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中國工商銀行股份有限公司

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

USD Preference Shares Stock Code: 4603

EUR Preference Shares Stock Code: 4604

RMB Preference Shares Stock Code: 84602

2017 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 2017. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the unaudited interim results. Information disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by China Banking Regulatory Commission (“CBRC”) is also presented in this Announcement.

1. Corporate Information

1.1 Basic Information

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

1.2 Contact

Board Secretary and Company Secretary

| | |
|-----------|--|
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2. Financial Highlights

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

2.1 Financial Data

| | Six months ended 30 June 2017 | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|--|--|--|--|
| Operating results (in RMB millions) | | | |
| Net interest income | 250,922 | 234,280 | 252,087 |
| Net fee and commission income | 76,670 | 81,715 | 77,120 |
| Operating income | 336,739 | 328,981 | 336,737 |
| Operating expenses | 80,270 | 90,594 | 101,499 |
| Impairment losses | 61,343 | 44,433 | 41,951 |
| Operating profit | 195,126 | 193,954 | 193,287 |
| Profit before taxation | 196,498 | 195,075 | 194,678 |
| Net profit | 153,687 | 150,656 | 149,426 |
| Net profit attributable to equity holders of the parent company | 152,995 | 150,217 | 149,021 |
| Net cash flows from operating activities | 346,542 | 297,632 | 1,083,849 |
| Per share data (in RMB yuan) | | | |
| Basic earnings per share | 0.43 | 0.42 | 0.42 |
| Diluted earnings per share | 0.43 | 0.42 | 0.42 |
| | 30 June 2017 | 31 December 2016 | 31 December 2015 |
| Assets and liabilities (in RMB millions) | | | |
| Total assets | 25,514,046 | 24,137,265 | 22,209,780 |
| Total loans and advances to customers | 13,865,909 | 13,056,846 | 11,933,466 |
| Corporate loans | 8,927,631 | 8,140,684 | 7,869,552 |
| Personal loans | 4,575,191 | 4,196,169 | 3,541,862 |
| Discounted bills | 363,087 | 719,993 | 522,052 |
| Allowance for impairment losses on loans | 316,513 | 289,512 | 280,654 |
| Investment | 5,569,993 | 5,481,174 | 5,009,963 |
| Total liabilities | 23,483,412 | 22,156,102 | 20,409,261 |
| Due to customers | 19,021,171 | 17,825,302 | 16,281,939 |
| Corporate deposits | 10,332,529 | 9,448,520 | 8,437,014 |
| Personal deposits | 8,489,736 | 8,140,281 | 7,601,114 |
| Other | 198,906 | 236,501 | 243,811 |
| Due to banks and other financial institutions | 1,815,045 | 2,016,799 | 2,265,860 |
| Equity attributable to equity holders of the parent company | 2,018,295 | 1,969,751 | 1,789,474 |
| Share capital | 356,407 | 356,407 | 356,407 |
| Net asset value per share ⁽¹⁾ (in RMB yuan) | 5.42 | 5.29 | 4.80 |
| Net core tier 1 capital ⁽²⁾ | 1,923,535 | 1,874,976 | 1,701,495 |
| Net tier 1 capital ⁽²⁾ | 2,003,429 | 1,954,770 | 1,781,062 |
| Net capital base ⁽²⁾ | 2,196,084 | 2,127,462 | 2,012,103 |
| Risk-weighted assets ⁽²⁾ | 15,183,975 | 14,564,617 | 13,216,687 |
| Credit rating | | | |
| S&P ⁽³⁾ | A | A | A |
| Moody's ⁽³⁾ | A1 | A1 | A1 |

- Notes: (1) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.
- (2) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC.
- (3) The rating results are in the form of “long-term foreign currency deposits rating”.

2.2 Financial Indicators

| | Six months ended 30 June 2017 | Six months ended 30 June 2016 | Six months ended 30 June 2015 |
|---|--|--|--|
| Profitability (%) | | | |
| Return on average total assets ⁽¹⁾ | 1.24* | 1.32* | 1.39* |
| Return on weighted average equity ⁽²⁾ | 15.69* | 16.83* | 18.86* |
| Net interest spread ⁽³⁾ | 2.03* | 2.07* | 2.34* |
| Net interest margin ⁽⁴⁾ | 2.16* | 2.21* | 2.53* |
| Return on risk-weighted assets ⁽⁵⁾ | 2.07* | 2.21* | 2.36* |
| Ratio of net fee and commission income to operating income | 22.77 | 24.84 | 22.90 |
| Cost-to-income ratio ⁽⁶⁾ | <u>22.68</u> | <u>23.44</u> | <u>23.71</u> |
| | 30 June 2017 | 31 December 2016 | 31 December 2015 |
| Asset quality (%) | | | |
| Non-performing loans (“NPL”) ratio ⁽⁷⁾ | 1.57 | 1.62 | 1.50 |
| Allowance to NPL ⁽⁸⁾ | 145.81 | 136.69 | 156.34 |
| Allowance to total loans ratio ⁽⁹⁾ | 2.28 | 2.22 | 2.35 |
| Capital adequacy (%) | | | |
| Core tier 1 capital adequacy ratio ⁽¹⁰⁾ | 12.67 | 12.87 | 12.87 |
| Tier 1 capital adequacy ratio ⁽¹⁰⁾ | 13.19 | 13.42 | 13.48 |
| Capital adequacy ratio ⁽¹⁰⁾ | 14.46 | 14.61 | 15.22 |
| Total equity to total assets ratio | 7.96 | 8.21 | 8.11 |
| Risk-weighted assets to total assets ratio | <u>59.51</u> | <u>60.34</u> | <u>59.51</u> |

Notes: * indicates annualized ratios.

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

- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expenses (less taxes and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
- (9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.
- (10) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) 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 2017 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

3. Business Review

Year to date, the Bank has continued to make greater strides while maintaining increasingly stable performance. Our key operating indicators outperformed the plan, a year earlier and the expectations.

In the first half year, the Bank recorded net profit of RMB153.7 billion and before-provision profit of RMB257.8 billion, up 2.0% and 7.7% when compared to the same period of last year, respectively. The two growth figures exceeded both the same period of 2016 and the first quarter of 2017. The stability of profit growth was heightened because of the following three factors: First, NIM further stabilized. Our NIM for the six months ended 30 June 2017, at 2.16%, stayed unchanged from last year and increased by four BPs compared with the first quarter. Second, relevant domestic lines and segments made larger contribution to profit. For example, domestic mega retail segment functioned like a “ballast” and “stabilizer”. Overseas and controlled institutions reported a growth of 21.4% in net profit compared to the same period of last year, which outpaced the average growth of both the Group and domestic institutions, and their net profit was 7.9% of the Group’s total net profit. Third, the Bank strengthened cost management. The cost-to-income ratio was kept at a desirable level of 22.68%.

Our good business results in the first half of 2017 were attributable to the hard efforts made by the Bank to improve financial services, accelerate transformation and innovation and strictly control risks in line with the development needs of the real economy. Thanks to these efforts, favorable and positive factors emerged in a throng.

Specifically, **first, we actively improved financing management, helping to further enhance the quality and efficiency of serving the real economy.** To initiatively adapt to the needs of supply-side structural reform and economic transformation and upgrade, the Bank was committed to perfecting the integrated management mechanism of credit increment and stock and maintained a good balance in the total volume, distribution, speed and method of financing. In the first half year, the Bank's domestic institutions granted new loans of RMB1.66 trillion, including new additions of RMB624.8 billion and re-lending after collections of RMB1.04 trillion. New non-credit financing and new investment in local government debts were close to RMB450 billion, making a variety of fund sources available to the real economy. The Bank increased support to major strategic projects and key projects of the Chinese government by issuing cumulatively RMB670.7 billion worth of project loans, up RMB183.3 billion from the same period of last year. We lent USD15.3 billion to 71 "Going Global" projects in the first half year. The Bank set up the Inclusive Finance Department aimed at exploring how to improve the efficiency and effectiveness of developing small and micro enterprise finance and inclusive finance, and our loans to small and micro enterprises accomplished the regulatory requirements of "Three No-Lower-Thans". Besides, our outstanding loans for targeted poverty reduction and elimination grew by 16% compared with the year beginning to RMB107.5 billion. The Bank actively supported the reasonable housing demand and consumption upgrade of residents, and our domestic personal loans grew by RMB375.0 billion with the balance accounting for 32.3% of total loans. The Bank entered into cooperative framework agreements on debt-for-equity swap with 16 enterprises, involving an amount of close to RMB200 billion.

Second, we continued to strengthen risk prevention and control, helping the asset quality to show improvement signs. The Bank placed risk prevention and control higher on our priority list, actively improved the new mechanism on credit risk prevention and control under the new normal, and took a multi-pronged approach including controlling new risks, preventing deterioration and rapidly disposing of risks to make the asset quality more stable and better. So, there was an overall improvement in major indicators. NPL ratio, at 1.57%, dropped by 0.05 and 0.02 percentage point compared with the beginning and the first quarter of 2017, respectively. Allowance to NPL rebounded by 9.12 and 4.30 percentage points compared with the beginning and the first quarter of 2017 to 145.81%, indicating that the risk compensation capability was enhancing. Meanwhile, the Bank further improved the whole-chain, full-category and all-inclusive risk management system, and perfected the mechanism of comprehensive investigation, rapid response and proper resolving against the trend that all categories of risks occurred in different places frequently. In particular, with concentrated control of crossed and imported risks, the Bank strictly defended the access threshold. What's more, the Bank demarcated proper boundaries of transformation-based development and innovation, and standardized the development of interbank, wealth management and asset management businesses. We combined a series of special governance activities scheduled by regulators with the Bank's self-inspections on important areas and key links for advancing overall remediation, and solidly carried out the activity of "Year of Heightened Implementation" of internal control and compliance, thus playing a due role in eliminating risks and rooting out hazards. Both the number and amount of risk events declined year on year in the first half year.

Third, we carried forward transformation and innovation in a down-to-earth way, helping to further strengthen the operation vitality and the growth engines. The Bank was dedicated to innovation and transformation so as to nourish new drivers under the guidance of new concepts and sharpen fresh edges. In the context of liquidity squeeze in the whole society, the Bank, deepening on our customer base and service strengths, managed to realize a RMB1.2 trillion growth in deposits. The “mega retail” strategy was advanced further in practice, registering a net increase of 16.86 million personal customers and an aggregate value of personal financial assets up to RMB12.67 trillion in the first half year. Wealth management business was valued at RMB2.7 trillion and assets under custody surpassed RMB14.5 trillion, both leading the market. Capturing the market opportunities arising from economic transformation and upgrade, the Bank picked up speed in well-regulated innovation in investment banking business, and reported outstanding M&A loans close to RMB200 billion. Internet-based finance remained on a fast growth track, with registered users of our mobile banking platform “ICBC Mobile” reaching 267 million, registered users of our information service platform “ICBC Link” increasing by 40.6% to 93.49 million and the value of transactions over our e-commerce platform “ICBC Mall” swelling to RMB523.9 billion. Internet financing expanded to over RMB740 billion, making us still the largest internet financing bank in China. To build an intelligent banking service system, the Bank devised and implemented the e-ICBC3.0 strategic upgrade and leap-frog development, actively shifted traditional services to go online and become more intelligent, and promoted the transformation of innovative services to form an ecosphere which is based on platforms and scenarios.

We were well recognized by the market for our outstanding performance in a severe and complicated environment. For the fifth consecutive year, the Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker*, ranked the 1st place in the Global 2000 listed by *Forbes*, and topped the sub-list of commercial banks of the Global 500 in *Fortune*.

4. Discussion and Analysis

4.1 Income Statement Analysis

In the first half of 2017, in response to the on-going severe and complicated operating environment, the Bank insisted on serving the real economy as its starting point, innovated the products and services based on demands of the real economy and customers, and sped up the operational transformation to enhance operating vitality and market competitiveness. As a result, the interest spread was gradually stabilized, and the asset and liability scale was steadily expanded with the profitability further improved. The Bank realized a net profit of RMB153,687 million in the first half of 2017, representing an increase of 2.0% as compared to the same period of last year. Annualized return on average total assets stood at 1.24%, and annualized return on weighted average equity was 15.69%. Operating income amounted to RMB336,739 million, representing an increase of 2.4%, of which net interest income grew by 7.1% to RMB250,922 million. Non-interest income reached RMB85,817 million, representing a decrease of 9.4% (of which, net fee and commission income decreased by 6.2%)^①. Operating expenses amounted to RMB80,270 million, representing a decrease of 11.4%, and the cost-to-income ratio dropped to 22.68%. Allowance for impairment losses was RMB61,343 million, representing an increase of 38.1%. Income tax expense dropped by 3.6% to RMB42,811 million.

Net Interest Income

In the first half of 2017, net interest income amounted to RMB250,922 million, representing an increase of RMB16,642 million or 7.1% compared to the same period of last year. Interest income grew by RMB23,125 million to RMB418,353 million, an increase of 5.9%; interest expense grew by RMB6,483 million or 4.0% to RMB167,431 million. Net interest spread and net interest margin came at 2.03% and 2.16%, 4 basis points and 5 basis points lower than those of the same period of last year, respectively. Net interest spread raised by 1 basis point over last year, while net interest margin kept the same level with last year. After reversal of the impact of “replacement of business tax with VAT”, the above two indicators would increase by 4 basis points and 3 basis points.

^① After reversal of the impact of “replacing business tax with VAT”, operating income increased by 6.2% compared with the same period of the previous year, net interest income grew by 11.5% and non-interest income dropped by 6.6% (of which, net fee and commission income decreased by 3.0%).

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

In RMB millions, except for percentages

| Item | Six months ended 30 June 2017 | | | Six months ended 30 June 2016 | | |
|--|-------------------------------|-------------------------|------------------------|-------------------------------|-------------------------|------------------------|
| | Average balance | Interest income/expense | Average yield/cost (%) | Average balance | Interest income/expense | Average yield/cost (%) |
| Assets | | | | | | |
| Loans and advances to customers | 13,585,552 | 278,043 | 4.13 | 12,286,073 | 270,749 | 4.43 |
| Investment | 5,113,807 | 90,927 | 3.59 | 4,781,923 | 87,675 | 3.69 |
| Due from central banks ⁽²⁾ | 3,049,809 | 23,018 | 1.52 | 2,831,848 | 21,730 | 1.54 |
| Due from banks and other financial institutions ⁽³⁾ | 1,648,082 | 26,365 | 3.23 | 1,382,905 | 15,074 | 2.19 |
| Total interest-generating assets | 23,397,250 | 418,353 | 3.61 | 21,282,749 | 395,228 | 3.73 |
| Non-interest-generating assets | 1,873,288 | | | 1,713,176 | | |
| Allowance for impairment losses | (309,523) | | | (286,114) | | |
| Total assets | 24,961,015 | | | 22,709,811 | | |
| Liabilities | | | | | | |
| Deposits | 17,952,242 | 127,754 | 1.43 | 16,373,524 | 129,967 | 1.60 |
| Due to banks and other financial institutions ⁽³⁾ | 2,743,299 | 30,198 | 2.22 | 2,696,569 | 22,598 | 1.69 |
| Debt securities issued | 622,388 | 9,479 | 3.07 | 486,426 | 8,383 | 3.47 |
| Total interest-bearing liabilities | 21,317,929 | 167,431 | 1.58 | 19,556,519 | 160,948 | 1.66 |
| Non-interest-bearing liabilities | 1,487,647 | | | 1,348,427 | | |
| Total liabilities | 22,805,576 | | | 20,904,946 | | |
| Net interest income | | 250,922 | | | 234,280 | |
| Net interest spread | | | 2.03 | | | 2.07 |
| Net interest margin | | | 2.16 | | | 2.21 |

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

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

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

Interest Income

◆ *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB278,043 million, representing an increase of RMB7,294 million or 2.7% as compared to the same period of last year, principally due to the increase of loan size.

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 2017 | | | Six months ended 30 June 2016 | | |
|--|--------------------------------------|------------------------|--------------------------|--------------------------------------|------------------------|--------------------------|
| | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| Short-term loans | 3,987,642 | 67,931 | 3.44 | 4,004,097 | 74,433 | 3.74 |
| Medium to long-term loans | 9,597,910 | 210,112 | 4.41 | 8,281,976 | 196,316 | 4.77 |
| Total loans and advances to customers | <u>13,585,552</u> | <u>278,043</u> | <u>4.13</u> | <u>12,286,073</u> | <u>270,749</u> | <u>4.43</u> |

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

In RMB millions, except for percentages

| Item | Six months ended 30 June 2017 | | | Six months ended 30 June 2016 | | |
|--|-------------------------------|-----------------|-------------------|-------------------------------|-----------------|-------------------|
| | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| Corporate loans | 7,464,190 | 161,385 | 4.36 | 7,149,759 | 167,945 | 4.72 |
| Discounted bills | 500,729 | 8,758 | 3.53 | 568,968 | 10,110 | 3.57 |
| Personal loans | 4,313,598 | 87,103 | 4.07 | 3,625,869 | 76,150 | 4.22 |
| Overseas business | 1,307,035 | 20,797 | 3.21 | 941,477 | 16,544 | 3.53 |
| Total loans and advances to customers | 13,585,552 | 278,043 | 4.13 | 12,286,073 | 270,749 | 4.43 |

◆ *Interest Income on Investment*

Interest income on investment amounted to RMB90,927 million, representing an increase of RMB3,252 million or 3.7% as compared to the same period of last year, mainly due to the increase of investment.

◆ *Interest Income on Due from Central Banks*

Interest income on due from central banks was RMB23,018 million, recording an increase of RMB1,288 million or 5.9% as compared to the same period of last year, resulting from the increase of mandatory reserves due to the growing customer deposits.

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

Interest income on due from banks and other financial institutions was RMB26,365 million, representing an increase of RMB11,291 million or 74.9% as compared to the same period of last year, principally due to the increase of 104 basis points in the average yield of due from banks and other financial institutions as affected by the growth of market interest rate during the reporting period.

