

**Industrial and Commercial Bank of China (Asia) Limited  
Announces 2014 First-half Results**

**After-tax net profit surges 22.62% to HK\$3 billion**

26 August 2014, Hong Kong – Industrial and Commercial Bank of China (Asia) Limited (the “Bank”) today announced its unaudited operating results for the six months ended 30 June 2014 (the “Period”).

Confronting a volatile global financial landscape, the Bank has taken steps to transform its business, while optimising its operational structure and internal governance. Business momentum was robust on all business fronts, resulting in solid results across the board.

**Strong profit growth momentum.** During the first six months of 2014, the Bank responded proactively to a constantly changing market and regulatory environment. While complying with regulatory requirements on liquidity and stress tests during the course of its business development, the Bank was able to deliver substantial growth in profitability, posting an after-tax net profit of HK\$3,000 million, representing year-on-year growth of HK\$553 million or 22.62%. Non-interest income of HK\$1,090 million was generated, accounting for 20.94% of total income; net interest margin also rose 0.05 percentage points year on year to 1.53%. The Period saw a reasonable increase in expenses incurred in order to support the Bank’s business development initiatives, but such cost increases were significantly below top-line growth, reflecting the sound cost competitiveness of the Bank. Operating expenses for the Period were HK\$1,262 million, an increase of 17.76% compared to the same period in 2013. As a result, the cost-to-income ratio was lowered by 0.83 percentage points to 24.26%,

**Balance sheet further strengthened.** Moving with the changes in the international economic environment, the Bank has fine-tuned its business strategy, strengthened balance sheet management, achieved volume increases in on-balance-sheet business, and enhanced its management structure. As at the end of June 2014, total assets amounted to HK\$601.784 billion, representing an increase of HK\$32.027 billion or 5.62% compared to the position as at the end of 2013. Balance of loans was HK\$355.649 billion, a 10.34% increase over the 2013 year-end position. Total liabilities also grew by HK\$28.622 billion, or 5.45%, from the end of 2013 to HK\$553.919 billion, of which customers’ deposits (including certificates of deposit) increased by 14.73% from the end of 2013 to HK\$438.308 billion. During the first six months, the Bank was able to reduce its reliance on inter-bank lending by widening its sources of funds, including deposits, certificates of deposit and bonds. As at the end of June 2014, the amount due to banks decreased 21.76% from year-end 2013 to HK\$78.977 billion.

**More stringent approach to risk management.** The Bank effectively served the needs of both business development and risk control as it continued to roll out long-term efforts to enhance its overall risk management system. While closely monitoring the dynamic situation of the money markets, the Bank also aligned its liquidity management strategy by adopting a more scientifically advanced approach. The enhancement of operational risk management and workflow development at the Bank has resulted in healthy and stable operations further averting any potential operations risk. As at the end of June 2014, the Bank's capital adequacy ratio was maintained at 13.64% with a core capital adequacy ratio of 10.30%. At the end of June 2014, the Bank's ratios of non-performing assets and non-performing loans were 0.33% and 0.38% respectively, representing decreases of 0.05 and 0.06 percentage points respectively from year-end 2013. Asset quality continued to improve with provision coverage standing at 182.78%, up 44.3 percentage points year on year. The average liquidity ratio in the first half was 46.55%, a satisfactory position within the safe zone for overall liquidity requirements.

The business environment in the second half of the year is forecast to be subject to greater uncertainty and complexity. Against this background, the Bank will maintain stable business development while moving to further enhance its business structure and balance sheet. It will implement a series of strategic reforms in operations and management, while nurturing product innovation, service quality and process enhancements. As always, the Bank will seek to achieve continuous improvements in overall profitability.

- END -

**Industrial and Commercial Bank of China (Asia) Limited**

Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)") is a licensed bank incorporated in Hong Kong. It has 56 branches, 23 "Elite Club" Wealth Management Centres and 4 commercial business centres in Hong Kong. It is principally engaged in banking, financial and other finance-related services with a focus on retail and commercial banking as well as corporate banking business. Chinese Mercantile Bank and ICBC (Asia) Investment Management Company Limited, two wholly-owned subsidiaries of ICBC (Asia), are specialized in RMB services in Mainland China and the investment management businesses with a focus on Asia respectively. ICBC (Asia) is the flagship of Hong Kong banking business of Industrial and Commercial Bank of China Limited ("ICBC") – currently the largest commercial bank in China.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2014  
(Unaudited)

|  | Notes | Six months ended        |                                       | Change<br>% |
|--|-------|-------------------------|---------------------------------------|-------------|
|  |       | 30 Jun 2014<br>HK\$'000 | (Restated)<br>30 Jun 2013<br>HK\$'000 |             |
| Interest income  | (2)   | 8,214,853               | 6,088,371                             | 35%         |
| Interest expense   | (2)   | (4,101,479)             | (2,803,557)                           | 46%         |
| Net interest income  | (2)   | 4,113,374               | 3,284,814                             | 25%         |
| Fee and commission income  | (3)   | 889,213                 | 870,210                               | 2%          |
| Fee and commission expense   | (3)   | (156,286)               | (146,214)                             | 7%          |
| Net fee and commission income  | (3)   | 732,927                 | 723,996                               | 1%          |
| Net trading income   | (4)   | 341,269                 | 240,911                               | 42%         |
| Net gain on financial assets and liabilities designated at fair value through profit or loss | (5)   | 4,345                   | 5,054                                 | -14%        |
| Dividend income from financial investments   | (6)   | 4,431                   | 4,832                                 | -8%         |
| Other operating income   | (7)   | 6,651                   | 11,184                                | -41%        |
| <b>Operating income</b>  |       | <b>5,202,997</b>        | <b>4,270,791</b>                      | <b>22%</b>  |
| Operating expenses   | (8)   | (1,262,079)             | (1,071,746)                           | 18%         |
| <b>Operating profit before impairment losses</b>   |       | <b>3,940,918</b>        | <b>3,199,045</b>                      | <b>23%</b>  |
| Charge for impairment losses on loans and advances   | (9)   | (274,281)               | (140,687)                             | 95%         |
| Charge for impairment losses on available-for-sale financial investments                     |       | -                       | (676)                                 | -100%       |
| <b>Operating profit after impairment losses</b>  |       | <b>3,666,637</b>        | <b>3,057,682</b>                      | <b>20%</b>  |
| Revaluation gain on investment properties  |       | -                       | 2,700                                 | -100%       |
| Net loss from disposal/reversal of revaluation deficits of property, plant and equipment     |       | (1,985)                 | (193)                                 | 928%        |
| Gain on disposal of loans and advances   |       | 477                     | -                                     | -           |
| Net gain on disposal of available-for-sale financial investments                             |       | 46,972                  | 11,077                                | 324%        |
| <b>Operating profit</b>  |       | <b>3,712,101</b>        | <b>3,071,266</b>                      | <b>21%</b>  |
| Share of profit of an associate  |       | 10,807                  | 10,572                                | 2%          |
| <b>Profit before tax</b>   |       | <b>3,722,908</b>        | <b>3,081,838</b>                      | <b>21%</b>  |
| Income tax expense   | (10)  | (723,115)               | (635,515)                             | 14%         |
| <b>Profit for the period and attributable to equity holders of the Bank</b>                  |       | <b>2,999,793</b>        | <b>2,446,323</b>                      | <b>23%</b>  |
| <b>Earnings per share – Basic and diluted</b>  |       | <b>HK\$1.45</b>         | <b>HK\$1.18</b>                       | <b>22%</b>  |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2014  
(Unaudited)

|  | <b>Six months ended</b>        |                         | Change<br>% |
|--|--------------------------------|-------------------------|-------------|
|  | <b>30 Jun 2014</b><br>HK\$'000 | 30 Jun 2013<br>HK\$'000 |             |
| Profit for the period  | <b><u>2,999,793</u></b>        | <u>2,446,323</u>        | 23%         |
| Item that will not be reclassified to income statement:                          |                                |                         |             |
| Revaluation surplus on bank premises   | <b>3,672</b>                   | 111,214                 | -97%        |
| Income tax effect  | <b>(606)</b>                   | (18,350)                | -97%        |
|  | <b><u>3,066</u></b>            | <u>92,864</u>           | -97%        |
| Items that may be reclassified subsequently to income statement:                 |                                |                         |             |
| Change of fair value of hedging instruments under cash flow hedges               | <b>71,805</b>                  | (248,693)               | -           |
| Income tax effect  | <b>(11,848)</b>                | 41,034                  | -           |
|  | <b><u>59,957</u></b>           | <u>(207,659)</u>        | -           |
| Change in fair value reserve of available-for-sale financial investments         | <b>533,934</b>                 | (1,022,758)             | -           |
| Income tax effect  | <b>(46,802)</b>                | 152,151                 | -           |
|  | <b><u>487,132</u></b>          | <u>(870,607)</u>        | -           |
| Exchange differences arising from translation of results of a foreign subsidiary | <b>(144,694)</b>               | 270,104                 | -           |
| Other comprehensive income for the period, net of tax                            | <b><u>405,461</u></b>          | <u>(715,298)</u>        | -           |
| Total comprehensive income for the period, net of tax                            | <b><u>3,405,254</u></b>        | <u>1,731,025</u>        | 97%         |
| Attributable to:   |                                |                         |             |
| Equity holders of the Bank   | <b><u>3,405,254</u></b>        | <u>1,731,025</u>        | 97%         |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014  
(Unaudited)

|   | Notes | Unaudited<br>30 Jun 2014<br>HK\$'000 | Audited<br>31 Dec 2013<br>HK\$'000 | Change<br>% | Unaudited<br>30 Jun 2013<br>HK\$'000 | Change<br>% |
|---|-------|--------------------------------------|------------------------------------|-------------|--------------------------------------|-------------|
| <b>Assets</b>   |       |                                      |                                    |             |                                      |             |
| Cash and balances with banks and other financial institutions                     | (12)  | 122,926,927                          | 137,074,097                        | -10%        | 101,801,273                          | 21%         |
| Placements with banks and other financial institutions                            | (13)  | 34,372,871                           | 28,546,241                         | 20%         | 20,923,339                           | 64%         |
| Financial assets held for trading   | (14)  | 1,526,678                            | 324,974                            | 370%        | 269,116                              | 467%        |
| Financial assets designated at fair value through profit or loss                  | (15)  | 215,139                              | 412,783                            | -48%        | 418,784                              | -49%        |
| Derivative financial instruments  | (16)  | 7,874,654                            | 5,430,669                          | 45%         | 3,480,449                            | 126%        |
| Advances and other accounts   | (17)  | 355,649,418                          | 322,330,335                        | 10%         | 317,425,945                          | 12%         |
| Financial investments:  |       | 73,215,745                           | 67,730,060                         | 8%          | 71,302,885                           | 3%          |
| - Available-for-sale  | (18)  | 52,639,783                           | 62,833,206                         | -16%        | 70,138,922                           | -25%        |
| - Held-to-maturity  | (19)  | 20,575,962                           | 4,896,854                          | 320%        | 1,163,963                            | 1668%       |
| Investment in an associate  |       | 260,535                              | 249,728                            | 4%          | 238,777                              | 9%          |
| Goodwill and other intangible assets  |       | 1,074,960                            | 1,087,712                          | -1%         | 1,076,639                            | 0%          |
| Investment properties   | (20)  | 58,524                               | 58,524                             | 0%          | 56,123                               | 4%          |
| Property, plant and equipment   | (21)  | 827,887                              | 845,166                            | -2%         | 874,602                              | -5%         |
| Deferred income tax assets  |       | -                                    | 66,146                             | -100%       | 18,618                               | -100%       |
| Other assets  |       | 3,781,014                            | 5,600,485                          | -32%        | 5,910,391                            | -36%        |
| <b>Total assets</b>   |       | <b>601,784,352</b>                   | <b>569,756,920</b>                 | <b>6%</b>   | <b>523,796,941</b>                   | <b>15%</b>  |
| <b>Liabilities</b>  |       |                                      |                                    |             |                                      |             |
| Deposits from banks and other financial institutions                              |       | 78,976,895                           | 100,941,733                        | -22%        | 109,015,962                          | -28%        |
| Derivative financial instruments  | (16)  | 7,360,781                            | 5,454,630                          | 35%         | 3,663,608                            | 101%        |
| Deposits from customers   | (22)  | 394,506,276                          | 341,462,974                        | 16%         | 319,873,846                          | 23%         |
| Certificates of deposit issued  |       | 43,801,844                           | 40,566,723                         | 8%          | 21,324,443                           | 105%        |
| Debt securities in issue measured designated at fair value through profit or loss |       | -                                    | 699,091                            | -100%       | -                                    | 0%          |
| Debt securities in issue measured at amortised cost                               |       | 11,554,279                           | 20,823,409                         | -45%        | 16,774,216                           | -31%        |
| Current income tax liabilities  |       | 588,527                              | 112,936                            | 421%        | 678,602                              | -13%        |
| Deferred income tax liabilities   |       | 39,625                               | 66,165                             | -40%        | 60,426                               | -34%        |
| Subordinated debts measured at amortised cost                                     | (23)  | 9,574,273                            | 9,622,817                          | -1%         | 5,740,500                            | 67%         |
| Other liabilities   |       | 7,516,855                            | 5,546,699                          | 36%         | 5,033,274                            | 49%         |
| <b>Total liabilities</b>  |       | <b>553,919,355</b>                   | <b>525,297,177</b>                 | <b>5%</b>   | <b>482,164,877</b>                   | <b>15%</b>  |
| <b>Equity</b>   |       |                                      |                                    |             |                                      |             |
| Share capital: Nominal value  |       | -                                    | 4,129,497                          | -100%       | 4,129,497                            | -100%       |
| Other statutory capital reserves  |       | -                                    | 19,462,335                         | -100%       | 19,462,335                           | -100%       |
| Share capital and other statutory capital reserves                                |       | 23,591,832                           | 23,591,832                         | 0%          | 23,591,832                           | 0%          |
| Retained earnings   |       | 21,204,152                           | 18,204,359                         | 16%         | 15,638,503                           | 36%         |
| Other reserves  | (24)  | 3,069,013                            | 2,663,552                          | 15%         | 2,401,729                            | 28%         |
| <b>Total equity</b>   |       | <b>47,864,997</b>                    | <b>44,459,743</b>                  | <b>8%</b>   | <b>41,632,064</b>                    | <b>15%</b>  |
| <b>Total equity and liabilities</b>   |       | <b>601,784,352</b>                   | <b>569,756,920</b>                 | <b>6%</b>   | <b>523,796,941</b>                   | <b>15%</b>  |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2014  
(Unaudited)

