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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

## 2018 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 for the six months ended 30 June 2018. 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 the former China Banking Regulatory Commission (“former 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 Share	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 Share	工行優 1	360011	Shanghai Stock Exchange

#### 1.2 Contact

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## 2. Financial Highlights

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

### 2.1 Financial Data

	<b>Six months ended 30 June 2018</b>	Six months ended 30 June 2017	Six months ended 30 June 2016
<b>Operating results (in RMB millions)</b>			
Net interest income	<b>277,616</b>	250,922	234,280
Net fee and commission income	<b>79,260</b>	76,670	81,715
Operating income	<b>361,302</b>	336,739	328,981
Operating expenses	<b>81,958</b>	80,270	90,594
Impairment losses	<b>83,458</b>	61,343	44,433
Operating profit	<b>195,886</b>	195,126	193,954
Profit before taxation	<b>197,216</b>	196,498	195,075
Net profit	<b>160,657</b>	153,687	150,656
Net profit attributable to equity holders of the parent company	<b>160,442</b>	152,995	150,217
Net cash flows from operating activities	<b>186,532</b>	346,542	297,632
<b>Per share data (in RMB yuan)</b>			
Basic earnings per share	<b>0.45</b>	0.43	0.42
Diluted earnings per share	<b>0.45</b>	0.43	0.42
	<b>30 June 2018</b>	31 December 2017	31 December 2016
<b>Assets and liabilities (in RMB millions)</b>			
Total assets	<b>27,303,080</b>	26,087,043	24,137,265
Total loans and advances to customers	<b>14,934,137</b>	14,233,448	13,056,846
Corporate loans	<b>9,341,405</b>	8,936,864	8,140,684
Personal loans	<b>5,312,980</b>	4,945,458	4,196,169
Discounted bills	<b>279,752</b>	351,126	719,993
Allowance for impairment losses on loans <sup>(1)</sup>	<b>398,331</b>	340,482	289,512
Investment	<b>6,257,681</b>	5,756,704	5,481,174
Total liabilities	<b>25,110,879</b>	23,945,987	22,156,102
Due to customers	<b>20,818,042</b>	19,562,936	18,113,931
Corporate deposits	<b>11,423,249</b>	10,705,465	9,574,551
Personal deposits	<b>9,192,002</b>	8,568,917	8,302,879
Other deposits	<b>202,791</b>	288,554	236,501
Due to banks and other financial institutions	<b>1,924,082</b>	1,706,549	2,016,799
Equity attributable to equity holders of the parent company	<b>2,178,599</b>	2,127,491	1,969,751
Share capital	<b>356,407</b>	356,407	356,407
Net asset value per share <sup>(2)</sup> (in RMB yuan)	<b>5.87</b>	5.73	5.29
Net core tier 1 capital <sup>(3)</sup>	<b>2,081,371</b>	2,030,108	1,874,976
Net tier 1 capital <sup>(3)</sup>	<b>2,161,384</b>	2,110,060	1,954,770
Net capital base <sup>(3)</sup>	<b>2,485,361</b>	2,406,920	2,127,462
Risk-weighted assets <sup>(3)</sup>	<b>16,878,254</b>	15,902,801	14,564,617
<b>Credit rating</b>			
S&P <sup>(4)</sup>	<b>A</b>	A	A
Moody's <sup>(4)</sup>	<b>A1</b>	A1	A1

- Notes: (1) Calculated by adding impairment losses of loans and advances to customers measured at amortised cost with impairment losses of loans and advances to customers measured at fair value through other comprehensive income.
- (2) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.
- (3) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).
- (4) The rating results are in the form of “long-term foreign currency deposits rating”.

## 2.2 Financial Indicators

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

Notes: \* indicates annualized ratios.

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

- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expense (less 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).

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

## **3. Business Review**

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

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

**The Bank further improved the quality of operation in serving the high-quality development of the economy.** The Bank followed the main thrust of macro-economic structural reform, coordinated the overall balance of credit with its structural improvement and sought to ensure total credit supply remain stable, well targeted and paced. In the first half of 2018, the Bank granted new loans of RMB1.68 trillion, including re-lending after collections of RMB1.05 trillion. Non-credit financing and local government bond investment increased by RMB351.5 billion, demonstrating that the Bank played its role as a large bank in guiding and stabilizing market expectations reasonably well. The credit structure of “focusing

on key customers and projects in important sectors, developing micro finance and new businesses and highlighting quality customers” was further improved, with financial resources aligned better with development of the real economy. Increasing supports were provided to the major national strategies and key projects, including the “four regions” strategy and the “three supporting belts” strategy. New domestic project loans issued amounted to RMB210.5 billion, accounting for 65% of incremental corporate loans. Inclusive finance grew faster, and loans to small and micro businesses with total credit amount of RMB10.00 million or below for a single customer increased by RMB45.8 billion or 16.8% from the beginning of the year. The CBIRC’s requirements on “Two Increases, Two Controls” and the PBC’s MPA requirements were met. The Bank remained oriented to economic transformation and upgrading to develop new markets and high-quality customers, build the “technological innovation center + special sub-branches” framework and improve the integrated marketing service system. Loans to the happiness industries, advanced manufacturing, internet of things and other new markets grew by RMB68.5 billion, accounting for 21% of the incremental domestic corporate loans. Overall, the Bank has further improved the quality of development in the course of integrating corporate operation into national strategies and interacting with the real economy.

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

**The in-depth transformation and innovation further stimulated energy and vitality within the Bank.** Rooted in the real economy and customer needs, the Bank continued with transformation and innovation in pursuit of the healthy interaction between traditional and emerging businesses, organic collaboration between domestic and overseas operations and integrated development of finance and technology. In the first half of 2018, the Bank’s customer deposits grew by RMB1.26 trillion from the end of last year, reaching an eight-year

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



## 4. Discussion and Analysis

### 4.1 Income Statement Analysis

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

#### *Net Interest Income*

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

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

*In RMB millions, except for percentages*

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



Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses represent the average of the balances at the beginning of the period and 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 RMB308,525 million, RMB30,482 million or 11.0% higher as compared to the same period of last year, as affected by the increase in loans and advances to customers and the increase of average yield of 20 basis points.

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

*In RMB millions, except for percentages*

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

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

*In RMB millions, except for percentages*

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

### ◆ *Interest Income on Investment*

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

### ◆ *Interest Income on Due from Central Banks*

Interest income on due from central banks was RMB24,495 million, recording an increase of RMB1,477 million or 6.4% as compared to the same period of last year.

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

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

## ***Interest Expense***

### ◆ *Interest Expense on Deposits*

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

## ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

*In RMB millions, except for percentages*

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

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

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

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

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

### *Non-interest Income*

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

## NET FEE AND COMMISSION INCOME

*In RMB millions, except for percentages*

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

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

## OTHER NON-INTEREST RELATED GAINS

*In RMB millions, except for percentages*

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

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

### *Operating Expenses*

*In RMB millions, except for percentages*

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

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

## *Impairment Losses*

The Bank set aside an allowance for impairment losses of RMB83,458 million, an increase of RMB22,115 million or 36.1% as compared to the same period of last year. Specifically, the allowance for impairment losses on loans was RMB77,552 million, indicating an increase of RMB16,551 million or 27.1%.

## *Income Tax Expense*

Income tax expense decreased by RMB6,252 million or 14.6% to RMB36,559 million as compared to the same period of last year. The effective tax rate was 18.54%.

## **4.2 Segment Information**

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

### **SUMMARY OPERATING SEGMENT INFORMATION**

*In RMB millions, except for percentages*

<b>Item</b>	<b>Six months ended 30 June 2018</b>		<b>Six months ended 30 June 2017</b>	
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>
<b>Operating income</b>	<b>361,302</b>	<b>100.0</b>	336,739	100.0
Corporate banking	<b>176,779</b>	<b>49.0</b>	168,552	50.0
Personal banking	<b>137,831</b>	<b>38.1</b>	119,860	35.6
Treasury operations	<b>43,751</b>	<b>12.1</b>	46,314	13.8
Others	<b>2,941</b>	<b>0.8</b>	2,013	0.6
<b>Profit before taxation</b>	<b>197,216</b>	<b>100.0</b>	196,498	100.0
Corporate banking	<b>79,576</b>	<b>40.3</b>	80,319	40.9
Personal banking	<b>78,856</b>	<b>40.0</b>	76,837	39.1
Treasury operations	<b>37,400</b>	<b>19.0</b>	38,536	19.6
Others	<b>1,384</b>	<b>0.7</b>	806	0.4



## SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

*In RMB millions, except for percentages*

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

### 4.3 Balance Sheet Analysis

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

#### *Assets Deployment*

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

## ASSETS DEPLOYMENT

*In RMB millions, except for percentages*

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

### *Loan*

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

## DISTRIBUTION OF LOANS BY BUSINESS LINE

*In RMB millions, except for percentages*

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

## DISTRIBUTION OF CORPORATE LOANS BY MATURITY

*In RMB millions, except for percentages*

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

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

## DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

*In RMB millions, except for percentages*

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

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

## DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

*In RMB millions, except for percentages*

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

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

## DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

*In RMB millions, except for percentages*

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

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

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

*In RMB millions, except for percentages*

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

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

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

## DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

*In RMB millions, except for percentages*

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

## MOVEMENTS OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

*In RMB millions*

Allowance for impairment losses on loans and advances to customers measured at amortised cost

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



## Allowance for impairment losses on loans and advances to customers measured at FVOCI

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

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

## DISTRIBUTION OF LOANS BY COLLATERAL

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

## OVERDUE LOANS

*In RMB millions, except for percentages*

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

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

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

## RESCHEDULED LOANS

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

## BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 3.9% and 13.3% of the Bank's net capital respectively. The total amount of loans granted to the top ten single customers was RMB329,631 million, accounting for 2.2% of the total loans.

