of deposit interest rate, average cost increased by 9 basis points.

## ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

*In RMB millions, except for percentages*

Item	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Time deposits	3,310,621	56,533	3.44	2,893,288	46,691	3.25
Demand deposits <sup>(1)</sup>	3,738,446	14,460	0.78	3,668,012	13,269	0.73
<b>Subtotal</b>	<u>7,049,067</u>	<u>70,993</u>	<u>2.03</u>	<u>6,561,300</u>	<u>59,960</u>	<u>1.84</u>
<b>Personal deposits</b>						
Time deposits	3,898,703	65,641	3.40	3,835,673	64,224	3.38
Demand deposits	2,967,396	5,142	0.35	2,806,902	4,874	0.35
<b>Subtotal</b>	<u>6,866,099</u>	<u>70,783</u>	<u>2.08</u>	<u>6,642,575</u>	<u>69,098</u>	<u>2.10</u>
<b>Overseas business</b>	<u>486,846</u>	<u>4,717</u>	<u>1.95</u>	<u>376,440</u>	<u>3,095</u>	<u>1.66</u>
<b>Total deposits</b>	<u>14,402,012</u>	<u>146,493</u>	<u>2.05</u>	<u>13,580,315</u>	<u>132,153</u>	<u>1.96</u>

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

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

Interest expense on due to banks and other financial institutions was RMB21,474 million, representing an increase of RMB2,832 million or 15.2% as compared to the same period of the previous year, principally due to an increase of RMB130,575 million in average balance and a rise of 15 basis points in average cost. The Bank intensified liquidity management, optimized inter-bank liability structure and strived to control the cost of funding during the reporting period.

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

Interest expense on debt securities issued was RMB7,039 million, representing an increase of RMB1,216 million or 20.9% as compared to the same period of last year, mainly attributable to the rapid increase in the issuance of certificates of deposit by overseas institutions.

## *Non-interest Income*

In the first half of 2014, the Bank realized non-interest income of RMB79,246 million, representing an increase of RMB3,659 million or 4.8% as compared to the same period of last year.

Adapting to changes in the market competitive environment and customer demands, the Bank proactively developed business with high technical content and value added for customers. Besides, the Bank carried out regulatory requirements in an earnest manner and strictly regulated the design, sale and fund investment orientation of banking wealth management products. While constantly strengthening normalized management on charges and protecting consumer rights and interests substantially, the Bank pushed forward the sound and compliant development of fee-based business. In the first half of 2014, net fee and commission income of the Bank was RMB73,228 million, representing an increase of RMB5,846 million or 8.7% as compared to the same period of the previous year. Fee and commission income amounted to RMB79,386 million, representing an increase of 9.5%, of which, income from investment banking, bank card business, private banking service and pension business achieved a favorable growth. Fee and commission expense increased by RMB1,028 million or 20.0%, mainly attributable to the increase in expenses relating to the bank card business resulted from the growth in issuance volume and transaction amount of bank cards.

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

*In RMB millions, except for percentages*

<b>Item</b>	<b>Six months ended 30 June 2014</b>	<b>Six months ended 30 June 2013</b>	<b>Increase/ (decrease)</b>	<b>Growth rate (%)</b>
Investment banking business	<b>19,685</b>	17,077	2,608	15.3
Bank card business	<b>16,861</b>	14,275	2,586	18.1
Settlement, clearing business and cash management	<b>16,701</b>	15,638	1,063	6.8
Personal wealth management and private banking services	<b>10,108</b>	9,920	188	1.9
Corporate wealth management services	<b>7,056</b>	6,868	188	2.7
Asset custody business	<b>3,532</b>	3,738	(206)	(5.5)
Guarantee and commitment business	<b>2,841</b>	2,812	29	1.0
Trust and agency services	<b>1,162</b>	1,004	158	15.7
Others	<b>1,440</b>	1,180	260	22.0
<b>Fee and commission income</b>	<b>79,386</b>	72,512	6,874	9.5
<b>Less: Fee and commission expense</b>	<b>6,158</b>	5,130	1,028	20.0
<b>Net fee and commission income</b>	<b>73,228</b>	67,382	5,846	8.7

Income from investment banking business amounted to RMB19,685 million, representing an increase of RMB2,608 million or 15.3% as compared to the same period of last year. Among others, income from merger & acquisition, equity financing and other business realized a fine growth.

Income from bank card business increased by RMB2,586 million or 18.1% to RMB16,861 million, mainly due to the increase in income from relevant business driven by the increase in the number of bank cards issued and consumption volume.

Income from settlement, clearing business and cash management amounted to RMB16,701 million, representing an increase of RMB1,063 million or 6.8% as compared to the same period of last year. Specifically, the Bank achieved rapid growth in income from businesses including E-commerce based on internet finance, franchise foreign exchange trading and foreign exchange settlement and sale.

Income from personal wealth management and private banking services amounted to RMB10,108 million, representing an increase of RMB188 million or 1.9% as compared to the same period of last year. Specifically, income from private banking service and fee income from selling personal wealth management products increased quickly, and income from personal wealth investment and management dropped to some extent as compared to the same period of last year.

Income from corporate wealth management services amounted to RMB7,056 million, representing an increase of RMB188 million or 2.7% as compared to the same period of last year. The slow-down in growth rate was mainly attributable to the decrease in income from banking corporate wealth management products.

Income from asset custody business was RMB3,532 million, representing a decrease of RMB206 million or 5.5% as compared to the same period of last year, principally due to a decrease in income from “Anxin Account” custody business.

## **OTHER NON-INTEREST RELATED GAIN**

*In RMB millions, except for percentages*

<b>Item</b>	<b>Six months ended 30 June 2014</b>	Six months ended 30 June 2013	<b>Increase/ (decrease)</b>	<b>Growth rate (%)</b>
Net trading income/(expense)	<b>1,626</b>	(338)	1,964	N/A
Net (loss)/gain on financial assets and liabilities designated at fair value through profit or loss	<b>(4,977)</b>	90	(5,067)	(5,630.0)
Net gain on financial investments	<b>1,036</b>	608	428	70.4
Other operating income, net	<b>8,333</b>	7,845	488	6.2
<b>Total</b>	<b>6,018</b>	8,205	(2,187)	(26.7)

Other non-interest income was RMB6,018 million, representing a decrease of RMB2,187 million or 26.7% as compared to the same period of the previous year. Specifically, net loss on financial assets and liabilities designated at fair value through profit or loss increased by RMB5,067 million, mainly due to an increase in expenses from structural deposits paid to customers.

### *Operating Expenses*

#### **OPERATING EXPENSES**

*In RMB millions, except for percentages*

<b>Item</b>	<b>Six months ended 30 June 2014</b>	Six months ended 30 June 2013	<b>Increase/ (decrease)</b>	<b>Growth rate (%)</b>
	Staff costs	<b>49,452</b>	44,700	4,752
Including: Salaries and bonuses	<b>31,108</b>	30,532	576	1.9
Premises and equipment expenses	<b>13,825</b>	12,655	1,170	9.2
Business tax and surcharges	<b>20,493</b>	18,613	1,880	10.1
Amortisation	<b>1,131</b>	1,002	129	12.9
Others	<b>14,711</b>	14,779	(68)	(0.5)
<b>Total</b>	<b><u>99,612</u></b>	<u>91,749</u>	<u>7,863</u>	<u>8.6</u>

The Bank exercised strict cost management and control. Operating expenses were RMB99,612 million, representing an increase of RMB7,863 million or 8.6% as compared to the same period of last year. Cost-to-income ratio dropped to 24.97%. Staff costs increased by 10.6% to RMB49,452 million, of which, salaries and bonuses increased by 1.9%; and other operating expenses decreased by 0.5% to RMB14,711 million, mainly due to a decrease in entertainment expense, conference expense and other expenses as compared to the same period of last year.

### *Impairment Losses*

The Bank continued to strengthen loan risk prevention and control and adhered to the steady and prudent provisioning policy, while maintaining stable loan quality on the whole. Allowance for impairment losses was RMB24,167 million, representing an increase of RMB2,226 million or 10.1% as compared to the same period of last year. Specifically, allowance for impairment losses on loans was RMB23,988 million, representing an increase of RMB2,061 million or 9.4% as compared to the same period of last year.

### *Income Tax Expense*

Income tax expense increased by RMB5,345 million or 13.2% to RMB45,709 million as compared to the same period of last year. The effective tax rate was 23.6%.

### *Net Profit Attributable to Non-controlling Interests*

Net profit attributable to non-controlling interests was RMB281 million, representing an increase of RMB151 million or 116.2% as compared to the same period of last year, mainly due to the increase in return of non-controlling shareholders resulted from the rapid growth in net profit of non-wholly-owned subsidiaries such as ICBC (Argentina).

## 4.2 Segment Information

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

### SUMMARY OPERATING SEGMENT INFORMATION — OPERATING INCOME

*In RMB millions, except for percentages*

Item	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate Banking	149,592	47.2	148,224	50.9
Personal banking	109,636	34.6	95,097	32.6
Treasury operations	55,435	17.5	44,691	15.3
Others	2,190	0.7	3,464	1.2
<b>Total</b>	<b>316,853</b>	<b>100.0</b>	<b>291,476</b>	<b>100.0</b>

### SUMMARY GEOGRAPHICAL SEGMENT INFORMATION — OPERATING INCOME

*In RMB millions, except for percentages*

Item	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	27,528	8.7	18,264	6.3
Yangtze River Delta	59,170	18.7	58,405	20.0
Pearl River Delta	39,844	12.6	37,821	13.0
Bohai Rim	63,057	19.9	59,966	20.6
Central China	42,337	13.4	40,276	13.8
Western China	50,107	15.7	47,320	16.2
Northeastern China	16,742	5.3	15,870	5.4
Overseas and others	18,068	5.7	13,554	4.7
<b>Total</b>	<b>316,853</b>	<b>100.0</b>	<b>291,476</b>	<b>100.0</b>



### 4.3 Balance Sheet Analysis

In the first half of 2014, the Bank timely adjusted business strategy based on the external macroeconomic environment, and improved the asset and liability structure to maintain coordinated development of deposit and loan business. The Bank also strengthened liquidity management and interest rate pricing management and strived to enhance the efficiency of resource allocation for assets and liabilities. Based on the development needs of the real economy, the Bank reasonably controlled the aggregate amount, direction and pace of lending and bolstered the economic restructuring and transformation and upgrading by the loan structure adjustment. The Bank flexibly arranged its investment schedule by closely monitoring the trends of the domestic and international financial markets, leading to a moderate increase in investment size. The Bank developed inter-bank business in a prudent manner based on fund trend and changing tendency of prices. Furthermore, the Bank actively adopted measures to promote steady growth in due to customers, and further refined the inter-bank liability structure, thereby ensuring a stable and sustainable growth of funding sources on the basis of appropriate cost control.

#### *Assets Deployment*

As at the end of June 2014, total assets of the Bank amounted to RMB20,303,677 million, representing an increase of RMB1,385,925 million or 7.3% from the end of the previous year, of which total loans and advances to customers (collectively referred to as “loans”) increased by RMB723,741 million or 7.3%, investment increased by RMB153,796 million or 3.6%, and cash and balances with central banks increased by RMB313,397 million or 9.5%. In terms of structure, net loans and advances to customers accounted for 51.2% of total assets; investment accounted for 22.0%; and cash and balances with central banks accounted for 17.8%.