|   | Share<br>capital<br>HK\$'000 | Ordinary<br>share<br>premium<br>HK\$'000 | Bank<br>premises<br>revaluation<br>reserve<br>HK\$'000 | Investment<br>revaluation<br>reserve<br>HK\$'000 | Cash flow<br>hedge<br>reserve<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | General<br>reserve<br>HK\$'000 | Retained<br>earnings<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|--|--|--|---|---------------------------------|--------------------------------|----------------------------------|-------------------|
| At 1 January 2014   | 4,129,497                    | 19,462,335                               | 468,496  | 2,929  | 94,992                                    | 534,690                         | 1,562,445                      | 18,204,359                       | 44,459,743        |
| Profit for the period   | -                            | -  | -  | -  | -   | -                               | -                              | 2,999,793                        | 2,999,793         |
| Other comprehensive<br>income for the period:                                     |                              |  |  |  |   |                                 |                                |                                  |                   |
| Change in fair value of<br>available-for-sale<br>financial investments            | -                            | -  | -  | 521,631  | -   | -                               | -                              | -                                | 521,631           |
| Reserve realised on<br>disposal of available-<br>for-sale financial<br>investment | -                            | -  | -  | 12,303   | -   | -                               | -                              | -                                | 12,303            |
| Changes in fair value of<br>cash flow hedge                                       | -                            | -  | -  | -  | 71,805                                    | -                               | -                              | -                                | 71,805            |
| Revaluation surplus on<br>bank premises   | -                            | -  | 3,672  | -  | -   | -                               | -                              | -                                | 3,672             |
| Change in deferred tax  | -                            | -  | (606)  | (46,802)   | (11,848)                                  | -                               | -                              | -                                | (59,256)          |
| Exchange differences  | -                            | -  | -  | -  | -   | (144,694)                       | -                              | -                                | (144,694)         |
| Total comprehensive<br>income for the period                                      | -                            | -  | 3,066  | 487,132  | 59,957                                    | (144,694)                       | -                              | 2,999,793                        | 3,405,254         |
| Transition to no-par value<br>regime on 3 March 2014                              | 19,462,335                   | (19,462,335)                             | -  | -  | -   | -                               | -                              | -                                | -                 |
| Partial transfer of retained<br>earnings to general<br>reserve                    | -                            | -  | -  | -  | -   | -                               | -                              | -                                | -                 |
| At 30 June 2014   | 23,591,832                   | -  | 471,562  | 490,061  | 154,949                                   | 389,996                         | 1,562,445                      | 21,204,152                       | 47,864,997        |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2013  
(Unaudited)

|  | Share<br>capital<br>HK\$'000 | Ordinary<br>share<br>premium<br>HK\$'000 | Bank<br>premise<br>revaluation<br>reserve<br>HK\$'000 | Investment<br>revaluation<br>reserve<br>HK\$'000 | Cash flow<br>hedge<br>reserve<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | General<br>reserve<br>HK\$'000 | Retained<br>earnings<br>HK\$'000 | Total<br>HK\$'000 |
|--|------------------------------|--|---|--|---|---------------------------------|--------------------------------|----------------------------------|-------------------|
| At 1 January 2013  | 4,129,497                    | 19,462,335                               | 425,684   | 796,610  | 349,348                                   | 227,417                         | 1,091,215                      | 13,418,933                       | 39,901,039        |
| Profit for the period  | -                            | -  | -   | -  | -   | -                               | -                              | 2,446,323                        | 2,446,323         |
| Other comprehensive<br>income for the period:                                  |                              |  |   |  |   |                                 |                                |                                  |                   |
| Change in fair value of<br>available-for-sale<br>financial investments         | -                            | -  | -   | (1,004,917)                                      | -   | -                               | -                              | -                                | (1,004,917)       |
| Reserve realised on disposal<br>of available-for-sale<br>financial investments | -                            | -  | -   | (17,841)   | -   | -                               | -                              | -                                | (17,841)          |
| Changes in fair value of<br>cash flow hedge                                    | -                            | -  | -   | -  | (248,693)                                 | -                               | -                              | -                                | (248,693)         |
| Revaluation surplus on bank<br>premises  | -                            | -  | 111,214   | -  | -   | -                               | -                              | -                                | 111,214           |
| Change in deferred tax   | -                            | -  | (18,350)  | 152,151  | 41,034                                    | -                               | -                              | -                                | 174,835           |
| Exchange differences   | -                            | -  | -   | -  | -   | 270,104                         | -                              | -                                | 270,104           |
| Total comprehensive<br>income for the period                                   | -                            | -  | 92,864  | (870,607)  | (207,659)                                 | 270,104                         | -                              | 2,446,323                        | 1,731,025         |
| Partial transfer of retained<br>earnings to general<br>reserve                 | -                            | -  | -   | -  | -   | -                               | 226,753                        | (226,753)                        | -                 |
| At 30 June 2013  | 4,129,497                    | 19,462,335                               | 518,548   | (73,997)   | 141,689                                   | 497,521                         | 1,317,968                      | 15,638,503                       | 41,632,064        |

1 Segment reporting

1.1 Class of business

The Group comprises seven operating segments. Commercial banking represents commercial lending and trade financing. Retail banking represents retail banking, hire purchase and leasing, and credit card business. Global markets and trading represents foreign exchange, money market and capital market activities. Corporate and investment banking mainly comprises corporate banking, the provision of debt capital market and investment banking. Institutional banking represents financial institution business. Chinese Mercantile Bank represents the business of the Bank's subsidiary in Mainland China. Unallocated items mainly comprise the central management unit, bank premises, inter-segment elimination entries and any items which cannot be reasonably allocated to specific operating segments.



INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

1 Segment reporting (continued)

1.1 Class of business (continued)

|  | Corporate<br>and<br>investment<br>banking | Commercial<br>banking | Retail<br>banking | Global<br>markets and<br>trading | Institutional<br>banking | Chinese<br>Mercantile<br>Bank | Unallocated  | Total        |
|--|---|-----------------------|-------------------|----------------------------------|--------------------------|-------------------------------|--------------|--------------|
|  | HK\$'000                                  | HK\$'000              | HK\$'000          | HK\$'000                         | HK\$'000                 | HK\$'000                      | HK\$'000     | HK\$'000     |
| <b>30 June 2014</b>  |   |                       |                   |                                  |                          |                               |              |              |
| Net interest income  | 551,664                                   | 939,568               | 502,600           | 403,968                          | 294,093                  | 1,231,671                     | 189,810      | 4,113,374    |
| Fee and commission income  | 181,641                                   | 239,900               | 250,912           | -                                | 142,231                  | 69,039                        | 5,490        | 889,213      |
| Fee and commission expense   | (21,463)                                  | (11,532)              | (106,791)         | -                                | -                        | (17,777)                      | 1,277        | (156,286)    |
| Net fee and commission income  | 160,178                                   | 228,368               | 144,121           | -                                | 142,231                  | 51,262                        | 6,767        | 732,927      |
| Net trading income/(expense)   | 44,361                                    | 127,679               | 27,383            | 128,209                          | 26,121                   | (12,785)                      | 301          | 341,269      |
| Net gain on financial assets<br>and liabilities designated at fair<br>value through profit or loss | -   | 1,232                 | -                 | 3,113                            | -                        | -                             | -            | 4,345        |
| Dividend income from financial<br>Investments  | -   | -                     | -                 | -                                | -                        | -                             | 4,431        | 4,431        |
| Other operating income   | -   | 20                    | 183               | 1,104                            | -                        | 1,401                         | 3,943        | 6,651        |
| Operating income   | 756,203                                   | 1,296,867             | 674,287           | 536,394                          | 462,445                  | 1,271,549                     | 205,252      | 5,202,997    |
| Operating expenses   | (97,648)                                  | (253,986)             | (450,828)         | (139,618)                        | (74,444)                 | (236,347)                     | (9,208)      | (1,262,079)  |
| Operating profit before<br>impairment losses   | 658,555                                   | 1,042,881             | 223,459           | 396,776                          | 388,001                  | 1,035,202                     | 196,044      | 3,940,918    |
| Charge for impairment losses<br>on loans and advances  | (24,918)                                  | (48,011)              | (20,006)          | (155)                            | (15,558)                 | (164,769)                     | (864)        | (274,281)    |
| Charge for impairment losses on<br>available-for-sale financial<br>investments                     | -   | -                     | -                 | -                                | -                        | -                             | -            | -            |
| Operating profit after<br>impairment losses  | 633,637                                   | 994,870               | 203,453           | 396,621                          | 372,443                  | 870,433                       | 195,180      | 3,666,637    |
| Revaluation gain on investment<br>properties   | -   | -                     | -                 | -                                | -                        | -                             | -            | -            |
| Net loss from<br>disposal/reversal of revaluation<br>deficits of property,<br>plant and equipment  | -   | -                     | (1,683)           | -                                | -                        | -                             | (302)        | (1,985)      |
| Gain on disposal of loans and<br>advances  | -   | 477                   | -                 | -                                | -                        | -                             | -            | 477          |
| Net gain on disposal of<br>available-for-sale financial<br>investments                             | -   | -                     | -                 | 46,972                           | -                        | -                             | -            | 46,972       |
| Operating profit   | 633,637                                   | 995,347               | 201,770           | 443,593                          | 372,443                  | 870,433                       | 194,878      | 3,712,101    |
| Share of profit of an associate  | -   | -                     | -                 | -                                | -                        | -                             | 10,807       | 10,807       |
| Profit before tax  | 633,637                                   | 995,347               | 201,770           | 443,593                          | 372,443                  | 870,433                       | 205,685      | 3,722,908    |
| Segment assets   | 95,382,079                                | 126,816,804           | 34,914,923        | 208,646,604                      | 51,894,505               | 105,686,293                   | (35,704,257) | 587,636,951  |
| Investment in an associate   | -   | -                     | -                 | -                                | -                        | -                             | 260,535      | 260,535      |
| Unallocated assets   | -   | -                     | -                 | -                                | -                        | -                             | 13,886,866   | 13,886,866   |
| Total assets   | 95,382,079                                | 126,816,804           | 34,914,923        | 208,646,604                      | 51,894,505               | 105,686,293                   | (21,556,856) | 601,784,352  |
| Segment liabilities  | 97,967,079                                | 128,828,632           | 52,252,003        | 169,322,687                      | 81,418,245               | 97,932,294                    | (36,148,375) | 591,572,565  |
| Unallocated liabilities  | -   | -                     | -                 | -                                | -                        | -                             | (37,653,210) | (37,653,210) |
| Total liabilities  | 97,967,079                                | 128,828,632           | 52,252,003        | 169,322,687                      | 81,418,245               | 97,932,294                    | (73,801,585) | 553,919,355  |
| Capital expenditure  | 11  | 154                   | 8,978             | 2,264                            | 347                      | 3,061                         | 23,465       | 38,280       |
| Depreciation and amortisation<br>charges   | 87  | 375                   | 16,306            | 2,434                            | 781                      | 27,640                        | 24,981       | 72,604       |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

1 Segment reporting (continued)

1.1 Class of business (continued)

| (Restated)<br>30 June 2013   | Corporate<br>and<br>investment<br>banking<br>HK\$'000 | Commercial<br>banking<br>HK\$'000 | Retail<br>banking<br>HK\$'000 | Global<br>markets and<br>trading<br>HK\$'000 | Institutional<br>banking<br>HK\$'000 | Chinese<br>Mercantile<br>Bank<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |
|--|---|-----------------------------------|-------------------------------|--|--------------------------------------|---|-------------------------|-------------------|
| Net interest income  | 713,770   | 967,274                           | 341,236                       | 338,648                                      | 150,833                              | 664,443                                   | 108,610                 | 3,284,814         |
| Fee and commission income  | 182,000   | 307,622                           | 260,646                       | 9  | 54,038                               | 64,137                                    | 1,758                   | 870,210           |
| Fee and commission expense   | (30,314)  | (11,817)                          | (99,034)                      | -  | -                                    | (6,075)                                   | 1,026                   | (146,214)         |
| Net fee and commission income  | 151,686   | 295,805                           | 161,612                       | 9  | 54,038                               | 58,062                                    | 2,784                   | 723,996           |
| Net trading income/(expense)   | 22,024  | 115,325                           | 26,013                        | 19,910                                       | 10,833                               | (22,241)                                  | 69,047                  | 240,911           |
| Net gain on financial assets<br>and liabilities designated at fair<br>value through profit or loss | -   | -                                 | -                             | 5,054  | -                                    | -   | -                       | 5,054             |
| Dividend income from financial<br>Investments  | -   | -                                 | -                             | -  | -                                    | -   | 4,832                   | 4,832             |
| Other operating income   | 145   | 51                                | 216                           | 2  | -                                    | 4,602                                     | 6,168                   | 11,184            |
| Operating income   | 887,625   | 1,378,455                         | 529,077                       | 363,623                                      | 215,704                              | 704,866                                   | 191,441                 | 4,270,791         |
| Operating expenses   | (82,822)  | (220,076)                         | (412,182)                     | (104,352)                                    | (53,706)                             | (192,160)                                 | (6,448)                 | (1,071,746)       |
| Operating profit before<br>impairment losses   | 804,803   | 1,158,379                         | 116,895                       | 259,271                                      | 161,998                              | 512,706                                   | 184,993                 | 3,199,045         |
| Charge for impairment losses<br>on loans and advances  | (30,394)  | (55,367)                          | (10,081)                      | 105  | (18,492)                             | (21,550)                                  | (4,908)                 | (140,687)         |
| Charge for impairment losses on<br>available-for-sale financial<br>investments                     | -   | -                                 | -                             | (676)  | -                                    | -   | -                       | (676)             |
| Operating profit after<br>impairment losses  | 774,409   | 1,103,012                         | 106,814                       | 258,700                                      | 143,506                              | 491,156                                   | 180,085                 | 3,057,682         |
| Revaluation gain on investment<br>properties   | -   | -                                 | -                             | -  | -                                    | -   | 2,700                   | 2,700             |
| Net loss from<br>disposal/reversal of revaluation<br>deficits of property,<br>plant and equipment  | -   | (3)                               | (152)                         | -  | -                                    | -   | (38)                    | (193)             |
| Gain on disposal of loans and<br>advances  | -   | -                                 | -                             | -  | -                                    | -   | -                       | -                 |
| Net (loss)/gain on disposal of<br>available-for-sale financial<br>investments                      | -   | -                                 | -                             | 5,882  | -                                    | 5,195                                     | -                       | 11,077            |
| Operating profit   | 774,409   | 1,103,009                         | 106,662                       | 264,582                                      | 143,506                              | 496,351                                   | 182,747                 | 3,071,266         |
| Share of profit of an associate  | -   | -                                 | -                             | -  | -                                    | -   | 10,572                  | 10,572            |
| Profit before tax  | 774,409   | 1,103,009                         | 106,662                       | 264,582                                      | 143,506                              | 496,351                                   | 193,319                 | 3,081,838         |
| Segment assets   | 87,064,989  | 121,943,151                       | 34,517,539                    | 169,466,514                                  | 31,778,871                           | 98,782,143                                | (22,687,943)            | 520,865,264       |
| Investment in an associate   | -   | -                                 | -                             | -  | -                                    | -   | 238,777                 | 238,777           |
| Unallocated assets   | -   | -                                 | -                             | -  | -                                    | -   | 2,692,900               | 2,692,900         |
| Total assets   | 87,064,989  | 121,943,151                       | 34,517,539                    | 169,466,514                                  | 31,778,871                           | 98,782,143                                | (19,756,266)            | 523,796,941       |
| Segment liabilities  | 86,302,937  | 124,257,574                       | 35,018,597                    | 142,387,971                                  | 46,809,742                           | 92,252,009                                | (16,217,675)            | 510,811,155       |
| Unallocated liabilities  | -   | -                                 | -                             | -  | -                                    | -   | (28,646,278)            | (28,646,278)      |
| Total liabilities  | 86,302,937  | 124,257,574                       | 35,018,597                    | 142,387,971                                  | 46,809,742                           | 92,252,009                                | (44,863,953)            | 482,164,877       |
| Capital expenditure  | 43  | 77                                | 30,458                        | 164  | 5,520                                | 3,332                                     | 31,727                  | 71,321            |
| Depreciation and amortisation<br>charges   | 92  | 405                               | 14,259                        | 1,602  | 287                                  | 20,657                                    | 21,875                  | 59,177            |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

