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 Report

Company Profile

Industrial and Commercial Bank of China Limited, formerly known as Industrial and Commercial Bank of China, was established on 1 January 1984. On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was successfully listed on both SSE and SEHK.

Through its continuous endeavor and stable development, the Bank has developed into the top large listed bank in the world in terms of market capitalization, customers' deposits and profitability, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank provides comprehensive financial products and services to 4.12 million corporate banking customers and 259 million personal banking customers by virtue of the distribution network consisting of 16,227 domestic institutions, 203 overseas institutions and over 1,562 correspondent banks worldwide, as well as through its E-banking network comprising a range of internet and telephone banking services and self-service banking centers, basically forming an internationalized trans-market operating structure focusing on commercial banking business and maintaining a leading position in the domestic market in commercial banking areas. Upholding the management tenet of "focusing on customers and creating value through services", the Bank constantly improves its financial services to enrich brand connotation. With the brand image of "By Your Side and as Your Trust" being widely recognized, the Bank has been the banking brand of first choice for Chinese customers and the most valuable financial brand around the globe.

The Bank strives to duly implement the organic unification of economic and social responsibilities, establishing the image of a large responsible bank in the aspects of supporting economic and social development, protecting environment and resources, and participating in community services, and has won the awards of "Best Bank for Performance of Corporate Social Responsibility" and "Best Corporate Citizen in China".

In the future, the Bank will continue to aim at developing and becoming a global leading bank with the best profitability, performance and prestige.

CONTENTS

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 report 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 report.

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 PRC GAAP and 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.

Our Mission

Excellence for You

Excellent services to clients, Maximum returns to shareholders

Real success for our people, Great contribution to society

Our Vision

A global leading bank with the best profitability,

performance and prestige

Our Value

Integrity Leads to Prosperity

Integrity, Humanity, Prudence, Innovation and Excellence



Corporate Information

Legal name in Chinese

中國工商銀行股份有限公司 （“中國工商銀行”）

Legal name in English

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED (“ICBC”)

Legal representative

Jiang Jianqing

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

Principal place of business in Hong Kong

ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorized representatives

Yang Kaisheng, Hu Hao

Board Secretary and Company Secretary

Hu Hao
Address: No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Telephone: 86-10-66108608
Facsimile: 86-10-66106139
E-mail: ir@icbc.com.cn

Qualified accountant

Yeung Manhin

Selected newspapers for information disclosure

China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by CSRC for publication of the annual report in respect of A shares

www.sse.com.cn

The “HKExnews” website of SEHK for publication of the annual report in respect of H shares

www.hkexnews.hk

Legal advisors

Mainland China

King & Wood PRC Lawyers
40/F, Office Tower A, Beijing Fortune Plaza, 7 East 3rd Ring Middle Road, Chaoyang District, Beijing, PRC

Hong Kong, China

Linklaters
10/F, Alexandra House, Chater Road, Central, Hong Kong

Share Registrars

A Share

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC

H Share

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

Location where copies of this annual report are kept

Office of the Board of Directors of the Bank

Place where shares are listed, stock name and stock code

A Share

Shanghai Stock Exchange
Stock name: 工商銀行
Stock code: 601398

H Share

The Stock Exchange of Hong Kong Limited
Stock name: ICBC
Stock code: 1398

Other relevant information of the Bank

Date of change of registration: 21 October 2010
Registration authority: State Administration for Industry and Commerce, PRC
Corporate business license number: 100000000003965
Financial license institution number: B0001H111000001
Tax registration certificate number: Jing Shui Zheng Zi 110102100003962
Organizational code: 10000396-2

Name and address of auditors

Domestic auditors

Ernst & Young Hua Ming
Level 16, Ernst & Young Tower (Tower E3), Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, PRC

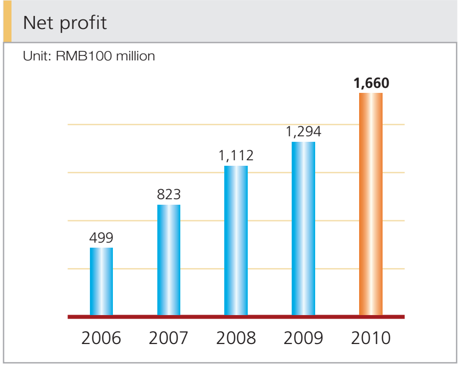
International auditors

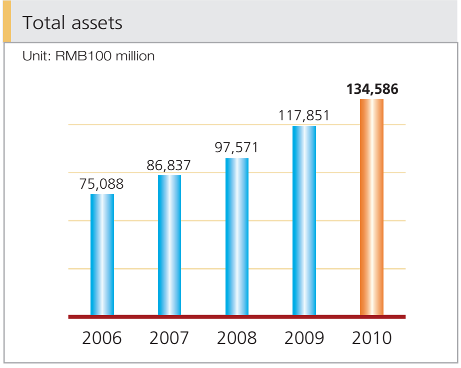
Ernst & Young
18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

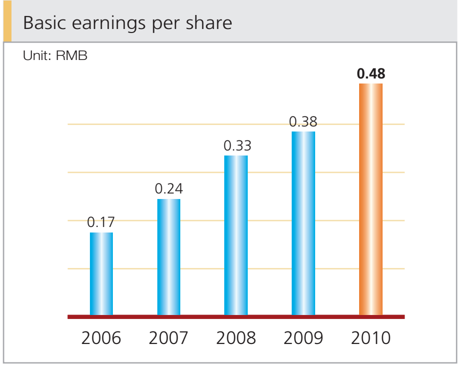
This report is prepared in both Chinese and English languages; in case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

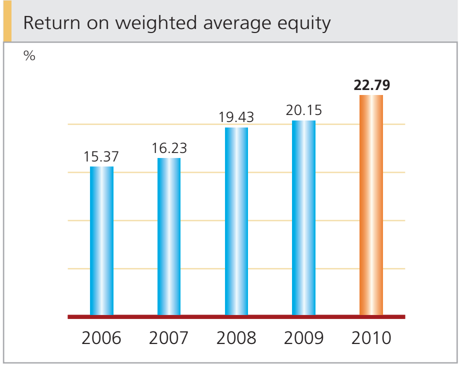
Financial Highlights

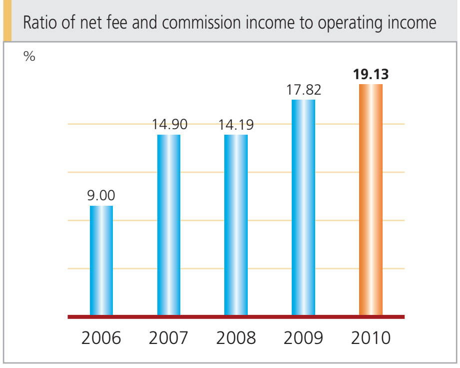
(Financial data and indicators in this Annual Report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

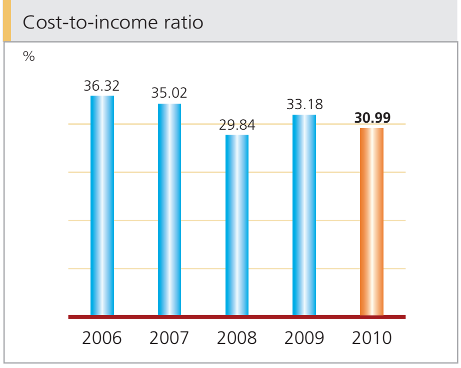


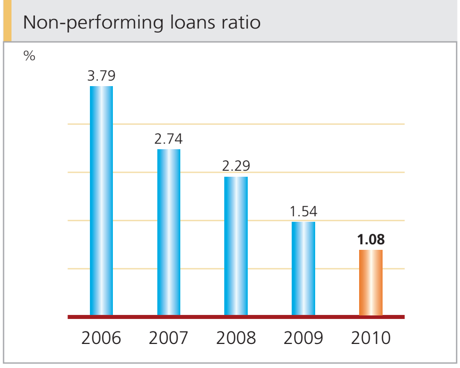


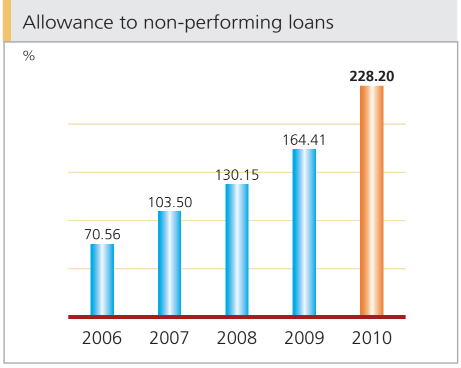












Financial Data

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

(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. Please refer to "Note 19 to the Financial Statements: Earnings per share".

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

Financial Indicators

	2010	2009	2008	2007	2006
Profitability (%)					
Return on average total assets[1]	1.32	1.20	1.21	1.02	0.71
Return on weighted average equity[2]	22.79	20.15	19.43	16.23	15.37
Net interest spread[3]	2.35	2.16	2.80	2.67	2.32
Net interest margin[4]	2.44	2.26	2.95	2.80	2.41
Return on risk-weighted assets[5]	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[6]	30.99	33.18	29.84	35.02	36.32
Asset quality (%)					
Non-performing loans ("NPL") ratio[7]	1.08	1.54	2.29	2.74	3.79
Allowance to NPL[8]	228.20	164.41	130.15	103.50	70.56
Allowance to total loans ratio[9]	2.46	2.54	2.97	2.84	2.68
Capital adequacy (%)					
Core capital adequacy ratio[10]	9.97	9.90	10.75	10.99	12.23
Capital adequacy ratio[10]	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	52.85	50.24	48.67	50.73	50.33

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 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 Management".

Chairman of the Board of Directors **Jiang Jianqing**

Last year, the world economy continued struggling to recover. Developed economies grew slowly while emerging economies were faced with greater inflation risks. The reform of the global financial system and regulatory supervision accelerated. All these phenomena indicated that deeper influences of the financial crisis were subtly changing the global economic and financial patterns. The Chinese economy has accelerated the transformation of its development mode while further consolidating the good momentum and has entered a period of stable and rapid development. Faced with an ever-changing and complicated external environment, ICBC took the initiative to adapt to the requirements of the global financial regulatory reform, actively incorporated itself into the overall development blueprint of the economic transformation in China and gave priority to accelerating the transformation of its development mode. ICBC adjusted its structure persistently, and promoted its own transformation in a down-to-earth manner, thereby consolidating its status as the world's top listed bank in terms of three aspects, market capitalization, profits and customers' deposits, and laying a solid foundation for its sustainable development in the future. In the past year, ICBC achieved a net profit of RMB166,025 million, up 28.3% over the previous year, registering a growth rate of 12.0 percentage points higher than that in the previous year. Return on weighted average equity reached 22.79%, up 2.64 percentage points over the previous year. Earnings per share were RMB0.48, up RMB0.10 over the previous year. Both the balance of non-performing loans (NPLs) and the NPL ratio continued to decline for the 11th consecutive year, with the NPL ratio fell to 1.08%. Benefited from the optimization of its operational structure, the completion of refinancing and the appropriate expansion of the retained earnings, capital adequacy ratio and core capital adequacy ratio of the Bank reached 12.27% and 9.97%, respectively, and its capital strength and development sustainability got further enhanced.