## Investment

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

### INVESTMENT

*In RMB millions, except for percentages*

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

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

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

### DISTRIBUTION OF INVESTMENT IN BONDS BY ISSUERS

*In RMB millions, except for percentages*

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

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

## DISTRIBUTION OF INVESTMENT IN BONDS BY CURRENCY

*In RMB millions, except for percentages*

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

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

## DISTRIBUTION OF INVESTMENT BY MEASURING METHOD

*In RMB millions, except for percentages*

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

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

<sup>1</sup> 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.

## ***Reverse Repurchase Agreements***

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

## ***Liabilities***

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

## **LIABILITIES**

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

## ***Due to Customers***

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

## DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

*In RMB millions, except for percentages*

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

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



### ***Repurchase Agreements***

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

### ***Shareholders' Equity***

As at 30 June 2018, shareholders' equity amounted to RMB2,192,201 million in aggregate, RMB51,145 million or 2.4% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB51,108 million or 2.4% to RMB2,178,599 million.

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

As at the end of June 2018, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 12.33%, 12.81% and 14.73% respectively, all complying with regulatory requirements.

## CAPITAL ADEQUACY RATIO

*In RMB millions, except for percentages*

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

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

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

### 4.5 Other Information Disclosed Pursuant to Regulatory Requirements

#### *Major Regulatory Indicators*

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

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

## *Corporate Bonds*

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

### **4.6 Outlook**

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

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

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

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

- ✧ **The Bank will improve the quality and efficiency of serving the real economy on an all-round basis.** Following the trend of economic development and industrial change, the Bank will actively align itself to China's major strategies, perfect the comprehensive services system with six focuses of loan, bond, stock, agency, lease and consultant, optimize the allocation of existing resources and increase the supply of new superior resources. Highlighting that “no small and micro enterprise business, no future for ICBC”, the Bank will deepen and strengthen inclusive finance and provide more specialized services with a focus on product and service innovation and online-offline coordination.
- ✧ **The Bank will deepen reform and innovation on all fronts.** Reforms across such fields as business operation, human resources, assessment and evaluation and key urban branches will be promoted in a coordinated way to inspire operational vitality and value creation. The Bank will speed up the development of intelligent banking, build a new IT architecture, and put in place new “data-based, intelligent and smart” operations management and financial services systems with the new philosophy and new technology.
- ✧ **The Bank will carry forward the enterprise risk management system.** With a focus on on- and off-balance sheet activities and domestic and overseas institutions, the Bank will strengthen management and control from the source and adopt well-targeted solutions to put all types of risks under control. It will actively advance the cross-risk prevention and control, and improve the pass-through risk monitoring mechanism. The Bank will also press ahead with the governance of risks in important fields, and cultivate a prudent compliance culture and a long-effective mechanism of compliance management.

## 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).

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

*In RMB millions, except for percentages*

Item	At 30 June 2018		At 31 December 2017	
	Group	Parent Company	Group	Parent Company
<b>Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional):</b>				
Net core tier 1 capital	2,081,371	1,903,021	2,030,108	1,856,054
Net tier 1 capital	2,161,384	1,965,620	2,110,060	1,935,429
Net capital base	2,485,361	2,273,534	2,406,920	2,216,707
Core tier 1 capital adequacy ratio	12.33%	12.46%	12.77%	12.88%
Tier 1 capital adequacy ratio	12.81%	12.87%	13.27%	13.44%
Capital adequacy ratio	14.73%	14.89%	15.14%	15.39%

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

Core capital adequacy ratio	11.36%	11.60%	11.65%	11.96%
Capital adequacy ratio	14.06%	14.09%	14.56%	14.67%

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

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

## RISK-WEIGHTED ASSETS

Item	<i>In RMB millions</i>	
	At 30 June 2018	At 31 December 2017
Credit risk-weighted assets	15,267,276	14,332,051
Parts covered by internal ratings-based approach	10,156,147	9,789,156
Parts uncovered by internal ratings-based approach	5,111,129	4,542,895
Market risk-weighted assets	387,893	347,665
Parts covered by internal model approach	290,330	268,963
Parts uncovered by internal model approach	97,563	78,702
Operational risk-weighted assets	1,223,085	1,223,085
<b>Total</b>	<b>16,878,254</b>	<b>15,902,801</b>

### *Credit Risk*

## CREDIT RISK EXPOSURE

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



## Market Risk

### CAPITAL REQUIREMENT FOR MARKET RISK

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

*Note:* According to the scope of implementing the advanced capital management approaches as approved by the former CBRC, the internal model approach for market risk of the Bank covers the Group's currency risk, the general interest rate risk of the parent company and 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 applies the Historical Simulation Method (adopting a confidence interval of 99%, holding period of 10 days and historical data of 250 days) to measure VaR for use in capital measurement by internal model approach.

### VALUE AT RISK (VAR)

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

### Operational Risk

The Bank adopts the standardized approach to measure capital requirement for operational risk. As at the end of June 2018, the capital requirement for operational risk was RMB97,847 million.

## Interest Rate Risk in the Banking Book

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

*In RMB millions*

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

## Equity Risk in the Banking Book

*In RMB millions*

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

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 604,243 ordinary shareholders and no holders of preference shares with voting rights restored, including 123,938 holders of H shares and 480,305 holders of A shares.

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

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

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

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

- (3) Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of 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.
- (4) HKSCC Nominees Limited held 86,134,094,908 H shares, and Hong Kong Securities Clearing Company Limited held 704,986,268 A shares.

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

#### HOLDERS OF A SHARES

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

Notes: (1) According to the register of shareholders of the Bank as at 30 June 2018, 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 2018, 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
Ping An Asset Management Co., Ltd. <sup>(1)</sup>	Investment manager	6,115,905,000	Long position	7.05	1.72
BlackRock, Inc.	Interest of controlled corporations	5,164,443,669 1,059,000	Long position Short position	5.95 0.00	1.45 0.00

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

## 6.4 Preference Shares

### ◆ *Issuance and Listing of Preference Shares in Latest Three Years*

The Bank privately issued 450 million preference shares in domestic market on 18 November 2015 upon the approval by the former CBRC pursuant to Yin Jian Fu [2015] No. 189 and by China Securities Regulatory Commission pursuant to Zheng Jian Xu Ke [2015] No. 1023. Each domestic preference share had a nominal value of RMB100 and was issued at nominal value. The coupon rate, as determined by benchmark rate plus a fixed spread, shall remain unchanged for the first 5 years commencing from the issuance date. Subsequently, the benchmark rate shall be readjusted once every 5 years during which the coupon rate shall remain unchanged. The coupon rate for the Domestic Preference Shares during the first 5 years is determined at 4.5% through price discovery. Upon approval by 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 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 2018.

- (2) As the issuance of the offshore preference shares above was private offering, the register of preference shareholders presented the information on proxies of 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 Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	—	15,000,000	3.3	—	None
China Resources SZITIC Trust Co., Ltd.	State-owned legal person	Domestic preference shares	—	15,000,000	3.3	—	None
BOC International (China) Limited	Domestic non-state-owned legal person	Domestic preference shares	—	15,000,000	3.3	—	None
China National Tobacco Corporation Shandong Branch	Other entities	Domestic preference shares	—	10,000,000	2.2	—	None
China National Tobacco Corporation Heilongjiang Branch	Other entities	Domestic preference shares	—	10,000,000	2.2	—	None
Ping An Property & Casualty Insurance Company of China Ltd.	Domestic non-state-owned legal person	Domestic preference shares	—	10,000,000	2.2	—	None

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

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

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



◆ *Dividend Distribution of Preference Shares*

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

◆ *Redemption or Conversion of Preference Shares*

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

◆ *Restoration of Voting Rights of Preference Shares*

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

◆ *Accounting Policy Adopted for Preference Shares and Rationale*

According to the Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments and the Rules for Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatment (Cai Kuai [2014] No. 13) promulgated by Ministry of Finance of the People’s Republic of China as well as the International Financial Reporting Standard 9 — Financial Instruments and the International Accounting Standard 32 — Financial Instruments: Presentation promulgated by International Accounting Standards Board and other accounting standards and main issuance clauses of the Bank’s preference shares, issued and existing preference shares of the Bank excluded contractual obligations of cash on delivery or other financial assets and contractual obligations of settlement by delivering variable equity instruments, and shall be calculated as other equity instruments.

