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中國工商銀行股份有限公司

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**

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

**(Stock Code: 1398)**

## **2010 ANNUAL RESULTS ANNOUNCEMENT**

The Board of Directors of Industrial and Commercial Bank of China Limited is pleased to announce the annual audited results of the Bank and its subsidiaries for the year ended 31 December 2010. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the annual audited results.

### **1. Important Notice**

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Industrial and Commercial Bank of China Limited undertake that the information in this announcement contains no false record, misleading statement or material omission, and assume individual and joint and several liabilities to the authenticity, accuracy and completeness of the information in this announcement.

The 2010 Annual Report of the Bank and the results announcement have been considered and approved at the meeting of the Board of Directors of the Bank held on 30 March 2011. All directors were present at the meeting.

The 2010 financial statements prepared by the Bank in accordance with generally accepted accounting principles in the PRC ("PRC GAAP") and International Financial Reporting Standards ("IFRSs") have been audited by Ernst & Young Hua Ming and Ernst & Young in accordance with Chinese and International Standards on Audit respectively, with standard unqualified auditors' reports being issued.

**The Board of Directors of Industrial and Commercial Bank of China Limited**

30 March 2011

Mr. Jiang Jianqing, Legal Representative of the Bank, Mr. Yang Kaisheng, President in charge of finance of the Bank, and Mr. Shen Rujun, General Manager of the Finance and Accounting Department of the Bank, hereby warrant and guarantee that the financial statements contained in the Annual Report are authentic and complete.

## 2. Corporate Information

### 2.1 Basic Information

Stock name	工商銀行 (A Share)	ICBC (H Share)
Stock code	601398	1398
Stock exchange on which shares are listed	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Registered address and office address	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC	
Postal code	100140	
Website	www.icbc.com.cn, www.icbc-ltd.com	
E-mail	ir@icbc.com.cn	

### 2.2 Contact

#### Board Secretary and Company Secretary

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## 3. Financial Highlights

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

### 3.1 Financial Data

	2010	2009	2008	2007	2006
<b>Annual operating results</b>					
<b>(in RMB millions)</b>					
Net interest income	<b>303,749</b>	245,821	263,037	224,465	163,542
Net fee and commission income	<b>72,840</b>	55,147	44,002	38,359	16,344
Operating income	<b>380,748</b>	309,411	310,195	257,428	181,638
Operating expenses	<b>139,480</b>	120,819	111,335	104,660	77,397
Impairment losses	<b>27,988</b>	23,285	55,462	37,406	32,189
Operating profit	<b>213,280</b>	165,307	143,398	115,362	72,052
Profit before tax	<b>215,426</b>	167,294	145,376	115,378	72,065
Net profit	<b>166,025</b>	129,396	111,226	82,254	49,880
Net profit attributable to equity holders of the parent company	<b>165,156</b>	128,645	110,841	81,520	49,263
Net cash flows from operating activities	<b>278,176</b>	403,862	370,913	296,129	382,271
<b>As at the end of reporting period (in RMB millions)</b>					
Total assets	<b>13,458,622</b>	11,785,053	9,757,146	8,683,712	7,508,751
Total loans and advances to customers	<b>6,790,506</b>	5,728,626	4,571,994	4,073,229	3,631,171
Allowance for impairment losses on loans	<b>167,134</b>	145,452	135,983	115,687	97,193
Net investment in securities	<b>3,732,268</b>	3,599,173	3,048,310	3,107,328	2,860,798
Total liabilities	<b>12,636,965</b>	11,106,119	9,150,516	8,140,036	7,037,750
Due to customers	<b>11,145,557</b>	9,771,277	8,223,446	6,898,413	6,326,390
Due to banks and other financial institutions	<b>1,048,002</b>	1,001,634	646,254	805,174	400,318
Equity attributable to equity holders of the parent company	<b>820,430</b>	673,893	602,675	538,371	466,464
Net capital base	<b>872,373</b>	731,956	620,033	576,741	530,805
Net core capital base	<b>709,193</b>	586,431	510,549	484,085	462,019
Supplementary capital	<b>174,505</b>	172,994	121,998	94,648	69,650
Risk-weighted assets <sup>(1)</sup>	<b>7,112,357</b>	5,921,330	4,748,893	4,405,345	3,779,170
<b>Per share data</b>					
<b>(in RMB yuan)</b>					
Net assets per share <sup>(2)</sup>	<b>2.35</b>	2.02	1.80	1.61	1.40
Basic earnings per share <sup>(3)</sup>	<b>0.48</b>	0.38	0.33	0.24	0.17
Diluted earnings per share <sup>(3)</sup>	<b>0.48</b>	0.38	0.33	0.24	0.17
Net cash flows per share from operating activities	<b>0.80</b>	1.21	1.11	0.89	1.14
<b>Credit rating</b>					
S&P <sup>(4)</sup>	<b>A/Stable</b>	A-/Positive	A-/Positive	A-/Positive	BBB+/Positive
Moody's <sup>(4)</sup>	<b>A1/Stable</b>	A1/Positive	A1/Stable	A1/Stable	A2/Positive

Notes: (1) Being risk-weighted assets and market risk capital adjustment. Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio”.

(2) Calculated by dividing equity attributable to equity holders of the parent company at the end of the reporting period by the number of shares issued at the end of the reporting period.

(3) In consideration of the rights issue in 2010, the data of 2009 and the prior years were restated.

(4) The rating results are in form of "long-term foreign currency deposits rating/outlook".

### 3.2 Financial Indicators

	2010	2009	2008	2007	2006
<b>Profitability (%)</b>					
Return on average total assets <sup>(1)</sup>	1.32	1.20	1.21	1.02	0.71
Return on weighted average equity <sup>(2)</sup>	22.79	20.15	19.43	16.23	15.37
Net interest spread <sup>(3)</sup>	2.35	2.16	2.80	2.67	2.32
Net interest margin <sup>(4)</sup>	2.44	2.26	2.95	2.80	2.41
Return on risk-weighted assets <sup>(5)</sup>	2.55	2.43	2.43	2.01	1.44
Ratio of net fee and commission income to operating income	19.13	17.82	14.19	14.90	9.00
Cost-to-income ratio <sup>(6)</sup>	<u>30.99</u>	<u>33.18</u>	<u>29.84</u>	<u>35.02</u>	<u>36.32</u>
<b>Asset quality (%)</b>					
Non-performing loans (“NPL”) ratio <sup>(7)</sup>	1.08	1.54	2.29	2.74	3.79
Allowance to NPL <sup>(8)</sup>	228.20	164.41	130.15	103.50	70.56
Allowance to total loans ratio <sup>(9)</sup>	<u>2.46</u>	<u>2.54</u>	<u>2.97</u>	<u>2.84</u>	<u>2.68</u>
<b>Capital adequacy (%)</b>					
Core capital adequacy ratio <sup>(10)</sup>	9.97	9.90	10.75	10.99	12.23
Capital adequacy ratio <sup>(10)</sup>	12.27	12.36	13.06	13.09	14.05
Total equity to total assets ratio	6.11	5.76	6.22	6.26	6.27
Risk-weighted assets to total assets ratio	<u>52.85</u>	<u>50.24</u>	<u>48.67</u>	<u>50.73</u>	<u>50.33</u>

- Notes:*
- (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.
  - (2) Calculated by dividing profit attributable to equity holders of the parent company by the weighted average balance of equity attributable to equity holders of the parent company, which is calculated in accordance with the “Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)” issued by China Securities Regulatory Commission (“CSRC”).
  - (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
  - (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
  - (5) Calculated by dividing net profit by the average balance of risk-weighted assets and adjustment to market-risk capitals at the beginning and at the end of the reporting period.
  - (6) Calculated by dividing operating expense (less business tax and surcharges) by operating income.
  - (7) Calculated by dividing the balance of NPL by total balance of loans and advances to customers.
  - (8) Calculated by dividing allowance for impairment losses on loans and advances by total balance of NPL.
  - (9) Calculated by dividing allowance for impairment losses on loans and advances by total balance of loans and advances to customers.
  - (10) Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio”.

### **3.3 Illustration of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP**

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, profit for the year attributable to equity holders of the parent company for the year ended 31 December 2010 and equity attributable to equity holders of the parent company as at 31 December 2010 have no differences.

### 3.4 Movement of Financial Instruments Measured at Fair Value and the Effect on Profit or Loss

The following table is prepared pursuant to the format prescribed by CSRC in the “No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report” (Revision 2007).

#### MOVEMENT OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

*In RMB millions*

Item	Balance at the beginning of the year	Balance at the end of the year	Changes in current year	Effects on profit for the year
Financial assets at fair value through profit or loss	20,147	12,986	(7,161)	125
Available-for-sale financial assets	948,020	902,736	(45,284)	394
Derivative financial assets	5,758	13,332	7,574	7,574
<b>Total financial assets</b>	<u>973,925</u>	<u>929,054</u>	<u>(44,871)</u>	<u>8,093</u>
Financial liabilities at fair value through profit or loss	(15,831)	(6,670)	9,161	(2)
Derivative financial liabilities	(7,773)	(10,564)	(2,791)	(2,791)
<b>Total financial liabilities</b>	<u>(23,604)</u>	<u>(17,234)</u>	<u>6,370</u>	<u>(2,793)</u>

## 4. Business Review

In 2010, ICBC continued adopting its prudent business philosophy and further overcame the influences of the global financial crisis. The Bank maintained a healthy and stable development trend in an ever-changing and complicated environment. The healthy momentum was mainly reflected in the following five aspects.

Profit growth sustainability was enhanced through the transformation of development mode. Last year, ICBC achieved a net profit of RMB166,025 million, up 28.3% and representing a growth rate of 12.0 percentage points higher over the previous year. The sustained and rapid growth of profits had largely benefited from the transformation of its development mode. By making active efforts to optimize its asset and liability structure, refine interest rate management, and intensify investment management, ICBC succeeded in making its net interest margin (NIM) rebound by 18 basis points compared to that of last year. It is even more pleasing to note that the ratio of the Bank's net fee and commission income to total operating income rose by 1.31 percentage points to 19.13%. The traditional profit mode focusing on the interest spread between deposits and loans has transformed to a larger extent, and the sustainability of profit growth was further enhanced.

The sustainable development of credit business and the transformation of business development mode were promoted by the optimization of credit structure. Over the past year, ICBC further aligned its credit strategies to complement national macroeconomic policies, actively pushed forward the adjustment of its credit structure while rationally regulating the total amount and pace of lending, and made great efforts to promote economic restructuring and the transformation of its development mode by taking advantage of its credit leverage. Last year, RMB-denominated loans of domestic operations of ICBC increased by RMB898,095 million, up 16.9%, but within target levels. 95% of new project loans last year were invested in projects under construction and continuing projects. Loans granted to key industries supported by the State, strategic emerging industries and green industries for energy-saving and emission-reduction increased substantially. Financial services for SMEs (small and medium-sized enterprises) were further improved. New loans to SMEs accounted for 55% of the total increment of corporate loans. Growth rate of loans to small enterprises reached 51%. The national policy guidance of expanding consumption to promote economic development was actively followed and implemented. The increment of personal loans accounted for 40% of the total increment of loans. Active efforts were made to facilitate the implementation of the regional development strategies made by the State. Differentiated regional credit policies were launched to support major regional projects that were in line with local planning for industrial development and key customers in relevant industries.

Competitiveness and development of all businesses were promoted by seizing opportunities. ICBC paid close attention to making in-depth studies over the adjustment and development trends of the banking industry after the global financial crisis, actively grasped market opportunities and favorable conditions, and vigorously pushed forward the development of capital saving fee-based business and emerging businesses while promoting the stable development of traditional businesses. The balanced and multi-layered features of the Bank's business development became increasingly prominent. Last year, RMB deposits in ICBC increased by RMB1.33 trillion, exceeding RMB1 trillion for the third consecutive year and maintaining ICBC's status as the world's top bank in terms of deposit. It consolidated and expanded its market leading advantages in most emerging business areas. Of which, it issued 63.66 million credit cards, becoming the world's fourth largest bank in terms of credit cards issuance; the volume of E-banking transactions reached RMB249 trillion and E-banking business accounted for 59.1% of the Bank's total businesses, up another 9.0 percentage points over the previous year, meaning that nearly 60% of ICBC's businesses were carried out through E-banking.

Business vitality was stimulated by deepening reform and innovation. ICBC took the acceleration of the reform of and innovations in key areas and processes as the fundamental means of stimulating its development vitality and addressing development difficulties. Over the past year, it took the lead in setting up the Centralized Fund Management System and further promoted central and simplified operation of funds. The Bank launched pilot reforms of profit centers in four major fields, namely financial markets, assets fiduciary, precious metal business and bill business, and the specialized operation advantages of product lines became increasingly noticeable. The Bank also advanced such back-office centralization reforms as central processing of remote authorisation, centralized management of books and records and putting in place a documents center, thereby promoting management efficiency and service quality, as well as allowing the transfer of tens of thousands of employees from middle and

back offices to front office and marketing posts, optimizing human resources allocation. It initiated the business department management reform of ICBC branches at provincial levels, expanded the coverage of the reform of sub-branches at county level, and improved its ability to provide financial services in large and medium-sized cities and key county areas, and the ability to develop competitively. It stepped up technical and products innovation, and launched a large number of technical applications and new products, increasing the Bank's total number of products to 2,815, up 19%, better meeting customer demands and forming a new competitive advantage.

The steady operation and healthy development of ICBC were ensured by enhancing risk management. In an ever-changing business environment, ICBC has always paid equal attention to business development and risk control. In particular, in respect of credit business, it carefully and thoroughly implemented the requirements of "Three Measures and One Guide", focused on controlling the risks involved in loans to local government financing platforms, real estate sector and industries of high pollution, high energy consumption, and those with excessive production capacity. The Bank advanced its efforts in mitigating risks involved in loans with cross guarantees and terminating loans with hidden risks, so that the quality of the Bank's credit assets remained stable. Last year, both the balance of NPL and NPL ratio of ICBC declined for the 11th consecutive year, of which, the NPL ratio fell to 1.08%. ICBC has always adhered to prudent provision policy resulting in a continual enhancement and preservation of the level of provision. As at the end of last year, the allowance to NPL increased to 228.20%, up 63.79 percentage points over the last year. Its capability of resisting risks was further enhanced. Following the unified planning of regulatory authorities and taking into account its own circumstances, ICBC carried out activities surrounding the Implementation Year of Internal Control and Case Prevention System, and effectively intensified the inspection and rectification of areas that are vulnerable to cases and irregularities. The Bank has maintained the number of internal control cases at a low level over the years.

The year 2011 marks the start of the Twelfth Five-Year Plan in China, where opportunities and challenges co-exist. ICBC will accurately assess new changes in its external environment, vigorously adjust and optimize its operational structure by upholding the theme of scientific development and adhering to the transformation of its development mode. The Bank will further deepen its institutional reform, accelerate the improvement of its innovation and service levels, and comprehensively enhance risk management and internal control. It will strive to strengthen its core competitiveness and capability of sustainable development and take solid steps towards its goal of establishing itself as a bank with the best profitability, performance and prestige.

## **5. Discussion and Analysis**

### **5.1 Income Statement Analysis**

In 2010, faced with complicated external environment and increasingly fierce competition, the Bank proactively seized market opportunities and continued to push forward structural adjustment and transformation of its development mode. Further, the Bank accelerated product innovation and market expansion, continuously promoted the diversification of income structure, perfected risk management and strictly controlled cost, leading to a continuous



increase in the Bank's profitability. The Bank realized a net profit of RMB166,025 million, representing an increase of RMB36,629 million or 28.3%, and return on weighted average equity increased by 2.64 percentage points to 22.79%. Operating income amounted to RMB380,748 million, representing an increase of 23.1%. Driven by the continuous increase of interest-generating assets and further recovery of the net interest margin, net interest income was RMB303,749 million, representing an increase of 23.6%. Non-interest income reached RMB76,999 million, representing an increase of 21.1%, of which fee and commission income increased by 32.1%. Operating expenses amounted to RMB139,480 million, representing an increase of 15.4%, and the cost-to-income ratio decreased by 2.19 percentage points to 30.99%. Allowance for impairment losses was RMB27,988 million, representing an increase of 20.2%. Income tax expense increased by RMB11,503 million or 30.4% to RMB49,401 million.

### **Net Interest Income**

The Bank proactively coped with changes in economic and financial situations domestically and globally, seized market opportunities, managed its lending appropriately, optimized its credit resources allocation, adjusted its investment strategies timely, and optimized its investment portfolio structure. Meanwhile, the Bank took various measures to proactively expand low-cost liability business and achieved a relatively rapid growth in net interest income. In 2010, net interest income increased by RMB57,928 million or 23.6% to RMB303,749 million, accounting for 79.8% of the Bank's operating income. Interest income increased by RMB56,884 million or 14.0% to RMB462,762 million, and interest expenses declined by RMB1,044 million or 0.7% to RMB159,013 million.

The table below sets out the average balance of interest-generating assets and interest-bearing liabilities, interest income and expense, as well as average yield and average cost, respectively.

*In RMB millions, except for percentages*

Item	Year ended 31 December 2010			Year ended 31 December 2009		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
<b>Assets</b>						
Loans and advances to customers	6,337,266	316,126	4.99	5,318,554	277,139	5.21
Investment in securities	3,652,316	106,611	2.92	3,183,562	96,230	3.02
Investment in securities not related to restructuring	3,032,674	93,197	3.07	2,227,043	75,294	3.38
Investment in securities related to restructuring <sup>(2)</sup>	619,642	13,414	2.16	956,519	20,936	2.19
Due from central banks	1,839,062	28,718	1.56	1,519,055	23,361	1.54
Due from banks and other financial institutions <sup>(3)</sup>	603,227	11,307	1.87	837,673	9,148	1.09
<b>Total interest-generating assets</b>	<b>12,431,871</b>	<b>462,762</b>	<b>3.72</b>	<b>10,858,844</b>	<b>405,878</b>	<b>3.74</b>
Non-interest-bearing assets	509,132			438,737		
Allowance for impairment losses	(161,292)			(145,825)		
<b>Total assets</b>	<b>12,779,711</b>			<b>11,151,756</b>		
<b>Liabilities</b>						
Deposits	10,385,487	140,518	1.35	9,103,898	145,246	1.60
Due to banks and other financial institutions <sup>(3)</sup>	1,129,238	15,503	1.37	1,002,534	13,021	1.30
Bonds issued	86,375	2,992	3.46	53,087	1,790	3.37
<b>Total interest-bearing liabilities</b>	<b>11,601,100</b>	<b>159,013</b>	<b>1.37</b>	<b>10,159,519</b>	<b>160,057</b>	<b>1.58</b>
Non-interest-bearing liabilities	406,471			350,840		
<b>Total liabilities</b>	<b>12,007,571</b>			<b>10,510,359</b>		
<b>Net interest income</b>		<b>303,749</b>			<b>245,821</b>	
<b>Net interest spread</b>			<b>2.35</b>			<b>2.16</b>
<b>Net interest margin</b>			<b>2.44</b>			<b>2.26</b>

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

(2) Investment in securities related to restructuring includes Huarong bonds, special government bonds, MOF receivables and special PBOC bills.