Financial transformation and economic restructuring are indispensable to each other. ICBC focuses on exploring paths and opportunities for sustained development in the midst of economic transformation in China while promoting its support for economic development and social progress by transforming its own development mode, especially the strategic adjustment of its operational structure. ICBC, in strict compliance with national monetary, industrial and regional policies, regulatory requirements and recognizing its own demand for sustainable development, has paid special attention to its overall budget for total credits and the structure of credit supply and intensified its efforts to optimize structures of credit terms, customers, product types and regions, to steer more credit resources to strategic emerging industries, advanced manufacturing industries, modern service industries, SMEs and general public consumption, while strictly controlling loans to industries of high energy consumption, high pollution and over-capacity. Adapting to the trend of the country's multi-layered capital market system being constantly perfected, introduction of intermediaries other than banks and market-driven interest rates in China, ICBC has accelerated financial innovations, pushed forward the rapid development of intermediary and emerging businesses, and promoted the continual optimization of its business and profit structures to meet the needs of the real economy and customer demands. Last year, net fee and commission income of ICBC accounted for 19.13% of its total operating income, and income from investment and trading contributed over 20% of its total operating income, indicating that the traditional profit mode based on interest spread was further transformed. The ratio of E-banking business volume to total business volume rose to 59.1%, and the service pattern in which the traditional channels of physical outlets and electronic channels developed in a coordinated manner became more established. ICBC has advanced internationalized development and diversified operations in the midst of the Chinese economy's rapid incorporation into the global economy and the rapid increase in demand for comprehensive financial services. In the past year, ICBC completed the application for establishment and acquisitions and amalgamation of 12 overseas institutions. Currently, the Bank has 203 overseas institutions in 28 countries and regions. ICBC also successfully participated in several financing and IPO projects that had global influences, including Petrobras and AIA Group Limited, achieving new breakthroughs in overseas investment banking business. The Bank acquired the Prime Dealer Services of Fortis Securities and incorporated Industrial and Commercial Bank of China Financial Services LLC, making an important step forward in building the international financial market settlement and custody platform. The Bank also acquired AXA-Minmetals Assurance Co., Ltd., laying a foundation for expanding the domestic insurance market in the future.

Innovation is always the engine and source of financial development. Last year, ICBC kept advancing innovations in management, technologies, services and other aspects, going all out to gain new competitive edges. Based on the specific conditions of China and the Bank, ICBC innovatively introduced a philosophy of management of business divisions, and launched the profit center operation mode in four product lines, namely financial markets, asset custody, precious metals and bill business while continuing its further improvement in the Head Office-branch management system, thereby stimulating the business vitality and value creation ability of these product lines, and providing new means for the coordinated development between branches and product lines in the future. To adapt to constant expansion, transformation and development in business scale and service areas, ICBC has reinforced the reform of its business operations and back office centralization, of which, reforms with regard to remote authorization, supervision system and central processing of books and records have been completed. Reform relating to central processing of businesses has been launched in 70% of ICBC's institutions. As a result, a brand-new pattern of business operation featured by "outlets providing comprehensive businesses services and centers dealing with the businesses in a centralized way" has been put in place rapidly, which helped to enhance management efficiency, service quality, risk management and control capability, and to optimize human resources allocation. In view of the new characteristics of the financial services and competition in large and medium-sized cities, ICBC has launched reform in ICBC branches at provincial and regional levels, streamlined management hierarchy and middle- and back-office personnel, and strengthened front-office serving capability, greatly enhancing its competitiveness in large and medium-sized cities. By firmly grasping the enormous opportunities in the rapid urbanization in China, ICBC has further implemented its reform plan for ICBC branches at the county level, improving its capability of serving county economies and the construction of new rural areas in China. In addition, ICBC has accomplished two thirds of the target for the construction of the fourth-generation application system that was designed to support future internationalized and integrated development since the project was launched at the end of 2008, with the building of eight major service platforms including supply chain finance, global cash management and global information system having been completed. These developments provide new support for improving ICBC's competitiveness, development capacity and management standard, and also form an "intergeneration" advantage in its technical development among its peers in China. By thoroughly implementing the ten major service promotion projects and the activities in the year of service value, and by providing excellent services for the World Expo and the Asian Games, ICBC has notably improved its capability of providing international financial services. In particular, as the only partnering bank for the 16th Asian Games, ICBC won praises from its customers and the social communities for perfect services featuring "zero service error, zero safety incident and zero customer complaint".

This global financial crisis has given the world a vivid lesson on financial safety, and enabled ICBC to better understand the importance of corporate governance and risk management. Consolidating its experience in implementing corporate governance practices and lessons from the global financial crisis in the recent years, ICBC has revised, according to the needs of current situation, the plan on authorization to the Board of Directors by the Shareholders' General Meeting, the plan on authorization to the President by the Board of Directors and the working regulations for the special committees of the Board of Directors. The Bank also developed rules for recommending and nominating candidates for directors and the administrative measures for insider information and insiders. Furthermore, the Bank changed the compositions of the special committees in order to make the scope of duties and responsibilities in respect of corporate governance clearer, the disclosure of information more transparent, and the decision-making process more coordinated and efficient. Besides, ICBC has advanced the implementation of the Basel II in a solid way, having more or less completed the construction of the Pillar 1 of Basel II, resulting in a big improvement in risk assessment capability. Adapting to the new trend of internationalized and integrated rapid development, the Bank established and refined the group's risk management structure and related systems, and improved its risk management at the group level. The Bank further capitalized on the functions of the risk monitoring model, and improved its capability of analyzing, early warning and mitigating operational risk events by using rigid controls set in the computer system. In 2010, ICBC further improved its assets quality steadily and achieved better control over various types of risks. Its corporate governance was also widely recognized. ICBC was presented the "Overall Winner Award for Corporate Governance Excellence 2010" which had not been won by anyone for two consecutive terms. ICBC is the first listed bank ever to be awarded the honor since the introduction of the award.

With the brilliance obtained in past reforms and achievements made with great endeavor, ICBC has entered a new stage of establishing itself as a world-class modern financial institution. With a new start and new missions, ICBC will seize all opportunities, adapt to business environment, accelerate the transformation of development mode, and actively push forward the shift from capital intensive businesses to businesses requiring low capital costs, from a traditional financing intermediary to a comprehensive financial services provider, and from a traditional local commercial bank to a global large financial group. In the era of opportunities, ICBC will be even more perseverant in its efforts in order to bring about brighter and more extensive development prospects for a world-class modern financial institution.

Chairman: Jiang Jianqing

30 March 2011

President **Yang Kaisheng**

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 government. 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, asset custody, 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 Guideline", focused on controlling the risks involved in loans to local government financing platforms, real estate sector and industries with high energy consumption, high pollution and over-capacity. The Bank advanced its efforts in mitigating risks involved in loans with cross guarantees and withdrawing 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.

President: Yang Kaisheng

30 March 2011

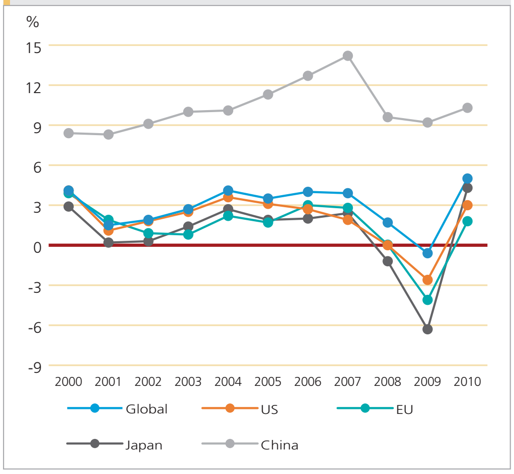
Chairman of the Board of Supervisors **Zhao Lin**

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

International Economic, Financial and Regulatory Environments

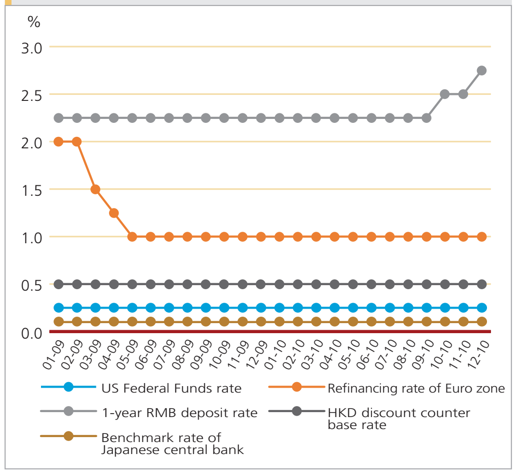
In 2010, the global economy had been recovering from recession, but there was an imbalance as to the recovery of various economies. According to the forecast of the International Monetary Fund on 26 January 2011, the global economic growth rate was 5.0% in 2010, notably higher than the growth rate of -0.6% in 2009, of which the growth rate of developed economies was 3.0%, the growth rate of emerging and developing economies was 7.1%, and the volume of global trade increased by 12.0%. Although worldwide economic recovery in 2010 was stronger than expected, the foundation for recovery was still unstable. On one hand, developed economies had shown slow growth with high unemployment, and some countries were faced with heavy sovereign debts. On the other hand, despite the relatively rapid pace of economic growth, emerging market economies were up against immense pressure from the accelerating inflow of capital, high inflation and currency appreciation. These factors had all contributed to the uncertainties of the global economic prospect.

GDP Growth Rate of Major Economies since 2000



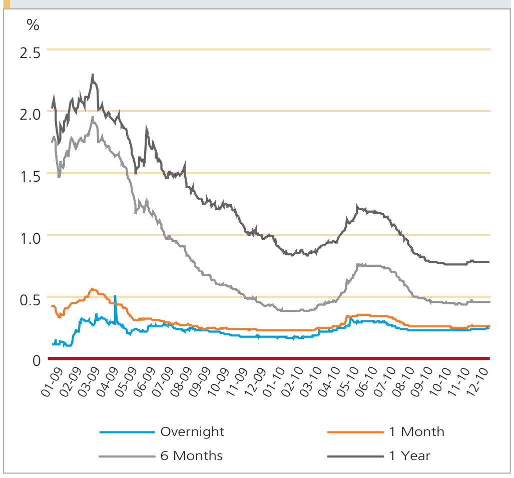
Data source: IMF, Bloomberg.

