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INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

中國工商銀行(亞洲)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 349)

ANNOUNCEMENT OF 2009 INTERIM RESULTS

The Board of Directors (the "Board") of Industrial and Commercial Bank of China (Asia) Limited (the "Bank" or "ICBC (Asia)") is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the "Group") for the six months ended 30 June 2009 as follows:-

UNAUDITED INTERIM RESULTS

(A) Consolidated Income Statement

	Notes	Six Months Ended		Change %
		30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000	
Interest income	(1)	2,322,494	3,905,375	-41%
Interest expense	(1)	(832,462)	(2,378,390)	-65%
Net interest income	(1)	1,490,032	1,526,985	-2%
Fee and commission income	(2)	348,439	402,204	-13%
Fee and commission expense	(2)	(35,661)	(47,470)	-25%
Net fee and commission income	(2)	312,778	354,734	-12%
Net trading income	(3)	120,864	88,162	37%
Net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss	(4)	73,756	(122,045)	160%
Dividend income from financial investments	(5)	3,517	13,839	-75%
Other operating income	(6)	18,311	7,326	150%
Operating income		2,019,258	1,869,001	8%
Operating expenses	(7)	(695,116)	(647,591)	7%
Operating profit before impairment losses		1,324,142	1,221,410	8%
Charge for impairment losses on loans and advances	(8)	(224,605)	(87,605)	156%
Write-back of impairment losses on held-to-maturity financial investments		1,126	779	45%
Charge for impairment losses on available-for-sale financial investments		(42,870)	(22,336)	92%
Operating profit after impairment losses		1,057,793	1,112,248	-5%
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment and leasehold land and land use rights		2,762	3,251	-15%
Net gain/(loss) on disposal of available-for-sale financial investments		56,892	(10,549)	639%
Loss on disposal of loans and advances		-	(28,710)	-100%
Operating profit		1,117,447	1,076,240	4%
Share of profits of associates		10,881	1,566	595%
Profit before tax		1,128,328	1,077,806	5%
Income tax expense	(9)			
- Hong Kong		(181,188)	(140,847)	29%
- Overseas		(15,809)	(25,294)	-37%
- Deferred tax		(1,186)	4,298	128%
Profit attributable to equity holders		930,145	915,963	2%
Earnings per share	(11)	HK\$0.72	HK\$0.74	-3%

(B) Consolidated Statement of Comprehensive Income

	Six Months Ended		Change %
	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000	
Profit for the period	<u>930,145</u>	<u>915,963</u>	2%
Revaluation deficit on bank premises	(417)	(154)	171%
Tax benefit	<u>-</u>	<u>117</u>	-100%
	(417)	(37)	1027%
Change in fair value of cash flow hedge	(1,780)	-	-
Tax expense	<u>(1,002)</u>	<u>-</u>	-
	(2,782)	-	-
Change in fair value reserve of available-for-sale financial investments	1,216,499	(896,510)	236%
Transfer from available-for-sale financial investment reserve to the income statement on impairment	42,905	22,336	92%
Tax (expense)/benefit	<u>(206,505)</u>	<u>162,105</u>	-227%
	1,052,899	(712,069)	248%
Exchange differences arising from translation of results of a foreign subsidiary	1,233	68,225	-98%
Other comprehensive income/(loss) for the period, net of tax	<u>1,050,933</u>	<u>(643,881)</u>	263%
Total comprehensive income for the period, net of tax	<u>1,981,078</u>	<u>272,082</u>	628%
Attributable to: Equity holders of the parent	<u>1,981,078</u>	<u>272,082</u>	628%

(C) Consolidated Statement of Financial Position

	Notes	Unaudited 30 Jun 2009 HK\$'000	Audited 31 Dec 2008 HK\$'000	Change %	Unaudited 30 Jun 2008 HK\$'000	Change %
Assets						
Cash and balances with banks and other financial institutions	(12)	38,390,316	28,678,778	34%	30,284,554	27%
Placements with and advances to banks and other financial institutions	(13)	15,326,779	844,358	1715%	906,098	1592%
Financial assets held for trading	(14)	45,849	52,051	-12%	36,451	26%
Financial assets designated at fair value through profit or loss	(15)	1,305,904	1,488,003	-12%	1,550,788	-16%
Derivative financial instruments		1,348,166	2,308,702	-42%	1,909,708	-29%
Loans and advances to customers, banks and other financial institutions	(16)	128,814,577	137,082,721	-6%	141,897,056	-9%
Financial investments:		30,046,641	19,379,478	55%	23,129,089	30%
- Available-for-sale	(17)	28,404,433	17,403,075	63%	18,233,554	56%
- Held-to-maturity	(18)	1,642,208	1,976,403	-17%	4,895,535	-66%
Investments in associates		195,317	184,854	6%	185,467	5%
Goodwill and other intangible assets		1,028,120	1,032,938	0%	1,027,142	0%
Investment properties	(19)	40,126	40,126	0%	41,576	-3%
Property, plant and equipment		272,277	276,074	-1%	259,531	5%
Leasehold land and land use rights		43,489	43,860	-1%	44,236	-2%
Current income tax assets		-	130,988	-100%	-	-
Deferred income tax assets		-	151,619	-100%	-	-
Other assets		1,310,067	2,869,559	-54%	1,643,651	-20%
Total assets		<u>218,167,628</u>	<u>194,564,109</u>	12%	<u>202,915,347</u>	8%
Liabilities						
Deposits from banks and other financial institutions		25,745,556	20,056,756	28%	32,286,776	-20%
Derivative financial instruments		1,431,854	3,296,670	-57%	1,761,101	-19%
Deposits from customers	(20)	159,849,555	138,183,332	16%	135,764,254	18%
- Designated at fair value through profit or loss		-	301,216	-100%	301,402	-100%
- At amortised cost		159,849,555	137,882,116	16%	135,462,852	18%
Certificates of deposit issued		1,484,935	4,312,361	-66%	4,457,808	-67%
- Designated at fair value through profit or loss		1,161,935	3,489,361	-67%	3,857,808	-70%
- At amortised cost		323,000	823,000	-61%	600,000	-46%
Debt securities in issue designated at fair value through profit or loss		3,122,645	3,146,399	-1%	3,140,224	-1%
Current income tax liabilities		36,535	10,113	261%	289,626	-87%
Deferred income tax liabilities		70,959	14,072	404%	170,487	-58%
Subordinated debts measured at amortised cost	(21)	8,556,348	8,556,348	0%	7,044,690	21%
Other liabilities		1,996,521	3,050,280	-35%	2,595,092	-23%
Total liabilities		<u>202,294,908</u>	<u>180,626,331</u>	12%	<u>187,510,058</u>	8%
Equity						
Share capital		2,598,476	2,570,536	1%	2,539,970	2%
Retained earnings	(22)	3,989,538	3,290,741	21%	3,599,727	11%
Other reserves	(22)	9,284,706	8,076,501	15%	9,265,592	0%
Total equity		<u>15,872,720</u>	<u>13,937,778</u>	14%	<u>15,405,289</u>	3%
Total equity and liabilities		<u>218,167,628</u>	<u>194,564,109</u>	12%	<u>202,915,347</u>	8%