Interest Expense

◆ *Interest Expense on Deposits*

Interest expense on deposits amounted to RMB127,754 million, representing a decrease of RMB2,213 million or 1.7% as compared to the same period of last year, principally due to the adjustment of deposit interest rates and maturity structure, resulting in a decrease of 17 basis points in the average cost.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

| Item | Six months ended 30 June 2017 | | | Six months ended 30 June 2016 | | |
|--------------------------------|-------------------------------|-----------------------|--------------------|-------------------------------|-----------------------|--------------------|
| | Average balance | Interest expense | Average cost (%) | Average balance | Interest expense | Average cost (%) |
| Corporate deposits | | | | | | |
| Time deposits | 3,948,889 | 44,418 | 2.27 | 3,653,960 | 47,091 | 2.59 |
| Demand deposits ⁽¹⁾ | <u>5,180,872</u> | <u>17,032</u> | <u>0.66</u> | <u>4,469,017</u> | <u>14,238</u> | <u>0.64</u> |
| Subtotal | <u>9,129,761</u> | <u>61,450</u> | <u>1.36</u> | <u>8,122,977</u> | <u>61,329</u> | <u>1.52</u> |
| Personal deposits | | | | | | |
| Time deposits | 4,445,058 | 54,057 | 2.45 | 4,237,829 | 58,862 | 2.79 |
| Demand deposits | <u>3,653,019</u> | <u>7,039</u> | <u>0.39</u> | <u>3,427,388</u> | <u>5,139</u> | <u>0.30</u> |
| Subtotal | <u>8,098,077</u> | <u>61,096</u> | <u>1.52</u> | <u>7,665,217</u> | <u>64,001</u> | <u>1.68</u> |
| Overseas business | <u>724,404</u> | <u>5,208</u> | <u>1.45</u> | <u>585,330</u> | <u>4,637</u> | <u>1.59</u> |
| Total deposits | <u><u>17,952,242</u></u> | <u><u>127,754</u></u> | <u><u>1.43</u></u> | <u><u>16,373,524</u></u> | <u><u>129,967</u></u> | <u><u>1.60</u></u> |

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

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

Interest expense on due to banks and other financial institutions was RMB30,198 million, representing an increase of RMB7,600 million or 33.6% as compared to the same period of last year, principally due to the increase of 53 basis points in the average cost of due to banks and other financial institutions as affected by the growth of market interest rate during the reporting period.

◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB9,479 million, indicating an increase of RMB1,096 million or 13.1% as compared to the same period of last year, mainly attributable to the issuance of financial bonds, bills and CDs by overseas institutions.

Non-interest Income

In the first half of 2017, the Bank realized non-interest income of RMB85,817 million, RMB8,884 million or 9.4% lower than that of the same period of the previous year, accounting for 25.5% of the operating income. Specifically, net fee and commission income dropped by 6.2% to RMB76,670 million, and other non-interest income dropped by 29.6% to RMB9,147 million.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

| Item | Six months | Six months | Increase/ (decrease) | Growth rate (%) |
|--|--------------------------|--------------------------|-------------------------|--------------------|
| | ended 30 June 2017 | ended 30 June 2016 | | |
| Bank card business | 18,792 | 18,859 | (67) | (0.4) |
| Personal wealth management and private banking services | 17,421 | 20,877 | (3,456) | (16.6) |
| Investment banking business | 14,729 | 16,109 | (1,380) | (8.6) |
| Settlement, clearing business and cash management | 14,076 | 13,787 | 289 | 2.1 |
| Corporate wealth management services | 10,103 | 11,276 | (1,173) | (10.4) |
| Guarantee and commitment business | 4,290 | 3,195 | 1,095 | 34.3 |
| Asset custody business | 3,487 | 3,965 | (478) | (12.1) |
| Trust and agency services | 1,088 | 1,105 | (17) | (1.5) |
| Others | 1,416 | 1,643 | (227) | (13.8) |
| Fee and commission income | 85,402 | 90,816 | (5,414) | (6.0) |
| Less: Fee and commission expense | 8,732 | 9,101 | (369) | (4.1) |
| Net fee and commission income | 76,670 | 81,715 | (5,045) | (6.2) |

Centered on customer demands, the Bank promoted innovation in products, services and channels, actively carried out inclusive finance and continued to reduce fees and offer greater discounts for the real economy and consumers. In the first half of 2017, the Bank realized a net fee and commission income of RMB76,670 million, representing a decrease of RMB5,045 million or 6.2% as compared to the same period of last year, mainly because the Bank actively reduced fees and offered discounts, and meanwhile the income from agency funds and insurance, investment and financing consulting, bond issuance and underwriting, corporate wealth management services, asset custody and other business decreased as affected by the bond and capital market volatility, insurance product regulation, replacement of business tax with VAT and other factors during the reporting period.

OTHER NON-INTEREST RELATED GAINS

In RMB millions, except for percentages

| Item | Six months ended 30 June 2017 | Six months ended 30 June 2016 | Increase/ (decrease) | Growth rate (%) |
|--|--|--|-------------------------|--------------------|
| | | | | |
| Net trading income | 2,912 | 3,334 | (422) | (12.7) |
| Net loss on financial assets and liabilities designated at fair value through profit or loss | (3) | (253) | 250 | N/A |
| Net gain on financial investment | 634 | 2,565 | (1,931) | (75.3) |
| Other operating income, net | 5,604 | 7,340 | (1,736) | (23.7) |
| Total | 9,147 | 12,986 | (3,839) | (29.6) |

Other non-interest related gains amounted to RMB9,147 million, recording a decrease of RMB3,839 million or 29.6% compared to the same period of the previous year. Specifically, the decrease in net gain on financial investment was mainly due to the decrease in the income from disposal of available-for-sale assets. The decrease in other operating income (net) was mainly due to the decrease in income from foreign exchange derivatives.

Operating Expenses

In RMB millions, except for percentages

| Item | Six months ended 30 June 2017 | Six months ended 30 June 2016 | Increase/ (decrease) | Growth rate (%) |
|---------------------------------|--|--|-------------------------|--------------------|
| | | | | |
| Staff costs | 49,194 | 49,323 | (129) | (0.3) |
| Premises and equipment expenses | 13,072 | 13,516 | (444) | (3.3) |
| Taxes and surcharges | 3,908 | 13,467 | (9,559) | (71.0) |
| Amortisation | 1,006 | 1,073 | (67) | (6.2) |
| Others | 13,090 | 13,215 | (125) | (0.9) |
| Total | 80,270 | 90,594 | (10,324) | (11.4) |

In the first half of 2017, the Bank continued to strengthen cost control and management, upheld the concept of value creation and improved the cost structure. Operating expenses recorded at RMB80,270 million, RMB10,324 million or 11.4% lower than that of the same period of last year. Specifically, taxes and surcharges dropped by RMB9,559 million, principally because the Bank replaced the business tax with VAT since 1 May 2016, resulting in the decrease of business tax expense.

Impairment Losses

The Bank continued to intensify risk prevention and control and improved risk compensation quarter by quarter. In the first half of 2017, the Bank set aside an allowance for impairment losses of RMB61,343 million, an increase of RMB16,910 million or 38.1% as compared to the same period of last year. Specifically, the allowance for impairment losses on loans was RMB61,001 million, indicating an increase of RMB17,110 million or 39.0%.

Income Tax Expense

Income tax expense decreased by RMB1,608 million or 3.6% to RMB42,811 million as compared to the same period of last year. The effective tax rate was 21.79%.

4.2 Segment Information

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

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

| Item | Six months ended 30 June 2017 | | Six months ended 30 June 2016 | |
|-------------------------------|--|---------------------------|--|---------------------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Operating income | 336,739 | 100.0 | 328,981 | 100.0 |
| Corporate banking | 168,552 | 50.0 | 162,310 | 49.4 |
| Personal banking | 119,860 | 35.6 | 121,281 | 36.9 |
| Treasury operations | 46,314 | 13.8 | 43,620 | 13.3 |
| Others | 2,013 | 0.6 | 1,770 | 0.4 |
| Profit before taxation | 196,498 | 100.0 | 195,075 | 100.0 |
| Corporate banking | 80,319 | 40.9 | 86,438 | 44.3 |
| Personal banking | 76,837 | 39.1 | 73,156 | 37.5 |
| Treasury operations | 38,536 | 19.6 | 34,997 | 17.9 |
| Others | 806 | 0.4 | 484 | 0.3 |

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

| Item | Six months ended 30 June 2017 | | Six months ended 30 June 2016 | |
|-------------------------------|----------------------------------|--------------|----------------------------------|------------|
| | Amount | Percentage | Amount | Percentage |
| | | (%) | | (%) |
| Operating income | 336,739 | 100.0 | 328,981 | 100.0 |
| Head Office | 35,731 | 10.6 | 36,901 | 11.2 |
| Yangtze River Delta | 58,079 | 17.2 | 59,277 | 18.0 |
| Pearl River Delta | 43,457 | 12.9 | 40,890 | 12.4 |
| Bohai Rim | 64,299 | 19.1 | 62,510 | 19.0 |
| Central China | 41,036 | 12.2 | 41,520 | 12.6 |
| Western China | 50,098 | 14.9 | 50,271 | 15.3 |
| Northeastern China | 13,681 | 4.1 | 14,981 | 4.6 |
| Overseas and others | 30,358 | 9.0 | 22,631 | 6.9 |
| Profit before taxation | 196,498 | 100.0 | 195,075 | 100.0 |
| Head Office | 22,137 | 11.3 | 22,156 | 11.4 |
| Yangtze River Delta | 38,288 | 19.5 | 36,960 | 18.9 |
| Pearl River Delta | 25,281 | 12.9 | 24,149 | 12.4 |
| Bohai Rim | 35,739 | 18.2 | 40,518 | 20.8 |
| Central China | 19,887 | 10.1 | 22,275 | 11.4 |
| Western China | 27,629 | 14.0 | 26,723 | 13.7 |
| Northeastern China | 6,077 | 3.1 | 8,413 | 4.3 |
| Overseas and others | 21,460 | 10.9 | 13,881 | 7.1 |

4.3 Balance Sheet Analysis

In the first half of 2017, the Bank timely adjusted its business strategy based on the changes in the external macroeconomic environment, improved the asset and liability structure, maintained coordinated development of deposit and loan business, and strived to enhance the efficiency of resource allocation for assets and liabilities. In the meanwhile, by taking the demands of the real economy into account, the Bank made reasonable arrangement of the total amount, usage and frequency of credit extensions. Based on the international and domestic financial market trends, it modestly increased the scale of investment and optimized the portfolio structure. The Bank also actively took measures to promote the steady growth of customer deposits and upgrade the maturity structure of liabilities so as to ensure the stability and continuous growth of funding sources.

Assets Deployment

As at the end of June 2017, total assets of the Bank amounted to RMB25,514,046 million, RMB1,376,781 million or 5.7% higher than the prior year-end. Specifically, total loans and advances to customers (collectively referred to as “total loans”) increased by RMB809,063 million or 6.2%, investment increased by RMB88,819 million or 1.6%, and cash and balances with central banks increased by RMB191,985 million or 5.7%.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

| Item | At 30 June 2017 | | At 31 December 2016 | |
|---|--------------------------|-----------------------|----------------------------|-----------------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Total loans and advances to customers | 13,865,909 | — | 13,056,846 | — |
| Less: Allowance for impairment losses on loans | 316,513 | — | 289,512 | — |
| Loans and advances to customers, net | 13,549,396 | 53.1 | 12,767,334 | 52.9 |
| Investment | 5,569,993 | 21.8 | 5,481,174 | 22.7 |
| Cash and balances with central banks | 3,542,773 | 13.9 | 3,350,788 | 13.9 |
| Due from banks and other financial institutions | 957,239 | 3.8 | 797,473 | 3.3 |
| Reverse repurchase agreements | 840,658 | 3.3 | 755,627 | 3.1 |
| Others | 1,053,987 | 4.1 | 984,869 | 4.1 |
| Total assets | <u>25,514,046</u> | <u>100.0</u> | <u>24,137,265</u> | <u>100.0</u> |

Loan

In the first half of 2017, the Bank continued to support the supply-side structural reform by conforming to the requirements of national and regulating policies, thus achieving new results in serving the real economy. It also intensified the efforts to support the implementation of major national strategies and the development of key areas, and actively supported the reasonable housing demand and consumption upgrade of residents, strived to support the weaker areas in the real economy, and steadily promoted the development of small and micro financial centers and the optimization of product systems. As at the end of June 2017, total loans amounted to RMB13,865,909 million, representing an increase of RMB809,063 million or 6.2% from the end of the previous year, of which, RMB-denominated loans of domestic branches increased by RMB612,054 million or 5.3% to RMB12,054,995 million.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

| Item | At 30 June 2017 | | At 31 December 2016 | |
|------------------|-------------------|----------------|---------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Corporate loans | 8,927,631 | 64.4 | 8,140,684 | 62.4 |
| Discounted bills | 363,087 | 2.6 | 719,993 | 5.5 |
| Personal loans | 4,575,191 | 33.0 | 4,196,169 | 32.1 |
| Total | 13,865,909 | 100.0 | 13,056,846 | 100.0 |

Corporate loans rose by RMB786,947 million or 9.7% from the end of last year. Specifically, short-term corporate loans increased by RMB300,093 million or 11.0%, mainly because of the increase in short-term financing demands of production operators as affected by the domestic economic recovery; medium to long-term corporate loans increased by RMB486,854 million or 9.0% mainly because the Bank, based on the major strategic planning of the state, actively supported the development of key national areas and projects, served the real economy and supported the industrial upgrading and reconstruction.

Discounted bills dropped by RMB356,906 million compared with the end of last year, principally because the Bank moderately decreased its asset allocation to discounted bills to satisfy management needs of asset-liability portfolios and keep balanced credit extension.

Personal loans augmented by RMB379,022 million or 9.0% from the end of last year. Specifically, residential mortgages grew by RMB374,690 million or 11.6%, mainly because the Bank worked to meet the owner-occupiers' financing requirement for house purchase in line with the state's policy on real estate adjustment and control based on the situation of different cities and classifications. Personal consumption loans increased by RMB13,028 million or 5.3%, principally because the Bank grasped the opportunities of personal consumption structure upgrading and demand expansion, comprehensively stepped up the innovation efforts in personal internet finance products by means of active Internet thinking and promoted the rapid development of ICBC e-Loan business. Credit card overdrafts grew by RMB17,695 million or 3.9%, primarily attributable to a stable growth in credit card installment business.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

| Item | At 30 June 2017 | | At 31 December 2016 | |
|-----------------|-------------------|----------------|---------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Pass | 13,107,689 | 94.53 | 12,261,034 | 93.91 |
| Special mention | 541,148 | 3.90 | 584,011 | 4.47 |
| NPLs | 217,072 | 1.57 | 211,801 | 1.62 |
| Substandard | 104,850 | 0.76 | 109,434 | 0.84 |
| Doubtful | 92,874 | 0.67 | 82,505 | 0.63 |
| Loss | 19,348 | 0.14 | 19,862 | 0.15 |
| Total | 13,865,909 | 100.00 | 13,056,846 | 100.00 |

Loan quality showed improvements signs. As at the end of June 2017, according to the five-category classification, pass loans amounted to RMB13,107,689 million, representing an increase of RMB846,655 million from the end of the previous year and accounting for 94.53% of total loans. Special mention loans amounted to RMB541,148 million, representing a decrease of RMB42,863 million and accounting for 3.90% of total loans, dropping 0.57 percentage point. NPLs registered RMB217,072 million, representing an increase of RMB5,271 million, dropping by RMB11,514 million compared with the increase of the same period of last year. The NPL ratio was 1.57%, representing a decrease of 0.05 percentage point.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

| Item | At 30 June 2017 | | | | At 31 December 2016 | | | |
|------------------|-------------------|----------------|----------------|---------------|---------------------|----------------|----------------|---------------|
| | Loan | Percentage (%) | NPLs | NPL ratio (%) | Loan | Percentage (%) | NPLs | NPL ratio (%) |
| Corporate loans | 8,927,631 | 64.4 | 169,506 | 1.90 | 8,140,684 | 62.4 | 159,871 | 1.96 |
| Discounted bills | 363,087 | 2.6 | 605 | 0.17 | 719,993 | 5.5 | 598 | 0.08 |
| Personal loans | 4,575,191 | 33.0 | 46,961 | 1.03 | 4,196,169 | 32.1 | 51,332 | 1.22 |
| Total | 13,865,909 | 100.0 | 217,072 | 1.57 | 13,056,846 | 100.0 | 211,801 | 1.62 |

The balance of non-performing corporate loans stood at RMB169,506 million, increasing by RMB9,635 million from the end of the previous year, and NPL ratio was 1.90%, declining by 0.06 percentage point. The balance of non-performing personal loans stood at RMB46,961 million, decreasing by RMB4,371 million, and NPL ratio was 1.03%, declining by 0.19 percentage point.

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

In RMB millions, except for percentages

| Item | At 30 June 2017 | | | | At 31 December 2016 | | | |
|---|------------------|----------------|----------------|---------------|---------------------|----------------|----------------|---------------|
| | Loan | Percentage (%) | NPLs | NPL ratio (%) | Loan | Percentage (%) | NPLs | NPL ratio (%) |
| Transportation, storage and postal services | 1,643,482 | 21.9 | 5,167 | 0.31 | 1,516,089 | 21.8 | 3,022 | 0.20 |
| Manufacturing | 1,470,551 | 19.5 | 64,838 | 4.41 | 1,414,408 | 20.4 | 60,639 | 4.29 |
| Production and supply of electricity, heat, gas and water | 889,429 | 11.8 | 617 | 0.07 | 820,692 | 11.9 | 501 | 0.06 |
| Leasing and commercial services | 864,223 | 11.5 | 6,417 | 0.74 | 736,921 | 10.7 | 4,938 | 0.67 |
| Water, environment and public utility management | 644,446 | 8.6 | 1,471 | 0.23 | 517,542 | 7.5 | 1,302 | 0.25 |
| Wholesale and retail | 629,756 | 8.4 | 56,958 | 9.04 | 625,488 | 9.0 | 58,029 | 9.28 |
| Real estate | 486,341 | 6.5 | 10,302 | 2.12 | 426,999 | 6.2 | 9,367 | 2.19 |
| Mining | 226,684 | 3.0 | 4,097 | 1.81 | 225,505 | 3.3 | 4,425 | 1.96 |
| Construction | 213,630 | 2.8 | 3,248 | 1.52 | 187,363 | 2.7 | 4,222 | 2.25 |
| Science, education, culture and sanitation | 124,099 | 1.7 | 895 | 0.72 | 122,294 | 1.8 | 675 | 0.55 |
| Lodging and catering | 113,685 | 1.5 | 3,129 | 2.75 | 122,117 | 1.8 | 2,742 | 2.25 |
| Others | 207,721 | 2.8 | 4,362 | 2.10 | 197,119 | 2.9 | 2,456 | 1.25 |
| Total | 7,514,047 | 100.0 | 161,501 | 2.15 | 6,912,537 | 100.0 | 152,318 | 2.20 |

In the first half of 2017, the Bank made more efforts to serve the development of the real economy, actively followed major national development strategies, strived to satisfy the loan demand of investment projects in national key areas, and continuously stepped up efforts to improve and adjust the allocation of credits to industries. Loans to the transportation, storage and postal services increased by RMB127,393 million or 8.4%, mainly driven by the fast increase in the country's investment in the highways in the first half of the year. Loans to the leasing and commercial services also showed an increase of RMB127,302 million or 17.3%, mainly due to the rapid growth of loans for investment and asset management and other commercial services. Loans for water, environment and public utility management increased by RMB126,904 million or 24.5%, which was mainly used to support construction projects of major water conservancy, environment and municipal facilities.