Changes in Interest Rate of Major Countries and Regions since 2009



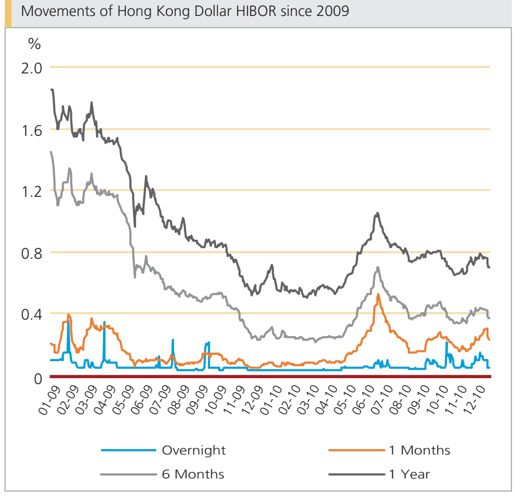
Data source: Bloomberg.

Movements of US Dollar LIBOR since 2009



Data source: Bloomberg.

Movements of Hong Kong Dollar HIBOR since 2009



Data source: Bloomberg.

Fluctuations on the international financial market in 2010 were significantly lower than that during the financial crisis from 2007 to 2009. However, the exchange rate of US dollar remains largely volatile due to the influence of the sovereign debt crisis in certain European countries (the "European debt crisis") and the new round of quantitative easing policies of the US. At the end of 2010, the US Dollar Index closed at 79.03 points, rising marginally by 1.9% from the end of 2009; the exchange rate of US dollar against Euro closed at USD1.3384/Euro, representing an appreciation of 7.0% during the year for the US dollar; and the exchange rate of US dollar versus Japanese Yen closed at JPY81.12/USD, representing a depreciation of 12.8% during the year for the US dollar. The global equity market slumped in general in the first half of the year due to influence of the European debt crisis, but has continued to improve in the second half of the year as a result of the clarification of the global easing policies and the alleviation of the European debt crisis. At the end of 2010, the MSCI All-country World Index closed at 1280.07 points, representing an increase of 9.6% from the end of 2009, whereas global market capitalization reached USD51.99 trillion, representing an increase of 14.41%. Interest rate on the major financial markets displayed a declining trend except for the significant fluctuations between May and August of 2010, which, however, were much more gentle as compared to those during the period of international financial crisis, where the one-year US dollar LIBOR dropped from 0.99375% at the beginning of the year to 0.78094% at the end of the year, and the one-year HK dollar HIBOR fell from 0.71429% at the beginning of the year to 0.70071% at the end of the year. Influenced by the European debt crisis, the treasury bond yields in the PIIGS (i.e., Portugal, Italy, Ireland, Greece and Spain) has significantly increased, in contrast to a decline in the yield rate of the US treasury bond yields.

While maintaining benchmark rates at a low level, central banks of major developed economies have adopted quantitative easing policies to increase liquidity on the financial market and stimulate economic growth. Among these policies, the US Federal Reserve announced the launch of a new round of USD600 billion worth of quantitative easing policies (QE2) in November 2010, and the Japanese central bank rolled out a JPY5 trillion financial asset purchase plan in October 2010.

Economic, Financial and Regulatory Environments in China

In 2010, in response to the complex situations domestically and globally as well as the challenges from a series of major risk events, China accelerated the transformation of its economic growth pattern, strengthened and improved its macro control efforts, adopted proactive fiscal policies and moderately relax its monetary policies, played a better role in the market mechanism, effectively consolidated the achievements of coping with the impact of the international financial crisis, and maintained sound operation of the national economy.

Preliminary estimate shows that China's gross domestic products (GDP) amounted to RMB39.80 trillion in 2010, representing a year-on-year increase of 10.3%, where the growth rate was 1.1 percentage points higher than that of 2009. By quarters, China's GDP grew by 11.9%, 10.3%, 9.6% and 9.8%, respectively, in each of the first to fourth quarters. In terms of the three driving forces, capital formation, final consumption and net export contributed 5.6, 3.9 and 0.8 percentage points, respectively, to the GDP growth. Industrial output expanded steadily, and enterprises' profits increased remarkably. Industrial added value of above-scale enterprises grew by 15.7%, representing an increase of 4.7 percentage points as compared to growth rate in the previous year. Investment growth rate maintained a relatively rapid expansion despite a decline compared to the previous year. Social fixed asset investment for the year amounted to RMB27.81 trillion, representing a growth of 23.8%, which was 6.2 percentage points lower than the previous year, of which property development investment amounted to RMB4.83 trillion, representing an increase of 33.2%. Consumption maintained a relatively fast pace of increase. Total retail sales of consumer goods amounted to RMB15.46 trillion, representing an increase of 18.4%. The consumer price index (CPI) has shown an upward trend on a quarterly basis, recording an increase of 3.3% in the year, whereas the producer price index (PPI) recorded an increase of 5.5%. Total imports and exports have both experienced rapid growth: total imports and exports grew by 34.7% to USD2.97 trillion, while trade surplus declined slightly by 6.4% to USD183.1 billion. Revenue of the urban and rural households maintained steady growth. The Business Climate Index and the Entrepreneur Confidence Index have continued to pick up. In December, the Manufacturing Purchasing

Managers' Index (PMI) of China reached 53.9%, which marked the 22nd consecutive month that PMI has been standing above the critical value since March 2009. This is a reflection of the overall growth momentum in China's manufacturing industry.

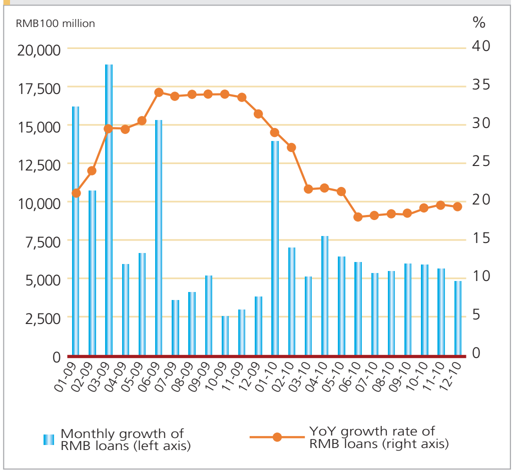
PBOC further intensified its efforts on liquidity buy-back through open market operations. It raised the required reserve ratio (RRR) on RMB deposits of deposit-taking financial institutions six times, each time by 0.5 percentage point, raising the deposit reserve ratio cumulatively by 3 percentage points. In addition, PBOC increased the benchmark rates for RMB deposits and RMB loans of financial institutions on 20 October and 26 December, raising the benchmark rate of one-year deposits from 2.25% to 2.75% and the benchmark rate of one-year loans from 5.31% to 5.81%, representing a cumulative increase of 0.5 percentage point for both rates. PBOC also raised the loan interest rate for financial institutions to guide them to reasonably control their pace of credit disbursement and optimize their credit structure.

Money supply has maintained a steady growth, while the growth of RMB-denominated loans and deposits slowed down. At the end of 2010, the M2 balance was RMB72.58 trillion, representing an increase of 19.7% from the end of 2009, with the growth rate decreased by 8.0 percentage points year-on-year. The M1 balance was RMB26.66 trillion, representing an increase of 21.2%, 11.2 percentage points lower than the previous year. The outstanding RMB- and foreign currency-denominated loans of financial institutions reached RMB50.92 trillion, representing an increase of RMB8.36 trillion or 19.7%, where the year-on-year growth was RMB2.16 trillion less than the previous year. The balance of RMB loans was RMB47.92 trillion, representing an increase of RMB7.95 trillion or 19.9%, with the year-on-year growth decreased by RMB1.65 trillion and 11.8 percentage points. The loan structure had the following major characteristics: growth rate of medium- and long-term loans dropped and the scale of discounted bills decreased; growth rate of medium- and long-term loans to the infrastructure industry fell while growth rate of medium- and long-term loans to the cultural industry reached a new historical high; growth of property loans eased; financial institutions increased their support to consumption areas; loans granted to SMEs grew faster than those granted to large enterprises; growth of loans granted to the central and western regions outpaced that to the eastern regions; and growth of foreign currency loans significantly slumped. The total balance of deposits denominated in RMB and foreign currency of financial institutions amounted to RMB73.34 trillion, representing an increase of RMB12.14 trillion or 19.8%, with the year-on-year growth decreased by RMB1.10 trillion. Outstanding RMB deposits were RMB71.82 trillion, representing an increase of RMB12.05 trillion or 20.2%, with the year-on-year growth decreased by RMB1.08 trillion and 8.0 percentage points.

According to the statistics of CBRC, total RMB and foreign currency denominated assets of domestic banking financial institutions were RMB95.3 trillion as at the end of 2010, representing an increase of 19.9%. Commercial banks have maintained a dual decrease in the balance and ratio of non-performing loans (NPLs), with a further increase in the allowance to NPL and remarkable improvement in the capital adequacy ratio. The balance of their NPLs decreased by RMB68.03 billion to RMB429.30 billion, while the NPL ratio dropped by 0.44 percentage point to 1.14% and the allowance to NPL increased by 63.3 percentage points to 218.3%. Further, the weighted average capital adequacy ratio rose by 0.8 percentage point to 12.2%, and the weighted average core capital adequacy ratio increased by 0.9 percentage point to 10.1%.

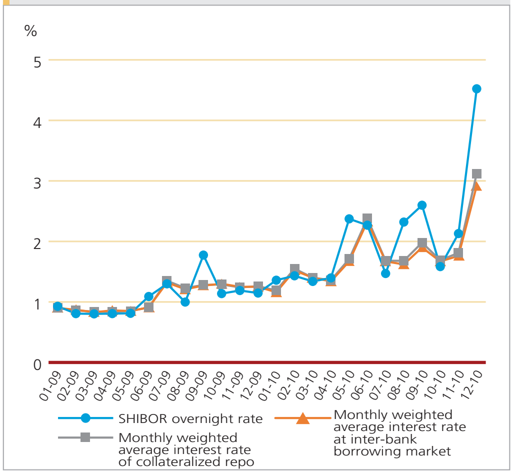
In June 2010, PBOC continued to push forward the reform of the RMB exchange rate regime and as a result, the RMB was back to a period of relatively fast appreciation. At the end of 2010, the central parity of RMB against the US dollar was RMB6.6227/USD, representing an appreciation of 3.1% from the end of 2009 and an accumulative appreciation of 24.97% since the exchange rate reform in 2005. The elasticity of RMB exchange rate was strengthened, and a dual-way fluctuation momentum was preliminarily established. The balance of foreign exchange reserves of China grew by 18.7% to USD2.85 trillion.

RMB Loan Growth of Domestic Financial Institutions since 2009



Data source: PBOC.

Movements of Interest Rate in Money Market since 2009



Data source: PBOC.