1 Segment reporting (continued)

1.2 Geographical area

The Group operates predominantly in Hong Kong. The geographical analysis, which has been classified by the location of the principal operations, is as follows:

**For the six months ended 30 June 2014**

|  | <b>Hong Kong</b>  | <b>Asia Pacific</b>          |                 |
|--|-------------------|------------------------------|-----------------|
|  | <b>(HK\$'000)</b> | <b>(excluding Hong Kong)</b> | <b>Total</b>    |
|  | <b>HK\$'000</b>   | <b>HK\$'000</b>              | <b>HK\$'000</b> |
| Operating income (net of interest expense) | 3,809,521         | 1,393,476                    | 5,202,997       |
| Profit before tax                          | 2,729,774         | 993,134                      | 3,722,908       |
| Total assets                               | 496,101,365       | 105,682,987                  | 601,784,352     |
| Total liabilities                          | 455,990,502       | 97,928,853                   | 553,919,355     |
| Contingent liabilities and commitments     | 142,829,789       | 65,522,747                   | 208,352,536     |
| Capital expenditure during the period      | 35,219            | 3,061                        | 38,280          |

For the six months ended 30 June 2013

|  | <b>Hong Kong</b>  | <b>Asia Pacific</b>          |                 |
|--|-------------------|------------------------------|-----------------|
|  | <b>(HK\$'000)</b> | <b>(excluding Hong Kong)</b> | <b>Total</b>    |
|  | <b>HK\$'000</b>   | <b>HK\$'000</b>              | <b>HK\$'000</b> |
| Operating income (net of interest expense) | 3,412,495         | 858,296                      | 4,270,791       |
| Profit before tax                          | 2,433,019         | 648,819                      | 3,081,838       |
| Total assets                               | 425,018,509       | 98,778,432                   | 523,796,941     |
| Total liabilities                          | 389,918,648       | 92,246,229                   | 482,164,877     |
| Contingent liabilities and commitments     | 192,651,570       | 18,724,331                   | 211,375,901     |
| Capital expenditure during the period      | 67,989            | 3,332                        | 71,321          |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

|   |   |                         |                                       |
|---|---|-------------------------|---------------------------------------|
| 2 | Net interest income   | 30 Jun 2014<br>HK\$'000 | (Restated)<br>30 Jun 2013<br>HK\$'000 |
|   | Interest income on:   |                         |                                       |
|   | Cash and balances with banks and other financial institutions         | 1,331,610               | 290,272                               |
|   | Placements with banks and other financial institutions                | 720,240                 | 377,763                               |
|   | Loans and advances to customers and banks                             | 5,043,705               | 4,387,095                             |
|   | Financial investments – available-for-sale                            | 935,399                 | 1,032,398                             |
|   | Financial investments – held-to-maturity                              | 183,899                 | 843                                   |
|   |   | <u>8,214,853</u>        | <u>6,088,371</u>                      |
|   | Financial assets held for trading                                     | -                       | -                                     |
|   | Financial assets designated at fair value through profit or loss      | -                       | -                                     |
|   |   | <u>8,214,853</u>        | <u>6,088,371</u>                      |
|   | Interest expense on:  |                         |                                       |
|   | Deposits from banks and other financial institutions                  | 556,913                 | 545,604                               |
|   | Deposits from customers   | 2,691,436               | 1,776,814                             |
|   | Certificates of deposit issued  | 423,513                 | 131,650                               |
|   | Debt securities in issue measured at amortised cost                   | 126,755                 | 112,387                               |
|   | Subordinated debts measured at amortised cost                         | 246,187                 | 157,597                               |
|   | Others  | 54,024                  | 79,505                                |
|   |   | <u>4,098,828</u>        | <u>2,803,557</u>                      |
|   | Financial liabilities designated at fair value through profit or loss | 2,651                   | -                                     |
|   |   | <u>4,101,479</u>        | <u>2,803,557</u>                      |
|   | Net interest income   | <u>4,113,374</u>        | <u>3,284,814</u>                      |

Included in the above is interest income accrued on impaired financial assets of HK\$7,608,000 (First half of 2013: HK\$14,399,000), including unwinding of discounts on loan impairment losses of HK\$4,130,000 (First half of 2013: HK\$7,999,000).

|   |  |                         |                         |
|---|--|-------------------------|-------------------------|
| 3 | Net fee and commission income  | 30 Jun 2014<br>HK\$'000 | 30 Jun 2013<br>HK\$'000 |
|   | Loans, overdrafts and guarantees   | 363,411                 | 343,503                 |
|   | Securities and brokerage   | 76,942                  | 72,945                  |
|   | Trade finance  | 170,458                 | 184,238                 |
|   | Credit cards   | 117,829                 | 118,036                 |
|   | Remittance   | 33,263                  | 31,487                  |
|   | Insurance  | 13,636                  | 17,853                  |
|   | Other retail and commercial banking services   | 19,960                  | 7,394                   |
|   | Securities arrangement fee   | 39,355                  | 21,902                  |
|   | Others   | 54,359                  | 72,852                  |
|   | Fee and commission income  | <u>889,213</u>          | <u>870,210</u>          |
|   | Fee and commission expense   | <u>(156,286)</u>        | <u>(146,214)</u>        |
|   | Net fee and commission income  | <u>732,927</u>          | <u>723,996</u>          |
|   | Of which:  |                         |                         |
|   | Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are neither held for trading nor designated at fair value through profit or loss | 533,868                 | 527,741                 |
|   | Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers   | 7,784                   | 9,641                   |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

|   |  |                                       |                                       |
|---|--|---------------------------------------|---------------------------------------|
| 3 | Net fee and commission income (continued)  | <b>30 Jun 2014</b><br><b>HK\$'000</b> | 30 Jun 2013<br>HK\$'000               |
|   | Of which:  |                                       |                                       |
|   | Fee and commission income by product line constituting not less than 10% of the total amount of fee and commission income:   |                                       |                                       |
|   | - term loan  | 151,655                               | 108,484                               |
|   | - syndication loan   | 126,146                               | 161,706                               |
|   | - credit card  | 117,829                               | 118,036                               |
| 4 | Net trading income   | <b>30 Jun 2014</b><br><b>HK\$'000</b> | (Restated)<br>30 Jun 2013<br>HK\$'000 |
|   | Equity investments   | 493                                   | 9,733                                 |
|   | Debt securities - financial assets held for trading  | 10,043                                | 1,553                                 |
|   | - available-for-sale financial investments   | (10,086)                              | (4,113)                               |
|   | Derivatives  | 182,837                               | 58,306                                |
|   | Foreign exchange   | 152,128                               | 172,502                               |
|   |  | <u>335,415</u>                        | <u>237,981</u>                        |
|   | Gain/(loss) from hedging activities  |                                       |                                       |
|   | Fair value hedges  |                                       |                                       |
|   | - Net loss on hedged items attributable to the hedged risk   | (26,417)                              | (112,486)                             |
|   | - Net gain on hedging instruments  | 32,271                                | 115,416                               |
|   |  | <u>5,854</u>                          | <u>2,930</u>                          |
|   | Total net trading income   | <u>341,269</u>                        | <u>240,911</u>                        |
|   | There is no gain or loss on financial liabilities measured at amortised cost which is included in total net trading income for first half of 2014 (First half of 2013: Nil). |                                       |                                       |
| 5 | Net gain on financial assets and liabilities designated at fair value through profit or loss   | <b>30 Jun 2014</b><br><b>HK\$'000</b> | (Restated)<br>30 Jun 2013<br>HK\$'000 |
|   | Financial assets designated at fair value through profit or loss   | 3,114                                 | 5,054                                 |
|   | Financial liabilities designated at fair value through profit or loss  | 1,231                                 | -                                     |
|   | Total net gain on financial assets and liabilities designated at fair value through profit or loss   | <u>4,345</u>                          | <u>5,054</u>                          |
| 6 | Dividend income from financial investments   | <b>30 Jun 2014</b><br><b>HK\$'000</b> | 30 Jun 2013<br>HK\$'000               |
|   | Dividend income from listed financial assets held for trading  | 1,705                                 | 1,332                                 |
|   | Dividend income from unlisted available-for-sale financial investments   | 2,726                                 | 3,500                                 |
|   | Total dividend income from financial investments   | <u>4,431</u>                          | <u>4,832</u>                          |

## INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

## NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

|   |   |                                       |                         |
|---|---|---------------------------------------|-------------------------|
| 7 | Other operating income  | <b>30 Jun 2014</b><br><b>HK\$'000</b> | 30 Jun 2013<br>HK\$'000 |
|   | Management fee income   | 3,000                                 | 3,000                   |
|   | Rental income from investment properties  | 1,725                                 | 1,326                   |
|   | Less: Direct operating expenses arising from investment properties that generated rental income during the period | (44)                                  | (48)                    |
|   | Others  | 1,970                                 | 6,906                   |
|   | Total other operating income  | <u>6,651</u>                          | <u>11,184</u>           |
| 8 | Operating expenses  | <b>30 Jun 2014</b><br><b>HK\$'000</b> | 30 Jun 2013<br>HK\$'000 |
|   | Staff costs   |                                       |                         |
|   | - Salaries and other costs  | 621,184                               | 529,718                 |
|   | - Retirement benefit costs  | 31,658                                | 30,152                  |
|   |   | <u>652,842</u>                        | <u>559,870</u>          |
|   | Premises and equipment expenses, excluding depreciation and amortisation  |                                       |                         |
|   | - Rental of premises  | 193,680                               | 180,323                 |
|   | - Others  | 50,511                                | 42,649                  |
|   |   | <u>244,191</u>                        | <u>222,972</u>          |
|   | Depreciation and amortisation expenses  | 72,604                                | 59,177                  |
|   | Auditors' remuneration  | 2,545                                 | 2,912                   |
|   | General administration expenses   | 32,313                                | 28,631                  |
|   | Business promotion expenses   | 47,737                                | 32,388                  |
|   | Communication expenses  | 40,343                                | 32,756                  |
|   | Other operating expenses  | 169,504                               | 133,040                 |
|   | Total operating expenses  | <u>1,262,079</u>                      | <u>1,071,746</u>        |
| 9 | Charge for impairment losses on loans and other accounts  | <b>30 Jun 2014</b><br><b>HK\$'000</b> | 30 Jun 2013<br>HK\$'000 |
|   | Charge for impairment losses on loans and other accounts  |                                       |                         |
|   | Individually assessed   |                                       |                         |
|   | - New allowances  | 36,971                                | 12,720                  |
|   | - Releases  | (45,173)                              | (15,749)                |
|   | - Recoveries  | (12,461)                              | (6,544)                 |
|   | Net write-back for impairment losses on individually assessed loans and other accounts                            | <u>(20,663)</u>                       | <u>(9,573)</u>          |
|   | Collectively assessed   |                                       |                         |
|   | - New allowances  | 294,944                               | 150,260                 |
|   | Net charge for impairment losses on collectively assessed loans and other accounts                                | <u>294,944</u>                        | <u>150,260</u>          |
|   | Net charge to the income statement  | <u>274,281</u>                        | <u>140,687</u>          |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

10 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable for overseas subsidiaries have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The amount of tax charged to the consolidated income statement represents:

|   | <b>30 Jun 2014</b>    | 30 Jun 2013           |
|---|-----------------------|-----------------------|
|   | <b>HK\$'000</b>       | HK\$'000              |
| Current tax – Provision for Hong Kong profits tax for the period                    | <b>474,559</b>        | 424,301               |
| – Provision for overseas tax for the period   | <b>340,234</b>        | 235,205               |
| Overprovision in respect of prior years   | <b>(69,322)</b>       | (112)                 |
| Deferred taxation relating to the origination and reversal of temporary differences | <b>(22,356)</b>       | (23,879)              |
|   | <b><u>723,115</u></b> | <b><u>635,515</u></b> |

The difference between the tax expense for the Group's profit before tax and the theoretical amount that would arise using the current tax rate is as follows:

|   | <b>30 Jun 2014</b>    | 30 Jun 2013           |
|---|-----------------------|-----------------------|
|   | <b>HK\$'000</b>       | HK\$'000              |
| Profit before tax                                 | <b>3,722,908</b>      | 3,081,838             |
| Calculated at a tax rate of 16.5% (2013: 16.5%)   | <b>614,280</b>        | 508,502               |
| Effect of different tax rates in other countries  | <b>176,144</b>        | 123,096               |
| Income not subject to tax                         | <b>(2,752)</b>        | (6,837)               |
| Expenses not deductible for tax purposes          | <b>6,548</b>          | 12,610                |
| Adjustments in respect of tax of previous periods | <b>(69,322)</b>       | (112)                 |
| Share of tax of an associate                      | <b>(1,783)</b>        | (1,744)               |
| Tax charge  | <b><u>723,115</u></b> | <b><u>635,515</u></b> |

11 Interim dividend

At a meeting held on 26 August 2014, the Board has not recommended the payment of interim dividend for the six months ended 30 June 2014 (First half of 2013: Nil).