(D) Condensed Consolidated Statement of Changes in Equity

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Total equity as at 1 January	<u>13,937,778</u>	<u>15,008,139</u>
Profit attributable to equity holders	930,145	915,963
Other comprehensive income/(loss)	<u>1,050,933</u>	<u>(643,881)</u>
Total comprehensive income	1,981,078	272,082
Change in general reserve	(3,051)	-
Dividends paid during the period	(231,348)	(781,708)
Shares issued in lieu of dividends	188,263	608,701
Shares issued on exercise of warrants	-	298,166
Share issue expenses	-	(91)
Total equity as at 30 June	<u>15,872,720</u>	<u>15,405,289</u>

(E) Condensed Consolidated Statement of Cash Flows

	Six Months Ended	
	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Net cash inflow/(outflow) from operating activities	21,366,283	(12,688,706)
Net cash (outflow)/inflow from investing activities	(20,948)	1,692,212
Net cash outflow from financing activities	(137,906)	(525,272)
Effects of foreign exchange differences	<u>(6,071)</u>	<u>62,098</u>
Net increase/(decrease) in cash and cash equivalents	21,201,358	(11,459,668)
Cash and cash equivalents at 1 January	<u>28,933,732</u>	<u>43,694,357</u>
Cash and cash equivalents at 30 June	<u>50,135,090</u>	<u>32,234,689</u>

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprises the following balances with an original maturity of three months or less:

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Cash and balances with banks and other financial institutions	9,091,070	2,389,218
Placements with banks and other financial institutions	41,044,020	27,845,523
Treasury bills (including exchange fund bills)	-	1,999,948
	<u>50,135,090</u>	<u>32,234,689</u>

1. Statutory accounts

The financial information set out in this announcement does not constitute the Group's statutory accounts. There is no material difference between the comparative financial information set out in this announcement and the Group's statutory accounts for the year ended 31 December 2008. The statutory accounts for the year ended 31 December 2008 will be available from the website of The Stock Exchange of Hong Kong Limited.

2. Basis of preparation and accounting policies

The accounting policies and basis of preparation adopted in these unaudited consolidated accounts are consistent with those adopted in the Group's 2008 Annual Report except for the adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") as disclosed in note 3 below.

3. Impact of new/revised Hong Kong Financial Reporting Standards

The accounting policies adopted in the preparation of the condensed interim accounts are consistent with those used in the preparation of the Group's audited accounts for the year ended 31 December 2008, except for the adoption of new HKFRS interpretations set out below.

HKFRS 8 "Operating Segments"

HKFRS 8, replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. All these have been applied in this condensed interim accounts. The adoption of this standard does not have an impact on the Group's financial position and performance.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense recognized directly in equity, either in one single statement, or in two linked statements. This standard has been adopted in the condensed interim accounts.

HKFRS 7 Amendments Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The amendment to HKFRS 7 Financial Instruments: Disclosures introduce a three-level hierarchy for fair value measurement disclosures as follows:

- Level 1 quoted price (unadjusted) in active markets for identical assets and liabilities
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as derived from prices); and
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs)

It also requires entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. This standard will be adopted in the 2009 year end financial statements.

HK(IFRIC) – Int 13 Customer Loyalty Programmes

HK(IFRIC) – Int 13 requires customer loyalty award credit to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. Adoption of this new HKFRS requirement did not have material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

The Group also adopts the amendments as issued by HKICPA in October 2008, which sets out its first *Improvements to HKFRS*. Those amendments that have a significant impact on the Group are as follows:-

- a) HKFRS 7 Financial Instruments: Disclosures: Removes the reference to “total interest income” as a component of finance costs.
- b) HKAS 1 Presentation of Financial Statements: Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.
- c) HKAS 16 Property, Plant and Equipment: Replaces the term “net selling price” with “fair value less costs to sell” and the recoverable amount of property, plant and equipment is calculated as the higher of an asset’s fair value less costs to sell and its value in use.

In addition, items held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.

- d) HKAS 27 Consolidated and Separate Financial Statements: Requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognized in the income statement in the separate financial statements. The amendment is applied prospectively only. This amendment has no impact on the consolidated financial statements.

- e) HKAS 28 Investments in Associates: Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

- f) HKAS 36 Impairment of Assets: When discounted cash flows are used to estimate “fair value less cost to sell”, additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate “value in use”.

- g) HKAS 38 Intangible Assets: The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.

- h) HKAS 40 Investment Property: Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property.

4. Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRS and HKASs, which have been issued but are not yet effective, in these interim accounts:

HKFRS 3 (Revised) Business Combination (Effective from 1 July 2009)

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The Group will apply this requirement from 1 January 2010.

HKAS 27 (Revised) Consolidated and Separate Financial Statements (Effective from 1 July 2009)

HKAS 27 (revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The Group will apply this requirement from 1 January 2010.

4. Impact of issued but not yet effective HKFRSs (Continued)

HK(IFRIC) – Int 17 Distribution of Non-cash Assets to Owners (Effective from 1 July 2009)

HK(IFRIC) – Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Balance Sheet Date* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

HK(IFRIC) – Int 18 Transfer of Assets from Customers (Effective from 1 July 2009)

HK(IFRIC) – Int 18 clarifies the requirements of HKFRSs for agreements in which an entity received from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The Group will apply this requirement from 1 January 2010.

HKAS 39 (Amendments): Recognition and Measurement – Eligible Hedged Item (Effective from 1 July 2009)

The amendment to HKAS39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, it is unlikely to have any financial impact on the Group. The Group will apply this requirement from 1 January 2010.

Notes:

(1) Net interest income

	30 Jun 2009	30 Jun 2008
	HK\$'000	HK\$'000
Interest income on:		
Cash and balances with banks and other financial institutions	52,845	516,447
Placements with and advances to banks and other financial institutions	39,393	25,381
Loans and advances to customers, banks and other financial institutions	1,821,469	2,896,384
Financial investments – available-for-sale	349,882	376,241
Financial investments – held-to-maturity	19,324	46,904
	2,282,913	3,861,357
Financial assets held for trading	1,006	142
Financial assets designated at fair value through profit or loss	38,575	43,876
	2,322,494	3,905,375
Interest expense on:		
Deposits from banks and other financial institutions	105,939	418,099
Deposits from customers	495,728	1,649,951
Certificates of deposit issued	3,384	7,625
Subordinated debts measured at amortised cost	94,822	150,340
Others	18,651	10,540
	718,524	2,236,555
Financial liabilities designated at fair value through profit or loss	113,938	141,835
	832,462	2,378,390
Net interest income	1,490,032	1,526,985

Included in the above is interest income accrued on impaired financial assets of HK\$19,906,551 (First half of 2008: HK\$16,243,455), including unwinding of discounts on loan impairment losses of HK\$6,164,157 (First half of 2008: HK\$9,244,215).