Operation of the financial market has remained generally stable. Trades on the money market remained active where there was initially a period of decline in market rates, followed by a period of market rates increase. The cumulative RMB trades on the inter-bank market for the year amounted to RMB179.50 trillion, representing an average daily turnover of RMB718.0 billion and an increase of 31.1%. Interest rates on the money market picked up gradually amidst the market fluctuations and demonstrated a significant increase at the end of the year. In December, the weighted average interest rate at the inter-bank borrowing market was 2.92%, representing a year-on-year increase of 1.67 percentage points, whereas the weighted average interest rate of collateralized repo was 3.12%, representing a year-on-year increase of 1.86 percentage points. The scale of bond issuance has steadily expanded, where a cumulative total of RMB5.1 trillion worth of RMB bonds (excluding central bank notes) were issued on the bond market, representing an increase of 3.1%. The bond market index also rose, and the bond yield curve moved up on the whole. SHIBOR's role as a benchmark rate has continued to increase, and has better reflected capital costs, market supply and demand, as well as monetary policy expectations.

Turnover on the equity market has continued to increase, and both the Shanghai and Shenzhen market indices dropped amidst the market volatility. Combined turnover on the Shanghai and Shenzhen stock exchanges was RMB54.56 trillion, representing a year-on-year increase of RMB0.96 trillion, whereas the average daily turnover was RMB225,468 million, representing a year-on-year increase of RMB5,801 million or 2.6%. At the end of the year, capitalization of the free float stocks on the Shanghai and Shenzhen stock markets amounted to RMB19.31 trillion, representing an increase of 27.7% from the end of 2009. The Shanghai Composite Index and the Shenzhen Component Index closed at 2808.08 points and 12458.55 points, representing a drop by 14.3% and 9.1% respectively. Funds raised in the equity market significantly increased, where RMB1,263,867 million were raised cumulatively through initial public offerings and re-financing on the domestic and foreign equity markets as well as on the bond market, representing an increase of RMB695,595 million. The number of securities investment funds grew by 26.4% from the end of 2009 to 704. Introduction of stock index futures and securities margin trading indicate that China's securities market has entered a new phase of development.

Outlook for 2011

Looking into the year 2011, the global economy is expected to sustain recovery. The role of emerging economies as the main driving force of global economic growth will be brought into better play, and developed countries are expected to maintain a slow recovery trend. According to the forecast of the International Monetary Fund on 26 January 2011, the global economic growth rate in 2011 will drop marginally as compared to that of 2010 and is likely to reach 4.4%. Factoring in the risk of the European debt crisis, the weak global financial system, the remaining unresolved structural issues in developed countries, and the inactive credit supply and demand, recovery of the global economy is still subject to great downside risks. As the growing fiscal deficits and sovereign debts have resulted in a smaller room for expansive fiscal policies, some developed countries may tighten their fiscal policies, which will have an adverse impact on the recovery of the global economy. Besides, major economies are likely to sustain the extremely loose monetary policies in 2011, and "the liquidity spillover effect" will intensify the capital inflows to and the inflationary pressure of emerging economies, bringing immense challenges to the stability of the macro economy and the financial industries.

In 2011, opportunities and challenges coexist in China. With respect to challenges, the heavy pressure of price increase, the urgent demand to transform the economic growth pattern, as well as the uneven, misconnected and uncoordinated economies domestically and globally will continue to have an impact on the development of the Chinese economy. With respect to opportunities, the long-term growth trend of the Chinese economy is likely to remain unchanged in 2011. Driven by the industrialization, urbanization and marketization, there is still huge potential of development in the domestic economy. In 2011, the first year of the Twelfth Five-Year Plan period, the social consensus is to transform the development pattern and speed up structural adjustment. This will provide a significant driving force for the transformation of development patterns. Looking into 2011, China's economic growth will moderately slow down and the economic structure will be further optimized. With the gradual exit of the moderately loose monetary policies and the ongoing control efforts in the real estate market, the economic growth rate in China will return to a more stable level in 2011. After the expiration of the large-scale economic stimulus plan, the economic growth will rely more on inherent growth drivers.

The basis for China's macroeconomic policies in 2011 is "proactive, steady, prudent and flexible". Monetary policies will shift from "moderately loose" to "steady" and will focus on controlling the aggregate. Fiscal policies will remain their proactive orientation, with emphasis on the adjustment of economic structure. Greater efforts will be extended to maintain prices at a stable level, with control of inflation being a top priority in macro policies. PBOC will further enhance the pertinence, flexibility and effectiveness of its policies in accordance with the requirements of prudence, appropriate control and structural optimization. Greater importance will be placed on maintaining stable prices, actively and prudently handling the relationships among the stable and rapid growth of economy, the adjustment of economic structure and the management of inflationary expectation, and continuing to make use of price and quantitative instruments such as interest rate, required reserve ratio and open market operations to speed up the construction of a counter-cyclical framework of a prudent macro financial management system. PBOC will also use the differentiated required reserve ratio for dynamic adjustment, and bring regular monetary policies into better play to achieve sound control on the liquidity in the market. Meanwhile, increased focus will be placed on managing the expectation for money aggregate, measuring the financial institutions' support to the economy from the aspect of aggregate amount of social financing, keeping a reasonable scale for social financing, strengthening the resource allocation function of the market, and further enhancing the inherent growth momentum of the macro economy.

FINANCIAL STATEMENTS ANALYSIS

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 net 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.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	2010	2009	Increase/ (decrease)	Growth rate (%)
Net interest income	303,749	245,821	57,928	23.6
Non-interest Income	76,999	63,590	13,409	21.1
Operating income	380,748	309,411	71,337	23.1
Less: Operating expenses	139,480	120,819	18,661	15.4
Less: Allowance for impairment losses	27,988	23,285	4,703	20.2
Operating profit	213,280	165,307	47,973	29.0
Share of profits and losses of associates and a jointly controlled entity	2,146	1,987	159	8.0
Profit before tax	215,426	167,294	48,132	28.8
Less: Income tax expense	49,401	37,898	11,503	30.4
Net profit	166,025	129,396	36,629	28.3
Attributable to: Equity holders of the parent company	165,156	128,645	36,511	28.4
Non-controlling interests	869	751	118	15.7

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

	2010			2009		
Item	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Assets						
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(2)	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(3)	603,227	11,307	1.87	837,673	9,148	1.09
Total interest-generating assets	**12,431,871**	**462,762**	**3.72**	**10,858,844**	**405,878**	**3.74**
Non-interest-bearing assets	509,132			438,737		
Allowance for impairment losses	(161,292)			(145,825)		
Total assets	**12,779,711**			**11,151,756**		
Liabilities						
Deposits	10,385,487	140,518	1.35	9,103,898	145,246	1.60
Due to banks and other financial institutions(3)	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
Total interest-bearing liabilities	**11,601,100**	**159,013**	**1.37**	**10,159,519**	**160,057**	**1.58**
Non-interest-bearing liabilities	406,471			350,840		
Total liabilities	**12,007,571**			**10,510,359**		
Net interest income		**303,749**			**245,821**	
Net interest spread			**2.35**			**2.16**
Net interest margin			**2.44**			**2.26**

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. Please see "Note 27.(a) to the Financial Statements: Receivables" for details.

(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.

The table below sets out the changes in interest income and interest expense brought by changes in volume and interest rate.

In RMB millions

Item	Comparison between 2010 and 2009		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	50,688	(11,701)	38,987
Investment in securities	17,572	(7,191)	10,381
Investment in securities not related to restructuring	24,807	(6,904)	17,903
Investment in securities related to restructuring	(7,235)	(287)	(7,522)
Due form central banks	5,053	304	5,357
Due from banks and other financial institutions	(4,375)	6,534	2,159
Changes in interest income	**68,938**	**(12,054)**	**56,884**
Liabilities			
Deposits	18,032	(22,760)	(4,728)
Due to banks and other financial institutions	1,780	702	2,482
Bonds issued	1,154	48	1,202
Change in interest expenses	**20,966**	**(22,010)**	**(1,044)**
Change in net interest income	**47,972**	**9,956**	**57,928**

Note: Changes in volume are measured by the changes in average balances, while the changes in interest rate are measured by the changes in average interest rates. Changes resulted from the combination of volume and interest rate have been allocated to the changes resulted from business volume.

◆ *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.

Percentages

Item	2010	2009	Increase/ (decrease) (basis point)
Yield of interest-generating assets	3.72	3.74	(2)
Cost of interest-bearing liabilities	1.37	1.58	(21)
Net interest spread	2.35	2.16	19
Net interest margin	2.44	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

	2010			2009		
Item	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
Total loans and advances to customers	**6,337,266**	**316,126**	**4.99**	**5,318,554**	**277,139**	**5.21**

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

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 bonds in July 2009 and August 2010, respectively. Please refer to "Note 38 to the Financial Statements: Bonds issued" for details of the subordinated bonds and the A share convertible bonds issued by the Bank.

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.

COMPOSITION OF NON-INTEREST INCOME

In RMB millions, except for percentages

Item	2010	2009	Increase/ (decrease)	Growth rate (%)
Fee and commission income	78,008	59,042	18,966	32.1
Less: Fee and commission expense	5,168	3,895	1,273	32.7
Net fee and commission income	72,840	55,147	17,693	32.1
Other non-interest related gain	4,159	8,443	(4,284)	(50.7)
Total	**76,999**	**63,590**	**13,409**	**21.1**

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 asset custody 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	2010	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
Asset custody 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
Fee and commission income	**78,008**	**59,042**	**18,966**	**32.1**
Less: Fee and commission expense	**5,168**	**3,895**	**1,273**	**32.7**
Net fee and commission income	**72,840**	**55,147**	**17,693**	**32.1**

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 asset custody business increased by RMB1,173 million or 53.0% to RMB3,385 million, mainly attributable to rapid growth in income from custody services for 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	2010	2009	Increase/ (decrease)	Growth rate (%)
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
Total	**4,159**	**8,443**	**(4,284)**	**(50.7)**

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

In RMB millions, except for percentages

Item	2010	2009	Increase/ (decrease)	Growth rate (%)
Staff costs	69,639	60,490	9,149	15.1
Premises and equipment expenses	18,874	16,760	2,114	12.6
Business tax and surcharges	21,484	18,157	3,327	18.3
Amortization	1,314	1,361	(47)	(3.5)
Others	28,169	24,051	4,118	17.1
Total	**139,480**	**120,819**	**18,661**	**15.4**

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. Please refer to "Note 26 to the Financial Statements: Loans and advances to customers" and "Note 15 to the Financial Statements: Impairment losses on assets other than loans and advances to customers" for details.

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. Please see "Note 16 to the Financial Statements: Income tax expense" for the reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax rate.

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

	2010		2009	
Item	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
Total operating income	**380,748**	**100.0**	**309,411**	**100.0**

Please refer to the section headed "Discussion and Analysis — Business Overview" for the details of the development of each of these operating segments.