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

- **Net Interest Spread and Net Interest Margin**

The Bank proactively took steps to continue to adjust its asset and liability structure and strengthened its interest rate pricing management, resulting in a remarkable rebound in net interest spread and net interest margin. The yield of interest-generating assets slightly declined by 2 basis points as compared to the previous year, a decline far less than the decrease of 21 basis points for the yield of interest-bearing liabilities. Net interest spread and net interest margin were 2.35% and 2.44%, increasing by 19 basis points and 18 basis points respectively as compared to the previous year.

The table below sets out the changes in the yield of interest-generating assets, cost of interest-bearing liabilities, net interest spread and net interest margin.

<b>Item</b>	<b>Year ended</b>	<b>Year ended</b>	<i>Percentages</i>
	<b>31 December</b>	<b>31 December</b>	<b>Increase/</b>
	<b>2010</b>	<b>2009</b>	<b>(decrease)</b>
			<b>(basis point)</b>
Yield of interest-generating assets	<b>3.72</b>	3.74	(2)
Cost of interest-bearing liabilities	<b>1.37</b>	1.58	(21)
Net interest spread	<b>2.35</b>	2.16	19
Net interest margin	<b>2.44</b>	2.26	18

### **Interest Income**

- **Interest Income on Loans and Advances to Customers**

Interest income on loans and advances to customers was RMB316,126 million, representing an increase of RMB38,987 million or 14.1%, mainly due to the growth in scale of loans and advances to customers. As a result of the growth in scale, interest income increased by RMB50,688 million. However, the decline of 22 basis points in yield led to a decrease of RMB11,701 million in interest income. Therefore, the impact of the growth in scale largely surpassed that of the decline in yield. In terms of quarterly comparison, average yield of loans and advances to customers continued to recover slightly since the second quarter.

In terms of maturity structure, the average balance of short-term loans was RMB1,704,692 million, interest income derived therefrom was RMB77,469 million, and the average yield was 4.54%. The average balance of medium to long-term loans was RMB4,632,574 million, interest income arising therefrom was RMB238,657 million, and the average yield was 5.15%.

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

*In RMB millions, except for percentages*

Item	Year ended 31 December 2010			Year ended 31 December 2009		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	4,377,715	230,183	5.26	3,698,346	213,084	5.76
Discounted bills	200,812	7,451	3.71	457,609	10,625	2.32
Personal loans	1,452,709	69,229	4.77	983,203	48,445	4.93
Overseas and others	306,030	9,263	3.03	179,396	4,985	2.78
<b>Total loans and advances to customers</b>	<b>6,337,266</b>	<b>316,126</b>	<b>4.99</b>	<b>5,318,554</b>	<b>277,139</b>	<b>5.21</b>

Interest income on corporate loans amounted to RMB230,183 million, representing an increase of 8.0% and accounting for 72.8% of total interest income on loans and advances to customers. The increase of interest income was mainly attributable to the growth in corporate loans. Average yield dropped by 50 basis points, mainly because re-pricing of stock loans with relatively high yield had started to complete in 2009, where the interest rate level applied in 2010 after re-pricing has shown a relatively larger decline as compared to 2009.

Interest income on discounted bills was RMB7,451 million, representing a decrease by 29.9%. The decrease was mainly due to a reduction by the Bank on the scale of discounted bills to support other credit businesses, leading to a relatively large decline in the average balance. Average yield rose by 139 basis points, mainly due to the significant increase in the SHIBOR-based market interest rate applied to discounted bills and the intensified bargaining and pricing capability of the Bank.

Interest income on personal loans was RMB69,229 million, representing an increase of 42.9%, mainly due to the growth in personal loans. Average yield of personal loans declined by 16 basis points, of which, average yields of major products including personal housing loans and personal consumption loans all dropped to some extent.

Interest income on overseas and other loans was RMB9,263 million, representing an increase of 85.8%, mainly due to the growth in overseas loans.

### • Interest Income on Investment in Securities

Interest income on investment in securities was RMB106,611 million, representing an increase of RMB10,381 million or 10.8%. Of which, interest income on investment in securities not related to restructuring was RMB93,197 million, representing an increase of 23.8%, mainly because the Bank appropriately increased the investment in central bank bills, policy bank bonds and quality corporate bonds, which results in a rapid increase in the average balance. Average yield of investment in securities not related to restructuring decreased by 31 basis points, mainly because market interest rate was still at a low level and the yield for new RMB-denominated bonds was lower than that of our existing bond portfolio built up in prior years.

Interest income on investment in securities related to restructuring decreased by RMB7,522 million or 35.9% to RMB13,414 million, mainly because: (1) non-negotiable special PBOC bills with face value of RMB430,465 million had matured and were repaid in June 2010; and (2) MOF receivables were paid off in the first quarter of 2010.

- **Interest Income on Due From Central Banks**

Due from central banks mainly includes the mandatory reserves with central banks and the surplus reserves with central banks. Interest income on due from central banks was RMB28,718 million, representing an increase of RMB5,357 million or 22.9%. The increase in interest income was mainly because: (1) growth in the deposits from customers, together with PBOC's increase in the interest rate for mandatory reserves for six times in 2010, have led to the growth in mandatory reserves; and (2) average yield rose by 2 basis points, as a result of the Bank's continuous improvement in its liquidity management, and the decline in the proportion of surplus reserves with relatively lower interest rate within the amount due from central banks.

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

Interest income on due from banks and other financial institutions was RMB11,307 million, representing an increase of RMB2,159 million or 23.6%, mainly because the Bank proactively seized the favorable market opportunity that the average level of domestic money market interest rate increased largely in 2010, and enhanced its pricing levels, resulting in the increase of 78 basis points in the average yield of due from banks and other financial institutions.

## **Interest Expense**

- **Interest Expense on Deposits**

Interest expense on deposits amounted to RMB140,518 million, representing a decrease of RMB4,728 million or 3.3%, and accounted for 88.4% of total interest expense. The decrease in interest expense on deposits was mainly attributed to the decrease in the average cost from 1.60% in the previous year to 1.35%. The decrease in average cost was mainly because: (1) the Bank proactively adjusted its deposit term structure and customer structure, improved its internal and external interest rate pricing mechanism and expanded low-interest deposit sources. In terms of term structure, the proportion of average daily balance in demand deposits rose by 2.6 percentage points, and in terms of customer structure, the proportion of average daily balance in corporate deposits with lower cost increased by 1.0 percentage point; and (2) some of time deposits with higher interest rate matured.

## ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

*In RMB millions, except for percentages*

Item	Year ended 31 December 2010			Year ended 31 December 2009		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Time deposits	1,869,683	40,330	2.16	1,618,171	39,705	2.45
Demand deposits <sup>(1)</sup>	<u>3,403,001</u>	<u>21,595</u>	<u>0.63</u>	<u>2,911,786</u>	<u>18,456</u>	<u>0.63</u>
<b>Sub-total</b>	<u>5,272,684</u>	<u>61,925</u>	<u>1.17</u>	<u>4,529,957</u>	<u>58,161</u>	<u>1.28</u>
<b>Personal deposits</b>						
Time deposits	2,952,284	69,430	2.35	2,869,428	80,094	2.79
Demand deposits	<u>1,943,350</u>	<u>7,210</u>	<u>0.37</u>	<u>1,537,701</u>	<u>5,568</u>	<u>0.36</u>
<b>Sub-total</b>	<u>4,895,634</u>	<u>76,640</u>	<u>1.57</u>	<u>4,407,129</u>	<u>85,662</u>	<u>1.94</u>
<b>Overseas and others</b>	<u>217,169</u>	<u>1,953</u>	<u>0.90</u>	<u>166,812</u>	<u>1,423</u>	<u>0.85</u>
<b>Total deposits</b>	<u>10,385,487</u>	<u>140,518</u>	<u>1.35</u>	<u>9,103,898</u>	<u>145,246</u>	<u>1.60</u>

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

### • Interest Expense on Due to Banks and Other Financial Institutions

Interest expense on due to banks and other financial institutions was RMB15,503 million, representing an increase of RMB2,482 million or 19.1%. Although the average level of domestic money market interest rate experienced a large increase in 2010, the Bank seized the market opportunities such as those arising from funds deposited in relation to new stock issuances, vigorously developed third-party custody services, improved internal and external interest rate pricing mechanism, and proactively absorbed low-cost liabilities. As a result, the average cost of due to banks and other financial institutions only slightly increased by 7 basis points.

### • Interest Expense on Bonds Issued

Interest expense on bonds issued was RMB2,992 million, representing an increase of RMB1,202 million or 67.2%, mainly attributable to the Bank's issuance of RMB40 billion subordinated bonds and RMB25 billion A share convertible corporate bonds ("convertible bonds") in July 2009 and August 2010, respectively.

## Non-interest Income

During the reporting period, non-interest income increased by RMB13,409 million or 21.1% from the previous year to RMB76,999 million, accounting for 20.2% of total operating income.

The Bank insisted on the implementation of diversified strategies, perfected its development mode and pricing mechanism for fee-based businesses, and broadened income sources in accordance with the market environment and changes in customer demand. Moreover, the Bank continued to solidify and expand its competitive advantages through product innovation, accelerating channel construction, continuous improvement on its services and optimization of its marketing mode. Net fee and commission income of the Bank was RMB72,840 million, representing an increase of RMB17,693 million or 32.1% as compared to the previous year, and accounted for 19.13% of total operating income, an increase of 1.31 percentage points. This implied a continuous improvement in the revenue structure, of which, income from bank card business, corporate wealth management services and assets fiduciary business achieved relatively fast growth, and income from settlement, clearing business and cash management, investment banking business, personal wealth management and private banking services, as well as guarantee and commitment business maintained steady growth. During the reporting period, income from wealth management services amounted to RMB8,682 million and income from various agency services amounted to RMB8,144 million.

## COMPOSITION OF NET FEE AND COMMISSION INCOME

*In RMB millions, except for percentages*

Item	Year ended 31 December 2010	Year ended 31 December 2009	Increase/ (decrease)	Growth rate (%)
Settlement, clearing business and cash management	19,160	14,587	4,573	31.3
Investment banking business	15,506	12,539	2,967	23.7
Personal wealth management and private banking services	14,858	12,059	2,799	23.2
Bank card business	13,687	9,408	4,279	45.5
Corporate wealth management services	6,886	4,442	2,444	55.0
Assets fiduciary business	3,385	2,212	1,173	53.0
Guarantee and commitment business	3,029	2,396	633	26.4
Trust and agency services	979	882	97	11.0
Others	518	517	1	0.2
<b>Fee and commission income</b>	<b>78,008</b>	<b>59,042</b>	<b>18,966</b>	<b>32.1</b>
<b>Less: Fee and commission expense</b>	<b>5,168</b>	<b>3,895</b>	<b>1,273</b>	<b>32.7</b>
<b>Net fee and commission income</b>	<b>72,840</b>	<b>55,147</b>	<b>17,693</b>	<b>32.1</b>

Income from settlement, clearing business and cash management business was RMB19,160 million, representing an increase of RMB4,573 million or 31.3% as compared to the previous year, mainly due to the continuous growth in fee income relating to RMB settlement and trade finance as well as the recovery of commissioned foreign exchange trading and settlement and sales business.

Income from investment banking business increased by RMB2,967 million or 23.7% to RMB15,506 million, mainly attributable to stable growth in corporate information service, investment and financing advisory services, syndicated loan services and other services while realizing rapid growth in income in respect of new businesses including restructuring and merger, asset transfer and transaction, and leading bank of private equity funds.

Income from personal wealth management and private banking business was RMB14,858 million, representing an increase of RMB2,799 million or 23.2%. This was mainly due to the sustainable growth of income from personal wealth management products and insurance products agency services, as well as rapid growth in income in respect of private banking business and personal precious metal business.

Income from bank card business increased by RMB4,279 million or 45.5% to RMB13,687 million, mainly due to the notable increase in relevant fee income driven by rapid development of bank card installment repayment business, as well as the growth in bank card consumption, which raised the consumption rebate income and settlement fee.

Income from corporate wealth management services amounted to RMB6,886 million, representing an increase of RMB2,444 million or 55.0%. The increase was mainly due to the significant increase in product promotion fee, investment management fee and commission income resulted from the growth in the sales volume of corporate wealth management products and also the relatively rapid growth in agency precious metal business.

Income from assets fiduciary business increased by RMB1,173 million or 53.0% to RMB3,385 million, mainly attributable to rapid growth in income from fiduciary business of receipts and payments accounts.

Income from guarantee and commitment business was RMB3,029 million, representing an increase of RMB633 million or 26.4%, which was mainly resulted from the development of loan commitment and external guarantee businesses.



## OTHER NON-INTEREST RELATED GAIN

*In RMB millions, except for percentages*

Item	Year	Year	Increase/ (decrease)	Growth rate (%)
	ended 31 December 2010	ended 31 December 2009		
Net trading expense	(476)	(75)	(401)	N/A
Net loss on financial assets and liabilities designated at fair value through profit or loss	(217)	(129)	(88)	N/A
Net gain on financial investments	1,009	7,339	(6,330)	(86.3)
Other operating income, net	3,843	1,308	2,535	193.8
<b>Total</b>	<b>4,159</b>	<b>8,443</b>	<b>(4,284)</b>	<b>(50.7)</b>

Other non-interest income was RMB4,159 million, representing a decrease of RMB4,284 million as compared to the previous year, mainly resulted from the decrease of RMB6,330 million in net gain on financial investments.

### Operating Expenses

Operating expenses were RMB139,480 million, representing an increase of RMB18,661 million or 15.4% as compared to the previous year, mainly due to increased investment in advancing the construction of service channels and promoting the development of its businesses. Cost-to-income ratio was 30.99%, maintaining at a reasonable level.

### Impairment Losses

Impairment losses on assets increased by RMB4,703 million or 20.2% to RMB27,988 million, of which, impairment losses on loans and advances to customers increased by RMB6,206 million to RMB27,888 million, mainly because the Bank adhered to sound and prudent provisioning policy to continue to enhance its capability of resisting risks, and collectively assessed impairment losses increased by RMB7,578 million; meanwhile, the Bank strictly prevent and control risk to gradually upgrade the quality of loans, and individually assessed impairment losses decreased by RMB1,372 million as compared to the previous year. Impairment losses on other assets decreased by RMB1,503 million to RMB100 million, which was mainly due to the reversal of impairment losses on bonds as a result of the repayment upon maturity or the disposal of certain impaired foreign currency-denominated bonds.

### Income Tax Expense

Income tax expense increased by RMB11,503 million or 30.4% from the previous year to RMB49,401 million. The effective tax rate was 22.9%. The effective tax rate was lower than the statutory tax rate mainly because the interest income arising from PRC government bonds held by the Bank is exempt from income tax under the tax law.

## 5.2 Segment Information

The Bank's principal operating segments are corporate banking, personal banking and treasury operations. The Bank adopts the Performance Value Management System (PVMS) to evaluate the performance of each of its operating segments.

### SUMMARY OPERATING SEGMENT INFORMATION

*In RMB millions, except for percentages*

Item	Year ended 31 December 2010		Year ended 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	204,761	53.8	166,157	53.7
Personal banking	111,620	29.3	93,114	30.1
Treasury operations	61,103	16.0	48,727	15.7
Others	3,264	0.9	1,413	0.5
<b>Total operating income</b>	<b>380,748</b>	<b>100.0</b>	<b>309,411</b>	<b>100.0</b>

### SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

*In RMB millions, except for percentages*

Item	Year ended 31 December 2010		Year ended 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	15,817	4.2	24,903	8.0
Yangtze River Delta	85,168	22.4	68,446	22.1
Pearl River Delta	54,918	14.4	43,551	14.1
Bohai Rim	80,036	21.0	63,568	20.6
Central China	51,557	13.5	39,062	12.6
Western China	58,728	15.4	47,605	15.4
Northeastern China	23,154	6.1	13,554	4.4
Overseas and others	11,370	3.0	8,722	2.8
<b>Total operating income</b>	<b>380,748</b>	<b>100.0</b>	<b>309,411</b>	<b>100.0</b>

## 5.3 Balance Sheet Analysis

### Assets Deployment

As at the end of 2010, total assets of the Bank was RMB13,458,622 million, representing an increase of RMB1,673,569 million or 14.2% from the end of the previous year, of which total loans and advances to customers (collectively referred to as “loans”) increased by RMB1,061,880 million or 18.5%, net investment in securities increased by RMB133,095 million or 3.7%, and cash and balances with central banks increased by RMB589,951 million or 34.8%. In terms of structure, net loans accounted for 49.2% of total assets, representing an increase of 1.8 percentage points from the end of the previous year; net investment in securities accounted for 27.7%, representing a decrease of 2.8 percentage points; and cash and balances with central banks accounted for 17.0%, representing an increase of 2.6 percentage points.