The balance of NPLs of the manufacturing industry had a relatively higher increase, mainly due to the impact of the slowing macro-economy, insufficient market demands, production overcapacity and increasing resources and environmental constraints on some light, chemical and building materials industries and the loan defaults of some enterprises in those industries as a result of more fierce competition and declining profitability.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

| Item | At 30 June 2017 | | | | At 31 December 2016 | | | |
|---------------------|-------------------|----------------|----------------|---------------|---------------------|----------------|----------------|---------------|
| | Loan | Percentage (%) | NPLs | NPL ratio (%) | Loan | Percentage (%) | NPLs | NPL ratio (%) |
| Head Office | 572,411 | 4.1 | 13,644 | 2.38 | 581,084 | 4.5 | 13,758 | 2.37 |
| Yangtze River Delta | 2,539,633 | 18.3 | 31,227 | 1.23 | 2,409,725 | 18.4 | 35,325 | 1.47 |
| Pearl River Delta | 1,838,940 | 13.3 | 35,423 | 1.93 | 1,743,572 | 13.4 | 35,913 | 2.06 |
| Bohai Rim | 2,298,380 | 16.6 | 44,198 | 1.92 | 2,156,022 | 16.5 | 41,097 | 1.91 |
| Central China | 1,945,628 | 14.0 | 32,495 | 1.67 | 1,819,143 | 13.9 | 28,575 | 1.57 |
| Western China | 2,439,370 | 17.6 | 37,360 | 1.53 | 2,313,507 | 17.7 | 37,623 | 1.63 |
| Northeastern China | 719,954 | 5.2 | 14,286 | 1.98 | 706,472 | 5.4 | 11,571 | 1.64 |
| Overseas and others | 1,511,593 | 10.9 | 8,439 | 0.56 | 1,327,321 | 10.2 | 7,939 | 0.60 |
| Total | 13,865,909 | 100.0 | 217,072 | 1.57 | 13,056,846 | 100.0 | 211,801 | 1.62 |

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

| | Individually assessed | Collectively assessed | Total |
|---|-----------------------|-----------------------|----------------|
| At the beginning of the period | 65,557 | 223,955 | 289,512 |
| Charge for the period | 54,652 | 6,349 | 61,001 |
| Including: Impairment allowances charged | 77,906 | 80,806 | 158,712 |
| Reversal of impairment allowances | (23,254) | (74,457) | (97,711) |
| Accreted interest on impaired loans | (1,632) | — | (1,632) |
| Write-offs | (25,453) | (7,889) | (33,342) |
| Recoveries of loans and advances previously written off | 606 | 368 | 974 |
| At the end of the period | 93,730 | 222,783 | 316,513 |

As at the end of June 2017, the allowance for impairment losses on loans stood at RMB316,513 million, representing an increase of RMB27,001 million as compared to the end of last year. Allowance to NPL was 145.81%, representing an increase of 9.12 percentage points; allowance to total loans was 2.28%.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

| Item | At 30 June 2017 | | At 31 December 2016 | |
|----------------------------------|-------------------|----------------|---------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Loans secured by mortgages | 6,284,856 | 45.3 | 5,986,629 | 45.9 |
| Including: Residential mortgages | 3,639,794 | 26.2 | 3,237,427 | 24.8 |
| Pledged loans | 1,330,808 | 9.6 | 1,610,680 | 12.3 |
| Including: Discounted bills | 363,087 | 2.6 | 719,993 | 5.5 |
| Guaranteed loans | 2,073,036 | 15.0 | 1,867,424 | 14.3 |
| Unsecured loans | 4,177,209 | 30.1 | 3,592,113 | 27.5 |
| Total | 13,865,909 | 100.0 | 13,056,846 | 100.0 |

OVERDUE LOANS

In RMB millions, except for percentages

| Overdue periods | At 30 June 2017 | | At 31 December 2016 | |
|--------------------|-----------------|------------------|---------------------|------------------|
| | Amount | % of total loans | Amount | % of total loans |
| Less than 3 months | 112,250 | 0.81 | 151,115 | 1.16 |
| 3 months to 1 year | 67,339 | 0.49 | 75,550 | 0.58 |
| 1 to 3 years | 107,923 | 0.78 | 101,916 | 0.78 |
| Over 3 years | 21,104 | 0.15 | 17,546 | 0.13 |
| Total | 308,616 | 2.23 | 346,127 | 2.65 |

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 RMB308,616 million, representing a decrease of RMB37,511 million from the end of the previous year. Specifically, loans overdue for over 3 months amounted to RMB196,366 million, representing an increase of RMB1,354 million.

RENEGOTIATED LOANS

Renegotiated loans and advances amounted to RMB5,996 million, representing an increase of RMB455 million as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB1,681 million, representing an increase of RMB283 million.

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 4.9% and 13.9% of the Bank's net capital respectively. The total amount of loans granted to the top ten single customers was RMB305,765 million, accounting for 2.2% of the total loans.

Investment

In the first half of 2017, the Bank duly adjusted its investment and trading strategy, and optimized the investment portfolio structure in adherence to the trends in financial markets. As at the end of June 2017, investment amounted to RMB5,569,993 million, representing an increase of RMB88,819 million or 1.6% from the end of the previous year.

INVESTMENT

In RMB millions, except for percentages

| Item | At 30 June 2017 | | At 31 December 2016 | |
|--------------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Debt instruments | 5,158,552 | 92.6 | 5,196,535 | 94.8 |
| Bonds | 5,131,174 | 92.1 | 5,162,025 | 94.2 |
| Other debt instruments | 27,378 | 0.5 | 34,510 | 0.6 |
| Equity instruments and others | 411,441 | 7.4 | 284,639 | 5.2 |
| Total | <u>5,569,993</u> | <u>100.0</u> | <u>5,481,174</u> | <u>100.0</u> |

Debt instruments amounted to RMB5,158,552 million, RMB37,983 million or 0.7% lower than that at the end of last year, of which bonds decreased by RMB30,851 million or 0.6%. Equity instruments and others stood at RMB411,441 million, increased by RMB126,802 million or 44.5% compared to the end of last year, mainly due to the increase of principal-guaranteed wealth management products issued by the Bank.

DISTRIBUTION OF BONDS BY ISSUERS

In RMB millions, except for percentages

| Item | At 30 June 2017 | | At 31 December 2016 | |
|--------------------|------------------|----------------|---------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Government bonds | 2,776,759 | 54.1 | 2,484,463 | 48.1 |
| Central bank bills | 9,625 | 0.2 | 58,024 | 1.1 |
| Policy bank bonds | 1,161,100 | 22.6 | 1,319,450 | 25.6 |
| Other bonds | 1,183,690 | 23.1 | 1,300,088 | 25.2 |
| Total | 5,131,174 | 100.0 | 5,162,025 | 100.0 |

In terms of distribution by issuers, government bonds increased by RMB292,296 million or 11.8%; central bank bills decreased by RMB48,399 million or 83.4%; and policy bank bonds went down RMB158,350 million or 12.0%; other bonds dropped by RMB116,398 million or 9.0%. In the reporting period, the Bank continued to increase its investment in local government bonds and treasury bonds, while the balance of central bank bills, policy bank bonds and other bonds all went down in varying degrees under the influence of normal maturity of bonds and changes in the supply structure of bond market.

DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

In RMB millions, except for percentages

| Item | At 30 June 2017 | | At 31 December 2016 | |
|---|------------------|----------------|---------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Financial assets at fair value through profit or loss | 503,544 | 9.0 | 474,475 | 8.7 |
| Available-for-sale financial assets | 1,632,329 | 29.3 | 1,742,287 | 31.8 |
| Held-to-maturity investments | 3,090,298 | 55.5 | 2,973,042 | 54.2 |
| Receivables | 343,822 | 6.2 | 291,370 | 5.3 |
| Total | 5,569,993 | 100.0 | 5,481,174 | 100.0 |

As at the end of June 2017, the Group held RMB1,747,956 million of financial bonds^①, including RMB1,161,100 million of policy bank bonds and RMB586,856 million of bonds issued by banks and non-bank financial institutions, accounting for 66.4% and 33.6% of financial bonds, respectively.

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

Liabilities

As at the end of June 2017, total liabilities of the Bank amounted to RMB23,483,412 million, representing an increase of RMB1,327,310 million or 6.0% from the end of the previous year.

LIABILITIES

In RMB millions, except for percentages

| Item | At 30 June 2017 | | At 31 December 2016 | |
|---|--------------------------|-----------------------|----------------------------|-----------------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Due to customers | 19,021,171 | 81.0 | 17,825,302 | 80.5 |
| Due to banks and other financial institutions | 1,815,045 | 7.7 | 2,016,799 | 9.1 |
| Repurchase agreements | 681,925 | 2.9 | 589,306 | 2.7 |
| Debt securities issued | 413,016 | 1.8 | 357,937 | 1.6 |
| Others | 1,552,255 | 6.6 | 1,366,758 | 6.1 |
| Total liabilities | <u>23,483,412</u> | <u>100.0</u> | <u>22,156,102</u> | <u>100.0</u> |

Due to Customers

Due to customers is the Bank's main source of funds. As at the end of June 2017, the balance of due to customers was RMB19,021,171 million, representing an increase of RMB1,195,869 million or 6.7% from the end of the previous year. In terms of customer structure, the balance of corporate deposits increased by RMB884,009 million or 9.4%; and the balance of personal deposits increased by RMB349,455 million or 4.3%. In terms of maturity structure, the balance of time deposits increased by RMB685,349 million or 8.0%, while the balance of demand deposits increased by RMB548,115 million or 6.1%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

| Item | At 30 June 2017 | | At 31 December 2016 | |
|-------------------------------------|-------------------|----------------|---------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Corporate deposits | | | | |
| Time deposits | 4,583,355 | 24.1 | 4,176,834 | 23.4 |
| Demand deposits | 5,749,174 | 30.2 | 5,271,686 | 29.6 |
| Subtotal | 10,332,529 | 54.3 | 9,448,520 | 53.0 |
| Personal deposits | | | | |
| Time deposits | 4,698,735 | 24.7 | 4,419,907 | 24.8 |
| Demand deposits | 3,791,001 | 19.9 | 3,720,374 | 20.9 |
| Subtotal | 8,489,736 | 44.6 | 8,140,281 | 45.7 |
| Other deposits⁽¹⁾ | 198,906 | 1.1 | 236,501 | 1.3 |
| Total | 19,021,171 | 100.0 | 17,825,302 | 100.0 |

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

Shareholders' Equity

As at the end of June 2017, shareholders' equity amounted to RMB2,030,634 million in aggregate, RMB49,471 million or 2.5% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company amounted to RMB2,018,295 million, recording an increase of RMB48,544 million or 2.5%.

4.4 Capital Adequacy Ratio and Leverage Ratio

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

As at the end of June 2017, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 12.67%, 13.19% and 14.46% respectively, complying with regulatory requirements.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

| Item | At 30 June 2017 | At 31 December 2016 |
|---|-----------------------|---------------------------|
| Core tier 1 capital | 1,934,598 | 1,886,536 |
| Paid-in capital | 356,407 | 356,407 |
| Valid portion of capital reserve | 152,002 | 151,998 |
| Surplus reserve | 205,308 | 205,021 |
| General reserve | 251,767 | 251,349 |
| Retained profits | 1,008,879 | 940,237 |
| Valid portion of minority interests | 2,432 | 3,164 |
| Others | (42,197) | (21,640) |
| Core tier 1 capital deductions | 11,063 | 11,560 |
| Goodwill | 8,810 | 9,001 |
| Other intangible assets other than land use rights | 1,157 | 1,477 |
| Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet | (4,604) | (4,618) |
| Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation | 5,700 | 5,700 |
| Net core tier 1 capital | 1,923,535 | 1,874,976 |
| Additional tier 1 capital | 79,894 | 79,794 |
| Additional tier 1 capital instruments and related premium | 79,375 | 79,375 |
| Valid portion of minority interests | 519 | 419 |
| Net tier 1 capital | 2,003,429 | 1,954,770 |
| Tier 2 capital | 193,155 | 178,292 |
| Valid portion of tier 2 capital instruments and related premium | 134,863 | 154,861 |
| Surplus provision for loan impairment | 54,954 | 19,195 |
| Valid portion of minority interests | 3,338 | 4,236 |
| Tier 2 capital deductions | 500 | 5,600 |
| Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation | 500 | 5,600 |
| Net capital base | 2,196,084 | 2,127,462 |
| Risk-weighted assets⁽¹⁾ | 15,183,975 | 14,564,617 |
| Core tier 1 capital adequacy ratio | 12.67% | 12.87% |
| Tier 1 capital adequacy ratio | 13.19% | 13.42% |
| Capital adequacy ratio | 14.46% | 14.61% |

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

LEVERAGE RATIO

In RMB millions, except for percentages

| Item | At | At | At | At |
|---|-----------------|------------------|---------------------|----------------------|
| | 30 June 2017 | 31 March 2017 | 31 December 2016 | 30 September 2016 |
| Net tier 1 capital | 2,003,429 | 2,017,717 | 1,954,770 | 1,919,729 |
| Balance of adjusted on- and off-balance sheet assets | 27,467,633 | 26,753,069 | 25,904,533 | 25,357,448 |
| Leverage ratio | 7.29% | 7.54% | 7.55% | 7.57% |

4.5 Other Information Disclosed Pursuant to Regulatory Requirements

Major Regulatory Indicators

| Item | Regulatory criteria | At | At | At |
|---|-----------------------------|-----------------|---------------------|---------------------|
| | | 30 June 2017 | 31 December 2016 | 31 December 2015 |
| Liquidity ratio (%) | RMB | ≥25.0 | 40.5 | 35.7 |
| | Foreign currency | ≥25.0 | 88.0 | 82.3 |
| Loan-to-deposit ratio (%) | RMB and foreign currency | ≤75.0 | 70.1 | 70.9 |
| Percentage of loans to single largest customer (%) | | ≤10.0 | 4.9 | 4.5 |
| Percentage of loans to top 10 customers (%) | | | 13.9 | 13.3 |
| Loan migration ratio (%) | Pass | | 1.2 | 3.4 |
| | Special mention | | 12.3 | 23.5 |
| | Substandard | | 29.6 | 36.8 |
| | Doubtful | | 2.1 | 7.4 |

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

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

Corporate Bonds

The Bank did not issue any corporate bonds which shall be disclosed according to the No. 3 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of Half-Year Reports (Revision 2016) or the No. 39 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of Half-Year Reports on Corporate Bonds.

4.6 Outlook

In the second half of 2017, the global economy is expected to continue on the recovery trend, but the complexity, instability and uncertainty features of the economic and financial system may become increasingly prominent. China's economy moves forward steadily and moderately, and driven by the dual forces of economic structure upgrade and demand improvement, the quality and efficiency of the economy is expected to be further improved.

For the Bank, opportunities and challenges coexist in the external environment. Opportunities are mainly manifested in the following aspects: first, the macroeconomic stability and soundness provide better conditions for the Bank to tap into advanced market and constantly improve asset quality. Second, the deepening of supply-side structural reform and the acceleration of economic transformation inject a stronger impetus into the Bank's business innovation and transformational development. Third, the rolling-out of national strategies, such as the "four regions", the "three supporting belts" and the Xiong'an New Area, will help to build a new pattern of regional coordinated development, and provide new opportunities for the Bank to optimize strategic resources and tap the growth potential. Fourth, the improvement of the financial regulatory system and the deepening of financial reform will create a more healthy and orderly market environment.

The main challenges include: first, financial risks become more and more complex in the way they demonstrate and develop, and the contagious and interlocking features of various types of risks are increasingly obvious, posing higher requirements for the Bank's risk prevention and control. Second, the interweaving of monetary policy differentiation of world's major economies, the financial disintermediation and interest rate liberalisation in China and other factors put further squeezing pressure on banks' profitability space, and raise urgent demands for the Bank to cultivate multiple sources of income, and improve pricing and cost control capability. Third, the restructuring of the cross-over competition among banks, internet companies, and Fintech companies forces the Bank to speed up business transformation and service model innovation, consolidate and expand its advantages in diversified competition.

2017 marks the final year of the fourth three-year plan since the Bank's joint-stock reform. In the first half of this year, the Bank managed to present a better-than-expected performance result against all odds. In the second half of the year, the Bank will adhere to the major tone of seeking progress on the basis of stability, and continue to muster up all efforts to go through the three major tasks of serving the real economy, guarding against financial risks and deepening innovation and reform, so as to maintain a steady and healthy development trend.

- ❖ **Comprehensively enhancing the efficiency and capability of serving the real economy.** Following the major trend of supply-side structural reform, emphasis shall be put on key national economic areas and weaker areas, the credit top-level design shall be strengthened, and the allocation of credit resources shall be optimized. While continuing to increase support for national key initiatives and major projects, the Bank will pay more attention to the bigger role that inclusive finance plays, and promote financial services in fields such as small and micro enterprises, "rural areas, agriculture and farmers", targeted poverty alleviation and people's livelihood. Consolidated management between new credit and existing credit shall be made, a multilevel and diversified investment and financing system

that complies with the innovative and tiered market development shall be better regulated and more efforts shall be made in supporting the de-leveraging and cost-reduction of the real economy.

- ✧ **Effectively enhancing the risk mitigation ability.** The Bank will focus more on the on and off-balance sheets, strengthen the accountability of the responsible persons, and keep a staring eye on key areas of risks. Centering on the credit risk, on-balance sheet work shall be mainly done in the three areas of new credit admission, inventory control, and NPL disposal, and resolute efforts shall be made to prevent the quality of assets from turning bad. In terms of off-balance sheet, we will focus on cross-border, cross-industry, cross-market new risk prevention and control, actively deal with liquidity, interest rate, exchange rate and other market risks, and make full efforts to safeguard the security line and risk bottom line.