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

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

## **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 to all Directors and Supervisors of the Bank, each Director and Supervisor of the Bank confirmed that he/she has complied with the provisions of the aforesaid codes of conduct during the reporting period.

## **8.5 Review of the Interim Report**

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

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

## **8.6 Capital Participation in National Financing Guarantee Fund Co., Ltd.**

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

## **8.7 Issuance of Preference Shares**

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

Please refer to the announcements published by the Bank on the websites of The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange for details on the Bank's planned issuance of domestic and offshore preference shares.

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

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

(In RMB millions, unless otherwise stated)

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

### 9.1.3 Unaudited Interim Consolidated Statement of Financial Position

(In RMB millions, unless otherwise stated)

	30 June 2018 (unaudited)	31 December 2017 (audited)
<b>ASSETS</b>		
Cash and balances with central banks	3,818,453	3,613,872
Due from banks and other financial institutions	906,466	847,611
Derivative financial assets	87,287	89,013
Reverse repurchase agreements	687,913	986,631
Loans and advances to customers	14,536,141	13,892,966
Financial investments	6,257,681	5,756,704
— Financial investments measured at fair value through profit or loss	800,685	440,938
— Financial investments measured at fair value through other comprehensive income	1,450,163	
— Financial investments measured at amortised cost	4,006,833	
— Available-for-sale financial assets		1,496,453
— Held-to-maturity investments		3,542,184
— Receivables		277,129
Investments in associates and joint ventures	31,719	32,441
Property and equipment	258,824	247,744
Deferred income tax assets	57,627	48,392
Other assets	660,969	571,669
<b>TOTAL ASSETS</b>	<b>27,303,080</b>	<b>26,087,043</b>
<b>LIABILITIES</b>		
Due to central banks	428	456
Financial liabilities designated as at fair value through profit or loss	86,667	89,361
Derivative financial liabilities	80,580	78,556
Due to banks and other financial institutions	1,924,082	1,706,549
Repurchase agreements	556,277	1,046,338
Certificates of deposit	276,060	260,274
Due to customers	20,818,042	19,562,936
Income tax payable	44,691	70,644
Deferred income tax liabilities	634	433
Debt securities issued	579,235	526,940
Other liabilities	744,183	603,500
<b>TOTAL LIABILITIES</b>	<b>25,110,879</b>	<b>23,945,987</b>
<b>EQUITY</b>		
Equity attributable to equity holders of the parent company		
— Share capital	356,407	356,407
— Other equity instruments	86,051	86,051
— Reserves	620,942	587,489
— Retained profits	1,115,199	1,097,544
Non-controlling interests	2,178,599	2,127,491
	13,602	13,565
<b>TOTAL EQUITY</b>	<b>2,192,201</b>	<b>2,141,056</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>27,303,080</b>	<b>26,087,043</b>

## 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 31 December 2017	356,407	86,051	152,043	232,703	264,892	(31,752)	(26,302)	(3,761)	(334)	587,489	1,097,544	2,127,491	13,565	2,141,056
Impact of adopting IFRS 9	—	—	—	—	—	22,877	—	—	—	22,877	(55,035)	(32,158)	(32)	(32,190)
Balance as at 1 January 2018	356,407	86,051	152,043	232,703	264,892	(8,875)	(26,302)	(3,761)	(334)	610,366	1,042,509	2,095,333	13,533	2,108,866
Profit for the period	—	—	—	—	—	—	—	—	—	—	160,442	160,442	215	160,657
Other comprehensive income	—	—	—	—	—	10,649	(2,149)	(27)	168	8,641	—	8,641	(33)	8,608
Total comprehensive income	—	—	—	—	—	10,649	(2,149)	(27)	168	8,641	160,442	169,083	182	169,265
Dividends — ordinary shares 2017 final	—	—	—	—	—	—	—	—	—	—	(85,823)	(85,823)	—	(85,823)
Appropriation to surplus reserve (i)	—	—	—	419	—	—	—	—	—	419	(419)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	1,510	—	—	—	—	1,510	(1,510)	—	—	—
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	76	76
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(189)	(189)
Others	—	—	—	—	—	—	—	—	6	6	—	6	—	6
Balance as at 30 June 2018 (unaudited)	<u>356,407</u>	<u>86,051</u>	<u>152,043</u>	<u>233,122</u>	<u>266,402</u>	<u>1,774</u>	<u>(28,451)</u>	<u>(3,788)</u>	<u>(160)</u>	<u>620,942</u>	<u>1,115,199</u>	<u>2,178,599</u>	<u>13,602</u>	<u>2,192,201</u>

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

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

	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 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											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 2017	356,407	86,051	152,043	205,021	251,349	1,133	(18,050)	(4,645)	(221)	586,630	940,663	1,969,751	11,412	1,981,163
Profit for the year	—	—	—	—	—	—	—	—	—	—	286,049	286,049	1,402	287,451
Other comprehensive income	—	—	—	—	—	(32,885)	(8,252)	884	(67)	(40,320)	—	(40,320)	(1,058)	(41,378)
Total comprehensive income	—	—	—	—	—	(32,885)	(8,252)	884	(67)	(40,320)	286,049	245,729	344	246,073
Dividends — ordinary shares 2016 final	—	—	—	—	—	—	—	—	—	—	(83,506)	(83,506)	—	(83,506)
Dividends — preference shares	—	—	—	—	—	—	—	—	—	—	(4,437)	(4,437)	—	(4,437)
Appropriation to surplus reserve (i)	—	—	—	27,682	—	—	—	—	—	27,682	(27,682)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	13,543	—	—	—	—	13,543	(13,543)	—	—	—
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	2,312	2,312
Change in share holding in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(194)	(194)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(309)	(309)
Others	—	—	—	—	—	—	—	—	(46)	(46)	—	(46)	—	(46)
Balance as at 31 December 2017 (audited)	<u>356,407</u>	<u>86,051</u>	<u>152,043</u>	<u>232,703</u>	<u>264,892</u>	<u>(31,752)</u>	<u>(26,302)</u>	<u>(3,761)</u>	<u>(334)</u>	<u>587,489</u>	<u>1,097,544</u>	<u>2,127,491</u>	<u>13,565</u>	<u>2,141,056</u>

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

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

### 9.1.5 Unaudited Interim Consolidated Cash Flow Statement

(In RMB millions, unless otherwise stated)

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

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

## 9.2 Significant Accounting Policies

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

### ***IFRS 15 "Revenue from contracts with customers"***

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

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

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

### ***IFRS 9 "Financial instruments"***

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

#### *Classification and measurement*

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

- The classification for debt instruments is determined based on the entity's business model for managing the financial instruments and the contractual cash flow characteristics of the assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If a debt instrument is classified as financial assets measured at FVOCI, then interest income, impairment loss, foreign exchange gains or losses and gains or losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model, except for the equity security is not held for trading and the entity irrevocably elects to designate that security as at FVOCI. If an equity security is designated as at FVOCI then only dividend income on that security will be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without reclassification to profit or loss.

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

### *Impairment*

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

### *Hedge accounting*

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

### *Disclosure*

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

### *Transition*

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

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

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

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

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

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



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

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

		Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
	Note				
<b>Financial assets measured at FVOCI</b>					
Loans and advances to customers					
Balance under IAS 39		—			
Add: from amortised cost (IAS 39)	B		99,945		
Remeasurement: reversal of impairment allowance under IAS 39				1,077	
Remeasurement: from amortised cost to fair value				(47)	
Balance under IFRS 9					100,975
Financial investments-FVOCI (debt instruments)					
Balance under IAS 39		—			
Add: from held-to-maturity investments (IAS 39)	B		247,760		
Remeasurement: from amortised cost to fair value				2,329	
Add: from available-for-sale financial assets (IAS 39)	D		1,185,275		
Remeasurement: reversal of impairment allowance under IAS 39				149	
Add: from receivables (IAS 39)	B		2,600		
Remeasurement: from amortised cost to fair value				(19)	
Balance under IFRS 9					1,438,094
Financial investments-FVOCI (equity instruments)					
Balance under IAS 39		—			
Add: from available-for-sale financial assets (IAS 39) - designated	G		1,774		
Remeasurement: reversal of impairment allowance under IAS 39				479	
Remeasurement: fair value remeasurement				3,438	
Balance under IFRS 9					5,691

