

**Industrial and Commercial Bank of China (Asia) Limited
Announces 2013 First-half Results**

**Continued business transformation drives performance to new heights
23.33% growth in after-tax net profit to HK\$2,446 million**

28 August 2013, Hong Kong - Industrial and Commercial Bank of China (Asia) Limited (the “Bank”) today announced its unaudited results for the first half of 2013. Set out below are the key performance indicators and business highlights:

Focus on business resilience and balance sheet optimization yields strong results. During the first half of 2013, the Bank took proactive action to seek out new business development opportunities in response to changing market conditions. Through actively managing its balance sheet, the Bank achieved a significant enhancement in the structure of its interest-bearing portfolio of assets and liabilities, resulting in a substantial improvement in the net interest margin and better integrated management of liquidity and efficiency. As at the end of June 2013, total assets of the Bank amounted to HK\$523.8 billion, representing an increase of HK\$98.1 billion or 23.05% compared to the position as at the end of 2012. Loans and customers’ deposits were HK\$317.4 billion and HK\$319.9 billion respectively, representing increases of 20.10% and 23.91% compared to the position as at the end of 2012 respectively. The balance of debt securities investment stood at HK\$71.5 billion, with its ratio to total assets up 2.18 percentage points over that at the end of 2012. The balance of low-interest liabilities, including demand and savings account deposits, grew 36.35% to HK\$93.165 billion, with its ratio to customer deposits increasing 2.66 percentage points, as compared with the 2012 year-end position.

Coherent efforts to expand revenue and reduce spending to steadily enhance profitability. In the first half of 2013, the Bank registered an after-tax net profit of HK\$2,446 million, a year-on-year growth of HK\$463 million or 23.33%. The earnings growth was mainly attributable to an overall improvement in the return on assets, continued optimization of the earnings structure, and effective cost controls. The annualized return on average assets for the first half increased significantly by 0.11 percentage points year on year to 1.07%; net interest margin also rose 0.13 percentage points year-on-year to 1.48%. Total non-interest income of HK\$973 million was achieved, up 29.73% year on year, and accounted for 22.77% of total income, which also rose by 1.08 percentage points year-on-year. The period saw increased input of resources into business

development and technology to effectively optimize the Bank's cost structure and advance scientific management control. This has ensured the rational deployment of operating resources to achieve a cost-to-income ratio on a par with the industry's highest standards. Operating expenses for the period were HK\$1,072 million, an increase of 10.67% over those of the same period in 2012 and significantly below earnings growth. As a result, the cost-to-income ratio was consistently lowered by 2.92 percentage points to 25.09%.

Coordinated management to maintain balance in asset efficiency and risk exposure. The Bank's capital adequacy ratio was 13.5% as at the end of June 2013. With a core capital adequacy ratio of 10.6%, the Bank maintained adequate total assets and an excellent capital structure. At the end of June, the Bank's ratios of non-performing assets and non-performing loans were 0.38% and 0.45% respectively, representing decreases of 0.04 and 0.02 percentage points respectively. Provision coverage stood at 99.85%, up 12.43 percentage points year on year. The first half's average liquidity ratio was 39.16%, reasonably within the safe zone for overall liquidity requirements.

The business environment in the second half of the year is expected to be subject to greater uncertainty and complexity. Against such a background, the Bank will continue to advance strategic reforms in operation and management. Entering the second half with good momentum, the Bank will further adjust its operations and business portfolio. Amidst market changes, the Bank continues to strengthen its assets and liabilities portfolio to support growth aspirations through product innovation, service quality and business process efficiency advancements. The Bank will continue its efforts towards building a diversified, robust, balanced and sustainable development model, which will drive continuous improvement in profitability.

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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, 22 “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”). ICBC was ranked first on the Forbes Global 2000 list (by sales, profits, assets and market value) in 2013, and topped Fortune’s Global 500 in Commercial Banks. On 25 June 2013, Fitch Ratings affirmed A/F1 Long-Term/Short-Term Issuer Default Rating with stable outlook, with '1' Support Rating assigned to ICBC (Asia). On 27 June 2013, ICBC (Asia)'s A2/Prime-1 Long-Term/Short-Term Deposit Ratings and C- Bank Financial Strength Rating (BFSR) assigned by Moody’s Investors Service were affirmed. The outlook on the BFSR was revised to 'negative' from 'stable', while the outlook on the bank's deposit rating remained 'stable'.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013
(Unaudited)

	Notes	Six months ended		Change %
		30 Jun 2013 HK\$'000	30 Jun 2012 HK\$'000 (Restated)	
Interest income	(1)	6,101,717	5,785,216	5%
Interest expense	(1)	(2,803,557)	(3,078,388)	-9%
Net interest income	(1)	3,298,160	2,706,828	22%
Fee and commission income	(2)	870,210	744,809	17%
Fee and commission expense	(2)	(146,214)	(131,720)	11%
Net fee and commission income	(2)	723,996	613,089	18%
Net trading income	(3)	239,790	125,792	91%
Net loss on financial assets and liabilities designated at fair value through profit or loss	(4)	(7,171)	(2,851)	152%
Dividend income from financial investments	(5)	4,832	4,738	2%
Other operating income	(6)	11,184	8,945	25%
Operating income		4,270,791	3,456,541	24%
Operating expenses	(7)	(1,071,746)	(968,431)	11%
Operating profit before impairment losses		3,199,045	2,488,110	29%
Charge for impairment losses on loans and advances	(8)	(140,687)	(188,384)	-25%
Charge for impairment losses on available-for-sale financial investments		(676)	-	-
Operating profit after impairment losses		3,057,682	2,299,726	33%
Revaluation gain on investment properties		2,700	8,600	-69%
Net loss from disposal/reversal of revaluation deficits of property, plant and equipment		(193)	(6,927)	-97%
Gain on disposal of loans and advances		-	111	-
Net gain on disposal of available-for-sale financial investments		11,077	196,226	-94%
Operating profit		3,071,266	2,497,736	23%
Share of profit of an associate		10,572	8,868	19%
Profit before tax		3,081,838	2,506,604	23%
Income tax expense	(9)	(635,515)	(523,001)	22%
Profit for the period and attributable to equity holders of the Bank		2,446,323	1,983,603	23%
Earnings per share – Basic and diluted		HK\$1.18	HK\$1.15	3%

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013
(Unaudited)