- ✧ **Deepening reform and innovation as well as business transformation.** The Bank will continue to deepen the implementation of the strategies including mega retail, mega asset management, and mega investment banking, improve the internationalized and integrated business system and business structure, and strengthen the development of profit-making units of all institutions and all product lines, to create values based on services and further shape up the balanced income structure with multiple sources of income. The Bank will also improve the performance-linked assessment system and resource allocation mechanism, accelerate the transformation of the outlet channel and the optimization of service process, deepen the implementation of the e-ICBC3.0 “intelligent banking” strategy, fully stimulate vitality and create new growth drivers.

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

Capital Adequacy Ratio

◆ *Scope of Capital Adequacy Ratio Calculation*

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

◆ *Results of Capital Adequacy Ratio Calculation*

In RMB millions, except for percentages

| Item | At 30 June 2017 | | At 31 December 2016 | |
|------|-----------------|----------------|---------------------|----------------|
| | Group | Parent Company | Group | Parent Company |

Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC:

| | | | | |
|------------------------------------|------------------|------------------|-----------|-----------|
| Net core tier 1 capital | 1,923,535 | 1,764,663 | 1,874,976 | 1,723,839 |
| Net tier 1 capital | 2,003,429 | 1,844,038 | 1,954,770 | 1,803,214 |
| Net capital base | 2,196,084 | 2,022,005 | 2,127,462 | 1,960,840 |
| Core tier 1 capital adequacy ratio | 12.67% | 12.68% | 12.87% | 12.90% |
| Tier 1 capital adequacy ratio | 13.19% | 13.25% | 13.42% | 13.49% |
| Capital adequacy ratio | 14.46% | 14.53% | 14.61% | 14.67% |

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

| | | | | |
|-----------------------------|---------------|---------------|--------|--------|
| Core capital adequacy ratio | 11.16% | 11.43% | 11.71% | 11.96% |
| Capital adequacy ratio | 13.52% | 13.55% | 14.29% | 14.26% |

◆ *Measurement of Risk-Weighted Assets*

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

RISK-WEIGHTED ASSETS

| Item | <i>In RMB millions</i> | |
|--|--------------------------|--------------------------|
| | At 30 June 2017 | At 31 December 2016 |
| Credit risk-weighted assets | 13,766,067 | 13,144,466 |
| Parts covered by internal ratings-based approach | 9,535,934 | 9,304,653 |
| Parts uncovered by internal ratings-based approach | 4,230,133 | 3,839,813 |
| Market risk-weighted assets | 227,007 | 229,250 |
| Parts covered by internal model approach | 142,142 | 150,951 |
| Parts uncovered by internal model approach | 84,865 | 78,299 |
| Operational risk-weighted assets | 1,190,901 | 1,190,901 |
| Total | <u>15,183,975</u> | <u>14,564,617</u> |

Credit Risk

CREDIT RISK EXPOSURE

| Item | At 30 June 2017 | | At 31 December 2016 | |
|----------------------------|--|--|--|--|
| | Parts covered by internal ratings-based approach | Parts uncovered by internal ratings-based approach | Parts covered by internal ratings-based approach | Parts uncovered by internal ratings-based approach |
| Company | 8,929,775 | 1,680,670 | 8,217,600 | 1,562,436 |
| Sovereign | — | 4,528,273 | — | 4,349,299 |
| Financial institution | — | 2,918,755 | — | 2,907,938 |
| Retail | 4,467,918 | 344,028 | 4,113,878 | 312,205 |
| Equity | — | 42,308 | — | 34,426 |
| Asset securitization | — | 9,858 | — | 10,202 |
| Others | — | 6,098,432 | — | 5,753,237 |
| Total risk exposure | <u>13,397,693</u> | <u>15,622,324</u> | <u>12,331,478</u> | <u>14,929,743</u> |

Market Risk

CAPITAL REQUIREMENT FOR MARKET RISK

| Risk type | <i>In RMB millions</i> | |
|---|------------------------|------------------------|
| | At 30 June 2017 | At 31 December 2016 |
| Parts covered by internal model approach | 11,372 | 12,076 |
| Parts uncovered by internal model approach | 6,789 | 6,264 |
| Interest rate risk | 4,114 | 3,271 |
| Commodity risk | 2,609 | 2,934 |
| Equity position risk | 28 | 5 |
| Option risk | 38 | 54 |
| Total | 18,161 | 18,340 |

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

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

VALUE AT RISK (VAR)

| Item | <i>In RMB millions</i> | | | | | | | |
|---------------------|-------------------------------|--------------|--------------|--------------|-------------------------------|---------|---------|---------|
| | Six months ended 30 June 2017 | | | | Six months ended 30 June 2016 | | | |
| | Period end | Average | Maximum | Minimum | Period end | Average | Maximum | Minimum |
| VaR | 1,798 | 1,427 | 1,818 | 1,135 | 1,224 | 1,337 | 1,843 | 1,112 |
| Interest rate risk | 219 | 389 | 535 | 208 | 119 | 186 | 239 | 109 |
| Currency risk | 1,765 | 1,417 | 1,789 | 1,158 | 1,210 | 1,310 | 1,811 | 1,069 |
| Commodity risk | 91 | 97 | 148 | 64 | 73 | 103 | 386 | 14 |
| Stressed VaR | 2,013 | 2,140 | 2,726 | 1,886 | 2,661 | 2,152 | 2,688 | 1,574 |
| Interest rate risk | 246 | 354 | 460 | 234 | 382 | 296 | 382 | 235 |
| Currency risk | 2,022 | 2,166 | 2,677 | 1,840 | 2,593 | 2,131 | 2,655 | 1,564 |
| Commodity risk | 138 | 117 | 172 | 65 | 156 | 183 | 621 | 19 |

Operational Risk

The Bank adopts the standardized approach to measure capital requirement for operational risk. As at the end of June 2017, the capital requirement for operational risk was RMB95,272 million.

Interest Rate Risk in the Banking Book

Supposing that there is parallel shift of overall market interest rate, and taking no account of possible risk management actions taken by the management to mitigate interest rate risk, the analysis on interest rate sensitivity in the banking book of the Bank categorized by major currencies in the first half of 2017 is shown in the following table:

In RMB millions

| Currency | +100 basis points | | -100 basis points | |
|--------------|-------------------------------|------------------|-------------------------------|------------------|
| | Effect on net interest income | Effect on equity | Effect on net interest income | Effect on equity |
| RMB | (24,238) | (41,908) | 24,238 | 45,016 |
| USD | 71 | (5,128) | (71) | 5,131 |
| HKD | 66 | — | (66) | — |
| Others | 263 | (724) | (263) | 724 |
| Total | (23,838) | (47,760) | 23,838 | 50,871 |

Equity Risk in the Banking Book

In RMB millions

| Equity type | At 30 June 2017 | | | At 31 December 2016 | | |
|-----------------------|--|--|--|--|--|--|
| | Publicly-traded equity investment risk exposure ⁽¹⁾ | Non-publicly-traded equity investment risk exposure ⁽¹⁾ | Unrealized potential gains (losses) ⁽²⁾ | Publicly-traded equity investment risk exposure ⁽¹⁾ | Non-publicly-traded equity investment risk exposure ⁽¹⁾ | Unrealized potential gains (losses) ⁽²⁾ |
| Financial institution | 32,134 | 1,475 | 169 | 26,437 | 1,132 | 122 |
| Company | 1,975 | 5,219 | 305 | 1,365 | 3,997 | 422 |
| Total | 34,109 | 6,694 | 474 | 27,802 | 5,129 | 544 |

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

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

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

6.1 Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 534,363 ordinary shareholders and no holders of preference shares with voting rights restored, including 131,871 holders of H shares and 402,492 holders of A shares.

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

| Name of shareholder | Nature of shareholder | Class of shares | Shareholding percentage (%) | Total number of shares held | Number of pledged or locked-up shares | Unit: Share Increase/decrease of shares during the reporting period |
|---|--------------------------|--------------------|-----------------------------|-------------------------------|---------------------------------------|--|
| Central Huijin Investment Ltd. | State-owned | A share | 34.71 | 123,717,852,951 | None | — |
| Ministry of Finance of the People's Republic of China | State-owned | A share | 34.60 | 123,316,451,864 | None | — |
| HKSCC Nominees Limited/ Hong Kong Securities Clearing Company Limited ⁽³⁾ | Foreign legal person | H share A share | 24.15 0.15 | 86,064,485,065 536,289,851 | Unknown None | 12,759,869 71,829,270 |
| China Securities Finance Co., Ltd. | State-owned legal person | A share | 1.32 | 4,711,178,417 | None | 148,942,422 |
| Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products | Other entities | A share | 1.05 | 3,731,330,676 | None | -591,497,461 |
| Sycamore Investment Platform Co., Ltd. | State-owned legal person | A share | 0.40 | 1,420,781,042 | None | — |
| Central Huijin Asset Management Co., Ltd. ⁽⁴⁾ | State-owned legal person | A share | 0.28 | 1,013,921,700 | None | — |
| China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu | Other entities | A share | 0.12 | 411,337,452 | None | 94,298,525 |
| Guotai Junan Securities Co., Ltd. | State-owned legal person | A share | 0.07 | 250,625,869 | None | 2,931,100 |
| China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu | Other entities | A share | 0.07 | 236,145,614 | None | 236,145,614 |

Notes: (1) The above data are based on the Bank's register of shareholders as at 30 June 2017.

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

(3) HKSCC Nominees Limited held 86,064,485,065 H shares, and Hong Kong Securities Clearing Company Limited held 536,289,851 A shares.

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

6.2 Changes of the Controlling Shareholders and De Facto Controller

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

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

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

As at 30 June 2017, the Bank received notices from the following persons about their interests or short positions held in the Bank’s shares and relevant shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

Interests or short positions of ordinary shares of the Bank:

HOLDERS OF A SHARES

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

Notes: (1) According to the register of shareholders of the Bank as at 30 June 2017, 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 2017, Central Huijin Investment Ltd. held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Central Huijin Investment Ltd., held 1,013,921,700 shares in the Bank.

HOLDERS OF H SHARES

| Name of substantial shareholder | Capacity | Number of H shares held (share) | Nature of interests | Percentage of H shares (%) | Percentage of total ordinary shares (%) |
|---|-------------------------------------|---------------------------------|---------------------|----------------------------|---|
| National Council for Social Security Fund | Beneficial owner | 8,663,703,234 | Long position | 9.98 | 2.43 |
| Temasek Holdings (Private) Limited | Interest of controlled corporations | 7,317,475,731 | Long position | 8.43 | 2.05 |
| BlackRock, Inc. | Interest of controlled corporations | 5,152,636,652 | Long position | 5.94 | 1.45 |

6.4 Preference Shares

◆ Issuance and Listing of Preference Shares in Latest Three Years

Upon approval by CBRC pursuant to Yin Jian Fu [2014] No. 801 and by CSRC pursuant to Zheng Jian Xu Ke [2014] No. 1229, the Bank privately offered non-cumulative, non-participating and perpetual offshore preference shares in U.S. dollar, Euro and Renminbi on 10 December 2014 (please see the table below for details). The offshore preference shares issued by the Bank were listed on The Stock Exchange of Hong Kong Limited on 11 December 2014. Each offshore preference share had a par value of RMB100. The USD offshore preference shares, EUR offshore preference shares and RMB offshore preference shares were fully paid and issued in U.S. dollar, Euro and Renminbi. The offshore preference shares had no maturity. They had no less than six qualified placees. They were offered to professional investors only rather than retail investors and transferred privately in the OTC market only.

In accordance with the reference price of RMB exchange rate on 10 December 2014 published by the China Foreign Exchange Trade System, total proceeds from the issuance of offshore preference shares amounted to approximately RMB34.55 billion. After deduction of commissions and offering expenses, net proceeds from the issuance amounted to around RMB34.43 billion. All proceeds, after deduction of the expenses relating to the issuance, will be used to replenish additional tier 1 capital and increase capital adequacy ratio.

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

The Bank privately issued 450 million preference shares in domestic market on 18 November 2015 upon the approval by CBRC pursuant to Yin Jian Fu [2015] No. 189 and by CSRC pursuant to Zheng Jian Xu Ke [2015] No. 1023. Each domestic preference share had a par value of RMB100 and was issued at the par value. The coupon rate, as determined by benchmark rate plus a fixed spread, shall remain unchanged for the first 5 years commencing from the issuance date. Subsequently, the benchmark rate shall be readjusted once every 5 years during which the coupon rate shall remain unchanged. The coupon rate for the Domestic Preference Shares for the first 5 years is determined at 4.50% through price discovery. Upon approval by Shanghai Stock Exchange pursuant to Shang Zheng Han [2015] No. 2391, the domestic preference shares were listed on the integrated trading platform of Shanghai Stock Exchange for transfer as of 11 December 2015 (stock name: ICBC Preference Share 1, stock code: 360011). Total proceeds from the issuance amounted to RMB45.0 billion. After deduction of expenses relating to the issuance, net proceeds from the issuance amounted to around RMB44.95 billion, all of which will be used to replenish additional tier 1 capital of the Bank.

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

◆ *Changes in Preference Shares*

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

PARTICULARS OF SHAREHOLDING OF THE TOP 10 OFFSHORE PREFERENCE SHAREHOLDERS (OR PROXIES) OF THE BANK

Unit: Share

| Name of shareholder | Nature of shareholder | Class of shares | Increase/ decrease during the reporting period | Shares held at the end of the period | Shareholding percentage (%) | Number of shares subject to restrictions on sales | Number of pledged or locked-up shares |
|--|-----------------------|-----------------------------------|--|--|--------------------------------|--|--|
| Cede & Co. | Foreign legal person | USD offshore preference shares | — | 147,000,000 | 47.9 | — | Unknown |
| The Bank of New York Depository (Nominees) Limited | Foreign legal person | RMB offshore preference shares | — | 120,000,000 | 39.1 | — | Unknown |
| | | EUR offshore preference shares | — | 40,000,000 | 13.0 | — | Unknown |

Notes: (1) The above data are based on the Bank's register of offshore preference shareholders as at 30 June 2017.

- (2) As the issuance was private offering, the register of preference shareholders presented the information on proxies of places.
- (3) The Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.
- (4) "Shareholding percentage" refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

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

Unit: Share

| Name of shareholder | Nature of shareholder | Class of shares | Increase/ decrease during the reporting period | Shares held at the end of the period | Shareholding percentage (%) | Number of shares subject to restrictions on sales | Number of pledged or locked-up shares |
|---|---------------------------------------|----------------------------|--|--|--------------------------------|--|--|
| China Mobile Communications Corporation | Other entities | Domestic preference shares | — | 200,000,000 | 44.4 | — | None |
| China National Tobacco Corporation | Other entities | Domestic preference shares | — | 50,000,000 | 11.1 | — | None |
| China Life Insurance Company Limited | State-owned legal person | Domestic preference shares | — | 35,000,000 | 7.8 | — | None |
| Ping An Life Insurance Company of China, Ltd. | Domestic non-state-owned legal person | Domestic preference shares | — | 30,000,000 | 6.7 | — | None |
| CCB Trust Co., Ltd. | State-owned legal person | Domestic preference shares | — | 15,000,000 | 3.3 | — | None |
| BOCOM Schrodgers Asset Management Co., Ltd. | Domestic non-state-owned legal person | Domestic preference shares | — | 15,000,000 | 3.3 | — | None |
| China Resources SZITIC Trust Co., Ltd. | State-owned legal person | Domestic preference shares | — | 15,000,000 | 3.3 | — | None |
| BOC International (China) Limited | Domestic non-state-owned legal person | Domestic preference shares | — | 15,000,000 | 3.3 | — | None |
| China National Tobacco Corporation Shandong Branch | Other entities | Domestic preference shares | — | 10,000,000 | 2.2 | — | None |
| China National Tobacco Corporation Heilongjiang Branch | Other entities | Domestic preference shares | — | 10,000,000 | 2.2 | — | None |
| Ping An Property & Casualty Insurance Company of China Ltd. | Domestic non-state-owned legal person | Domestic preference shares | — | 10,000,000 | 2.2 | — | None |

Notes: (1) The above data are based on the Bank's register of domestic preference shareholders as at 30 June 2017.

(2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. Both the “China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu” and the “China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu” are managed by China Life Insurance Company Limited. The “Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products” is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China Ltd. have connected relations. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.

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

◆ *Dividend Distribution of Preference Shares*

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

◆ *Redemption or Conversion of Preference Shares*

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

◆ *Restoration of Voting Rights of Preference Shares*

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

◆ *Accounting Policies Adopted for Preference Shares and Grounds*

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

7. Material Assets Acquisition, Sale and Merger

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

8. Other Information

8.1 Corporate Governance Code

During the reporting period, the Bank fully complied with the principles, code provisions and the recommended best practices as stipulated in the Corporate Governance Code under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

8.2 Profits and Dividends Distribution

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

Upon the approval at the Annual General Meeting for the Year 2016 held on 27 June 2017, the Bank has distributed cash dividends of about RMB83,506 million, or RMB2.343 per ten shares (pre-tax), for the period from 1 January 2016 to 31 December 2016 to the ordinary shareholders whose names appeared on the share register after the close of market on 10 July 2017. The Bank will not declare or distribute interim dividends for 2017, nor will it convert any capital reserves to share capital.

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

8.3 Purchase, Sale and Redemption of Securities

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

8.4 Securities Transactions of Directors and Supervisors

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

8.5 Review of the Interim Report

The 2017 interim financial report prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by KPMG Huazhen LLP and KPMG in accordance with Chinese and international standards on review engagements, respectively.