	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial investments-available-for-sale financial assets (IAS 39)					
Balance under IAS 39		1,496,453			
Less: to amortised cost (IFRS 9)	F		(277,841)		
Less: to FVOCI (IFRS 9) - debt instruments	D		(1,185,275)		
Less: to FVOCI (IFRS 9) - equity instruments	G		(1,774)		
Less: to FVTPL - mandatory (IFRS 9)	C, H		(31,563)		
Balance under IFRS 9		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Financial assets measured at FVOCI</b>		<u>1,496,453</u>	<u>40,901</u>	<u>7,406</u>	<u>1,544,760</u>
<b>Financial liabilities</b>					
<b>Financial liabilities measured at amortised cost</b>					
Debt securities issued					
Balance under IAS 39		526,940			
Add: from financial liabilities designated as at FVTPL (IAS 39)	I		970		
Remeasurement: from fair value to amortised cost				18	
Balance under IFRS 9		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>527,928</u>
<b>Financial liabilities measured at amortised cost</b>		<u>526,940</u>	<u>970</u>	<u>18</u>	<u>527,928</u>
<b>Financial liabilities measured at FVTPL</b>					
Financial liabilities designated as at FVTPL					
Balance under IAS 39		89,361			
Less: to amortised cost (IFRS 9)	I		(970)		
Balance under IFRS 9		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>88,391</u>
<b>Financial liabilities measured at FVTPL</b>		<u>89,361</u>	<u>(970)</u>	<u>—</u>	<u>88,391</u>

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

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

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

- B. Certain loans and advances to customers held by the Group, and certain debt instruments originally classified as receivables or held-to-maturity investments were held within a business model in which objective at the date of initial application was both collecting contractual cash flows and selling financial assets. In addition, their contractual cash flows were identified as solely payments of principal and interest on the principal amount outstanding. Therefore, these assets were classified as financial assets measured at FVOCI under IFRS 9.
- C. Certain loans and advances to customers held by the Group, and certain debt instruments originally classified as receivables, held-to-maturity investments or available-for-sale financial assets, their contractual cash flows were not identified as solely payments of principal and interest on the principal outstanding. Therefore, these assets were classified as financial assets measured at FVTPL under IFRS 9.
- D. In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories were no longer used, with no changes to their measurement basis:
- (i) Those previously classified as available-for-sale financial assets and now classified as measured at FVOCI; and
  - (ii) Those previously classified as held-to-maturity investments and now classified as measured at amortised cost.
- E. Under IAS 39, certain debt instruments held by the Group were designated as at FVTPL, which no longer met the criteria under IFRS 9 for designation as at FVTPL. Therefore, the Group revoked its previous designation of these financial assets, reassessed their business model and contractual cash flows and classified them as measured at amortised cost. The effective interest rate of these debt instruments was 0.75% to 4.38%, and interest income recognised during the reporting period amounted to RMB16 million. The fair value of these debt instruments as at 30 June 2018 was RMB1,804 million. Assuming that these debt instruments were not reclassified upon transition to IFRS 9, the gain arising from changes in their fair value during the current period that would have been recognised in the profit or loss was RMB5 million.
- F. Certain debt instruments originally classified as available-for-sale financial assets were held within a business model whose objective at the date of initial application was to collect contractual cash flows. In addition, their contractual cash flows were identified as solely payments of principal and interest on the principal outstanding. Therefore, these assets were classified as financial assets measured at amortised cost under IFRS 9. The fair value of these instruments as at 30 June 2018 was RMB281,777 million. Assuming that these financial assets were not reclassified upon transition to IFRS 9, the gain arising from changes in their fair value during the current period that would have been recognised in other comprehensive income was RMB4,840 million.
- G. The reclassified and re-measured financial assets are equity investments designated irrevocably by the Group as financial assets measured at FVOCI at the date of initial application.

- H. The reclassified and re-measured financial assets amounted to RMB21,519 million are equity investments, which the Group did not designate as at FVOCI at the date of initial application.
- I. Certain debt securities issued were designated as at FVTPL when the Group held related derivative financial instruments. As at 1 January 2018, the Group revoked the previous designation due to the expiration of some derivative financial instruments.

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

	<b>Impairment allowance under IAS 39/ IAS 37 (i) as at 31 December 2017</b>	<b>Reclassification</b>	<b>Remeasurement</b>	<b>Impairment allowance under IFRS 9 as at 1 January 2018</b>
Loans and receivables (IAS 39)/Financial assets measured at amortised cost (IFRS 9)				
Cash and balances with central banks	—	—	—	—
Due from banks and other financial institutions	583	—	270	853
Reverse repurchase agreements	—	—	46	46
Loans and advances to customers	340,482	(1,077)	33,193	372,598
Financial investments	152	—	(5)	147
Other assets	2,988	—	933	3,921
	<hr/>	<hr/>	<hr/>	<hr/>
Loans and receivables (IAS 39)/Financial assets measured at FVOCI (IFRS 9)				
Loans and advances to customers	—	1,077	(606)	471
	<hr/>	<hr/>	<hr/>	<hr/>
Financial assets designated as at FVTPL (IAS 39)/Financial assets measured at amortised cost (IFRS 9)				
Financial investments	—	—	2	2
	<hr/>	<hr/>	<hr/>	<hr/>
Held-to-maturity investments (IAS 39)/Financial assets measured at FVOCI (IFRS 9)				
Financial investments	—	—	23	23
	<hr/>	<hr/>	<hr/>	<hr/>
Held-to-maturity investments (IAS 39)/Financial assets measured at amortised cost (IFRS 9)				
Financial investments	167	—	843	1,010
	<hr/>	<hr/>	<hr/>	<hr/>

	Impairment allowance under IAS 39/ IAS 37 (i) as at 31 December 2017	Reclassification	Remeasurement	Impairment allowance under IFRS 9 as at 1 January 2018
Available-for-sale financial assets (IAS 39)/ Financial assets measured at amortised cost (IFRS 9)				
Financial investments	—	—	97	97
Available-for-sale financial assets (IAS 39)/ Financial assets measured at FVOCI (IFRS 9)				
Financial investments	628	(479)	2,951	3,100
Available-for-sale financial assets (IAS 39)/ Financial assets measured at FVTPL (IFRS 9)				
Financial investments	724	(724)	—	—
Loan commitments and financial guarantee contracts				
Credit commitments	100	—	30,807	30,907
<b>Total</b>	<b>345,824</b>	<b>(1,203)</b>	<b>68,554</b>	<b>413,175</b>

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



## ***Amendments to IFRS 2, Share-based payment “Classification and measurement of share-based payment transactions”***

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

- ◆ **Measurement of cash-settled share-based payments**

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

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

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

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

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

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

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

## ***Amendments to IAS 40, Investment property “Transfers of investment property”***

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

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

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

## ***IFRIC 22, “Foreign currency transactions and advance consideration”***

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

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

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

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

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

The amendments to IAS 28 clarify that:

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

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

## ***Amendments to IFRS 4, Insurance contracts “Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts”***

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

- ◆ **Deferral approach—Temporary exemption from IFRS 9**

Companies whose activities are predominantly connected with insurance may choose to defer the application of IFRS 9 until 1 January 2021 (the effective date of IFRS 17).

- ◆ **Overlay approach**

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

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

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

### 9.3 Notes to the Unaudited Interim Financial Report

(In RMB millions, unless otherwise stated)