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

12 Cash and balances with banks and other financial institutions

|  | <b>30 Jun 2014</b>        | 31 Dec 2013        |
|--|---------------------------|--------------------|
|  | <b>HK\$'000</b>           | HK\$'000           |
| Cash on hand   | <b>652,831</b>            | 727,675            |
| Balances with central banks  | <b>38,251,448</b>         | 33,384,044         |
| Balances with other banks and financial institutions                             | <b>20,766,731</b>         | 33,735,196         |
| Placements with banks and other financial institutions maturing within one month | <b>63,255,917</b>         | 69,227,182         |
|  | <b><u>122,926,927</u></b> | <u>137,074,097</u> |

13 Placements with banks and other financial institutions

|   | <b>30 Jun 2014</b>       | 31 Dec 2013       |
|---|--------------------------|-------------------|
|   | <b>HK\$'000</b>          | HK\$'000          |
| Placements with banks and other financial institutions maturing between one and twelve months | <b><u>34,372,871</u></b> | <u>28,546,241</u> |

In respect of reverse repurchase transactions, the fair value of collateral held by the Group which were permitted to be sold or repledged amounted to HK\$2,148,310,000 as at 30 June 2014 (31 December 2013: HK\$13,496,606,000). No collateral has been actually sold or repledged by the Group as at 30 June 2014 and 31 December 2013. The transactions are conducted on terms that are usual and customary to standard lending activities.

14 Financial assets held for trading

|  | <b>30 Jun 2014</b>      | 31 Dec 2013    |
|--|-------------------------|----------------|
|  | <b>HK\$'000</b>         | HK\$'000       |
| Debt securities, at fair value:  |                         |                |
| Listed in Hong Kong  | <b>134,851</b>          | 23,579         |
| Unlisted   | <b>1,149,504</b>        | -              |
|  | <b><u>1,284,355</u></b> | <u>23,579</u>  |
| Equity securities, at fair value:  |                         |                |
| Listed in Hong Kong  | <b>242,323</b>          | 242,868        |
| Unlisted   | <b>-</b>                | 58,527         |
|  | <b><u>242,323</u></b>   | <u>301,395</u> |
| Total financial assets held for trading  | <b><u>1,526,678</u></b> | <u>324,974</u> |
| Financial assets held for trading are analysed by category of issuer as follows: |                         |                |
| Central governments and central banks  | <b>53,630</b>           | -              |
| Public sector entities   | <b>75,141</b>           | -              |
| Banks and other financial institutions   | <b>687,932</b>          | 234,650        |
| Corporate entities   | <b>709,975</b>          | 90,324         |
|  | <b><u>1,526,678</u></b> | <u>324,974</u> |



## INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

## NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

## 15 Financial assets designated at fair value through profit or loss

|   | <b>30 Jun 2014</b><br><b>HK\$'000</b> | 31 Dec 2013<br>HK\$'000 |
|---|---------------------------------------|-------------------------|
| Debt securities, at fair value:   |                                       |                         |
| Listed in Hong Kong   | <b>79,260</b>                         | 80,370                  |
| Listed outside Hong Kong  | <b>135,879</b>                        | 332,413                 |
| Total financial assets designated at fair value through profit or loss  | <b><u>215,139</u></b>                 | <u>412,783</u>          |
| Financial assets designated at fair value through profit or loss are analysed by category of issuer as follows: |                                       |                         |
| Public sector entities  | -                                     | 194,768                 |
| Corporate entities  | <b>215,139</b>                        | 218,015                 |
|   | <b><u>215,139</u></b>                 | <u>412,783</u>          |

## 16 Derivative financial instruments

The Group enters into the following equity, foreign exchange and interest rate related derivative financial instruments for trading and risk management purposes:

Currency forwards represent commitments to purchase and sell foreign currencies on a future date.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies, interest rates (for example, fixed rate for floating rate), or a combination of all these (i.e., cross-currency interest rate swaps). Except for certain currency swap contracts, no exchange of principal takes place.

Foreign currency, interest rate and equity options are contractual agreements under which the seller (writer) grants the purchaser (holder) the rights, but not an obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange and interest rate risk, the seller receives a premium from the purchaser. Options are negotiated OTC between the Group and its counterparty or traded through the stock exchange (for example, exchange-traded stock options).

The contractual/notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contractual/notional amounts of these instruments indicate the volume of transactions outstanding at the end of the reporting periods and certain of them provide a basis for comparison with fair value instruments recognised on the consolidated statement of financial position. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates and equity relative to their terms. The aggregate fair values of derivative financial instruments (assets and liabilities) can fluctuate significantly from time to time.

## NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

## 16 Derivative financial instruments (continued)

The Group trades derivative products (both exchange-traded or OTC) mainly for customer business. The Group strictly follows risk management policies in providing derivative products to the customers and in trading derivative products in the interbank market.

Derivatives are also used to manage the interest rate risk of the banking book. A derivative instrument must be included in the approved product list before any transactions for that instrument can be made. There are limits to control the notional amount of exposure arising from derivative transactions and the maximum tenor of the deal and management alert limit in profit or loss is set. Every derivative transaction must be input into the relevant system for settlement, mark to market revaluation, reporting and control.

The following tables summarise the contractual/notional amounts of each significant type of derivative financial instrument as at 30 June 2014 and 31 December 2013:

| <b>As at 30 June 2014</b>  | <b>Contractual/<br/>notional amount<br/>HK\$'000</b> | <b>Fair value<br/>assets<br/>HK\$'000</b> | <b>Fair value<br/>liabilities<br/>HK\$'000</b> |
|--|--|---|--|
| 1) Derivatives held for trading  |  |   |  |
| a) Foreign exchange derivatives  |  |   |  |
| - Currency forwards  | 806,888,620  | 6,932,566                                 | (6,582,264)                                    |
| - OTC currency options purchased   | 12,930,650   | 126,592                                   | -  |
| - OTC currency options written   | 13,370,042   | -   | (122,480)                                      |
| - Structured foreign exchange instruments  | 1,221,247  | 163,104                                   | (163,903)                                      |
| Total foreign exchange derivatives   |  | <u>7,222,262</u>                          | <u>(6,868,647)</u>                             |
| b) Interest rate derivatives   |  |   |  |
| - Interest rate swaps  | 80,030,785   | 418,532                                   | (342,614)                                      |
| - Interest rate futures  | 16,974,252   | 621                                       | (2,879)  |
| - Quanto swaps   | 6,456,087  | -   | (184)  |
| Total interest rate derivatives  |  | <u>419,153</u>                            | <u>(345,677)</u>                               |
| c) Equity derivatives  |  |   |  |
| - Equity options   | 209,825  | 569                                       | (569)  |
| Total equity derivatives   |  | <u>569</u>                                | <u>(569)</u>                                   |
| d) Commodity contract  | 85,104   | -   | -  |
| Total derivative assets/(liabilities) held for trading   |  | <u>7,641,984</u>                          | <u>(7,214,893)</u>                             |
| 2) Derivatives held for hedging  |  |   |  |
| a) Derivatives designated as fair value hedges   |  |   |  |
| - Interest rate swaps  | 2,834,779  | -   | (99,741)                                       |
| - Cross currency swaps   | 262,755  | 10,933                                    | -  |
|  |  | <u>10,933</u>                             | <u>(99,741)</u>                                |
| b) Derivatives designated as cash flow hedges  |  |   |  |
| - Interest rate swaps  | 11,018,481   | 221,737                                   | (38,989)                                       |
|  |  | <u>221,737</u>                            | <u>(38,989)</u>                                |
| Total derivative assets/(liabilities) held for hedging   |  | <u>232,670</u>                            | <u>(138,730)</u>                               |
| 3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss |  |   |  |
| - Interest rate swaps  | 209,272  | -   | (7,158)  |
| Total derivative assets/(liabilities) not qualified as hedges  |  | <u>-</u>                                  | <u>(7,158)</u>                                 |
| Total recognised derivative assets/(liabilities)   |  | <u>7,874,654</u>                          | <u>(7,360,781)</u>                             |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

16 Derivative financial instruments (continued)

| As at 31 December 2013   | Contractual/<br>notional amount<br>HK\$'000 | Fair value<br>assets<br>HK\$'000 | Fair value<br>liabilities<br>HK\$'000 |
|--|---|----------------------------------|---------------------------------------|
| 1) Derivatives held for trading  |   |                                  |                                       |
| a) Foreign exchange derivatives  |   |                                  |                                       |
| - Currency forwards  | 464,443,860                                 | 4,887,102                        | (4,935,077)                           |
| - OTC currency options purchased   | 5,405,415                                   | 33,616                           | -                                     |
| - OTC currency options written   | 5,299,780                                   | -                                | (33,495)                              |
| - Structured foreign exchange instruments  | 1,242,626                                   | 20,144                           | (20,178)                              |
| Total foreign exchange derivatives   |   | <u>4,940,862</u>                 | <u>(4,988,750)</u>                    |
| b) Interest rate derivatives   |   |                                  |                                       |
| - Interest rate swaps  | 63,757,161                                  | 331,457                          | (265,272)                             |
| - Interest rate futures  | 8,645,710                                   | 102                              | (856)                                 |
| - Quanto swaps   | 172,707                                     | 1                                | -                                     |
| Total interest rate derivatives  |   | <u>331,560</u>                   | <u>(266,128)</u>                      |
| c) Equity derivatives  |   |                                  |                                       |
| - Equity options   | 126,661                                     | 1,513                            | (1,513)                               |
| Total equity derivatives   |   | <u>1,513</u>                     | <u>(1,513)</u>                        |
| d) Commodity contract  | 66,043                                      | 539                              | (539)                                 |
| Total derivative assets/(liabilities) held for trading   |   | <u>5,274,474</u>                 | <u>(5,256,930)</u>                    |
| 2) Derivatives held for hedging  |   |                                  |                                       |
| a) Derivatives designated as fair value hedges   |   |                                  |                                       |
| - Interest rate swaps  | 3,967,690                                   | -                                | (136,241)                             |
| - Cross currency swaps   | 473,773                                     | 3,519                            | (6,489)                               |
|  |   | <u>3,519</u>                     | <u>(142,730)</u>                      |
| b) Derivatives designated as cash flow hedges  |   |                                  |                                       |
| - Interest rate swaps  | 10,939,784                                  | 152,676                          | (40,953)                              |
|  |   | <u>152,676</u>                   | <u>(40,953)</u>                       |
| Total derivative assets/(liabilities) held for hedging   |   | <u>156,195</u>                   | <u>(183,683)</u>                      |
| 3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss |   |                                  |                                       |
| - Interest rate swaps  | 558,288                                     | -                                | (14,017)                              |
| Total derivative assets/(liabilities) not qualified as hedges  |   | <u>-</u>                         | <u>(14,017)</u>                       |
| Total recognised derivative assets/(liabilities)   |   | <u>5,430,669</u>                 | <u>(5,454,630)</u>                    |

The contractual or notional amounts of contingent liabilities and commitments and derivative financial instruments provide only an indication of the volume of business outstanding at the end of the reporting period and bear little relation to the underlying risks of the exposures.

Among the above derivative financial instruments, certain of them were designated as hedging instruments.

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets due to movements in market interest rates. The financial instruments hedged for interest rate risk mainly include available-for-sale debt securities. The Bank uses interest rate swaps and cross currency swaps to hedge interest rate risk.

## NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

## 16 Derivative financial instruments (continued)

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

|   | <b>30 Jun 2014</b>  | 30 Jun 2013  |
|---|---------------------|--------------|
|   | <b>HK\$'000</b>     | HK\$'000     |
| Gain/(loss) arising from fair value hedge, net: |                     |              |
| - Hedging instruments                           | <b>32,271</b>       | 115,416      |
| - Hedged items attributable to the hedged risk  | <b>(26,417)</b>     | (112,486)    |
|   | <b><u>5,854</u></b> | <u>2,930</u> |

Cash flow hedge consists of interest rate swaps entered into that are used to protect the Group against exposures to variability of floating-rate assets and liabilities. Gains and losses on the effective portion of the swaps are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to the income statement when the forecast cash flows affect the income statement. The gains and losses on ineffective portions of such derivatives are recognised immediately in the income statement. During the period, there was no ineffectiveness recognised in the income statement that arose from cash flow hedges (2013: Nil).

Below is a schedule indicating as at 30 June 2014 and 31 December 2013, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

|                             | <b>Within 1 year</b> | <b>1-3 years</b>    | <b>3-8 years</b>    | <b>Over 8 years</b> |
|-----------------------------|----------------------|---------------------|---------------------|---------------------|
|                             | <b>HK\$ million</b>  | <b>HK\$ million</b> | <b>HK\$ million</b> | <b>HK\$ million</b> |
| <b>30 June 2014</b>         |                      |                     |                     |                     |
| Cash inflows (assets)       | <b>18</b>            | <b>24</b>           | <b>31</b>           | <b>-</b>            |
| Cash outflows (liabilities) | <b>(4)</b>           | <b>(5)</b>          | <b>(6)</b>          | <b>(1)</b>          |
| Net cash flows              | <b><u>14</u></b>     | <b><u>19</u></b>    | <b><u>25</u></b>    | <b><u>(1)</u></b>   |
| <b>31 December 2013</b>     |                      |                     |                     |                     |
| Cash inflows (assets)       | 23                   | 28                  | 37                  | -                   |
| Cash outflows (liabilities) | (4)                  | (4)                 | (4)                 | -                   |
| Net cash flows              | <u>19</u>            | <u>24</u>           | <u>33</u>           | <u>-</u>            |

During the period, realised gain amounting to HK\$49,660,000 previously recognised in equity under the cash flow hedge reserve was transferred to the income statement and included in the net interest income (First half of 2013: Realised gain of HK\$45,240,000).