### ASSETS DEPLOYMENT

*In RMB millions, except for percentages*

Item	At 31 December 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	6,790,506	—	5,728,626	—
Less: Allowance for impairment losses on loans	167,134	—	145,452	—
Loans and advances to customers, net	6,623,372	49.2	5,583,174	47.4
Investment in securities, net	3,732,268	27.7	3,599,173	30.5
Cash and balances with central banks	2,282,999	17.0	1,693,048	14.4
Due from banks and other financial institutions, net	248,860	1.8	235,301	2.0
Reverse repurchase agreements	262,227	2.0	408,826	3.5
Others	308,896	2.3	265,531	2.2
<b>Total assets</b>	<b>13,458,622</b>	<b>100.0</b>	<b>11,785,053</b>	<b>100.0</b>

### Loans

In 2010, the Bank appropriately managed lending, actively adjusted credit structure, optimized credit resource allocation and promoted coordinated development of regional credit pursuant to national macroeconomic policies and real economy development needs. The Bank continued to support key projects under construction and continuing projects which comply with the orientation of national industrial policies, actively bolstered the development of strategic emerging industries, sustained development of green industries including energy-saving and emission-reduction, recycling economy and environmental protection industries, supported credit and trade finance needs of small enterprises, and vigorously expanded

quality personal loan market to support the rational demand of residents' consumption and to maintain a stable and appropriate level of lending. As at the end of 2010, loans amounted to RMB6,790,506 million, representing an increase of RMB1,061,880 million or 18.5% from the end of the previous year, of which, RMB-denominated loans of domestic operations increased by RMB898,095 million or 16.9%, and the growth rate fell by 7.3 percentage points as compared to the previous year and was 3.0 percentage points lower than that of all domestic financial institutions.

## DISTRIBUTION OF LOANS BY BUSINESS LINE

*In RMB millions, except for percentages*

Item	At 31 December 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Loans of domestic operations</b>	<b>6,450,670</b>	<b>95.0</b>	5,494,428	95.9
Corporate loans	4,700,343	69.2	3,957,786	69.1
Discounted bills	117,135	1.7	329,792	5.7
Personal loans	1,633,192	24.1	1,206,850	21.1
<b>Overseas and others</b>	<b>339,836</b>	<b>5.0</b>	234,198	4.1
<b>Total</b>	<b>6,790,506</b>	<b>100.0</b>	5,728,626	100.0

Corporate loans increased by RMB742,557 million or 18.8%. In terms of maturity, short-term corporate loans increased by RMB159,689 million or 13.4%; medium to long-term corporate loans increased by RMB582,868 million or 21.1%. In terms of product type, working capital loans increased by RMB249,136 million or 19.7%, of which, trade finance increased by RMB177,376 million or 57.0%, mainly because the Bank continued to earnestly push forward the development of its trade finance business, intensified the allocation and transformation of general working capital loans and further optimized the structure of working capital loans; project loans increased by RMB404,200 million or 17.9%, mainly attributable to credit support provided to projects under construction and continuing projects at an early stage to ensure the successful completion of key construction projects; and property loans increased by RMB89,221 million or 20.4%, representing a growth rate which is 7.4 percentage points lower than that of the previous year.

Discounted bills decreased by RMB212,657 million or 64.5%, mainly because the Bank actively adjusted the scale of discounted bill business with relatively low yield in accordance with the status of lending of the Bank and the demand in credit market, in a order to realize the balanced disbursement of loans and meet the revenue target.

Personal loans increased by RMB426,342 million or 35.3%, and accounted for 24.1% of the loans, representing an increase of 3.0 percentage points from the end of the previous year. This is mainly because the Bank timely adjusted and improved the personal credit policy in strict adherence to the national policy to boost domestic demand and in light of the changes in demand in the personal credit market. The Bank accelerated market expansion and product

innovation, supported the rational demand for loans relating to personal housing, consumption and business, and promoted the optimization and adjustment of the personal loan structure. Personal housing loans increased by RMB215,851 million or 24.7%; personal consumption loans increased by RMB109,930 million or 69.7%; personal business loans increased by RMB45,876 million or 33.2%; and credit card overdrafts increased by RMB54,685 million or 148.3%, mainly due to the rapid development of credit card installment repayment business.

## DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

*In RMB millions, except for percentages*

Item	At 31 December 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	<b>6,489,450</b>	<b>95.57</b>	5,411,226	94.46
Special mention	<b>227,815</b>	<b>3.35</b>	228,933	4.00
Non-performing loans	<b>73,241</b>	<b>1.08</b>	88,467	1.54
Substandard	<b>18,932</b>	<b>0.28</b>	31,842	0.55
Doubtful	<b>41,765</b>	<b>0.62</b>	43,413	0.76
Loss	<b>12,544</b>	<b>0.18</b>	13,212	0.23
<b>Total</b>	<b><u>6,790,506</u></b>	<b><u>100.00</u></b>	<b><u>5,728,626</u></b>	<b><u>100.00</u></b>

Loan quality continued to improve. As at the end of 2010, according to the five-tier classification, pass loans amounted to RMB6,489,450 million, representing an increase of RMB1,078,224 million from the end of the previous year and accounting for 95.57% of total loans, up 1.11 percentage points. Special mention loans stood at RMB227,815 million, representing a decrease of RMB1,118 million and accounting for 3.35% of total loans, down 0.65 percentage point. Outstanding NPLs amounted to RMB73,241 million, down RMB15,226 million, and the NPL ratio was 1.08%, down 0.46 percentage point, continuing on the downtrend in both NPL balance and NPL ratio. This is mainly attributable to the Bank's intensified multifaceted efforts, including strengthening the monitoring and termination of loans with potential risk factors and accelerating NPL collection and disposal through cash recovery, write-off of bad debts, debt repayment in kind, restructuring and conversion and other methods.

## DISTRIBUTION OF LOANS AND NPLs BY BUSINESS LINE

*In RMB millions, except for percentages*

Item	At 31 December 2010				At 31 December 2009			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Corporate loans	4,700,343	69.2	61,610	1.31	3,957,786	69.1	76,792	1.94
Discounted bills	117,135	1.7	—	—	329,792	5.7	—	—
Personal loans	1,633,192	24.1	9,656	0.59	1,206,850	21.1	10,029	0.83
Overseas and others	339,836	5.0	1,975	0.58	234,198	4.1	1,646	0.70
<b>Total</b>	<b>6,790,506</b>	<b>100.0</b>	<b>73,241</b>	<b>1.08</b>	<b>5,728,626</b>	<b>100.0</b>	<b>88,467</b>	<b>1.54</b>

The balance of non-performing corporate loans stood at RMB61,610 million, down RMB15,182 million from the end of the previous year, and NPL ratio was 1.31%, down 0.63 percentage point. The balance of non-performing personal loans stood at RMB9,656 million, down RMB373 million, and NPL ratio was 0.59%, down 0.24 percentage point.

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

*In RMB millions, except for percentages*

Item	At 31 December 2010				At 31 December 2009			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Transportation, storage and postal services	990,916	21.1	9,075	0.92	800,244	20.2	11,178	1.40
Manufacturing	940,641	20.0	26,844	2.85	793,233	20.0	34,571	4.36
Chemicals	141,007	3.0	4,816	3.42	133,243	3.4	6,132	4.60
Machinery	134,355	2.8	3,004	2.24	106,198	2.7	4,680	4.41
Metal processing	114,635	2.4	1,319	1.15	95,682	2.4	1,887	1.97
Textiles and apparels	96,769	2.1	4,488	4.64	84,590	2.1	5,794	6.85
Iron and steel	92,866	2.0	973	1.05	83,816	2.1	489	0.58
Petroleum processing, coking and nuclear fuel	69,577	1.5	299	0.43	38,226	1.0	346	0.91
Telecommunications equipment, computer and other electronic equipment	51,334	1.1	2,017	3.93	41,067	1.0	2,716	6.61
Transportation equipment	49,557	1.0	1,513	3.05	44,522	1.1	994	2.23
Non-metallic mineral	40,317	0.9	2,000	4.96	35,471	0.9	2,943	8.30
Others	150,224	3.2	6,415	4.27	130,418	3.3	8,590	6.59
Production and supply of electricity, gas and water	571,072	12.1	5,275	0.92	531,562	13.4	6,541	1.23
Water, environment and public utility management	549,326	11.7	208	0.04	510,721	12.9	333	0.07
Real estate	512,018	10.9	5,355	1.05	421,804	10.7	6,348	1.50
Wholesale, retail and lodging	388,023	8.3	10,117	2.61	261,261	6.6	12,135	4.64
Leasing and commercial services	357,624	7.6	1,105	0.31	290,410	7.3	1,316	0.45
Mining	129,488	2.8	297	0.23	105,575	2.7	357	0.34
Construction	84,048	1.8	1,168	1.39	62,403	1.6	1,330	2.13
Science, education, culture and sanitation	68,102	1.4	845	1.24	66,809	1.7	1,132	1.69
Others	109,085	2.3	1,321	1.21	113,764	2.9	1,551	1.36
<b>Total</b>	<b>4,700,343</b>	<b>100.0</b>	<b>61,610</b>	<b>1.31</b>	<b>3,957,786</b>	<b>100.0</b>	<b>76,792</b>	<b>1.94</b>

In 2010, the Bank granted relatively more loans to the transportation, storage and postal services, manufacturing and wholesale, retail and lodging industries, in which the increment of loans in these industries accounted for 62.6% of the total increment of corporate loans, of which, loans to the transportation, storage and postal services industry grew by RMB190,672 million or 23.8%, spurred by the fast-growing investment in transportation and the increased credit demand of industry customers; loans to the manufacturing industry increased by RMB147,408 million or 18.6%, mainly benefiting from the Bank's active effort to support the credit demand of the advanced manufacturing industry and vigorously develop trade finance and trade loans in such industry; and loans to the wholesale, retail and lodging industry increased by RMB126,762 million and 48.5%, principally driven by the expansion of trade finance and small enterprises loan business.

A significant decrease in the NPL balance occurred to the manufacturing, wholesale, retail and lodging, transportation, storage and postal services and production and supply of electricity, gas and water industries. The NPL balance in relation to the transportation equipment and iron and steel industries grew by RMB519 million and RMB484 million, respectively, mainly as a result of the deteriorated quality of certain corporate loans.

## CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

*In RMB millions*

	<b>Individually assessed</b>	<b>Collectively assessed</b>	<b>Total</b>
<b>At the beginning of the year</b>	<b>45,500</b>	<b>99,952</b>	<b>145,452</b>
Charge for the year	1,807	26,081	27,888
Including:			
Impairment allowances charged	13,481	69,971	83,452
Impairment allowances transferred	12	(12)	—
Reversal of impairment allowances	(11,686)	(43,878)	(55,564)
Accreted interest on impaired loans	(754)	—	(754)
Write-offs	(6,394)	(510)	(6,904)
Recoveries of loans and advances previously written off	913	176	1,089
Others	228	135	363
<b>At the end of the year</b>	<b>41,300</b>	<b>125,834</b>	<b>167,134</b>

As at the end of 2010, the allowance for impairment losses on loans stood at RMB167,134 million, a year-on-year increase of RMB21,682 million. Provision coverage hit 228.20%, up 63.79 percentage points, further strengthening its capability of resisting risks; and allowance to total loans was 2.46%.

## DISTRIBUTION OF LOANS BY COLLATERAL

*In RMB millions, except for percentages*

Item	At 31 December 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	2,780,346	40.9	2,191,909	38.3
Including: Personal housing loans <sup>(1)</sup>	1,090,095	16.1	874,244	15.3
Pledged loans	665,641	9.8	786,739	13.7
Including: Discounted bills <sup>(1)</sup>	117,135	1.7	329,792	5.8
Guaranteed loans	1,070,211	15.8	933,853	16.3
Unsecured loans	2,274,308	33.5	1,816,125	31.7
<b>Total</b>	<b>6,790,506</b>	<b>100.0</b>	<b>5,728,626</b>	<b>100.0</b>

Note: (1) Data of domestic branches.

Loans secured by mortgages stood at RMB2,780,346 million, representing an increase of RMB588,437 million or 26.8% from the end of the previous year. Unsecured loans amounted to RMB2,274,308 million, representing an increase of RMB458,183 million or 25.2% from the end of the previous year. The distribution of loans by collateral generally remained stable.

## OVERDUE LOANS

*In RMB millions, except for percentages*

Overdue periods	At 31 December 2010		At 31 December 2009	
	Amount	% of total	Amount	% of total
3 to 6 months	3,264	0.0	4,175	0.1
6 to 12 months	5,248	0.1	11,090	0.2
Over 12 months	55,836	0.8	61,823	1.1
<b>Total</b>	<b>64,348</b>	<b>0.9</b>	<b>77,088</b>	<b>1.4</b>

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

## RENEGOTIATED LOANS

Renegotiated loans and advances amounted to RMB10,716 million, representing a decrease of RMB4,895 million or 31.4% as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB7,602 million, down RMB3,504 million.



## BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and the top ten single customers accounted for 3.5% and 22.8% of the Bank's net capital. The total amount of loans granted to the top ten single customers was RMB198,959 million, accounting for 2.9% of the total loans.

## Investment

In 2010, the Bank timely adjust its investment strategy, flexibly organize its investment schedule and focus, and actively optimized the investment structure in light of the trends in domestic and international financial markets. As at the end of 2010, net investment in securities amounted to RMB3,732,268 million, representing an increase of RMB133,095 million or 3.7% as compared to the end of the previous year.

## INVESTMENT

Item	<i>In RMB millions, except for percentages</i>			
	At 31 December 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Investment in securities not related to restructuring	3,322,915	89.0	2,699,254	75.0
Investment in securities related to restructuring	402,321	10.8	895,306	24.9
Equity instruments	5,182	0.1	4,613	0.1
Others <sup>(1)</sup>	1,850	0.1	—	—
<b>Total</b>	<b>3,732,268</b>	<b>100.0</b>	<b>3,599,173</b>	<b>100.0</b>

Note: (1) Include assets invested made by the principal guaranteed wealth management products issued by the Bank.

Investment in securities not related to restructuring amounted to RMB3,322,915 million, representing an increase of RMB623,661 million or 23.1% from the end of last year. In terms of distribution by issuers, investment in bonds issued by policy banks increased by RMB218,893 million or 28.8%; investment in bonds issued by the central bank increased by RMB217,571 million or 22.5%; and investment in government bonds increased by RMB157,447 million or 27.6%. In terms of distribution by remaining maturity, bonds not related to restructuring with a term of 1 to 5 years increased by RMB441,736 million or 43.7%, mainly because the Bank timely adjusted its investment strategy and reinforced the investment in medium to short-term bonds; and bonds not related to restructuring with a term of over 5 years increased by RMB211,049 million or 36.3%, mainly because the Bank seized the investment opportunity brought by the changes in bonds yield curve, and reasonably invested in medium to long-term bonds, which stabilized the investment portfolio yield. In terms of distribution by currency, RMB bonds grew by RMB634,671 million or 24.5%, mainly because

the Bank closely followed the trend of RMB-denominated debt securities market and timely increased the investment in bonds; the RMB equivalent of investment in USD bonds decreased by RMB8,094 million or 10.6%; and the RMB equivalent of investment in other foreign currency bonds decreased by RMB2,916 million or 9.9%, mainly due to the Bank's reduction of holding of some foreign currency bonds.

Investment in securities related to restructuring amounted to RMB402,321 million, representing a decrease of RMB492,985 million or 55.1% from the end of the previous year, and accounting for 10.8% of net investments in securities, a significant decrease of 14.1 percentage points as compared to the end of the previous year, mainly because: (1) non-negotiable special PBOC bills with face value of RMB430,465 million had matured and were repaid in June 2010; and (2) MOF receivables were fully repaid in the first quarter of 2010.

In 2010, the Bank has been notified by MOF that all Huarong bonds held by the Bank would be extended for a further period of ten years after maturity with the current annual interest rate of 2.25% remain unchanged and MOF would continue providing support for the repayment of principal and interests of the Huarong bonds. Please refer to the relevant announcements published by the Bank on the designated websites of SSE and SEHK on 13 August 2010 for details.

#### **DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY ISSUER**

*In RMB millions, except for percentages*

<b>Item</b>	<b>At 31 December 2010</b>		<b>At 31 December 2009</b>	
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>
Government bonds	<b>728,399</b>	<b>21.9</b>	570,952	21.2
Central bank bills	<b>1,184,717</b>	<b>35.7</b>	967,146	35.8
Policy bank bonds	<b>977,903</b>	<b>29.4</b>	759,010	28.1
Other bonds	<b>431,896</b>	<b>13.0</b>	402,146	14.9
<b>Total</b>	<b><u>3,322,915</u></b>	<b><u>100.0</u></b>	<b><u>2,699,254</u></b>	<b><u>100.0</u></b>

## DISTRIBUTION OF INVESTMENT IN SECURITIES BY HOLDING PURPOSE

*In RMB millions, except for percentages*

Item	At 31 December 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	12,986	0.4	20,147	0.6
Available-for-sale financial assets	904,795	24.2	949,909	26.4
Held-to-maturity investments	2,312,781	62.0	1,496,738	41.6
Receivables	501,706	13.4	1,132,379	31.4
<b>Total</b>	<b>3,732,268</b>	<b>100.0</b>	<b>3,599,173</b>	<b>100.0</b>

### Liabilities

As at the end of 2010, total liabilities of the Bank amounted to RMB12,636,965 million, representing an increase of RMB1,530,846 million or 13.8% from the end of the previous year.

## LIABILITIES

*In RMB millions, except for percentages*

Item	At 31 December 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	11,145,557	88.2	9,771,277	88.0
Due to banks and other financial institutions	1,048,002	8.3	1,001,634	9.0
Repurchase agreements	84,888	0.7	36,060	0.3
Bonds issued	100,410	0.8	75,000	0.7
Others	258,108	2.0	222,148	2.0
<b>Total liabilities</b>	<b>12,636,965</b>	<b>100.0</b>	<b>11,106,119</b>	<b>100.0</b>

### Due to Customers

Customer deposits are the Bank's main source of fund. Thanks to the continuous implementation of a proactive fiscal policy and a moderately loose monetary policy in 2010, market liquidity was ample, and residents' income continued to rise. Leveraging on its competitive advantages in the market, the Bank achieved a steady growth of deposits by actively guiding the customers to adjust their financial assets allocation. As at the end of 2010, the balance of due to customers was RMB11,145,557 million, representing an increase of RMB1,374,280 million or 14.1% when compared to the end of the previous year. In terms of customer structure, the balance of corporate deposits increased by RMB682,819 million or

14.3%; and personal deposits increased by RMB583,225 million or 12.5%. In terms of maturity structure, the balance of time deposits increased by RMB438,524 million or 9.8%, while the balance of demand deposits increased by RMB827,520 million or 16.6% and the proportion of demand deposits to total deposits increased by 1.1 percentage points, of which, personal demand deposits increased by RMB444,477 million or 24.6% and its proportion increased by 1.7 percentage points, showing a strong trend of the shift from personal time deposits to personal demand deposits in the market.

## DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

*In RMB millions, except for percentages*

Item	At 31 December 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Deposits of domestic operations</b>	<b>10,907,842</b>	<b>97.9</b>	9,585,637	98.1
<b>Corporate deposits</b>	<b>5,471,309</b>	<b>49.1</b>	4,788,490	49.0
Time deposits	1,925,605	17.3	1,625,829	16.6
Demand deposits	3,545,704	31.8	3,162,661	32.4
<b>Personal deposits</b>	<b>5,243,657</b>	<b>47.0</b>	4,660,432	47.7
Time deposits	2,990,945	26.8	2,852,197	29.2
Demand deposits	2,252,712	20.2	1,808,235	18.5
<b>Other deposits<sup>(1)</sup></b>	<b>192,876</b>	<b>1.8</b>	136,715	1.4
<b>Overseas and others</b>	<b>237,715</b>	<b>2.1</b>	185,640	1.9
<b>Total</b>	<b>11,145,557</b>	<b>100.0</b>	9,771,277	100.0

Note: (1) Mainly includes outward remittance and remittance payables.

## Due to Banks and Other Financial Institutions

The balance of due to banks and other financial institutions was RMB1,048,002 million, representing an increase of RMB46,368 million or 4.6% as compared to the end of the previous year. The Bank capitalized market opportunities such as those arising from funds deposited in relation to new stock issuances, and actively developed its third-party custody services, thereby achieving a growth in due to banks and other financial institutions.

## Bonds Issued

Bonds issued amounted to RMB100,410 million, representing an increase of RMB25,410 million or 33.9% from the end of the previous year. This was mainly because the Bank issued A share convertible bonds with an aggregate nominal value of RMB25 billion in August 2010.

## 5.4 Other Financial Information Disclosed Pursuant to Regulatory Requirements

### Major Regulatory Indicators

		Regulatory criteria	2010	2009	2008
Liquidity ratio <sup>(2)</sup> (%)	RMB	>=25.0	<b>31.8</b>	30.7	33.3
	Foreign currency	>=25.0	<b>53.4</b>	61.1	83.5
Loan-to-deposit ratio <sup>(3)</sup> (%)	RMB and	<=75.0	<b>62.0</b>	59.5	56.4
	foreign currency				
Percentage of loans to single largest customer <sup>(4)</sup> (%)		<=10.0	<b>3.5</b>	2.8	2.9
Percentage of loans to top 10 customers <sup>(5)</sup> (%)			<b>22.8</b>	20.9	20.4
Loan migration ratio (%)	Pass		<b>2.6</b>	3.5	4.6
	Special mention		<b>4.8</b>	9.9	9.3
	Substandard		<b>43.4</b>	31.3	39.4
	Doubtful		<b>10.9</b>	18.1	10.2

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

(2) Calculated by dividing the balance of current assets by the balance of current liabilities.

(3) Calculated by dividing loan balance by deposit balance. Deposit balances exclude fiscal deposits and outward remittance.

(4) Calculated by dividing loans to the single largest customer by net capital base.

(5) Calculated by dividing loans to the top 10 customers in aggregate by net capital base.

### Financial Instruments Measured at Fair Value

Quoted market price in an active market is the best evidence of the fair value of the Group's financial instruments measured at fair value. In the event that the market for a financial instrument is inactive, valuation techniques shall be adopted. The majority of the valuation techniques adopted only observable market price, while those of some other financial instruments may use one or more inputs that are not observable in the market. The Group's financial instruments measured at fair value primarily include investments in RMB bonds and foreign currency bonds, derivatives and others. The fair value of investments in RMB bonds is mainly based on quoted market price or determined using valuation techniques based only on observable market data. The fair value of investments in foreign currency bonds is established mainly by referring to the quoted prices from dealers, brokers and valuation service providers. The fair value of vanilla derivatives is mainly determined using valuation models that are generally adopted by market participants. Inputs to valuation models are determined from observable market data as far as possible, such as the market quotation of spot and forward exchange rates and the market yield curve. For more complex structured derivatives, the fair value is mainly determined by reference to quoted prices from dealers.

In terms of the internal control related to the determination of fair value, the Bank has set up a market risk management control system. In accordance with the unique characteristics of the related business as well as the market conditions, the Bank formulated the fair value assessment methods and put the methods into use after it was approved by the Market Risk Management Committee, unified and standardized the valuation techniques and workflow on fair value measurement, built an independent team for product control to test the fair value, and developed specific procedures on fair value reporting and measurement.

## **5.5 Capital Adequacy Ratio**

The Bank calculates capital adequacy ratio and core capital adequacy ratio in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by China Banking Regulatory Commission (“CBRC”), and formulated the three-year capital plan which set out the objective of capital adequacy ratio management based on the development strategy and risk appetite of the Bank.

As at the end of 2010, the Bank’s capital adequacy ratio and core capital adequacy ratio were 12.27% and 9.97%, respectively, both meeting regulatory requirements. The capital adequacy ratio decreased slightly by 0.09 percentage point from the end of the previous year, mainly because (1) the businesses of the Bank developed rapidly, thus risk-weighted assets grew accordingly; (2) the Bank issued convertible bonds of RMB25.0 billion and used the net proceeds (after deducting all expenses incidental to the issue) to replenish the supplementary capital, the effect of which, however, was to some extent offset by the implementation of the requirements set out in the Notice on Specifying the Calculating Method of General Provisions for Loan Impairment issued by the General Office of China Banking Regulatory Commission setting out that the general provision for loan impairment to be included in supplementary capital by commercial banks shall be limited to 1% of outstanding loan balances. Therefore, the growth in net capital base as at the end of 2010 when compared to that of the previous year was slightly lower than that of the growth in risk-weighted assets as compared to the previous year. The core capital adequacy ratio increased by 0.07 percentage point when compared to the end of the previous year, mainly as a result of the increase in core capital led by the issue of A shares and H shares to existing shareholders pursuant to the rights issue and profit growth.

## CAPITAL ADEQUACY RATIO

*In RMB millions, except for percentages*

<b>Item</b>	<b>At 31 December 2010</b>	<b>At 31 December 2009</b>
<b>Core capital</b>	<b>750,970</b>	622,121
Issued share capital	<b>349,019</b>	334,019
Reserves <sup>(1)</sup>	<b>400,724</b>	283,061
Minority interests	<b>1,227</b>	5,041
<b>Supplementary capital</b>	<b>174,505</b>	172,994
General provisions for loan impairment	<b>67,905</b>	97,994
Long term subordinated bonds	<b>78,286</b>	75,000
Convertible bonds	<b>24,870</b>	—
Other supplementary capital	<b>3,444</b>	—
<b>Total capital base before deductions</b>	<b>925,475</b>	795,115
Deductions	<b>53,102</b>	63,159
Goodwill	<b>27,369</b>	24,621
Unconsolidated equity investments	<b>22,649</b>	19,559
Others	<b>3,084</b>	18,979
<b>Net capital base</b>	<b>872,373</b>	731,956
<b>Net core capital base</b>	<b>709,193</b>	586,431
<b>Risk weighted assets and market risk capital adjustment</b>	<b>7,112,357</b>	5,921,330
<b>Core capital adequacy ratio</b>	<b>9.97%</b>	9.90%
<b>Capital adequacy ratio</b>	<b>12.27%</b>	12.36%

*Note:* (1) Mainly includes the recordable part of capital reserve, surplus reserves, general reserve and the recordable part of retained profits.

## 5.6 Outlook

The year 2011 marks the start of the “Twelfth Five-Year” Plan in China. The comprehensive implementation of the economic restructuring strategy will push ahead the continuous and profound advancement of financial reform. The year 2011 also marks the conclusion of the implementation of the second three-year development strategy plan of the Bank since its joint-stock reform and the formulation of the development strategy plan for the next three years. At this critical point in time, the Bank will abide by the government’s orientation for economic and financial reform, and seize various development opportunities to rise to the challenges.

The Bank will embrace various opportunities in 2011. Firstly, benefiting from the roll-out and implementation of the “Twelfth Five-Year” Plan, business of the Bank will have great opportunities of development. On one hand, the government’s strong support to and nourishment of the advanced manufacturing industry, the strategic emerging industry and the modern service industry will not only extend the Bank’s business development potential, but also help advancing the structural transformation of the Bank’s credit business. On the other hand, the “Twelfth Five-Year” Plan aims to strengthen the unified development of urban and rural areas, steadily and actively facilitate urbanization and construction of new rural areas, vigorously support the eastern, central and western regions to develop economy with characteristics and realize benign, interactive and coordinated development, which will create favorable conditions for the Bank to deepen its regional development strategy, optimize its business geographical distribution, narrow the gap in strengths of institutions in different regions and shape a coordinated development pattern. Secondly, although the global economy has not fully recovered, international economic environment in 2011 will, in general, continue turning around as compared to 2010, foreign demand will be improved, domestic demand will be enhanced gradually, and economic growth momentum will be further consolidated. These will facilitate the continuous and stable development of the Bank’s businesses. Thirdly, the continuously accelerating pace of Chinese enterprises’ “Going Global” and the steady advancement of the pilot financial comprehensive reform will create favorable opportunities for the Bank to intensively implement the internationalized and diversified development strategies, adjust and optimize business and revenue structures, and achieve stable and sustainable development.

In 2011, the Bank will earnestly study and implement the policy guidance of the “Twelfth Five-Year” Plan, comprehensively implement its development strategic plan, continuously pushing ahead the transformation of development mode and business transformation, give top priorities to eliminating fundamental and primary issues that affect the Bank’s long-term development, flexibly respond to changes in the economic and market environment, maintain steady profit growth and further upgrade the operations. In particular, the Bank will primarily focus on the following tasks: Firstly, the Bank will deepen the adjustment of business structure. (1) The Bank will step up its efforts in increasing investment and boosting development of intermediary business, continue to optimize its business and profit structure. The Bank will also enhance the analysis of interest rate change and interest spread management, and maintain the stability of interest spread income. (2) On the basis of reasonably controlling the total amount of lending, the Bank will reinforce its adjustment of the industry, geographical, customer, variety and maturity structures of loans, boost the development of innovative credit business and fully optimize the operating model of credit business in a comprehensive manner. (3) The Bank



will enhance the adjustment of liability structure, further consolidate its market position in terms of deposit-taking, and maintain favorable liquidity conditions. Secondly, the Bank will continuously and deeply promote the implementation of coordinated regional development strategy. Based on the specific development situation and comparative advantage of different regions, the Bank will advance the construction of profit echelon for its branches, further deepen the regional development strategy, formulate differentiated development strategies, promote the transformation and innovation of branches and sub-branches in developed regions, support and boost the rapid development of the central and western regions as well as potential regions. Thirdly, the Bank will push ahead the reform of mechanisms and processes, improve the quality of services, and enhance operating efficiency. The year 2011 is “the year of reforming processes and improving services” of the Bank, the Bank will devote great efforts to implement a bank-wide process reform in line with customers’ demand and concerns, accomplish the simplification and optimization of various business processes, shape a set of service procedures based on the customers’ satisfactory experiences, and further upgrade the quality and efficiency of its services. Fourthly, the Bank will actively and steadily promote the diversified operating strategy and the internationalized development strategy. The Bank will continue to intensify the support to and guidance over its fund, leasing and investment banking subsidiaries, enhance the strength of non-banking lines. At the same time, the Bank will actively explore new models of bank-insurance and bank-securities businesses within an acceptable scope pursuant to the regulatory framework to optimize the products and services system, accelerate the establishment of a global network, innovate the cross-border business model and vigorously construct a cross-border financial service platform. Fifthly, the Bank will continue to strengthen its capital management capability and risk management capability. Through planning future business development in a comprehensive and detailed manner, the Bank will seek for a capital intensive development path, continue to enhance the monitoring of risks in risk-sensitive areas, further promote the construction of a comprehensive risk management system, and explore on a risk management mechanism under the group management system.

According to the business plan of the Bank for 2011, total assets and total liabilities shall increase by approximately RMB1,500.0 billion and RMB1,400.0 billion, respectively; and the NPL ratio as at the end of 2011 shall be maintained below 1.10%.

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

### 6.1 Changes in Share Capital

#### Details of Changes in Share Capital

*Unit: Share*

	At 31 December 2009		Increase/decrease during the reporting period (+, -)			At 31 December 2010	
	Number of shares	Percentage (%)	Expiration of the lock-up period	Rights issue	Subtotal	Number of shares	Percentage (%)
I. Shares subject to restrictions on sales	13,180,811,324	3.9	-13,180,811,324	0	-13,180,811,324	0	0.0
1. Shares held by foreign investors	13,180,811,324	3.9	-13,180,811,324	0	-13,180,811,324	0	0.0
II. Shares not subject to restrictions on sales	320,838,038,702	96.1	13,180,811,324	14,999,695,801	28,180,507,125	349,018,545,827	100.0
1. RMB-denominated ordinary shares	250,962,348,064	75.2	0	11,262,153,213	11,262,153,213	262,224,501,277	75.1
2. Foreign shares listed overseas	69,875,690,638	20.9	13,180,811,324	3,737,542,588	16,918,353,912	86,794,044,550	24.9
III. Total number of shares	334,018,850,026	100.0	0	14,999,695,801	14,999,695,801	349,018,545,827	100.0

*Notes:* (1) “Foreign shares listed overseas”, namely H shares, are within the same meaning as defined in the “No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding” (Revision 2007) of CSRC.

- (2) Shares subject to restrictions on sales refer to shares held by shareholders who are subject to restrictions on sales in accordance with applicable laws and regulations or undertakings.
- (3) The Bank completed the rights issue of A shares and H shares in 2010, resulting in the increase of its registered capital. As at the end of the reporting period, the Bank has not completed the registration procedure in respect of the change in registered capital with the State Administration for Industry and Commerce of the People’s Republic of China.

## Details of Changes in the Shares subject to Restrictions on Sales

*Unit: Share*

Name of shareholder	Number of shares subject to restrictions on sales at the beginning of the period	Number of shares released from restrictions on sales during the period	Increase in the number of shares subject to restrictions on sales during the period	Number of shares subject to restrictions on sales at the end of the period	Reason for restrictions on sales	Date on which shares become tradable
The Goldman Sachs Group, Inc.	13,180,811,324	13,180,811,324	0	0	Voluntary lock-up	28 April 2010

## 6.2 Overview of Securities Issuance and Listing

### Rights Issue of A Shares and H Shares

At the meeting of the Board of Directors of the Bank held on 28 July 2010 and the Second Extraordinary General Meeting of 2010, the First A Shareholders Class Meeting of 2010 and the First H Shareholders Class Meeting of 2010 of the Bank held on 21 September 2010, the resolution in respect of the Proposed Rights Issue of A Shares and H Shares by Industrial and Commercial Bank of China Limited was being considered and duly passed, approving the rights issue of A shares and H shares with gross proceeds of no more than RMB45.0 billion and relevant authorization with regard to the proposed rights issue. In November 2010, the Bank implemented the rights issue of A shares and H shares as approved under the written approval (Zheng Jian Xu Ke [2010] No. 1579 and Zheng Jian Xu Ke [2010] No. 1583, respectively) issued by CSRC. The rights issue was conducted on the basis of 0.45 rights shares for every 10 existing shares, with the same basis adopted for the rights issue of A shares and H shares. The subscription prices were RMB2.99 per A rights share and HKD3.49 per H rights share, which were the same after exchange rate adjustment. The subscription price per A rights share of RMB2.99 represented a discount of approximately 36.9% to the closing price of RMB4.74 per A share as quoted on SSE on the price determination date (being 10 November 2010, the date on which the subscription price for the rights issue was determined), while the subscription price per H rights share of HKD3.49 represented a discount of approximately 47.4% to the closing price of HKD6.63 per H share as quoted on SEHK on the price determination date. The Bank issued a total of 11,262,153,213 A shares and 3,737,542,588 H shares with a nominal value of RMB1 per share, raising gross proceeds of RMB33,674 million and HKD13,044 million under the A share rights issue and H share rights issue, respectively. The net proceeds (after deducting all expenses incidental to the rights issue) of approximately RMB44,620 million were used to strengthen the capital base of the Bank.

### Issuance of A Share Convertible Bonds

At the meeting of the Board of Directors of the Bank held on 25 March 2010 and the Annual General Meeting for the Year 2009 of the Bank held on 18 May 2010, the resolution in respect of the Proposed Public Issuance and Listing of the A Share Convertible Corporate Bonds by Industrial and Commercial Bank of China Limited was being considered and duly passed,

approving the issuance and listing of the A share convertible bonds worth up to RMB25 billion in aggregate. In August 2010, the Bank issued A share convertible bonds with an aggregate nominal value of RMB25 billion as approved under the written approval (Zheng Jian Fa Xing Zi [2010] No. 1155) issued by CSRC and had them listed on SSE (convertible bond code: 113002). The Bank issued a total of 250,000,000 A share convertible bonds with a nominal value of RMB100 each and with a term of six years commencing from the date of issuance, being from 31 August 2010 to 31 August 2016. The A share convertible bonds bear interest at the rate of 0.5% for the first year, 0.7% for the second year, 0.9% for the third year, 1.1% for the fourth year, 1.4% for the fifth year and 1.8% for the sixth year. The conversion period commenced on 1 March 2011 and shall end on 31 August 2016, with an initial conversion price of RMB4.20 per share. Upon completion of the rights issue of A+H shares, the conversion price has been adjusted to RMB4.15 per share. The net proceeds (after deducting all expenses incidental to the issuance) of approximately RMB24.87 billion were raised from the issuance of A share convertible bonds. As approved by CBRC, the entire amount of the net proceeds from the issuance of A share convertible bonds were used to replenish supplementary capital of the Bank so as to raise its capital adequacy ratio, and the entire amount of the converted A share convertible bonds will, upon conversion into shares by holders of the A share convertible bonds, be used to replenish core capital of the Bank.