#### 9.3.1 NET INTEREST INCOME

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

#### 9.3.2 NET FEE AND COMMISSION INCOME

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

### 9.3.3 NET TRADING INCOME

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

### 9.3.4 NET GAIN ON FINANCIAL INVESTMENTS

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

### 9.3.5 OTHER OPERATING (EXPENSE)/INCOME, NET

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

### 9.3.6 OPERATING EXPENSES

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

### 9.3.7 IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

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

### 9.3.8 INCOME TAX EXPENSE

#### (a) Income tax expense

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

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



### 9.3.9 *DIVIDENDS*

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

### 9.3.10 *EARNINGS PER SHARE*

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

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

### **9.3.11 DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

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

30 June 2018							
Notional amounts with remaining life of					Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	2,239,724	2,068,040	112,083	4,121	4,423,968	45,735	(46,557)
Option contracts purchased	29,891	37,001	691	119	67,702	634	—
Option contracts written	40,590	38,514	6,431	—	85,535	—	(518)
	<u>2,310,205</u>	<u>2,143,555</u>	<u>119,205</u>	<u>4,240</u>	<u>4,577,205</u>	<u>46,369</u>	<u>(47,075)</u>
Interest rate contracts:							
Swap contracts	192,375	499,684	683,973	223,103	1,599,135	17,237	(16,093)
Forward contracts	8,102	264,285	33,581	18	305,986	10	(197)
Option contracts purchased	732	16,387	3,884	1,782	22,785	99	—
Option contracts written	1,029	4,976	1,860	1,115	8,980	—	(111)
	<u>202,238</u>	<u>785,332</u>	<u>723,298</u>	<u>226,018</u>	<u>1,936,886</u>	<u>17,346</u>	<u>(16,401)</u>
Commodity derivatives and others							
	<u>994,603</u>	<u>296,848</u>	<u>41,802</u>	<u>6,977</u>	<u>1,340,230</u>	<u>23,572</u>	<u>(17,104)</u>
	<u><u>3,507,046</u></u>	<u><u>3,225,735</u></u>	<u><u>884,305</u></u>	<u><u>237,235</u></u>	<u><u>7,854,321</u></u>	<u><u>87,287</u></u>	<u><u>(80,580)</u></u>
31 December 2017							
Notional amounts with remaining life of					Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,951,140	1,833,069	97,581	34,293	3,916,083	49,806	(49,569)
Option contracts purchased	47,003	67,284	3,769	117	118,173	2,498	—
Option contracts written	29,612	41,938	351	—	71,901	—	(625)
	<u>2,027,755</u>	<u>1,942,291</u>	<u>101,701</u>	<u>34,410</u>	<u>4,106,157</u>	<u>52,304</u>	<u>(50,194)</u>
Interest rate contracts:							
Swap contracts	95,556	224,343	558,629	193,588	1,072,116	16,042	(14,671)
Forward contracts	102,731	33,737	24,739	—	161,207	31	(215)
Option contracts purchased	3,588	7,468	2,417	1,067	14,540	82	—
Option contracts written	528	8,770	8,653	397	18,348	—	(69)
	<u>202,403</u>	<u>274,318</u>	<u>594,438</u>	<u>195,052</u>	<u>1,266,211</u>	<u>16,155</u>	<u>(14,955)</u>
Commodity derivatives and others							
	<u>784,044</u>	<u>265,794</u>	<u>34,722</u>	<u>5,625</u>	<u>1,090,185</u>	<u>20,554</u>	<u>(13,407)</u>
	<u><u>3,014,202</u></u>	<u><u>2,482,403</u></u>	<u><u>730,861</u></u>	<u><u>235,087</u></u>	<u><u>6,462,553</u></u>	<u><u>89,013</u></u>	<u><u>(78,556)</u></u>

## Cash flow hedges

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

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

	30 June 2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	453	3,899	13,376	2,022	19,750	276	(4)
Currency swap contracts	20,271	19,501	5,419	1,072	46,263	245	(549)
	<u>20,724</u>	<u>23,400</u>	<u>18,795</u>	<u>3,094</u>	<u>66,013</u>	<u>521</u>	<u>(553)</u>
	31 December 2017						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	1,953	2,383	6,441	2,081	12,858	152	(22)
Currency swap contracts	1,617	417	730	—	2,764	36	(45)
Equity derivatives	47	8	46	—	101	41	—
	<u>3,617</u>	<u>2,808</u>	<u>7,217</u>	<u>2,081</u>	<u>15,723</u>	<u>229</u>	<u>(67)</u>

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

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

There was no ineffectiveness recognised in profit or loss that arises from the cash flow hedges for the current period (six months ended 30 June 2017: Nil).

#### *Fair value hedges*

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

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

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

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

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

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

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

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

### *Net investment hedges*

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

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

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

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

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



### 9.3.12 FINANCIAL INVESTMENTS

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

### 9.3.13 OTHER COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
Items that will not be reclassified to profit or loss:		
Net gain from equity instruments designated as at FVOCI	<b>329</b>	
Share of the other comprehensive income of investees accounted for using equity method which will not be reclassified to profit or loss	<b>6</b>	(11)
Others	<b>(3)</b>	1
Items that may be reclassified subsequently to profit or loss:		
Net gain from debt instruments measured at FVOCI	<b>14,647</b>	
Less: Amount transferred to profit or loss from other comprehensive income	<b>298</b>	
Income tax effect	<b>(4,435)</b>	
	<hr/> <b>10,510</b> <hr/>	
Net loss from change in fair value of available-for-sale financial assets		(24,022)
Less: Amount transferred to profit or loss from other comprehensive income		(214)
Income tax effect		5,991
		<hr/> (18,245) <hr/>

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
Effective hedging portion of gains or losses arising from cash flow hedging instruments:		
(Losses)/gains during the period	<b>(54)</b>	50
Less: Income tax effect	<b>14</b>	54
	<u><b>(40)</b></u>	<u>104</u>
Share of the other comprehensive income of investees accounted for using equity method which may be reclassified subsequently to profit or loss	<b>395</b>	(180)
Foreign currency translation differences	<b>(2,359)</b>	(2,980)
Others	<b>(230)</b>	(29)
	<u><b>8,608</b></u>	<u>(21,340)</u>

### 9.3.14 **COMMITMENTS AND CONTINGENT LIABILITIES**

#### (a) *Capital commitments*

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

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

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

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

	<b>30 June</b>	31 December
	<b>2018</b>	2017
Within one year	<b>5,365</b>	5,451
Over one year but within five years	<b>8,667</b>	9,166
Over five years	<b>883</b>	1,011
	<u><b>14,915</b></u>	<u>15,628</u>

(c) *Credit commitments*

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

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

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

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

	<b>30 June 2018</b>	31 December 2017
Bank acceptances	<b>258,104</b>	245,542
Guarantees issued		
— Financing letters of guarantees	<b>140,620</b>	160,947
— Non-financing letters of guarantees	<b>328,732</b>	337,930
Sight letters of credit	<b>46,658</b>	37,353
Usance letters of credit and other commitments	<b>162,387</b>	153,182
Loan commitments		
With an original maturity of under one year	<b>215,186</b>	234,675
With an original maturity of one year or over	<b>1,443,883</b>	1,439,090
Undrawn credit card limit	<b>990,173</b>	902,217
	<b><u>3,585,743</u></b>	<u>3,510,936</u>
	<b>30 June 2018</b>	31 December 2017
Credit risk-weighted assets of credit commitments(i)	<b><u>1,595,608</u></b>	<u>1,552,070</u>

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

*(d) Legal proceedings*

As at 30 June 2018, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB4,704 million (31 December 2017: RMB4,496 million).

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

*(e) Redemption commitments of government bonds*

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 June 2018, the Bank had underwritten and sold bonds with an accumulated amount of RMB84,778 million (31 December 2017: RMB87,981 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

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

*(f) Underwriting obligations*

As at 30 June 2018, the unexpired securities underwriting obligations of the Group and the Bank amounted to RMB6,962 million (31 December 2017: Nil).

### **9.3.15 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 2018				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	132,780	41,475	103,361	—	277,616
Internal net interest income/(expense)	863	61,637	(62,500)	—	—
Net fee and commission income	44,294	34,717	249	—	79,260
Other (expense)/income, net	(1,158)	2	2,641	2,941	4,426
Operating income	176,779	137,831	43,751	2,941	361,302
Operating expenses	(30,664)	(40,399)	(8,056)	(2,839)	(81,958)
Impairment losses on:					
Loans and advances to customers	(60,287)	(17,265)	—	—	(77,552)
Others	(6,252)	(1,311)	1,705	(48)	(5,906)
Operating profit	79,576	78,856	37,400	54	195,886
Share of profits of associates and joint ventures	—	—	—	1,330	1,330
Profit before taxation	79,576	78,856	37,400	1,384	197,216
Income tax expense					(36,559)
Profit for the period					<u>160,657</u>
Other segment information:					
Depreciation	2,809	2,521	1,119	212	6,661
Amortisation	485	366	205	68	1,124
Capital expenditure	10,169	9,046	4,043	810	24,068

	As at 30 June 2018				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>9,713,458</u>	<u>5,383,794</u>	<u>12,021,310</u>	<u>184,518</u>	<u>27,303,080</u>
Including: Investments in associates and joint ventures	—	—	—	31,719	31,719
Property and equipment	95,578	85,565	37,881	39,800	258,824
Other non-current assets	21,003	7,082	4,184	11,980	44,249
Segment liabilities	<u>12,108,178</u>	<u>9,396,003</u>	<u>3,299,717</u>	<u>306,981</u>	<u>25,110,879</u>
Other segment information:					
Credit commitments	<u>2,620,751</u>	<u>964,992</u>	—	—	<u>3,585,743</u>

	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 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	6,498	5,368	2,547	302	14,715
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	As at 31 December 2017				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>9,309,390</u>	<u>4,992,999</u>	<u>11,629,855</u>	<u>154,799</u>	<u>26,087,043</u>
Including: Investments in associates and joint ventures	—	—	—	32,441	32,441
Property and equipment	96,515	79,646	37,649	33,934	247,744
Other non-current assets	20,975	7,076	4,435	11,124	43,610
Segment liabilities	<u>11,294,092</u>	<u>8,627,592</u>	<u>3,854,496</u>	<u>169,807</u>	<u>23,945,987</u>
Other segment information:					
Credit commitments	<u>2,608,719</u>	<u>902,217</u>	<u>—</u>	<u>—</u>	<u>3,510,936</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, Prague and Zurich, etc.).