There were no transactions for which cash flow hedge accounting had to be ceased in the first half of 2014 as a result of the highly probable cash flows no longer being expected to occur.

The aggregate replacement costs and credit risk weighted amounts of the above contingent liabilities and commitments and derivative financial instruments are:

## INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

## NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

## 16 Derivative financial instruments (continued)

|  | 30 Jun 2014                  |  | 31 Dec 2013                  |  |
|--|------------------------------|--|------------------------------|--|
|  | Replacement cost<br>HK\$'000 | Credit risk<br>weighted amount<br>HK\$'000 | Replacement cost<br>HK\$'000 | Credit risk weighted<br>amount<br>HK\$'000 |
| Contingent liabilities and commitments | -                            | 21,031,026                                 | -                            | 16,929,440                                 |
| Exchange rate contracts                |                              |  |                              |  |
| -Forwards                              | 6,428,961                    | 3,083,199                                  | 4,338,559                    | 2,193,306                                  |
| -Swaps                                 | 355,659                      | 1,480,565                                  | 296,739                      | 664,070                                    |
| -Options                               | 47,771                       | 51,578                                     | 17,725                       | 34,147                                     |
| -Structured FX                         | 163,104                      | 2,807,734                                  | 17,878                       | 3,090,959                                  |
|  | <u>6,995,495</u>             | <u>7,423,076</u>                           | <u>4,670,901</u>             | <u>5,982,482</u>                           |
| Interest rate contracts                |                              |  |                              |  |
| -Swaps                                 | 640,262                      | 783,126                                    | 484,134                      | 623,300                                    |
| -Futures                               | 409                          | 28,467                                     | 403                          | 10,212                                     |
|  | <u>640,671</u>               | <u>811,593</u>                             | <u>484,537</u>               | <u>633,512</u>                             |
| Equity contracts                       |                              |  |                              |  |
| -Options                               | 569                          | 1,373                                      | 1,513                        | 1,063                                      |
|  | <u>569</u>                   | <u>1,373</u>                               | <u>1,513</u>                 | <u>1,063</u>                               |
| Debt securities or other commodities   |                              |  |                              |  |
| -Commodities                           | 2,077                        | 12,401                                     | 539                          | 8,035                                      |
| -US Treasury Futures Product           | 213                          | 31,991                                     | 5,810                        | 60,863                                     |
|  | <u>2,290</u>                 | <u>44,392</u>                              | <u>6,349</u>                 | <u>68,898</u>                              |
|  | <u>7,639,025</u>             | <u>29,311,460</u>                          | <u>5,163,300</u>             | <u>23,615,395</u>                          |

The replacement costs and credit risk weighted amounts of the exposures do not have the effects of bilateral netting arrangements.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

17 Advance and other accounts

17.1 Loans and advance to customers, bank and trade bills

|  | <b>30 Jun 2014</b><br><b>HK\$'000</b> | 31 Dec 2013<br>HK\$'000 |
|--|---------------------------------------|-------------------------|
| Advances to customers  | <b>280,440,511</b>                    | 254,566,567             |
| Advances to banks  | <b>3,059,135</b>                      | 5,898,696               |
| Trade bills  | <b>73,711,736</b>                     | 63,215,858              |
| Gross loans and advance to customers, bank and trade bills                             | <b>357,211,382</b>                    | 323,681,121             |
| Accrued interest   | <b>895,071</b>                        | 853,029                 |
|  | <b>358,106,453</b>                    | 324,534,150             |
| Less: impairment allowances  |                                       |                         |
| - Individually assessed  | <b>(752,610)</b>                      | (781,143)               |
| - Collectively assessed  | <b>(1,704,425)</b>                    | (1,422,672)             |
|  | <b>355,649,418</b>                    | 322,330,335             |
|  | <b>30 Jun 2014</b><br><b>HK\$'000</b> | 31 Dec 2013<br>HK\$'000 |
| Gross impaired loans and advances  | <b>1,344,231</b>                      | 1,411,567               |
| Impairment allowances made in respect of such loans                                    | <b>752,610</b>                        | 781,143                 |
| Gross impaired loans and advances as a percentage of<br>total gross loans and advances | <b>0.38%</b>                          | 0.44%                   |
| Market value of collateral   | <b>1,092,641</b>                      | 863,020                 |

Impaired loans and advances are defined as those loans which are individually determined to have objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the loans that can be reliably estimated.

Loss event refers to situations such as credit downgrade of the loan borrowers; or loan outstandings become overdue.

There were no impaired advances to banks as at 30 June 2014 and 31 December 2013; nor were there any individual impairment allowances made for them on these two dates.

The market value of the collateral is readily determinable or can be reasonably established and verified.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

17 Advance and other accounts (continued)

17.2 Overdue advances to customers and banks (excluding trade bills and receivables)

The gross amount of the Group's advances to customers and banks (excluding trade bills and receivables) which have been overdue is analysed as follows:

|   | Gross<br>advances<br>HK\$'000 | % of<br>advances to<br>customers | Market<br>value of<br>collateral<br>HK\$'000 | Amount of<br>secured<br>balance<br>HK\$'000 | Amount of<br>unsecured<br>balance<br>HK\$'000 | Individual<br>impairment<br>allowance<br>HK\$'000 |
|---|-------------------------------|----------------------------------|--|---|---|---|
| <b>As at 30 Jun 2014</b>                    |                               |                                  |  |   |   |   |
| Six months or less but<br>over three months | 8,816                         | 0.0                              | 11,597                                       | 5,255                                       | 3,561   | 3,326   |
| One year or less but<br>over six months     | 23,543                        | 0.0                              | 2,143  | 1,918                                       | 21,625  | 21,069  |
| Over one year                               | 470,205                       | 0.2                              | 158,498                                      | 158,498                                     | 311,707                                       | 322,949   |
|   | <u>502,564</u>                | <u>0.2</u>                       | <u>172,238</u>                               | <u>165,671</u>                              | <u>336,893</u>                                | <u>347,344</u>                                    |
| <b>As at 31 Dec 2013</b>                    |                               |                                  |  |   |   |   |
| Six months or less but<br>over three months | 5,231                         | 0.0                              | 2,108  | 1,807                                       | 3,424   | 3,269   |
| One year or less but<br>over six months     | 25,349                        | 0.0                              | 14,648                                       | 11,150                                      | 14,199  | 13,712  |
| Over one year                               | 699,931                       | 0.3                              | 179,901                                      | 172,997                                     | 526,934                                       | 485,784   |
|   | <u>730,511</u>                | <u>0.3</u>                       | <u>196,657</u>                               | <u>185,954</u>                              | <u>544,557</u>                                | <u>502,765</u>                                    |

The criteria for eligible collateral are as follows:

- The market value of the collateral is readily determinable or can be reasonably established and verified;
- The collateral is marketable and there exists a readily available secondary market for disposing of the collateral;
- The Bank's rights to repossess the collateral is legally enforceable and without impediment; and
- If the collateral is a moveable asset, it should be under the Bank's custody, or its whereabouts can be located by the Bank.

The eligible collaterals are mainly properties, deposits and shares.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

17 Advance and other accounts (continued)

17.3 Other overdue assets

|  | <b>30 Jun 2014</b><br><b>Accrued interest</b><br><b>HK\$'000</b> | <b>30 Jun 2014</b><br><b>Other assets</b><br><b>HK\$'000</b> | 31 Dec 2013<br>Accrued interest<br>HK\$'000 | 31 Dec 2013<br>Other assets<br>HK\$'000 |
|--|--|--|---|---|
| Six months or less but over three months | 1  | -  | 16  | -                                       |
| One year or less but over six months     | -  | -  | -   | -                                       |
| Over one year                            | -  | <b>10,764</b>  | -   | 11,530                                  |
|  | <b>1</b>   | <b>10,764</b>  | 16  | 11,530                                  |

Other assets refer to trade bills and receivables.

17.4 Rescheduled advances

|  | <b>30 Jun 2014</b><br><b>HK\$'000</b> | <b>As % of</b><br><b>advances to</b><br><b>customers</b> | 31 Dec 2013<br>HK\$'000 | As %<br>of advances<br>to customers |
|--|---------------------------------------|--|-------------------------|-------------------------------------|
| Rescheduled advances (excluding loans overdue over three months) | <b>1,896</b>                          | <b>0.00</b>  | 1,672                   | 0.00                                |

Rescheduled advances which have been overdue for more than three months under the revised repayment terms are included in the analysis of overdue advances in note 17.2 above.

There were no advances to banks which were overdue; nor were there any rescheduled advances to banks as at 30 June 2014 and 31 December 2013.

17.5 Repossessed assets

At 30 June 2014, the Group has no repossessed assets (31 December 2013: Nil). These are properties which the Group has acquired access to or control of (e.g., through legal actions or voluntary actions by the borrowers concerned) for releasing in full or in part the obligations of the borrowers.

17.6 Cash collateral on securities borrowed and reverse repurchase agreements (the "Reverse Repo")

In respect of reverse repurchase transactions, the fair value of collateral held by the Group which were permitted to be sold or repledged amounted to HK\$1,696,677,000 as at 30 June 2014 (31 December 2013: HK\$748,387,000). No collateral has been actually sold or repledged by the Group as at 30 June 2014 and 31 December 2013. The transactions are conducted on terms that are usual and customary to standard lending activities.



INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

18 Available-for-sale financial investments

|   | <b>30 Jun 2014</b>       | 31 Dec 2013       |
|---|--------------------------|-------------------|
|   | <b>HK\$'000</b>          | HK\$'000          |
| Debt securities:  |                          |                   |
| Listed in Hong Kong   | <b>9,398,794</b>         | 9,657,943         |
| Listed outside Hong Kong  | <b>12,426,620</b>        | 18,262,880        |
| Unlisted  | <b>30,334,109</b>        | 34,461,975        |
|   | <u><b>52,159,523</b></u> | <u>62,382,798</u> |
| Equity securities:  |                          |                   |
| Listed in Hong Kong   | <b>409,712</b>           | 423,178           |
| Unlisted  | <b>70,548</b>            | 27,230            |
|   | <u><b>480,260</b></u>    | <u>450,408</u>    |
| Total available-for-sale financial investments  | <u><b>52,639,783</b></u> | <u>62,833,206</u> |
| Market value of listed securities   | <u><b>22,235,126</b></u> | <u>28,344,001</u> |
| Debt securities after taking into account impairment losses comprise the following items: |                          |                   |
| Certificates of deposit held  | <b>3,720,148</b>         | 6,603,930         |
| Other debt securities   | <b>48,439,375</b>        | 55,778,868        |
|   | <u><b>52,159,523</b></u> | <u>62,382,798</u> |
| Available-for-sale financial investments are analysed by category of issuer as follows:   |                          |                   |
| Central governments and central banks   | <b>6,161,732</b>         | 746,414           |
| Public sector entities  | <b>917,517</b>           | 910,213           |
| Banks and other financial institutions  | <b>23,016,939</b>        | 34,716,600        |
| Corporate entities  | <b>22,528,595</b>        | 26,459,603        |
| Others  | <b>15,000</b>            | 376               |
|   | <u><b>52,639,783</b></u> | <u>62,833,206</u> |

Movement in individual impairment allowances on available-for-sale financial investments

|                                  | <b>30 Jun 2014</b>   | 31 Dec 2013   |
|----------------------------------|----------------------|---------------|
|                                  | <b>HK\$'000</b>      | HK\$'000      |
| At 1 January                     | <b>77,540</b>        | 77,512        |
| Charge for the period/year       | -                    | 676           |
| Write-off during the period/year | -                    | (676)         |
| Exchange difference              | <b>(32)</b>          | 28            |
| At 30 June/31 December           | <u><b>77,508</b></u> | <u>77,540</u> |

## INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

## NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

## 19 Held-to-maturity financial investments

|   | <b>30 Jun 2014</b>       | 31 Dec 2013      |
|---|--------------------------|------------------|
|   | <b>HK\$'000</b>          | HK\$'000         |
| Debt securities:  |                          |                  |
| - Listed in HK  | <b>7,179,091</b>         | 1,352,766        |
| - Listed outside HK   | <b>2,899,924</b>         | 890,686          |
| - Unlisted  | <b>10,496,947</b>        | 2,653,402        |
| Total held-to-maturity financial investments  | <b><u>20,575,962</u></b> | <u>4,896,854</u> |
| Market value of listed securities   | <b><u>10,241,221</u></b> | <u>2,256,686</u> |
| Debt securities after taking into account impairment losses comprise the following items: |                          |                  |
| Treasury bills  | <b>3,160,505</b>         | 1,164,392        |
| Other debt securities   | <b>17,415,457</b>        | 3,732,462        |
|   | <b><u>20,575,962</u></b> | <u>4,896,854</u> |
| Held-to-maturity financial investments are analysed by category of issuer as follows:     |                          |                  |
| Central governments and central banks   | <b>7,182,595</b>         | 1,293,532        |
| Public sector entities  | -                        | 38,135           |
| Banks and other financial institution   | <b>5,463,774</b>         | 1,146,857        |
| Corporate entities  | <b>7,929,593</b>         | 2,418,330        |
|   | <b><u>20,575,962</u></b> | <u>4,896,854</u> |

There was no collective impairment allowance made against the held-to-maturity financial investments during the period (2013: Nil).