#### ASSETS DEPLOYMENT

Item	<i>In RMB millions, except for percentages</i>			
	At 30 June 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	<b>10,646,115</b>	—	9,922,374	—
Less: Allowance for impairment losses on loans	<b>251,680</b>	—	240,959	—
Loans and advances to customers, net	<b>10,394,435</b>	<b>51.2</b>	9,681,415	51.2
Investment	<b>4,476,040</b>	<b>22.0</b>	4,322,244	22.8
Cash and balances with central banks	<b>3,607,404</b>	<b>17.8</b>	3,294,007	17.4
Due from banks and other financial institutions	<b>642,087</b>	<b>3.2</b>	717,984	3.8
Reverse repurchase agreements	<b>540,645</b>	<b>2.7</b>	331,903	1.8
Others	<b>643,066</b>	<b>3.1</b>	570,199	3.0
<b>Total assets</b>	<b><u>20,303,677</u></b>	<b><u>100.0</u></b>	<b><u>18,917,752</u></b>	<b><u>100.0</u></b>

## Loan

In the first half of 2014, the Bank supported real economy development and industrial structure adjustment and reasonably controlled the direction and pace of lending in accordance with changes in macroeconomic environment and financial regulatory requirements. The Bank continuously bolstered the national key projects under construction and continuing projects and put forth efforts to open up three major business segments including eight key target markets such as key basic industries and infrastructure, key energy and resource construction projects, new urbanization and shanty town reconstruction, key projects of energy saving and environmental protection, modern service industry, advanced manufacturing, merger & acquisition, “Going Global” enterprises and modern agriculture, as well as supply chain financing, small and micro enterprises and personal consumption loans. The Bank also attached importance to both credit structure adjustment & optimization and risk prevention, realizing steady and moderate loan growth and rational loan orientation structure. As at the end of June 2014, loans amounted to RMB10,646,115 million, representing an increase of RMB723,741 million or 7.3% from the end of the previous year, of which, RMB-denominated loans of domestic branches increased by RMB523,084 million or 5.9% to RMB9,338,266 million.

### DISTRIBUTION OF LOANS BY BUSINESS LINE

*In RMB millions, except for percentages*

Item	At 30 June 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	7,576,419	71.2	7,046,515	71.0
Discounted bills	154,582	1.5	148,258	1.5
Personal loans	2,915,114	27.3	2,727,601	27.5
<b>Total</b>	<b>10,646,115</b>	<b>100.0</b>	<b>9,922,374</b>	<b>100.0</b>

Corporate loans increased by RMB529,904 million or 7.5% from the end of last year. In terms of maturity structure, short-term corporate loans increased by RMB264,158 million or 9.2%, while medium to long-term corporate loans increased by RMB265,746 million or 6.4%. In terms of product type, working capital loans increased by RMB297,793 million or 9.2%, principally because the Bank proactively optimized the credit orientation, enhanced the support to real economy efficiency and increased granting of working capital loans; project loans increased by RMB232,385 million or 7.0%, mainly due to the continues support to national key projects under construction and continuing projects; and property loans decreased by RMB274 million, and its percentage to corporate loans dropped by 0.5 percentage points.

Discounted bills increased by RMB6,324 million or 4.3% from the end of last year, principally because the Bank actively adjusted the size of discounted bills based on the pace of bank-wide credit granting to satisfy management needs of asset-liability portfolios.

Personal loans increased by RMB187,513 million or 6.9% from the end of the previous year, which was mainly due to the increase of residential mortgages by RMB199,220 million or 11.6%. Personal consumption loans decreased by RMB32,277 million or 8.7%, principally because the Bank reinforced the purpose management on personal consumption loans and took

the initiative to adjust the product structure. Credit card overdrafts increased by RMB21,800 million or 7.1%, mainly due to the Bank's vigorous development of credit card installment business and the continuous growth in the number of credit cards issued and their consumption volume.

## DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

*In RMB millions, except for percentages*

Item	At 30 June 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	10,309,257	96.84	9,632,523	97.08
Special mention	231,117	2.17	196,162	1.98
NPL	105,741	0.99	93,689	0.94
Substandard	48,986	0.45	36,532	0.37
Doubtful	47,689	0.45	43,020	0.43
Loss	9,066	0.09	14,137	0.14
<b>Total</b>	<b>10,646,115</b>	<b>100.00</b>	<b>9,922,374</b>	<b>100.00</b>

Loan quality was generally stable. As at the end of June 2014, according to the five-category classification, pass loans amounted to RMB10,309,257 million, representing an increase of RMB676,734 million from the end of the previous year and accounting for 96.84% of total loans. Special mention loans amounted to RMB231,117 million, representing an increase of RMB34,955 million and accounting for 2.17%. Outstanding NPLs amounted to RMB105,741 million, increased by RMB12,052 million, and NPL ratio was 0.99%.

## DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

*In RMB millions, except for percentages*

Item	At 30 June 2014				At 31 December 2013			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Corporate loans	7,576,419	71.2	79,466	1.05	7,046,515	71.0	73,253	1.04
Discounted bills	154,582	1.5	119	0.08	148,258	1.5	10	0.01
Personal loans	2,915,114	27.3	26,156	0.90	2,727,601	27.5	20,426	0.75
<b>Total</b>	<b>10,646,115</b>	<b>100.0</b>	<b>105,741</b>	<b>0.99</b>	<b>9,922,374</b>	<b>100.0</b>	<b>93,689</b>	<b>0.94</b>

The balance of non-performing corporate loans stood at RMB79,466 million, increasing by RMB6,213 million from the end of the previous year, and NPL ratio was 1.05%, which was mainly due to defaults as a result of operating difficulties of some enterprises, especially small and medium-sized enterprises, in the face of slower macroeconomic growth and weak external markets. The balance of non-performing personal loans stood at RMB26,156 million, increased by RMB5,730 million, and NPL ratio was 0.90%, which was mainly due to the increase in NPL amount of personal business loans, as a result of decrease of operating income or salaries of some borrowers.

## DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

*In RMB millions, except for percentages*

Item	At 30 June 2014				At 31 December 2013			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Head Office	426,057	4.0	4,839	1.14	388,097	3.9	4,069	1.05
Yangtze River Delta	2,151,013	20.2	23,798	1.11	2,071,035	20.9	22,568	1.09
Pearl River Delta	1,414,482	13.3	17,942	1.27	1,319,021	13.3	15,507	1.18
Bohai Rim	1,839,459	17.3	19,455	1.06	1,731,710	17.5	16,626	0.96
Central China	1,441,187	13.5	15,802	1.10	1,340,628	13.5	14,323	1.07
Western China	1,879,953	17.7	13,910	0.74	1,750,714	17.6	11,490	0.66
Northeastern China	602,838	5.7	5,739	0.95	568,511	5.7	5,443	0.96
Overseas and others	891,126	8.3	4,256	0.48	752,658	7.6	3,663	0.49
<b>Total</b>	<b>10,646,115</b>	<b>100.0</b>	<b>105,741</b>	<b>0.99</b>	<b>9,922,374</b>	<b>100.0</b>	<b>93,689</b>	<b>0.94</b>

The Bank continuously optimized the geographic credit mix and promoted a balanced allocation of credit resources for different geographic areas, maintaining the stability of credit quality. The Bank actively supported the regional development of Central China, Western China and Northeastern China, and granted RMB264,125 million loans to the three regions, accounting for 36.5% of the total new loans. Overseas and other loans increased by RMB138,468 million or 18.4%, accounting for 19.1% of the total new loans, which was mainly due to the active support to “Going Global” Chinese-funded enterprises, innovation of cross-border trade finance business and efforts in exploring local businesses of ICBC (Asia), Singapore Branch, Sydney Branch and other overseas institutions, thus accomplishing fast increase of loans.

The Bohai Rim, the Pearl River Delta and the Western China witnessed relatively large increases in balance of NPLs, mainly due to weak domestic and overseas demand that caused small and medium-sized enterprises in the Bohai Rim and the Pearl River Delta which relied heavily on exports suffered from running below capacity, decline in orders, rising costs and falling profits, leading to intensity of business funds, and increase of defaults of some enterprises in Western China because of the falling coal price.

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

*In RMB millions, except for percentages*

Item	At 30 June 2014				At 31 December 2013			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Manufacturing	1,571,814	23.3	29,126	1.85	1,488,594	23.5	27,054	1.82
Chemical industry	258,610	3.8	3,217	1.24	237,524	3.7	3,159	1.33
Machinery	250,340	3.7	4,723	1.89	232,245	3.7	4,482	1.93
Metal processing	183,699	2.7	3,309	1.80	180,786	2.9	3,646	2.02
Textiles and apparels	143,231	2.1	4,789	3.34	141,603	2.2	4,460	3.15
Iron and steel	113,544	1.7	657	0.58	120,375	1.9	321	0.27
Computer, telecommunications equipment, and other electronic equipment	101,310	1.5	1,066	1.05	99,701	1.6	1,000	1.00
Transportation equipment	99,115	1.5	2,000	2.02	88,098	1.4	1,635	1.86
Non-metallic mineral	72,828	1.1	2,019	2.77	67,942	1.1	1,843	2.71
Petroleum processing, coking and nuclear fuel	62,355	0.9	366	0.59	58,267	0.9	399	0.68
Others	286,782	4.3	6,980	2.43	262,053	4.1	6,109	2.33
Transportation, storage and postal services	1,282,812	19.0	4,278	0.33	1,219,345	19.2	5,381	0.44
Wholesale and retail	853,862	12.7	30,924	3.62	786,202	12.4	26,739	3.40
Production and supply of electricity, heat, gas and water	670,584	10.0	1,550	0.23	618,246	9.8	1,813	0.29
Leasing and commercial services	528,223	7.8	946	0.18	456,519	7.2	867	0.19
Water, environment and public utility management	470,916	7.0	98	0.02	465,037	7.3	114	0.02
Real estate	457,146	6.8	3,788	0.83	463,585	7.3	4,029	0.87
Mining	245,834	3.7	986	0.40	245,930	3.9	629	0.26
Construction	204,810	3.0	1,090	0.53	181,605	2.9	881	0.49
Lodging and catering	160,669	2.4	1,226	0.76	146,625	2.3	739	0.50
Science, education, culture and sanitation	110,088	1.6	476	0.43	100,878	1.6	535	0.53
Others	177,783	2.7	1,034	0.58	166,154	2.6	1,061	0.64
<b>Total</b>	<b>6,734,541</b>	<b>100.0</b>	<b>75,522</b>	<b>1.12</b>	<b>6,338,720</b>	<b>100.0</b>	<b>69,842</b>	<b>1.10</b>

In the first half of 2014, the Bank further adjusted its credit structure, and endeavored to explore eight key target markets including basic industries and infrastructures, key energy and resource construction projects, new urbanization and shanty town reconstruction, key projects of energy saving and environmental protection, modern service industry, advanced manufacturing, merger & acquisition business and “Going Global” enterprises and modern agriculture. The increment of the loans to the manufacturing industry was RMB83,220 million, up 5.6%, which was mainly attributable to advanced manufacturing industries including equipment manufacturing and agricultural products processing industries as well as leading enterprises in some traditional industries; the increment of the loans to leasing and commercial services was RMB71,704 million, up 15.7%, which was mainly due to the rapid growth of loans to the business service industry covering investment and asset management, enterprise headquarters management and market management and loans to the machinery and equipment leasing industry; and the increment of loans to the wholesale and retail industry, mainly part of the loans to the service sector, was RMB67,660 million, up 8.6%. Loans to the real estate industry decreased by RMB6,439 million, which was mainly due to the strict limit management of the real estate industry implemented by the Bank.

Balance of NPLs to the transportation, storage and postal services industry declined by a large margin. Increase in NPLs to the wholesale and retail industry was mainly because of intensity of funds of some wholesale enterprises and declining revenue and profits of retail enterprises affected by slower macroeconomic growth and downward fluctuation of bulk commodity prices. Increase in NPLs to the manufacturing industry was mainly due to more operating pressure of some industries with overcapacity affected by slower macroeconomic growth, falling market demand, etc.

## CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

*In RMB millions*

	<b>Individually assessed</b>	<b>Collectively assessed</b>	<b>Total</b>
<b>Balance at the beginning of the period</b>	39,065	201,894	240,959
Charge for the period	10,677	13,311	23,988
Including: Impairment allowances charged	18,706	66,529	85,235
Impairment allowances transferred	214	(214)	—
Reversal of impairment allowances	(8,243)	(53,004)	(61,247)
Accreted interest on impaired loans	(1,215)	—	(1,215)
Write-offs	(10,778)	(1,933)	(12,711)
Recoveries of loans and advances previously written off	567	92	659
<b>Balance at the end of the period</b>	<u>38,316</u>	<u>213,364</u>	<u>251,680</u>

As at the end of June 2014, the allowance for impairment losses on loans stood at RMB251,680 million, representing an increase of RMB10,721 million as compared to the end of last year. Allowance to NPL was 238.02%; allowance to total loans was 2.36% and that to loans of domestic branches was 2.51%.

## DISTRIBUTION OF LOANS BY COLLATERAL

*In RMB millions, except for percentages*

Item	At 30 June 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	4,783,465	44.9	4,446,023	44.8
Including: Residential mortgages	1,919,755	18.0	1,720,535	17.3
Pledged loans	1,275,579	12.0	1,184,175	11.9
Including: Discounted bills	154,582	1.5	148,258	1.5
Guaranteed loans	1,461,028	13.7	1,365,199	13.8
Unsecured loans	3,126,043	29.4	2,926,977	29.5
<b>Total</b>	<b>10,646,115</b>	<b>100.0</b>	<b>9,922,374</b>	<b>100.0</b>

Loans secured by mortgages stood at RMB4,783,465 million, representing an increase of RMB337,442 million or 7.6% from the end of the previous year. Pledged loans amounted to RMB1,275,579 million, representing an increase of RMB91,404 million or 7.7% from the end of the previous year. Unsecured loans amounted to RMB3,126,043 million, representing an increase of RMB199,066 million or 6.8% from the end of the previous year.

## OVERDUE LOANS

*In RMB millions, except for percentages*

Overdue periods	At 30 June 2014		At 31 December 2013	
	Amount	% of total	Amount	% of total
1 to 90 days	83,327	0.78	53,868	0.54
91 days to 1 year	49,936	0.47	36,230	0.37
1 to 3 years	26,012	0.25	20,848	0.21
Over 3 years	19,432	0.18	22,685	0.23
<b>Total</b>	<b>178,707</b>	<b>1.68</b>	<b>133,631</b>	<b>1.35</b>

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

Overdue loans stood at RMB178,707 million, representing an increase of RMB45,076 million from the end of the previous year. Among which, loans overdue for over 90 days amounted to RMB95,380 million, representing an increase of RMB15,617 million.

### *Renegotiated Loans*

Renegotiated loans and advances amounted to RMB4,659 million, representing a decrease of RMB270 million or 5.5% as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB2,364 million, representing a decrease of RMB337 million.

### *Extended Loans*

The balance of extended loans amounted to RMB14,414 million, representing an increase of RMB4,031 million from the end of the previous year, of which the NPL balance was RMB2,721 million, representing an increase of RMB245 million from the end of last year.

### *Borrower Concentration*

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 4.4% and 16.5% of the Bank's net capital respectively. The total amount of loans granted to the top ten single customers was RMB267,534 million, accounting for 2.5% of the total loans.

### *Investment*

In the first half of 2014, the Bank precisely seized opportunities in the market and flexibly organized its investment schedule and focus in strict adherence to the trends in financial markets, and continuously improved the return on investment portfolios on the basis of guaranteed liquidity and controllable risks. As at the end of June 2014, investment amounted to RMB4,476,040 million, representing an increase of RMB153,796 million or 3.6% from the end of the previous year.

## **INVESTMENT**

<b>Item</b>	<i>In RMB millions, except for percentages</i>			
	<b>At 30 June 2014</b>		<b>At 31 December 2013</b>	
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>
<b>Debt instruments</b>	<b>4,316,062</b>	<b>96.4</b>	4,144,950	95.9
Investment in bonds not related to restructuring	<b>3,984,766</b>	<b>89.0</b>	3,836,995	88.8
Investment in bonds related to restructuring	<b>231,046</b>	<b>5.2</b>	231,046	5.3
Other debt instruments	<b>100,250</b>	<b>2.2</b>	76,909	1.8
<b>Equity instruments and others</b>	<b>159,978</b>	<b>3.6</b>	177,294	4.1
<b>Total</b>	<b>4,476,040</b>	<b>100.0</b>	<b>4,322,244</b>	<b>100.0</b>



Investment in bonds not related to structuring amounted to RMB3,984,766 million, representing an increase of RMB147,771 million or 3.9% from the end of last year. Investment in bonds related to structuring amounted to RMB231,046 million, remaining unchanged as compared to the end of last year.

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

*In RMB millions, except for percentages*

Item	At 30 June 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	1,003,693	25.2	976,351	25.4
Central bank bills	363,832	9.1	389,662	10.2
Policy bank bonds	1,764,267	44.3	1,682,619	43.9
Other bonds	852,974	21.4	788,363	20.5
<b>Total</b>	<b>3,984,766</b>	<b>100.0</b>	<b>3,836,995</b>	<b>100.0</b>

In terms of distribution by issuers, government bonds increased by RMB27,342 million or 2.8% over the end of last year; central bank bills decreased by RMB25,830 million or 6.6%; policy bank bonds increased by RMB81,648 million or 4.9%; and other bonds increased by RMB64,611 million or 8.2%. Part of the central bank bills matured during the reporting period and the Bank moderately increased investment in policy bank bonds and high-quality credit bonds with relatively high yield.

## DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

*In RMB millions, except for percentages*

Item	At 30 June 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	386,592	8.6	372,556	8.6
Available-for-sale financial assets	1,128,582	25.2	1,000,800	23.2
Held-to-maturity investments	2,621,864	58.6	2,624,400	60.7
Receivables	339,002	7.6	324,488	7.5
<b>Total</b>	<b>4,476,040</b>	<b>100.0</b>	<b>4,322,244</b>	<b>100.0</b>

## *Due from Banks and Other Financial Institutions*

Due from banks and other financial institutions was RMB642,087 million, representing a decrease of RMB75,897 million or 10.6% from the end of the previous year. The decrease was mainly because the Bank took the initiative to adjust the size of due from banks based on the market fund and interest rate trends.

## *Reverse Repurchase Agreements*

Reverse repurchase agreements were RMB540,645 million, representing an increase of RMB208,742 million or 62.9% from the end of the previous year. This was mainly because the Bank's fund position at the end of the reporting period was sufficient, and the Bank lent funds to the market through bonds under reverse repurchase agreements.

## *Liabilities*

As at the end of June 2014, total liabilities of the Bank amounted to RMB18,944,174 million, representing an increase of RMB1,304,885 million or 7.4% from the end of the previous year.

## **LIABILITIES**

*In RMB millions, except for percentages*

<b>Item</b>	<b>At 30 June 2014</b>		<b>At 31 December 2013</b>	
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>
Due to customers	<b>15,728,332</b>	<b>83.0</b>	14,620,825	82.9
Due to banks and other financial institutions	<b>1,418,199</b>	<b>7.5</b>	1,269,255	7.2
Repurchase agreements	<b>193,858</b>	<b>1.0</b>	299,304	1.7
Debt securities issued	<b>255,640</b>	<b>1.3</b>	253,018	1.4
Others	<b>1,348,145</b>	<b>7.2</b>	1,196,887	6.8
<b>Total liabilities</b>	<b><u>18,944,174</u></b>	<b><u>100.0</u></b>	<b><u>17,639,289</u></b>	<b><u>100.0</u></b>

## *Due to Customers*

Due to customers is the Bank's main source of fund. In the first half of 2014, proactively responding to the external changes such as interest rate liberalization and increasingly fierce inter-bank competition, the Bank implemented the differential pricing strategy for deposit interest rate, increased deposit marketing intensity and gave play to the Bank's comprehensive advantages in financial services, maintaining steady growth in deposits. As at the end of June 2014, the balance of due to customers was RMB15,728,332 million, representing an increase of RMB1,107,507 million or 7.6% when compared to the end of the previous year. Specifically, the balance of corporate deposits increased by RMB616,700 million or 8.2%; and personal deposits increased by RMB434,539 million or 6.3%. In terms of maturity structure, the balance of time deposits increased by RMB531,796 million or 7.2%, while the balance of demand deposits increased by RMB519,443 million or 7.4%.

## DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

*In RMB millions, except for percentages*

Item	At 30 June 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Corporate deposits</b>				
Time deposits	3,843,649	24.4	3,464,625	23.7
Demand deposits	4,276,548	27.2	4,038,872	27.6
<b>Subtotal</b>	<b>8,120,197</b>	<b>51.6</b>	<b>7,503,497</b>	<b>51.3</b>
<b>Personal deposits</b>				
Time deposits	4,053,870	25.8	3,901,098	26.7
Demand deposits	3,276,508	20.8	2,994,741	20.5
<b>Subtotal</b>	<b>7,330,378</b>	<b>46.6</b>	<b>6,895,839</b>	<b>47.2</b>
<b>Other deposits<sup>(1)</sup></b>	<b>277,757</b>	<b>1.8</b>	<b>221,489</b>	<b>1.5</b>
<b>Total</b>	<b>15,728,332</b>	<b>100.0</b>	<b>14,620,825</b>	<b>100.0</b>

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

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

The Bank constantly optimized the liability structure and moderately borrowed funds from peers based on fund changes in the market and the Bank. Due to banks and other financial institutions was RMB1,418,199 million, representing an increase of RMB148,944 million or 11.7% from the end of the previous year.

### ***Repurchase Agreements***

Repurchase agreements were RMB193,858 million, representing a decrease of RMB105,446 million or 35.2% from the end of the previous year. The decrease was principally due to the decrease in the Bank's needs for borrowed funds at the end of the reporting period.

## **4.4 Capital Adequacy Ratio**

The Bank calculated capital adequacy ratios at all tiers in accordance with the Regulation Governing Capital of Commercial Banks (Provisional). During the reporting period, CBRC officially approved the Bank to adopt advanced capital management approaches. Since then, the foundation internal ratings-based (IRB) approach is adopted to corporate credit risk, the IRB approach to retail credit risk, the internal model approach (IMA) to market risk, and the standardized approach to operational risk meeting regulatory requirements.

As at the end of June 2014, core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 11.36%, 11.36% and 13.67% respectively, all fulfilled regulatory requirements, up 0.79 percentage points, 0.79 percentage points and 0.55 percentage points respectively from the end of the previous year. During the reporting period, the Bank's profit maintained continuous growth, which effectively supplemented the core tier 1 capital. Meanwhile, the growth rate of risk-weighted assets was controlled effectively and the capital adequacy ratio remained at a moderate level. In addition, adoption of advanced capital measurement approach played a positive role in the increase of capital adequacy ratio of the Bank at the end of the reporting period.