(2) Net fee and commission income

	30 Jun 2009	30 Jun 2008
	HK\$'000	HK\$'000
Loans, overdrafts and guarantees	92,611	171,482
Securities and brokerage	98,829	70,452
Trade finance	69,041	79,663
Credit card	30,974	25,572
Remittance	12,313	11,409
Insurance	10,589	9,602
Other retail and commercial banking services	17,773	17,901
Others	16,309	16,123
Fee and commission income	348,439	402,204
Fee and commission expense	(35,661)	(47,470)
Net fee and commission income	312,778	354,734
Of which :		
Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss	161,652	251,145
Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	7,532	5,119

(2) Net fee and commission income (continued)

	30 Jun 2009	30 Jun 2008
	HK\$'000	HK\$'000
Of which :		
Fee and commission income by product line constitutes not less than 10% of the total amount of fees and commission income, as follows:		
- securities and brokerage	98,829	70,453
- syndication loan	60,352	80,188
- term loan	-	65,808
- inwards bill	-	41,255

(3) Net trading income

	30 Jun 2009	30 Jun 2008
	HK\$'000	HK\$'000
Equity investments	14,806	(3,000)
Debt securities - financial assets held for trading	988	983
- available-for-sale financial investments	(84,378)	(53,880)
Derivatives	136,640	114,520
Foreign exchange	52,808	29,539
Total net trading income	<u>120,864</u>	<u>88,162</u>

(4) Net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss

	30 Jun 2009	30 Jun 2008
	HK\$'000	HK\$'000
Financial assets designated at fair value through profit or loss	19,736	(103,753)
Financial liabilities designated at fair value through profit or loss	54,020	(18,292)
Total net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss	<u>73,756</u>	<u>(122,045)</u>

(5) Dividend income from financial investments

	30 Jun 2009	30 Jun 2008
	HK\$'000	HK\$'000
Dividend income from listed financial assets held for trading	737	1,138
Dividend income from listed available-for-sale financial investments	-	9,746
Dividend income from unlisted available-for-sale financial investments	2,780	2,955
Total dividend income from financial investments	<u>3,517</u>	<u>13,839</u>

(6) Other operating income

	30 Jun 2009	30 Jun 2008
	HK\$'000	HK\$'000
Management fee income	3,750	3,750
Rental income	32	41
Rental income from investment properties	1,217	1,184
Less: Direct operating expenses arising from investment properties that generated rental income during the period	(77)	(42)
Others	13,389	2,393
Total other operating income	<u>18,311</u>	<u>7,326</u>

(7) Operating expenses

	30 Jun 2009	30 Jun 2008
	HK\$'000	HK\$'000
Staff costs:		
Salaries and other costs	299,467	319,562
Redundancy payment	853	-
Retirement benefits cost	19,929	18,660
	<u>320,249</u>	<u>338,222</u>
Premises and equipment expenses, excluding depreciation and amortisation:		
Rental of premises	112,564	108,264
Others	34,928	33,424
	<u>147,492</u>	<u>141,688</u>
Depreciation and amortisation expenses	32,924	49,263
Auditors' remuneration	3,304	2,568
General administration expense	17,359	17,900
Business promotion expense	12,143	20,046
Communication expense	20,711	19,204
Other operating expenses	140,934	58,700
Total operating expenses	<u>695,116</u>	<u>647,591</u>

(8) Charge for impairment losses on loans and advances

	30 Jun 2009	30 Jun 2008
	HK\$'000	HK\$'000
Charge for impairment losses on loans and advances		
Individually assessed		
- New allowances	242,528	86,810
- Releases	(18,348)	(10,290)
- Recoveries	(5,505)	(7,703)
Net charge for impairment losses on individually assessed loans and advances	<u>218,675</u>	<u>68,817</u>
Collectively assessed		
- New allowances	9,552	18,788
- Releases	(3,622)	-
Net charge for impairment losses on collectively assessed loans and advances	<u>5,930</u>	<u>18,788</u>
Net charge to the income statement	<u>224,605</u>	<u>87,605</u>

(9) Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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.

(10) Declared interim dividends

	30 Jun 2009	30 Jun 2008
	HK\$'000	HK\$'000
Declared interim dividend of HK\$0.28 (2008: HK\$0.28) per ordinary share	<u>363,787</u>	<u>355,596</u>

(11) Earnings per share

Basic earnings per share amount is calculated by dividing the profit for the period attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

	30 Jun 2009	30 Jun 2008
Profit attributable to equity holders (HK\$'000)	930,145	915,963
Weighted average number of ordinary shares in issue (thousands)	1,285,654	1,232,137
Basic earnings per share (HK\$ per share)	<u>0.72</u>	<u>0.74</u>

(12) Cash and balances with banks and other financial institutions

	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Cash in hand	252,104	260,075
Balances with central banks	7,768,576	924,435
Balances with other banks and financial institutions	1,070,390	7,998,042
Placements with banks and other financial institutions with maturity within one month	<u>29,299,246</u>	<u>19,496,226</u>
	<u>38,390,316</u>	<u>28,678,778</u>

(13) Placements with and advances to banks and other financial institutions

	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Placements with banks and other financial institutions maturing between one and twelve months	<u>15,326,779</u>	<u>844,358</u>

(14) Financial assets held for trading

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Debt securities, at fair value:		
Listed in Hong Kong	263	410
Unlisted	<u>27,186</u>	<u>30,441</u>
	<u>27,449</u>	<u>30,851</u>
Equity securities, at fair value:		
Listed in Hong Kong	<u>18,400</u>	<u>21,200</u>
Total financial assets held for trading	<u><u>45,849</u></u>	<u><u>52,051</u></u>

Financial assets held for trading are analysed by category of issuer as follows:

Public sector entities	429	628
Banks and other financial institutions	<u>45,420</u>	<u>51,423</u>
	<u><u>45,849</u></u>	<u><u>52,051</u></u>

(15) Financial assets designated at fair value through profit or loss

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Debt securities, at fair value:		
Listed in Hong Kong	155,560	340,506
Listed outside Hong Kong	688,956	973,906
Unlisted	<u>461,388</u>	<u>173,591</u>
Total financial assets designated at fair value through profit or loss	<u><u>1,305,904</u></u>	<u><u>1,488,003</u></u>

Financial assets designated at fair value through profit or loss are comprised of the following items:

- Other debt securities	<u>1,305,904</u>	<u>1,488,003</u>
	<u><u>1,305,904</u></u>	<u><u>1,488,003</u></u>

Financial assets designated at fair value through profit or loss are analysed by category of issuers as follows:

Central governments and central banks	-	202,890
Public sector entities	200,653	200,119
Banks and other financial institutions	291,298	309,333
Corporate entities	<u>813,953</u>	<u>775,661</u>
	<u><u>1,305,904</u></u>	<u><u>1,488,003</u></u>

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

	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Advances to customers	126,004,490	118,428,192
Advances to banks and other financial institutions	1,993,147	16,731,818
Trade bills	1,342,436	1,609,937
Gross loans and advances to customers, banks and other financial institutions	129,340,073	136,769,947
Accrued interest	292,020	974,129
	129,632,093	137,744,076
Less: impairment allowances		
- Individually assessed	(432,375)	(282,506)
- Collectively assessed	(385,141)	(378,849)
	128,814,577	137,082,721

	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Gross impaired loans and advances	913,880	888,965
Impairment allowances made in respect of such loans	432,375	282,506
Gross impaired loans and advances as a percentage of total gross loans and advances	0.71%	0.65%
Market value of collateral	728,764	806,490

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 loan borrowers; or loan outstandings become overdue.