## 20 Investment properties

|  | <b>30 Jun 2014</b>   | 31 Dec 2013   |
|--|----------------------|---------------|
|  | <b>HK\$'000</b>      | HK\$'000      |
| Carrying amount at 1 January           | <b>58,524</b>        | 53,423        |
| Transfer out during the period/year    | -                    | -             |
| Disposals                              | -                    | -             |
| Net revaluation gain                   | -                    | 5,101         |
| Carrying amount at 30 June/31 December | <b><u>58,524</u></b> | <u>58,524</u> |

## INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

## NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

## 21 Property, plant and equipment

|   | Bank<br>premises and<br>properties<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Furniture<br>and<br>equipment<br>HK\$'000 | Total<br>HK\$'000 |
|---|--|---------------------------------------|---|-------------------|
| At 31 December 2013 and 1 January 2014:                                 |  |                                       |   |                   |
| Cost or valuation   | <b>773,765</b>                                 | <b>308,463</b>                        | <b>353,073</b>                            | <b>1,435,301</b>  |
| Accumulated depreciation and impairment                                 | <b>(213,636)</b>                               | <b>(164,651)</b>                      | <b>(211,848)</b>                          | <b>(590,135)</b>  |
| Net book value at 31 December 2013 and<br>1 January 2014                | <b>560,129</b>                                 | <b>143,812</b>                        | <b>141,225</b>                            | <b>845,166</b>    |
| Additions   | <b>2,280</b>                                   | <b>10,167</b>                         | <b>22,896</b>                             | <b>35,343</b>     |
| Disposals   | -  | <b>(1,874)</b>                        | <b>(606)</b>                              | <b>(2,480)</b>    |
| Revaluation   | <b>3,702</b>                                   | -                                     | -   | <b>3,702</b>      |
| Depreciation provided during the period                                 | <b>(22,335)</b>                                | <b>(15,358)</b>                       | <b>(19,609)</b>                           | <b>(57,302)</b>   |
| Exchange rate and other adjustments                                     | <b>656</b>                                     | -                                     | <b>2,802</b>                              | <b>3,458</b>      |
| Net book value at 30 June 2014  | <b>544,432</b>                                 | <b>136,747</b>                        | <b>146,708</b>                            | <b>827,887</b>    |
| At 30 June 2014:  |  |                                       |   |                   |
| Cost or valuation   | <b>729,993</b>                                 | <b>310,885</b>                        | <b>371,103</b>                            | <b>1,411,981</b>  |
| Accumulated depreciation and impairment                                 | <b>(185,561)</b>                               | <b>(174,138)</b>                      | <b>(224,395)</b>                          | <b>(584,094)</b>  |
| Net book value at 30 June 2014  | <b>544,432</b>                                 | <b>136,747</b>                        | <b>146,708</b>                            | <b>827,887</b>    |
| The analysis of cost or valuation of the above<br>assets is as follows: |  |                                       |   |                   |
| At 30 June 2014:  |  |                                       |   |                   |
| At cost   | -  | <b>310,885</b>                        | <b>371,103</b>                            | <b>681,988</b>    |
| At valuation  | <b>544,432</b>                                 | -                                     | -   | <b>544,432</b>    |
|   | <b>544,432</b>                                 | <b>310,885</b>                        | <b>371,103</b>                            | <b>1,226,420</b>  |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

21 Property, plant and equipment (continued)

|   | Bank<br>premises and<br>properties<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Furniture<br>and<br>equipment<br>HK\$'000 | Total<br>HK\$'000 |
|---|--|---------------------------------------|---|-------------------|
| At 31 December 2012 and 1 January 2013:                                 |  |                                       |   |                   |
| Cost or valuation   | 678,890  | 262,829                               | 300,464                                   | 1,242,183         |
| Accumulated depreciation and impairment                                 | (150,168)                                      | (143,040)                             | (192,713)                                 | (485,921)         |
| Net book value at 31 December 2012 and<br>1 January 2013                | <u>528,722</u>                                 | <u>119,789</u>                        | <u>107,751</u>                            | <u>756,262</u>    |
| Additions   | 10,755   | 51,853                                | 66,195                                    | 128,803           |
| Disposals   | -  | (20)                                  | (1,175)                                   | (1,195)           |
| Revaluation   | 54,265   | -                                     | -   | 54,265            |
| Depreciation provided during the year                                   | (32,032)                                       | (27,810)                              | (32,416)                                  | (92,258)          |
| Exchange rate and other adjustments                                     | (1,581)  | -                                     | 870                                       | (711)             |
| Net book value at 31 December 2013                                      | <u>560,129</u>                                 | <u>143,812</u>                        | <u>141,225</u>                            | <u>845,166</u>    |
| At 31 December 2013:  |  |                                       |   |                   |
| Cost or valuation   | 773,765  | 308,463                               | 353,073                                   | 1,435,301         |
| Accumulated depreciation and impairment                                 | (213,636)                                      | (164,651)                             | (211,848)                                 | (590,135)         |
| Net book value at 31 December 2013                                      | <u>560,129</u>                                 | <u>143,812</u>                        | <u>141,225</u>                            | <u>845,166</u>    |
| The analysis of cost or valuation of the above<br>assets is as follows: |  |                                       |   |                   |
| At 31 December 2013:  |  |                                       |   |                   |
| At cost   | -  | 308,463                               | 353,073                                   | 661,536           |
| At valuation  | 560,129  | -                                     | -   | 560,129           |
|   | <u>560,129</u>                                 | <u>308,463</u>                        | <u>353,073</u>                            | <u>1,221,665</u>  |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

22 Deposits from customers

|                                      | <b>30 Jun 2014</b>        | 31 Dec 2013        |
|--------------------------------------|---------------------------|--------------------|
|                                      | <b>HK\$'000</b>           | HK\$'000           |
| Demand deposits and current accounts | <b>61,292,501</b>         | 23,850,089         |
| Savings deposits                     | <b>50,714,746</b>         | 57,005,732         |
| Time, call and notice deposits       | <b>282,499,029</b>        | 260,607,153        |
|                                      | <b><u>394,506,276</u></b> | <u>341,462,974</u> |

23 Subordinated debts measured at amortised cost

|   | <b>30 Jun 2014</b>      |                      | 31 Dec 2013      |               |
|---|-------------------------|----------------------|------------------|---------------|
|   | <b>HK\$'000</b>         | <b>Interest rate</b> | HK\$'000         | Interest rate |
|   |                         | %                    |                  | %             |
| Subordinated fixed rate notes   |                         |                      |                  |               |
| - with a final maturity on 30 November 2020                                 | <b>3,855,132</b>        | <b>5.125%</b>        | 3,855,158        | 5.125%        |
| - with a final maturity on 4 November 2021<br>(callable on 5 November 2016) | <b>1,865,086</b>        | <b>6%</b>            | 1,911,486        | 6%            |
| - with a final maturity on 4 November 2023<br>(callable on 5 November 2018) | <b>3,854,055</b>        | <b>4.5%</b>          | 3,856,173        | 4.5%          |
|   | <b><u>9,574,273</u></b> |                      | <u>9,622,817</u> |               |

Subordinated debts were raised by the Bank for the development and expansion of business. These notes have been qualified and included as the Bank's supplementary capital in accordance with the Capital Rules.

The Bank has not had any default of principal or interest or other breaches with respect to the subordinated debts during the period (2013: Nil).

24 Reserves

The general reserve of the Group for the period comprised of:

- the transfer of retained earnings which is distributable to the shareholders of the Group; and
- a statutory surplus reserve of a subsidiary represents 10% of the profit after tax appropriation and 1% of the book value of risk assets as required by law and regulation in PRC. This reserve is used to offset accumulated losses or increase in capital.

As at 30 June 2014, the Group has earmarked a “Regulatory Reserve” of HK\$3,832,353,000 (31 December 2013: HK\$3,594,385,000) from retained earnings. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

The consolidated profit attributable to equity holders of the Group includes a profit of HK\$2,143,707,000 (31 December 2013: HK\$4,192,670,000) which has been dealt with in the accounts of the Bank.

## 25 Related party transactions

Listed out below is a summary of the transactions entered into during the ordinary course of business with the ultimate holding company and fellow subsidiaries and associates, including the acceptance of placement of interbank deposits, corresponding banking transactions and off-balance sheet transactions. The activities were priced at the relevant market rates at the time of transactions.

## 25.1 Ultimate holding company

|   | <b>Six months ended</b> |             |
|---|-------------------------|-------------|
|   | <b>30 Jun 2014</b>      | 30 Jun 2013 |
|   | <b>HK\$'000</b>         | HK\$'000    |
| Interest income                         | <b>959,711</b>          | 436,777     |
| Interest expense                        | <b>485,956</b>          | 436,563     |
| Other operating income <sup>1,2</sup>   | <b>36,096</b>           | 35,448      |
| Other operating expenses <sup>3,4</sup> | <b>29,938</b>           | 52,178      |
|   | <b>30 Jun 2014</b>      | 31 Dec 2013 |
|   | <b>HK\$'000</b>         | HK\$'000    |
| Amounts due from                        | <b>65,384,297</b>       | 59,330,460  |
| Amounts due to                          | <b>66,274,230</b>       | 93,110,489  |

1. In accordance with the collaboration agreement dated 3 July 2001 and the supplemental collaboration agreements dated 4 February 2005 and 13 February 2008 and the memorandum of Understanding dated 13 May 2011, and amendment and restatement agreement to the memorandum of Understanding dated 21 December 2012, management fee income was received from the Hong Kong Branch of ICBC (the "Branch") for the provision of services such as accounting and budgeting, internal audit, marketing and back office settlement and clearing. In accordance with the collaboration agreement dated 28 September 2007, management fee income was received from the ultimate holding company for the provision of management, administrative and marketing services of its credit card business.
2. In accordance with the custodian and trustee services agreement dated 4 September 2007 and the supplemental custodian and trustee services agreements dated 16 May 2008 and 31 December 2009, services fees were paid by the ultimate holding company to the Bank for providing custodian, settlement and clearing services in relation to the investments outside the PRC in certain investment products by the customers of the ultimate holding company in connection with the Qualified Domestic Institutional Investor Scheme of the PRC.
3. In accordance with the service levels agreements with the Bank dated 21 February 2002 (as amended and supplemented by supplemental agreements), and the service levels agreement with a subsidiary of the Bank dated 19 March 2008, service fee expense was paid to the ultimate holding company for the provision of data processing services to the Bank and its subsidiary.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

25 Related party transactions (continued)

25.1 Ultimate holding company (continued)

4. In accordance with the tenancy agreement dated 23 May 2012, rental expense was paid to the ultimate holding company for the leasing of property located in Hong Kong.

The transactions with the ultimate holding company included the issuance of certificates of deposit and subordinated floating rate notes, which were both fully subscribed by the ultimate holding company and its branches. As at 30 June 2014, the Bank has issued certificates of deposit with a nominal value of USD500,000,000 to the ultimate holding company (First half of 2013: certificates of deposit with a nominal value of US\$1,600,000,000 and CNY500,000,000).

As at 30 Jun 2014, the Bank has committed facilities to the ultimate holding company in the amount of RMB700,000,000 (2013: RMB700,000,000). The Bank also received conglomerate guarantee on loan from the ultimate holding company in the amount of HK\$24,241,012,000 (2013: HK\$27,394,679,000).

Other material transactions

i. Undertaking from the ultimate holding company

To demonstrate its support to the Bank, a Letter of Comfort dated 3 July 2001 was executed by the ultimate holding company, pursuant to which it will provide the Bank with such funding as may be required by the Bank to ensure that it will maintain sufficient capital and liquidity levels.

Simultaneously on 3 July 2001, the ultimate holding company and the Bank entered into a guarantee agreement whereby the ultimate holding company agreed to guarantee to the extent of HK\$9,000,000,000, being the payment obligations of certain customers whose “large exposures” were transferred to the Bank pursuant to the business transfer agreement and to indemnify the Bank in respect of any losses incurred if any obligation of such customers becomes unenforceable. There are no on-balance sheet large exposures of the Bank covered by this guarantee as at 30 June 2014 (First half of 2013: HK\$ Nil).

ii. Sub-participation of loans

During the period, the Bank entered into various capital market transactions with the Branch, which include arranging participation/sub-participation in loans, acquiring and disposing of interests in syndicated or individual loans, subscribing to and/or issuing of debt securities and tax efficient financing. These transactions included sub-participation in loans of the Bank by the ultimate holding company and/or the Branch for a total of HK\$50,359,215,000 (First half of 2013: HK\$72,542,740,000). For both the first half of 2014 and 2013, there was no sub-participation in loans of the Branch by the Bank. The total fee attributable to the above transactions of approximately HK\$31,244,000 (First half of 2013: HK\$41,303,000) was paid by the Bank to the Branch. These transactions were priced based either on the terms of the underlying loan agreement, if applicable, or prevailing market rates if such comparable rates were available, or on terms that were no less favourable than those available to other independent loan members.



## NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

## 25 Related party transactions (continued)

## 25.2 Fellow subsidiaries

|                        | <b>Six months ended</b> |             |
|------------------------|-------------------------|-------------|
|                        | <b>30 Jun 2014</b>      | 30 Jun 2013 |
|                        | <b>HK\$'000</b>         | HK\$'000    |
| Interest income        | 170,397                 | 16,807      |
| Interest expense       | 19,085                  | 9,150       |
| Other operating income | 3,856                   | 4,936       |
|                        | <b>30 Jun 2014</b>      | 31 Dec 2013 |
|                        | <b>HK\$'000</b>         | HK\$'000    |
| Amounts due from       | 5,864,905               | 3,091,732   |
| Amounts due to         | 381,624                 | 3,478,443   |

## 25.3 Associates

|                  | <b>Six months ended</b> |             |
|------------------|-------------------------|-------------|
|                  | <b>30 Jun 2014</b>      | 30 Jun 2013 |
|                  | <b>HK\$'000</b>         | HK\$'000    |
| Interest income  | 1,525                   | 1,738       |
| Interest expense | 225                     | 40          |
|                  | <b>30 Jun 2014</b>      | 31 Dec 2013 |
|                  | <b>HK\$'000</b>         | HK\$'000    |
| Amounts due from | 106,841                 | 124,975     |
| Amounts due to   | 66,106                  | 53,408      |

## 25.4 Transactions with government authorities and other state-controlled entities

Transactions with the following government authorities and state-controlled entities of the People's Republic of China (the "PRC") are included:

- The Ministry of Finance of the PRC
- Central Huijin Investment Limited ("Huijin")
- Other banks and financial institutions under the direction of the PRC government in which Huijin has equity interests

|                        | <b>Six months ended</b> |             |
|------------------------|-------------------------|-------------|
|                        | <b>30 Jun 2014</b>      | 30 Jun 2013 |
|                        | <b>HK\$'000</b>         | HK\$'000    |
| Interest income        | 420,489                 | 133,703     |
| Interest expense       | 15,429                  | 32,944      |
| Other operating income | (423)                   | 1,817       |
|                        | <b>30 Jun 2014</b>      | 31 Dec 2013 |
|                        | <b>HK\$'000</b>         | HK\$'000    |
| Amounts due from       | 51,735,654              | 35,262,793  |
| Amounts due to         | 383,149                 | 9,907       |