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2010 Amount	2010 Percentage (%)	2009 Amount	2009 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
Total operating income	**380,748**	**100.0**	**309,411**	**100.0**

Note: Please see "Note 51 to the Financial Statements: Segment information" for the Bank's classification of geographic regions.

Balance Sheet Analysis

In 2010, faced with an ever-changing and complicated operating environment and increasingly fierce competitive situation, the Bank actively optimized the assets and liabilities business structures, and continued to push forward the business transformation in line with various national macro-control policies. It strictly adhered to a prudent credit development strategy, reasonably controlled the aggregate amount, structure, orientation and pace of lending, optimized the loan structure and steadily enhanced the quality of loans. The Bank timely adjusted its investment strategy and optimized its investment portfolio by closely monitoring the trends of the domestic and international financial markets. It actively adopted measures to optimize the liability structure. While maintaining steady growth in due to customers, the Bank actively absorbed low-cost liabilities, thereby ensuring a stable and sustainable growth of funding sources.

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

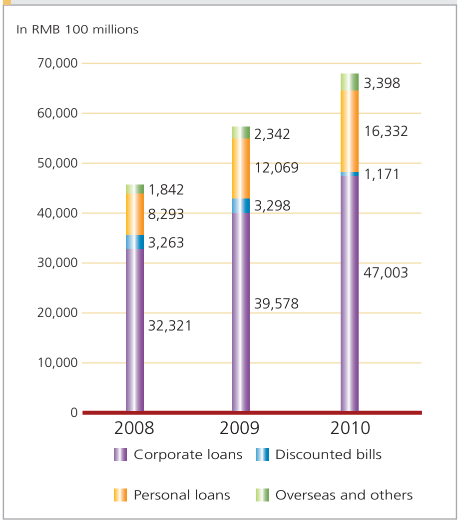
In RMB millions, except for percentages

Item	At 31 December 2010 Amount	At 31 December 2010 Percentage (%)	At 31 December 2009 Amount	At 31 December 2009 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
Total assets	**13,458,622**	**100.0**	**11,785,053**	**100.0**

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.

Composition of Loans



DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2010 Amount	At 31 December 2010 Percentage (%)	At 31 December 2009 Amount	At 31 December 2009 Percentage (%)
Loans of domestic operations	**6,450,670**	**95.0**	**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
Overseas and others	**339,836**	**5.0**	**234,198**	**4.1**
Total	**6,790,506**	**100.0**	**5,728,626**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

	At 31 December 2010		At 31 December 2009	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	1,350,106	28.7	1,190,417	30.1
Medium to long-term corporate loans	3,350,237	71.3	2,767,369	69.9
Total	**4,700,343**	**100.0**	**3,957,786**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY PRODUCT LINE

In RMB millions, except for percentages

	At 31 December 2010		At 31 December 2009	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Working capital loans	1,514,918	32.2	1,265,782	32.0
Of which: Trade finance	488,730	10.4	311,354	7.9
Project loans	2,659,093	56.6	2,254,893	57.0
Property loans	526,332	11.2	437,111	11.0
Total	**4,700,343**	**100.0**	**3,957,786**	**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 order to realize the balanced disbursement of loans and meet the revenue target.

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

	At 31 December 2010		At 31 December 2009	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Personal housing loans	1,090,095	66.7	874,244	72.4
Personal consumption loans	267,565	16.4	157,635	13.1
Personal business loans	183,971	11.3	138,095	11.4
Credit card overdrafts	91,561	5.6	36,876	3.1
Total	**1,633,192**	**100.0**	**1,206,850**	**100.0**

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 CURRENCY

RMB-denominated loans increased by RMB921,427 million or 17.3% and accounting for 86.8% of the total increment in loans. Foreign currencies-denominated loans increased by RMB140,453 million or 36.3% and accounting for 13.2% of the total increment in loans.

DISTRIBUTION OF LOANS BY REMAINING MATURITY

In RMB millions, except for percentages

	At 31 December 2010		At 31 December 2009	
Remaining maturity	Amount	Percentage (%)	Amount	Percentage (%)
Impaired or overdue	81,015	1.2	95,442	1.7
Less than 1 year	2,335,124	34.4	2,089,594	36.5
1–5 years	1,923,254	28.3	1,633,587	28.5
Over 5 years	2,451,113	36.1	1,910,003	33.3
Total	**6,790,506**	**100.0**	**5,728,626**	**100.0**

Note: The overdue loans refer to the loans of which principal or interest has become overdue. For loans repaid on an installment basis, only the amount which is not repaid upon maturity is deemed overdue. Please see "Note 52.(a) to the Financial Statements: Credit risk" for definition of impaired loans.

As at the end of 2010, loans with a remaining maturity of more than 1 year amounted to RMB4,374,367 million, accounting for 64.4% of the loans; loans with a remaining maturity of less than 1 year amounted to RMB2,335,124 million, accounting for 34.4% of the loans; and impaired or overdue loans amounted to RMB81,015 million, accounting for 1.2% of the loans which represents a decrease of 0.5 percentage point.

Please see "Discussion and Analysis — Risk Management" for detailed analysis of loan scale and loan quality.

Investment

In 2010, the Bank timely adjusted its investment strategy, flexibly organized 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

In RMB millions, except for percentages

Item	At 31 December 2010 Amount	At 31 December 2010 Percentage (%)	At 31 December 2009 Amount	At 31 December 2009 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[(1)]	1,850	0.1	–	–
Total	**3,732,268**	**100.0**	**3,599,173**	**100.0**

Note: (1) Include assets invested made by the principal guaranteed wealth management products issued by the Bank. For details, please refer to "Note 23 to the Financial Statements: Financial assets designated at fair value through profit or loss".

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 in 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.

For particulars of the investment in securities related to restructuring, please refer to "Note 27.(a) to the Financial Statements: Receivables".

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY ISSUER

In RMB millions, except for percentages

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

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY REMAINING MATURITY

In RMB millions, except for percentages

	At 31 December 2010		At 31 December 2009	
Remaining maturity	Amount	Percentage (%)	Amount	Percentage (%)
Undated(1)	6,884	0.2	10,489	0.4
Less than 3 months	351,405	10.6	315,543	11.7
3–12 months	719,339	21.6	780,720	28.9
1–5 years	1,453,337	43.8	1,011,601	37.5
Over 5 years	791,950	23.8	580,901	21.5
Total	**3,322,915**	**100.0**	**2,699,254**	**100.0**

Note: (1) Includes impaired bonds and those bonds not impaired but overdue for more than one month.

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY CURRENCY

In RMB millions, except for percentages

	At 31 December 2010		At 31 December 2009	
Item	Amount	Percentage (%)	Amount	Percentage (%)
RMB	3,228,013	97.1	2,593,342	96.1
USD	68,252	2.1	76,346	2.8
Other foreign currencies	26,650	0.8	29,566	1.1
Total	**3,322,915**	**100.0**	**2,699,254**	**100.0**

DISTRIBUTION OF INVESTMENT IN SECURITIES BY HOLDING PURPOSE

In RMB millions, except for percentages

	At 31 December 2010		At 31 December 2009	
Item	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
Total	**3,732,268**	**100.0**	**3,599,173**	**100.0**

As at the end of 2010, the Group held RMB1,090,376 million of financial bonds[1], including RMB977,903 million of policy bank bonds and RMB112,473 million of bonds issued by banks and non-bank financial institutions, accounting for 89.7% and 10.3% of financial bonds, respectively.

TOP 10 FINANCIAL BONDS HELD BY THE GROUP

In RMB millions, except for percentages

Debt securities	Nominal value	Annual interest rate	Maturity date	Impairment loss
Policy bank bonds 2006	20,000	3.15%	27 November 2011	–
Policy bank bonds 2006	20,000	3.26%	7 December 2013	–
Policy bank bonds 2010	17,240	3.60%	3 February 2015	–
Policy bank bonds 2008	15,650	4.83%	4 March 2015	–
Policy bank bonds 2010	11,050	3.51%	27 July 2020	–
Policy bank bonds 2007	10,950	5.07%	29 November 2017	–
Policy bank bonds 2010	10,460	Benchmark interest rate + 0.59%	25 February 2020	–
Policy bank bonds 2009	10,210	3.75%	11 November 2014	–
Policy bank bonds 2009	9,980	2.95%	18 November 2012	–
Policy bank bonds 2010	9,910	3.65%	26 March 2020	–

Note: The benchmark interest rate refers to the interest rate published by PBOC for one-year lump-sum time deposits applicable on the day of the bond issuance and the value date of each of the remaining interest bearing years.

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.

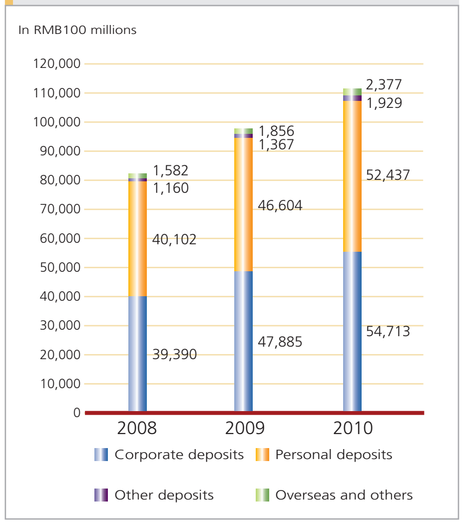
LIABILITIES

In RMB millions, except for percentages

	At 31 December 2010		At 31 December 2009	
Item	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
Total liabilities	**12,636,965**	**100.0**	**11,106,119**	**100.0**

1 Financial bonds refer to the debt securities issued by financial institutions on the bond market, including bonds issued by policy banks, banks and non-bank financial institutions but excluding debt securities related to restructuring and central bank bills.

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 Amount	At 31 December 2010 Percentage (%)	At 31 December 2009 Amount	At 31 December 2009 Percentage (%)
Deposits of domestic operations	**10,907,842**	**97.9**	**9,585,637**	**98.1**
Corporate deposits	5,471,309	49.1	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
Personal deposits	5,243,657	47.0	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
Other deposits(1)	192,876	1.8	136,715	1.4
Overseas and others	**237,715**	**2.1**	**185,640**	**1.9**
Total	**11,145,557**	**100.0**	**9,771,277**	**100.0**

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

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	135,352	1.2	148,757	1.5
Yangtze River Delta	2,373,874	21.3	2,038,077	20.9
Pearl River Delta	1,471,751	13.2	1,234,464	12.6
Bohai Rim	2,877,659	25.8	2,567,898	26.3
Central China	1,559,480	14.0	1,376,586	14.1
Western China	1,757,818	15.8	1,533,885	15.7
Northeastern China	731,908	6.6	685,970	7.0
Overseas and others	237,715	2.1	185,640	1.9
Total	**11,145,557**	**100.0**	**9,771,277**	**100.0**

DISTRIBUTION OF DUE TO CUSTOMERS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 31 December 2010		At 31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand(1)	6,134,482	55.1	5,227,043	53.5
Less than 3 months	1,697,494	15.2	1,519,544	15.6
3–12 months	2,527,394	22.7	2,359,489	24.1
1–5 years	772,418	6.9	655,590	6.7
Over 5 years	13,769	0.1	9,611	0.1
Total	**11,145,557**	**100.0**	**9,771,277**	**100.0**

Note: (1) Includes time deposits payable on demand.