There were no impaired advances to banks and other financial institutions as at 30 June 2009 and 31 December 2008; 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.

(17) Available-for-sale financial investments

	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Debt securities:		
Listed in Hong Kong	2,208,762	1,916,434
Listed outside Hong Kong	8,918,700	8,752,054
Unlisted	15,654,585	5,456,666
	26,782,047	16,125,154
Equity securities:		
Listed in Hong Kong	1,543,221	1,198,756
Unlisted	79,165	79,165
	1,622,386	1,277,921
Total available-for-sale financial investments	28,404,433	17,403,075
Market value of listed securities	12,670,683	11,867,244
Debt securities after taking into account of impairment loss are comprised of the following items:		
Certificates of deposit held	-	7,931
Other debt securities	26,782,047	16,117,223
	26,782,047	16,125,154

(17) Available-for-sale financial investments (Continued)

	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Available-for-sale financial investments are analysed by category of issuer as follows:		
Central governments and central banks	3,838,697	1,353,598
Public sector entities	1,003,801	753,638
Banks and other financial institutions	14,887,904	7,401,455
Corporate entities	8,669,810	7,890,140
Others	4,221	4,244
	<u>28,404,433</u>	<u>17,403,075</u>

(18) Held-to-maturity financial investments

	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Debt securities:		
Listed in Hong Kong	-	78,605
Listed outside Hong Kong	273,463	575,811
Unlisted	<u>1,369,998</u>	<u>1,324,366</u>
	<u>1,643,461</u>	<u>1,978,782</u>
Less: Impairment loss	<u>(1,253)</u>	<u>(2,379)</u>
Total held-to-maturity financial investments	<u>1,642,208</u>	<u>1,976,403</u>
Market value of listed securities	<u>262,194</u>	<u>630,681</u>
Debt securities after taking into account of impairment loss are comprised of the following items:		
Treasury bills	1,145,428	1,136,282
Other debt securities	<u>496,780</u>	<u>840,121</u>
	<u>1,642,208</u>	<u>1,976,403</u>
Held-to-maturity financial investments are analysed by category of issuer as follows:		
Central governments and central banks	1,145,428	1,214,640
Public sector entities	72,668	83,539
Banks and other financial institutions	83,992	238,354
Corporate entities	<u>340,120</u>	<u>439,870</u>
	<u>1,642,208</u>	<u>1,976,403</u>

Movement in impairment allowances on held-to-maturity financial investments

At 1 January	2,379	2,535
Write-back of impairment losses	<u>(1,126)</u>	<u>(156)</u>
At 30 June/31 December	<u>1,253</u>	<u>2,379</u>

(19) Investment properties

	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Carrying amount at 1 January	40,126	40,624
Net revaluation loss	-	(498)
Carrying amount at period/year end	<u>40,126</u>	<u>40,126</u>

(20) Deposits from customers

	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Demand deposits and current accounts	8,163,610	4,986,854
Savings deposits	28,609,287	20,034,376
Time, call and notice deposits	123,076,658	113,162,102
	<u>159,849,555</u>	<u>138,183,332</u>

(21) Subordinated debts measured at amortised cost

The subordinated debts represent floating rate notes qualifying for inclusion as supplementary capital in accordance with the Banking (Capital) Rules.

(22) Reserves

	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Ordinary share premium	8,369,916	8,209,593
Bank premise revaluation reserve	52,052	52,469
Investment revaluation reserve	371,189	(681,710)
Cash flow hedge reserve	5,071	7,853
Exchange reserve	143,139	141,906
General reserve	343,339	346,390
Retained earnings*	3,989,538	3,290,741
	<u>13,274,244</u>	<u>11,367,242</u>
Declared dividend not provided for	<u>363,787</u>	<u>231,348</u>

*As at 30 June 2009, the Group has earmarked a "Regulatory Reserve" of HK\$712,997,000 (December 2008: HK\$781,317,000) from the 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.

(23) Contingent liabilities and commitments and derivative financial instruments**(a) Contingent liabilities and commitments**

The following is a summary of the contractual amounts of each of the significant classes of contingent liabilities and commitments:

	30 Jun 2009	30 Jun 2009	31 Dec 2008	31 Dec 2008
	Contractual	Credit risk	Contractual	Credit risk
	amount	weighted amount	amount	weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Direct credit substitutes	4,465,796	2,445,524	14,701,288	7,777,596
Transaction-related contingencies	164,098	61,190	314,227	101,271
Trade-related contingencies	3,052,954	518,127	2,978,820	534,506
Other commitments:				
Unconditionally cancellable	53,872,858	-	58,436,103	-
With original maturity of less than one year	1,527,502	266,750	278,817	55,763
With original maturity of over one year	14,969,683	7,247,634	10,697,995	5,210,014
Forward forward deposits placed	4,800,241	960,048	2,310,099	462,020
	<u>82,853,132</u>	<u>11,499,273</u>	<u>89,717,349</u>	<u>14,141,170</u>

(b) Derivative financial instruments

The following is a summary of the contractual or notional amounts of each of the significant types of derivative financial instruments:

	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Foreign exchange derivatives:		
Currency forwards	82,265,819	94,045,118
OTC currency options purchased	3,809,252	6,258,859
OTC currency options written	3,405,363	6,080,840
	<u>89,480,434</u>	<u>106,384,817</u>
Interest rate derivatives:		
Interest rate swaps	22,668,203	24,958,346
Interest rate options purchased	300,000	300,000
Interest rate options written	300,000	300,000
	<u>23,268,203</u>	<u>25,558,346</u>
Equity derivatives:		
Equity options	299,176	30,130
	<u>299,176</u>	<u>30,130</u>
Total	<u><u>113,047,813</u></u>	<u><u>131,973,293</u></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 balance sheet date and bear little relation to the underlying risks of the exposures.

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

	30 Jun 2009		31 Dec 2008	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent liabilities and commitments	-	11,499,273	-	14,141,170
Exchange rate contracts	670,973	450,401	1,445,092	875,337
Interest rate contracts	502,065	421,488	512,542	504,046
Other contracts	1,242	2,125	-	181
	<u>1,174,280</u>	<u>12,373,287</u>	<u>1,957,634</u>	<u>15,520,734</u>

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

(24) Segment information - By class of business

The business of the Group comprises seven major segments. Commercial banking represents commercial lending and trade financing. Retail banking represents retail banking, hire purchase and leasing, and credit card business. Global markets & trading represents foreign exchange, money market and capital market activities. Corporate and investment banking comprises corporate banking and debt capital market. Unallocated items mainly comprise the central management unit, bank premises and any items which cannot be reasonably allocated to specific business segments.