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

9. Interim Financial Report

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

9.1.1 Unaudited Interim Consolidated Statement of Profit or Loss

(In RMB millions, unless otherwise stated)

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2017 | 2016 |
| | (unaudited) | (unaudited) |
| Interest income | 418,353 | 395,228 |
| Interest expense | (167,431) | (160,948) |
| NET INTEREST INCOME | 250,922 | 234,280 |
| Fee and commission income | 85,402 | 90,816 |
| Fee and commission expense | (8,732) | (9,101) |
| NET FEE AND COMMISSION INCOME | 76,670 | 81,715 |
| Net trading income | 2,912 | 3,334 |
| Net loss on financial assets and liabilities designated at fair value through profit or loss | (3) | (253) |
| Net gain on financial investments | 634 | 2,565 |
| Other operating income, net | 5,604 | 7,340 |
| OPERATING INCOME | 336,739 | 328,981 |
| Operating expenses | (80,270) | (90,594) |
| Impairment losses on: | | |
| Loans and advances to customers | (61,001) | (43,891) |
| Others | (342) | (542) |
| OPERATING PROFIT | 195,126 | 193,954 |
| Share of profits of associates and joint ventures | 1,372 | 1,121 |
| PROFIT BEFORE TAXATION | 196,498 | 195,075 |
| Income tax expense | (42,811) | (44,419) |
| PROFIT FOR THE PERIOD | 153,687 | 150,656 |
| Attributable to: | | |
| Equity holders of the parent company | 152,995 | 150,217 |
| Non-controlling interests | 692 | 439 |
| | 153,687 | 150,656 |
| EARNINGS PER SHARE | | |
| — Basic (RMB yuan) | 0.43 | 0.42 |
| — Diluted (RMB yuan) | 0.43 | 0.42 |

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

(In RMB millions, unless otherwise stated)

| | Six months ended 30 June | |
|---|---------------------------------|-----------------------|
| | 2017 | 2016 |
| | (unaudited) | (unaudited) |
| Profit for the period | 153,687 | 150,656 |
| Other comprehensive income (after tax, net): | | |
| Items that will not be reclassified to profit or loss: | | |
| Share of the other comprehensive income of investees accounted for using equity method which will not be reclassified to profit or loss | (11) | (5) |
| Others | 1 | (10) |
| Items that may be reclassified subsequently to profit or loss: | | |
| Net loss from change in fair value of available-for-sale financial assets | (18,245) | (5,135) |
| Effective hedging portion of gains or losses arising from cash flow hedging instruments | 104 | (236) |
| Share of the other comprehensive income of investees accounted for using equity method which may be reclassified subsequently to profit or loss | (180) | (601) |
| Foreign currency translation differences | (2,980) | 5,773 |
| Others | (29) | — |
| Subtotal of other comprehensive income for the period | <u>(21,340)</u> | <u>(214)</u> |
| Total comprehensive income for the period | <u><u>132,347</u></u> | <u><u>150,442</u></u> |
| Total comprehensive income attributable to: | | |
| Equity holders of the parent company | 132,046 | 150,245 |
| Non-controlling interests | 301 | 197 |
| | <u><u>132,347</u></u> | <u><u>150,442</u></u> |

9.1.3 Unaudited Interim Consolidated Statement of Financial Position

(In RMB millions, unless otherwise stated)

| | 30 June 2017 (unaudited) | 31 December 2016 (audited) |
|--|---|----------------------------------|
| ASSETS | | |
| Cash and balances with central banks | 3,542,773 | 3,350,788 |
| Due from banks and other financial institutions | 957,239 | 797,473 |
| Financial assets held for trading | 141,395 | 189,331 |
| Financial assets designated at fair value through profit or loss | 362,149 | 285,144 |
| Derivative financial assets | 57,569 | 94,452 |
| Reverse repurchase agreements | 840,658 | 755,627 |
| Loans and advances to customers | 13,549,396 | 12,767,334 |
| Financial investments | 5,066,449 | 5,006,699 |
| Investments in associates and joint ventures | 32,220 | 30,077 |
| Property and equipment | 245,699 | 246,209 |
| Deferred income tax assets | 34,839 | 28,398 |
| Other assets | 683,660 | 585,733 |
| TOTAL ASSETS | 25,514,046 | 24,137,265 |
| LIABILITIES | | |
| Due to central banks | 511 | 545 |
| Financial liabilities designated at fair value through profit or loss | 455,303 | 366,752 |
| Derivative financial liabilities | 52,436 | 89,960 |
| Due to banks and other financial institutions | 1,815,045 | 2,016,799 |
| Repurchase agreements | 681,925 | 589,306 |
| Certificates of deposit | 228,097 | 218,427 |
| Due to customers | 19,021,171 | 17,825,302 |
| Income tax payable | 39,058 | 52,640 |
| Deferred income tax liabilities | 582 | 604 |
| Debt securities issued | 413,016 | 357,937 |
| Other liabilities | 776,268 | 637,830 |
| TOTAL LIABILITIES | 23,483,412 | 22,156,102 |
| EQUITY | | |
| Equity attributable to equity holders of the parent company | | |
| Share capital | 356,407 | 356,407 |
| Other equity instruments | 86,051 | 86,051 |
| Reserves | 566,401 | 586,630 |
| Retained profits | 1,009,436 | 940,663 |
| | 2,018,295 | 1,969,751 |
| Non-controlling interests | 12,339 | 11,412 |
| TOTAL EQUITY | 2,030,634 | 1,981,163 |
| TOTAL EQUITY AND LIABILITIES | 25,514,046 | 24,137,265 |

9.1.4 Unaudited Interim Consolidated Statement of Changes in Equity

(In RMB millions, unless otherwise stated)

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

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

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

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

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

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

Attributable to equity holders of the parent company

| | Reserves | | | | | | | | | | | | Non-controlling interests | Total equity |
|---|----------------------|--------------------------|-----------------|-----------------|-----------------|--------------------------------|--------------------------------------|---------------------------|----------------|----------------|------------------|------------------|---------------------------|------------------|
| | Issued share capital | Other equity instruments | Capital reserve | Surplus reserve | General reserve | Investment revaluation reserve | Foreign currency translation reserve | Cash flow hedging reserve | Other reserves | Subtotal | Retained profits | Total | | |
| Balance as at 1 January 2016 | 356,407 | 79,375 | 152,026 | 178,040 | 246,356 | 29,956 | (31,432) | (3,926) | 684 | 571,704 | 781,988 | 1,789,474 | 11,045 | 1,800,519 |
| Profit for the year | — | — | — | — | — | — | — | — | — | — | 278,249 | 278,249 | 857 | 279,106 |
| Other comprehensive income | — | — | — | — | — | (28,823) | 13,382 | (719) | (923) | (17,083) | — | (17,083) | (432) | (17,515) |
| Total comprehensive income | — | — | — | — | — | (28,823) | 13,382 | (719) | (923) | (17,083) | 278,249 | 261,166 | 425 | 261,591 |
| Dividends — ordinary shares 2015 final | — | — | — | — | — | — | — | — | — | — | (83,150) | (83,150) | — | (83,150) |
| Dividends — preference shares | — | — | — | — | — | — | — | — | — | — | (4,450) | (4,450) | — | (4,450) |
| Appropriation to surplus reserve (i) | — | — | — | 26,981 | — | — | — | — | — | 26,981 | (26,981) | — | — | — |
| Appropriation to general reserve (ii) | — | — | — | — | 4,993 | — | — | — | — | 4,993 | (4,993) | — | — | — |
| Capital injection by other equity holders | — | 6,676 | — | — | — | — | — | — | — | — | — | 6,676 | — | 6,676 |
| Change in share holding in subsidiaries | — | — | 8 | — | — | — | — | — | — | 8 | — | 8 | 13 | 21 |
| Dividends to non-controlling shareholders | — | — | — | — | — | — | — | — | — | — | — | — | (71) | (71) |
| Others | — | — | 9 | — | — | — | — | — | 18 | 27 | — | 27 | — | 27 |
| Balance as at 31 December 2016 (audited) | <u>356,407</u> | <u>86,051</u> | <u>152,043</u> | <u>205,021</u> | <u>251,349</u> | <u>1,133</u> | <u>(18,050)</u> | <u>(4,645)</u> | <u>(221)</u> | <u>586,630</u> | <u>940,663</u> | <u>1,969,751</u> | <u>11,412</u> | <u>1,981,163</u> |

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB84 million and RMB669 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB194 million.

9.1.5 Unaudited Interim Consolidated Cash Flow Statement

(In RMB millions, unless otherwise stated)

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2017 | 2016 |
| | (unaudited) | (unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 196,498 | 195,075 |
| Adjustments for: | | |
| Share of profits of associates and joint ventures | (1,372) | (1,121) |
| Depreciation | 9,365 | 9,380 |
| Amortisation | 1,006 | 1,073 |
| Amortisation of financial investments | 13,762 | (3,907) |
| Impairment losses on loans and advances to customers | 61,001 | 43,891 |
| Impairment losses on assets other than loans and advances to customers | 342 | 542 |
| Unrealised loss/(gain) on foreign exchange | 2,634 | (14,008) |
| Interest expense on debt securities issued | 7,736 | 6,844 |
| Accreted interest on impaired loans | (1,632) | (2,648) |
| Gain on disposal of available-for-sale financial assets, net | (520) | (2,461) |
| Net trading (gain)/loss on equity investments | (231) | 47 |
| Net loss on financial assets and liabilities designated at fair value through profit or loss | 3 | 253 |
| Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets) | (720) | (378) |
| Dividend income | (114) | (104) |
| | 287,758 | 232,478 |
| Net (increase)/decrease in operating assets: | | |
| Due from central banks | (140,013) | (162,821) |
| Due from banks and other financial institutions | (5,595) | 118,833 |
| Financial assets held for trading | 49,206 | (44,629) |
| Financial assets designated at fair value through profit or loss | (75,970) | (49,032) |
| Reverse repurchase agreements | (22,890) | (9,721) |
| Loans and advances to customers | (877,588) | (761,127) |
| Other assets | (102,190) | (178,183) |
| | (1,175,040) | (1,086,680) |
| Net increase/(decrease) in operating liabilities: | | |
| Financial liabilities designated at fair value through profit or loss | 88,314 | 43,436 |
| Due to central banks | (34) | 170 |
| Due to banks and other financial institutions | (186,068) | (34,695) |
| Repurchase agreements | 92,619 | 7,838 |
| Certificates of deposit | 14,580 | 12,929 |
| Due to customers | 1,225,931 | 1,066,410 |
| Other liabilities | 55,294 | 129,769 |
| | 1,290,636 | 1,225,857 |
| Net cash flows from operating activities before tax | 403,354 | 371,655 |
| Income tax paid | (56,812) | (74,023) |
| Net cash flows from operating activities | 346,542 | 297,632 |

(In RMB millions, unless otherwise stated)

| | Six months ended 30 June | |
|---|---------------------------------|-------------------------|
| | 2017 | 2016 |
| | (unaudited) | (unaudited) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment and other assets | (6,485) | (12,489) |
| Proceeds from disposal of property and equipment and other assets (other than repossessed assets) | 1,476 | 428 |
| Purchases of financial investments | (1,150,318) | (1,395,585) |
| Proceeds from sale and redemption of financial investments | 1,037,197 | 980,624 |
| Investments in associates and joint ventures | (1,510) | (426) |
| Dividends received | 730 | 548 |
| | <hr/> | <hr/> |
| Net cash flows from investing activities | (118,910) | (426,900) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Capital injection by non-controlling shareholders | 792 | 1,520 |
| Proceeds from issuance of debt securities | 407,043 | 458,522 |
| Interest paid on debt securities | (6,271) | (5,617) |
| Repayments of debt securities | (350,054) | (450,724) |
| Dividends or interests paid to non-controlling shareholders | (166) | — |
| | <hr/> | <hr/> |
| Net cash flows from financing activities | 51,344 | 3,701 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| | 278,976 | (125,567) |
| Cash and cash equivalents at beginning of the period | 1,189,368 | 1,441,298 |
| Effect of exchange rate changes on cash and cash equivalents | (10,654) | 15,786 |
| | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | <u>1,457,690</u> | <u>1,331,517</u> |
| NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE: | | |
| Interest received | 446,317 | 390,728 |
| Interest paid | (163,140) | (155,513) |
| | <hr/> | <hr/> |

9.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Group's annual financial report for the year ended 31 December 2016, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. The principal effects of new and revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs")) are as follows:

Amendments to IAS 12, Income taxes "Recognition of deferred tax assets for unrealised losses"

The amendments stemmed from a request to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. However, the amendments address a broader area of accounting for deferred tax assets in general.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide guidance on how an entity should determine future taxable profits to support the recognition of a deferred tax asset arising from a deductible temporary difference.

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

Annual Improvements to IFRSs 2014–2016 Cycle — Amendments to IFRS 12, Disclosure of interests in other entities

The amendments to IFRS 12 clarify that the disclosure requirements of IFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with IFRS 5.

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

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

9.3 Notes to the Unaudited Interim Financial Report

(In RMB millions, unless otherwise stated)

9.3.1 NET INTEREST INCOME

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2017 | 2016 |
| Interest income on: | | |
| Loans and advances to customers | | |
| — Corporate loans and advances | 180,089 | 182,513 |
| — Personal loans | 88,968 | 77,768 |
| — Discounted bills | 8,986 | 10,468 |
| Financial investments | 90,927 | 87,675 |
| Due from central banks | 23,018 | 21,730 |
| Due from banks and other financial institutions | 26,365 | 15,074 |
| | <u>418,353</u> | <u>395,228</u> |
| Interest expense on: | | |
| Due to customers | (127,754) | (129,967) |
| Due to banks and other financial institutions | (30,198) | (22,598) |
| Debt securities issued | (9,479) | (8,383) |
| | <u>(167,431)</u> | <u>(160,948)</u> |
| Net interest income | <u>250,922</u> | <u>234,280</u> |

9.3.2 NET FEE AND COMMISSION INCOME

| | Six months ended 30 June | |
|---|--------------------------|---------------|
| | 2017 | 2016 |
| Bank card business | 18,792 | 18,859 |
| Personal wealth management and private banking services | 17,421 | 20,877 |
| Investment banking business | 14,729 | 16,109 |
| Settlement, clearing business and cash management | 14,076 | 13,787 |
| Corporate wealth management services | 10,103 | 11,276 |
| Guarantee and commitment business | 4,290 | 3,195 |
| Asset custody business | 3,487 | 3,965 |
| Trust and agency services | 1,088 | 1,105 |
| Others | 1,416 | 1,643 |
| | <hr/> | <hr/> |
| Fee and commission income | 85,402 | 90,816 |
| Fee and commission expense | (8,732) | (9,101) |
| | <hr/> | <hr/> |
| Net fee and commission income | <u>76,670</u> | <u>81,715</u> |

9.3.3 NET TRADING INCOME

| | Six months ended 30 June | |
|------------------------|--------------------------|--------------|
| | 2017 | 2016 |
| Debt securities | 1,569 | 2,534 |
| Equity investments | 231 | (47) |
| Derivatives and others | 1,112 | 847 |
| | <hr/> | <hr/> |
| | <u>2,912</u> | <u>3,334</u> |

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

| | Six months ended 30 June | |
|-----------------------|--------------------------|--------------|
| | 2017 | 2016 |
| Financial assets | 5,025 | 5,095 |
| Financial liabilities | (5,028) | (5,348) |
| | <hr/> | <hr/> |
| | <u>(3)</u> | <u>(253)</u> |

9.3.5 NET GAIN ON FINANCIAL INVESTMENTS

| | Six months ended 30 June | |
|--|--------------------------|--------------|
| | 2017 | 2016 |
| Dividend income from unlisted investments | 80 | 70 |
| Dividend income from listed investments | 34 | 34 |
| | <hr/> | <hr/> |
| Dividend income | 114 | 104 |
| | | |
| Gain on available-for-sale financial assets, net | 520 | 2,461 |
| | <hr/> | <hr/> |
| | 634 | 2,565 |
| | <hr/> <hr/> | <hr/> <hr/> |

9.3.6 OTHER OPERATING INCOME, NET

| | Six months ended 30 June | |
|--|--------------------------|--------------|
| | 2017 | 2016 |
| Net premium income | 21,717 | 26,299 |
| Operating cost of insurance business | (21,650) | (26,361) |
| (Loss)/gain from foreign exchange and foreign exchange products, net | (145) | 2,242 |
| Leasing income | 3,414 | 2,850 |
| Net gain on disposal of property and equipment, repossessed assets and others | 789 | 469 |
| Sundry bank charge income | 53 | 57 |
| Others | 1,426 | 1,784 |
| | <hr/> | <hr/> |
| | 5,604 | 7,340 |
| | <hr/> <hr/> | <hr/> <hr/> |

9.3.7 OPERATING EXPENSES

| | Six months ended 30 June | |
|---|---------------------------------|---------------|
| | 2017 | 2016 |
| Staff costs: | | |
| Salaries and bonuses | 31,742 | 31,456 |
| Staff benefits | 10,196 | 10,178 |
| Post-employment benefits — defined contribution plans | 7,256 | 7,689 |
| | <u>49,194</u> | <u>49,323</u> |
| Premises and equipment expenses: | | |
| Depreciation | 7,051 | 7,394 |
| Lease payments under operating leases in respect of land and buildings | 3,933 | 3,949 |
| Repairs and maintenance charges | 1,090 | 1,053 |
| Utility expenses | 998 | 1,120 |
| | <u>13,072</u> | <u>13,516</u> |
| Amortisation | 1,006 | 1,073 |
| Other administrative expenses | 8,154 | 8,021 |
| Taxes and surcharges | 3,908 | 13,467 |
| Others | 4,936 | 5,194 |
| | <u>80,270</u> | <u>90,594</u> |

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

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2017 | 2016 |
| Charge/(reversal) of impairment losses on: | | |
| Due from banks and other financial institutions | (68) | (139) |
| Financial investments: | | |
| Held-to-maturity investments | 6 | (1) |
| Available-for-sale financial assets | (31) | 143 |
| Others | 435 | 539 |
| | <u>342</u> | <u>542</u> |

9.3.9 INCOME TAX EXPENSE

(a) Income tax

| | Six months ended 30 June | |
|---|---------------------------------|---------------|
| | 2017 | 2016 |
| Current income tax expense: | | |
| Mainland China | 40,701 | 36,794 |
| Hong Kong and Macau | 994 | 868 |
| Overseas | 1,556 | 1,412 |
| | <u>43,251</u> | <u>39,074</u> |
| Adjustments in respect of income tax of prior years | (22) | (189) |
| Deferred income tax expense | (418) | 5,534 |
| | <u>42,811</u> | <u>44,419</u> |

(b) Reconciliation between income tax and accounting profit

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

| | Six months ended 30 June | |
|--|---------------------------------|---------------|
| | 2017 | 2016 |
| Profit before taxation | 196,498 | 195,075 |
| Tax at the PRC statutory income tax rate (25%) | 49,125 | 48,769 |
| Effects of different applicable rates of tax prevailing in other countries/regions | (453) | (344) |
| Non-deductible expenses | 3,736 | 2,389 |
| Non-taxable income | (10,448) | (6,490) |
| Profits attributable to associates and joint ventures | (343) | (280) |
| Adjustment in respect of income tax of prior years | (22) | (189) |
| Others | 1,216 | 564 |
| | <u>42,811</u> | <u>44,419</u> |
| Income tax expense | 42,811 | 44,419 |

9.3.10 *DIVIDENDS*

| | Six months ended 30 June | |
|---|---------------------------------|---------------|
| | 2017 | 2016 |
| Dividends on ordinary shares declared and paid or proposed: | | |
| Final dividend on ordinary shares for 2016: | | |
| RMB0.2343 per share (2015: RMB0.2333 per share) | <u>83,506</u> | <u>83,150</u> |

9.3.11 *EARNINGS PER SHARE*

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

| | Six months ended 30 June | |
|---|---------------------------------|----------------|
| | 2017 | 2016 |
| Earnings: | | |
| Profit for the period attributable to ordinary equity holders of the parent company | <u>152,995</u> | <u>150,217</u> |
| Shares: | | |
| Weighted average number of ordinary shares in issue (in million shares) | <u>356,407</u> | <u>356,407</u> |
| Basic and diluted earnings per share (RMB yuan) | <u>0.43</u> | <u>0.42</u> |

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

9.3.12 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

In accordance with accounting policy for offsetting, the Group offsets derivative assets and derivative liabilities which meet the criteria for offsetting, and presents net amount in the financial statements. As at 30 June 2017, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB39,901 million and RMB39,668 million respectively, and the net derivative assets and net derivative liabilities were RMB23,933 million and RMB23,699 million respectively.