	Six months ended		Change %
	30 Jun 2013 HK\$'000	30 Jun 2012 HK\$'000	
Profit for the period	<u>2,446,323</u>	<u>1,983,603</u>	23%
Item that will not be reclassified to income statement:			
Revaluation surplus on bank premises	111,214	19,590	468%
Income tax effect	<u>(18,350)</u>	<u>(3,232)</u>	468%
	92,864	16,358	468%
Items that may be reclassified subsequently to income statement:			
Change of fair value of hedging instruments under cash flow hedges	(248,693)	121,643	-304%
Income tax effect	<u>41,034</u>	<u>(20,071)</u>	304%
	(207,659)	101,572	-304%
Change in fair value reserve of available-for-sale financial investments	(1,022,758)	546,100	-287%
Income tax effect	<u>152,151</u>	<u>(88,097)</u>	273%
	(870,607)	458,003	-290%
Exchange differences arising from translation of results of a foreign subsidiary	<u>270,104</u>	<u>(11,366)</u>	2476%
Other comprehensive income for the period, net of tax	<u>(715,298)</u>	<u>564,567</u>	-227%
Total comprehensive income for the period, net of tax	<u>1,731,025</u>	<u>2,548,170</u>	-32%
Attributable to:			
Equity holders of the Bank	<u>1,731,025</u>	<u>2,548,170</u>	-32%

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	Unaudited 30 Jun 2013 HK\$'000	Audited 31 Dec 2012 HK\$'000	Change %	Unaudited 30 Jun 2012 HK\$'000	Change %
Assets						
Cash and balances with banks and other financial institutions	(10)	101,801,273	86,032,984	18%	69,356,776	47%
Placements with banks and other financial institutions	(11)	20,923,339	17,338,642	21%	21,458,664	-2%
Financial assets held for trading	(12)	269,116	243,875	10%	285,960	-6%
Financial assets designated at fair value through profit or loss	(13)	418,784	525,646	-20%	526,987	-21%
Derivative financial instruments	(14)	3,480,449	3,108,266	12%	2,553,141	36%
Loans and advances to customers, banks and other financial institutions	(15)	317,425,945	264,302,370	20%	286,880,617	11%
Financial investments:		71,302,885	48,635,952	47%	35,309,619	102%
- Available-for-sale	(16)	70,138,922	47,471,602	48%	34,145,733	105%
- Held-to-maturity	(17)	1,163,963	1,164,350	0%	1,163,886	0%
Investment in an associate		238,777	228,205	5%	222,535	7%
Goodwill and other intangible assets		1,076,639	1,070,191	1%	1,045,272	3%
Investment properties	(18)	56,123	53,423	5%	67,091	-16%
Property, plant and equipment	(19)	874,602	756,262	16%	631,375	39%
Deferred income tax assets		18,618	11,515	62%	-	-
Other assets		5,910,391	3,373,855	75%	6,469,681	-9%
Total assets		523,796,941	425,681,186	23%	424,807,718	23%
Liabilities						
Deposits from banks and other financial institutions		109,015,962	72,862,914	50%	58,702,156	86%
Derivative financial instruments	(14)	3,663,608	2,764,240	33%	2,408,258	52%
Deposits from customers	(20)	319,873,846	258,148,071	24%	262,018,005	22%
Certificates of deposit issued at amortised cost		21,324,443	32,072,363	-34%	45,934,609	-54%
Debt securities in issue measured at amortised cost		16,774,216	9,395,863	79%	7,642,973	119%
Current income tax liabilities		678,602	262,062	159%	649,305	5%
Deferred income tax liabilities		60,426	253,075	-76%	116,769	-48%
Subordinated debts measured at amortised cost	(21)	5,740,500	5,706,008	1%	11,324,631	-49%
Other liabilities		5,033,274	4,315,551	17%	4,381,370	15%
Total liabilities		482,164,877	385,780,147	25%	393,178,076	22%
Equity						
Share capital		4,129,497	4,129,497	0%	3,462,830	19%
Retained earnings		15,638,503	13,418,933	17%	11,447,675	37%
Other reserves	(22)	21,864,064	22,352,609	-2%	16,719,137	31%
Total equity		41,632,064	39,901,039	4%	31,629,642	32%
Total equity and liabilities		523,796,941	425,681,186	23%	424,807,718	23%

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

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

	Share capital HK\$'000	Ordinary share premium HK\$'000	Bank premises revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Cash flow hedge reserve HK\$'000	Exchange reserve HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Total 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 income for the period:									
Change in fair value of available-for-sale financial investments	-	-	-	(1,004,917)	-	-	-	-	(1,004,917)
Reserve realised on disposal of available-for-sale financial investments	-	-	-	(17,841)	-	-	-	-	(17,841)
Changes in fair value of cash flow hedge	-	-	-	-	(248,693)	-	-	-	(248,693)
Revaluation surplus on bank premises	-	-	111,214	-	-	-	-	-	111,214
Change in deferred tax	-	-	(18,350)	152,151	41,034	-	-	-	174,835
Exchange differences	-	-	-	-	-	270,104	-	-	270,104
Partial transfer of retained earnings to general reserve	-	-	-	-	-	-	226,753	(226,753)	-
Total comprehensive income for the period	-	-	92,864	(870,607)	(207,659)	270,104	226,753	2,219,570	1,731,025
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

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012
(Unaudited)

	Share capital HK\$'000	Ordinary share premium HK\$'000	Bank premisess revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Cash flow hedge reserve HK\$'000	Exchange reserve HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2012	3,462,830	14,529,002	292,919	(265,723)	219,928	353,016	796,901	9,692,599	29,081,472
Profit for the period	-	-	-	-	-	-	-	1,983,603	1,983,603
Other comprehensive income for the period:									
Change in fair value of available-for-sale financial investments	-	-	-	445,842	-	-	-	-	445,842
Reserve realised on disposal of available-for-sale financial investments	-	-	-	100,258	-	-	-	-	100,258
Changes in fair value of cash flow hedge	-	-	-	-	121,643	-	-	-	121,643
Revaluation surplus on bank premises	-	-	19,590	-	-	-	-	-	19,590
Change in deferred tax	-	-	(3,232)	(88,097)	(20,071)	-	-	-	(111,400)
Exchange differences	-	-	-	-	-	(11,367)	1	-	(11,366)
Partial transfer of retained earnings to general reserve	-	-	-	-	-	-	228,527	(228,527)	-
Total comprehensive income for the period	-	-	16,358	458,003	101,572	(11,367)	228,528	1,755,076	2,548,170
At 30 June 2012	3,462,830	14,529,002	309,277	192,280	321,500	341,649	1,025,429	11,447,675	31,629,642