### Particulars of Holding of the Top 10 Holders of the A Share Convertible Bonds

<b>Name of bondholder</b>	<i>Unit: RMB</i> <b>Amount held</b>
New China Life Insurance Company Limited	
— Dividend distribution — Group dividend — 018L — FH001 Hu	1,052,321,000
China Credit Trust Co., Ltd. — Single trust for fixed income of Bank of Communications	802,888,000
China AMC Growth Securities Investment Fund	700,000,000
Annuity Plan of China National Petroleum Corporation	586,092,000
Bosera Enhanced Convertible Bond-type Securities Investment Fund	446,391,000
ICBC Credit Suisse Asset Management Co., Ltd. — Assets management for specific customers	390,051,000
CITIC Trust Co., Ltd. — Double Profit No. 10	373,680,000
Bosera Theme Industry Equity Securities Investment Fund	314,252,000
Huatai Securities Co., Ltd.	305,948,000
China Life Insurance Company Limited	
— Dividend distribution — Personal dividend — 005L — FH002 Hu	300,000,000
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	300,000,000

Notes: (1) The above data are based on the register of holders of A share convertible bonds as at 31 December 2010.

(2) “Amount held” refers to the nominal value of convertible bonds held by the holder.

## **Issuance of Subordinated Bonds**

The Bank issued subordinated bonds in an amount of RMB40 billion in the inter-bank bond market in July 2009, and issued subordinated bonds in an amount of RMB22 billion on a revolving basis in the inter-bank bond market in September 2010 to substitute for the redeemed portion of the subordinated bonds issued in 2005, so as to replenish the supplementary capital of the Bank. In November 2010, Industrial and Commercial Bank of China (Asia) Limited (“ICBC (Asia)”), a subsidiary of the Bank, issued the subordinated notes with nominal value of USD500 million.

## **Employee Shares**

The Bank did not have any employee shares.

### 6.3 Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 1,202,744 shareholders, including 166,013 holders of H shares and 1,036,731 holders of A shares.

*Particulars of Shareholding of the Top 10 Shareholders of the Bank (Particulars of Shareholding of Holders of H Shares were based on the Number of Shares set out in the Bank's Register of Shareholders maintained at the H Share Registrar)*

*Unit: Share*

Total number of shareholders      1,202,744 (number of holders of A shares and H shares on the register of shareholders as at 31 December 2010)

Particulars of shareholding of the top 10 shareholders (The following data are based on the register of shareholders as at 31 December 2010)

Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restriction on sales	Number of pledged or locked-up shares
Central Huijin Investment Ltd.	State-owned	A shares	35.4	123,641,072,864	0	None
Ministry of Finance of the People's Republic of China	State-owned	A shares	35.3	123,316,451,864	0	None
HKSCC Nominees Limited	Foreign legal person	H shares	24.5	85,383,012,022	0	Unknown
ICBC Credit Suisse Asset Management Co., Ltd. — Assets management for specific customers	Other domestic entities	A shares	0.3	1,053,190,083	0	None
Ping An Insurance (Group) Company of China, Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.3	873,259,091	0	None
American Express Company	Foreign legal person	H shares	0.2	638,061,117	0	None
China Huarong Asset Management Corporation	Other domestic entities	A shares	0.1	480,769,000	0	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic entities	A shares	0.1	419,539,119	0	None
China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu	Other domestic entities	A shares	0.1	362,947,584	0	None
E-Fund 50 Index Securities Investment Fund	Other domestic entities	A shares	0.1	245,717,451	0	None

The Bank is not aware of any connected relations among the above shareholders or whether they are parties acting in concert.

## 6.4 Particulars of Substantial Shareholders

During the reporting period, the Bank's substantial shareholders and the de facto controller remained unchanged.

### Substantial Shareholders

The largest single shareholder of the Bank is Central Huijin Investment Ltd. ("Huijin"), which held approximately 35.4% of the shares of the Bank as at 31 December 2010. The implementation of the share acquisition plan by Huijin to increase its shareholding in the Bank through on-market purchase on the SSE had been completed as at 8 October 2010. Please refer to the announcements of the Bank published on the websites of SEHK and SSE for details.

Huijin is a wholly state-owned company incorporated on 16 December 2003 under the Company Law of the People's Republic of China. Huijin had a registered capital of RMB552,117 million, and its legal representative is Mr. Lou Jiwei. Huijin, which is the wholly-owned subsidiary of China Investment Corporation, makes equity investment in state-owned key financial institutions as authorized by the state, and exercises the contributor's rights and obligations in such financial institutions up to its contribution on behalf of the State to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial activities nor does it intervene in daily operation of those financial institutions.

The second largest single shareholder of the Bank is Ministry of Finance of the People's Republic of China ("MOF"), which held approximately 35.3% of the shares of the Bank as at 31 December 2010. MOF is a constituent part of the State Council, and is responsible for overseeing the state's fiscal revenue and expenditure, formulating the financial and taxation policies, and supervising State finance at a macro level.

## 7. Directors, Supervisors and Senior Management

### 7.1 Basic Information on Directors, Supervisors and Senior Management<sup>(1)</sup>

Name	Position	Gender	Age	Tenure <sup>(2)</sup>	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Reasons for changes
Jiang Jianqing	Chairman of the Board of Directors, Executive Director	Male	57	October 2008 – October 2011	0	0	—
Yang Kaisheng	Vice Chairman, Executive Director, President	Male	61	October 2008 – October 2011	0	0	—
Zhao Lin	Chairman of the Board of Supervisors	Male	56	June 2008 – June 2011	0	0	—
Wang Lili	Executive Director, Senior Executive Vice President	Female	59	April 2010 – April 2013	0	0	—
Li Xiaopeng	Executive Director, Senior Executive Vice President	Male	51	October 2010 – October 2013	0	0	—
Huan Huiwu	Non-executive Director	Male	57	February 2009 – February 2012	0	0	—
Gao Jianhong	Non-executive Director	Male	46	December 2008 – December 2011	0	0	—
Li Chunxiang	Non-executive Director	Female	55	February 2009 – February 2012	0	0	—
Li Jun	Non-executive Director	Male	51	December 2008 – December 2011	0	0	—
Li Xiwen	Non-executive Director	Male	62	December 2008 – December 2011	0	0	—
Wei Fusheng	Non-executive Director	Male	55	February 2009 – February 2012	0	0	—
Leung Kam Chung, Antony	Independent Non-executive Director	Male	58	October 2008 – October 2011	0	0	—
Qian Yingyi	Independent Non-executive Director	Male	54	October 2008 – October 2011	0	0	—
Xu Shanda	Independent Non-executive Director	Male	63	September 2010 – September 2013	0	0	—
Wong Kwong Shing, Frank	Independent Non-executive Director	Male	62	January 2009 – January 2012	0	0	—
Malcolm Christopher McCarthy	Independent Non-executive Director	Male	66	December 2009 – December 2012	0	0	—
Kenneth Patrick Chung	Independent Non-executive Director	Male	53	December 2009 – December 2012	0	0	—
Wang Chixi	Shareholder Supervisor	Female	55	October 2008 – October 2011	0	0	—
Dong Juan	External Supervisor	Female	58	May 2009 – May 2012	0	0	—
Meng Yan	External Supervisor	Male	55	May 2009 – May 2012	0	0	—
Zhang Wei	Employee Supervisor	Male	48	August 2009 – August 2012	0	0	—
Zhu Lifei	Employee Supervisor	Male	56	September 2010 – September 2013	0	0	—
Luo Xi	Senior Executive Vice President	Male	50	December 2009 –	0	0	—
Liu Lixian	Secretary of Party Discipline Committee	Male	56	October 2005 –	0	0	—
Yi Huiman	Senior Executive Vice President	Male	46	July 2008 –	0	0	—
Zhang Hongli	Senior Executive Vice President	Male	45	May 2010 –	0	0	—
Wang Xiquan	Senior Management member	Male	50	April 2010 –	0	0	—
Wei Guoxiong	Chief Risk Officer	Male	55	August 2006 –	0	0	—
Lin Xiaoxuan	Chief Information Officer	Male	45	November 2010 –	0	0	—
Hu Hao	Board Secretary	Male	48	December 2010 –	0	0	—

Notes: (1) Please refer to the section headed “Directors, Supervisors and Senior Management — Appointment and Removal”.

(2) The terms of Mr. Jiang Jianqing, Mr. Yang Kaisheng, Ms. Wang Lili and Mr. Li Xiaopeng as Directors of the Bank are set out in the above table and their terms as Senior Management members of the Bank started from October 2005.



## **7.2 Appointment and Removal**

### **Directors**

At the First Extraordinary General Meeting of 2010 held on 8 April 2010, Ms. Wang Lili was appointed as Executive Director of the Bank. At the Second Extraordinary General Meeting of 2010 held on 21 September 2010, Mr. Li Xiaopeng was appointed as Executive Director of the Bank, and has re-elected Mr. Xu Shanda as the Bank's Independent Non-executive Director. The appointment of Ms. Wang Lili and Mr. Li Xiaopeng was approved by CBRC on 21 April 2010 and 21 October 2010, respectively.

Mr. Zhang Furong ceased to act as Executive Director and Senior Executive Vice President of the Bank with effect from 20 July 2010 due to change of job assignment.

### **Supervisors**

At the enlarged meeting of staff representatives of the Bank held on 10 September 2010, Mr. Zhu Lifei was elected as the Employee Supervisor of the Bank, and the appointment took effect from the date of election.

Mr. Chang Ruiming tendered his resignation as the Employee Supervisor of the Bank on 10 September 2010 due to change of job assignment.

### **Senior Management**

At the meeting of the Board of Directors of the Bank held on 19 April 2010, Mr. Zhang Hongli was appointed as Senior Executive Vice President of the Bank, and his appointment was approved by CBRC on 14 May 2010.

Mr. Wang Xiquan was appointed as a Senior Management member on 22 April 2010.

At the meeting of the Board of Directors of the Bank held on 28 October 2010, Mr. Lin Xiaoxuan was appointed as Chief Information Officer of the Bank, and Mr. Hu Hao as Board Secretary and concurrently as the Company Secretary and Authorised Representative of the Bank. The appointment of Mr. Lin Xiaoxuan and Mr. Hu Hao was approved by CBRC on 30 November 2010 and 6 December 2010, respectively. The Bank has applied to SEHK for, and SEHK granted, a waiver from strict compliance with the requirements under Rules 8.17 and 19A.16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") for a period of three years in respect of the appointment of Mr. Hu Hao as a Company Secretary of the Bank. Please refer to the announcement published by the Bank on 28 October 2010 on the website of SEHK for details.

Mr. Gu Shu ceased to act as Board Secretary, Company Secretary and Authorised Representative of the Bank with effect from 28 October 2010 due to change of job assignment.

## 7.3 Annual Remuneration

Unit: RMB10,000

Name	Remuneration paid (before tax) <sup>(1)</sup>	Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances <sup>(2)</sup>	Part-time fee <sup>(3)</sup>	Total remuneration before tax <sup>(4)=(1)+(2)+(3)</sup>	Whether or not the remuneration is paid by the shareholder entities or other connected entities
Jiang Jianqing	76.5	19.4	—	95.9	No
Yang Kaisheng	71.5	18.4	—	89.9	No
Zhao Lin	68.0	18.3	—	86.3	No
Wang Lili	67.0	17.4	—	84.4	No
Li Xiaopeng	67.0	17.3	—	84.3	No
Huan Huiwu	—	—	—	—	Yes
Gao Jianhong	—	—	—	—	Yes
Li Chunxiang	—	—	—	—	Yes
Li Jun	—	—	—	—	Yes
Li Xiwen	—	—	—	—	Yes
Wei Fusheng	—	—	—	—	Yes
Leung Kam Chung, Antony	—	—	50.0	50.0	No
Qian Yingyi	—	—	49.0	49.0	No
Xu Shanda	—	—	—	—	No
Wong Kwong Shing, Frank	—	—	47.0	47.0	No
Malcolm Christopher McCarthy	—	—	38.3	38.3	No
Kenneth Patrick Chung	—	—	38.3	38.3	No
Wang Chixi	69.7	14.5	—	84.2	No
Dong Juan	—	—	30.0	30.0	No
Meng Yan	—	—	28.0	28.0	No
Zhang Wei	—	—	5.0	5.0	No
Zhu Lifei	—	—	1.3	1.3	No
Luo Xi	67.0	17.2	—	84.2	No
Liu Lixian	67.0	17.4	—	84.3	No
Yi Huiman	67.0	17.1	—	84.1	No
Zhang Hongli	46.5	12.6	—	59.2	No
Wang Xiquan	39.0	12.3	—	51.4	No
Wei Guoxiong	60.5	16.1	—	76.6	No
Lin Xiaoxuan	4.8	1.7	—	6.5	No
Hu Hao	—	—	—	—	No

Notes: 1. According to the requirements of relevant government authorities, the total final remuneration payable to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors, Supervisors and other Senior Management members is still subject to final confirmation by relevant government authorities. Additional details of remuneration will be disclosed when it has been determined.

2. Mr. Zhang Furong resigned from his positions as an Executive Director and Senior Executive Vice President of the Bank on 20 July 2010 and the total remuneration before tax received by Mr. Zhang from the Bank for the year 2010 was RMB0.429 million.

3. Mr. Chang Ruiming resigned from his position as an Employee Supervisor of the Bank on 10 September 2010 and his total part-time fee for the year 2010 was RMB0.038 million (before tax).
4. Mr. Gu Shu resigned from his position as the Board Secretary of the Bank on 28 October 2010 and the total remuneration received by Mr. Gu as the Board Secretary for the year 2010 was RMB0.696 million (before tax).
5. Mr. Hu Hao, as the Board Secretary, did not receive any remuneration from the Bank in 2010.

As at the end of the reporting period, the Bank did not implement share incentives, and none of the Directors, Supervisors and members of the Senior Management held share options or were granted restricted shares of the Bank.

## 8. Significant Events

### 8.1 Material Legal Proceedings and Arbitration

The Bank was involved in several legal proceedings in the ordinary course of business. Most of these legal proceedings were initiated by the Bank for recovering non-performing loans. In addition, some legal proceedings arose from customer disputes. As at 31 December 2010, the amount of pending proceedings which the Bank and/or its subsidiaries acted as defendant totaled RMB2,048 million. The Bank does not expect any material adverse effect from the abovementioned pending legal proceedings on the Bank's business, financial position or operating results.

### 8.2 Shares in Other Listed Companies and Financial Enterprises Held by the Bank

#### Securities Investment

S/N	Type	Stock code	Stock name	Initial investment cost (RMB Yuan)	Number of shares held (10,000 Shares/Units)	Book value at the end of the period (RMB Yuan)	Percentage of total securities investment at the end of the period (%)	Gain/(loss) during the reporting period (RMB Yuan)
1	Stock	1299 (Hong Kong, China)	AIA	92,556,985	540	100,485,362	73.1	7,928,377
2	Stock	3988 (Hong Kong, China)	BOC	15,682,105	550	19,117,950	13.9	97,622
3	Fund	—	Asia Infrastructure & Redevelopment Fund	13,647,595	155	16,338,989	11.9	2,206,615
4	Stock	VNG (Thailand)	VNG	1,212,888	100	1,230,551	0.9	17,663
5	Stock	ADVANCE (Thailand)	ADVANCE	237,828	1	224,136	0.2	(13,692)
	Other securities investment held as at the end of the reporting period				—			
	Gain/(loss) from sale of securities investment during the reporting period			—	—	—	—	11,772,706
Total				<u>123,337,401</u>	<u>—</u>	<u>137,396,988</u>	<u>100.0</u>	<u>22,009,291</u>

*Note:* The stock and fund investment specified above are recognized as financial assets held for trading. The Bank held shares in AIA, Bank of China and Asia Infrastructure & Redevelopment Fund through its controlling subsidiary, ICBC (Asia), and held shares in VNG and ADVANCE through its controlling subsidiary, Industrial and Commercial Bank of China (Thai) Public Company Limited (“ICBC (Thai)”).

## Shares in Other Listed Companies

Stock code	Stock name	Initial investment cost (RMB Yuan)	Percentage of the investee's total equities (%)	Book value at the end of the period (RMB Yuan)	Gain/(loss) during the period <sup>(2)</sup> (RMB Yuan)	Change in owner's equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
SBK (South Africa)	Standard Bank Group	33,834,079,292	20.06	39,545,087,797	2,123,990,301	466,935,191	Long-term equity investment	Investment with self-owned capital
MY (U.S.)	Mingyang Wind Power	341,450,000	8.79	835,204,538	—	493,754,538	Available-for-sale financial assets	Investment with self-owned capital
966 (Hong Kong, China)	CHINA INSURANCE	95,490,974	1.58	546,291,912	—	(46,701,774)	Available-for-sale financial assets	Purchase from market
2468 (Hong Kong, China)	Trony Solar	102,130,671	4.05	212,275,834	—	110,145,163	Available-for-sale financial assets	Investment with self-owned capital
601998	CNCB	149,999,600	0.07	135,775,500	2,275,856	(77,068,760)	Available-for-sale financial assets	Purchase from market
1688 (Hong Kong, China)	ALIBABA	131,782,620	0.20	119,266,431	—	(39,665,537)	Available-for-sale financial assets	Purchase from market
FSS (Thailand)	FSS	55,567,546	24.51	63,790,020	6,603,787	18,999,843	Long-term equity investment	Investment with self-owned capital
2099 (Hong Kong, China)	China Gold International Resources Corp. Ltd.	66,674,242	0.44	62,049,522	—	(4,624,720)	Available-for-sale financial assets	Investment with self-owned capital
001740 (Korea)	Sk Networks	10,063,627	0.10	18,583,663	174,004	3,884,142	Available-for-sale financial assets	Debt-equity swap
BKI-CS (Thailand)	BKI-CS	3,413,359	0.24	6,536,762	219,222	3,123,403	Available-for-sale financial assets	Purchase from market
M-CHAI-CS (Thailand)	M-CHAI-CS	4,963,064	4.87	6,508,954	—	1,545,890	Available-for-sale financial assets	Purchase from market
003620 (Korea)	Ssangyong Motor	2,423,366	0.08	1,342,203	—	(1,081,163)	Available-for-sale financial assets	Debt-equity swap
OERL (Switzerland)	OERL.SW	151,901	<0.01	200,085	—	48,184	Available-for-sale financial assets	Debt-equity swap
4642 (Malaysia)	YHS	500,091	0.02	75,766	4,127	8,788	Available-for-sale financial assets	Purchase from market
532 (Singapore)	EQUATION CORP LTD	152,816	<0.01	12,860	—	(520)	Available-for-sale financial assets	Purchase from market
Total		<u>34,798,843,169</u>	—	<u>41,553,001,847</u>	<u>2,133,267,297</u>	<u>929,302,668</u>	—	—

Notes: (1) The shares in Mingyang Wind Power, Trony Solar and China Gold International Resources Corp. Ltd. were held by ICBC International Holdings Limited, a controlling subsidiary of the Bank; shares in CHINA INSURANCE and ALIBABA were held by ICBC (Asia), a controlling subsidiary of the Bank; shares in FSS, BKI-CS and M-CHAI-CS were held by ICBC (Thai), a controlling subsidiary of the Bank; shares in Sk Networks and Ssangyong Motor were held by Seoul Branch of the Bank; shares in OERL. SW were held by Industrial and Commercial Bank of China, (London) Limited, a controlling subsidiary of the Bank; and shares in YHS and EQUATION CORP LTD were held by Singapore Branch of the Bank.