## CAPITAL ADEQUACY RATIO

*In RMB millions, except for percentages*

Item	At 30 June 2014	At 31 December 2013
<b>Core tier 1 capital</b>	<b>1,357,009</b>	1,276,344
Paid-in capital	351,406	351,390
Valid portion of capital reserve	130,657	108,202
Surplus reserve	124,086	123,870
General reserve	203,492	202,940
Retained profits	567,402	512,024
Valid portion of minority interests	2,025	1,956
Others <sup>(1)</sup>	(22,059)	(24,038)
<b>Core tier 1 capital deductions</b>	<b>10,063</b>	9,503
Goodwill	8,520	8,049
Other intangible assets other than land use rights	1,498	1,474
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,855)	(3,920)
Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	3,900	3,900
<b>Net core tier 1 capital</b>	<b>1,346,946</b>	1,266,841
<b>Additional tier 1 capital<sup>(2)</sup></b>	<b>63</b>	18
<b>Net tier 1 capital</b>	<b>1,347,009</b>	1,266,859
<b>Tier 2 capital</b>	<b>290,257</b>	324,806
Valid portion of tier 2 capital instruments and related premium	169,354	189,877
Surplus provision for loan impairment	120,742	134,857
Valid portion of minority interests	161	72
<b>Tier 2 capital deductions</b>	<b>16,650</b>	19,400
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	16,650	19,400
<b>Net capital base</b>	<b>1,620,616</b>	1,572,265
<b>Risk-weighted assets<sup>(3)</sup></b>	<b>11,858,669</b>	11,982,187
<b>Core tier 1 capital adequacy ratio</b>	<b>11.36%</b>	10.57%
<b>Tier 1 capital adequacy ratio</b>	<b>11.36%</b>	10.57%
<b>Capital adequacy ratio</b>	<b>13.67%</b>	13.12%

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

(2) Valid portion of minority interests.

(3) As at 30 June 2014, it refers to risk-weighted assets after capital floor and adjustments.

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

##### Capital Adequacy Ratio

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

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

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

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

*In RMB millions, except for percentages*

Item	At 30 June 2014		At 31 December 2013	
	Group	Parent company	Group	Parent company
<b>Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional):</b>				
Net core tier 1 capital	<b>1,346,946</b>	<b>1,262,953</b>	1,266,841	1,190,490
Net tier 1 capital	<b>1,347,009</b>	<b>1,262,953</b>	1,266,859	1,190,490
Net capital base	<b>1,620,616</b>	<b>1,529,939</b>	1,572,265	1,478,863
Core tier 1 capital adequacy ratio	<b>11.36%</b>	<b>11.28%</b>	10.57%	10.58%
Tier 1 capital adequacy ratio	<b>11.36%</b>	<b>11.28%</b>	10.57%	10.58%
Capital adequacy ratio	<b>13.67%</b>	<b>13.66%</b>	13.12%	13.14%

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

Core capital adequacy ratio	<b>11.00%</b>	<b>11.25%</b>	10.62%	10.86%
Capital adequacy ratio	<b>13.56%</b>	<b>13.52%</b>	13.31%	13.25%

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

In April 2014, CBRC officially approved the Bank to implement the advanced capital management approach, which allowed the Bank to use the internal model to calculate risk-weighted assets and capital adequacy ratio. The table below sets out changes in risk measurement approaches of the Bank.

## CHANGES IN VARIOUS RISK MEASUREMENT APPROACHES

Risk type	At 30 June 2014	At 31 December 2013
	<b>Parts covered by internal ratings-based approach</b>	
Credit risk	Corporate risk exposure	Foundation internal ratings-based approach
	Retail risk exposure	Internal ratings-based approach
	Parts uncovered by internal ratings-based approach	Weighted approach
Market risk	Parts covered by internal model approach	Internal model approach
	Parts uncovered by internal model approach	Standardized approach
Operational risk	Standardized approach	Basic indicator approach

The table below sets out measurement results of risk-weighted assets of the Bank.

### RISK-WEIGHTED ASSETS

Item	<i>In RMB millions</i>	
	At 30 June 2014	At 31 December 2013
Credit risk-weighted assets	<b>10,690,429</b>	10,923,428
Parts covered by internal ratings-based approach	<b>7,579,776</b>	—
Parts uncovered by internal ratings-based approach	<b>3,110,653</b>	—
Market risk-weighted assets	<b>78,307</b>	78,283
Parts covered by internal model approach	<b>68,589</b>	—
Parts uncovered by internal model approach	<b>9,718</b>	—
Operational risk-weighted assets	<b>971,717</b>	980,476
Risk-weighted assets increased due to applying capital floor	<b>118,216</b>	—
<b>Total</b>	<b><u>11,858,669</u></b>	<b><u>11,982,187</u></b>

## *Credit Risk Exposure*

The table below sets out measurement results of the Bank's credit risk exposure at the end of the reporting period.

### **EXPOSURE AT DEFAULT COVERED BY INTERNAL RATINGS-BASED APPROACH**

<b>Item</b>	<i>In RMB millions</i>
	<b>At 30 June 2014</b>
Corporate risk exposure	7,173,322
Retail risk exposure	<u>3,000,676</u>
<b>Total</b>	<b><u><u>10,173,998</u></u></b>

### **RISK EXPOSURE UNCOVERED BY INTERNAL RATINGS-BASED APPROACH**

<b>Item</b>	<i>In RMB millions</i>
	<b>At 30 June 2014</b>
<b>On-balance sheet credit risk</b>	<b>11,153,488</b>
Including: Cash assets	3,592,925
Claims on the central governments and central banks	1,421,249
Claims on China's financial institutions	3,379,671
Asset securitization	2,618
<b>Off-balance sheet credit risk</b>	<b>827,900</b>
<b>Counterparty credit risk</b>	<u>56,545</u>
<b>Total</b>	<b><u><u>12,037,933</u></u></b>

## Capital Requirement for Market Risk

The table below sets out measurement results of the Bank's capital requirement for market risk at the end of the reporting period.

### CAPITAL REQUIREMENT FOR MARKET RISK

*In RMB millions*

<b>Risk type</b>	<b>At 30 June 2014</b>
<b>Parts covered by internal model approach</b>	<b>5,487</b>
<b>Parts uncovered by internal model approach</b>	<b>778</b>
Interest rate risk	768
Option risk	8
Equity risk	2
<b>Total</b>	<b><u>6,265</u></b>

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

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

### VALUE AT RISK (VAR)

*In RMB millions*

Item	Six months ended 30 June 2014			
	Period end	Average	Maximum	Minimum
<b>General VaR</b>	527	554	721	426
Interest rate risk	192	127	199	76
Currency risk	486	538	709	402
Commodity risk	26	30	55	14
<b>Stressed VaR</b>	1,047	1,058	1,279	754
Interest rate risk	152	78	152	43
Currency risk	1,020	1,059	1,296	789
Commodity risk	36	40	66	35

### Operational Risk

The Bank adopts the standardized approach to measure capital requirement for operational risk. As at the end of June 2014, the capital requirement for operational risk was RMB77,737 million.



## Equity Investment in the Banking Book and its Gains and Losses

The table below sets out the equity investment in the banking book and its gains and losses.

### EQUITY RISK IN THE BANKING BOOK

*In RMB millions*

Equity type	At 30 June 2014			At 31 December 2013		
	Publicly-traded equity investment risk exposure <sup>(1)</sup>	Non-publicly-traded equity investment risk exposure <sup>(1)</sup>	Unrealized potential gains (losses) <sup>(2)</sup>	Publicly-traded equity investment risk exposure <sup>(1)</sup>	Non-publicly-traded equity investment risk exposure <sup>(1)</sup>	Unrealized potential gains (losses) <sup>(2)</sup>
Financial Institutions	28,682	1,747	215	28,221	874	218
Company	2,518	1,484	758	1,900	1,573	863
<b>Total</b>	<b>31,200</b>	<b>3,231</b>	<b>973</b>	<b>30,121</b>	<b>2,447</b>	<b>1,081</b>

Notes: (1) Publicly-traded equity investment refers to equity investment on listed companies, and non-publicly-trade equity investment refers to equity investment on un-listed companies.

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

## 4.5 Other Financial Information Disclosed Pursuant to Regulatory Requirements

### Major Regulatory Indicators

Item	Regulatory criteria	At 30 June 2014	At 31 December 2013	At 31 December 2012
Liquidity ratio (%)	RMB	≥25.0	33.5	32.5
	Foreign currency	≥25.0	81.2	65.2
Loan-to-deposit ratio (%)	RMB and foreign currency	≤75.0	66.3	64.1
Liquidity coverage ratio (%)	RMB and foreign currency	≥100.0	146.5	—
Percentage of loans to single largest customer (%)		≤10.0	4.4	4.0
Percentage of loans to top 10 customers (%)			16.5	17.9
Loan migration ratio (%)	Pass		1.4	1.9
	Special mention		12.5	4.1
	Substandard		26.1	28.1
	Doubtful		2.8	4.4

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

## 4.6 Outlook

In the second half of 2014, global economy is expected to maintain the trend of modest recovery, but the foundation for recovery is still unstable. China's economy is slowing down and gradually stabilizing. Though expected to maintain a stable growth, the economy faces a downward pressure. Some structural imbalances in transformation and upgrading may expose at certain time and in some areas.

In the second half and in the coming years, the Bank will face both opportunities and challenges. Major opportunities for the Bank include the followings. First, it enjoys a boarder space for business transformation and innovation as the country accelerates economic structure adjustment by promoting the upgrading of overcapacity industries, cultivating and developing strategic emerging industries, supporting small and micro enterprises and encouraging the development of private capital. Second, the country regards furthering the reform in finance, investment, fiscal taxation and administration as a major strategic move in advancing economic transformation, and has continuously issued a series of policies and measures to bring financial support to the real economy, providing a sound environment and opportunities for the Bank in improving resource allocation, accelerating financial innovation, and preventing and mitigating potential risks. Third, as China continues to open up its economy, especially as new headway is achieved in RMB internationalization with expanded scope of currency swap between China and Britain and China and South Korea and as the reform in the free trade area is accelerated with the launch of the FTA account system, the Bank enjoys favorable conditions in promoting cross-boarder business innovation and pursuing external development. Fourth, the booming of big data technology as well as its accelerated application in the financial sector has provided important opportunities for the Bank to enhance the efficiency of operation management and innovate its marketing and service mode.

Meanwhile, the Bank is also faced with the following operational challenges. First, higher requirements are posed on the Bank's capability of product pricing and capital management as the interest rate liberalization and the reform of exchange rate formation mechanism are speeded up and the domestic financial regulatory reform is constantly deepened. Second, at the critical moment when China is shifting its economic growth rate, adjusting its economic structure, and gradually strengthening efforts to reduce overcapacity pressure, potential credit risks in certain areas, industries or enterprises may emerge successively, thus posing an overall test on the Bank's capacity of credit risk management. Third, more urgent requirements are posed on the Bank to speed up operational transformation and build new service mode, due to accelerated multi-layered capital market development, expanded access for private banks, continuous development of internet finance, and increasingly fierce inter-bank and cross-industry competition.

In the first half of the year, though faced with hash external environment, the Bank successfully achieved its goal in sequential progress of the whole year by following the trend, taking flexible measures and actively carrying out prudential operation. In the second half, the Bank will further seize opportunities in operation and development and prudently response to external challenges to ensure the accomplishment of all operation goals. Specifically, the Bank will focus on the following aspects in the second half of 2014:

I. Adapt to the requirements of economic transformation and upgrading, and constantly improve and adjust credit structure. On the basis of maintaining a moderate growth of the aggregate amount of lending and balanced allocation, the Bank will focus more on strengthening financing support to major infrastructure construction, advanced manufacturing, strategic emerging industries, green and environment-friendly industries, upgrading and transformation of traditional industries and “going global” enterprises by adjusting the structure of existing credit. It will stick to providing diversified financial services for personal consumption, small and micro enterprises and people’s livelihood by channel and product innovation, thus promoting the capacity and efficiency in serving the real economy in a comprehensive manner.