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

1	Net interest income	30 Jun 2013 HK\$'000	(Restated) 30 Jun 2012 HK\$'000
	Interest income on:		
	Cash and balances with banks and other financial institutions	290,272	387,765
	Placements with banks and other financial institutions	377,763	571,612
	Loans and advances to customers, banks and other financial institutions	4,387,095	4,260,318
	Financial investments – available-for-sale	1,032,398	544,387
	Financial investments – held-to-maturity	843	1,037
		<u>6,088,371</u>	<u>5,765,119</u>
	Financial assets held for trading	1,121	925
	Financial assets designated at fair value through profit or loss	12,225	19,172
		<u>6,101,717</u>	<u>5,785,216</u>
	Interest expense on:		
	Deposits from banks and other financial institutions	545,604	306,972
	Deposits from customers	1,776,814	2,080,113
	Certificates of deposit issued	131,650	314,330
	Debt securities in issue measured at amortised cost	112,387	75,228
	Subordinated debts measured at amortised cost	157,597	189,194
	Others	79,505	112,374
		<u>2,803,557</u>	<u>3,078,211</u>
	Financial liabilities designated at fair value through profit or loss	-	177
		<u>2,803,557</u>	<u>3,078,388</u>
	Net interest income	<u>3,298,160</u>	<u>2,706,828</u>

Included in the above is interest income accrued on impaired financial assets of HK\$14,398,789 (First half of 2012: HK\$21,840,206), including unwinding of discounts on loan impairment losses of HK\$7,999,299 (First half of 2012: HK\$14,186,919).

2	Net fee and commission income	30 Jun 2013 HK\$'000	30 Jun 2012 HK\$'000
	Loans, overdrafts and guarantees	343,503	266,095
	Securities and brokerage	72,945	63,346
	Trade finance	184,238	204,893
	Credit cards	118,036	83,734
	Remittance	31,487	30,573
	Insurance	17,853	12,328
	Other retail and commercial banking services	7,394	8,255
	Securities arrangement fee	21,902	29,260
	Others	72,852	46,325
	Fee and commission income	870,210	744,809
	Fee and commission expense	(146,214)	(131,720)
	Net fee and commission income	<u>723,996</u>	<u>613,089</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	527,741	470,988
	Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	9,641	17,979

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

2	Net fee and commission income (continued)	30 Jun 2013 HK\$'000	30 Jun 2012 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:		
	- syndication loan	161,706	134,782
	- credit card	118,036	83,734
	- term loan	108,484	33,277
	- bill refinancing	77,550	115,222
3	Net trading income	30 Jun 2013 HK\$'000	(Restated) 30 Jun 2012 HK\$'000
	Equity investments	9,733	21,549
	Debt securities - financial assets held for trading	432	2,289
	- available-for-sale financial investments	(4,113)	(28,930)
	Derivatives	58,306	57,424
	Foreign exchange	172,502	73,092
		<u>236,860</u>	<u>125,424</u>
	Gain/(loss) from hedging activities		
	Fair value hedges		
	- Net loss on hedged items attributable to the hedged risk	(112,486)	(21,332)
	- Net gain on hedging instruments	115,416	21,700
		<u>2,930</u>	<u>368</u>
	Total net trading income	<u>239,790</u>	<u>125,792</u>
	There is no trading income on the gain of financial liabilities measured at amortised cost for first half of 2013 (First half of 2012: Nil).		
4	Net loss on financial assets and liabilities designated at fair value through profit or loss	30 Jun 2013 HK\$'000	30 Jun 2012 HK\$'000
	Financial assets designated at fair value through profit or loss	(7,171)	(2,851)
	Financial liabilities designated at fair value through profit or loss	-	-
	Total net loss on financial assets and liabilities designated at fair value through profit or loss	<u>(7,171)</u>	<u>(2,851)</u>
5	Dividend income from financial investments	30 Jun 2013 HK\$'000	30 Jun 2012 HK\$'000
	Dividend income from listed financial assets held for trading	1,332	1,188
	Dividend income from unlisted available-for-sale financial investments	3,500	3,550
	Total dividend income from financial investments	<u>4,832</u>	<u>4,738</u>

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NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

6	Other operating income	30 Jun 2013 HK\$'000	30 Jun 2012 HK\$'000
	Management fee income	3,000	3,000
	Rental income	21	15
	Rental income from investment properties	1,326	1,268
	Less: Direct operating expenses arising from investment properties that generated rental income during the period	(48)	(104)
	Others	6,885	4,766
	Total other operating income	<u>11,184</u>	<u>8,945</u>
7	Operating expenses	30 Jun 2013 HK\$'000	30 Jun 2012 HK\$'000
	Staff costs		
	- Salaries and other costs	529,718	503,277
	- Retirement benefit costs	30,152	22,465
		<u>559,870</u>	<u>525,742</u>
	Premises and equipment expenses, excluding depreciation and amortisation		
	- Rental of premises	180,323	164,310
	- Others	42,649	41,676
		<u>222,972</u>	<u>205,986</u>
	Depreciation and amortisation expenses	59,177	39,053
	Auditors' remuneration	2,912	2,980
	General administration expenses	28,631	23,427
	Business promotion expenses	32,388	31,073
	Communication expenses	32,756	24,871
	Other operating expenses	133,040	115,299
	Total operating expenses	<u>1,071,746</u>	<u>968,431</u>
8	Charge for impairment losses on loans and advances	30 Jun 2013 HK\$'000	30 Jun 2012 HK\$'000
	Charge for impairment losses on loans and advances		
	Individually assessed		
	- New allowances	12,720	90,114
	- Releases	(15,749)	(13,448)
	- Recoveries	(6,544)	(1,407)
	Net (write-back)/charge for impairment losses on individually assessed loans and advances	<u>(9,573)</u>	<u>75,259</u>
	Collectively assessed		
	- New allowances	150,260	113,125
	Net charge for impairment losses on collectively assessed loans and advances	<u>150,260</u>	<u>113,125</u>
	Net charge to the income statement	<u>140,687</u>	<u>188,384</u>

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

9 Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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:

	30 Jun 2013 HK\$'000	30 Jun 2012 HK\$'000
Current tax – Provision for Hong Kong profits tax for the period	424,301	253,713
– Provision for overseas tax for the period	235,205	268,338
(Overprovision)/underprovision in respect of prior years	(112)	1,162
Deferred taxation relating to the origination and reversal of temporary differences	<u>(23,879)</u>	<u>(212)</u>
	<u>635,515</u>	<u>523,001</u>

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:

	30 Jun 2013 HK\$'000	30 Jun 2012 HK\$'000
Profit before tax	3,081,838	2,506,604
Calculated at a tax rate of 16.5% (2012: 16.5%)	508,502	413,590
Effect of different tax rates in other countries	123,096	166,627
Income not subject to tax	(6,837)	(62,401)
Expenses not deductible for tax purposes	12,610	5,486
Adjustments in respect of current tax of previous periods	(112)	1,219
Share of tax of an associate	(1,744)	(1,463)
Taxation of partnership	-	(57)
Tax charge	<u>635,515</u>	<u>523,001</u>

10 Cash and balances with banks and other financial institutions

	30 Jun 2013 HK\$'000	31 Dec 2012 HK\$'000
Cash on hand	538,330	489,830
Balances with central banks	27,589,954	15,997,434
Balances with other banks and financial institutions	6,156,117	8,986,343
Placements with banks and other financial institutions maturing within one month	67,516,872	60,559,377
	<u>101,801,273</u>	<u>86,032,984</u>

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

11 Placements with banks and other financial institutions

	30 Jun 2013 HK\$'000	31 Dec 2012 HK\$'000
Placements with banks and other financial institutions maturing between one and twelve months	<u>20,923,339</u>	<u>17,338,642</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\$3,510,102,417 (the amount of the Reverse Repo) as at 30 June 2013 (31 December 2012: Nil). No collateral has been actually sold or repledged by the Group as at 30 June 2013 and 31 December 2012. The transactions are conducted on terms that are usual and customary to standard lending activities.