(2) Refers to dividend income, and investment income of associates.

## Shares in Unlisted Financial Institutions

Company	Initial investment cost (RMB Yuan)	Number of shares held (10,000 Shares)	Shareholding percentage (%)	Book value at the end of the period (RMB Yuan)	Gain/(loss) during the period <sup>(2)</sup> (RMB Yuan)	Change in owner's equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
China UnionPay Co., Ltd	146,250,000	11,250.00	3.84	146,250,000	3,037,500	—	Available-for-sale financial assets	Investment with self-owned capital
Xiamen International Bank	102,301,500	N/A	18.75	102,301,500	—	—	Available-for-sale financial assets	Investment with self-owned capital
Guangdong Development Bank	52,465,475	2,498.18	0.16	52,465,475	—	—	Available-for-sale financial assets	Investment with self-owned capital
Joint Electronic Teller Services Limited	8,208,370	0.0024	0.03	7,693,711	2,503,586	—	Available-for-sale financial assets	Investment with self-owned capital
Bangkok BTMU Ltd.	4,272,984	20.00	10.00	4,480,428	439,482	—	Available-for-sale financial assets	Investment with self-owned capital
Huarong Xiangjiang Bank	3,500,000	353.64	0.09	3,617,582	—	—	Available-for-sale financial assets	Investment with self-owned capital
Luen Fung Hang Insurance Co., Ltd.	1,518,440	2.40	6.00	1,433,036	—	—	Available-for-sale financial assets	Investment with self-owned capital
Bank of Guilin	420,000	124.97	0.19	1,289,934	—	—	Available-for-sale financial assets	Investment with self-owned capital
Bank of Nanchang	300,000	39.00	0.03	522,646	—	—	Available-for-sale financial assets	Investment with self-owned capital
Taiping General Insurance Co., Ltd.	243,550,678	N/A	12.45	—	—	—	Available-for-sale financial assets	Investment with self-owned capital
<b>Total</b>	<b>562,787,447</b>	<b>—</b>	<b>—</b>	<b>320,054,312</b>	<b>5,980,568</b>	<b>—</b>	<b>—</b>	<b>—</b>

Notes: (1) The shares in Joint Electronic Teller Services Limited were held by ICBC (Asia) and Industrial and Commercial Bank of China (Macau) Limited (“ICBC (Macau)”), controlling subsidiaries of the Bank; shares in Bangkok BTMU Ltd. were held by ICBC (Thai), a controlling subsidiary of the Bank; shares in Luen Fung Hang Insurance Co., Ltd. were held by ICBC (Macau), a controlling subsidiary of the Bank; and shares in Taiping General Insurance Co., Ltd. were held by ICBC (Asia), a controlling subsidiary of the Bank.

(2) Refers to dividend income.

## Purchase and Sale of Shares in Other Listed Companies

	Stock name	Shares held at the beginning of the period (Share)	Shares bought/sold during the reporting period (Share)	Shares held at the end of the period (Share)	Fund utilized (RMB Yuan)	Investment income generated (RMB Yuan)
Buy	—	—	—	—	—	—
Sell	—	58,872,087	31,986,600	26,885,487	—	564,971,176

## **8.3 Material Asset Acquisition, Sale and Merger**

### **Acquisition of Shares of ACL BANK Public Company Limited in Thailand**

On 9 March 2010, with all the necessary regulatory approvals obtained, the Bank launched the voluntary tender offer for all issued shares of ACL BANK Public Company Limited (“ACL”). On 21 April 2010, upon completion of the settlement under the voluntary tender offer, the Bank acquired approximately 97.24% of the issued shares of ACL and thus successfully held a controlling interest in ACL. The Bank subsequently completed the appointment of directors and senior management members of ACL, and successfully took over ACL, which was renamed to Industrial and Commercial Bank of China (Thai) Public Company Limited. After obtaining the necessary governmental and regulatory approvals, the Bank made a voluntary delisting tender offer for the remaining shares of ICBC (Thai) on 28 December 2010 and completed the voluntary delisting tender offer on 8 March 2011. The Bank acquired 7,276,848 ordinary shares and 73,533 preferred shares of ICBC (Thai) (in aggregate representing approximately 0.46% of the total issued shares of ICBC (Thai)) under the delisting tender offer. Upon completion of the delisting tender offer, the Bank held approximately 97.70% of the total issued shares of ICBC (Thai). The shares of ICBC (Thai) were listed and traded on The Stock Exchange of Thailand until 18 March 2011.

### **Privatization of ICBC (Asia)**

On 28 July 2010, the Board of Directors of the Bank considered and approved the Proposal on Privatization of ICBC (Asia) Limited to privatize ICBC (Asia) by way of a scheme of arrangement, at the cancellation consideration of HKD29.45 in cash per scheme share cancelled, with total cash consideration amounting to approximately HKD10,828.67 million. Upon the approvals from the court meeting convened at the direction of the High Court of Hong Kong, the extraordinary shareholders’ general meeting of ICBC (Asia), CBRC and the High Court of Hong Kong and other necessary approvals, the scheme of arrangement became effective on 21 December 2010. On the same day, the withdrawal of listing of the shares of ICBC (Asia) on the SEHK became effective. As at the end of the reporting period, the Bank held 100% stake in ICBC (Asia).

### **Investment in AXA-Minmetals Assurance Co., Ltd.**

On 28 October 2010, the Board of Directors of the Bank approved the investment by the Bank in AXA-Minmetals Assurance Co., Ltd.. On the same day, the Bank, AXA CHINA (a subsidiary of AXA Group) and China Minmetals Corporation entered into relevant agreement on the purchase of equity interest in AXA-Minmetals Assurance Co., Ltd.. As at the end of the reporting period, the completion of the transaction was still subject to the approvals of the regulatory authorities.

## **Acquisition of Shares in The Bank of East Asia (U.S.A.) National Association**

On 21 January 2011, the Bank, The Bank of East Asia, Limited (“BEA”) and East Asia Holding Company, Inc. (referred to as “EAHC”, a wholly-owned subsidiary of BEA in the United States, through which BEA held 100% equity interest in The Bank of East Asia (U.S.A.) National Association) entered into a share sale agreement on the acquisition of the shares of The Bank of East Asia (U.S.A.) National Association. The Bank agreed to purchase 80% of the shares of The Bank of East Asia (U.S.A.) National Association for a consideration of approximately USD140 million payable to BEA. Upon completion of this transaction, the Bank will hold 80% of the shares of The Bank of East Asia (U.S.A.) National Association while EAHC will hold 20%. Pursuant to the terms of the agreement, EAHC will have a put option to sell to the Bank the remaining shares held by it pursuant to their mutual agreement at any time from the date that is 18 months after the date of completion of the transaction to the tenth anniversary of the date of completion of the transaction. Completion of the transaction is subject to the approvals of relevant domestic and overseas regulatory authorities, including CBRC, the Hong Kong Monetary Authority and the U.S. Federal Reserve Board.

### **8.4 Implementation of Share Incentive Plan**

The Fourth Extraordinary General Meeting of 2006 of the Bank held on 31 July 2006 approved the share appreciation rights plan. As at the end of the reporting period, the Bank did not grant any share appreciation right.

### **8.5 Material Related Party Transactions**

During the reporting period, the Bank had not entered into any material related party transactions.

### **8.6 Material Contracts and Performance of Obligations thereunder**

#### **Material Trust, Sub-contract and Lease**

During the reporting period, the Bank had not held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, and no other corporation had held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank’s assets.

#### **Material Guarantees**

The provision of guarantees is in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantee that needed to be disclosed except for the financial guarantee services within the business scope as approved by PBOC and CBRC.

## **Material Events Concerning Entrusting Other Persons for Cash Management or Entrusted Loans**

No such matters concerning entrusting other persons for cash management or entrusted loan occurred in the Bank during the reporting period.

### **8.7 Occupation of Fund by Controlling Shareholder and Other Related Parties**

None of the controlling shareholder or related parties of the Bank occupied any fund of the Bank. The auditors have issued the “Special Explanation on the Occupation of Fund by Controlling Shareholder and Other Related Parties of Industrial and Commercial Bank of China Limited in 2010”.

### **8.8 Commitments Made by the Bank or Its Shareholders Holding 5% Shares or Above**

In September 2010, as for the rights issue of A shares, MOF and Huijin, the controlling shareholders of the Bank, provided to the Bank undertakings to subscribe for the rights shares to be issued by the Bank such that they will subscribe in cash all the offered rights shares, which will be allotted to them in proportion to their respective shareholdings in the Bank according to the rights issue plan considered and approved by the Board of Directors of the Bank on 28 July 2010. Such undertakings were fulfilled in November 2010.

Save as disclosed above, during the reporting period, the Bank and the shareholders holding 5% shares or above did not make any other new commitments. As at 31 December 2010, all of the continuing commitments made by the shareholders were properly fulfilled.

### **8.9 Additional Commitments on Restrictions on Sale of Shares Made by the Shareholders Holding 5% Shares or Above during the Reporting Period**

None.



## **9. Other Information**

### **9.1 Compliance with the Code on Corporate Governance Practices**

During the reporting period, the Bank fully complied with the principles and code provisions stipulated in the Code on Corporate Governance Practices (the “Code”) (Appendix 14 to the Hong Kong Listing Rules), and essentially complied with the recommended best practices of the Code.

### **9.2 Securities Transactions of Directors and Supervisors**

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the aforesaid code of conduct during the year ended 31 December 2010.

### **9.3 Profits and Dividends Distribution**

The profit and financial status of the Group during the reporting period are presented in the independent auditors’ report and financial statements of the Annual Report.

Upon the approval at the Annual General Meeting for the Year 2009 held on 18 May 2010, the Bank has distributed cash dividends totaling RMB56,783 million, or RMB1.70 per ten shares (pre-tax), for the period from 1 January 2009 to 31 December 2009 to the shareholders whose names appeared on the share register as at 26 May 2010.

The Board of Directors of the Bank proposed a cash dividend of RMB1.84 per ten shares (pre-tax) for the year ended 31 December 2010. As the conversion period of the A share convertible bonds issued by the Bank commenced from 1 March 2011 and shall end on 31 August 2016, it is yet difficult to determine the total share capital of the Bank as at the A share record date. Accordingly, the total amount of dividends to be distributed cannot be determined at the moment. As estimated based on the Bank’s total issued share capital as at 31 December 2010, the total amount of dividends to be distributed shall be approximately RMB64,219 million, representing an increase of 13.1% as compared to 2009. The Bank proposed to distribute the dividends on the basis of the total share capital as at the close of trading on the record date for dividend distribution. Such proposed dividend distribution is subject to the approval at the forthcoming Annual General Meeting for the Year 2010.

If such distribution is approved at the annual general meeting, the dividend is expected to be paid to holders of A shares and H shares whose names appear on the register of members of the Bank after close of trading on 14 June 2011. The register of members of H shares will be closed from 9 June 2011 to 14 June 2011 (both days inclusive). In order to qualify for the proposed cash dividends, holders of H shares are required to deposit the transfer documents together with the relevant share certificates at the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on 8 June 2011.

The table below sets out the dividends distribution of the Bank for the recent three years.

<b>Item</b>	<i>In RMB millions, except for percentages</i>		
	2009	2008	2007
Cash dividends (pre-tax)	56,783	55,113	44,425
Percentage of cash dividends <sup>(1)</sup> (%)	44	50	54

*Note:* (1) Calculated by dividing cash dividends (pre-tax) by net profit attributable to equity holders of the parent company for the period.

#### **9.4 Purchase, Sale or Redemption of Shares**

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

#### **9.5 Use of Proceeds from Fundraising Activities**

The funds raised from the Bank’s fundraising activities were used for the purposes as disclosed in the prospectuses, namely, strengthening the capital base to support the ongoing growth of the Bank.

## **10. Financial Report**

### **10.1 Audit Opinions**

The 2010 financial statements of the Bank prepared in accordance with PRC GAAP and IFRSs have been audited by Ernst & Young Hua Ming and Ernst & Young, respectively. Ernst & Young Hua Ming and Ernst & Young have expressed unqualified opinions in the auditors' reports.

### **10.2 Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows**

10.2.1 **Consolidated Income Statement**  
Year ended 31 December 2010

(In RMB millions, unless otherwise stated)

	2010	2009
Interest income	462,762	405,878
Interest expense	<u>(159,013)</u>	<u>(160,057)</u>
<b>NET INTEREST INCOME</b>	<b>303,749</b>	<b>245,821</b>
Fee and commission income	78,008	59,042
Fee and commission expense	<u>(5,168)</u>	<u>(3,895)</u>
<b>NET FEE AND COMMISSION INCOME</b>	<b>72,840</b>	<b>55,147</b>
Net trading expense	(476)	(75)
Net loss on financial assets and liabilities designated at fair value through profit or loss	(217)	(129)
Net gain on financial investments	1,009	7,339
Other operating income, net	<u>3,843</u>	<u>1,308</u>
<b>OPERATING INCOME</b>	<b>380,748</b>	<b>309,411</b>
Operating expenses	(139,480)	(120,819)
Impairment losses on:		
Loans and advances to customers	(27,888)	(21,682)
Others	<u>(100)</u>	<u>(1,603)</u>
<b>OPERATING PROFIT</b>	<b>213,280</b>	<b>165,307</b>
Share of profits and losses of associates and jointly-controlled entities	<u>2,146</u>	<u>1,987</u>
<b>PROFIT BEFORE TAX</b>	<b>215,426</b>	<b>167,294</b>
Income tax expense	<u>(49,401)</u>	<u>(37,898)</u>
<b>PROFIT FOR THE YEAR</b>	<b>166,025</b>	<b>129,396</b>
Attributable to:		
Equity holders of the parent company	165,156	128,645
Non-controlling interests	<u>869</u>	<u>751</u>
	<b>166,025</b>	<b>129,396</b>
<b>EARNINGS PER SHARE</b>		
— Basic (RMB yuan)	<u>0.48</u>	<u>0.38</u>
— Diluted (RMB yuan)	<u>0.48</u>	<u>0.38</u>

**10.2.2 Consolidated Statement of Comprehensive Income**  
*Year ended 31 December 2010*

*(In RMB millions, unless otherwise stated)*

	<b>2010</b>	2009
Profit for the year	<b>166,025</b>	129,396
Other comprehensive income (after-tax, net):		
Net loss on available-for-sale financial assets	<b>(5,510)</b>	(8,890)
Net loss on cash flow hedges	<b>(211)</b>	(9)
Share of other comprehensive income of associates and jointly-controlled entities	<b>(882)</b>	(1,155)
Foreign currency translation differences	<b>2,374</b>	7,531
Others	<b>157</b>	—
Subtotal of other comprehensive income for the year	<b>(4,072)</b>	(2,523)
Total comprehensive income for the year	<b>161,953</b>	126,873
Total comprehensive income attributable to:		
Equity holders of the parent company	<b>161,316</b>	125,682
Non-controlling interests	<b>637</b>	1,191
	<b>161,953</b>	126,873

10.2.3 Consolidated Statement of Financial Position  
31 December 2010

(In RMB millions, unless otherwise stated)

	2010	2009
<b>ASSETS</b>		
Cash and balances with central banks	2,282,999	1,693,048
Due from banks and other financial institutions	248,860	235,301
Financial assets held for trading	10,188	18,976
Financial assets designated at fair value through profit or loss	2,798	1,171
Derivative financial assets	13,332	5,758
Reverse repurchase agreements	262,227	408,826
Loans and advances to customers	6,623,372	5,583,174
Financial investments	3,719,282	3,579,026
Investments in associates and jointly-controlled entities	40,325	36,278
Property and equipment	103,412	95,684
Deferred income tax assets	21,712	18,696
Other assets	130,115	109,115
	<u>13,458,622</u>	<u>11,785,053</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
Due to central banks	51	—
Financial liabilities designated at fair value through profit or loss	6,670	15,831
Derivative financial liabilities	10,564	7,773
Due to banks and other financial institutions	1,048,002	1,001,634
Repurchase agreements	84,888	36,060
Certificates of deposit and notes payable	11,168	1,472
Due to customers	11,145,557	9,771,277
Income tax payable	33,759	22,231
Deferred income tax liabilities	318	178
Bonds issued	100,410	75,000
Other liabilities	195,578	174,663
	<u>12,636,965</u>	<u>11,106,119</u>
<b>TOTAL LIABILITIES</b>		
<b>EQUITY</b>		
Equity attributable to equity holders of the parent company		
Issued share capital	349,019	334,019
Equity component of convertible bonds	2,985	—
Reserves	266,440	221,114
Retained profits	201,986	118,760
	<u>820,430</u>	<u>673,893</u>
Non-controlling interests	1,227	5,041
	<u>821,657</u>	<u>678,934</u>
<b>TOTAL EQUITY</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>		
	<u>13,458,622</u>	<u>11,785,053</u>

**10.2.4 Consolidated Statement of Changes in Equity**  
*Year ended 31 December 2010*

*(In RMB millions, unless otherwise stated)*

	Attributable to equity holders of the parent company													
	Equity component		Reserves								Retained profits	Non-controlling interests	Total equity	
	Issued share capital	of convertible bonds	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal				
											Total			
Balance as at 1 January 2010	334,019	—	106,961	37,484	84,222	(897)	(1,919)	(4,082)	(655)	221,114	118,760	673,893	5,041	678,934
Profit for the year	—	—	—	—	—	—	—	—	—	—	165,156	165,156	869	166,025
Other comprehensive income	—	—	114	—	—	(5,406)	2,500	(166)	(882)	(3,840)	—	(3,840)	(232)	(4,072)
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	(5,406)	—	—	—	(5,406)	—	(5,406)	(104)	(5,510)
— Cash flow hedges, net of tax	—	—	—	—	—	—	—	(166)	—	(166)	—	(166)	(45)	(211)
— Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	—	(882)	(882)	—	(882)	—	(882)
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	2,500	—	—	2,500	—	2,500	(126)	2,374
— Others	—	—	114	—	—	—	—	—	—	114	—	114	43	157
Total comprehensive income	—	—	114	—	—	(5,406)	2,500	(166)	(882)	(3,840)	165,156	161,316	637	161,953
Dividend — 2009 final	—	—	—	—	—	—	—	—	—	—	(56,783)	(56,783)	—	(56,783)
Appropriation to surplus reserves (i)	—	—	—	16,298	—	—	—	—	—	16,298	(16,298)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	8,849	—	—	—	—	8,849	(8,849)	—	—	—
Rights issue	15,000	—	29,621	—	—	—	—	—	—	29,621	—	44,621	—	44,621
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	230	230
Change in shareholdings in subsidiaries	—	—	(5,602)	—	—	—	—	—	—	(5,602)	—	(5,602)	(4,373)	(9,975)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(308)	(308)
Issue of convertible bonds	—	2,985	—	—	—	—	—	—	—	—	—	2,985	—	2,985
Balance as at 31 December 2010	<u>349,019</u>	<u>2,985</u>	<u>131,094</u>	<u>53,782</u>	<u>93,071</u>	<u>(6,303)</u>	<u>581</u>	<u>(4,248)</u>	<u>(1,537)</u>	<u>266,440</u>	<u>201,986</u>	<u>820,430</u>	<u>1,227</u>	<u>821,657</u>

(i) Includes the appropriation made by subsidiaries in the amount of RMB133 million.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB109 million.