	Corporate and investment banking HK\$'000	Commercial banking HK\$'000	Retail banking HK\$'000	Global markets & trading HK\$'000	Institutional banking HK\$'000	Chinese Mercantile Bank HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the six months ended 30 June 2009								
Net interest income/(expense)	397,281	467,844	276,629	227,597	70,448	115,067	(64,834)	1,490,032
Operating profit/(loss) before impairment losses	435,168	416,999	57,688	323,121	87,209	113,687	(109,730)	1,324,142
Profit before tax	<u>393,877</u>	<u>263,443</u>	<u>57,296</u>	<u>229,741</u>	<u>100,303</u>	<u>79,458</u>	<u>4,210</u>	<u>1,128,328</u>
For the six months ended 30 June 2008								
Net interest income	201,103	392,731	277,216	369,866	119,522	145,221	21,326	1,526,985
Operating profit/(loss) before impairment losses	271,247	369,641	143,204	240,457	124,420	118,369	(45,928)	1,221,410
Profit/(loss) before tax	<u>242,409</u>	<u>293,415</u>	<u>136,963</u>	<u>208,469</u>	<u>123,286</u>	<u>118,369</u>	<u>(45,105)</u>	<u>1,077,806</u>

(F) Supplementary Financial Information (Unaudited)**(1) Loans and advances to customers, banks and other financial institutions**

(a) Gross loans and advances to customers, banks and other financial institutions - by industry sectors	30 Jun 2009 Gross loans and advances HK\$'000	30 Jun 2009 % of secured advances %	31 Dec 2008 Gross loans and advances HK\$'000	31 Dec 2008 % of secured advances %
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	13,232,580	39.53%	8,352,343	40.67%
- Property investment	19,404,523	78.73%	20,070,465	76.87%
- Financial concerns	7,944,959	2.31%	6,932,161	2.95%
- Stockbrokers	4,114,406	2.16%	5,429	100.00%
- Wholesale and retail trade	5,615,481	45.08%	5,180,477	46.06%
- Civil engineering works	217,880	69.89%	209,574	65.11%
- Manufacturing	3,975,924	51.97%	4,005,977	51.91%
- Transport and transport equipment	8,156,498	68.43%	8,102,202	68.01%
- Electricity and gas	38,616	100.00%	42,014	100.00%
- Information technology	1,764,762	0.31%	1,510,208	0.43%
- Recreational activities	2,544	100.00%	2,491	100.00%
- Hotels, boarding houses and catering	976,204	78.19%	760,375	80.73%
- Others	4,773,326	33.20%	5,632,521	28.90%
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	436,991	92.30%	373,563	90.68%
- Loans for the purchase of other residential properties	12,197,448	99.82%	11,823,488	99.89%
- Credit card advances	80,112	0.00%	86,965	0.00%
- Others	1,914,354	96.65%	2,096,453	97.08%
Trade finance	6,521,360	38.12%	22,495,570	12.34%
Loans for use outside Hong Kong	37,972,105	33.09%	39,087,671	32.00%
	<u>129,340,073</u>	<u>48.70%</u>	<u>136,769,947</u>	<u>44.53%</u>

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 2009 HK\$'000	31 Dec 2008 HK\$'000
(a) Property investment		
Individually impaired loans	240,088	244,043
Overdue loans and advances over three months	50,374	166,530
Individual impairment allowances	7,096	9,738
Collective impairment allowances	57,020	62,392
New impairment allowances charged to income statement	(8,014)	32,635
Impaired loans and advances written off during the period/ year	-	-
(b) Property development		
Individually impaired loans	-	-
Overdue loans and advances over three months	-	-
Individual impairment allowances	-	-
Collective impairment allowances	38,904	26,059
New impairment allowances charged to income statement	12,844	11,639
Impaired loans and advances written off during the period/ year	-	-
(c) Loans for use outside Hong Kong		
Individually impaired loans	216,942	195,495
Overdue loans and advances over three months	251,685	56,270
Individual impairment allowances	164,036	103,922
Collective impairment allowances	117,463	108,327
New impairment allowances charged to income statement	69,250	97,871
Impaired loans and advances written off during the period/ year	-	24,739

(1) Loans and advances to customers, banks and other financial institutions (Continued)

(b) Advances to customers, banks and other financial institutions - by geographical areas

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 institutions HK\$'000	Overdue advances for over three months HK\$'000	Impaired loans and advances HK\$'000	Individual impairment allowance HK\$'000	Collective impairment allowance HK\$'000
As at 30 Jun 2009					
Hong Kong	71,986,501	540,833	836,338	369,139	298,409
Mainland China	46,173,536	24,435	77,542	63,236	40,065
Macau	1,545,309	-	-	-	5,361
Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)	3,561,618	-	-	-	17,792
United Kingdom	258,740	-	-	-	2,787
Others	5,814,369	-	-	-	20,727
	<u>129,340,073</u>	<u>565,268</u>	<u>913,880</u>	<u>432,375</u>	<u>385,141</u>
	Gross advances to customers, banks and other financial institutions HK\$'000	Overdue advances for over three Months HK\$'000	Impaired loans and advances HK\$'000	Individual impairment allowance HK\$'000	Collective Impairment allowance HK\$'000
As at 31 Dec 2008					
Hong Kong	77,727,521	291,595	808,496	242,859	296,671
Mainland China	49,801,743	-	80,469	39,647	34,146
Macau	1,597,665	-	-	-	6,024
Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)	2,511,335	-	-	-	14,718
United Kingdom	9,563	-	-	-	93
Others	5,122,120	-	-	-	27,197
	<u>136,769,947</u>	<u>291,595</u>	<u>888,965</u>	<u>282,506</u>	<u>378,849</u>

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

(2) **Overdue, rescheduled and repossessed assets**

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

	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 June 2009						
Six months or less but over three months	421,921	0.3	446,682	279,708	142,213	176,093
One year or less but over six months	121,785	0.1	114,580	61,743	60,042	65,666
Over one year	15,251	0.0	3,902	2,424	12,827	10,378
	<u>558,957</u>	<u>0.4</u>	<u>565,164</u>	<u>343,875</u>	<u>215,082</u>	<u>252,137</u>

As at 31 December 2008

Six months or less but over three months	241,726	0.2	313,680	186,712	55,014	34,592
One year or less but over six months	35,196	0.0	9,499	9,331	25,865	25,632
Over one year	13,007	0.0	5,461	3,224	9,783	13,007
	<u>289,929</u>	<u>0.2</u>	<u>328,640</u>	<u>199,267</u>	<u>90,662</u>	<u>73,231</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.

(b) **Other overdue assets**

	30 Jun 2009 HK\$'000	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000	31 Dec 2008 HK\$'000
	Accrued interest	Other assets	Accrued interest	Other assets
Six months or less but over three months	4,892	3,703	25	227
One year or less but over six months	-	1,169	-	-
Over one year	1	1,439	1	1,439
	<u>4,893</u>	<u>6,311</u>	<u>26</u>	<u>1,666</u>
Rescheduled assets	5	-	2	-
	<u>4,898</u>	<u>6,311</u>	<u>28</u>	<u>1,666</u>

Other assets refer to trade bills and receivables.

(c) **Rescheduled advances**

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Rescheduled advances (excluding overdue loans of more than three months)	<u>108,240</u>	<u>161,662</u>
As % of advances to customers	<u>0.1</u>	<u>0.1</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 (a) above.