In terms of the currency structure, the balance of RMB deposits amounted to RMB10,791,485 million, which accounted for 96.8% of the total balance of due to customers, representing an increase of RMB1,333,678 million or 14.1% as compared to the end of the previous year. The balance of foreign currency deposits was equivalent to RMB354,072 million, representing an increase of RMB40,602 million or 13.0%.

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.

Shareholders' Equity

As at the end of 2010, shareholders' equity amounted to RMB821,657 million in aggregate, representing an increase of RMB142,723 million or 21.0% as compared to the end of the previous year. Equity attributable to equity holders of the parent company amounted to RMB820,430 million, representing an increase of RMB146,537 million or 21.7%, of which, issued share capital was RMB349,019 million, representing an increase of RMB15,000 million, due to the Bank's rights issue of A shares and H shares in 2010. Please refer to the "Financial Statements: Consolidated Statement of Changes in Equity" for details.

SHAREHOLDERS' EQUITY

In RMB millions

Item	At 31 December 2010	At 31 December 2009
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
Equity attributable to equity holders of the parent company	**820,430**	**673,893**
Non-controlling interests	**1,227**	**5,041**
Total shareholders' equity	**821,657**	**678,934**

For details of off-balance-sheet items, please refer to "Note 46 to the Financial Statements: Commitments and contingent liabilities".

Other Financial Information Disclosed Pursuant to Regulatory Requirements

Major Regulatory Indicators

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

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).

Financial Instruments Measured at Fair Value

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
Total financial assets	**973,925**	**929,054**	**(44,871)**	**8,093**
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)
Total financial liabilities	**(23,604)**	**(17,234)**	**6,370**	**(2,793)**

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.

Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and those under IFRSs

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, 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.

BUSINESS OVERVIEW

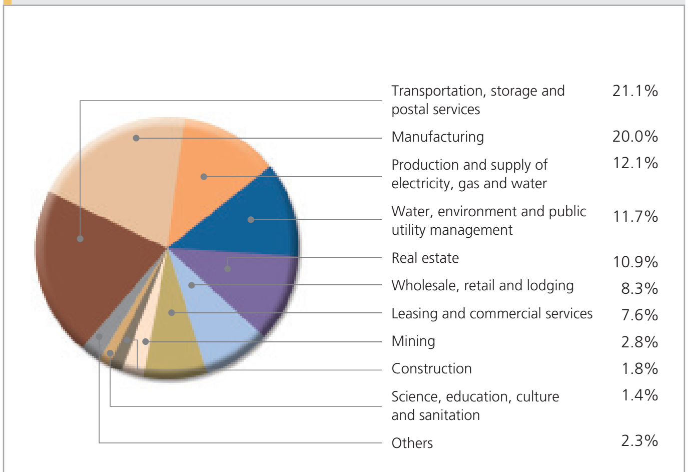
Corporate Banking

In 2010, the Bank accelerated business restructuring and advanced the transformation of corporate banking so as to proactively respond to changes in the macro environment. To maintain its edge as a leader in the financial services market, the Bank took a rational approach in the allocation of its financial resources and optimized its credit structure. In addition, in order to meet customers' diverse financing demands, the Bank took measures such as strengthening the synergy between commercial banking and investment banking, developing investment and financing consultation, underwriting of debt financing instruments and managing syndicated loan arrangements. The Bank accelerated the promotion of its cash management, asset custody, pension funds and corporate wealth management services, and optimized the structure of its corporate banking services. The Bank supported the "Going Global" projects of Chinese enterprises by expanding overseas business market, accelerating cross-border RMB settlement and enhancing its global service capability. The multi-tiered customer marketing system was facilitated in a bid to establish a differentiated customer service system and enhance the quality of its customer service. The Bank was awarded "Best Corporate Bank in China" by the British *Financial Times*. At the end of 2010, the Bank had 4.12 million corporate customers, representing an increase of 0.51 million customers from the end of the previous year while 102 thousands customers had loan balances with the Bank, representing an increase of 18 thousands customers. According to statistics from PBOC, at the end of 2010, the Bank ranked first in the banking industry in terms of both corporate loans and corporate deposits, with a market share of 12.2% and 12.8% respectively.

Corporate Deposits and Loans

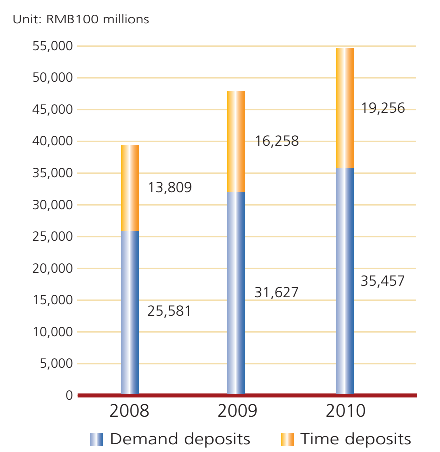
In conformity with the national macro-control policy, the Bank controlled total volume of lending and the pace of lending growth, adjusted the loan orientation and improved its credit structure to bring about a stable and healthy development of credit business. The Bank allocated more of its financial resources to key industries and quality customers so as to support key national projects, extended further credit to those industries that had been earmarked by the government for revitalization, strategic emerging industries and green industries such as energy-saving and emission-reduction, and strictly controlled lending to industries with high energy consumption, high pollution and over-capacity. The Bank coordinated the implementation of the government's regional development strategy by increasing lending to Central and Western China and Northeastern China. The Bank strengthened the prevention

Balance of Corporate Loans



Note: Domestic operations data

Growth of Corporate Deposits



Note: Domestic operations data

and control of risk exposure to infrastructure project loans and property loans to sustain the stability of credit asset quality. Targeting at the supply chain of core enterprises, the Bank launched product and service innovation and promoted the development of trade finance and SMEs credit business. The Bank actively engaged into syndicated loan business and was awarded the "Best Project in Syndicated financing" by the *Securities Times*. At the end of 2010, the balance of domestic corporate loans stood at RMB4,700,343 million, representing an increase of RMB742,557 million or 18.8% from the end of the previous year.

The Bank leveraged on its advantage in the institutional network to strengthen marketing efforts towards supply chain customers and customer bases in urban circles as well as to absorb and accumulate customers' funds. The links between integrated financial services covering corporate wealth management, cash management and asset custody were tightened to enable customers' funds to circulate within the Bank's system. At the end of 2010, the balance of domestic corporate deposits amounted to RMB5,471,309 million, representing an increase of RMB682,819 million or 14.3% from the end of the previous year.

Small and Medium Enterprise Business

The Bank promoted specialized operation, accelerated channels, products, processes and management innovation to enhance the service level for SMEs. The Bank continued to improve the products system with financing products covering working capital loans, revolving loans, trade finance and operational property loans and standard plant mortgage loans. Various measures such as the active use of third-party guarantees, small enterprise joint guarantees, portfolio guarantees and other small enterprise financing guarantee methods were taken as part of the Bank's innovative efforts to resolve the difficulties in managing small enterprise loan guarantees. The Bank took into consideration the unique characteristics of regional small enterprise customers when improving measures such as its credit policy, credit management and risk protection and formulating customized financing options for its small enterprise customers. Over 1,200 small enterprise franchised institutions were established cumulatively in an effort to enhance the level of specialized service. The Bank was awarded the "Excellent Service Organization for SMEs" by China Association of Small and Medium Enterprises and the "Top 10 Commercial Banks Supporting the Development of SMEs" once again by the Organizing Committee of the Annual Conference of China's Small and Medium Entrepreneurs. At the end of 2010, 63,081 small enterprise customers had loan balances with the Bank, representing an increase of 18,838 from the end of the previous year.

Institutional Banking

The Bank launched joint marketing efforts with many securities firms, issuing new products such as reservation for the opening of third-party depository accounts, internet banking and self-service registration for telephone banking, and sustained a rapid growth in its business with the number of customers and the volume of relevant funds ranking the top in the banking industry. The Bank promoted inter-bank platform business and extended the scope of inter-bank cooperation with other domestic banks, increasing such number to 109. The Bank also further developed bancassurance business, increased the volume of insurance agency business, and promoted the development of asset custody, cash management, bank cards and other business fields. Seizing the prime opportunity arising from the introduction of stock index futures to promote centralized bank-futures transfer business, the Bank expanded the scale of futures deposits so that the number of futures investors it serves ranked first in the market. The Bank also strengthened its partnerships with its government agency customers and maintained its top position in the market in terms of collection of financial payments to such government agencies and the number of business cards for budget units in the banking industry. The Bank commissioned agency services in respect of internet banking for payments authorized by the central finance government on a pilot basis and other innovative businesses to increase its service capacity.

Settlement and Cash Management

The Bank expanded its customer base through the wider application of the "E Express for Industrial and Commercial Capital Verification". Clearing and settlement package services were promoted to increase brand awareness of "Caizhi Account". The Bank made good use of third-party payment market development opportunities to actively market the agency service for payments of non-financial institutions. The Bank promoted its bank-trader transfer services, focusing on the market for substantial transactions. At the end of 2010, 5.05 million corporate settlement accounts were maintained with the Bank, representing an increase of 0.65 million from the end of the previous year. The transaction volume of corporate RMB settlement increased by 30.2% to RMB870 trillion during the year, enabling the Bank to maintain its position as an industry leader.

Leveraging on its global cash management system function, the Bank strengthened coordinated marketing efforts with domestic and overseas institutions and increased service capacity, thus consolidating its position as a leader in the industry. The Bank launched new cash management products such as local and foreign currency fund pool, cross-border fund pool and bill pool to help enterprises to enhance their fund management capability. The Bank developed comprehensive cash management solutions for representatives of various important enterprises and industries, expanded the scope of its services and improved service image. The Bank has been awarded the "Best Cash Management Bank in China" by the magazines *The Asset* and *FinanceAsia* respectively for four consecutive years, and the "Achievement Award for Cash Management in China" by the magazine *The Asian Banker*. At the end of 2010, the Bank had 508 thousands cash management customers, representing an increase of 77.0% from the end of the previous year.