II. Carry forward reforms in key areas and consolidate the foundation for innovative development. The Bank will further improve its mechanism of Group capital management and overall risk management, promote its capital management and risk prevention capacity, and constantly improve and reengineer credit process based on institutional reform and business model innovation. In addition, it will adjust and improve the multidimensional classified evaluation system and performance assessment system, establish and refine the collaborative marketing profit distribution mechanism and performance assessment mechanism, and facilitate the forming of an institutional system adapting to the needs of competition, stimulating vitality and potential for Group operation and transformation.

III. Adapt to the need of transformation and competition and improve and upgrade the business development model. Based on institutional transformation, product R&D, customer service and marketing innovation, the Bank will constantly improve the comprehensive service capacity, competitiveness, and development of retail banking business and make new breakthroughs and improvements in asset management, financial market and other businesses. Besides, the Bank will further expand the overseas market, improve the quality and efficiency of integrated operation, and enhance cross-border and cross-market service. The Bank will build up its competitive strength in internet finance by adjusting, improving and innovating resource allocation, accelerating the R&D of innovative products and functions, and building an internet finance service and function system with smooth information transfer, online/offline interconnection and sound customer experience.

IV. Carry out strict risk management to ensure stable asset quality and secured operation. The Bank will earnestly implement national macro-control policies, strengthen risk monitoring of such key areas as local government financial vehicles, overcapacity industries and real estate market, and strictly prevent external risk contagion to the banking system. It will pay high attention to prevent off-balance-sheet risks to ensure substantive risks are controllable, and constantly improve management mechanism and innovate technical means to further enhance the foresight, pertinence and effectiveness of risk prevention and control. Besides, the Bank will take effective measures to curb the rising NPL ratio and maintain asset quality at a reasonable level. It will focus on internal control and crime prevention to resolutely prevent various risk events from happening.

## 5. Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 869,677 shareholders, including 145,538 holders of H shares and 724,139 holders of A shares.

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

*Unit: Share*

Total number of shareholders 869,677 (number of holders of A shares and H shares on the register of shareholders as at 30 June 2014)

Particulars of shareholding of the top 10 shareholders (The following data are based on the register of shareholders as at 30 June 2014)

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	35.33	124,155,852,951	—	None
Ministry of Finance of the People's Republic of China	State-owned	A shares	35.09	123,316,451,864	—	None
HKSCC Nominees Limited	Foreign legal person	H shares	24.47	85,999,959,735	—	Unknown
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	1.28	4,515,417,169	—	None
ICBC Credit Suisse Asset Management Co., Ltd. — Asset management for specific customers	Other domestic entities	A shares	0.30	1,053,190,083	—	None
China Securities Finance Co., Ltd	Other domestic entities	A shares	0.23	819,683,416	—	None
An-Bang Insurance (Group) Company — Traditional insurance products	Other domestic entities	A shares	0.15	540,842,624	—	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic entities	A shares	0.09	321,538,827	—	None
Ping An Life Insurance Company of China, Ltd. — Traditional — High interest rate policy products	Other domestic entities	A shares	0.07	261,629,846	—	None
CSOP Asset Management Limited — CSOP FTSE China A50 ETF	Other domestic entities	A shares	0.06	225,243,165	—	None

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

(2) Both "Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products" and "Ping An Life Insurance Company of China, Ltd. — Traditional — High interest rate policy products" are managed by Ping An Life Insurance Company of China. Apart from these, the Bank is not aware of any connected relations or concerted action among the afore-mentioned shareholders.

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

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

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

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

As at 30 June 2014, pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong, the Bank recorded in the register the following persons as substantial shareholders holding interests of the Bank (defined according to the Securities and Futures Ordinance of Hong Kong):

#### HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
Ministry of Finance of the People's Republic of China <sup>(1)</sup>	Beneficial owner	118,006,174,032	Long position	44.60	33.58
Central Huijin Investment Ltd. <sup>(2)</sup>	Beneficial owner	118,006,174,032	Long position	44.60	33.58

Notes: (1) According to the register of shareholders of the Bank as at 30 June 2014, Ministry of Finance of the People's Republic of China held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 30 June 2014, Central Huijin Investment Ltd. held 124,155,852,951 shares in the Bank.

## HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
National Council for Social Security Fund	Beneficial owner	9,540,438,314	Long position	10.99	2.71
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,002,665,393	Long position	8.07	1.99
JPMorgan Chase & Co.	Beneficial owner	645,041,737	Long position	0.74	0.18
	Investment manager	1,017,766,100	Long position	1.17	0.29
	Trustee (excluding bare trustee)	103,820	Long position	0.00	0.00
	Custodian-corporation/ approved lending agent	4,599,843,815	Long position	5.30	1.31
	Total	<u>6,262,755,472</u>		<u>7.22</u>	<u>1.78</u>
	Beneficial owner	290,784,146	Short position	0.34	0.08
Blackrock, Inc.	Interest of controlled corporations	5,194,290,673	Long position	5.98	1.48
		297,000	Short position	0.00	0.00

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

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

On 2 April 2013, the Bank, SinoPac Financial Holdings Co., Ltd. (“SinoPac Holdings”) and Bank SinoPac Co., Ltd. (“Bank SinoPac”) entered into an agreement on the subscription by the Bank of 20% shares of SinoPac Holdings or Bank SinoPac. The transaction will be carried out after the limit of shareholding percentage of a commercial bank from Chinese Mainland is relaxed to 20% by Taiwan’s financial regulator. At that time, the Bank will subscribe for shares of Bank SinoPac. The basic subscription price for the transaction will be determined with reference to net assets value stated in the 2012 Interim Report of Bank SinoPac. The basic price for subscribing for 20% shares of Bank SinoPac would be approximately NTD18.7 billion. After the transaction is approved by all necessary regulatory authorities, the basic acquisition price will be adjusted to reflect the actual status of net assets of Bank SinoPac before completion. On 27 February 2014, the Bank, SinoPac Holdings and Bank SinoPac entered into a supplemental agreement (the “Supplementary Agreement”). According to the Supplementary Agreement, the selected transaction waiting period under the agreement on the subscription will be extended to 1 April 2015. Other clauses of the agreement on the subscription remain unchanged. The final completion of the abovementioned transaction is subject to approval of relevant regulatory authorities.

### **Acquisition of 60% Shares in Standard Bank PLC**

On 29 January 2014, the Bank entered into a share purchase agreement to acquire 60% of the existing issued shares in Standard Bank PLC (“Target Bank”) from Standard Bank London Holdings Limited (“SBLH”). In addition, the Bank also has a five-year option to acquire additional 20% of the existing issued shares of Target Bank exercisable from the second anniversary of the date that the transaction is completed (the “Call Option”). SBLH will have a put option, exercisable six months following the date on which the Bank’s Call Option is exercised, to require the Bank to purchase all shares of the Target Bank that are held by SBLH and its related parties. According to the agreement, the purchase price for the abovementioned transaction shall be determined by multiplying the net asset value of Target Bank at the completion date by the acquisition percentage 60%, less an agreed discount of USD80 million. Based on the net asset value of Target Bank as at the end of June 2013, we estimate the consideration for this transaction to be approximately USD770 million. The final completion of the abovementioned transaction is subject to approval of relevant regulatory authorities.

### **Acquisition of 75.5% shares of Tekstil Bankası A.Ş.**

On 29 April 2014, the Bank entered into a share purchase agreement to acquire 75.5% of the existing issued shares in Tekstil Bankası A.Ş. (“Tekstilbank”) from GSD Holding A.Ş. of Turkey. According to the capital markets law of Turkey, this transaction will trigger the provision that a mandatory tender offer shall be issued to purchase all the remaining shares of Tekstilbank that are presently traded on the Istanbul Stock Exchange. The Board of Directors of the Bank has authorized the Bank to issue a mandatory tender offer for the remaining shares at a proper time. According to the agreement, the consideration of this transaction is calculated in Turkish Lira and paid in USD dollar. The specific amount is determined based on the net asset value of Tekstilbank at the end of 2013 and will be adjusted on the basis of net asset value on the closing date. In calculation of the consideration, the exchange rate of USD against Turkish Lira should be the average exchange rate announced by the Turkish Central Bank during the period shortly before the closing date. Based on the net asset value at the end of 2013, the consideration for acquiring 75.5% of existing issued shares of Tekstilbank is expected to be approximately 669 million Turkish Lira. The final completion of the abovementioned transaction is subject to approval of relevant regulatory authorities.

## **7. Other Information**

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

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

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

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

Upon the approval at the Annual General Meeting for the Year 2013 held on 6 June 2014, the Bank has distributed cash dividends of RMB91,960 million, or RMB2.617 (pre-tax) per ten shares, for the period from 1 January 2013 to 31 December 2013 to the shareholders whose names appeared on the share register after trading hours on 19 June 2014. The Bank will not declare or distribute interim dividends for 2014, nor will it convert any capital reserves to share capital.

### **7.3 Purchase, Sale and Redemption of Shares**

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

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

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



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

As at 30 June 2014, the following Directors of the Bank are regarded to possess the interests as defined in Part XV of the Securities and Futures Ordinance of Hong Kong for the shares held by their spouse:

Name	Capacity	Number of A/H shares held (share)	Nature of interests	Approximate percentage of issued A/H shares of the Bank (%)	Approximate percentage of total issued shares of the Bank (%)
Or Ching Fai (Director)	Spouse's interest	1,316,040 (H shares)	Long position	Accounting for 0.001516% of the total H shares issued by the Bank	0.000375%

Save as disclosed above, as at 30 June 2014, 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 The Stock Exchange of Hong Kong Limited 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 The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

## 7.6 Review of the Interim Report

The 2014 financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by KPMG Huazhen (Special General Partnership) and KPMG in accordance with Chinese and international standards on review engagements, respectively.

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

## 8. Interim Financial Statements

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

#### 8.1.1 Unaudited Interim Consolidated Statement of Income

(In RMB millions, unless otherwise stated)

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income	<b>412,613</b>	372,507
Interest expense	<b>(175,006)</b>	(156,618)
<b>NET INTEREST INCOME</b>	<b>237,607</b>	215,889
Fee and commission income	<b>79,386</b>	72,512
Fee and commission expense	<b>(6,158)</b>	(5,130)
<b>NET FEE AND COMMISSION INCOME</b>	<b>73,228</b>	67,382
Net trading income/(expense)	<b>1,626</b>	(338)
Net (loss)/gain on financial assets and liabilities designated at fair value through profit or loss	<b>(4,977)</b>	90
Net gain on financial investments	<b>1,036</b>	608
Other operating income, net	<b>8,333</b>	7,845
<b>OPERATING INCOME</b>	<b>316,853</b>	291,476
Operating expenses	<b>(99,612)</b>	(91,749)
Impairment losses on:		
Loans and advances to customers	<b>(23,988)</b>	(21,927)
Others	<b>(179)</b>	(14)
<b>OPERATING PROFIT</b>	<b>193,074</b>	177,786
Share of profits of associates and joint ventures	<b>1,016</b>	1,055
<b>PROFIT BEFORE TAXATION</b>	<b>194,090</b>	178,841
Income tax expense	<b>(45,709)</b>	(40,364)
<b>PROFIT FOR THE PERIOD</b>	<b>148,381</b>	138,477
Attributable to:		
Equity holders of the parent company	<b>148,100</b>	138,347
Non-controlling interests	<b>281</b>	130
	<b>148,381</b>	138,477
<b>EARNINGS PER SHARE</b>		
— Basic (RMB yuan)	<b>0.42</b>	0.40
— Diluted (RMB yuan)	<b>0.42</b>	0.39

## 8.1.2 Unaudited Interim Consolidated Statement of Comprehensive Income

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
Profit for the period	<u>148,381</u>	<u>138,477</u>
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Recognised in profit or loss	<u>24,565</u>	<u>(8,478)</u>
Subtotal of other comprehensive income for the period	<u>24,565</u>	<u>(8,478)</u>
Total comprehensive income for the period	<u><u>172,946</u></u>	<u><u>129,999</u></u>
Total comprehensive income attributable to:		
Equity holders of the parent company	172,629	129,968
Non-controlling interests	<u>317</u>	<u>31</u>
	<u><u>172,946</u></u>	<u><u>129,999</u></u>