In addition, the Group may also enter into transactions with other state-owned entities, including but not limited to lending, deposit taking and the provision of financial products or services. In the opinion of management, transactions with these state-owned entities were conducted in the ordinary course of business under normal terms and conditions and at market rates. As a result, none of these transactions are considered individually significant.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

25 Related party transactions (continued)

25.5 Key management personnel remuneration

Remuneration for key management personnel is as follows:

|                   | <b>Six months ended</b> |             |
|-------------------|-------------------------|-------------|
|                   | <b>30 Jun 2014</b>      | 30 Jun 2013 |
|                   | <b>HK\$'000</b>         | HK\$'000    |
| Employee benefits | <b>11,080</b>           | 11,195      |

25.6 Material transactions with key management personnel

During the period, the Group entered into certain banking transactions consisting of loans and advances, deposits and other financial related transactions with related parties in the normal course of business. The related parties include key management personnel of the Bank, their close family members and companies controlled or significantly influenced by them.

|                  | <b>Six months ended</b> |             |
|------------------|-------------------------|-------------|
|                  | <b>30 Jun 2014</b>      | 30 Jun 2013 |
|                  | <b>HK\$'000</b>         | HK\$'000    |
| Interest income  | -                       | -           |
| Interest expense | <b>274</b>              | 220         |

  

|                    | <b>Six months ended</b> |             |
|--------------------|-------------------------|-------------|
|                    | <b>30 Jun 2014</b>      | 31 Dec 2013 |
|                    | <b>HK\$'000</b>         | HK\$'000    |
| Loans and advances | -                       | -           |
| Deposits           | <b>53,998</b>           | 51,767      |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

26 Off-balance sheet exposures

26.1 Contingent liabilities and commitments

The following are the summaries of the contractual amounts of each significant class of contingent liabilities and commitments:

|  | <b>30 Jun 2014</b>        | <b>30 Jun 2014</b>       | 31 Dec 2013               | 31 Dec 2013              |
|--|---------------------------|--------------------------|---------------------------|--------------------------|
|  | <b>Contractual</b>        | <b>Credit risk</b>       | Contractual               | Credit risk              |
|  | <b>amount</b>             | <b>weighted</b>          | amount                    | weighted                 |
|  | <b>HK\$'000</b>           | <b>amount</b>            | HK\$'000                  | amount                   |
|  |                           | <b>HK\$'000</b>          |                           | <b>HK\$'000</b>          |
| Direct credit substitutes                      | <b>16,888,376</b>         | <b>11,426,956</b>        | 10,725,859                | 6,227,129                |
| Transaction-related contingencies              | <b>29,413</b>             | <b>5,789</b>             | 52,414                    | 11,527                   |
| Trade-related contingencies                    | <b>13,550,792</b>         | <b>2,159,375</b>         | 15,803,432                | 2,494,627                |
| Forward forward deposits placed                | <b>2,024,167</b>          | <b>404,833</b>           | 3,506,917                 | 701,383                  |
| Other commitments                              |                           |                          |                           |                          |
| - Unconditionally cancellable                  | <b>160,428,272</b>        | -                        | 167,177,213               | -                        |
| - With original maturity of less than one year | <b>1,262,700</b>          | <b>252,540</b>           | 998,699                   | 194,740                  |
| - With original maturity of over one year      | <b>14,168,816</b>         | <b>6,781,533</b>         | 15,368,055                | 7,300,034                |
|  | <b><u>208,352,536</u></b> | <b><u>21,031,026</u></b> | <b><u>213,632,589</u></b> | <b><u>16,929,440</u></b> |

26.2 Capital commitments

Capital commitments for property, plant and equipment outstanding as at 30 June 2014 and 31 December 2013 not provided for in the financial statements are as follows:

|  | <b>30 Jun 2014</b>   | 31 Dec 2013          |
|--|----------------------|----------------------|
|  | <b>HK\$'000</b>      | HK\$'000             |
| Expenditure contracted, but not provided for   | <b>18,314</b>        | 38,293               |
| Expenditure authorized, but not contracted for | <b>600</b>           | 1,370                |
|  | <b><u>18,914</u></b> | <b><u>39,663</u></b> |

26.3 Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as at 30 June 2014 and 31 December 2013 as follows:

|   | <b>30 Jun 2014</b>      | 31 Dec 2013           |
|---|-------------------------|-----------------------|
|   | <b>HK\$'000</b>         | HK\$'000              |
| Land and buildings                          |                         |                       |
| - Not later than one year                   | <b>341,111</b>          | 276,933               |
| - Later than one year and within five years | <b>976,368</b>          | 344,285               |
| - More than five years                      | <b>102,257</b>          | -                     |
|   | <b><u>1,419,736</u></b> | <b><u>621,218</u></b> |

## NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

## 26 Off-balance sheet exposures (continued)

## 26.4 Operating lease arrangements

The Group leases its investment properties (see Note 25) under operating lease arrangements, with leases negotiated for terms ranging from two to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

|   | <b>30 Jun 2014</b>   | 31 Dec 2013   |
|---|----------------------|---------------|
|   | <b>HK\$'000</b>      | HK\$'000      |
| Within one year                         | <b>3,014</b>         | 3,065         |
| In the second to fifth years, inclusive | <b>8,375</b>         | 9,062         |
| After five years                        | <b>685</b>           | 1,755         |
|   | <b><u>12,074</u></b> | <u>13,882</u> |

During the period, the Group had no unrecognised contingent rentals receivable (2013: Nil).

## 27 Comparative amounts

During the period, management reviewed the presentation of “interest income from financial assets held for trading” in the income statement and determined that it is more appropriate to classify the item as Net Trading Income rather than Net Interest Income as previously disclosed. The amount was reclassified as Net Trading Income in the current period and accordingly the comparative figure amounted to HK\$1,121,000 was reclassified from Net Interest Income to Net Trading Income to conform with the current period’s presentation.

During the period, management also reviewed the presentation of “interest income from financial assets designated at fair value through profit or loss” in the income statement and determined that it is more appropriate to classify the item as Net gain on financial assets and liabilities designated at fair value through profit or loss rather than Net Interest Income as previously disclosed. The amount was reclassified as Net gain on financial assets and liabilities designated at fair value through profit or loss in the current period and accordingly the comparative figure amounted to HK\$12,225,000 was reclassified from Net Interest Income to Net gain on financial assets and liabilities designated at fair value through profit or loss to conform with the current period’s presentation.

In addition to the above items, certain comparative amounts have been amended to conform with current period’s presentation.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

The following information is disclosed as part of the accompanying information to the financial statements and does not form part of the financial statements.

1 Capital adequacy and capital base

Capital adequacy ratios were compiled in accordance with the Banking (Capital) Rules (the “Capital Rules”) issued by the HKMA. The ratios as of 30 June 2014 were compiled in accordance with the amended Capital Rules effective from 1 January 2013 for the implementation of the “Basel III” capital accord. In view of the Capital Rules, the Bank has adopted the “standardised (credit risk) approach” for the calculation of the risk-weighted assets for credit risk, “basic indicator approach” for the calculation of the operational risk and the “standardised (market risk) approach” for the calculation of market risk.

The basis of consolidation for financial accounting purposes is in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), as described in Note 2 on the notes to the interim financial disclosure statements. Subsidiaries included in the consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with section 3C(1) of the Capital Rules.

Under the Capital Rules, the basis of consolidation in calculating the capital ratios follows that of the financial reporting with the exclusion of subsidiaries which are “regulated financial entities” (e.g., insurance and securities companies) as defined by the Capital Rules. Accordingly, the investment costs of these unconsolidated subsidiaries are deducted from the capital base. There is no capital shortfall of these unconsolidated subsidiaries.

A list of these unconsolidated subsidiaries is shown below:

|   |  | <b>At 30 June 2014</b>           |                                  |
|---|--|----------------------------------|----------------------------------|
|   | Principal activities                       | <b>Total assets<br/>HK\$’000</b> | <b>Total equity<br/>HK\$’000</b> |
| ICBC (Asia) Asset Management Company Limited      | Provision of asset management services     | <b>814</b>                       | <b>810</b>                       |
| ICBC (Asia) Bullion Company Limited               | Inactive                                   | <b>7,949</b>                     | <b>7,937</b>                     |
| ICBC (Asia) Futures Company Limited               | Provision of futures business              | <b>102,638</b>                   | <b>102,638</b>                   |
| ICBC (Asia) Investment Management Company Limited | Provision of asset management services     | <b>20,861</b>                    | <b>17,035</b>                    |
| ICBC (Asia) Securities Limited                    | Provision of securities brokerage services | <b>908,161</b>                   | <b>609,798</b>                   |
| ICBC (Asia) Trustee Company Limited               | Provision of trustee services              | <b>6,743</b>                     | <b>6,264</b>                     |
| ICBC (Asia) Wa Pei Nominees Limited               | Inactive                                   | -                                | -                                |
| UB China Business Management Co. Ltd.             | Inactive                                   | -                                | -                                |
| Greater China Fund                                | Trust fund                                 | <b>398,129</b>                   | <b>344,930</b>                   |

1 Capital adequacy and capital base (continued)

As at 30 June 2014, there are no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation but the method of consolidation differs. There are also no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation.

The Group operates a subsidiary in other countries and territories where capital is governed by local rules and there may be restrictions on the transfer of regulatory capital and funds between members of the Group.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

|  | <b>30 Jun 2014</b> | 31 Dec 2013 |
|--|--------------------|-------------|
|  | <b>HK\$'000</b>    | HK\$'000    |
| Common Equity Tier 1 ("CET1") Capital  |                    |             |
| CET1 capital instruments   | <b>4,129,496</b>   | 4,129,496   |
| Share premium arising from CET1 capital instruments  | <b>19,462,335</b>  | 19,462,335  |
| Retained earnings  | <b>20,382,567</b>  | 17,424,661  |
| of which: unaudited profit or loss of the current financial year and profit or loss of the immediately preceding financial year pending audit completion | <b>2,957,907</b>   | 5,130,192   |
| Disclosed reserves   | <b>3,054,422</b>   | 2,648,961   |
| of which: available-for-sale investment reserve  | <b>490,866</b>     | (119,576)   |
| CET1 Capital before deductions   | <b>47,028,820</b>  | 43,665,453  |
| Deduct:  |                    |             |
| Cumulative cash flow hedge reserves that relate to the hedging of financial instruments that are not fair valued on the balance sheet                    | <b>(154,949)</b>   | (113,763)   |
| Cumulative fair value gain or losses on liabilities of the institution that are fair-valued and result from changes in the own credit risk               | -                  | (475)       |
| Cumulative fair value gains arising from the revaluation of land and buildings   | <b>(490,921)</b>   | (588,056)   |
| Regulatory reserve for general banking risk  | <b>(3,832,353)</b> | (3,594,385) |
| Goodwill (net of related deferred tax liability)   | <b>(980,154)</b>   | (980,154)   |
| Other intangible assets (net of related deferred tax liability)  | <b>(73,350)</b>    | (86,102)    |
| Deferred tax assets in excess of deferred tax liabilities  | -                  | (66,146)    |
| Debit valuation adjustments in respect of derivative contracts   | <b>(47,265)</b>    | (33,435)    |
| CET1 Capital after deductions  | <b>41,449,828</b>  | 38,202,937  |
| Tier 2 ("TIER 2") Capital  |                    |             |
| Tier 2 capital instruments issued and share premium  | <b>8,804,661</b>   | 9,240,187   |
| of which: amount that is subject to phase out  | <b>3,084,415</b>   | 3,471,400   |
| Reserve attributable to fair value gains on revaluation of holdings of land and buildings  | <b>220,914</b>     | 264,625     |
| Regulatory reserve for general banking risks and collective provisions included in Tier 2 Capital (Limited to 1.25% of risk-weighted amount)             | <b>4,427,425</b>   | 4,133,971   |
| TIER 2 Capital before deductions   | <b>13,453,000</b>  | 13,638,783  |
| Deductions   | -                  | -           |
| TIER 2 Capital after deductions  | <b>13,453,000</b>  | 13,638,783  |
| Total capital base after deductions  | <b>54,902,828</b>  | 51,841,720  |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

1 Capital adequacy and capital base (continued)

|   | <b>30 Jun 2014</b>        | 31 Dec 2013        |
|---|---------------------------|--------------------|
|   | <b>HK\$'000</b>           | HK\$'000           |
| Risk-weighted assets  |                           |                    |
| Credit risk   | <b>357,690,550</b>        | 333,165,709        |
| Market risk   | <b>30,534,950</b>         | 28,694,900         |
| Operational risk  | <b>15,607,338</b>         | 14,174,163         |
| Deduct: Portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 capital | <b>(1,109,353)</b>        | (883,086)          |
| Portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 capital | <b>(270,007)</b>          | (323,431)          |
| Total risk-weighted assets  | <b><u>402,453,478</u></b> | <u>374,828,255</u> |
|   | <b>30 Jun 2014</b>        | 31 Dec 2013        |
| CET1 capital ratio  | <b>10.30%</b>             | 10.19%             |
| Tier 1 capital ratio  | <b>10.30%</b>             | 10.19%             |
| Total capital ratio   | <b>13.64%</b>             | 13.83%             |

To comply with the Banking (Disclosure) Rules, the Group will establish a new section "Regulatory Capital Disclosure" on its website to house all the information relating to the disclosure of regulatory capital instruments and the reconciliation to the Group's published interim financial disclosure statements.

The disclosure will be published on its website ([www.icbcasia.com](http://www.icbcasia.com)) according to the Banking (Disclosure) Rules and will include the following information:

- A description of the main features and the full terms and conditions of the Group's CET1 capital, Additional Tier 1 capital, Tier 2 capital.
- A detailed breakdown of the Group's CET1 capital, Additional Tier 1 capital, Tier 2 capital and regulatory deductions, using the standard template as specified by the HKMA.
- A full reconciliation between the Group's accounting and regulatory balance sheets, using the standard template as specified by the HKMA.