12 Financial assets held for trading

	30 Jun 2013 HK\$'000	31 Dec 2012 HK\$'000
Debt securities, at fair value:		
Listed in Hong Kong	35,698	35,754
Unlisted	<u>26,495</u>	<u>26,094</u>
	<u>62,193</u>	<u>61,848</u>
Equity securities, at fair value:		
Listed in Hong Kong	<u>206,923</u>	<u>182,027</u>
Total financial assets held for trading	<u>269,116</u>	<u>243,875</u>
Financial assets held for trading are analysed by category of issuer as follows:		
Banks and other financial institutions	233,418	208,121
Corporate entities	<u>35,698</u>	<u>35,754</u>
	<u>269,116</u>	<u>243,875</u>

13 Financial assets designated at fair value through profit or loss

	30 Jun 2013 HK\$'000	31 Dec 2012 HK\$'000
Debt securities, at fair value:		
Listed in Hong Kong	81,576	82,272
Listed outside Hong Kong	175,803	261,063
Unlisted	<u>161,405</u>	<u>182,311</u>
Total financial assets designated at fair value through profit or loss	<u>418,784</u>	<u>525,646</u>
Financial assets designated at fair value through profit or loss are analysed by category of issuer as follows:		
Public sector entities	118,650	120,511
Corporate entities	<u>300,134</u>	<u>405,135</u>
	<u>418,784</u>	<u>525,646</u>

14 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.

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.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

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14 Derivative financial instruments (continued)

The following tables summarise the contractual/notional amounts of each significant type of derivative financial instrument as at 30 June 2013 and 31 December 2012:

As at 30 June 2013	Contractual/ notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
1) Derivatives held for trading			
a) Foreign exchange derivatives			
- Currency forwards	362,661,462	2,704,444	(2,902,179)
- OTC currency options purchased	5,405,402	47,201	-
- OTC currency options written	5,357,300	-	(46,851)
- Structured foreign exchange instruments	1,237,057	104,097	(107,066)
Total foreign exchange derivatives		<u>2,855,742</u>	<u>(3,056,096)</u>
b) Interest rate derivatives			
- Interest rate swaps	66,442,678	390,772	(308,250)
- Interest rate futures	6,248,183	-	-
Total interest rate derivatives		<u>390,772</u>	<u>(308,250)</u>
c) Equity derivatives			
- Equity options	32,596	1,168	(1,168)
- Equity swaps	-	-	-
Total equity derivatives		<u>1,168</u>	<u>(1,168)</u>
Total derivative assets/(liabilities) held for trading		<u>3,247,682</u>	<u>(3,365,514)</u>
2) Derivatives held for hedging			
a) Derivatives designated as fair value hedges			
- Interest rate swaps	5,566,453	-	(218,172)
- Cross currency swaps	544,693	9,198	(735)
		<u>9,198</u>	<u>(218,907)</u>
b) Derivatives designated as cash flow hedges			
- Interest rate swaps	6,676,957	223,569	(55,468)
		<u>223,569</u>	<u>(55,468)</u>
Total derivative assets/(liabilities) held for hedging		<u>232,767</u>	<u>(274,375)</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	558,497	-	(23,719)
Total derivative assets/(liabilities) not qualified as hedges		<u>-</u>	<u>(23,719)</u>
Total recognised derivative assets/(liabilities)		<u>3,480,449</u>	<u>(3,663,608)</u>

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NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

14 Derivative financial instruments (continued)

As at 31 December 2012	Contractual/ notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
1) Derivatives held for trading			
a) Foreign exchange derivatives			
- Currency forwards	291,868,004	2,024,375	(1,775,280)
- OTC currency options purchased	6,938,674	47,496	-
- OTC currency options written	6,727,931	-	(44,602)
- Structured foreign exchange instruments	477,786	14,725	(13,455)
Total foreign exchange derivatives		<u>2,086,596</u>	<u>(1,833,337)</u>
b) Interest rate derivatives			
- Interest rate swaps	59,338,111	518,118	(462,055)
- Interest rate futures	8,454,343	49	(111)
Total interest rate derivatives		<u>518,167</u>	<u>(462,166)</u>
c) Equity derivatives			
- Equity options	228,217	2,199	(2,199)
- Equity swaps	67,699	3,617	(3,617)
Total equity derivatives		<u>5,816</u>	<u>(5,816)</u>
Total derivative assets/(liabilities) held for trading		<u>2,610,579</u>	<u>(2,301,319)</u>
2) Derivatives held for hedging			
a) Derivatives designated as fair value hedges			
- Interest rate swaps	5,803,475	-	(323,568)
- Cross currency swaps	544,299	2,267	(29,601)
		<u>2,267</u>	<u>(353,169)</u>
b) Derivatives designated as cash flow hedges			
- Interest rate swaps	8,099,579	495,420	(78,995)
		<u>495,420</u>	<u>(78,995)</u>
Total derivative assets/(liabilities) held for hedging		<u>497,687</u>	<u>(432,164)</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	503,068	-	(30,757)
Total derivative assets/(liabilities) not qualified as hedges		<u>-</u>	<u>(30,757)</u>
Total recognised derivative assets/(liabilities)		<u>3,108,266</u>	<u>(2,764,240)</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.

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 NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

14 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:

	30 Jun 2013	30 Jun 2012
	HK\$'000	HK\$'000
Gain/(loss) arising from fair value hedge, net:		
- Hedging instruments	115,416	21,700
- Hedged items attributable to the hedged risk	(112,486)	(21,332)
	<u>2,930</u>	<u>368</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 (2012: Nil).

Below is a schedule indicating as at 30 June 2013 and 31 December 2012, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

	Within 1 year	1-3 years	3-8 years	Over 8 years
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
30 June 2013				
Cash inflows (assets)	17	32	49	-
Cash outflows (liabilities)	(3)	(4)	(4)	-
Net cash flows	14	28	45	-
31 December 2012				
Cash inflows (assets)	19	37	64	-
Cash outflows (liabilities)	(4)	(5)	(4)	-
Net cash flows	15	32	60	-

During the period, realised gain amounting to HK\$45,240,000 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 2012: Realised gain of HK\$36,556,000).