Attributable to equity holders of the parent company

	Reserves											Total equity	
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total		Non-controlling interests
Balance as at 1 January 2009	334,019	106,312	24,650	69,355	8,433	(9,448)	(4,075)	500	195,727	72,929	602,675	3,955	606,630
Profit for the year	—	—	—	—	—	—	—	—	—	128,645	128,645	751	129,396
Other comprehensive income	—	—	—	—	(9,330)	7,529	(7)	(1,155)	(2,963)	—	(2,963)	440	(2,523)
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	(9,330)	—	—	—	(9,330)	—	(9,330)	440	(8,890)
— Cash flow hedges, net of tax	—	—	—	—	—	—	(7)	—	(7)	—	(7)	(2)	(9)
— Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	(1,155)	(1,155)	—	(1,155)	—	(1,155)
— Exchange differences on translation of foreign operations	—	—	—	—	—	7,529	—	—	7,529	—	7,529	2	7,531
Total comprehensive income	—	—	—	—	(9,330)	7,529	(7)	(1,155)	(2,963)	128,645	125,682	1,191	126,873
Dividend — 2008 final	—	—	—	—	—	—	—	—	—	(55,113)	(55,113)	—	(55,113)
Appropriation to surplus reserves (i)	—	—	12,834	—	—	—	—	—	12,834	(12,834)	—	—	—
Appropriation to general reserve (ii)	—	—	—	14,867	—	—	—	—	14,867	(14,867)	—	—	—
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	80	80
Change in shareholdings in subsidiaries	—	99	—	—	—	—	—	—	99	—	99	(99)	—
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(86)	(86)
Others	—	550	—	—	—	—	—	—	550	—	550	—	550
Balance as at 31 December 2009	<u>334,019</u>	<u>106,961</u>	<u>37,484</u>	<u>84,222</u>	<u>(897)</u>	<u>(1,919)</u>	<u>(4,082)</u>	<u>(655)</u>	<u>221,114</u>	<u>118,760</u>	<u>673,893</u>	<u>5,041</u>	<u>678,934</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB29 million and RMB30 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB54 million.



## 10.2.5 Consolidated Statement of Cash Flows

Year ended 31 December 2010

(In RMB millions, unless otherwise stated)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	215,426	167,294
Adjustments for:		
Share of profits and losses of associates and jointly-controlled entities	(2,146)	(1,987)
Depreciation	10,844	9,639
Amortisation	1,314	1,361
Amortisation of financial investments	(9,861)	(3,566)
Impairment losses on loans and advances to customers	27,888	21,682
Impairment losses on assets other than loans and advances to customers	100	1,603
Unrealised foreign exchange loss	490	4,297
Interest expense on subordinated and convertible bonds	2,948	1,790
Accreted interest on impaired loans	(754)	(1,021)
Gain on disposal of available-for-sale financial assets, net	(925)	(7,238)
Excess over the costs of equity investments	(180)	—
Net trading gain on equity investments	(21)	(26)
Net loss on financial assets and liabilities designated at fair value through profit or loss	217	129
Net (gain)/loss on disposal of property and equipment and other assets (other than repossessed assets)	64	(575)
Dividend income	(84)	(101)
	<u>245,320</u>	<u>193,281</u>
Net decrease/(increase) in operating assets:		
Due from central banks	(594,655)	(284,127)
Due from banks and other financial institutions	(1,269)	(72,561)
Financial assets held for trading	8,905	13,005
Financial assets designated at fair value through profit or loss	(1,606)	396
Reverse repurchase agreements	258,192	(153,500)
Loans and advances to customers	(1,071,538)	(1,169,891)
Other assets	(19,479)	(1,826)
	<u>(1,421,450)</u>	<u>(1,668,504)</u>
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated at fair value through profit or loss	(9,163)	4,065
Due to central banks	51	—
Due to banks and other financial institutions	49,343	355,470
Repurchase agreements	48,828	31,412
Certificates of deposit and notes payable	9,874	747
Due to customers	1,374,387	1,548,192
Other liabilities	19,760	(1,863)
	<u>1,493,080</u>	<u>1,938,023</u>
Net cash flows from operating activities before tax	316,950	462,800
Income tax paid	(38,774)	(58,938)
Net cash flows from operating activities	<u>278,176</u>	<u>403,862</u>

	2010	2009
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment and other assets	(20,017)	(20,285)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	666	1,407
Purchases of financial investments	(1,977,718)	(1,559,376)
Proceeds from sale and redemption of financial investments	1,840,399	992,406
Investments in jointly-controlled entities	(808)	(5)
Acquisition of subsidiaries	(2,929)	—
Proceeds from disposal of a jointly-controlled entity or an associate	278	25
Proceeds from disposal of a subsidiary	(528)	—
Dividends received	1,071	544
	<u>1,071</u>	<u>544</u>
Net cash flows from investing activities	<u>(159,586)</u>	<u>(585,284)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from rights issue	44,848	—
Capital injection by non-controlling shareholders	230	80
Proceeds from issuance of convertible bonds	25,000	—
Proceeds from issuance of subordinated bonds	25,286	40,000
Repayment of debts issued	(22,000)	—
Acquisition of non-controlling interests	(9,273)	—
Interest paid on subordinated bonds	(2,597)	(1,168)
Dividends paid on ordinary shares	(56,783)	(55,113)
Dividends paid to non-controlling shareholders	(308)	(86)
Cash paid for other financing activities	(357)	—
	<u>(357)</u>	<u>—</u>
Net cash flows from financing activities	<u>4,046</u>	<u>(16,287)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	122,636	(197,709)
Cash and cash equivalents at beginning of the year	409,394	607,291
Effect of exchange rate changes on cash and cash equivalents	(3,059)	(188)
	<u>(3,059)</u>	<u>(188)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u><u>528,971</u></u>	<u><u>409,394</u></u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:</b>		
Interest received	449,667	399,115
Interest paid	(147,301)	(162,920)
	<u>(147,301)</u>	<u>(162,920)</u>

### 10.3 New and Revised International Financial Reporting Standards that are Effective in 2010 and Relevant to the Group

The IASB has issued the following new and revised IFRSs (including International Accounting Standards (“IASs”)) and IFRIC interpretations that are effective in 2010 and relevant to the Group’s operation.

IFRS 2 Amendments	<i>Amendments to IFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions</i>
IFRS 5 Amendments Included in <i>Improvements to IFRSs</i> issued in May 2008	<i>Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary</i>
IAS 39 Amendments	<i>Amendments to IAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i>
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>

\* *IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Revised) which are effective for annual periods beginning on or after 1 July 2009 had been early adopted by the Group from 1 January 2009.*

The principal effects of adopting these new and revised IFRSs and IFRIC interpretations are as follows:

The IFRS 2 Amendments clarifies the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not result in any effect on the financial position or performance of the Group.

The IAS 39 Amendments clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

The IFRS 5 Amendments clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position nor financial performance of the Group.

IFRIC 17 provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position nor performance of the Group.

Apart from the above, in April 2009, the IASB has issued its second omnibus of *Improvements to IFRSs*\*\* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 which are effective for annual periods beginning on or after 1 July 2009 have been early adopted by the Group in the year ended 31 December 2009. The amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are applied from 1 January 2010. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group.

\*\* *Improvements to IFRSs (2009) contains amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16.*

The Group has not adopted any other standard, interpretation or amendment that was issued but is not yet effective.

## 10.4 Notes to Financial Statements

*(In RMB millions, unless otherwise stated)*

### 10.4.1 Net Interest Income

	2010	2009
Interest income on:		
Loans and advances to customers		
— Corporate loans and advances	239,304	217,954
— Personal loans	69,364	48,551
— Discounted bills	7,458	10,634
Financial investments	106,611	96,230
Due from central banks	28,718	23,361
Due from banks and other financial institutions	11,307	9,148
	<u>462,762</u>	<u>405,878</u>
Interest expense on:		
Due to customers	(140,518)	(145,246)
Due to banks and other financial institutions	(15,503)	(13,021)
Bonds issued	(2,992)	(1,790)
	<u>(159,013)</u>	<u>(160,057)</u>
Net interest income	<u><u>303,749</u></u>	<u><u>245,821</u></u>

#### 10.4.2 Net Fee and Commission Income

	2010	2009
Settlement, clearing business and cash management	19,160	14,587
Investment banking business	15,506	12,539
Personal wealth management and private banking services	14,858	12,059
Bank card business	13,687	9,408
Corporate wealth management services	6,886	4,442
Assets fiduciary business	3,385	2,212
Guarantee and commitment business	3,029	2,396
Trust and agency services	979	882
Others	518	517
	<u>78,008</u>	<u>59,042</u>
Fee and commission income	78,008	59,042
Fee and commission expense	(5,168)	(3,895)
	<u>(5,168)</u>	<u>(3,895)</u>
Net fee and commission income	<u>72,840</u>	<u>55,147</u>

#### 10.4.3 Net Trading Expense

	2010	2009
Debt securities	352	349
Equity investments	21	26
Derivatives	(849)	(450)
	<u>(476)</u>	<u>(75)</u>

#### 10.4.4 Net Loss on Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss

	2010	2009
Financial assets	61	171
Financial liabilities	(278)	(300)
	<u>(217)</u>	<u>(129)</u>

#### 10.4.5 Net Gain on Financial Investments

	2010	2009
Dividend income from unlisted investments	80	96
Dividend income from listed investments	4	5
	<hr/>	<hr/>
Dividend income	84	101
Gain on disposal of available-for-sale financial assets, net	925	7,238
	<hr/>	<hr/>
	<b>1,009</b>	<b>7,339</b>
	<hr/> <hr/>	<hr/> <hr/>

#### 10.4.6 Other Operating Income, Net

	2010	2009
Gain/(loss) from foreign exchange and foreign exchange products, net	735	(1,246)
Net gain on disposal of property and equipment, repossessed assets and others	784	1,122
Sundry bank charge income	329	244
Others	1,995	1,188
	<hr/>	<hr/>
	<b>3,843</b>	<b>1,308</b>
	<hr/> <hr/>	<hr/> <hr/>

#### 10.4.7 Operating Expenses

	2010	2009
Staff costs:		
Salaries and bonuses	45,310	38,769
Staff benefits	17,617	15,387
Contributions to defined contribution schemes	6,712	6,334
	<u>69,639</u>	<u>60,490</u>
Premises and equipment expenses:		
Depreciation	10,844	9,639
Minimum lease payments under operating leases in respect of land and buildings	3,509	2,977
Repairs and maintenance charges	2,437	2,301
Utility expenses	2,084	1,843
	<u>18,874</u>	<u>16,760</u>
Amortisation	1,314	1,361
Other administrative expenses	21,550	18,076
Business tax and surcharges	21,484	18,157
Others	6,619	5,975
	<u>139,480</u>	<u>120,819</u>

#### 10.4.8 Impairment Losses on Assets Other than Loans and Advances to Customers

	2010	2009
Charge/(reversal) of impairment losses on:		
Due from banks and other financial institutions	3	(3)
Financial investments:		
Held-to-maturity investments	(203)	136
Available-for-sale financial assets	(387)	781
Other assets	687	689
	<u>100</u>	<u>1,603</u>

## 10.4.9 Income Tax Expense

### (a) Income tax

	2010	2009
Current income tax expense:		
Mainland China	48,623	37,663
Hong Kong and Macau	730	599
Overseas	362	143
	<u>49,715</u>	<u>38,405</u>
Adjustments in respect of current income tax of prior years	571	3,765
Deferred income tax expense	(885)	(4,272)
	<u>49,401</u>	<u>37,898</u>

### (b) Reconciliation between income tax and accounting profit

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

	2010	2009
Profit before tax	<u>215,426</u>	<u>167,294</u>
Tax at the PRC statutory income tax rate	53,857	41,824
Effects of different applicable rates of tax prevailing in other countries/regions	(88)	(161)
Non-deductible expenses	1,124	3,307
Non-taxable income	(5,572)	(5,271)
Profits and losses attributable to associates and jointly-controlled entities	(572)	(497)
Adjustment in respect of current and deferred income tax of prior years	571	(1,716)
Others	81	412
Tax expense at the Group's effective income tax rate	<u>49,401</u>	<u>37,898</u>



#### 10.4.10 Dividends

	2010	2009
Dividends on ordinary shares declared and paid: Final dividend for 2009: RMB0.17 per share (2008: RMB0.165 per share)	<u>56,783</u>	<u>55,113</u>
	2010	2009
Dividends on ordinary shares proposed for approval (not recognised as at 31 December): Final dividend for 2010: RMB0.184 per share (2009: RMB0.17 per share)	<u>64,219</u>	<u>56,783</u>

#### 10.4.11 Earnings Per Share

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

	2010	2009
Earnings: Profit for the year attributable to ordinary equity holders of the parent company	<u>165,156</u>	<u>128,645</u>
Shares: Weighted average number of ordinary shares in issue (in million shares)	<u>340,599</u>	<u>340,028</u>
Basic earnings per share (RMB yuan)	<u>0.48</u>	<u>0.38</u>

Basic earnings per share was calculated as the profit for the year attributable to ordinary equity holders of the Bank divided by the weighted average number of ordinary shares in issue. The weighted average number of ordinary shares in issue during the year and comparative period were adjusted to reflect the effect of the rights issues.

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

	2010	2009
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent company	165,156	128,645
Add: Interest expense on convertible bonds (net of tax)	<u>210</u>	<u>—</u>
Profit used to determine diluted earnings per share	<u><u>165,366</u></u>	<u><u>128,645</u></u>
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	340,599	340,028
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	<u>2,008</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	<u><u>342,607</u></u>	<u><u>340,028</u></u>
Diluted earnings per share (RMB yuan)	<u><u>0.48</u></u>	<u><u>0.38</u></u>

Diluted earnings per share was computed from dividing the profit attributable to ordinary equity holders of the parent company (after adjusting for interest expense on the convertible bonds) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

#### 10.4.12 Derivative Financial Instruments

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

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

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

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

### 31 December 2010

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	427,922	422,225	33,400	6,179	889,726	9,551	(6,194)
Option contracts purchased	2,739	10,326	698	—	13,763	186	—
Option contracts written	1,989	2,242	698	—	4,929	—	(102)
	<u>432,650</u>	<u>434,793</u>	<u>34,796</u>	<u>6,179</u>	<u>908,418</u>	<u>9,737</u>	<u>(6,296)</u>
Interest rate contracts:							
Swap contracts	16,321	83,121	185,975	37,197	322,614	2,695	(4,089)
Forward contracts	3,559	1,470	5,364	—	10,393	178	(178)
Option contracts purchased	—	—	430	—	430	—	—
Option contracts written	—	—	430	—	430	—	—
	<u>19,880</u>	<u>84,591</u>	<u>192,199</u>	<u>37,197</u>	<u>333,867</u>	<u>2,873</u>	<u>(4,267)</u>
Other derivative contracts	226	526	1,386	—	2,138	722	(1)
	<u>452,756</u>	<u>519,910</u>	<u>228,381</u>	<u>43,376</u>	<u>1,244,423</u>	<u>13,332</u>	<u>(10,564)</u>

### 31 December 2009

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	214,305	247,253	18,413	7,063	487,034	2,827	(3,933)
Option contracts purchased	2,952	1,249	136	—	4,337	30	—
Option contracts written	3,029	1,641	137	—	4,807	—	(36)
	<u>220,286</u>	<u>250,143</u>	<u>18,686</u>	<u>7,063</u>	<u>496,178</u>	<u>2,857</u>	<u>(3,969)</u>
Interest rate contracts:							
Swap contracts	35,185	36,999	110,244	41,586	224,014	2,526	(3,439)
Forward contracts	3,619	3,415	16,349	—	23,383	221	(222)
Option contracts purchased	—	264	444	—	708	4	—
Option contracts written	—	264	444	—	708	—	(4)
	<u>38,804</u>	<u>40,942</u>	<u>127,481</u>	<u>41,586</u>	<u>248,813</u>	<u>2,751</u>	<u>(3,665)</u>
Other derivative contracts	273	1	34	—	308	150	(139)
	<u>259,363</u>	<u>291,086</u>	<u>146,201</u>	<u>48,649</u>	<u>745,299</u>	<u>5,758</u>	<u>(7,773)</u>

## Cash flow hedges

The Group's cash flow hedges consist of currency swap contracts and interest rate swap contracts that are used to protect against exposures to variability of future cash flows arising from floating rate foreign currency denominated assets and floating rate foreign currency denominated liabilities during the year.