### 8.1.3 Unaudited Interim Consolidated Statement of Financial Position

(In RMB millions, unless otherwise stated)

	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
<b>ASSETS</b>		
Cash and balances with central banks	<b>3,607,404</b>	3,294,007
Due from banks and other financial institutions	<b>642,087</b>	717,984
Financial assets held for trading	<b>47,699</b>	28,143
Financial assets designated at fair value through profit or loss	<b>338,893</b>	344,413
Derivative financial assets	<b>25,943</b>	25,020
Reverse repurchase agreements	<b>540,645</b>	331,903
Loans and advances to customers	<b>10,394,435</b>	9,681,415
Financial investments	<b>4,089,448</b>	3,949,688
Investments in associates and joint ventures	<b>30,291</b>	28,515
Property and equipment	<b>175,368</b>	164,347
Deferred income tax assets	<b>21,480</b>	28,860
Other assets	<b>389,984</b>	323,457
<b>TOTAL ASSETS</b>	<b><u>20,303,677</u></b>	<u>18,917,752</u>
<b>LIABILITIES</b>		
Due to central banks	<b>745</b>	724
Financial liabilities designated at fair value through profit or loss	<b>642,497</b>	553,607
Derivative financial liabilities	<b>23,579</b>	19,168
Due to banks and other financial institutions	<b>1,418,199</b>	1,269,255
Repurchase agreements	<b>193,858</b>	299,304
Certificates of deposit	<b>176,265</b>	130,558
Due to customers	<b>15,728,332</b>	14,620,825
Income tax payable	<b>34,914</b>	55,674
Deferred income tax liabilities	<b>470</b>	420
Debt securities issued	<b>255,640</b>	253,018
Other liabilities	<b>469,675</b>	436,736
<b>TOTAL LIABILITIES</b>	<b><u>18,944,174</u></b>	<u>17,639,289</u>
<b>EQUITY</b>		
Equity attributable to equity holders of the parent company		
Share capital	<b>351,406</b>	351,390
Equity component of convertible bonds	<b>1,954</b>	1,960
Reserves	<b>434,176</b>	408,835
Retained profits	<b>567,321</b>	511,949
	<b><u>1,354,857</u></b>	<u>1,274,134</u>
Non-controlling interests	<b>4,646</b>	4,329
<b>TOTAL EQUITY</b>	<b><u>1,359,503</u></b>	<u>1,278,463</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>20,303,677</u></b>	<u>18,917,752</u>

## 8.1.4 Unaudited Interim Consolidated Statement of Changes In Equity

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													Total equity
	Equity component	Reserves										Non-controlling interests		
		Issued share capital	Convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal		Retained profits	
Balance as at 1 January 2014	351,390	1,960	138,852	123,870	202,940	(29,379)	(24,038)	(3,961)	551	408,835	511,949	1,274,134	4,329	1,278,463
Profit for the period	—	—	—	—	—	—	—	—	—	—	148,100	148,100	281	148,381
Other comprehensive income	—	—	24	—	—	22,485	1,979	52	(11)	24,529	—	24,529	36	24,565
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	22,485	—	—	—	22,485	—	22,485	112	22,597
— Cash flow hedges, net of tax	—	—	—	—	—	—	—	52	—	52	—	52	1	53
— Share of other comprehensive income of associates and joint ventures	—	—	—	—	—	—	—	—	(11)	(11)	—	(11)	—	(11)
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	1,979	—	—	1,979	—	1,979	(77)	1,902
— Others	—	—	24	—	—	—	—	—	—	24	—	24	—	24
Total comprehensive income	—	—	24	—	—	22,485	1,979	52	(11)	24,529	148,100	172,629	317	172,946
Dividend — 2013 final	—	—	—	—	—	—	—	—	—	—	(91,960)	(91,960)	—	(91,960)
Appropriation to surplus reserve (i)	—	—	—	216	—	—	—	—	—	216	(216)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	552	—	—	—	—	552	(552)	—	—	—
Conversion of convertible bonds	16	—	44	—	—	—	—	—	—	44	—	60	—	60
Conversion of equity component of convertible bonds	—	(6)	—	—	—	—	—	—	—	—	—	(6)	—	(6)
Balance as at 30 June 2014 (unaudited)	<u>351,406</u>	<u>1,954</u>	<u>138,920</u>	<u>124,086</u>	<u>203,492</u>	<u>(6,894)</u>	<u>(22,059)</u>	<u>(3,909)</u>	<u>540</u>	<u>434,176</u>	<u>567,321</u>	<u>1,354,857</u>	<u>4,646</u>	<u>1,359,503</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amount of RMB216 million.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB552 million.

(In RMB millions, unless otherwise stated)

Attributable to equity holders of the parent company

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

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

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

(In RMB millions, unless otherwise stated)

Attributable to equity holders of the parent company

	Reserves													Total equity
	Issued share capital	Equity component of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	
Balance as at 1 January 2013	349,620	2,708	133,835	98,063	189,071	(3,757)	(12,822)	(3,754)	(508)	400,128	372,541	1,124,997	3,462	1,128,459
Profit for the year	—	—	—	—	—	—	—	—	—	—	262,649	262,649	316	262,965
Other comprehensive income	—	—	8	—	—	(25,622)	(11,216)	(207)	763	(36,274)	—	(36,274)	(355)	(36,629)
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	(25,622)	—	—	—	(25,622)	—	(25,622)	(128)	(25,750)
— Cash flow hedges, net of tax	—	—	—	—	—	—	—	(207)	—	(207)	—	(207)	(2)	(209)
— Share of other comprehensive income of associates and joint ventures	—	—	—	—	—	—	—	—	763	763	—	763	—	763
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	(11,216)	—	—	(11,216)	—	(11,216)	(220)	(11,436)
— Others	—	—	8	—	—	—	—	—	—	8	—	8	(5)	3
Total comprehensive income	—	—	8	—	—	(25,622)	(11,216)	(207)	763	(36,274)	262,649	226,375	(39)	226,336
Dividend — 2012 final	—	—	—	—	—	—	—	—	—	—	(83,565)	(83,565)	—	(83,565)
Appropriation to surplus reserve (i)	—	—	—	25,807	—	—	—	—	—	25,807	(25,807)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	13,869	—	—	—	—	13,869	(13,869)	—	—	—
Conversion of convertible bonds	1,770	—	5,009	—	—	—	—	—	—	5,009	—	6,779	—	6,779
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	953	953
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(47)	(47)
Conversion of equity component of convertible bonds	—	(748)	—	—	—	—	—	—	—	—	—	(748)	—	(748)
Others	—	—	—	—	—	—	—	—	296	296	—	296	—	296
Balance as at 31 December 2013	<u>351,390</u>	<u>1,960</u>	<u>138,852</u>	<u>123,870</u>	<u>202,940</u>	<u>(29,379)</u>	<u>(24,038)</u>	<u>(3,961)</u>	<u>551</u>	<u>408,835</u>	<u>511,949</u>	<u>1,274,134</u>	<u>4,329</u>	<u>1,278,463</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amount of RMB425 million.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB1,140 million.

## 8.1.5 Unaudited Interim Consolidated Statement of Cash Flows

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>194,090</b>	178,841
Adjustments for:		
Share of profits of associates and joint ventures	<b>(1,016)</b>	(1,055)
Depreciation	<b>7,829</b>	7,196
Amortisation	<b>1,131</b>	1,002
Amortisation of financial investments	<b>578</b>	91
Impairment losses on loans and advances to customers	<b>23,988</b>	21,927
Impairment losses on assets other than loans and advances to customers	<b>179</b>	14
Unrealised foreign exchange (gain)/loss	<b>(6,948)</b>	4,767
Interest expense on debt securities issued	<b>5,645</b>	5,487
Accreted interest on impaired loans	<b>(1,215)</b>	(937)
Gain on disposal of available-for-sale financial assets, net	<b>(924)</b>	(578)
Net trading loss/(gain) on equity investments	<b>1</b>	(8)
Net loss/(gain) on financial assets and liabilities designated at fair value through profit or loss	<b>4,977</b>	(90)
Net gain on disposal of property and equipment and other assets (other than repossessed assets)	<b>(426)</b>	(423)
Dividend income	<b>(112)</b>	(30)
	<b>227,777</b>	216,204
Net decrease/(increase) in operating assets:		
Due from central banks	<b>(130,081)</b>	(239,541)
Due from banks and other financial institutions	<b>(23,692)</b>	111,677
Financial assets held for trading	<b>(19,355)</b>	(23,694)
Financial assets designated at fair value through profit or loss	<b>8,636</b>	(66,393)
Reverse repurchase agreements	<b>(44,974)</b>	9,817
Loans and advances to customers	<b>(714,006)</b>	(649,962)
Other assets	<b>(59,135)</b>	(39,640)
	<b>(982,607)</b>	(897,736)
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated at fair value through profit or loss	<b>86,055</b>	69,995
Due to central banks	<b>21</b>	(416)
Due to banks and other financial institutions	<b>138,442</b>	(210,788)
Repurchase agreements	<b>(105,446)</b>	100,107
Certificates of deposit	<b>43,069</b>	18,407
Due to customers	<b>1,091,999</b>	871,542
Other liabilities	<b>(13,898)</b>	39,463
	<b>1,240,242</b>	888,310
Net cash flows from operating activities before tax	<b>485,412</b>	206,778
Income tax paid	<b>(67,321)</b>	(64,054)
Net cash flows from operating activities	<b>418,091</b>	142,724



(In RMB millions, unless otherwise stated)

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(unaudited)</b>	(unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment and other assets	<b>(19,981)</b>	(12,274)
Acquisitions and disposals of joint ventures/associates	—	487
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	<b>495</b>	423
Purchases of financial investments	<b>(587,502)</b>	(648,030)
Proceeds from sale and redemption of financial investments	<b>499,566</b>	435,913
Investments in associates and joint ventures	<b>(10)</b>	—
Dividends received	<b>570</b>	152
	<hr/>	<hr/>
Net cash flows from investing activities	<b>(106,862)</b>	(223,329)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital injection by non-controlling shareholders	—	125
Proceeds from issuance of other debt securities	<b>24,349</b>	21,889
Interest paid on debt securities	<b>(4,013)</b>	(1,532)
Borrowing and repayments of debt	<b>(23,794)</b>	(3,289)
Dividends paid on ordinary shares	<b>(69,246)</b>	—
Dividends paid to non-controlling shareholders	—	(23)
	<hr/>	<hr/>
Net cash flows from financing activities	<b>(72,704)</b>	17,170
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>238,525</b>	(63,435)
Cash and cash equivalents at beginning of the period	<b>957,402</b>	1,201,647
Effect of exchange rate changes on cash and cash equivalents	<b>8,940</b>	(6,520)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b><u>1,204,867</u></b>	<u>1,131,692</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:</b>		
Interest received	<b>398,109</b>	351,432
Interest paid	<b>(150,557)</b>	(125,971)
	<hr/>	<hr/>

## 8.2 Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs")) as of 1 January 2014. The principal effects of adopting these revised IFRSs are as follows:

### ***Amendments to IFRS 10 — Consolidated financial statement, IFRS 12 — Disclosure of interests in other entities and IAS 27 — Separate financial statements — Investment entities***

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. The adoption does not have any material impact on the Group's financial statements.

### ***Amendments to IAS 32 — Financial instruments: presentation — offsetting financial assets and financial liabilities***

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off". The adoption does not have any material impact on the Group's financial statements.