There were no advances to banks and other financial institutions which were overdue for over three months; nor were there any rescheduled advances to banks and other financial institutions as at 30 June 2009 and 31 December 2008.

(d) **Repossessed assets**

At 30 June 2009, the estimated market value of the repossessed assets of the Group amounted to HK\$1,500,000 (31 December 2008: HK\$49,023,000).

(3) Capital adequacy ratio, capital base and liquidity ratio

(a) Capital adequacy ratio

	30 Jun 2009	31 Dec 2008
Core capital ratio	<u>8.4%</u>	<u>7.3%</u>
Capital adequacy ratio	<u>14.4%</u>	<u>13.6%</u>

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

	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Core capital:		
Paid up ordinary share capital	2,598,477	2,570,536
Share premium	8,369,917	8,209,593
Reserves	2,046,308	621,457
Income statement	436,634	407,616
Deduct: Goodwill	(980,154)	(980,154)
Other intangible assets	(26,509)	(31,318)
Net deferred tax assets	-	(137,547)
50% of total unconsolidated investments and other deductions	(589,671)	(431,507)
	<u>11,855,002</u>	<u>10,228,676</u>
Eligible supplementary capital:		
Fair value gains on the revaluation of land and buildings	5,320	5,095
Collective impairment allowances and regulatory reserve	1,099,391	1,162,545
Perpetual subordinated debts	3,480,032	3,480,032
Subordinated debts measured at amortised cost	4,378,807	4,487,308
Deduct: 50% of total unconsolidated investments and other deductions	(589,671)	(431,507)
	<u>8,373,879</u>	<u>8,703,473</u>
Total capital base before deductions	20,228,881	18,932,149
Deductions from total capital base	-	-
Total capital base after deductions	<u>20,228,881</u>	<u>18,932,149</u>
Risk-weighted assets		
Credit risk	132,633,680	130,373,943
Market risk	1,629,188	2,937,625
Operational risk	6,679,000	6,059,438
Total risk-weighted assets	<u>140,941,868</u>	<u>139,371,006</u>

The capital ratios as at 30 June 2009 were computed in accordance with the Banking (Capital) Rules (the "Capital Rules") issued by the Hong Kong Monetary Authority under section 98A of the Hong Kong Banking Ordinance for the implementation of the "Basel II" with effect from 1 January 2007. 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, the "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) Investment Holdings 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.

(b) Liquidity ratio

	30 Jun 2009	30 Jun 2008
Average liquidity ratio for the six months ended	<u><u>38.0%</u></u>	<u><u>35.9%</u></u>

The average liquidity ratio for the six months ended 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 in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

(4) Currency concentration

The net positions in foreign currencies are disclosed when each currency constitutes 10% or more of the total net position in all foreign currencies.

	US\$ HK\$'000	RMB HK\$'000	JPY HK\$'000	Other foreign currencies HK\$'000	Total HK\$'000
As at 30 June 2009					
Non-structural position:					
Spot assets	87,507,036	5,253,312	8,332,268	8,972,468	110,065,084
Spot liabilities	(81,819,008)	(5,404,007)	(75,568)	(10,675,761)	(97,974,344)
Forward purchases	38,719,631	8,113,626	2,158,079	11,529,950	60,521,286
Forward sales	(43,221,403)	(8,148,813)	(10,292,386)	(9,790,291)	(71,452,893)
Net option position	<u>(76,994)</u>	<u>-</u>	<u>6,010</u>	<u>60,198</u>	<u>(10,786)</u>
Net long/(short) position	<u><u>1,109,262</u></u>	<u><u>(185,882)</u></u>	<u><u>128,403</u></u>	<u><u>96,564</u></u>	<u><u>1,148,347</u></u>
As at 31 December 2008					
Non-structural position:					
Spot assets	74,119,558	8,794,490	11,984,424	8,097,944	102,996,416
Spot liabilities	(90,047,326)	(7,892,910)	(48,181)	(8,227,998)	(106,216,415)
Forward purchases	53,942,597	13,214,944	2,356,141	9,865,953	79,379,635
Forward sales	(37,207,089)	(13,231,607)	(14,142,215)	(9,629,543)	(74,210,454)
Net option position	<u>(850)</u>	<u>-</u>	<u>(20,131)</u>	<u>11,398</u>	<u>(9,583)</u>
Net long position	<u><u>806,890</u></u>	<u><u>884,917</u></u>	<u><u>130,038</u></u>	<u><u>117,754</u></u>	<u><u>1,939,599</u></u>

Foreign currency exposures include those arising from trading position. The net option position is calculated using the delta equivalent approach.

There was no net structural position in a particular foreign currency which constitutes (in absolute terms) not less than 10% of its total net structural position in all currencies as at 30 June 2009 and 31 December 2008.

(5) Cross-border claims

The Group analyses cross-border claims by geographical area. In determining this analysis, the Group has taken into account of transfer of risk with respect to claims guaranteed by a party in a country different from that of the counter party. 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
As at 30 Jun 2009				
Asia Pacific (excluding Hong Kong)	42,875	2,219	51,332	96,426
Europe	<u>14,617</u>	<u>-</u>	<u>184</u>	<u>14,801</u>
As at 31 Dec 2008				
Asia Pacific (excluding Hong Kong)	32,334	2,617	38,827	73,778
North and South America	8,881	1,104	6,041	16,026
Europe	<u>10,249</u>	<u>-</u>	<u>565</u>	<u>10,814</u>

(6) Non-bank Mainland exposures

The analysis of non-bank Mainland exposure is based on the categories of non-bank counter parties and the types of direct exposures defined by the Hong Kong Monetary Authority 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 exposures extended by the Bank and its overseas subsidiaries.

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposures HK\$'000	Individually assessed allowances HK\$'000
As at 30 Jun 2009				
Mainland entities	20,685,426	3,146,233	23,831,659	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	12,602,601	769,614	13,372,215	166,354
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	2,489,395	189,155	2,678,550	24,452
	<u>35,777,422</u>	<u>4,105,002</u>	<u>39,882,424</u>	<u>190,806</u>
As at 31 Dec 2008				
Mainland entities	18,246,241	1,144,763	19,391,004	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	14,747,579	1,104,903	15,852,482	121,849
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	996,813	26,459	1,023,272	24,428
	<u>33,990,633</u>	<u>2,276,125</u>	<u>36,266,758</u>	<u>146,277</u>

Interim Results

The Board is pleased to announce that the unaudited consolidated profit attributable to the equity holders of the Bank for the six months ended 30 June 2009 was HK\$930 million. This represents 2% growth over the same period last year (first half of 2008: HK\$916 million). Basic earnings per share for the six months ended 30 June 2009 were HK\$0.72 (first half of 2008: HK\$0.74). Return on average assets and return on average equity were 1.0% and 13.0% respectively (first half of 2008: 1.0% and 13.0% respectively).