There were no transactions for which cash flow hedge accounting had to be ceased in the first half of 2013 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:

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14 Derivative financial instruments (continued)

	30 Jun 2013		31 Dec 2012	
	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000
Contingent liabilities and commitments	-	13,690,796	-	20,104,803
Exchange rate contracts				
-Forwards	2,494,985	4,014,586	2,315,902	2,431,007
-Swaps	172,141	588,235	119,087	256,148
-Options	65,689	190,827	25,056	87,508
	2,732,815	4,793,648	2,460,045	2,774,663
Interest rate contracts				
-Swaps	617,424	663,469	1,013,538	901,776
-Futures	2,094	30,407	-	-
	619,518	693,876	1,013,538	901,776
Equity contracts				
-Swaps	-	-	3,617	7,679
-Options	1,168	429	2,199	1,809
	1,168	429	5,816	9,488
	3,353,501	19,178,749	3,479,399	23,790,730

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

15 Loans and advances to customers, banks and other financial institutions

15.1 Loans and advances to customers, banks and other financial institutions

	30 Jun 2013 HK\$'000	31 Dec 2012 HK\$'000
Advances to customers	225,997,552	203,558,979
Advances to banks and other financial institutions	30,242,014	19,373,612
Trade bills	62,349,941	42,260,284
Gross loans and advances to customers, banks and other financial institutions	318,589,507	265,192,875
Accrued interest	805,030	932,059
	319,394,537	266,124,934
Less: impairment allowances		
- Individually assessed	(773,842)	(788,258)
- Collectively assessed	(1,194,750)	(1,034,306)
	317,425,945	264,302,370
	30 Jun 2013 HK\$'000	31 Dec 2012 HK\$'000
Gross impaired loans and advances	1,421,572	1,241,741
Impairment allowances made in respect of such loans	773,842	788,258
Gross impaired loans and advances as a percentage of total gross loans and advances	0.45%	0.47%
Market value of collateral	964,027	811,244

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

15 Loans and advances to customers, banks and other financial institutions (continued)

15.1 Loans and advances to customers, banks and other financial institutions (continued)

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 and other financial institutions as at 30 June 2013 and 31 December 2012; 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.

15.2 Overdue advances to customers, banks and other financial institutions (excluding trade bills and receivables)

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

	Gross advances HK\$'000	% of advances to customers	Market value of collateral HK\$'000	Amount of secured balance HK\$'000	Amount of unsecured balance HK\$'000	Individual impairment allowance HK\$'000
As at 30 Jun 2013						
Six months or less but over three months	58,903	0.0	10,156	6,072	52,831	34,644
One year or less but over six months	10,475	0.0	4,586	4,188	6,287	3,856
Over one year	661,879	0.3	251,166	245,029	416,849	480,143
	<u>731,257</u>	<u>0.3</u>	<u>265,908</u>	<u>255,289</u>	<u>475,967</u>	<u>518,643</u>
As at 31 Dec 2012						
Six months or less but over three months	4,721	0.0	8,706	1,018	3,703	2,017
One year or less but over six months	110,229	0.1	764	764	109,465	102,054
Over one year	563,761	0.3	166,762	160,961	402,800	405,084
	<u>678,711</u>	<u>0.4</u>	<u>176,232</u>	<u>162,743</u>	<u>515,968</u>	<u>509,155</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

15 Loans and advances to customers, banks and other financial institutions (continued)

15.3 Other overdue assets

	30 Jun 2013 Accrued interest HK\$'000	30 Jun 2013 Other assets HK\$'000	31 Dec 2012 Accrued interest HK\$'000	31 Dec 2012 Other assets HK\$'000
Six months or less but over three months	6,013	-	2,818	48,711
One year or less but over six months	-	-	2,708	7,000
Over one year	<u>132,940</u>	<u>11,533</u>	<u>107,728</u>	<u>4,526</u>
	<u>138,953</u>	<u>11,533</u>	<u>113,254</u>	<u>60,237</u>

Other assets refer to trade bills and receivables.

15.4 Rescheduled advances

	30 Jun 2013 HK\$'000	As % of advances to customers	31 Dec 2012 HK\$'000	As % of advances to customers
Rescheduled advances (excluding loans overdue over three months)	<u>1,838</u>	<u>0.00</u>	<u>2,115</u>	<u>0.00</u>

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 15.2 above.

There were no advances to banks and other financial institutions which were overdue; nor were there any rescheduled advances to banks and other financial institutions as at 30 June 2013 and 31 December 2012.

15.5 Repossessed assets

At 30 June 2013, the Group has not repossessed assets (31 December 2012: 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.

15.6 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\$2,324,251,029 (the amount of the Reverse Repo) as at 30 June 2013 (31 December 2012: HK\$1,600,913,000). No collateral has been actually sold or repledged by the Group as at 30 June 2013 and 31 December 2012. 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

16 Available-for-sale financial investments

	30 Jun 2013 HK\$'000	31 Dec 2012 HK\$'000
Debt securities:		
Listed in Hong Kong	8,800,387	6,495,716
Listed outside Hong Kong	32,117,733	21,989,895
Unlisted	28,891,946	18,557,659
	<u>69,810,066</u>	<u>47,043,270</u>
Equity securities:		
Listed in Hong Kong	322,626	422,102
Unlisted	6,230	6,230
	<u>328,856</u>	<u>428,332</u>
 Total available-for-sale financial investments	 <u>70,138,922</u>	 <u>47,471,602</u>
 Market value of listed securities	 <u>41,240,746</u>	 <u>28,907,713</u>
 Debt securities after taking into account impairment losses comprise the following items:		
Treasury bills	-	147,800
Certificates of deposit held	5,098,595	1,473,086
Other debt securities	64,711,471	45,422,384
	<u>69,810,066</u>	<u>47,043,270</u>
 Available-for-sale financial investments are analysed by category of issuer as follows:		
Central governments and central banks	1,065,667	1,841,265
Public sector entities	927,945	973,695
Banks and other financial institutions	38,224,291	30,827,901
Corporate entities	29,920,342	13,828,064
Others	677	677
	<u>70,138,922</u>	<u>47,471,602</u>

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

	30 Jun 2013 HK\$'000	31 Dec 2012 HK\$'000
At 1 January	77,512	-
Charge for the period/year	676	77,512
Write-off during the period/year	(676)	-
At 30 June/31 December	<u>77,512</u>	<u>77,512</u>

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NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

17 Held-to-maturity financial investments

	30 Jun 2013 HK\$'000	31 Dec 2012 HK\$'000
Debt securities: Unlisted	<u>1,163,963</u>	<u>1,164,350</u>
Total held-to-maturity financial investments	<u>1,163,963</u>	<u>1,164,350</u>
Debt securities after taking into account impairment losses comprise the following items:		
Treasury bills	<u>1,163,963</u>	<u>1,164,350</u>
Held-to-maturity financial investments are analysed by category of issuer as follows:		
Central governments and central banks	<u>1,163,963</u>	<u>1,164,350</u>

The securities are mainly held for liquidity management purpose.