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

Head Office (“HO”):	the HO business division (including institutions directly controlled by the HO and their offices);
Yangtze River Delta:	including Shanghai, Jiangsu, Zhejiang and Ningbo;
Pearl River Delta:	including Guangdong, Shenzhen, Fujian and Xiamen;
Bohai Rim:	including Beijing, Tianjin, Hebei, Shandong and Qingdao;
Central China:	including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;
Western China:	including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and
Northeastern China:	including Liaoning, Heilongjiang, Jilin and Dalian.
Overseas and others:	branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and joint ventures.

## Six months ended 30 June 2018

	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	109,420	29,759	26,494	16,451	28,738	39,384	8,819	18,551	—	277,616
Internal net interest (expense)/income	(64,623)	12,690	6,614	37,018	5,690	2,728	2,656	(2,773)	—	—
Net fee and commission income	2,231	20,637	15,862	13,016	9,560	11,336	2,596	4,037	(15)	79,260
Other (expense)/income, net	(2,576)	399	(140)	(957)	242	737	(120)	6,846	(5)	4,426
Operating income	44,452	63,485	48,830	65,528	44,230	54,185	13,951	26,661	(20)	361,302
Operating expenses	(7,402)	(11,715)	(9,944)	(13,881)	(11,940)	(13,100)	(5,085)	(8,911)	20	(81,958)
Impairment losses on:										
Loans and advances to customers	(16,282)	(9,143)	(9,667)	(17,139)	(8,545)	(9,410)	(5,534)	(1,832)	—	(77,552)
Others	(1,620)	(1,209)	(702)	(636)	(436)	(998)	(165)	(140)	—	(5,906)
Operating profit	19,148	41,418	28,517	33,872	23,309	30,677	3,167	15,778	—	195,886
Share of profits of associates and joint ventures	—	—	—	—	—	—	—	1,330	—	1,330
Profit before taxation	19,148	41,418	28,517	33,872	23,309	30,677	3,167	17,108	—	197,216
Income tax expense										(36,559)
Profit for the period										<u>160,657</u>
Other segment information:										
Depreciation	863	895	619	1,002	1,171	1,351	557	203	—	6,661
Amortisation	364	116	97	91	136	164	41	115	—	1,124
Capital expenditure	1,135	1,161	131	396	298	336	186	20,425	—	24,068

## As at 30 June 2018

	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	9,978,167	4,870,768	3,019,519	3,565,102	2,505,524	3,189,689	1,037,659	3,648,260	(4,569,235)	27,245,453
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	31,719	—	31,719
Property and equipment	11,906	30,541	10,436	16,401	17,658	21,937	9,489	140,456	—	258,824
Other non-current assets	11,194	5,769	3,902	3,839	5,264	8,494	1,426	4,361	—	44,249
Unallocated assets										57,627
Total assets										<u>27,303,080</u>
Liabilities by geographical areas	7,710,791	5,157,629	3,264,688	5,596,190	2,691,482	3,292,986	1,107,199	813,824	(4,569,235)	25,065,554
Unallocated liabilities										45,325
Total liabilities										<u>25,110,879</u>
Other segment information:										
Credit commitments	1,062,467	677,009	422,116	577,635	237,915	428,052	91,950	468,813	(380,214)	3,585,743

## 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 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 31 December 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	9,101,260	5,327,071	3,356,039	3,710,656	2,529,871	3,113,759	1,078,047	3,382,006	(5,560,058)	26,038,651	
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	32,441	—	32,441	
Property and equipment	12,166	30,359	10,955	17,080	18,588	23,054	9,900	125,642	—	247,744	
Other non-current assets	11,025	5,762	4,172	3,974	5,371	7,603	1,430	4,273	—	43,610	
Unallocated assets										<u>48,392</u>	
Total assets										<u>26,087,043</u>	
Liabilities by geographical areas	7,179,622	5,564,511	3,692,171	5,568,370	2,624,956	3,164,294	1,069,369	571,676	(5,560,058)	23,874,911	
Unallocated liabilities										<u>71,076</u>	
Total liabilities										<u>23,945,987</u>	
Other segment information:											
Credit commitments	<u>946,311</u>	<u>657,602</u>	<u>466,598</u>	<u>558,078</u>	<u>254,474</u>	<u>433,536</u>	<u>89,923</u>	<u>690,097</u>	<u>(585,683)</u>	<u>3,510,936</u>	

## 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 former CBRC Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

#### (i) Capital composition

Item	30 June 2018	31 December 2017	Reference
<b>Core tier 1 capital</b>			
1 Paid-in capital	356,407	356,407	X18
2 Retained earnings	1,614,261	1,594,378	
2a Surplus reserve	233,080	232,660	X21
2b General reserve	266,360	264,850	X22
2c Retained profits	1,114,821	1,096,868	X23
3 Accumulated other comprehensive income (and other public reserves)	122,221	90,889	
3a Capital reserve	151,958	151,952	X19
3b Others	(29,737)	(61,063)	X24
4 Valid portion to core tier 1 capital during the transition period (only applicable to non- joint stock companies. Fill in 0 for joint stock banks)	—	—	
5 Valid portion of minority interests	2,996	2,716	X25
<b>6 Core tier 1 capital before regulatory adjustments</b>	<b>2,095,885</b>	<b>2,044,390</b>	
<b>Core tier 1 capital: Regulatory adjustments</b>			
7 Prudential valuation adjustments	—	—	
8 Goodwill (net of deferred tax liabilities)	8,508	8,478	X16
9 Other intangible assets other than land use rights (net of deferred tax liabilities)	1,776	1,532	X14–X15
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of deferred tax liabilities)	—	—	
11 Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,750)	(3,708)	X20
12 Shortfall of provision for loan impairment	—	—	
13 Gain on sale related to asset securitization	—	—	

Item	30 June 2018	31 December 2017	Reference
14	—	—	
15	—	—	
16	—	—	
17	—	—	
18	—	—	
19	—	—	
20	N/A	N/A	
21	—	—	
22	—	—	
23	—	—	
24	N/A	N/A	
25	—	—	
26a	<b>7,980</b>	7,980	X11
26b	—	—	

Item	30 June 2018	31 December 2017	Reference
26c Others that should be deducted from core tier 1 capital	—	—	
27 Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	—	—	
<b>28 Total regulatory adjustments to core tier 1 capital</b>	<b>14,514</b>	14,282	
<b>29 Core tier 1 capital</b>	<b>2,081,371</b>	2,030,108	
<b>Additional tier 1 capital:</b>			
30 Additional tier 1 capital instruments and related premium	<b>79,375</b>	79,375	
31 Including: Portion classified as equity	<b>79,375</b>	79,375	X28
32 Including: Portion classified as liabilities	—	—	
33 Invalid instruments to additional tier 1 capital after the transition period	—	—	
34 Valid portion of minority interests	<b>638</b>	577	X26
35 Including: Invalid portion to additional tier 1 capital after the transition period	—	—	
<b>36 Additional tier 1 capital before regulatory adjustments</b>	<b>80,013</b>	79,952	
<b>Additional tier 1 capital: Regulatory adjustments</b>			
37 Direct or indirect investments in own additional tier 1 instruments	—	—	
38 Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	—	—	
39 Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	—	—	
40 Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	—	—	
41a Investment in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	—	—	
41b Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	—	—	

<b>Item</b>	<b>30 June 2018</b>	<b>31 December 2017</b>	<b>Reference</b>
41c Others that should be deducted from additional tier 1 capital	—	—	
42 Undeducted shortfall that should be deducted from tier 2 capital	—	—	
<b>43 Total regulatory adjustments to additional tier 1 capital</b>	<b>—</b>	<b>—</b>	
<b>44 Additional tier 1 capital</b>	<b>80,013</b>	79,952	
<b>45 Tier 1 capital (core tier 1 capital + additional tier 1 capital)</b>	<b>2,161,384</b>	2,110,060	
<b>Tier 2 capital:</b>			
46 Tier 2 capital instruments and related premium	<b>202,253</b>	222,321	X17
47 Invalid instruments to tier 2 capital after the transition period	<b>81,140</b>	101,425	
48 Valid portion of minority interests	<b>2,960</b>	3,303	X27
49 Including: Invalid portion to tier 2 capital after the transition period	<b>744</b>	1,051	
50 Valid portion of surplus provision for loan impairment	<b>118,764</b>	71,736	X02+X04
<b>51 Tier 2 capital before regulatory adjustments</b>	<b>323,977</b>	297,360	
<b>Tier 2 capital: Regulatory adjustments</b>			
52 Direct or indirect investments in own tier 2 instruments	—	—	
53 Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	—	—	
54 Deductible portion of non-significant minority investment in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	—	—	
55 Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	—	500	X31
56a Investment in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	—	—	
56b Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	—	—	
56c Others that should be deducted from tier 2 capital	—	—	