### ***Amendments to IAS 36 — Impairment of assets — Recoverable amount disclosures for non-financial assets***

The amendments to IAS 36 modify the disclosure requirements for impaired nonfinancial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating units ("CGU") whose recoverable amount is based on fair value less costs of disposal. The adoption does not have any material impact on the Group's financial statements.

***Amendments to IAS 39 — Financial instruments: recognition and measurement — Novation of derivatives and continuation of hedge accounting***

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The adoption does not have any material impact on the Group's financial statements.

***IFRIC 21 — Levies — Accounting for levies***

The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. The interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The adoption does not have significant impact on the Group's financial statements.

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

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

*(In RMB millions, unless otherwise stated)*

#### 8.3.1 Net Interest Income

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
Interest income on:		
Loans and advances to customers		
— Corporate loans and advances	213,873	192,903
— Personal loans	79,130	67,849
— Discounted bills	4,750	5,305
Financial investments	77,490	71,920
Due from central banks	23,695	21,966
Due from banks and other financial institutions	13,675	12,564
	<u>412,613</u>	<u>372,507</u>
Interest expense on:		
Due to customers	(146,493)	(132,153)
Due to banks and other financial institutions	(21,474)	(18,642)
Debt securities issued	(7,039)	(5,823)
	<u>(175,006)</u>	<u>(156,618)</u>
Net interest income	<u>237,607</u>	<u>215,889</u>

### 8.3.2 *Net Fee and Commission Income*

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Investment banking business	<b>19,685</b>	17,077
Bank card business	<b>16,861</b>	14,275
Settlement, clearing business and cash management	<b>16,701</b>	15,638
Personal wealth management and private banking services	<b>10,108</b>	9,920
Corporate wealth management services	<b>7,056</b>	6,868
Asset custody business	<b>3,532</b>	3,738
Guarantee and commitment business	<b>2,841</b>	2,812
Trust and agency services	<b>1,162</b>	1,004
Others	<b>1,440</b>	1,180
	<hr/>	<hr/>
Fee and commission income	<b>79,386</b>	72,512
Fee and commission expense	<b>(6,158)</b>	(5,130)
	<hr/>	<hr/>
Net fee and commission income	<b><u>73,228</u></b>	<b><u>67,382</u></b>

### 8.3.3 *Net Trading Income/(Expense)*

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Debt securities	<b>952</b>	552
Equity investments	<b>(1)</b>	8
Derivatives and others	<b>675</b>	(898)
	<hr/>	<hr/>
	<b><u>1,626</u></b>	<b><u>(338)</u></b>

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Financial assets	<b>9,286</b>	4,122
Financial liabilities	<b>(14,263)</b>	(4,032)
	<hr/>	<hr/>
	<b><u>(4,977)</u></b>	<b><u>90</u></b>

### 8.3.5 Net Gain on Financial Investments

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
Dividend income from unlisted investments	109	27
Dividend income from listed investments	3	3
	<hr/>	<hr/>
Dividend income	112	30
Gain on disposal of available-for-sale financial assets, net	924	578
	<hr/>	<hr/>
	<b>1,036</b>	<b>608</b>
	<hr/> <hr/>	<hr/> <hr/>

### 8.3.6 Other Operating Income, Net

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
Insurance net income	318	544
Gain from foreign exchange and foreign exchange products, net	3,270	4,569
Leasing income	3,118	1,430
Net gain on disposal of property and equipment, repossessed assets and others	478	363
Sundry bank charge income	53	42
Others	1,096	897
	<hr/>	<hr/>
	<b>8,333</b>	<b>7,845</b>
	<hr/> <hr/>	<hr/> <hr/>

### 8.3.7 Operating Expenses

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Staff costs:		
Salaries and bonuses	<b>31,108</b>	30,532
Staff benefits	<b>11,604</b>	9,296
Contributions to defined contribution schemes	<b>6,740</b>	4,872
	<u><b>49,452</b></u>	<u>44,700</u>
 Premises and equipment expenses:		
Depreciation	<b>7,829</b>	7,196
Lease payments under operating leases in respect of land and buildings	<b>3,545</b>	3,136
Repairs and maintenance charges	<b>1,241</b>	1,125
Utility expenses	<b>1,210</b>	1,198
	<u><b>13,825</b></u>	<u>12,655</u>
 Amortisation	<b>1,131</b>	1,002
Other administrative expenses	<b>10,093</b>	10,443
Business tax and surcharges	<b>20,493</b>	18,613
Others	<b>4,618</b>	4,336
	<u><b>99,612</b></u>	<u>91,749</u>

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Charge/(Reversal) of impairment losses on:		
Due from banks and other financial institutions	<b>(29)</b>	17
Financial investments:		
Held-to-maturity investments	<b>(9)</b>	(283)
Available-for-sale financial assets	<b>83</b>	30
Others	<b>134</b>	250
	<u><b>179</b></u>	<u>14</u>

### 8.3.9 Income Tax Expense

#### (a) Income tax

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current income tax expense:		
Mainland China	<b>43,042</b>	40,073
Hong Kong and Macau	<b>779</b>	645
Overseas	<b>1,200</b>	627
	<b>45,021</b>	41,345
Adjustments in respect of current income tax of prior years	<b>292</b>	(2,002)
Deferred income tax expense	<b>396</b>	1,021
	<b>45,709</b>	40,364



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

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit before tax	<u><b>194,090</b></u>	<u>178,841</u>
Tax at the PRC statutory income tax rate (25%)	<b>48,523</b>	44,710
Effects of different applicable rates of tax prevailing in other countries/regions	<b>(176)</b>	(11)
Effects of non-deductible expenses	<b>1,452</b>	1,771
Effects of profits and losses attributable to associates and joint ventures	<b>(254)</b>	(360)
Effects of non-taxable income	<b>(4,383)</b>	(4,247)
Adjustment in respect of current income tax of prior years	<b>292</b>	(2,002)
Others	<u><b>255</b></u>	<u>503</u>
Income tax expenses	<u><b>45,709</b></u>	<u>40,364</u>

**8.3.10 Dividends**

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Dividends on ordinary shares declared and paid: Final dividend for 2013: RMB0.2617 per share (2012: RMB0.239 per share)	<u><b>91,960</b></u>	<u>83,565</u>

### 8.3.11 Earnings Per Share

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(unaudited)</b>	(unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	<u><b>148,100</b></u>	<u>138,347</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u><b>351,390</b></u>	<u>349,640</u>
Basic earnings per share (RMB yuan)	<u><b>0.42</b></u>	<u>0.40</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:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(unaudited)</b>	(unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	<u><b>148,100</b></u>	<u>138,347</u>
Add: Interest expense on convertible bonds (net of tax)	<u><b>231</b></u>	<u>308</u>
Profit used to determine diluted earnings per share	<u><b>148,331</b></u>	<u>138,655</u>
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	<u><b>351,390</b></u>	<u>349,640</u>
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	<u><b>5,006</b></u>	<u>6,398</u>
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	<u><b>356,396</b></u>	<u>356,038</u>
Diluted earnings per share (RMB yuan)	<u><b>0.42</b></u>	<u>0.39</u>

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

### 8.3.12 Derivative Financial Instruments

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

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

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

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

	30 June 2014 (unaudited)					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Exchange rate contracts:							
Forward and swap contracts	1,183,191	1,093,225	88,877	3,839	2,369,132	21,019	(19,631)
Option contracts purchased	8,735	33,988	370	—	43,093	192	—
Option contracts written	4,814	12,628	370	—	17,812	—	(143)
	<u>1,196,740</u>	<u>1,139,841</u>	<u>89,617</u>	<u>3,839</u>	<u>2,430,037</u>	<u>21,211</u>	<u>(19,774)</u>
Interest rate contracts:							
Swap contracts	30,755	129,888	159,820	25,840	346,303	2,520	(2,614)
Forward contracts	621	5,224	819	—	6,664	1	(6)
	<u>31,376</u>	<u>135,112</u>	<u>160,639</u>	<u>25,840</u>	<u>352,967</u>	<u>2,521</u>	<u>(2,620)</u>
Commodity derivatives and others	234,146	47,275	1,466	259	283,146	2,211	(1,185)
	<u>1,462,262</u>	<u>1,322,228</u>	<u>251,722</u>	<u>29,938</u>	<u>3,066,150</u>	<u>25,943</u>	<u>(23,579)</u>

## 31 December 2013 (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	841,965	679,653	79,228	1,492	1,602,338	17,977	(13,331)
Option contracts purchased	4,071	30,395	210	—	34,676	164	—
Option contracts written	605	5,471	210	—	6,286	—	(33)
	<u>846,641</u>	<u>715,519</u>	<u>79,648</u>	<u>1,492</u>	<u>1,643,300</u>	<u>18,141</u>	<u>(13,364)</u>
Interest rate contracts:							
Swap contracts	39,736	98,611	153,414	21,563	313,324	3,068	(3,394)
Forward contracts	823	3,878	48	—	4,749	—	(1)
	<u>40,559</u>	<u>102,489</u>	<u>153,462</u>	<u>21,563</u>	<u>318,073</u>	<u>3,068</u>	<u>(3,395)</u>
Commodity derivatives and others	195,466	40,513	844	254	237,077	3,811	(2,409)
	<u>1,082,666</u>	<u>858,521</u>	<u>233,954</u>	<u>23,309</u>	<u>2,198,450</u>	<u>25,020</u>	<u>(19,168)</u>

***Cash flow hedges***

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

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

## 30 June 2014 (unaudited)

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Interest rate swap contracts	<u>—</u>	<u>3,922</u>	<u>1,759</u>	<u>3,747</u>	<u>9,428</u>	<u>185</u>	<u>(37)</u>
	<u>—</u>	<u>3,922</u>	<u>1,759</u>	<u>3,747</u>	<u>9,428</u>	<u>185</u>	<u>(37)</u>

31 December 2013 (audited)

	Notional amounts with remaining life of				Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	127	3,138	2,531	3,490	9,286	291	(49)
	<u>127</u>	<u>3,138</u>	<u>2,531</u>	<u>3,490</u>	<u>9,286</u>	<u>291</u>	<u>(49)</u>

There was no ineffectiveness recognised in the statement of income that arose from the cash flow hedge for the current period (six months ended 30 June 2013: Nil).