2 Liquidity ratio

The average liquidity ratio for the period is the simple average of each calendar month's average liquidity ratio, which is computed on the consolidated basis as required by the Hong Kong Monetary Authority for its regulatory purposes, and is computed in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

|  | <b>30 Jun 2014</b>   | 30 Jun 2013   |
|--|----------------------|---------------|
| Average liquidity ratio for the six months ended | <b><u>46.55%</u></b> | <u>39.16%</u> |



INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

3 Segmental information

3.1 Advances to customers by geographical area

The Group's gross advances to customers by country or geographical area after taking into account any risk transfers are as follows:

| <b>30 June 2014</b>  | <b>Gross advances<br/>to customers<br/>HK\$'000</b> | <b>Overdue<br/>advances<br/>for over three<br/>months<br/>HK\$'000</b> | <b>Impaired<br/>loans and<br/>advances<br/>HK\$'000</b> | <b>Individual<br/>impairment<br/>allowances<br/>HK\$'000</b> | <b>Collective<br/>impairment<br/>allowances<br/>HK\$'000</b> |
|--|---|--|---|--|--|
| Hong Kong  | 130,482,213   | 223,985  | 920,075   | 454,779  | 689,359  |
| Mainland China   | 144,996,173   | 255,825  | 255,821   | 129,772  | 700,167  |
| Macau  | 455,316   | -  | -   | -  | 1,705  |
| Asia Pacific Region<br>excluding Hong<br>Kong, Mainland<br>China and Macau | 1,552,234   | -  | -   | 120  | 28,867   |
| Others   | 2,954,574   | 22,757   | 168,334   | 167,940  | 55,471   |
|  | <u>280,440,510</u>                                  | <u>502,567</u>   | <u>1,344,230</u>  | <u>752,611</u>   | <u>1,475,569</u>   |

| <b>31 December 2013</b>  | <b>Gross advances<br/>to customers<br/>HK\$'000</b> | <b>Overdue<br/>advances<br/>for over three<br/>months<br/>HK\$'000</b> | <b>Impaired<br/>loans and<br/>advances<br/>HK\$'000</b> | <b>Individual<br/>impairment<br/>allowances<br/>HK\$'000</b> | <b>Collective<br/>impairment<br/>allowances<br/>HK\$'000</b> |
|--|---|--|---|--|--|
| Hong Kong  | 106,330,277   | 224,368  | 899,626   | 453,210  | 427,267  |
| Mainland China   | 140,043,630   | 286,516  | 286,512   | 121,165  | 688,494  |
| Macau  | 834,731   | -  | -   | -  | 2,684  |
| Asia Pacific Region<br>excluding Hong<br>Kong, Mainland<br>China and Macau | 1,553,220   | -  | -   | -  | 10,762   |
| Others   | 5,804,709   | 219,627  | 225,429   | 196,062  | 19,500   |
|  | <u>254,566,567</u>                                  | <u>730,511</u>   | <u>1,411,567</u>  | <u>770,437</u>   | <u>1,148,707</u>   |

Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

3 Segmental information (continued)

3.2 Cross-border claims

The Group analyses cross-border claims by geographical area. In determining this analysis, the Group has taken into account the transfers of risk with respect to claims guaranteed by a party in a country different from that of the counterparty. Those areas that constitute 10% or more of the aggregate cross-border claims are as follows:

|                                  | <b>Banks and<br/>other financial<br/>institutions<br/>HK\$ million</b> | <b>Public sector<br/>entities<br/>HK\$ million</b> | <b>Others<br/>HK\$ million</b> | <b>Total<br/>HK\$ million</b> |
|----------------------------------|--|--|--------------------------------|-------------------------------|
| <b>30 June 2014</b>              |  |  |                                |                               |
| Asia Pacific excluding Hong Kong | <b>183,387</b>   | <b>35,160</b>                                      | <b>119,616</b>                 | <b>338,163</b>                |
| <b>31 December 2013</b>          |  |  |                                |                               |
| Asia Pacific excluding Hong Kong | 173,614  | 25,826   | 126,215                        | 325,655                       |

3.3 Non-bank Mainland exposures

The analysis of non-bank Mainland China exposures is based on the categories of non-bank counterparties and the types of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the completion instructions in Note 6 of the “Returns of Quarterly Analysis of Loans and Advances and Provisions – MA(BS)2A”, which includes the Mainland China exposures extended by the Bank and its overseas subsidiary and branch.

|  | <b>On-balance<br/>sheet<br/>exposure<br/>HK\$'000</b> | <b>Contingent<br/>liabilities<br/>HK\$'000</b> | <b>FX and<br/>derivatives<br/>contract<br/>HK\$'000</b> | <b>Total<br/>exposures<br/>HK\$'000</b> | <b>Individually<br/>assessed<br/>allowances<br/>HK\$'000</b> |
|--|---|--|---|---|--|
| <b>30 June 2014</b>  |   |  |   |   |  |
| Type of counterparties   |   |  |   |   |  |
| a) ITICs and their subsidiaries  | 1,433,464   | -  | -   | 1,433,464                               | -  |
| b) Red-chip companies and their subsidiaries   | 28,855,001  | 3,989,200                                      | 664   | 32,844,865                              | -  |
| c) H-shares companies and their subsidiaries   | 5,366,313   | 489,643  | 59,467  | 5,915,423                               | -  |
| d) Other state, provincial or municipal government owned entities and their subsidiaries                     | 44,814,982  | 2,416,932                                      | 311,480   | 47,543,394                              | -  |
| e) Other entities incorporated or established in Mainland China  | 32,914,346  | 4,087,434                                      | 186,173   | 37,187,953                              | -  |
| f) Companies and individuals outside Mainland China where the credit is granted for use in Mainland China    | 13,381,294  | 105,636  | -   | 13,486,930                              | 333,249  |
| (g) Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure | <u>43,726,821</u>                                     | <u>2,171,855</u>                               | <u>985,349</u>  | <u>46,884,025</u>                       | <u>204,377</u>   |
|  | 170,492,221   | 13,260,700                                     | 1,543,133   | 185,296,054                             | 537,626  |
| Companies and individuals for purchasing properties in Mainland China under (a) to (g)                       | 2,078,011   | -  | -   | 2,078,011                               | -  |
| h) Exposures incurred by banking subsidiary in Mainland China  | 50,189,847  | 24,602,798                                     | 212,635   | 75,005,280                              | 129,671  |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

3 Segmental information (continued)

3.3 Non-bank Mainland exposures (continued)

|  | On-balance<br>sheet<br>exposure<br>HK\$'000 | Contingent<br>liabilities<br>HK\$'000 | FX and<br>derivatives<br>contract<br>HK\$'000 | Total<br>exposures<br>HK\$'000 | (Restated)<br>Individually<br>assessed<br>allowances<br>HK\$'000 |
|--|---|---------------------------------------|---|--------------------------------|--|
| 31 December 2013   |   |                                       |   |                                |  |
| Type of counterparties   |   |                                       |   |                                |  |
| (a) ITICs and their subsidiaries   | 1,738,034                                   | -                                     | -   | 1,738,034                      | -  |
| (b) Red-chip companies and their subsidiaries  | 27,573,004                                  | 4,350,905                             | -   | 31,923,909                     | -  |
| (c) H-shares companies and their subsidiaries  | 3,836,136                                   | 769,947                               | 92,230  | 4,698,313                      | -  |
| (d) Other state, provincial or municipal government owned entities and their subsidiaries                    | 26,775,049                                  | 2,756,937                             | 440,030                                       | 29,972,016                     | -  |
| (e) Other entities incorporated or established in Mainland China   | 27,438,136                                  | 4,364,131                             | 269,449                                       | 32,071,716                     | -  |
| (f) Companies and individuals outside Mainland China where the credit is granted for use in Mainland China   | 13,844,778                                  | 80,214                                | 22,046  | 13,947,038                     | 335,794  |
| (g) Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure | 39,479,731                                  | 3,798,000                             | 1,066,483                                     | 44,344,214                     | 232,246  |
|  | <u>140,684,868</u>                          | <u>16,120,134</u>                     | <u>1,890,238</u>                              | <u>158,695,240</u>             | <u>568,040</u>   |
| Companies and individuals for purchasing properties in Mainland China under (a) to (g)                       | 2,707,836                                   | -                                     | -   | 2,707,836                      | -  |
| (h) Exposures incurred by banking subsidiary in Mainland China   | 56,867,425                                  | 13,545,674                            | -   | 70,413,099                     | 121,165  |

4 Advances to customers by industry sector

|   | 30 Jun 2014<br>Gross<br>advances<br>HK\$'000 | 30 Jun 2014<br>% of secured<br>advances | 31 Dec 2013<br>Gross<br>advances<br>HK\$'000 | 31 Dec 2013<br>% of secured<br>advances |
|---|--|---|--|---|
| Loans for use in Hong Kong  |  |   |  |   |
| Industrial, commercial and financial  |  |   |  |   |
| - Property development  | 16,388,974                                   | 6.57%                                   | 17,856,874                                   | 10.16%                                  |
| - Property investment   | 20,282,698                                   | 55.13%                                  | 15,788,165                                   | 69.60%                                  |
| - Financial concerns  | 5,761,417                                    | 1.69%                                   | 7,162,734                                    | 1.40%                                   |
| - Stockbrokers  | 6,503,074                                    | 18.30%                                  | 2,295,321                                    | 40.91%                                  |
| - Wholesale and retail trade  | 22,992,738                                   | 14.57%                                  | 22,631,998                                   | 14.48%                                  |
| - Civil engineering works   | 694,549                                      | 21.95%                                  | 315,717                                      | 45.71%                                  |
| - Manufacturing   | 7,211,910                                    | 33.48%                                  | 7,492,417                                    | 36.93%                                  |
| - Transport and transport equipment   | 19,741,680                                   | 28.50%                                  | 18,031,233                                   | 24.73%                                  |
| - Electricity and gas   | 1,879,789                                    | -                                       | 2,011,907                                    | -                                       |
| - Information technology  | 12,894,762                                   | 0.46%                                   | 12,698,096                                   | 0.51%                                   |
| - Recreational activities   | 6,318  | 61.24%                                  | 20,239                                       | 75.29%                                  |
| - Hotels, boarding houses and catering  | 949,131                                      | 81.95%                                  | 2,497,290                                    | 85.19%                                  |
| - Others  | 26,925,368                                   | 5.51%                                   | 21,905,959                                   | 7.86%                                   |
| Individuals   |  |   |  |   |
| - Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | 463,399                                      | 95.34%                                  | 481,562                                      | 95.26%                                  |
| - Loans for the purchase of other residential properties  | 11,384,282                                   | 98.66%                                  | 11,160,908                                   | 98.67%                                  |
| - Credit card advances  | 178,981                                      | -                                       | 344,185                                      | -                                       |
| - Others  | 3,135,246                                    | 74.98%                                  | 2,834,485                                    | 75.72%                                  |
| Trade finance   | 9,871,720                                    | 21.91%                                  | 9,822,630                                    | 23.34%                                  |
| Loans for use outside Hong Kong   | 113,174,475                                  | 25.75%                                  | 99,214,847                                   | 37.60%                                  |
|   | <u>280,440,511</u>                           | <u>25.94%</u>                           | <u>254,566,567</u>                           | <u>32.07%</u>                           |

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

4 Advances to customers by industry sector (continued)

Individually impaired loans, overdue loans and advances over three months, impairment allowances and impaired loans and advances written off in respect of industry sectors that constitute 10% or more of the total advances to customers are as follows:

|  | <b>30 Jun 2014</b> | 31 Dec 2013 |
|--|--------------------|-------------|
|  | <b>HK\$'000</b>    | HK\$'000    |
| (a) Loans for use outside Hong Kong                            |                    |             |
| Individually impaired loans                                    | <b>1,119,246</b>   | 1,167,542   |
| Overdue loans and advances over three months                   | <b>368,514</b>     | 564,309     |
| Individual impairment allowances                               | <b>630,686</b>     | 624,692     |
| Collective impairment allowances                               | <b>1,190,397</b>   | 720,117     |
| New impairment allowances charged to the income statement      | <b>478,957</b>     | 280,801     |
| Impaired loans and advances written off during the period/year | -                  | -           |

5 Currency concentration

The table below summarises the net foreign currency positions of the Group. The net structural and non-structural positions in a foreign currency is disclosed when the currency constitutes 10% or more of the total net position of all foreign currencies.

| <b>June 2014</b>          | US\$<br>HK\$'000 | RMB<br>HK\$'000 | Other foreign<br>currencies<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------|------------------|-----------------|---|-------------------|
| Non-structural position   |                  |                 |   |                   |
| Spot assets               | 229,419,602      | 190,830,536     | 7,683,308                               | 427,933,446       |
| Spot liabilities          | (162,622,392)    | (166,649,169)   | (11,860,445)                            | (341,132,006)     |
| Forward purchases         | 326,576,665      | 128,136,996     | 155,028,454                             | 609,742,115       |
| Forward sales             | (409,132,963)    | (134,608,070)   | (150,636,536)                           | (694,377,569)     |
| Net option position       | (196,024)        | 176,247         | 28,547                                  | 8,770             |
| Net long/(short) position | (15,955,112)     | 17,886,540      | 243,328                                 | 2,174,756         |
| Net structural position   |                  |                 |   |                   |
|                           | 187,984          | 5,561,582       | -                                       | 5,749,566         |
| December 2013             |                  |                 |   |                   |
|                           | US\$<br>HK\$'000 | RMB<br>HK\$'000 | Other foreign<br>currencies<br>HK\$'000 | Total<br>HK\$'000 |
| Non-structural position   |                  |                 |   |                   |
| Spot assets               | 209,476,527      | 181,959,666     | 11,256,914                              | 402,693,107       |
| Spot liabilities          | (174,233,308)    | (163,517,814)   | (15,608,056)                            | (353,359,178)     |
| Forward purchases         | 190,872,151      | 112,381,240     | 68,080,650                              | 371,334,041       |
| Forward sales             | (244,531,034)    | (110,967,798)   | (63,682,236)                            | (419,181,068)     |
| Net option position       | 42,162           | (48,933)        | (455)                                   | (7,226)           |
| Net long/(short) position | (18,373,502)     | 19,806,361      | 46,817                                  | 1,479,676         |
| Net structural position   |                  |                 |   |                   |
|                           | 188,061          | 4,857,592       | -                                       | 5,045,653         |

Foreign currency exposures include those arising from the trading position. The net option position is calculated using the delta equivalent approach. The net structural position of the Group includes the structural positions of the Bank's capital investment in an overseas subsidiary, Chinese Mercantile Bank.