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

| | 30 June 2017 | | | | | | |
|----------------------------------|---|---------------------------------------|-------------------------------------|-----------------|------------------|---------------|-----------------|
| | Notional amounts with remaining life of | | | | | Fair values | |
| | Within three months | Over three months but within one year | Over one year but within five years | Over five years | Total | Assets | Liabilities |
| Exchange rate contracts: | | | | | | | |
| Forward and swap contracts | 1,530,956 | 1,381,927 | 109,140 | 2,878 | 3,024,901 | 26,917 | (27,992) |
| Option contracts purchased | 30,501 | 79,367 | 2,765 | 122 | 112,755 | 1,413 | — |
| Option contracts written | 36,526 | 62,460 | 4,638 | — | 103,624 | — | (416) |
| | <u>1,597,983</u> | <u>1,523,754</u> | <u>116,543</u> | <u>3,000</u> | <u>3,241,280</u> | <u>28,330</u> | <u>(28,408)</u> |
| Interest rate contracts: | | | | | | | |
| Swap contracts | 114,246 | 317,161 | 678,986 | 183,304 | 1,293,697 | 17,107 | (16,046) |
| Forward contracts | 101,597 | 215,613 | 244,740 | — | 561,950 | 20 | (207) |
| Option contracts purchased | — | 4,992 | 3,804 | 163 | 8,959 | 250 | — |
| Option contracts written | 1,153 | 1,127 | 12,080 | 105 | 14,465 | — | (69) |
| | <u>216,996</u> | <u>538,893</u> | <u>939,610</u> | <u>183,572</u> | <u>1,879,071</u> | <u>17,377</u> | <u>(16,322)</u> |
| Commodity derivatives and others | <u>704,415</u> | <u>336,215</u> | <u>61,641</u> | <u>8,170</u> | <u>1,110,441</u> | <u>11,862</u> | <u>(7,706)</u> |
| | <u>2,519,394</u> | <u>2,398,862</u> | <u>1,117,794</u> | <u>194,742</u> | <u>6,230,792</u> | <u>57,569</u> | <u>(52,436)</u> |
| | 31 December 2016 | | | | | | |
| | Notional amounts with remaining life of | | | | | Fair values | |
| | Within three months | Over three months but within one year | Over one year but within five years | Over five years | Total | Assets | Liabilities |
| Exchange rate contracts: | | | | | | | |
| Forward and swap contracts | 1,577,351 | 1,433,229 | 115,797 | 4,383 | 3,130,760 | 56,972 | (58,600) |
| Option contracts purchased | 33,722 | 69,728 | 3,444 | 125 | 107,019 | 1,306 | — |
| Option contracts written | 37,213 | 45,126 | 3,061 | — | 85,400 | — | (1,617) |
| | <u>1,648,286</u> | <u>1,548,083</u> | <u>122,302</u> | <u>4,508</u> | <u>3,323,179</u> | <u>58,278</u> | <u>(60,217)</u> |
| Interest rate contracts: | | | | | | | |
| Swap contracts | 195,268 | 279,975 | 683,648 | 180,059 | 1,338,950 | 20,456 | (20,196) |
| Forward contracts | 116,445 | 138,559 | 161,887 | — | 416,891 | 44 | (212) |
| Option contracts purchased | 1,390 | 1,157 | 6,626 | 167 | 9,340 | 109 | — |
| Option contracts written | 1,390 | 1,046 | 12,216 | 17 | 14,669 | — | (62) |
| | <u>314,493</u> | <u>420,737</u> | <u>864,377</u> | <u>180,243</u> | <u>1,779,850</u> | <u>20,609</u> | <u>(20,470)</u> |
| Commodity derivatives and others | <u>632,245</u> | <u>273,591</u> | <u>50,171</u> | <u>3,283</u> | <u>959,290</u> | <u>15,565</u> | <u>(9,273)</u> |
| | <u>2,595,024</u> | <u>2,242,411</u> | <u>1,036,850</u> | <u>188,034</u> | <u>6,062,319</u> | <u>94,452</u> | <u>(89,960)</u> |

Cash flow hedges

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

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

| | 30 June 2017 | | | | | | |
|------------------------------|---|--|--|--------------------|---------------|-------------|----------------|
| | Notional amounts with remaining life of | | | | | Fair values | |
| | Within three months | Over three months but within one year | Over one year but within five years | Over five years | Total | Assets | Liabilities |
| Interest rate swap contracts | — | 4,034 | 7,046 | 2,167 | 13,247 | 212 | (27) |
| Currency swap contracts | 23,643 | 2,358 | 12,141 | 1,093 | 39,235 | 272 | (2,695) |
| Currency forward contracts | 6 | 6 | — | — | 12 | — | — |
| Equity derivatives | 51 | 49 | 56 | — | 156 | 20 | (9) |
| | <u>23,700</u> | <u>6,447</u> | <u>19,243</u> | <u>3,260</u> | <u>52,650</u> | <u>504</u> | <u>(2,731)</u> |

| | 31 December 2016 | | | | | | |
|------------------------------|---|--|--|--------------------|---------------|-------------|----------------|
| | Notional amounts with remaining life of | | | | | Fair values | |
| | Within three months | Over three months but within one year | Over one year but within five years | Over five years | Total | Assets | Liabilities |
| Interest rate swap contracts | — | 4,213 | 9,415 | 2,108 | 15,736 | 245 | (20) |
| Currency swap contracts | 211 | 35,304 | 748 | — | 36,263 | 10 | (2,257) |
| Currency forward contracts | — | 4 | — | — | 4 | 2 | — |
| Equity derivatives | 64 | 53 | 44 | — | 161 | 14 | (5) |
| | <u>275</u> | <u>39,574</u> | <u>10,207</u> | <u>2,108</u> | <u>52,164</u> | <u>271</u> | <u>(2,282)</u> |

There was no ineffectiveness recognised in profit or loss that arose from the cash flow hedge for the current period (six months ended 30 June 2016: 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. Interest rate swaps are used as hedging instruments to hedge the interest risk of financial assets and financial liabilities, respectively.

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

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2017 | 2016 |
| (Loss)/gain arising from fair value hedges, net: | | |
| — Hedging instruments | (264) | 34 |
| — Hedged items attributable to the hedged risk | 238 | (75) |
| | <u>(26)</u> | <u>(41)</u> |

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

| | 30 June 2017 | | | | | Fair values | |
|------------------------------|--|--|--|----------------------------|----------------------|--------------------|---------------------|
| | Notional amounts with remaining life of | | | | | Fair values | |
| | Within three months | Over three months but within one year | Over one year but within five years | Over five years | Total | Assets | Liabilities |
| Interest rate swap contracts | <u>2,712</u> | <u>10,167</u> | <u>31,708</u> | <u>11,280</u> | <u>55,867</u> | <u>550</u> | <u>(184)</u> |
| | <u><u>2,712</u></u> | <u><u>10,167</u></u> | <u><u>31,708</u></u> | <u><u>11,280</u></u> | <u><u>55,867</u></u> | <u><u>550</u></u> | <u><u>(184)</u></u> |

| | 31 December 2016 | | | | | Fair values | |
|------------------------------|--|--|--|----------------------------|----------------------|--------------------|---------------------|
| | Notional amounts with remaining life of | | | | | Fair values | |
| | Within three months | Over three months but within one year | Over one year but within five years | Over five years | Total | Assets | Liabilities |
| Interest rate swap contracts | <u>1,302</u> | <u>14,801</u> | <u>31,715</u> | <u>6,620</u> | <u>54,438</u> | <u>777</u> | <u>(147)</u> |
| | <u><u>1,302</u></u> | <u><u>14,801</u></u> | <u><u>31,715</u></u> | <u><u>6,620</u></u> | <u><u>54,438</u></u> | <u><u>777</u></u> | <u><u>(147)</u></u> |

Net investment hedges

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

For the year ended 30 June 2017, a net loss from the hedging instrument of RMB102 million was recognised in “Other comprehensive income” on net investment hedges (six months ended 30 June 2016: Nil), and there was no ineffectiveness in profit or loss that arises from the net investment hedges for the current period (six months ended 30 June 2016: Nil).

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

| | 30 June 2017 | 31 December 2016 |
|---|-------------------------|---------------------|
| Counterparty credit default risk-weighted assets | 56,140 | 61,333 |
| Currency derivatives | 28,283 | 32,381 |
| Interest rate derivatives | 3,305 | 6,149 |
| Credit derivatives | 228 | 25 |
| Commodity derivatives and others | 13,033 | 10,843 |
| Netting Settled credit default risk-weighted assets | 11,291 | 11,935 |
| Credit valuation adjustment risk-weighted assets | 30,149 | 31,541 |
| Central counterparties credit risk-weighted assets | 1,844 | 2,478 |
| | <u>88,133</u> | <u>95,352</u> |

The credit risk-weighted assets represent the counterparty credit risk associated with derivative financial instruments and were calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBRC. The credit risk-weighted assets of the Group’s derivative financial instruments include counterparty credit default risk-weighted assets, credit valuation adjustment risk-weighted assets and central counterparties credit risk-weighted assets.

9.3.13 FINANCIAL INVESTMENTS

| | 30 June 2017 | 31 December 2016 |
|-------------------------------------|-------------------------|---------------------|
| Receivables | 343,822 | 291,370 |
| Held-to-maturity investments | 3,090,298 | 2,973,042 |
| Available-for-sale financial assets | 1,632,329 | 1,742,287 |
| | <u>5,066,449</u> | <u>5,006,699</u> |

9.3.14 OTHER COMPREHENSIVE INCOME

Six months ended 30 June
2017 **2016**

Items that will not be reclassified to profit or loss:

| | | |
|---|-------------|------|
| Share of the other comprehensive income of investees accounted for using equity method which will not be reclassified to profit or loss | (11) | (5) |
| Others | 1 | (10) |

Items that may be reclassified subsequently to profit or loss:

| | | |
|---|-----------------|---------|
| Net loss from change in fair value of available-for-sale financial assets | (24,022) | (5,600) |
| Less: Transfer to profit or loss arising from disposal/impairment | (214) | (1,326) |
| Income tax effect | 5,991 | 1,791 |
| | (18,245) | (5,135) |

| | | |
|--|------------|-------|
| Effective hedging portion of gains or losses arising from cash flow hedging instruments: | | |
| Gains/(losses) during the period | 50 | (288) |
| Less: Income tax effect | 54 | 52 |
| | 104 | (236) |

| | | |
|---|-----------------|-------|
| Share of the other comprehensive income of investees accounted for using equity method which may be reclassified subsequently to profit or loss | (180) | (601) |
| Foreign currency translation differences | (2,980) | 5,773 |
| Others | (29) | — |
| | (21,340) | (214) |
| | (21,340) | (214) |

9.3.15 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

| | 30 June 2017 | 31 December 2016 |
|------------------------------------|-------------------------|---------------------|
| Authorised, but not contracted for | 615 | 535 |
| Contracted, but not provided for | 34,678 | 27,833 |
| | <u>35,293</u> | <u>28,368</u> |

(b) Operating lease commitments

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

| | 30 June 2017 | 31 December 2016 |
|-------------------------------------|-------------------------|---------------------|
| Within one year | 5,312 | 5,455 |
| Over one year but within five years | 9,287 | 9,899 |
| Over five years | 1,210 | 2,266 |
| | <u>15,809</u> | <u>17,620</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.

| | 30 June 2017 | 31 December 2016 |
|--|-------------------------|---------------------|
| Bank acceptances | 254,378 | 271,691 |
| Guarantees issued | | |
| Financing letters of guarantees | 154,730 | 137,076 |
| Non-financing letters of guarantees | 317,985 | 295,471 |
| Sight letters of credit | 31,404 | 45,752 |
| Usance letters of credit and other commitments | 147,379 | 143,393 |
| Loan commitments | | |
| With an original maturity of under one year | 239,801 | 173,392 |
| With an original maturity of one year or over | 1,213,182 | 1,064,189 |
| Undrawn credit card limit | 794,090 | 647,448 |
| | <u>3,152,949</u> | <u>2,778,412</u> |
| | 30 June 2017 | 31 December 2016 |
| Credit risk-weighted assets of credit commitments(i) | <u>1,410,082</u> | <u>1,231,376</u> |

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

(d) Legal proceedings

As at 30 June 2017, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB5,483 million (31 December 2016: RMB5,515 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 2017, the Bank had underwritten and sold bonds with an accumulated amount of RMB87,089 million (31 December 2016: RMB97,646 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 2017, the Group had no unexpired securities underwriting obligations (31 December 2016: Nil).

9.3.16 SEGMENT INFORMATION

(a) Operating segments

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

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

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

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

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

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

| | Six months ended 30 June 2017 | | | | |
|---|--------------------------------------|-----------------------------|--------------------------------|----------------|-------------------|
| | Corporate banking | Personal banking | Treasury operations | Others | Total |
| External net interest income | 123,129 | 25,386 | 102,407 | — | 250,922 |
| Internal net interest (expense)/income | (2,710) | 62,314 | (59,604) | — | — |
| Net fee and commission income | 44,385 | 32,139 | 146 | — | 76,670 |
| Other income, net | 3,748 | 21 | 3,365 | 2,013 | 9,147 |
| Operating income | 168,552 | 119,860 | 46,314 | 2,013 | 336,739 |
| Operating expenses | (30,936) | (39,005) | (7,856) | (2,473) | (80,270) |
| Impairment (losses)/reversal on: | | | | | |
| Loans and advances to customers | (57,045) | (3,956) | — | — | (61,001) |
| Others | (252) | (62) | 78 | (106) | (342) |
| Operating profit/(loss) | 80,319 | 76,837 | 38,536 | (566) | 195,126 |
| Share of profits of associates and joint ventures | — | — | — | 1,372 | 1,372 |
| Profit before taxation | 80,319 | 76,837 | 38,536 | 806 | 196,498 |
| Income tax expense | | | | | (42,811) |
| Profit for the period | | | | | <u>153,687</u> |
| Other segment information: | | | | | |
| Depreciation | 3,107 | 2,578 | 1,223 | 143 | 7,051 |
| Amortisation | 461 | 328 | 190 | 27 | 1,006 |
| Capital expenditure | <u>6,498</u> | <u>5,368</u> | <u>2,547</u> | <u>302</u> | <u>14,715</u> |
| | | | | | |
| | As at 30 June 2017 | | | | |
| | Corporate banking | Personal banking | Treasury operations | Others | Total |
| Segment assets | <u>9,359,769</u> | <u>4,640,695</u> | <u>11,356,649</u> | <u>156,933</u> | <u>25,514,046</u> |
| Including: Investments in associates and joint ventures | — | — | — | 32,220 | 32,220 |
| Property and equipment | 97,039 | 80,290 | 37,988 | 30,382 | 245,699 |
| Other non-current assets | 19,883 | 7,087 | 4,299 | 11,197 | 42,466 |
| Segment liabilities | <u>10,967,016</u> | <u>8,721,836</u> | <u>3,533,373</u> | <u>261,187</u> | <u>23,483,412</u> |
| Other segment information: | | | | | |
| Credit commitments | <u>2,358,859</u> | <u>794,090</u> | — | — | <u>3,152,949</u> |

| | Six months ended 30 June 2016 | | | | |
|---|-------------------------------|---------------------|------------------------|----------------|-------------------|
| | Corporate banking | Personal banking | Treasury operations | Others | Total |
| External net interest income | 125,951 | 11,606 | 96,723 | — | 234,280 |
| Internal net interest (expense)/income | (12,384) | 73,885 | (61,501) | — | — |
| Net fee and commission income | 45,615 | 35,891 | 209 | — | 81,715 |
| Other income/(expense), net | 3,128 | (101) | 8,189 | 1,770 | 12,986 |
| Operating income | 162,310 | 121,281 | 43,620 | 1,770 | 328,981 |
| Operating expenses | (38,149) | (41,922) | (8,170) | (2,353) | (90,594) |
| Impairment losses on: | | | | | |
| Loans and advances to customers | (37,688) | (6,203) | — | — | (43,891) |
| Others | (35) | — | (453) | (54) | (542) |
| Operating profit/(loss) | 86,438 | 73,156 | 34,997 | (637) | 193,954 |
| Share of profits of associates and joint ventures | — | — | — | 1,121 | 1,121 |
| Profit before taxation | 86,438 | 73,156 | 34,997 | 484 | 195,075 |
| Income tax expense | | | | | (44,419) |
| Profit for the period | | | | | <u>150,656</u> |
| Other segment information: | | | | | |
| Depreciation | 3,306 | 2,642 | 1,294 | 152 | 7,394 |
| Amortisation | 494 | 341 | 208 | 30 | 1,073 |
| Capital expenditure | 7,206 | 5,693 | 2,810 | 339 | 16,048 |
| | <u>7,206</u> | <u>5,693</u> | <u>2,810</u> | <u>339</u> | <u>16,048</u> |
| | As at 31 December 2016 | | | | |
| | Corporate banking | Personal banking | Treasury operations | Others | Total |
| Segment assets | <u>8,914,597</u> | <u>4,245,097</u> | <u>10,840,773</u> | <u>136,798</u> | <u>24,137,265</u> |
| Including: Investments in associates and joint ventures | — | — | — | 30,077 | 30,077 |
| Property and equipment | 99,810 | 79,878 | 39,045 | 27,476 | 246,209 |
| Other non-current assets | 19,817 | 7,189 | 4,547 | 11,390 | 42,943 |
| Segment liabilities | <u>10,088,166</u> | <u>8,376,975</u> | <u>3,536,514</u> | <u>154,447</u> | <u>22,156,102</u> |
| Other segment information: | | | | | |
| Credit commitments | <u>2,130,964</u> | <u>647,448</u> | <u>—</u> | <u>—</u> | <u>2,778,412</u> |