Item	30 June 2018	31 December 2017	Reference
57 Total regulatory adjustments to tier 2 capital	—	500	
58 Tier 2 capital	323,977	296,860	
59 Total capital (tier 1 capital + tier 2 capital)	2,485,361	2,406,920	
60 Total risk-weighted assets	16,878,254	15,902,801	
<b>Requirements for capital adequacy ratio and reserve capital</b>			
61 Core tier 1 capital adequacy ratio	12.33%	12.77%	
62 Tier 1 capital adequacy ratio	12.81%	13.27%	
63 Capital adequacy ratio	14.73%	15.14%	
64 Institution specific buffer requirement	4.0%	3.5%	
65 Including: Capital conservation buffer requirement	2.5%	2.5%	
66 Including: Countercyclical buffer requirement	—	—	
67 Including: G-SIB buffer requirement	1.5%	1%	
68 Percentage of core tier 1 capital meeting buffers to risk-weighted assets	7.33%	7.77%	
<b>Domestic minima for regulatory capital</b>			
69 Core tier 1 capital adequacy ratio	5%	5%	
70 Tier 1 capital adequacy ratio	6%	6%	
71 Capital adequacy ratio	8%	8%	
<b>Amounts below the thresholds for deduction</b>			
72 Undeducted amount of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	29,844	35,059	X05+X07 +X08+X09 +X12+X29 +X30
73 Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	31,327	28,353	X06+X10 +X13
74 Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75 Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	57,182	48,158	
<b>Valid caps of surplus provision for loan impairment to tier 2 capital</b>			
76 Provision for loan impairment under the weighted approach	23,999	17,943	X01
77 Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	14,411	9,937	X02



<b>Item</b>	<b>30 June 2018</b>	<b>31 December 2017</b>	<b>Reference</b>
78 Surplus provision for loan impairment under the internal ratings-based approach	<b>373,997</b>	322,539	X03
79 Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	<b>104,353</b>	61,799	X04
<b>Capital instruments subject to phase-out arrangements</b>			
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	<b>81,140</b>	101,425	
85 Excluded from tier 2 capital for the current period due to cap	<b>67,110</b>	46,822	

*(ii) Consolidated financial statements*

	<b>30 June 2018 Consolidated balance sheet as in published financial statements*</b>	<b>30 June 2018 Balance sheet under regulatory scope of consolidation*</b>	31 December 2017 Consolidated balance sheet as in published financial statements*	31 December 2017 Balance sheet under regulatory scope of consolidation*
<b>Assets</b>				
Cash and balances with central banks	<b>3,818,453</b>	<b>3,818,453</b>	3,613,872	3,613,872
Due from banks and other financial institutions	<b>322,432</b>	<b>314,157</b>	370,074	363,278
Precious metals	<b>174,024</b>	<b>174,024</b>	238,714	238,714
Placements with banks and other financial institutions	<b>584,034</b>	<b>584,034</b>	477,537	477,537
Derivative financial assets	<b>87,287</b>	<b>87,287</b>	89,013	89,013
Reverse repurchase agreements	<b>687,913</b>	<b>686,823</b>	986,631	981,553
Loans and advances to customers	<b>14,536,141</b>	<b>14,535,524</b>	13,892,966	13,892,372
Financial investments	<b>6,257,681</b>	<b>6,174,419</b>	5,756,704	5,669,906
— Financial investments measured at FVTPL	<b>800,685</b>	<b>771,290</b>	440,938	440,912
— Financial investments measured at FVOCI	<b>1,450,163</b>	<b>1,432,782</b>		
— Financial investments measured at amortised cost	<b>4,006,833</b>	<b>3,970,347</b>		
— Available-for-sale financial assets			1,496,453	1,465,021
— Held-to-maturity investments			3,542,184	3,536,757
— Receivables			277,129	227,216
Long-term equity investments	<b>31,719</b>	<b>39,699</b>	32,441	40,421
Fixed assets	<b>224,604</b>	<b>224,542</b>	216,156	216,088
Construction in progress	<b>32,443</b>	<b>32,443</b>	29,531	29,531
Deferred income tax assets	<b>57,627</b>	<b>57,627</b>	48,392	48,392
Other assets	<b>488,722</b>	<b>473,624</b>	335,012	318,891
<b>Total assets</b>	<b><u>27,303,080</u></b>	<b><u>27,202,656</u></b>	<b><u>26,087,043</u></b>	<b><u>25,979,568</u></b>

	<b>30 June 2018 Consolidated balance sheet as in published financial statements*</b>	<b>30 June 2018 Balance sheet under regulatory scope of consolidation*</b>	<b>31 December 2017 Consolidated balance sheet as in published financial statements*</b>	<b>31 December 2017 Balance sheet under regulatory scope of consolidation*</b>
<b>Liabilities</b>				
Due to central banks	428	428	456	456
Due to banks and other financial institutions	1,423,229	1,423,229	1,214,601	1,214,601
Placements from banks and other financial institutions	500,853	500,853	491,948	491,948
Financial liabilities measured at FVTPL	86,667	86,665	89,361	89,359
Derivative financial liabilities	80,580	80,580	78,556	78,556
Repurchase agreements	556,277	551,810	1,046,338	1,044,481
Certificates of deposit	276,060	276,060	260,274	260,274
Due to customers	20,818,042	20,821,739	19,562,936	19,564,945
Employee benefits payable	25,467	25,215	33,142	32,820
Taxes payable	59,199	59,056	82,550	82,502
Debt securities issued	579,235	579,235	526,940	526,940
Deferred income tax liabilities	634	445	433	233
Other liabilities	704,208	609,938	558,452	456,349
<b>Total liabilities</b>	<b>25,110,879</b>	<b>25,015,253</b>	<b>23,945,987</b>	<b>23,843,464</b>
<b>Equity</b>				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	86,051	86,051	86,051	86,051
Capital reserve	151,958	151,958	151,952	151,952
Other comprehensive income	(30,540)	(29,737)	(62,058)	(61,063)
Surplus reserve	233,122	233,080	232,703	232,660
General reserve	266,402	266,360	264,892	264,850
Retained profits	1,115,199	1,114,821	1,097,544	1,096,868
Equity attributable to equity holders of the parent company	2,178,599	2,178,940	2,127,491	2,127,725
Minority interests	13,602	8,463	13,565	8,379
<b>Total equity</b>	<b>2,192,201</b>	<b>2,187,403</b>	<b>2,141,056</b>	<b>2,136,104</b>

\* Prepared in accordance with PRC GAAP.

*(iii) Description of related items*

<b>Item</b>	<b>30 June 2018 Balance sheet under regulatory scope of consolidation</b>	<b>Reference</b>
<b>Loans and advances to customers</b>	<b>14,535,524</b>	
Total loans and advances to customers	<b>14,933,520</b>	
Less: Provision for loan impairment under the weighted approach	<b>23,999</b>	X01
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	<b>14,411</b>	X02
Less: Provision for loan impairment under the internal ratings-based approach	<b>373,997</b>	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	<b>104,353</b>	X04
<b>Financial investments</b>		
Financial investments measured at FVTPL	<b>771,290</b>	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	<b>132</b>	X05
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	<b>28</b>	X06
Including: Non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	<b>4,609</b>	X07
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	<b>12,815</b>	X08
Financial investments measured at FVOCI	<b>1,432,782</b>	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	<b>2,744</b>	X09
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	<b>1,368</b>	X10
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	<b>5,931</b>	X29

<b>Item</b>	<b>30 June 2018 Balance sheet under regulatory scope of consolidation</b>	<b>Reference</b>
Financial investments measured at amortised cost	<b>3,970,347</b>	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	<b>3,507</b>	X30
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	<b>—</b>	X31
<b>Long-term equity investments</b>	<b>39,699</b>	
Including: Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	<b>7,980</b>	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	<b>106</b>	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	<b>29,931</b>	X13
<b>Other assets</b>	<b>473,624</b>	
Interest receivable	<b>136,660</b>	
Intangible assets	<b>19,574</b>	X14
Including: Land use rights	<b>17,798</b>	X15
Other receivables	<b>313,323</b>	
Goodwill	<b>8,508</b>	X16
Long-term deferred expenses	<b>3,299</b>	
Repossessed assets	<b>9,243</b>	
Others	<b>(16,983)</b>	
<b>Debt securities issued</b>	<b>579,235</b>	
Including: Valid portion of tier 2 capital instruments and their premium	<b>202,253</b>	X17
<b>Share capital</b>	<b>356,407</b>	X18
<b>Other equity instruments</b>	<b>86,051</b>	
Including: Preference shares	<b>79,375</b>	X28
<b>Capital reserve</b>	<b>151,958</b>	X19