Investment Banking

Adapting itself to the developments in the financial market and changes in customers' needs, the Bank accelerated the restructuring of investment banking products to drive rapid growth of its investment banking arm. The Bank also supported the government's efforts at restructuring and integrating the resources of key industries and provided acquisition financing, advisory and other financial services to address overall demands of customers. The Bank strengthened the links between domestic and overseas institutions and offered cross-border acquisition financing to "Going Global" projects of Chinese enterprises. The main innovative measure introduced by the Bank was providing equity investment funds management service to expand the channel of enterprises' equity financing. The Bank enriched the line of research products, and enhanced the service of investment and financing consulting and perennial financial consulting. The Bank also expanded its bond underwriting business and underwrote RMB207.0 billion worth of debt financing instruments of non-financial enterprises as a lead arranger in 2010, ranking first in China. Given the ever-increasing awareness of its investment banking brand, the Bank was awarded the "Best Bank in Investment Banking" by the *Securities Times* once again. In 2010, investment banking income was RMB15,506 million, representing an increase of 23.7% from the end of the previous year.

International Settlement and Trade Finance

The Bank strengthened the cooperation with foreign correspondent banks in import re-financing and initiated on a pilot basis the export financing and import trade finance at both domestic and overseas branches. Margin deposit account service under processing trade was promoted, driving the development in areas such as purchase order financing, global express remittance and RMB foreign exchange trading. The Bank's documents processing centers handled transactions for 53 domestic and overseas institutions. With newly established sub-centers in Hefei and Chengdu, it enhanced the capacity of integrated documentary bills processing and trade finance operation. The Bank accelerated cross-border RMB business development. Overseas institutions and agencies from 31 countries and regions have set up domestic RMB settlement accounts at the Bank. In 2010, domestic branches disbursed an aggregate of RMB974.7 billion in trade finance, an increase of 43.4% compared to the previous year, of which domestic trade finance increased by 66.8% to RMB624.4 billion. Domestic branches handled international settlement of USD782.7 billion in aggregate, representing an increase of 43.4% and enjoyed larger market share.

Asset Management

◆ *Asset custody Services*

Custody services offered by the Bank further consolidated its position as a market leader. The amount of insurance funds under the Bank's custody approximated one trillion in RMB, increasing the Bank's market share to 39%. Global custody services developed progressively; the number of customers using the Bank's QFII custodian services and the scale of QDII assets under the Bank's custody ranked top among all the Chinese banks. The Bank offered "Anxin Account" assets custody service to promote emerging custody services such as wealth management banking products, schemes on customer assets management for securities firms and custody of equity investment funds and also optimized the structure of custody business. Due to capital market volatility, the net value of securities investment funds under the Bank's custody decreased slightly, however the total number of funds and units of funds under the Bank's custody continued to grow rapidly. The Bank was recognized as the best custodian bank in China by renowned financial journals, including the *Global Custodian*, *Global Finance* and *The Asset* once again, further improving its brand impact. At the end of 2010, the total net value of assets under the Bank's custody reached RMB2,875.7 billion, representing an increase of 59.2% from the end of the previous year.

◆ *Pension Services*

The Bank boosted its market expansion efforts by leveraging on its comprehensive competitive advantages. The "Ruyi Pension Management 3" enterprise annuity scheme was launched to expand the scope of products offered by the Bank and to enlarge its brand influence. A comprehensive management system of pension funds was rolled out to increase the Bank's service capabilities. At the end of 2010, the Bank provided pension management services for 22,790 enterprises, representing an increase of 4,470 from the end of the previous year; the pension funds under the Bank's trusteeship amounted to RMB42.7 billion; the Bank managed 9.12 million individual pension accounts, and the pension funds under the Bank's custody totaled RMB148.7 billion.

◆ *Precious Metal Business*

In 2010, the price of gold and other precious metals enjoyed an overall upward trend. The Bank seized this opportunity to step up its efforts in product innovation and formed four product series consisting of physical, trading, financing and wealth management categories in an effort to propel the development of precious metal business. In response to the market demand, the Bank launched a series of branded precious metal products and expanded the branded Gold Accumulation service simultaneously. The Bank launched the Paper Silver Transaction and Silver Deferred Delivery Product on behalf of Shanghai Gold Exchange and extended the scale of Trading Products business to a new level. The Bank also launched Physical Gold Leasing business, Gold Pledge business and offered the first precious metal wealth management product that was linked with physical gold bullion: the "Ruyi Gold" Compounded Wealth Management Product. In 2010, the total volume of precious metal business reached 24.4 thousands tons which was 23.6 times higher than the previous year. In the year, the Bank cleared RMB128.8 billion on behalf of Shanghai Gold Exchange, maintaining the leading position among peers.

◆ *Corporate Wealth Management*

The Bank intensified efforts in strengthening its business mode and improving its investment management capacity in product innovation in response to market demands and regulatory changes, thereby further consolidating its leading position in the banking industry. The Bank introduced fractional interest accrual wealth management product with increasing income and redeemable fixed-return wealth management product to meet customized wealth management demands of customers. The Bank expanded capital market investment products including stock investment cash options and structured securities investment wealth management products for generating more returns from wealth management products. "Ruyi Life" pension serial wealth management products were introduced to extend the functions of wealth management products. The Bank won the title of the "Best Asset Management Team" from the *21st Century Business Herald*. In 2010, cumulative sales of the Bank's corporate wealth management products reached RMB2,165.5 billion, representing an increase of 20.6% as compared with the previous year.

Personal Banking

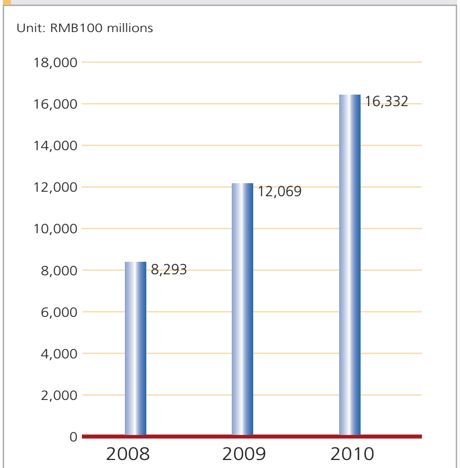
In 2010, the Bank accelerated the transformation of the personal banking operation management system and promoted the implementation of the "strong personal banking" strategy to cement its positions as the No. 1 retail bank in China. The Bank actively developed emerging markets represented by commodity trade market to expand personal banking service area. ICBC Business Friendship Club and other new types of marketing platforms were constructed to innovate customer expansion method and explore new customer relationship pattern. The Bank pushed forward positive coordinated development of savings deposits and wealth management service to consolidate its position in these two business fields and increase the total volume of personal customers' financial assets. The Bank's advantages in financial resources were capitalized to accelerate the development of bank card and private banking businesses. The Bank quickened the application of personal customers' star assessment service system to expand the base of quality customers and enhance the level of serving customers. The Bank was awarded the "Best Retail Bank in China" by *The Asian Banker*. At the end of 2010, the Bank had 259 million personal customers, including 6.85 million personal loan customers. According to statistics from PBOC, at the end of 2010, the Bank ranked first in the industry both in terms of savings deposits and personal loans, with a market share of 17.1% and 14.5% respectively.

Savings Deposits

Using new platforms such as ICBC Business Friendship Club and Celebrity Wealth Management Club, the Bank expanded both its number of customer groups as well as its sources of savings deposits. The Bank enhanced coordinated marketing with corporate banking and facilitated the increase of group and batch customers through payroll payment agency service. The Bank also promoted the coordinated development of savings deposits and wealth management to attract and retain customers with quality wealth management products so as to broaden the sources of funding and to divert time deposits to wealth management products which yield relatively higher returns so as to increase the proportion of demand deposits. At the end of 2010, the balance of the Bank's domestic savings deposits amounted to RMB5,243,657 million, representing an increase of RMB583,225 million or 12.5% from the end of the previous year, of which demand savings deposits increased by RMB444,477 million or 24.6% and time savings deposits increased by RMB138,748 million or 4.9%.

Personal Loans

Growth of Personal Loans



Note: Domestic operations data

The Bank implemented the government's policies on real estate market regulation and differentiated credit, maintaining stable development of personal housing loans. The Bank seized the prime opportunity arising from the government's policy on expanding consumer demand, along with increased commodity consumption, to increase personal consumption loans. The Bank also stepped up to meet the financing needs of private business owners in resource-rich regions in the business and trade clusters and industry clusters to expand merchants' operating loans. Small value personal loans were launched to actively bolster county-based economic development. The Bank accelerated product innovation by offering "Card Loan Link" for personal revolving loans and "Internet Loan Link" for internet financing service, which enriched the mix of personal credit products and enhanced market competitiveness and service level of personal credit service. At the end of 2010, domestic personal loans amounted to RMB1,633,192 million, representing an increase of RMB426,342 million or 35.3% from the end of the previous year, of which, personal consumer loans increased by RMB109,930 million or 69.7%.

Personal Wealth Management

The Bank adjusted its product strategy in line with market conditions and concentrated on customers' demands to increase the supply of wealth management products in order to maintain its edge in the wealth management market. The Bank accelerated the innovation in wealth management products and successively launched themed wealth management products on special occasions of the Mid-Autumn Festival and National Day, and also launched convertible wealth management products as well as "Zhu Lian Bi He" wealth management products linked with crude oil and corn. The Bank issued special wealth management products designated for county areas to expand its base of county-based quality customers and promote rapid development of wealth management products. Greater efforts were also made to promote guaranteed insurance products with payments by installments, and the Bank sold RMB88.5 billion worth of personal insurance products on an agency basis in the year, representing an increase of 22.2% compared with the previous year. The Bank distributed RMB356.1 billion worth of open-ended funds, maintaining the leading edge in the banking industry. The Bank distributed RMB71.5 billion worth of treasury bonds, maintaining its top position in the banking industry. In 2010, sales of various personal wealth management products amounted to RMB2,373.9 billion, representing an increase of 55.4% compared with the previous year, of which sales of personal banking wealth management products increased by 109.4% to RMB1,857.7 billion.

Chip cards of Elite Club Accounts were promoted to make financial services more secure and convenient. The Bank made further efforts in innovation in operating procedures by setting up the Celebrity Wealth Management Club so as to provide a platform for the Bank to optimize investor communications with wealthy customers and to enhance value for such customers. Many types of dedicated Elite Club Account and ICBC Wise Gold wealth management products were launched, and the Bank jointly offered ten types of "one-to-more" dedicated accounts wealth management products with fund houses to address investment and wealth management demands of customers. The Bank also strengthened the training of its personal customers' management team and increased the number of professional qualifications held by its team members, thereby creating a high quality service team and enhancing service capabilities. The number of employees with certificates of Associate Financial Planner (AFP) and Certified Financial Planner (CFP) was 13,049 and 2,528, respectively, sustaining the leading position in the banking industry. The number of Elite Club Account customers and wealth management customers as well as the volume of their financial assets maintained a fast growth.