(b) Geographical information

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

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

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

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

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

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

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

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

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

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

Six months ended 30 June 2017

| | 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 | 99,978 | 24,080 | 22,949 | 14,404 | 23,808 | 34,778 | 7,277 | 23,648 | — | 250,922 |
| Internal net interest (expense)/income | (66,296) | 13,940 | 6,639 | 33,401 | 6,858 | 4,091 | 3,843 | (2,476) | — | — |
| Net fee and commission income | 3,259 | 19,665 | 13,282 | 12,997 | 10,292 | 10,822 | 2,642 | 3,723 | (12) | 76,670 |
| Other (expense)/income, net | (1,178) | 394 | 587 | 3,497 | 78 | 407 | (81) | 5,463 | (20) | 9,147 |
| Operating income | 35,763 | 58,079 | 43,457 | 64,299 | 41,036 | 50,098 | 13,681 | 30,358 | (32) | 336,739 |
| Operating expenses | (8,040) | (11,348) | (8,868) | (13,212) | (11,540) | (13,192) | (5,158) | (8,944) | 32 | (80,270) |
| Impairment (losses)/reversal on: | | | | | | | | | | |
| Loans and advances to customers | (5,730) | (8,408) | (9,411) | (15,306) | (9,239) | (9,201) | (2,440) | (1,266) | — | (61,001) |
| Others | 144 | (35) | 103 | (42) | (370) | (76) | (6) | (60) | — | (342) |
| Operating profit | 22,137 | 38,288 | 25,281 | 35,739 | 19,887 | 27,629 | 6,077 | 20,088 | — | 195,126 |
| Share of profits of associates and joint ventures | — | — | — | — | — | — | — | 1,372 | — | 1,372 |
| Profit before taxation | 22,137 | 38,288 | 25,281 | 35,739 | 19,887 | 27,629 | 6,077 | 21,460 | — | 196,498 |
| Income tax expense | | | | | | | | | | (42,811) |
| Profit for the period | | | | | | | | | | <u>153,687</u> |
| Other segment information: | | | | | | | | | | |
| Depreciation | 871 | 974 | 668 | 1,055 | 1,241 | 1,454 | 583 | 205 | — | 7,051 |
| Amortisation | 258 | 116 | 97 | 81 | 143 | 177 | 42 | 92 | — | 1,006 |
| Capital expenditure | 207 | 1,477 | 70 | 157 | 196 | 200 | 92 | 12,316 | — | 14,715 |

As at 30 June 2017

| | Mainland China (HO and domestic branches) | | | | | | | Overseas and others | Eliminations | Total |
|--|---|------------------------|----------------------|-----------|------------------|------------------|-----------------------|------------------------|--------------|-------------------|
| | Head Office | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central China | Western China | Northeastern China | | | |
| Assets by geographical areas | 8,884,314 | 4,430,752 | 2,745,895 | 3,377,829 | 2,313,616 | 2,877,100 | 995,183 | 3,639,021 | (3,784,503) | 25,479,207 |
| Including: Investments in associates and joint ventures | — | — | — | — | — | — | — | 32,220 | — | 32,220 |
| Property and equipment | 12,282 | 29,182 | 10,447 | 16,861 | 18,149 | 22,084 | 9,837 | 126,857 | — | 245,699 |
| Other non-current assets | 10,890 | 5,804 | 3,584 | 3,791 | 5,506 | 7,523 | 1,402 | 3,966 | — | 42,466 |
| Unallocated assets | | | | | | | | | | 34,839 |
| Total assets | | | | | | | | | | <u>25,514,046</u> |
| Liabilities by geographical areas | 7,244,610 | 4,644,922 | 2,800,710 | 5,156,992 | 2,593,157 | 2,989,066 | 1,118,726 | 680,092 | (3,784,503) | 23,443,772 |
| Unallocated liabilities | | | | | | | | | | 39,640 |
| Total liabilities | | | | | | | | | | <u>23,483,412</u> |
| Other segment information: | | | | | | | | | | |
| Credit commitments | 813,772 | 500,937 | 416,563 | 510,024 | 200,918 | 259,914 | 76,007 | 374,814 | — | 3,152,949 |

Six months ended 30 June 2016

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

As at 31 December 2016

| | Mainland China (HO and domestic branches) | | | | | | | | Overseas and others | Eliminations | Total |
|--|---|------------------------|----------------------|-----------|------------------|------------------|-----------------------|-----------|------------------------|-------------------|-------|
| | Head Office | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central China | Western China | Northeastern China | | | | |
| Assets by geographical areas | 8,368,773 | 5,194,868 | 3,096,641 | 3,626,559 | 2,275,456 | 2,827,331 | 1,068,632 | 3,129,868 | (5,479,261) | 24,108,867 | |
| Including: Investments in associates and joint ventures | — | — | — | — | — | — | — | 30,077 | — | 30,077 | |
| Property and equipment | 13,020 | 28,803 | 11,072 | 17,791 | 19,263 | 23,418 | 10,391 | 122,451 | — | 246,209 | |
| Other non-current assets | 10,561 | 5,811 | 3,557 | 3,985 | 5,691 | 7,563 | 1,358 | 4,417 | — | 42,943 | |
| Unallocated assets | | | | | | | | | | 28,398 | |
| Total assets | | | | | | | | | | <u>24,137,265</u> | |
| Liabilities by geographical areas | 6,820,411 | 5,453,036 | 3,318,068 | 5,242,654 | 2,384,189 | 2,771,987 | 1,074,621 | 517,154 | (5,479,261) | 22,102,859 | |
| Unallocated liabilities | | | | | | | | | | 53,243 | |
| Total liabilities | | | | | | | | | | <u>22,156,102</u> | |
| Other segment information: | | | | | | | | | | | |
| Credit commitments | 662,510 | 441,169 | 314,846 | 485,726 | 158,583 | 249,912 | 67,703 | 397,963 | — | 2,778,412 | |

10. Unaudited Supplementary Financial Information

10.1 Correspondence between balance sheet in published financial statements and capital composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on CBRC Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

(i) Capital composition

| Item | 30 June 2017 | 31 December 2016 | Reference |
|---|------------------|---------------------|-----------|
| Core tier 1 capital | | | |
| 1 Paid-in capital | 356,407 | 356,407 | X18 |
| 2 Retained earnings | 1,465,954 | 1,396,607 | |
| 2a Surplus reserve | 205,308 | 205,021 | X21 |
| 2b General reserve | 251,767 | 251,349 | X22 |
| 2c Retained profits | 1,008,879 | 940,237 | X23 |
| 3 Accumulated other comprehensive income (and other public reserves) | 109,805 | 130,358 | |
| 3a Capital reserve | 152,002 | 151,998 | X19 |
| 3b Others | (42,197) | (21,640) | X24 |
| 4 Valid portion to core tier 1 capital during the transition period (only applicable to non- joint stock companies. Fill in 0 for joint stock banks) | — | — | |
| 5 Valid portion of minority interests | 2,432 | 3,164 | X25 |
| 6 Core tier 1 capital before regulatory adjustments | 1,934,598 | 1,886,536 | |
| Core tier 1 capital: Regulatory adjustments | | | |
| 7 Prudential valuation adjustments | — | — | |
| 8 Goodwill (net of deferred tax liabilities) | 8,810 | 9,001 | X16 |
| 9 Other intangible assets other than land use rights (net of deferred tax liabilities) | 1,157 | 1,477 | X14–X15 |
| 10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences | — | — | |
| 11 Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet | (4,604) | (4,618) | X20 |
| 12 Shortfall of provision for loan impairment | — | — | |
| 13 Gain on sale related to asset securitization | — | — | |

| Item | 30 June 2017 | 31 December 2016 | Reference |
|------|-----------------|---------------------|-----------|
| 14 | — | — | |
| 15 | — | — | |
| 16 | — | — | |
| 17 | — | — | |
| 18 | — | — | |
| 19 | — | — | |
| 20 | N/A | N/A | |
| 21 | — | — | |
| 22 | — | — | |
| 23 | — | — | |
| 24 | N/A | N/A | |
| 25 | — | — | |
| 26a | 5,700 | 5,700 | X11 |
| 26b | — | — | |
| 26c | — | — | |

| Item | 30 June 2017 | 31 December 2016 | Reference |
|--|------------------|---------------------|-----------|
| 27 | — | — | |
| 28 | 11,063 | 11,560 | |
| 29 | 1,923,535 | 1,874,976 | |
| Additional tier 1 capital: | | | |
| 30 | 79,375 | 79,375 | |
| 31 | 79,375 | 79,375 | X28 |
| 32 | — | — | |
| 33 | — | — | |
| 34 | 519 | 419 | X26 |
| 35 | — | — | |
| 36 | 79,894 | 79,794 | |
| Additional tier 1 capital: Regulatory adjustments | | | |
| 37 | — | — | |
| 38 | — | — | |
| 39 | — | — | |
| 40 | — | — | |
| 41a | — | — | |
| 41b | — | — | |
| 41c | — | — | |

| Item | 30 June 2017 | 31 December 2016 | Reference |
|---|-----------------|---------------------|-----------|
| 42 | — | — | |
| 43 | — | — | |
| 44 | 79,894 | 79,794 | |
| 45 | 2,003,429 | 1,954,770 | |
| Tier 2 capital: | | | |
| 46 | 134,863 | 154,861 | X17 |
| 47 | 101,425 | 121,710 | |
| 48 | 3,338 | 4,236 | X27 |
| 49 | 1,013 | — | |
| 50 | 54,954 | 19,195 | X02+X04 |
| 51 | 193,155 | 178,292 | |
| Tier 2 capital: Regulatory adjustments | | | |
| 52 | — | — | |
| 53 | — | — | |
| 54 | — | — | |
| 55 | 500 | 5,600 | X10 |
| 56a | — | — | |
| 56b | — | — | |
| 56c | — | — | |
| 57 | 500 | 5,600 | |
| 58 | 192,655 | 172,692 | |

| Item | 30 June 2017 | 31 December 2016 | Reference |
|--|-------------------|---------------------|---------------------------------|
| 59 Total capital (tier 1 capital + tier 2 capital) | 2,196,084 | 2,127,462 | |
| 60 Total risk-weighted assets | 15,183,975 | 14,564,617 | |
| Requirements for capital adequacy ratio and reserve capital | | | |
| 61 Core tier 1 capital adequacy ratio | 12.67% | 12.87% | |
| 62 Tier 1 capital adequacy ratio | 13.19% | 13.42% | |
| 63 Capital adequacy ratio | 14.46% | 14.61% | |
| 64 Institution specific buffer requirement | 3.5% | 3.5% | |
| 65 Including: Capital conservation buffer requirement | 2.5% | 2.5% | |
| 66 Including: Countercyclical buffer requirement | — | — | |
| 67 Including: G-SIB buffer requirement | 1% | 1% | |
| 68 Percentage of core tier 1 capital meeting buffers to risk-weighted assets | 7.67% | 7.87% | |
| Domestic minima for regulatory capital | | | |
| 69 Core tier 1 capital adequacy ratio | 5% | 5% | |
| 70 Tier 1 capital adequacy ratio | 6% | 6% | |
| 71 Capital adequacy ratio | 8% | 8% | |
| Amounts below the thresholds for deduction | | | |
| 72 Undeducted amount of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation | 35,875 | 37,049 | X05+X06 +X08+X09 +X12+X29 |
| 73 Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation | 27,623 | 26,859 | X07+X13 |
| 74 Mortgage servicing rights (net of deferred tax liabilities) | N/A | N/A | |
| 75 Deferred tax assets arising from temporary differences (net of deferred tax liabilities) | 34,467 | 28,072 | |
| Valid caps of surplus provision for loan impairment to tier 2 capital | | | |
| 76 Provision for loan impairment set aside under the weighted approach | 19,937 | 22,504 | X01 |
| 77 Valid cap of surplus provision for loan impairment to tier 2 capital under the weighted approach | 10,012 | 5,697 | X02 |
| 78 Surplus provision for loan impairment set aside under the internal ratings-based approach | 296,576 | 267,008 | X03 |

| Item | 30 June 2017 | 31 December 2016 | Reference |
|---|-------------------------|-----------------------------|------------------|
| 79 Valid cap of surplus provision for loan impairment to tier 2 capital under the internal ratings-based approach | 44,942 | 13,498 | X04 |
| Capital instruments subject to phase-out arrangements | | | |
| 80 Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements | — | — | |
| 81 Excluded from core tier 1 capital due to cap | — | — | |
| 82 Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements | — | — | |
| 83 Excluded from additional tier 1 capital due to cap | — | — | |
| 84 Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements | 101,425 | 121,710 | |
| 85 Excluded from tier 2 capital for the current period due to cap | 47,029 | 26,547 | |

(ii) Consolidated statement of financial position

| | 30 June 2017 Consolidated balance sheet as in published financial statements* | 30 June 2017 Balance sheet under regulatory scope of consolidation* | 31 December 2016 Consolidated balance sheet as in published financial statements* | 31 December 2016 Balance sheet under regulatory scope of consolidation* |
|--|--|--|--|---|
| Assets | | | | |
| Cash and balances with central banks | 3,542,773 | 3,542,773 | 3,350,788 | 3,350,788 |
| Due from banks and other financial institutions | 447,448 | 440,863 | 270,058 | 262,582 |
| Precious metals | 225,726 | 225,726 | 220,091 | 220,091 |
| Placements with banks and other financial institutions | 509,791 | 509,791 | 527,415 | 527,415 |
| Financial assets at fair value through profit or loss | 503,544 | 503,518 | 474,475 | 474,450 |
| Derivative financial assets | 57,569 | 57,569 | 94,452 | 94,452 |
| Reverse repurchase agreements | 840,658 | 840,380 | 755,627 | 755,557 |
| Loans and advances to customers | 13,549,396 | 13,548,892 | 12,767,334 | 12,766,888 |
| Available-for-sale financial assets | 1,632,329 | 1,598,304 | 1,742,287 | 1,708,102 |
| Held-to-maturity investments | 3,090,298 | 3,089,462 | 2,973,042 | 2,972,444 |
| Receivables | 343,822 | 294,105 | 291,370 | 245,221 |
| Long term equity investments | 32,220 | 37,920 | 30,077 | 35,777 |
| Fixed assets | 217,584 | 217,546 | 220,651 | 220,609 |
| Construction in progress | 25,884 | 25,884 | 22,968 | 22,968 |
| Deferred income tax assets | 34,839 | 34,839 | 28,398 | 28,398 |
| Other assets | 460,165 | 435,585 | 368,232 | 353,794 |
| Total assets | <u>25,514,046</u> | <u>25,403,157</u> | <u>24,137,265</u> | <u>24,039,536</u> |

| | 30 June 2017 Consolidated balance sheet as in published financial statements* | 30 June 2017 Balance sheet under regulatory scope of consolidation* | 31 December 2016 Consolidated balance sheet as in published financial statements* | 31 December 2016 Balance sheet under regulatory scope of consolidation* |
|---|--|--|--|--|
| Liabilities | | | | |
| Due to central banks | 511 | 511 | 545 | 545 |
| Due to banks and other financial institutions | 1,319,406 | 1,319,406 | 1,516,692 | 1,516,692 |
| Placements from banks and other financial institutions | 495,639 | 495,639 | 500,107 | 500,107 |
| Financial liabilities at fair value through profit or loss | 455,303 | 455,295 | 366,752 | 366,740 |
| Derivative financial liabilities | 52,436 | 52,436 | 89,960 | 89,960 |
| Repurchase agreements | 681,925 | 673,328 | 589,306 | 579,651 |
| Certificates of deposit | 228,097 | 228,097 | 218,427 | 218,427 |
| Due to customers | 19,021,171 | 19,029,935 | 17,825,302 | 17,828,084 |
| Employee benefits payable | 25,364 | 25,089 | 32,864 | 32,536 |
| Taxes payable | 52,077 | 52,020 | 63,557 | 63,500 |
| Debt securities issued | 413,016 | 413,016 | 357,937 | 357,937 |
| Deferred income tax liabilities | 582 | 371 | 604 | 327 |
| Other liabilities | 737,885 | 631,332 | 594,049 | 508,235 |
| Total liabilities | 23,483,412 | 23,376,475 | 22,156,102 | 22,062,741 |
| Shareholders' equity | | | | |
| Share capital | 356,407 | 356,407 | 356,407 | 356,407 |
| Other equity instruments | 86,051 | 86,051 | 86,051 | 86,051 |
| Capital reserve | 152,002 | 152,002 | 151,998 | 151,998 |
| Other comprehensive income | (42,687) | (42,197) | (21,738) | (21,640) |
| Surplus reserve | 205,313 | 205,308 | 205,021 | 205,021 |
| General reserve | 251,773 | 251,767 | 251,349 | 251,349 |
| Retained profits | 1,009,436 | 1,008,879 | 940,663 | 940,237 |
| Equity attributable to equity holders of the parent company | 2,018,295 | 2,018,217 | 1,969,751 | 1,969,423 |
| Minority interests | 12,339 | 8,465 | 11,412 | 7,372 |
| Total equity | 2,030,634 | 2,026,682 | 1,981,163 | 1,976,795 |

* Prepared in accordance with PRC GAAP.