18 Investment properties

	30 Jun 2013 HK\$'000	31 Dec 2012 HK\$'000
Carrying amount at 1 January	53,423	75,816
Transfer out during the period/year	-	(17,389)
Disposals	-	(18,000)
Net revaluation gain	2,700	12,996
Carrying amount at 30 June/31 December	<u>56,123</u>	<u>53,423</u>

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19 Property, plant and equipment

	Bank premises and properties HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Total 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 1 January 2013	528,722	119,789	107,751	756,262
Transfer in from investment property	-	-	-	-
Additions	2,203	26,166	25,017	53,386
Disposals	-	(17)	(1,037)	(1,054)
Revaluation	111,244	-	-	111,244
Depreciation provided during the period	(18,645)	(13,494)	(13,194)	(45,333)
Exchange rate and other adjustments	783	-	(686)	97
Net book value at 30 June 2013	624,307	132,444	117,851	874,602
At 30 June 2013:				
Cost or valuation	786,378	284,936	316,974	1,388,288
Accumulated depreciation and impairment	(162,071)	(152,492)	(199,123)	(513,686)
Net book value at 30 June 2013	624,307	132,444	117,851	874,602
The analysis of cost or valuation of the above assets is as follows:				
At 30 June 2013:				
At cost	-	284,936	316,974	601,910
At valuation	624,307	-	-	624,307
	624,307	284,936	316,974	1,226,217

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NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

19 Property, plant and equipment (continued)

	Bank premises and properties HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
At 31 December 2011 and 1 January 2012:				
Cost or valuation	514,772	258,326	277,258	1,050,356
Accumulated depreciation and impairment	(132,219)	(146,811)	(177,832)	(456,862)
Net book value at 31 December 2011 and 1 January 2012	<u>382,553</u>	<u>111,515</u>	<u>99,426</u>	<u>593,494</u>
Additions	-	37,273	39,245	76,518
Transfer in from investment property	17,389	-	-	17,389
Disposals	-	(5,608)	(2,314)	(7,922)
Revaluation	156,872	-	-	156,872
Depreciation provided during the year	(22,791)	(23,391)	(29,650)	(75,832)
Exchange rate and other adjustments	(5,301)	-	1,044	(4,257)
Net book value at 31 December 2012	<u>528,722</u>	<u>119,789</u>	<u>107,751</u>	<u>756,262</u>
At 31 December 2012:				
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	<u>528,722</u>	<u>119,789</u>	<u>107,751</u>	<u>756,262</u>
The analysis of cost or valuation of the above assets is as follows:				
At 31 December 2012:				
At cost	528,722	-	-	528,722
At valuation	<u>528,722</u>	<u>262,829</u>	<u>300,464</u>	<u>1,092,015</u>

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NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

20 Deposits from customers

	30 Jun 2013 HK\$'000	31 Dec 2012 HK\$'000
Demand deposits and current accounts	45,488,420	22,106,941
Savings deposits	47,676,598	46,221,026
Time, call and notice deposits	226,708,828	189,820,104
	<u>319,873,846</u>	<u>258,148,071</u>

21 Subordinated debts measured at amortised cost

	30 Jun 2013		31 Dec 2012	
	HK\$'000	Interest rate %	HK\$'000	Interest rate %
Subordinated fixed rate notes				
- with a final maturity on 30 November 2020	3,855,008	5.125%	3,850,659	5.125%
- with a final maturity on 4 November 2021 (callable on 5 November 2016)	1,885,492	6%	1,855,349	6%
	<u>5,740,500</u>		<u>5,706,008</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 (2012: Nil).

22 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 (representing 10% of the profit after tax appropriation as required by law and regulation in PRC). This reserve is used to offset accumulated losses or increase in capital.

As at 30 June 2013, the Group has earmarked a "Regulatory Reserve" of HK\$3,743,387,000 (31 December 2012: HK\$3,076,184,000) 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\$1,903,708,000 (31 December 2012: HK\$3,026,999,000) which has been dealt with in the accounts of the Bank.

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NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

23 Off-balance sheet exposures

23.1 Contingent liabilities and commitments

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

	30 Jun 2013	30 Jun 2013	31 Dec 2012	31 Dec 2012
	Contractual	Credit risk	Contractual	Credit risk
	amount	weighted	amount	weighted
	HK\$'000	amount	HK\$'000	amount
		HK\$'000		HK\$'000
Direct credit substitutes	12,557,258	5,537,932	5,623,882	2,437,155
Transaction-related contingencies	46,892	7,547	73,495	12,203
Trade-related contingencies	12,267,899	2,313,524	10,814,130	1,914,141
Forward forward deposits placed	998,125	199,625	14,464,223	2,892,845
Other commitments				
- Unconditionally cancellable	172,935,534	-	137,169,563	-
- With original maturity of less than one year	889,514	177,903	1,588,111	310,411
- With original maturity of over one year	11,680,679	5,454,265	27,862,347	12,538,048
	<u>211,375,901</u>	<u>13,690,796</u>	<u>197,595,751</u>	<u>20,104,803</u>

23.2 Capital commitments

Capital commitments for property, plant and equipment outstanding as at 30 June 2013 and 31 December 2012 not provided for in the financial statements are as follows:

	30 Jun 2013	31 Dec 2012
	HK\$'000	HK\$'000
Expenditure contracted, but not provided for	<u>42,799</u>	<u>46,090</u>

23.3 Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as at 30 June 2013 and 31 December 2012 as follows:

	30 Jun 2013	31 Dec 2012
	HK\$'000	HK\$'000
Land and buildings		
- Not later than one year	323,749	333,078
- Later than one year and not later than five years	353,753	360,229
- More than five years	-	2,702
	<u>677,502</u>	<u>696,009</u>

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

23 Off-balance sheet exposures (continued)

23.4 Operating lease arrangements

The Group leases its investment properties (see Note 18) under operating lease arrangements, with leases negotiated for terms ranging from two to eight 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 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 Jun 2013	31 Dec 2012
	HK\$'000	HK\$'000
Within one year	<u>614</u>	<u>1,697</u>

During the period, the Group had no unrecognised contingent rentals receivable (2012: Nil).