<b>Item</b>	<b>30 June 2018 Balance sheet under regulatory scope of consolidation</b>	<b>Reference</b>
<b>Other comprehensive income</b>	<b>(29,737)</b>	X24
Reserve for changes in fair value of financial assets	<b>2,676</b>	
Reserve for cash flow hedging	<b>(3,788)</b>	
Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	<b>(3,750)</b>	X20
Changes in share of other owners' equity of associates and joint ventures	<b>(1,287)</b>	
Foreign currency translation reserve	<b>(27,750)</b>	
Others	<b>412</b>	
<b>Surplus reserve</b>	<b>233,080</b>	X21
<b>General reserve</b>	<b>266,360</b>	X22
<b>Retained profits</b>	<b>1,114,821</b>	X23
<b>Minority interests</b>	<b>8,463</b>	
Including: Valid portion to core tier 1 capital	<b>2,996</b>	X25
Including: Valid portion to additional tier 1 capital	<b>638</b>	X26
Including: Valid portion to tier 2 capital	<b>2,960</b>	X27

***(iv) Main features of eligible capital instruments***

As at 30 June 2018, the main features of the Bank's eligible capital instruments are set out as follows:

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

<b>Main features of regulatory capital instrument</b>	<b>Ordinary shares (A share)</b>	<b>Ordinary shares (H share)</b>	<b>Preference shares (Offshore)</b>	<b>Preference shares (Offshore)</b>	<b>Preference shares (Offshore)</b>	<b>Preference shares (Domestic)</b>
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	EUR600	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 N/A	No N/A	Yes The First Redemption Date is 10 December 2019, in full or partial amount	Yes The First Redemption Date is 10 December 2021, in full or partial amount	Yes The First Redemption Date is 10 December 2019, in full or partial amount	Yes The First Redemption Date is 18 November 2020, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares
Coupons/dividends Including: Fixed or floating dividend/ coupon	Floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	6% (dividend rate) before 10 December 2019	6% (dividend rate) before 10 December 2021	6% (dividend rate) before 10 December 2019	4.5% (dividend rate) before 18 November 2020
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes	Yes	Yes



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	The Bank	The Bank	The Bank	The Bank
Write-down feature	No	No	No	No	No	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
Including: If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders	Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Domestic Preference Shares, pari passu with the holders of Parity Obligations
Non-compliant transitioned features	No	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

<b>Main features of regulatory capital instrument</b>	<b>Tier 2 capital bonds</b>	<b>Tier 2 capital bonds</b>	<b>Tier 2 capital bonds</b>	<b>Tier 2 capital bonds</b>	<b>Tier 2 capital bonds</b>
Issuer	ICBC (Asia)	The Bank	The Bank	The Bank	The Bank
Unique identifier	ISIN: XS0976879279 BBGID: BBG005CMF4N6	1428009	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1728021	1728022
Governing law(s) of the instrument	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with English law, except that the provision of the Notes relating to Subordination shall be governed by, and construed in accordance with, the laws of Hong Kong	Securities Law of the People's Republic of China/China	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment					
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital

<b>Main features of regulatory capital instrument</b>	<b>Tier 2 capital bonds</b>	<b>Tier 2 capital bonds</b>	<b>Tier 2 capital bonds</b>	<b>Tier 2 capital bonds</b>	<b>Tier 2 capital bonds</b>
Including: Eligible to the parent company/group level	Group	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 1,267	RMB19,999	RMB equivalent 13,113	RMB44,000	RMB44,000
Par value of instrument (in millions)	USD500	RMB20,000	USD2,000	RMB44,000	RMB44,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	10 October 2013	4 August 2014	21 September 2015	6 November 2017	20 November 2017
Perpetual or dated	Dated	Dated	Dated	Dated	Dated
Including: Original maturity date	10 October 2023	5 August 2024	21 September 2025	8 November 2027	22 November 2027
Issuer call (subject to prior supervisory approval)	Yes	Yes	No	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	10 October 2018, in full amount	5 August 2019, in full amount	N/A	8 November 2022, in full amount	22 November 2022, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A
Coupons/dividends					
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.50%	5.80%	4.875%	4.45%	4.45%
Including: Existence of a dividend stopper	No	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No	No

<b>Main features of regulatory capital instrument</b>	<b>Tier 2 capital bonds</b>	<b>Tier 2 capital bonds</b>	<b>Tier 2 capital bonds</b>	<b>Tier 2 capital bonds</b>	<b>Tier 2 capital bonds</b>
Including: Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	No	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Non-viability of ICBC (Asia) or the Bank	Non-viability of the Bank	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: If write-down, full or partial	Full write-down	Full write-down	Full write-down	Full write-down	Full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

## 10.2 Disclosure of Leverage Ratio

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

### Comparison of Regulatory Leverage Ratio Items and Accounting Items

S/N	Item	30 June 2018	31 December 2017
1	Total consolidated assets as per published financial statements	<b>27,303,080</b>	26,087,043
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	<b>(100,424)</b>	(107,475)
3	Adjustments for fiduciary assets	—	—
4	Adjustments for derivative financial instruments	<b>55,248</b>	61,814
5	Adjustment for securities financing transactions	<b>57,070</b>	57,693
6	Adjustment for off-balance sheet items	<b>2,121,462</b>	2,000,174
7	Other adjustments	<b>(14,514)</b>	(14,282)
8	Balance of adjusted on- and off-balance sheet assets	<b>29,421,922</b>	28,084,967

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

S/N	Item	30 June 2018	31 December 2017
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	<b>26,778,716</b>	25,174,171
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	<b>(14,514)</b>	(14,282)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	<b>26,764,202</b>	25,159,889
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	<b>89,818</b>	93,955
5	Add-on amounts for PFE associated with all derivatives transactions	<b>61,833</b>	63,145
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	—	—
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	—	—
8	Less: Exempted CCP leg of client-cleared trade exposures	<b>(18,783)</b>	(25,768)
9	Effective notional amount of written credit derivatives	<b>49,160</b>	46,496
10	Less: Adjusted effective notional deductions for written credit derivatives	<b>(39,490)</b>	(27,001)
11	Total derivative exposures	<b>142,538</b>	150,827
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	<b>336,650</b>	716,384
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	—	—
14	CCR exposure for SFT assets	<b>57,070</b>	57,693
15	Agent transaction exposures	—	—
16	Total securities financing transaction exposures	<b>393,720</b>	774,077
17	Off-balance sheet exposure at gross notional amount	<b>4,384,309</b>	4,211,871
18	Less: Adjustments for conversion to credit equivalent amounts	<b>(2,262,847)</b>	(2,211,697)
19	Balance of adjusted off-balance sheet assets	<b>2,121,462</b>	2,000,174
20	Net tier 1 capital	<b>2,161,384</b>	2,110,060
21	Balance of adjusted on- and off-balance sheet assets	<b>29,421,922</b>	28,084,967
22	Leverage ratio	<b>7.35%</b>	7.51%



### 10.3 Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

S/N	Item	Second-quarter 2018	
		Total un-weighted value	Total weighted value
<b>High-quality liquid assets</b>			
1	Total high-quality liquid assets (HQLA)		4,956,187
<b>Cash outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	9,672,239	964,002
3	Stable deposits	50,417	1,820
4	Less stable deposits	9,621,822	962,182
5	Unsecured wholesale funding, of which:	11,438,110	3,887,662
6	Operational deposits (excluding those generated from correspondent banking activities)	6,368,344	1,545,465
7	Non-operational deposits (all counterparties)	5,013,053	2,285,484
8	Unsecured debt	56,713	56,713
9	Secured funding		47,665
10	Additional requirements, of which:	4,182,809	1,517,561
11	Outflows related to derivative exposures and other collateral requirements	1,280,880	1,280,880
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	2,901,929	236,681
14	Other contractual funding obligations	54,669	54,343
15	Other contingent funding obligations	2,967,561	121,121
16	Total cash outflows		6,592,354
<b>Cash inflows</b>			
17	Secured lending (including reverse repos and securities borrowing)	686,919	243,218
18	Inflows from fully performing exposures	1,287,886	886,893
19	Other cash inflows	1,294,810	1,287,792
20	Total cash inflows	3,269,615	2,417,903
		<b>Total adjusted value</b>	
21	Total HQLA		4,956,187
22	Total net cash outflows		4,174,451
23	Liquidity coverage ratio (%)		118.36%

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

## 10.4 Net Stable Funding Ratio (NSFR)

As at the end of June 2018, the NSFR of the Group was 127.47%, the available stable finding (ASF) was RMB18,320,711 million and the required stable finding (RSF) was RMB14,372,163 million.

## 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](http://www.hkexnews.hk)) and the website of the Bank ([www.icbc-ltd.com](http://www.icbc-ltd.com)) simultaneously. The 2018 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](http://www.hkexnews.hk)) and the website of the Bank ([www.icbc-ltd.com](http://www.icbc-ltd.com)) and will be dispatched to the shareholders of H shares of the Bank. The 2018 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](http://www.sse.com.cn)) and the Bank ([www.icbc-ltd.com](http://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 2018

*As at the date of this announcement, the Board of Directors comprises Mr. YI Huiman, Mr. GU Shu and Mr. WANG Jingdong as executive directors, Mr. CHENG Fengchao, Mr. ZHENG Fuqing, Mr. FEI Zhoulin, Ms. MEI Yingchun, Mr. DONG Shi and Mr. YE Donghai 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.*