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

### 31 December 2010

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Currency swap contracts	—	—	344	—	344	1	—
Interest rate swap contracts	—	661	3,874	3,311	7,846	—	(247)
	<u>—</u>	<u>661</u>	<u>4,218</u>	<u>3,311</u>	<u>8,190</u>	<u>1</u>	<u>(247)</u>

### 31 December 2009

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Interest rate swap contracts	—	2	654	194	850	3	(5)
	<u>—</u>	<u>2</u>	<u>654</u>	<u>194</u>	<u>850</u>	<u>3</u>	<u>(5)</u>

There is no ineffectiveness recognised in the income statement that arises from the cash flow hedge for the current year (2009: Nil).

## Fair value hedges

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 and exchange rates. Interest rate swaps and currency swaps are used as hedging instruments to hedge the interest risk and currency risk of financial assets, respectively.

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

	2010	2009
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	(172)	159
— Hedged items attributable to the hedged risk	<u>187</u>	<u>(168)</u>
	<u><u>15</u></u>	<u><u>(9)</u></u>

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

### 31 December 2010

	Notional amounts with remaining life of				Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	53	817	—	870	1	(83)
Interest rate swap contracts	<u>377</u>	<u>2,922</u>	<u>10,711</u>	<u>1,628</u>	<u>15,638</u>	<u>8</u>	<u>(716)</u>
	<u><u>377</u></u>	<u><u>2,975</u></u>	<u><u>11,528</u></u>	<u><u>1,628</u></u>	<u><u>16,508</u></u>	<u><u>9</u></u>	<u><u>(799)</u></u>

### 31 December 2009

	Notional amounts with remaining life of				Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	—	54	—	54	—	(20)
Interest rate swap contracts	<u>635</u>	<u>1,942</u>	<u>13,350</u>	<u>1,900</u>	<u>17,827</u>	<u>56</u>	<u>(676)</u>
	<u><u>635</u></u>	<u><u>1,942</u></u>	<u><u>13,404</u></u>	<u><u>1,900</u></u>	<u><u>17,881</u></u>	<u><u>56</u></u>	<u><u>(696)</u></u>

The credit risk weighted amounts in respect of the above derivatives of the Group as at the end of the reporting period are as follows:

	<b>2010</b>	2009
Currency derivatives	<b>8,267</b>	4,722
Interest rate derivatives	<b>2,066</b>	2,544
Other derivatives	<b>858</b>	169
	<u><b>11,191</b></u>	<u>7,435</u>

The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions and are calculated with reference to the guidelines issued by the CBRC. The amounts calculated are dependent on, among other factors, the creditworthiness of the customers and the maturity characteristics of each type of contracts. The amounts differ from the carrying amount or the maximum exposure to credit risk.

#### 10.4.13 Financial Investments

	<b>2010</b>	2009
Receivables	<b>501,706</b>	1,132,379
Held-to-maturity investments	<b>2,312,781</b>	1,496,738
Available-for-sale financial assets	<b>904,795</b>	949,909
	<u><b>3,719,282</b></u>	<u>3,579,026</u>

## 10.4.14 Components of Other Comprehensive Income

	2010	2009
Available-for-sale financial assets:		
Loss arising from changes in fair value	(6,170)	(10,461)
Less: Transfer to the income statement arising from disposal/impairment	(1,325)	(1,945)
Income tax effect	<u>1,985</u>	<u>3,516</u>
	<u>(5,510)</u>	<u>(8,890)</u>
Cash flow hedges:		
Loss during the year	(244)	(2)
Less: Transfer to the income statement	—	(7)
Income tax effect	<u>33</u>	<u>—</u>
	<u>(211)</u>	<u>(9)</u>
Share of other comprehensive income of associates and jointly-controlled entities	(882)	(1,155)
Less: Transfer to the income statement	—	—
Income tax effect	<u>—</u>	<u>—</u>
	<u>(882)</u>	<u>(1,155)</u>
Foreign currency translation differences	2,329	7,531
Less: Transfer to the income statement	<u>45</u>	<u>—</u>
	<u>2,374</u>	<u>7,531</u>
Others	184	—
Less: Income tax effect	<u>(27)</u>	<u>—</u>
	<u>157</u>	<u>—</u>
	<u><u>(4,072)</u></u>	<u><u>(2,523)</u></u>

## 10.4.15 Commitments and Contingent Liabilities

### (a) Capital commitments

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

	<b>2010</b>	2009
Authorised, but not contracted for	<b>1,507</b>	4,177
Contracted, but not provided for	<b>6,730</b>	6,125
	<u><b>8,237</b></u>	<u>10,302</u>

### (b) Operating lease commitments

#### *Operating lease commitments — Lessee*

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

	<b>2010</b>	2009
Within one year	<b>2,859</b>	2,570
After one year but not more than five years	<b>6,606</b>	6,022
After five years	<b>1,700</b>	1,616
	<u><b>11,165</b></u>	<u>10,208</u>

#### *Operating lease commitments — Lessor*

At the end of the reporting period, the Group leases certain aircraft and aircraft engines to third parties under operating lease arrangements, and the total future minimum lease receivables in respect of non-cancellable operating leases with its tenants are as follows:

	<b>2010</b>	2009
Within one year	<b>366</b>	135
In the second to fifth years, inclusive	<b>1,857</b>	532
After five years	<b>1,211</b>	417
	<u><b>3,434</b></u>	<u>1,084</u>



(c) Credit commitments

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

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

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

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

	<b>2010</b>	2009
Bank acceptances	<b>249,522</b>	209,967
Guarantees issued	<b>239,214</b>	210,243
Financing letters of guarantees	<b>67,035</b>	78,643
Non-financing letters of guarantees	<b>172,179</b>	131,600
Sight letters of credit	<b>60,513</b>	50,019
Usance letters of credit and other commitments	<b>207,117</b>	113,416
Loan commitments	<b>648,762</b>	457,956
With original maturity of not more than one year	<b>179,087</b>	216,253
With original maturity of more than one year	<b>469,675</b>	241,703
Undrawn credit card limit	<b>244,029</b>	198,086
	<b><u>1,649,157</u></b>	<u>1,239,687</u>
	<b>2010</b>	2009
Credit risk weighted amount of credit commitments	<b><u>677,500</u></b>	<u>507,149</u>

The credit risk weighted amount refers to the amount computed in accordance with the rules promulgated by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights ranged from 0% to 100% for credit commitments.

(d) Legal proceedings

As at 31 December 2010, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB2,048 million (2009: RMB2,131 million).

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

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2010, the Bank had underwritten and sold bonds with an accumulated amount of RMB167,744 million (2009: RMB149,506 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

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

(f) Underwriting obligations

As at 31 December 2010, the Group had no unexpired securities underwriting obligations (2009: RMB1,800 million).

#### 10.4.16 Segment Information

(a) Operating segments

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

*Corporate banking*

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

### *Personal banking*

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

### *Treasury operations*

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

### *Others*

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

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

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

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

	<b>Corporate banking</b>	<b>Personal banking</b>	<b>Treasury operations</b>	<b>Others</b>	<b>Total</b>
<b>Year ended 31 December 2010</b>					
External net interest income/(expense)	<b>183,088</b>	<b>(8,376)</b>	<b>129,037</b>	—	<b>303,749</b>
Internal net interest income/(expense)	<b>(22,163)</b>	<b>90,350</b>	<b>(68,187)</b>	—	—
Net fee and commission income	<b>42,881</b>	<b>29,629</b>	<b>330</b>	—	<b>72,840</b>
Other income/(expense), net	<b>955</b>	<b>17</b>	<b>(77)</b>	<b>3,264</b>	<b>4,159</b>
Operating income	<b>204,761</b>	<b>111,620</b>	<b>61,103</b>	<b>3,264</b>	<b>380,748</b>
Operating expenses	<b>(66,523)</b>	<b>(55,947)</b>	<b>(13,315)</b>	<b>(3,695)</b>	<b>(139,480)</b>
Impairment losses on:					
Loans and advances to customers	<b>(17,654)</b>	<b>(10,234)</b>	—	—	<b>(27,888)</b>
Others	<b>(428)</b>	<b>(23)</b>	<b>577</b>	<b>(226)</b>	<b>(100)</b>
Operating profit/(loss)	<b>120,156</b>	<b>45,416</b>	<b>48,365</b>	<b>(657)</b>	<b>213,280</b>
Share of profits and losses of associates and jointly-controlled entities	—	—	—	<b>2,146</b>	<b>2,146</b>
Profit before tax	<b>120,156</b>	<b>45,416</b>	<b>48,365</b>	<b>1,489</b>	<b>215,426</b>
Income tax expense					<b>(49,401)</b>
Profit for the year					<b>166,025</b>
Other segment information:					
Depreciation	<b>4,878</b>	<b>4,108</b>	<b>1,760</b>	<b>98</b>	<b>10,844</b>
Amortisation	<b>599</b>	<b>421</b>	<b>270</b>	<b>24</b>	<b>1,314</b>
Capital expenditure	<b>9,080</b>	<b>7,577</b>	<b>3,335</b>	<b>193</b>	<b>20,185</b>
<b>As at 31 December 2010</b>					
Segment assets	<b>5,103,058</b>	<b>1,690,881</b>	<b>6,567,786</b>	<b>96,897</b>	<b>13,458,622</b>
Including: Investments in associates and jointly-controlled entities	—	—	—	<b>40,325</b>	<b>40,325</b>
Property and equipment	<b>41,773</b>	<b>35,246</b>	<b>15,309</b>	<b>11,084</b>	<b>103,412</b>
Other non-current assets	<b>13,175</b>	<b>7,577</b>	<b>5,229</b>	<b>7,132</b>	<b>33,113</b>
Segment liabilities	<b>5,970,540</b>	<b>5,393,918</b>	<b>1,262,381</b>	<b>10,126</b>	<b>12,636,965</b>
Other segment information:					
Credit commitments	<b>1,405,128</b>	<b>244,029</b>	—	—	<b>1,649,157</b>

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2009					
External net interest income/(expense)	168,772	(37,973)	115,022	—	245,821
Internal net interest income/(expense)	(35,965)	108,571	(72,606)	—	—
Net fee and commission income	32,486	22,499	162	—	55,147
Other income, net	864	17	6,149	1,413	8,443
Operating income	166,157	93,114	48,727	1,413	309,411
Operating expenses	(58,707)	(45,080)	(14,229)	(2,803)	(120,819)
Impairment losses on:					
Loans and advances to customers	(14,998)	(6,684)	—	—	(21,682)
Others	(421)	—	(914)	(268)	(1,603)
Operating profit/(loss)	92,031	41,350	33,584	(1,658)	165,307
Share of profits and losses of associates and jointly-controlled entities	—	—	—	1,987	1,987
Profit before tax	92,031	41,350	33,584	329	167,294
Income tax expense					(37,898)
Profit for the year					<u>129,396</u>
Other segment information:					
Depreciation	4,166	3,415	1,881	177	9,639
Amortisation	657	436	260	8	1,361
Capital expenditure	8,867	7,172	4,018	373	20,430
As at 31 December 2009					
Segment assets	<u>4,472,851</u>	<u>1,262,155</u>	<u>5,966,772</u>	<u>83,275</u>	<u>11,785,053</u>
Including: Investments in associates and jointly-controlled entities	—	—	—	36,278	36,278
Property and equipment	37,546	30,736	17,079	10,323	95,684
Other non-current assets	13,893	7,668	4,761	5,794	32,116
Segment liabilities	<u>5,165,238</u>	<u>4,787,973</u>	<u>1,143,877</u>	<u>9,031</u>	<u>11,106,119</u>
Other segment information:					
Credit commitments	<u>1,041,601</u>	<u>198,086</u>	<u>—</u>	<u>—</u>	<u>1,239,687</u>

(b) Geographical information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (i.e., in Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Busan, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, British Virgin Islands and New York).

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

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

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

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

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

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

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

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

Overseas and others: branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and jointly-controlled entities.

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
<b>Year ended 31 December 2010</b>										
External net interest income	126,065	48,154	27,283	23,656	25,354	36,031	9,946	7,260	—	303,749
Internal net interest income/(expense)	(113,757)	17,993	14,897	43,152	16,269	12,813	8,795	(162)	—	—
Net fee and commission income	2,320	18,666	12,626	13,589	9,692	9,468	3,447	3,187	(155)	72,840
Other income/(expense), net	1,344	355	112	(361)	242	416	966	1,085	—	4,159
Operating income	15,972	85,168	54,918	80,036	51,557	58,728	23,154	11,370	(155)	380,748
Operating expenses	(8,574)	(25,738)	(18,312)	(24,890)	(22,498)	(24,760)	(11,042)	(3,821)	155	(139,480)
Impairment losses on:										
Loans and advances to customers	(2,146)	(4,665)	(2,717)	(5,533)	(5,257)	(4,893)	(1,903)	(774)	—	(27,888)
Others	579	4	22	(283)	(73)	(178)	(89)	(82)	—	(100)
Operating profit	5,831	54,769	33,911	49,330	23,729	28,897	10,120	6,693	—	213,280
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	—	—	—	2,146	—	2,146
Profit before tax	5,831	54,769	33,911	49,330	23,729	28,897	10,120	8,839	—	215,426
Income tax expense										(49,401)
Profit for the year										<u>166,025</u>
Other segment information:										
Depreciation	1,156	1,854	1,265	1,646	1,763	1,985	935	240	—	10,844
Amortisation	427	221	93	110	186	192	54	31	—	1,314
Capital expenditure	2,871	2,782	1,805	2,190	3,102	2,966	1,031	3,438	—	<u>20,185</u>

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
<b>As at 31 December 2010</b>										
Assets by geographical areas	6,416,616	2,647,319	1,816,317	3,204,012	1,687,592	1,861,269	767,301	588,788	(5,552,304)	13,436,910
Including: Investments in associates and jointly-controlled entities	—	—	—	—	—	—	—	40,325	—	40,325
Property and equipment	9,059	19,197	11,172	16,059	16,179	17,513	9,135	5,098	—	103,412
Other non-current assets	7,763	6,230	2,228	4,044	5,312	4,270	1,932	1,334	—	33,113
Unallocated assets										<u>21,712</u>
Total assets										<u>13,458,622</u>
Liabilities by geographical areas	5,792,020	2,608,612	1,794,891	3,173,023	1,674,977	1,845,875	760,387	505,407	(5,552,304)	12,602,888
Unallocated liabilities										<u>34,077</u>
Total liabilities										<u>12,636,965</u>
Other segment information:										
Credit commitments	253,436	369,051	323,712	319,667	94,448	107,885	46,026	134,932	—	<u>1,649,157</u>

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
Year ended 31 December 2009										
External net interest income	117,085	38,412	22,417	11,912	18,500	27,864	4,116	5,515	—	245,821
Internal net interest income/(expense)	(102,800)	16,835	11,988	41,162	13,879	12,541	6,611	(216)	—	—
Net fee and commission income	1,552	14,133	9,234	10,934	6,988	7,291	2,751	2,264	—	55,147
Other income/(expense), net	9,066	(934)	(88)	(440)	(305)	(91)	76	1,159	—	8,443
Operating income	24,903	68,446	43,551	63,568	39,062	47,605	13,554	8,722	—	309,411
Operating expenses	(7,548)	(21,760)	(15,644)	(21,808)	(19,464)	(22,294)	(9,552)	(2,749)	—	(120,819)
Impairment losses on:										
Loans and advances to customers	(50)	(3,665)	(3,507)	(6,172)	(4,191)	(2,872)	(391)	(834)	—	(21,682)
Others	(652)	(41)	(36)	(85)	(54)	(96)	(380)	(259)	—	(1,603)
Operating profit	16,653	42,980	24,364	35,503	15,353	22,343	3,231	4,880	—	165,307
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	—	—	—	1,987	—	1,987
Profit before tax	16,653	42,980	24,364	35,503	15,353	22,343	3,231	6,867	—	167,294
Income tax expense										(37,898)
Profit for the year										<u>129,396</u>
Other segment information:										
Depreciation	1,130	1,610	1,141	1,549	1,523	1,738	840	108	—	9,639
Amortisation	460	222	113	118	185	182	55	26	—	1,361
Capital expenditure	2,103	3,626	1,937	2,589	3,949	3,390	1,259	1,577	—	<u>20,430</u>

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
As at 31 December 2009										
Assets by geographical areas	5,823,910	2,427,925	1,461,854	2,965,139	1,491,357	1,636,235	719,400	385,725	(5,145,188)	11,766,357
Including: Investments in associates and jointly-controlled entities	—	—	—	—	—	—	—	36,278	—	36,278
Property and equipment	7,981	18,492	10,792	15,661	14,977	16,623	9,081	2,077	—	95,684
Other non-current assets	6,303	6,172	2,269	4,365	5,546	4,576	1,905	980	—	32,116
Unallocated assets										<u>18,696</u>
Total assets										<u>11,785,053</u>
Liabilities by geographical areas	5,409,113	2,376,668	1,433,407	2,927,875	1,470,073	1,607,198	712,231	292,333	(5,145,188)	11,083,710
Unallocated liabilities										<u>22,409</u>
Total liabilities										<u>11,106,119</u>
Other segment information:										
Credit commitments	215,103	244,798	167,451	288,195	73,463	84,286	31,815	134,576	—	<u>1,239,687</u>



#### 10.4.17 Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

### 11. Issue of Results Announcement and Annual Report

This Results Announcement will be released on HKExnews website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the websites of the Bank ([www.icbc.com.cn](http://www.icbc.com.cn), [www.icbc-ltd.com](http://www.icbc-ltd.com)) simultaneously. The 2010 Annual Report prepared in accordance with IFRSs will be released on the HKExnews website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the websites of the Bank ([www.icbc.com.cn](http://www.icbc.com.cn), [www.icbc-ltd.com](http://www.icbc-ltd.com)) and will be dispatched to the shareholders of H shares of the Bank. The 2010 Annual Report and its abstract prepared in accordance with PRC GAAP will be released simultaneously on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Bank ([www.icbc.com.cn](http://www.icbc.com.cn), [www.icbc-ltd.com](http://www.icbc-ltd.com)).

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

By the order of  
The Board of Directors of  
**Industrial and Commercial Bank of China Limited**

30 March 2011

*As at the date of this announcement, the Board of Directors comprises Mr. Jiang Jianqing, Mr. Yang Kaisheng, Ms. Wang Lili and Mr. Li Xiaopeng as Executive Directors, Mr. Huan Huiwu, Mr. Gao Jianhong, Ms. Li Chunxiang, Mr. Li Jun, Mr. Li Xiwen and Mr. Wei Fusheng as Non-executive Directors, and Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi, Mr. Xu Shanda, Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung as Independent Non-executive Directors.*