24 Comparative amounts

During the period, management reviewed the presentation of “interest income/expense from trading interest rate swaps” 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\$95,611 (in thousands) was reclassified from Net Interest Income to Net Trading Income to conform with the 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 30th June, 2013 were compiled in accordance with the amended Capital Rules effective from 1st January, 2013 for the implementation of the “Basel III” capital accord, whereas the ratios as of 31st December, 2012 were compiled in accordance with the “pre-amended Capital Rules” as in force immediately before 1st January, 2013. 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. 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. Unconsolidated subsidiaries include UB China Business Management Co. Ltd., ICBC (Asia) Futures Company Limited, ICBC (Asia) Bullion Company Limited, ICBC (Asia) Securities Limited, ICBC (Asia) Trustee Company Limited, ICBC (Asia) Asset Management Company Limited, ICBC (Asia) Investment Management Company Limited and ICBC (Asia) Wa Pei Nominees Limited.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

1 Capital adequacy and capital base (continued)

	30 Jun 2013 HK\$'000
Common Equity Tier 1 ("CET1") Capital	
CET1 capital instruments	4,129,496
Share premium arising from CET1 capital instruments	19,462,335
Retained earnings	14,930,389
of which: unaudited profit or loss of the current financial year and profit or loss of the immediately preceding financial year pending audit completion	2,391,445
Disclosed reserves	2,530,739
of which: available-for-sale investment reserve	(63,410)
CET1 Capital before deductions	41,052,959
Deduct:	
Cumulative cash flow hedge reserves that relate to the hedging of financial instruments that are not fair valued on the balance sheet	(169,688)
Cumulative fair value gains arising from the revaluation of land and buildings	(639,095)
Regulatory reserve for general banking risk	(3,743,387)
Goodwill (net of related deferred tax liability)	(980,154)
Other intangible assets (net of related deferred tax liability)	(75,030)
Debit valuation adjustments in respect of derivative contracts	(23,471)
CET1 Capital after deductions	35,422,134
Common Equity Tier 2 ("CET2") Capital	
Tier 2 capital instruments issued and share premium	5,354,999
of which: amount that is subject to phase out	3,469,507
Reserve attributable to fair value gains on revaluation of holdings of land and buildings	287,593
Regulatory reserve for general banking risks and collective provisions included in Tier 2 Capital (Limited to 1.25% of risk-weighted amount)	3,734,927
TIER 2 Capital before deductions	9,377,519
Deductions	-
TIER 2 Capital after deductions	9,377,519
Total capital base after deductions	44,799,653

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

1	Capital adequacy and capital base (continued)	30 Jun 2013
		HK\$'000
	Risk-weighted assets	
	Credit risk	301,143,418
	Market risk	20,382,963
	Operational risk	12,856,413
	Deduct: Portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 capital	(1,203,210)
	Portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 capital	(351,502)
	Total risk-weighted assets	<u>332,828,082</u>
		30 Jun 2013
	CET1 capital ratio	10.6%
	Tier 1 capital ratio	10.6%
	Total capital ratio	13.5%

The components of the total capital base after deductions include the following items:

		31 Dec 2012
		HK\$'000
	Core capital:	
	Paid-up ordinary share capital	4,129,496
	Share premium	19,462,335
	Reserves	7,035,346
	Income statement	3,918,373
	Deduct: Goodwill	(980,154)
	Other intangible assets	(68,582)
	Net deferred tax assets	-
	50% of total unconsolidated investments and other deductions	<u>(157,887)</u>
	Total core capital	33,338,927
	Eligible supplementary capital:	
	Fair value gains on the revaluation of land and buildings	173,994
	Fair value gains on the revaluation of available-for-sale equities and debt securities	431,706
	Unrealised fair value gains arising from equities and debt securities designated at fair value through profit or loss	12,152
	Collective impairment allowances and regulatory reserve	3,468,746
	Perpetual subordinated debts	-
	Subordinated debts measured at amortised cost	5,706,008
	Deduct: 50% of total unconsolidated investments and other deductions	<u>(157,887)</u>
	Total supplementary capital	<u>9,634,719</u>
	Total capital base	<u>42,973,646</u>
	Risk-weighted assets	
	Credit risk	251,456,780
	Market risk	14,428,488
	Operational risk	11,614,413
	Deduct: Portion of regulatory reserve for general banking risks and collective provisions which is not included in supplementary capital	(641,745)
	Total risk-weighted assets	<u>276,857,936</u>
		31 Dec 2012
	Core capital ratio	12.0%
	Capital adequacy ratio	15.5%

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

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.

	30 Jun 2013	30 Jun 2012
Average liquidity ratio for the six months ended	<u>39.16%</u>	<u>48.10%</u>

3 Segmental information

3.1 Loans and advances to customers, banks and other financial institutions

Advances to customers, banks and other financial institutions by geographical area

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

	Gross advances to customers, banks and other financial institution HK\$'000	Overdue advances for over three months HK\$'000	Impaired loans and advances HK\$'000	Individual impairment allowances HK\$'000	Collective impairment allowances HK\$'000
30 June 2013					
Hong Kong	101,655,992	235,071	913,481	446,946	388,649
Mainland China	203,213,915	287,035	287,376	107,217	768,401
Macau	1,204,583	-	-	-	2,513
Asia Pacific Region excluding Hong Kong, Mainland China and Macau	2,518,693	-	-	-	5,887
Others	9,996,324	220,684	220,715	219,679	29,300
	<u>318,589,507</u>	<u>742,790</u>	<u>1,421,572</u>	<u>773,842</u>	<u>1,194,750</u>

	Gross advances to customers, banks and other financial institution HK\$'000	Overdue advances for over three months HK\$'000	Impaired loans and advances HK\$'000	Individual impairment allowances HK\$'000	Collective impairment allowances HK\$'000
31 December 2012					
Hong Kong	86,894,844	223,645	249,622	203,381	334,157
Mainland China	166,360,406	302,509	775,495	365,312	665,165
Macau	949,291	-	-	-	2,755
Asia Pacific Region excluding Hong Kong, Mainland China and Macau	1,497,708	-	-	-	5,594
Others	9,490,626	212,794	216,624	219,565	26,635
	<u>265,192,875</u>	<u>738,948</u>	<u>1,241,741</u>	<u>788,258</u>	<u>1,034,306</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:

	Banks and other financial institutions HK\$ million	Public sector entities HK\$ million	Others HK\$ million	Total HK\$ million
30 June 2013				
Asia Pacific excluding Hong Kong	198,265	20,506	114,616	333,387
31 December 2012				
Asia Pacific excluding Hong Kong	134,720	15,022	112,387	262,129

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.