(iii) Description of related items

| Item | 30 June 2017 Balance sheet under regulatory scope of consolidation | Reference |
|---|---|------------------|
| Financial assets at fair value through profit or loss | 503,518 | |
| Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation | 5,110 | X29 |
| Loans and advances to customers | 13,548,892 | |
| Total loans and advances to customers | 13,865,405 | |
| Less: Provision for loan impairment under the weighted approach | 19,937 | X01 |
| Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach | 10,012 | X02 |
| Less: Surplus provision for loan impairment under the internal ratings-based approach | 296,576 | X03 |
| Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach | 44,942 | X04 |
| Available-for-sale financial assets | 1,598,304 | |
| Bond investments measured at fair value | 1,591,033 | |
| Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation | 5,896 | X05 |
| Other debt instrument investments measured at fair value | 2,269 | |
| Equity investments | 5,002 | |
| Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation | 705 | X06 |
| Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation | 110 | X07 |

| Item | 30 June 2017 Balance sheet under regulatory scope of consolidation | Reference |
|---|---|------------------|
| Held-to-maturity investments | 3,089,462 | |
| Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation | — | X08 |
| Receivables | 294,105 | |
| Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation | 23,993 | X09 |
| Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation | 500 | X10 |
| Long term equity investments | 37,920 | |
| Including: Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation | 5,700 | X11 |
| Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation | 171 | X12 |
| Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation | 27,513 | X13 |
| Other assets | 435,585 | |
| Interest receivable | 119,321 | |
| Intangible assets | 19,738 | X14 |
| Including: land use rights | 18,581 | X15 |
| Other receivables | 246,709 | |
| Goodwill | 8,810 | X16 |
| Long-term deferred and prepaid expenses | 3,852 | |
| Repossessed assets | 8,811 | |
| Others | 28,344 | |
| Debt securities issued | 413,016 | |
| Including: Valid portion of tier 2 capital instruments and their premium | 134,863 | X17 |
| Share capital | 356,407 | X18 |

| Item | 30 June 2017 Balance sheet under regulatory scope of consolidation | Reference |
|---|---|------------------|
| Other equity instruments | 86,051 | |
| Including: Preference shares | 79,375 | X28 |
| Capital reserve | 152,002 | X19 |
| Other comprehensive income | (42,197) | X24 |
| Reserve for changes in fair value of available-for-sale financial assets | (16,480) | |
| Reserve for cash flow hedging | (4,576) | |
| Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet | (4,604) | X20 |
| Changes in share of other owners' equity of associates and joint ventures | (625) | |
| Foreign currency translation reserve | (20,516) | |
| Surplus reserve | 205,308 | X21 |
| General reserve | 251,767 | X22 |
| Retained profits | 1,008,879 | X23 |
| Minority interests | 8,465 | |
| Including: Valid portion to core tier 1 capital | 2,432 | X25 |
| Including: Valid portion to additional tier 1 capital | 519 | X26 |
| Including: Valid portion to tier 2 capital | 3,338 | X27 |

(iv) Main features of eligible capital instruments

As at 30 June 2017, the main features of the Bank's eligible capital instruments are set out as follows:

| Main features of regulatory capital instrument | Ordinary shares (A share) | Ordinary shares (H share) | Preference shares (Offshore) | Preference shares (Offshore) | Preference shares (Offshore) | Preference shares (Domestic) |
|--|---|---|---|---|---|---|
| Issuer | ICBC | ICBC | ICBC | ICBC | ICBC | ICBC |
| Unique identifier | 601398 | 1398 | 4603 | 4604 | 84602 | 360011 |
| Governing law(s) of the instrument | Securities Law of the People's Republic of China/ China | Securities and Futures Ordinance of Hong Kong/ Hong Kong, China | The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law | The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law | The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law | Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/ China |
| Regulatory treatment Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional) | Core tier 1 capital | Core tier 1 capital | Additional tier 1 capital | Additional tier 1 capital | Additional tier 1 capital | Additional tier 1 capital |
| Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional) | Core tier 1 capital | Core tier 1 capital | Additional tier 1 capital | Additional tier 1 capital | Additional tier 1 capital | Additional tier 1 capital |

| Main features of regulatory capital instrument | Ordinary shares (A share) | Ordinary shares (H share) | Preference shares (Offshore) | Preference shares (Offshore) | Preference shares (Offshore) | Preference shares (Domestic) |
|--|----------------------------------|----------------------------------|--|--|--|--|
| Including: Eligible to the parent company/group level | Parent company/ Group | Parent company/ Group | Parent company/ Group | Parent company/ Group | Parent company/ Group | Parent company/ Group |
| Instrument type | Core tier 1 capital instrument | Core tier 1 capital instrument | Additional tier 1 capital instrument | Additional tier 1 capital instrument | Additional tier 1 capital instrument | Additional tier 1 capital instrument |
| Amount recognised in regulatory capital (in millions, as at the latest reporting date) | RMB339,126 | RMB169,202 | RMB equivalent 17,928 | RMB equivalent 4,542 | RMB11,958 | RMB44,947 |
| Par value of instrument (in millions) | RMB269,612 | RMB86,795 | USD2,940 | EUR 600 | RMB12,000 | RMB45,000 |
| Accounting treatment | Share capital, Capital reserve | Share capital, Capital reserve | Other equity | Other equity | Other equity | Other equity |
| Original date of issuance | 19 October 2006 | 19 October 2006 | 10 December 2014 | 10 December 2014 | 10 December 2014 | 18 November 2015 |
| Perpetual or dated Including: Original maturity date | Perpetual No maturity date | Perpetual No maturity date | Perpetual No maturity date | Perpetual No maturity date | Perpetual No maturity date | Perpetual No maturity date |
| Issuer call (subject to prior supervisory approval) Including: Optional call date, contingent call dates and redemption amount | No | No | Yes | Yes | Yes | Yes |
| Including: Subsequent call dates, if applicable | N/A | N/A | The First Redemption Date is 10 December 2019, in full or partial amount | The First Redemption Date is 10 December 2021, in full or partial amount | The First Redemption Date is 10 December 2019, in full or partial amount | The First Redemption Date is 18 November 2020, in full or partial amount |
| Coupons/dividends Including: Fixed or floating dividend/ coupon | Floating | Floating | Fixed to floating | Fixed to floating | Fixed to floating | Fixed to floating |
| Including: Coupon rate and any related index | N/A | N/A | 6% (dividend rate) before 10 December 2019 | 6% (dividend rate) before 10 December 2021 | 6% (dividend rate) before 10 December 2019 | 4.50% (dividend rate) before 18 November 2020 |
| Including: Existence of a dividend stopper | N/A | N/A | Yes | Yes | Yes | Yes |

| Main features of regulatory capital instrument | Ordinary shares (A share) | Ordinary shares (H share) | Preference shares (Offshore) | Preference shares (Offshore) | Preference shares (Offshore) | Preference shares (Domestic) |
|--|----------------------------------|----------------------------------|--|--|--|--|
| Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends | Fully discretionary | Fully discretionary | Partially discretionary | Partially discretionary | Partially discretionary | Partially discretionary |
| Including: Redemption incentive mechanism | No | No | No | No | No | No |
| Including: Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| Convertible or non-convertible | No | No | Yes | Yes | Yes | Yes |
| Including: If convertible, conversion trigger(s) | N/A | N/A | Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event | Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event | Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event | Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event |
| Including: If convertible, fully or partially | N/A | N/A | Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs | Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs | Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs | Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs |
| Including: If convertible, conversion rate | N/A | N/A | The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan | The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan | The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan | The initial conversion price is equal to the average trading price of the A Shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan |
| Including: If convertible, mandatory or optional conversion | N/A | N/A | Mandatory | Mandatory | Mandatory | Mandatory |
| Including: If convertible, specify instrument type convertible into | N/A | N/A | Core tier 1 capital | Core tier 1 capital | Core tier 1 capital | Core tier 1 capital |

| Main features of regulatory capital instrument | Ordinary shares (A share) | Ordinary shares (H share) | Preference shares (Offshore) | Preference shares (Offshore) | Preference shares (Offshore) | Preference shares (Domestic) |
|---|--|--|---|---|---|---|
| Including: If convertible, specify issuer of instrument it converts into | N/A | N/A | ICBC | ICBC | ICBC | ICBC |
| Write-down feature | No | No | No | No | No | No |
| Including: If write-down, write-down trigger(s) | N/A | N/A | N/A | N/A | N/A | N/A |
| Including: If write-down, full or partial | N/A | N/A | N/A | N/A | N/A | N/A |
| Including: If write-down, permanent or temporary | N/A | N/A | N/A | N/A | N/A | N/A |
| Including: If temporary write-down, description of write-up mechanism | N/A | N/A | N/A | N/A | N/A | N/A |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | After depositor, general creditor, creditor of the subordinated debts, and preference shareholders | After depositor, general creditor, creditor of the subordinated debts, and preference shareholders | After all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, in the same liquidation order with the holders of Parity Obligations | After all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, in the same liquidation order with the holders of Parity Obligations | After all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, in the same liquidation order with the holders of Parity Obligations | After all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Domestic Preference Shares, in the same liquidation order with the holders of Parity Obligations |
| Non-compliant transitioned features | No | No | No | No | No | No |
| Including: If yes, specify non-compliant features | N/A | N/A | N/A | N/A | N/A | N/A |

Main features of regulatory capital instrument

| | Tier 2 capital bonds | Tier 2 capital bonds | Tier 2 capital bonds |
|--|---|---|--|
| Issuer | ICBC (Asia) | ICBC | ICBC |
| Unique identifier | ISIN: XS0976879279 BBGID: BBG005CMF4N6 | 1428009 | Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06 |
| Governing law(s) of the instrument | The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with English law, except that the provision of the Notes relating to Subordination shall be governed by, and construed in accordance with, the laws of Hong Kong | Securities Law of the People's Republic of China/ China | The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law |
| Regulatory treatment | | | |
| Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional) | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional) | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| Including: Eligible to the parent company/group level | Group | Parent company/Group | Parent company/Group |
| Instrument type | Tier 2 capital instrument | Tier 2 capital instrument | Tier 2 capital instrument |
| Amount recognised in regulatory capital (in millions, as at the latest reporting date) | RMB equivalent 1,385 | RMB20,010 | RMB equivalent 13,428 |
| Par value of instrument (in millions) | USD500 | RMB20,000 | USD2,000 |
| Accounting treatment | Debt securities issued | Debt securities issued | Debt securities issued |
| Original date of issuance | 10 October 2013 | 4 August 2014 | 21 September 2015 |
| Perpetual or dated | Dated | Dated | Dated |
| Including: Original maturity date | 10 October 2023 | 5 August 2024 | 21 September 2025 |
| Issuer call (subject to prior supervisory approval) | Yes | Yes | No |
| Including: Optional call date, contingent call dates and redemption amount | 10 October 2018, in full amount | 5 August 2019, in full amount | N/A |
| Including: Subsequent call dates, if applicable | N/A | N/A | N/A |

Main features of regulatory capital instrument

| | Tier 2 capital bonds | Tier 2 capital bonds | Tier 2 capital bonds |
|--|---|-----------------------------|--|
| Coupons/dividends | | | |
| Including: Fixed or floating dividend/coupon | Fixed | Fixed | Fixed |
| Including: Coupon rate and any related index | 4.50% | 5.80% | 4.875% |
| Including: Existence of a dividend stopper | No | No | No |
| Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends | Mandatory | Fully discretionary | Mandatory |
| Including: Redemption incentive mechanism | No | No | No |
| Including: Non-cumulative or cumulative | Cumulative | Cumulative | Cumulative |
| Convertible or non-convertible | No | No | No |
| Including: If convertible, conversion trigger (s) | N/A | N/A | N/A |
| Including: If convertible, fully or partially | N/A | N/A | N/A |
| Including: If convertible, conversion rate | N/A | N/A | N/A |
| Including: If convertible, mandatory or optional conversion | N/A | N/A | N/A |
| Including: If convertible, specify instrument type convertible into | N/A | N/A | N/A |
| Including: If convertible, specify issuer of instrument it converts into | N/A | N/A | N/A |
| Write-down feature | Yes | Yes | Yes |
| Including: If write-down, write-down trigger(s) | Non-viability of ICBC(Asia) or the Bank | Non-viability of the Bank | The occurrence of the earlier of either: (i) the CBRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable |
| Including: If write-down, full or partial | Full write-down | Full write-down | Full write-down |
| Including: If write-down, permanent or temporary | Permanent write-down | Permanent write-down | Permanent write-down |

| Main features of regulatory capital instrument | Tier 2 capital bonds | Tier 2 capital bonds | Tier 2 capital bonds |
|---|---|---|---|
| Including: If temporary write-down, description of write-up mechanism | N/A | N/A | N/A |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | After depositor and general creditor, in the same liquidation order with other subordinated debts | After depositor and general creditor, in the same liquidation order with other subordinated debts | After depositor and general creditor, in the same liquidation order with other subordinated debts |
| Non-compliant transitioned features Including: If yes, specify non-compliant features | No N/A | No N/A | No N/A |

10.2 Disclosure of Leverage Ratio

The following information is disclosed in accordance with the CBRC Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No. 1, 2015) Appendix 3 Disclosure Templates of Leverage Ratio.

Comparison of Regulatory Leverage Ratio Items and Accounting Items

| S/N | Item | 30 June 2017 | 31 December 2016 |
|------------|--|---------------------|-------------------------|
| 1 | Total consolidated assets as per published financial statements | 25,514,046 | 24,137,265 |
| 2 | Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation | (110,889) | (97,729) |
| 3 | Adjustments for fiduciary assets | — | — |
| 4 | Adjustments for derivative financial instruments | 81,737 | 93,733 |
| 5 | Adjustment for securities financing transactions | 55,523 | 57,298 |
| 6 | Adjustment for off-balance sheet items | 1,938,279 | 1,725,526 |
| 7 | Other adjustments | (11,063) | (11,560) |
| 8 | Balance of adjusted on- and off-balance sheet assets | 27,467,633 | 25,904,533 |

Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On- and Off-balance Sheet Assets and Related Information

| S/N | Item | 30 June 2017 | 31 December 2016 |
|-----|--|--------------------|---------------------|
| 1 | On-balance sheet items (excluding derivatives and SFTs, but including collateral) | 24,693,757 | 23,433,899 |
| 2 | Less: Asset amounts deducted in determining Basel III Tier 1 capital | (11,063) | (11,560) |
| 3 | Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs) | 24,682,694 | 23,422,339 |
| 4 | Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin) | 70,084 | 113,669 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | 59,654 | 58,116 |
| 6 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework | — | — |
| 7 | Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions | — | — |
| 8 | Less: Exempted CCP leg of client-cleared trade exposures | (10,530) | (14,896) |
| 9 | Effective notional amount of written credit derivatives | 58,409 | 58,813 |
| 10 | Less: Adjusted effective notional deductions for written credit derivatives | (38,311) | (27,517) |
| 11 | Total derivative exposures | 139,306 | 188,185 |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | 651,831 | 511,185 |
| 13 | Less: Netted amounts of cash payables and cash receivables of gross SFT assets | — | — |
| 14 | CCR exposure for SFT assets | 55,523 | 57,298 |
| 15 | Agent transaction exposures | — | — |
| 16 | Total securities financing transaction exposures | 707,354 | 568,483 |
| 17 | Off-balance sheet exposure at gross notional amount | 3,892,498 | 3,435,098 |
| 18 | Less: Adjustments for conversion to credit equivalent amounts | (1,954,219) | (1,709,572) |
| 19 | Balance of adjusted off-balance sheet assets | 1,938,279 | 1,725,526 |
| 20 | Net tier 1 capital | 2,003,429 | 1,954,770 |
| 21 | Balance of adjusted on- and off-balance sheet assets | 27,467,633 | 25,904,533 |
| 22 | Leverage ratio | 7.29% | 7.55% |

10.3 Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

| S/N | Item | Second-quarter 2017 | |
|-----------------------------------|--|-----------------------------|----------------------|
| | | Total un-weighted value | Total weighted value |
| High-quality liquid assets | | | |
| 1 | Total high-quality liquid assets (HQLA) | | 4,514,036 |
| Cash outflows | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 9,228,588 | 919,957 |
| 3 | Stable deposits | 45,365 | 1,635 |
| 4 | Less stable deposits | 9,183,223 | 918,322 |
| 5 | Unsecured wholesale funding, of which: | 10,855,948 | 3,797,769 |
| 6 | Operational deposits (excluding those generated from correspondent banking activities) | 5,964,541 | 1,447,686 |
| 7 | Non-operational deposits (all counterparties) | 4,829,023 | 2,287,699 |
| 8 | Unsecured debt | 62,384 | 62,384 |
| 9 | Secured funding | | 49,617 |
| 10 | Additional requirements, of which: | 3,447,946 | 1,248,684 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 1,049,187 | 1,049,187 |
| 12 | Outflows related to loss of funding on debt products | — | — |
| 13 | Credit and liquidity facilities | 2,398,759 | 199,497 |
| 14 | Other contractual funding obligations | 47,045 | 46,802 |
| 15 | Other contingent funding obligations | 1,135,998 | 26,295 |
| 16 | Total cash outflows | | 6,089,124 |
| Cash inflows | | | |
| 17 | Secured lending (including reverse repos and securities borrowing) | 868,029 | 195,423 |
| 18 | Inflows from fully performing exposures | 1,604,938 | 1,171,839 |
| 19 | Other cash inflows | 1,064,303 | 1,055,575 |
| 20 | Total cash inflows | 3,537,270 | 2,422,837 |
| | | Total adjusted value | |
| 21 | Total HQLA | | 4,514,036 |
| 22 | Total net cash outflows | | 3,666,287 |
| 23 | Liquidity coverage ratio (%) | | 123.15% |

Data of the above table are all the simple arithmetic means of the 91 natural days' figures of the recent quarter.

11. Issue of Results Announcement and Interim Report

This Announcement will be released on HKEXnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com) simultaneously. The 2017 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 website of the Bank (www.icbc-ltd.com) and will be dispatched to the shareholders of H shares of the Bank. The 2017 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-ltd.com).

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

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

30 August 2017

As at the date of this announcement, the Board of Directors comprises Mr. YI Huiman, Mr. GU Shu, Mr. ZHANG Hongli and Mr. WANG Jingdong as executive directors, Mr. ZHENG Fuqing, Mr. FEI Zhoulin and Mr. CHENG Fengchao as non-executive directors, Mr. OR Ching Fai, Mr. HONG Yongmiao, Mr. Anthony Francis NEOH, Mr. YANG Siu Shun, Ms. Sheila Colleen BAIR and Mr. SHEN Si as independent non-executive directors.