Interim Dividend

The Board is pleased to declare an interim dividend of HK\$0.28 per ordinary share for the six months ended 30 June 2009 (2008 interim dividend: HK\$0.28). The interim dividend will be payable in cash with an option to receive new, fully paid shares in lieu of cash, to shareholders whose names appear on the Register of Members of the Bank at the close of business on Wednesday, 9 September 2009. Details of the scrip dividend and the election form will be sent to shareholders on or about Monday, 14 September 2009. The scrip dividend scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued under the scrip dividend scheme. The dividend warrants and the share certificates for the scrip dividend will be sent to shareholders by ordinary mail on or about Friday, 9 October 2009.

Closure of Register of Members

The Register of Members of the Bank will be closed from Friday, 4 September 2009 to Wednesday, 9 September 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Bank's Share Registrars, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 3 September 2009.

Financial Review

In the first half of 2009, the Group achieved satisfactory results. Consolidated profit attributable to equity holders was HK\$930 million, representing an increase of HK\$14 million or 2% over HK\$916 million achieved for the corresponding period in 2008.

Net interest income decreased HK\$37 million or 2% to HK\$1,490 million. The decline was mainly attributable to a 2% decrease in average interest-earning assets.

Non-interest income increased HK\$187 million or 55% to HK\$529 million from HK\$342 million for the corresponding period in 2008. The increase was mainly attributable to the gain from marked-to-market revaluation of derivative instruments as well as financial assets and liabilities. The ratio of non-interest income to total operating income increased to 26%, compared with 18% for the corresponding period in 2008.

Operating expenses increased by HK\$47 million or 7% to HK\$695 million, after the provision of operating loss for Lehman Brothers related products of approximately HK\$89 million, compared with HK\$648 million for the corresponding period in 2008. The cost to income ratio decreased slightly from 34.7% in 2008 to 34.4% in 2009.

The impairment losses on loans and advances, available-for-sale and held-to-maturity financial investments for the period were HK\$266 million, where HK\$260 million was made as additional provision for individual assessment, including a further impairment loss on notes issued by structured investment vehicles of approximately HK\$43 million and HK\$6 million was made as additional provision for collective assessments.

Statement of Financial Position

The total assets of the Group amounted to HK\$218,168 million as at 30 June 2009, representing an increase of HK\$23,604 million or 12% over the position as at 31 December 2008.

Customer deposits amounted to HK\$159,850 million as at 30 June 2009, representing an increase of HK\$21,667 million or 16%, as compared to HK\$138,183 million as at 31 December 2008. However, loans and advances decreased by HK\$8,268 million or 6% to HK\$128,815 million as at 30 June 2009 as compared to HK\$137,083 million as at 31 December 2008. As a result, the surplus fund derived from deposit growth was utilised for inter-bank placements and for the investment in bonds issued by selected financial institutions, most of which are guaranteed by their respective domestic governments, as well as in U.S. treasury bills and Hong Kong Exchange Fund bills.

Our total securities investment amounted to HK\$31,398 million as at 30 June 2009, which represents an increase of HK\$10,478 million or 50% as compared to HK\$20,920 million as at 31 December 2008.

Total certificates of deposits issued decreased HK\$2,827 million or 66% to HK\$1,485 million as at 30 June 2009 as compared to HK\$4,312 million as at 31 December 2008.

Capital and Liquidity Management

The Group's capital adequacy ratio increased to 14.4% as at 30 June 2009 from 13.6% as at 31 December 2008. The average liquidity ratio amounted to 38.0% (average for the first half of 2008: 35.9%).

Asset Quality

Impaired loans and advances increased by HK\$25 million to HK\$914 million as at 30 June 2009, compared with HK\$889 million as at 31 December 2008. The impaired loan ratio was 0.71% as at 30 June 2009 (31 December 2008: 0.65%).

As at 30 June 2009, the cumulative loan impairment allowances aggregated to HK\$818 million (31 December 2008: HK\$661 million), which included HK\$433 million (31 December 2008: HK\$282 million) of individual impairment allowance and HK\$385 million (31 December 2008: HK\$379 million) of collective impairment allowance.

Overdue advances increased from HK\$290 million as at 31 December 2008 to HK\$559 million as at 30 June 2009.

Business Review

We summarize below the performance of our key business operations during the first half of 2009.

Retail Banking

Our Retail Banking Business continued to experience major challenge. During the first half of 2009, the economic conditions of Hong Kong remained sluggish. There was a general decline in transaction volume for retail banking products particularly for investment related products. Profitability for deposit business also dropped due to the persisting low interest rate environment.

Mortgage Business

The local property market still suffered from the aftermath of the financial tsunami during the first quarter of 2009. Since April 2009, there had been a sharp increase in the number of property transactions to over 10,000 per month. However, banks competed fiercely for new mortgage business through rate-cut in order to maintain their respective market shares. Despite such competition, interest margins remained stable since inter-bank market rates were at a historically low level, which contributed to a decline in funding cost. In addition, we succeeded in growing our total mortgage loan portfolio by approximately 5% by the end of June 2009 as compared to the end of last year.

Securities and brokerage

Notwithstanding the poor sentiment of the stock market especially during the first quarter of 2009, our securities and brokerage business managed to increase the level of commission and fee and also its market share as compared to the first half of 2008. Through competitive marketing campaigns, we also achieved a continuous growth in our customer base.

Wealth Management

The recent changes in banking regulations post considerable challenge to the business environment for wealth management. Coupled with persistent risk adverse attitude of customers, this led to a general slow down of sale of investment products such as unit trusts and structured products. Despite the difficult market conditions, we strived to expand our customer base for Elite Club by cross-referral mechanism as well as concerted marketing effort.

Private Banking

Through cross-border cooperation with ICBC, our private banking team visited various ICBC branches in Shanghai, Guangzhou, Sichuan, Shenzhen, Beijing and Tianjin etc. and introducing our products and services and exchanging business practice. In addition, we have launched our services for applicants under the Capital Investment Entrant Scheme of Hong Kong SAR as a mean of customer acquisition.

Asset Management

We target to build a full-fledged fund management operation focusing on the Asian markets. A new family of unit trusts under the “ICBC (Asia)” brand name has also received authorization by the Securities and Futures Commission in June 2009, which will soon be marketed through our retail banking network.

Bancassurance

Sale of insurance products enjoyed remarkable growth during the first half of 2009 as a result of increasing preference of customers to invest in traditional products for life and health protection. There has also been a gradual increase in sale of investment linked insurance products toward the end of the second quarter of 2009.

Hire Purchase

As a result of the favorable funding cost situation prevailing during the first half of 2009, our hire purchase and leasing business recorded stable profitability. Our market share for taxi and public light bus financing remained steady.

Global Markets & Trading

To improve its business profile, our treasury business has adopted the new name of “Global Markets & Trading” since 1 July 2009.

It continues to expand the customer base through close cooperation with other business departments of the bank. At the same time, our working relationship with ICBC was further enhanced, which resulted from our business cooperation with a larger number of ICBC branches in Mainland China. Due to the change in market conditions, demand for structured treasury products from customers dropped significantly. As such, we refocused on traditional products like foreign exchange business to better serve the increasing customers’ demand in these areas. In addition, we strengthened our market making capability relating to RMB in preparation for further relaxation on RMB banking business in Hong Kong. On the other hand, we continued our effort to bring in advanced technology that assists us in the upgrade of market risk analysis and monitoring.