	On-balance sheet exposure HK\$'000	Contingent liabilities HK\$'000	FX and derivatives contract HK\$'000	Total exposures HK\$'000	Individually assessed allowances HK\$'000
30 June 2013					
Type of counterparties					
(a) ITICs and their subsidiaries	885,486	-	-	885,486	-
(b) Red-chip companies and their subsidiaries	18,179,335	733,718	-	18,913,053	-
(c) H-shares companies and their subsidiaries	5,103,744	602,213	590,038	6,295,995	-
(d) Other state, provincial or municipal government owned entities and their subsidiaries	28,335,859	1,049,756	116,083	29,501,698	-
(e) Other entities incorporated or established in Mainland China	13,459,998	3,164,037	234,011	16,858,046	-
(f) Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	14,401,664	-	22,959	14,424,623	332,048
(g) Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	15,354,739	391,498	116,482	15,862,719	-
	95,720,825	5,941,222	1,079,573	102,741,620	332,048
Companies and individuals for purchasing properties in Mainland China under (a) to (g)	2,584,163	-	-	2,584,163	-
(h) Exposures incurred by banking subsidiary in Mainland China	70,470,355	10,754,498	-	81,224,853	107,068

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 sheet exposure HK\$'000	Contingent liabilities HK\$'000	FX and derivatives contract HK\$'000	Total exposures HK\$'000	Individually assessed allowances HK\$'000
31 December 2012					
Type of counterparties					
(a) ITICs and their subsidiaries	707,241	-	-	707,241	-
(b) Red-chip companies and their subsidiaries	15,279,768	369,078	-	15,648,846	-
(c) H-shares companies and their subsidiaries	3,637,236	547,850	221,907	4,406,993	-
(d) Other state, provincial or municipal government owned entities and their subsidiaries	24,660,745	775,585	30,187	25,466,517	-
(e) Other entities incorporated or established in Mainland China	9,243,665	1,869,326	90,017	11,203,008	-
(f) Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	8,990,088	57,913	33,075	9,081,076	329,206
(g) Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	13,585,061	346,664	126,419	14,058,144	838
	<u>76,103,804</u>	<u>3,966,416</u>	<u>501,605</u>	<u>80,571,825</u>	<u>330,044</u>
Companies and individuals for purchasing properties in Mainland China under (a) to (g)	2,721,927	-	-	2,721,927	-
(h) Exposures incurred by banking subsidiary in Mainland China	40,517,239	15,860,198	-	56,377,437	131,718

4 Loans and advances to customers, banks and other financial institutions

Gross loans and advances to customers, banks and other financial institutions by industry sector

	30 Jun 2013 Gross advances HK\$'000	30 Jun 2013 % of secured advances	31 Dec 2012 Gross advances HK\$'000	31 Dec 2012 % of secured advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	16,883,657	22.13%	15,325,353	17.34%
- Property investment	15,959,864	71.37%	13,911,996	85.75%
- Financial concerns	7,189,367	18.96%	7,309,593	22.48%
- Stockbrokers	2,323,786	44.21%	1,131,547	55.28%
- Wholesale and retail trade	16,863,510	20.16%	14,887,411	21.95%
- Civil engineering works	255,136	58.64%	259,954	58.30%
- Manufacturing	6,653,188	33.91%	4,738,874	38.66%
- Transport and transport equipment	14,532,907	43.88%	14,526,284	46.83%
- Electricity and gas	275,895	0.00%	-	-
- Information technology	10,455,907	0.59%	8,731,777	0.62%
- Recreational activities	19,155	82.19%	19,309	83.85%
- Hotels, boarding houses and catering	2,794,880	79.34%	2,353,875	73.89%
- Others	23,705,873	6.57%	21,485,772	6.71%
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	486,134	94.99%	481,771	95.43%
- Loans for the purchase of other residential properties	12,259,176	99.06%	12,152,130	99.31%
- Credit card advances	158,115	0.00%	157,030	0.00%
- Others	3,363,338	72.87%	2,921,484	65.01%
Trade finance	87,163,438	89.73%	71,589,313	90.66%
Loans for use outside Hong Kong	<u>97,246,181</u>	<u>32.72%</u>	<u>73,209,402</u>	<u>32.10%</u>
	<u>318,589,507</u>	<u>49.80%</u>	<u>265,192,875</u>	<u>50.90%</u>

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED
SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

4 Loans and advances to customers, banks and other financial institutions (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, banks and other financial institutions are as follows:

	30 Jun 2013 HK\$'000	31 Dec 2012 HK\$'000
(a) Trade finance		
Individually impaired loans	97,976	134,257
Overdue loans and advances over three months	92,540	134,498
Individual impairment allowances	75,012	102,374
Collective impairment allowances	179,662	152,836
New impairment allowances (write-back)/charged to the income statement	(223)	65,010
Impaired loans and advances written off during the period/year	-	-
(b) Loans for use outside Hong Kong		
Individually impaired loans	1,202,416	1,037,445
Overdue loans and advances over three months	597,536	563,390
Individual impairment allowances	656,031	645,659
Collective impairment allowances	626,575	532,593
New impairment allowances charged to the income statement	111,241	121,039
Impaired loans and advances written off during the period/year	1,562	23,836

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.

	US\$ HK\$'000	RMB HK\$'000	GBP HK\$'000	AUD HK\$'000	Other foreign currencies HK\$'000	Total HK\$'000
June 2013						
Non-structural position						
Spot assets	192,169,793	153,698,478	152,385	2,284,796	4,737,906	353,043,358
Spot liabilities	(180,840,282)	(133,962,523)	(708,008)	(5,398,048)	(6,628,875)	(327,537,736)
Forward purchases	156,588,013	64,522,565	1,462,959	6,962,939	45,934,223	275,470,699
Forward sales	(179,545,615)	(72,323,846)	(877,096)	(3,803,823)	(44,031,685)	(300,582,065)
Net option position	17,780	(13,325)	(2,489)	(2,028)	(3,901)	(3,963)
Net long/(short) position	(11,610,311)	11,921,349	27,751	43,836	7,668	390,293
Net structural position	188,132	4,340,272	-	-	-	4,528,404
December 2012						
Non-structural position						
Spot assets	165,157,382	120,886,282	748,854	2,482,647	7,218,732	296,493,897
Spot liabilities	(147,791,510)	(111,067,141)	(713,922)	(4,394,065)	(7,264,953)	(271,231,591)
Forward purchases	126,290,176	53,998,588	916,962	28,473,490	33,229,182	242,908,398
Forward sales	(150,619,161)	(55,733,826)	(921,894)	(26,562,920)	(33,071,948)	(266,909,749)
Net option position	41,616	(15,859)	(328)	27,060	(70,300)	(17,811)
Net long/(short) position	(6,921,497)	8,068,044	29,672	26,212	40,713	1,243,144
Net structural position	187,996	3,776,062	-	-	-	3,964,058

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.