### **Fair value hedges**

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

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

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>(unaudited)</b>	<b>2013</b> <b>(unaudited)</b>
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	<b>59</b>	55
— Hedged items attributable to the hedged risk	<b>(61)</b>	(59)
	<u><b>(2)</b></u>	<u>(4)</u>

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

	30 June 2014 (unaudited)					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over 3 months but within one year	Over 1 year but within five years	Over five years			
Currency swap contracts	—	141	69	—	210	9	—
Interest rate swap contracts	1,580	1,696	9,289	3,726	16,291	17	(271)
	<u>1,580</u>	<u>1,837</u>	<u>9,358</u>	<u>3,726</u>	<u>16,501</u>	<u>26</u>	<u>(271)</u>

  

	31 December 2013 (audited)					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Currency swap contracts	55	302	68	—	425	8	(5)
Interest rate swap contracts	1,080	3,761	5,386	3,187	13,414	12	(316)
	<u>1,135</u>	<u>4,063</u>	<u>5,454</u>	<u>3,187</u>	<u>13,839</u>	<u>20</u>	<u>(321)</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 2014 (unaudited)	31 December 2013 (audited)
Counterparty credit default risk-weighted assets	28,596	33,670
Currency derivatives	25,931	31,252
Interest rate derivatives	1,578	1,348
Commodity derivatives and others	1,087	1,070
Credit value adjustment	17,964	19,874
	<u>46,560</u>	<u>53,544</u>

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

### 8.3.13 *Financial Investments*

	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
Receivables	<b>339,002</b>	324,488
Held-to-maturity investments	<b>2,621,864</b>	2,624,400
Available-for-sale financial assets	<b>1,128,582</b>	1,000,800
	<u><b>4,089,448</b></u>	<u>3,949,688</u>

### 8.3.14 *Components of Other Comprehensive Income*

	<b>Six months ended 30 June</b>	
	<b>2014 (unaudited)</b>	2013 (unaudited)
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets:		
Changes in fair value recorded in other Comprehensive income/(loss)	<b>27,228</b>	(1,072)
Less: Transfer to the statement of income arising from disposal/impairment	<b>2,388</b>	(384)
Income tax effect	<b>(7,019)</b>	234
	<u><b>22,597</b></u>	<u>(1,222)</u>
Cash flow hedges:		
Gain/(loss) during the period	<b>66</b>	(210)
Less: Income tax effect	<b>(13)</b>	36
	<u><b>53</b></u>	<u>(174)</u>
Share of other comprehensive income of associates and joint ventures	<u><b>(11)</b></u>	<u>824</u>
Foreign currency translation differences	<u><b>1,902</b></u>	<u>(7,927)</u>
Others	<b>26</b>	25
Less: Income tax effect	<b>(2)</b>	(4)
	<u><b>24</b></u>	<u>21</u>
	<u><b>24,565</b></u>	<u>(8,478)</u>

### 8.3.15 *Commitments and Contingent Liabilities*

#### (a) *Capital commitments*

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

	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
Authorised, but not contracted for	<b>708</b>	692
Contracted, but not provided for	<b>19,975</b>	1,521
	<b><u>20,683</u></b>	<u>2,213</u>

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

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

	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
Within one year	<b>6,263</b>	4,448
Over one year but within five years	<b>14,481</b>	9,163
Over five years	<b>2,634</b>	2,433
	<b><u>23,378</u></b>	<u>16,044</u>

#### (c) *Credit commitments*

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

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

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



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

	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
Bank acceptances	<b>370,593</b>	327,048
Guarantees issued		
Financing letters of guarantees	<b>105,823</b>	102,275
Non-financing letters of guarantees	<b>246,509</b>	276,913
Sight letters of credit	<b>50,899</b>	88,669
Usance letters of credit and other commitments	<b>429,596</b>	409,095
Loan commitments		
With an original maturity of under one year	<b>233,036</b>	265,303
With an original maturity of one year or over	<b>514,976</b>	536,245
Undrawn credit card limit	<b>472,473</b>	440,408
	<b><u>2,423,905</u></b>	<u>2,445,956</u>
		<b>30 June 2014 (unaudited)</b>
Credit risk weighted amount of credit commitments		<b><u>1,065,328</u></b>

- (i) Internal Ratings-Based approach was adopted to calculate the credit risk weighted amount according to the scope approved by the CBRC, and others are calculated by weighted approach.
- (ii) As at 31 December 2013, the credit risk weighted amount calculated by weighted approach was RMB917,567 million in accordance with “Regulation Governing Capital of Commercial Banks (Provisional)”.

*(d) Legal proceedings*

As at 30 June 2014, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB2,510 million (31 December 2013: RMB2,389 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 2014, the Bank had underwritten and sold bonds with an accumulated amount of RMB105,992 million (31 December 2013: RMB87,982 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 2014, the Group had no unexpired securities underwriting obligations (31 December 2013: Nil).

### **8.3.16 Segment Information**

*(a) Operating segments*

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

#### **Corporate banking**

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

#### **Personal banking**

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

## Treasury operations

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

## Others

This segment covers the Group's insurance and leasing services as well as the other 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.

**Six months ended 30 June 2014 (unaudited)**

	<b>Corporate banking</b>	<b>Personal banking</b>	<b>Treasury operations</b>	<b>Others</b>	<b>Total</b>
External net interest income	143,622	5,973	87,552	460	237,607
Internal net interest income/(expense)	(42,018)	77,624	(35,606)	—	—
Net fee and commission income/(expense)	47,330	26,037	326	(465)	73,228
Other income, net	658	2	3,163	2,195	6,018
<b>Operating income</b>	<b>149,592</b>	<b>109,636</b>	<b>55,435</b>	<b>2,190</b>	<b>316,853</b>
Operating expenses	(46,180)	(41,391)	(8,642)	(3,399)	(99,612)
Impairment losses on:					
Loans and advances to customers	(15,891)	(8,097)	—	—	(23,988)
Others	(86)	3	5	(101)	(179)
<b>Operating profit/(loss)</b>	<b>87,435</b>	<b>60,151</b>	<b>46,798</b>	<b>(1,310)</b>	<b>193,074</b>
Share of profits and losses of associates and joint ventures	—	—	—	1,016	1,016
<b>Profit/(Loss) before taxation</b>	<b>87,435</b>	<b>60,151</b>	<b>46,798</b>	<b>(294)</b>	<b>194,090</b>
Income tax expense					(45,709)
<b>Profit for the period</b>					<b><u>148,381</u></b>
<b>Other segment information:</b>					
Depreciation	3,611	2,721	1,381	116	7,829
Amortisation	563	336	212	20	1,131
Capital expenditure	9,697	7,168	3,664	292	20,821

**As at 30 June 2014 (unaudited)**

	<b>Corporate banking</b>	<b>Personal banking</b>	<b>Treasury operations</b>	<b>Others</b>	<b>Total</b>
<b>Segment assets</b>	<b><u>7,763,901</u></b>	<b><u>2,960,818</u></b>	<b><u>9,438,841</u></b>	<b><u>140,117</u></b>	<b><u>20,303,677</u></b>
Including: Investments in associates and joint ventures	—	—	—	30,291	30,291
Property and equipment	71,006	52,798	26,792	24,772	175,368
Other non-current assets	15,343	6,979	4,661	10,329	37,312
<b>Segment liabilities</b>	<b><u>8,747,136</u></b>	<b><u>7,527,366</u></b>	<b><u>2,571,263</u></b>	<b><u>98,409</u></b>	<b><u>18,944,174</u></b>
<b>Other segment information:</b>					
Credit commitments	1,951,432	472,473	—	—	2,423,905

## Six months ended 30 June 2013 (unaudited)

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

## As at 31 December 2013 (audited)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>7,193,345</u>	<u>2,765,136</u>	<u>8,820,870</u>	<u>138,401</u>	<u>18,917,752</u>
Including: Investments in associates and joint ventures	—	—	—	28,515	28,515
Property and equipment	64,306	48,874	24,496	26,671	164,347
Other non-current assets	14,867	7,141	4,638	9,902	36,548
Segment liabilities	<u>8,030,376</u>	<u>7,087,551</u>	<u>2,475,913</u>	<u>45,449</u>	<u>17,639,289</u>
Other segment information:					
Credit commitments	<u>2,005,548</u>	<u>440,408</u>	<u>—</u>	<u>—</u>	<u>2,445,956</u>

*(b) Geographical information*

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

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

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

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

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

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

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

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

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

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

## Six months ended 30 June 2014 (unaudited)

## Mainland China (HO and domestic branches)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
External net interest income	92,232	29,637	22,467	15,608	22,463	35,457	9,033	10,710	—	237,607
Internal net interest income/(expense)	(69,523)	12,189	5,323	33,608	8,254	5,000	4,724	425	—	—
Net fee and commission income	2,595	18,116	11,824	12,440	11,989	10,355	3,015	3,074	(180)	73,228
Other income/(expense), net	2,404	(772)	230	1,401	(369)	(705)	(30)	3,859	—	6,018
Operating income	27,708	59,170	39,844	63,057	42,337	50,107	16,742	18,068	(180)	316,853
Operating expenses	(8,742)	(16,659)	(12,454)	(16,690)	(15,216)	(17,388)	(6,405)	(6,238)	180	(99,612)
Impairment losses on:										
Loans and advances to customers	(763)	(7,683)	(3,389)	(3,218)	(3,739)	(3,467)	(1,008)	(721)	—	(23,988)
Others	21	(17)	16	(5)	3	14	(13)	(198)	—	(179)
Operating profit	18,224	34,811	24,017	43,144	23,385	29,266	9,316	10,911	—	193,074
Share of profits and losses of associates and joint ventures	—	—	—	—	—	—	—	1,016	—	1,016
Profit before tax	18,224	34,811	24,017	43,144	23,385	29,266	9,316	11,927	—	194,090
Income tax expense										(45,709)
Profit for the period										<u>148,381</u>
Other segment information:										
Depreciation	889	1,130	740	1,010	1,219	1,382	535	924	—	7,829
Amortisation	466	100	67	61	114	168	34	121	—	1,131
Capital expenditure	1,229	509	300	423	665	1,009	293	16,393	—	<u>20,821</u>

## As at 30 June 2014 (unaudited)

## Mainland China (HO and domestic branches)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Assets by geographical area	8,745,946	3,540,447	2,332,348	4,763,130	2,438,560	2,810,129	1,035,631	1,724,425	(7,108,419)	20,282,197
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	30,291	—	30,291
Property and equipment	13,738	23,078	11,992	17,552	18,871	22,513	10,207	57,417	—	175,368
Other non-current assets	11,635	5,506	2,709	3,603	4,814	5,433	1,325	2,287	—	37,312
Unallocated assets										<u>21,480</u>
Total assets										<u>20,303,677</u>
Liabilities by geographical area	7,391,378	3,506,698	2,308,009	5,003,815	2,414,048	2,779,034	1,024,441	1,596,779	(7,108,419)	18,915,783
Unallocated liabilities										<u>28,391</u>
Total liabilities										<u>18,944,174</u>
Other segment information:										
Credit commitments	<u>475,620</u>	<u>480,242</u>	<u>289,576</u>	<u>415,154</u>	<u>138,218</u>	<u>177,004</u>	<u>71,174</u>	<u>376,917</u>	<u>—</u>	<u>2,423,905</u>

## Six months ended 30 June 2013 (unaudited)

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

## As at 31 December 2013 (audited)

	Mainland China (HO and domestic branches)								Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China				
Assets by geographical area	8,178,181	4,769,329	3,032,428	3,326,666	1,808,412	2,331,126	945,023	1,599,413	(7,101,686)	18,888,892	
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	28,515	—	28,515	
Property and equipment	13,857	23,791	12,458	18,498	19,467	23,017	10,470	42,789	—	164,347	
Other non-current assets	11,177	5,552	2,766	3,690	4,896	4,716	1,348	2,403	—	36,548	
Unallocated assets										28,860	
Total assets										<u>18,917,752</u>	
Liabilities by geographical area	6,891,849	4,709,007	2,988,614	3,648,679	1,763,358	2,273,841	926,129	1,483,349	(7,101,686)	17,583,140	
Unallocated liabilities										56,149	
Total liabilities										<u>17,639,289</u>	
Other segment information:											
Credit commitments	<u>494,153</u>	<u>456,115</u>	<u>389,353</u>	<u>386,886</u>	<u>149,095</u>	<u>192,459</u>	<u>71,345</u>	<u>306,550</u>	<u>—</u>	<u>2,445,956</u>	



## 9. 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 2014 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 2014 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 results announcement has been prepared in both Chinese and English. In case of any discrepancy between the two versions, the Chinese version shall prevail.

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

28 August 2014

*As at the date of this announcement, the Board of Directors of the Bank comprises Mr. Jiang Jianqing, Mr. Yi Huiman and Mr. Liu Lixian as executive directors; Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Li Jun, Mr. Wang Xiaolan, Mr. Yao Zhongli and Mr. Fu Zhongjun as non-executive directors; and Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Or Ching Fai, Mr. Hong Yongmiao and Mr. Yi Xiqun as independent non-executive directors.*