The performance of our bond portfolio was still under stress during the first quarter of 2009. Since then, the financial market became more stable, and credit spreads also started to tighten. By the end of June 2009, a general improvement in the market value of our bond portfolio was observed as compared to the end of last year.

Commercial Banking

In the first half of 2009, many of the small and medium-sized enterprise (SMEs) in Hong Kong continued to be under pressure due to a slowdown of the global as well as the local economy. At the same time, the consequential increase in the delinquency of SME loans had caused much concern to the banking industry. Under such difficult market conditions, our Commercial Banking business was still able to achieve satisfactory results. Also, we managed to maintain a below market average of non-performing loan ratio.

By offering tailor-made banking and financial services to customers, our Diamond Trade Finance, European Banking and Indian Banking continued to enjoy good reputation in the Hong Kong banking sector and contributed satisfactory profit. On the other hand, the majority of the term loans which originated from our cooperation with ICBC had gradually matured, which led to a decline in the outstanding balance of such loans. We have therefore refined our business strategy for closer collaborations with ICBC in view of the changing economic environment. We expect that our cooperation with ICBC to continue to generate significant contribution to our business growth.

Corporate and Investment Banking

Amidst the global economic instability and liquidity crunch, our Corporate Banking business further expanded by focusing on relationship building with a number of prominent corporate clients. Syndication activities remarkably slowed down since last quarter 2008. In spite of that, we took part in a number of capital market transactions including acting as senior lead arranger in the US\$2.5 billion term loan financing for Borse Dubai and acting as mandated lead arranger in the HK\$3 billion financing for The Link REIT. Besides arranging primary transactions, we also closed a number of deals in the secondary loan market and concluded a number of debt advisory and private placement transactions during the period.

We continue to expand our market share in the Greater China Region by providing innovative solution to sophisticated corporate clients. To leverage our position as a Hong Kong incorporated licensed bank with a strong connection in Mainland China, we are developing our presence in the Taiwan market in industries which benefit from the blooming cross strait economic activities. We have completed the 1st cross strait aircraft financing in cooperation with our sister company, ICBC Leasing, in the 1st half of 2009.

Institutional Banking

The business prospect of our Institutional Banking business was relatively strong during the first half of 2009. Business activities were growing, especially for the acquisition of client relationships. New institutional clients are banking with us as we provide better credit support and more importantly we have the capability to offer valuable solutions to overcome the stalemating environment. We continue to focus on transactional banking product enhancement so as to add extra value to existing client base. Simultaneously, more effort has been put on widening the client base, specifically targeting non-financial institutional clients.

To better cope with our business strategy, we have renamed the department as “Institutions Department”.

Credit Card Business

We managed to further grow our Credit Card business in the first half of 2009. The average monthly turnover, against the climate of declining consumer spending, still recorded a marginal growth over the same period last year. Both interest revenue and fee income had increased. The revenue growth, which was even higher than the growth in average monthly turnover, was due to our effort in increasing the revenue margins brought by the adjustment of the revolving interest rate on selected customer segments and the promotion of the high-margin card products such as Platinum and Titanium Cards. The merchant business also grew by approximately 40%. However, as a result of the financial crisis, we are more cautious in our new card approval process and customers also become more cautious in drawing revolving credit. That led to a slight drop in the monthly outstanding balance. On the other hand, our loan provision increased as result of the upsurge of bankruptcy and unemployment rates in Hong Kong.

Chinese Mercantile Bank

During the first half of 2009, Chinese Mercantile Bank (“CMB”) faced severe competition due to the aggressive loan growth strategy of other domestic banks in Mainland China. These led to a decline in both the size of its loan portfolio and overall profitability. According to Hong Kong Accounting Standards, CMB’s net profit declined by HK\$39 million or 33% to HK\$79 million for the first six months of 2009, as compared to HK\$118 million for the corresponding period in 2008. Net interest income decreased by HK\$30 million or 21% to HK\$115 million for the first six months of 2009, as compared to HK\$145 million for the corresponding period in 2008. Net fee and commission income increased by HK\$6 million or 30% to HK\$26 million for the first six months of 2009, as compared to HK\$20 million for the corresponding period in 2008. Total assets of CMB was HK\$7,946 million as at 30 June 2009, representing a decrease of 25% as compared to the end of 2008. Total customers’ loan and deposit balance as at 30 June 2009 amounted to HK\$5,978 million and HK\$2,539 million respectively, representing a decrease of 32% and 40% respectively over the corresponding balances as at the end of 2008.

CMB opened its Guangzhou Branch on 9 January 2009, which is its first branch office operates outside Shenzhen City. Furthermore, the registered capital of CMB has also been increased to RMB1.65 billion after the injection of additional capital in early 2009.

In July 2009, CMB obtained an approval to become one of the pilot commercial banks in Shenzhen City that carry out RMB cross-border trade settlement business, which presents an opportunity for ICBC (Asia) and CMB to expand their business in international settlement and trade financing and to provide more comprehensive and sound financial services for prime customers in Hong Kong and Mainland China.

Compliance with Code on Corporate Governance Practices

The Bank is committed to maintaining high standards of corporate governance practices and also follows the module set out in the Supervisory Policy Manual entitled “Corporate Governance of Locally Incorporated Authorized Institutions” issued by the Hong Kong Monetary Authority on 21 September 2001.

In the opinion of the Board, the Bank has complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the six months ended 30 June 2009, except for the following deviations: -

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The Non-executive Directors and the Independent Non-executive Directors of the Bank are not appointed for specific term but subject to the retirement by rotation and re-election at the annual general meetings in accordance with the Bank’s Articles of Association.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

The Chairman of the Bank was unable to attend the annual general meeting of the Bank held on 22 May 2009 due to other important business engagements. Nonetheless, the members of the Board (including the Chairman or the Alternate Chairman or the respective members of each of the Audit, Remuneration and Nomination Committees) attended the above annual general meeting to answer questions from shareholders.

The Bank considered that sufficient measures have been taken to ensure that the Bank’s corporate governance practices are no less exacting than those in the code provisions as set out in the Code, details of which were set out in the Corporate Governance Report of the Bank’s 2008 Annual Report.

Purchase, Sale or Redemption of the Bank's Listed Securities

During the period, the Bank has not redeemed any of its listed securities. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's listed securities.

Interim Financial Information

The Audit Committee of the Bank has reviewed the results for the six months ended 30 June 2009 of the Group. The financial information in this interim results announcement is unaudited and does not constitute statutory accounts.

On behalf of the Board
Industrial and Commercial Bank of China (Asia) Limited
Dr. Jiang Jianqing
Chairman

Hong Kong, 17 August 2009

As at the date of this announcement, the Board comprises Mr. Chen Aiping, Mr. Wong Yuen Fai and Mr. Zhang Yi as Executive Directors, Dr. Jiang Jianqing, Ms. Wang Lili and Mr. Hu Hao as Non-Executive Directors and Professor Wong Yue Chim, Richard, S.B.S., J.P., Mr. Tsui Yiu Wa, Alec and Mr. Yuen Kam Ho, George as Independent Non-Executive Directors.