Private Banking

The Bank provided high-net-worth customers having RMB8 million or more personal financial assets with private banking services including financial management, asset management, consulting, private wealth accumulation and cross-border financing. The Bank established ten private banking sub-departments in Beijing, Shanghai, Guangzhou and several other cities, establishing a business presence in key economic regions in China. Bank-wide service resources were actively integrated to expand non-financial service fields such as medical care, taxation consulting, art collection, charity and public welfare activities, providing value-added services that better addressed the demands of private banking customers. The Bank was awarded the "Best Private Bank in China" by *Euromoney* and "Outstanding Chinese-Funded Private Banking Brand of the Year" by the *21st Century Business Herald*. At the end of 2010, the Bank had over 18 thousands private banking customers and managed RMB354.3 billion worth assets.

Bank Card Business

In 2010, the Bank boosted its market expansion measures, accelerated product innovation and service upgrading in terms of its bank card business and further consolidated its leading position in the banking industry. At the end of 2010, the Bank had issued approximately 355 million bank cards, an increase of 65.60 million cards from the end of the previous year. Annual consumption volume of bank cards stood at RMB2,239.5 billion, representing an increase of 49.5% from the previous year. Income from bank card business amounted to RMB13,687 million, representing an increase of 45.5%.

◆ *Credit Card Business*

The Bank started the campaign of marketing credit cards to star customers and made more efforts to promote quality projects such as Transport Cards and Co-brand Cards to expand the volume of card issuance. The Bank was the first bank in Chinese Mainland to offer internet card application service in China, which broadened card issuing channels and enhanced efficiency of card issuance. The Bank was also a pioneer in terms of making innovations in credit card technologies in China by offering mobile credit cards in cooperation with telecommunication service provider to meet customers' demand for a quick mode of payment of small amounts. The Bank expanded the scale of merchants such as supermarkets, department stores, hotels, restaurants and household electrical appliance retailers, expanded the acquiring market and promoted the fast development of payment by installments. 34 new VIP service centers were established, and platinum card special hotline and group special hotline of telephone service were put into use, which remarkably enhanced service provision ability and service level. The Bank was recognized as the "Trusted Brand — Credit Card Issuing Bank: Gold (China)" by *Reader's Digest* of the United States once again and honored with the title of the "Best Credit Card Bank in China" from the *Global Finance*. At the end of 2010, 63.66 million credit cards were issued, representing an increase of 11.65 million from the end of the previous year; annual consumption volume stood at RMB638.3 billion, representing an increase of 42.2% from the previous year; the balance of domestic credit card overdrafts amounted to RMB91,561 million, representing an increase of RMB54,685 million or 148.3%, evidencing the leading edge of the Bank in terms of volume of cards issued, consumption and overdrafts.

◆ *Debit Card Business*

The Bank accelerated debit card product innovation by introducing themed cards such as ICBC Business Friendship Card, Yang Lan • Moneylink Card, Smile Angel Foundation Moneylink Card and Taobao Moneylink Card as well as co-brand cards such as telecommunication co-brand card and public accumulation fund card, which enriched Moneylink product line and increased volume of card issuance. The Bank brought its edge in technological advances in chip card business into play and issued many types of chip debit cards such as Asian Games Moneylink Card and Baby Growth Card to enhance product competitiveness. A range of special themed and regional marketing and promotion activities were carried out to raise the customers' awareness of spending with cards and increase consumption volume. At the end of 2010, 291 million debit cards were issued, representing an increase of 53.95 million from the end of the previous year, with an annual consumption totaling RMB1,601.2 billion, representing an increase of 52.7%.

Item	At 31 December 2010	At 31 December 2009	Growth rate (%)
Issued bank cards (Unit: 10,000)	35,470	28,910	22.7
Debit cards	29,104	23,709	22.8
Credit cards	6,366	5,201	22.4
	2010	**2009**	**Growth rate (%)**
Annual consumption volume (In RMB100 million)	22,395	14,979	49.5
Average consumption volume per card[1] (In RMB Yuan)	6,926	5,615	23.3

Note: (1) Average consumption volume per card = Consumption volume during the reporting period/Average monthly cards issued during the reporting period.

Treasury Operations

In 2010, the Bank, facing complex and volatile market conditions, enhanced its competitiveness and profitability through active product innovation, timely adjustment of its investment and trading strategies, refining of product line assessment, improvement of management level and prevention of business risks.

Money Market Activities

In 2010, interest rate increased significantly while the money market fluctuated. Flexible financing strategy had been adopted to improve capital efficiency and stabilize the reserve ratio based on liquidity demand. The Bank enhanced its lending frequency and scale when capital was abundant to increase returns on fund operation. On the other hand, it borrowed in time to protect the liquidity via solid market prediction during periods of tight liquidity. In 2010, domestic operations of the Bank traded RMB17,274.6 billion, representing an increase of 28.0% from previous year, of which placement amounted to RMB13,508.5 billion, representing an increase of 7.0%.

In respect of foreign currencies, the Bank improved its forecast on foreign exchange positions, refined fund management, and adopted a variety of measures to supplement foreign exchange funds when foreign exchange funds were insufficient. The Bank flexibly adjusted its placement strategy to improve the returns of foreign exchange funds, closely observed market developments and dispersed counterparties to mitigate credit risk. In 2010, the Bank's foreign currency transaction volume in money markets amounted to USD534.8 billion.

Trading Book Business

RMB bond price index first increased and then decreased in 2010. The Bank mitigated interest rate risks and improved asset liquidity by adopting a trading strategy of controlling positions and reducing durations. During the reporting period, the Bank seized the opportunity arising from the volatility of bond prices and increased trading gains by adopting flexible positions in the market. The Bank carried out its obligations as a market marker to increase the varieties of bond quotations, narrow quotation differences, update quotations more frequently and enhance the market position in the capacity of a market-maker. The transaction volume on RMB bond trading book was RMB698.7 billion during the year. In addition, the Bank actively carried out trading in RMB interest rate derivatives, adopted flexible positions according to market changes and generated good returns.

In respect of foreign currencies, the yields of major treasury bonds were substantially volatile. The Bank seized the opportunity arising from market volatility to focus on short-term trading of US treasury bonds, with an aggregate transaction volume amounting to USD36.6 billion. The Bank also paid close attention to the moves in the international market and strictly enforced the provisions on market risk limits to control foreign exchange trading risk.

Banking Book Investment

In 2010, RMB bond market yield curve showed an overall flat yet upward trend. The Bank controlled investment durations to prevent interest rate risks and new investments were mainly with short and medium-term maturities. During the period, the Bank dynamically adjusted maturity structure of new investments according to changes in the shape of yield curve and invested in some quality and medium and long-maturity bonds when the yield curve was steep so as to stabilize the returns of portfolios. The Bank continued to increase investment in quality credit bonds to increase the returns of portfolios. At the end of 2010, the balance of RMB bond investment in banking book amounted to RMB3,623,413 million, representing an increase of 4.2% compared to the end of the previous year.

In respect of foreign currencies, the sovereign debt crisis which broke out in some European countries gave rise to turbulence and volatility in international financial markets. The Bank kept close track of market developments and seized good opportunities to increase holdings of bonds of some big international financial institutions to improve yield on investment portfolio. Timely disposal of some higher-risk foreign currency bonds led to enhanced portfolio security.

Franchise Treasury Business

In response to the turbulent international financial market, the Bank strengthened business innovation and market expansion measures and enhanced the level of franchise treasury business. The Bank launched combined marketing covering international financing, settlement and foreign exchange trading and promoted forward foreign exchange trading. It introduced small foreign exchange settlement of personal internet banking, offered TWD money notes exchange and handled foreign exchange trading in RUB and MYR on a pilot basis, enriching the varieties of foreign change trading. The Bank improved the construction of around-the-clock foreign exchange trading system and standardized business operation process. In 2010, the volume of agency foreign exchange settlement and sales and foreign exchange trading amounted to USD364.0 billion, representing an increase of 27.2% compared to the previous year. In line with the market environment, the Bank launched a series of risk management products with balanced hedging costs and effects to meet customers' demands. The Bank enhanced the application of pricing system and improved derivatives pricing and risk management capabilities. The transaction volume of structured derivatives for customers reached USD71.5 billion during the year.

Distribution Channels

Domestic Branch Network

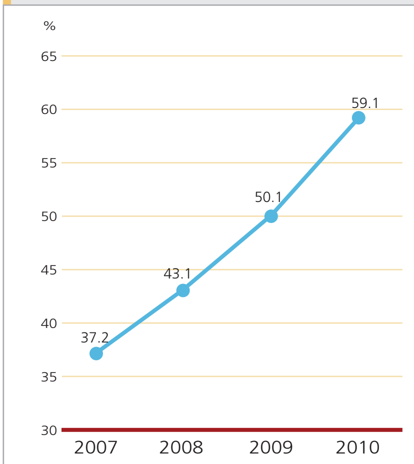
In 2010, while maintaining a generally stable total number of physical outlets, the Bank implemented the project on optimization of institutional network distribution and commissioned the model on assessing optimization of institutional network distribution to optimize the presence of outlets. The Bank continued to implement outlet renovation and upgrading projects, decorated, rebuilt and upgraded over 2,100 outlets, newly established 59 premier wealth management centers and 797 VIP service centers, remarkably strengthening service competencies and marketing results of outlets. The Bank moderately strengthened county-based channel construction and resource inputs, promoted Zhejiang Yiwu County Sub-branch to a tier-2 branch and renewed the set-up of sub-branches in such county areas as Gansu Huanxian. Based on Zhejiang Pinghu ICBC Rural Bank Co., Ltd. and Chongqing Bishan ICBC Rural Bank Co., Ltd., the Bank was actively involved in the backing of socialist new countryside construction to enhance financial service level in both county and rural areas.

At the end of 2010, the Bank had 16,227 domestic institutions, including the Head Office, 31 tier-1 branches, five branches directly controlled by the Head Office, 26 banking offices of tier-1 branches, 396 tier-2 branches, 3,077 tier-1 sub-branches, 12,653 front line business outlets, 34 institutions directly controlled by the Head Office and their branch offices, and four majority controlling subsidiaries.

E-banking

In line with the bank-wide development strategy, the Bank integrated E-banking into its comprehensive business platform that combines trading, marketing and services. In 2010, the Bank introduced 49 new products, improved and optimized the functions of 155 existing products and consolidated core competitiveness in terms of E-banking, thereby further improving customer service level. The Bank carried out many large themed marketing activities on the occasion of the tenth anniversary of offering E-banking service, in a bid to constantly improve brand recognition and influences of E-banking and drive rapid growth in customer base and business volume. In 2010, the transaction volume of E-banking increased by 37.2% when compared to the previous year. The number of E-banking transactions accounted for 59.1% of total transactions of the Bank, representing an increase of 9.0 percentage points from the previous year, further playing the role of a major transaction channel.

Proportion of E-banking Business



Note: The proportion of E-banking business refers to the number of E-banking transactions against the total number of transactions of the Bank

◆ *Internet Banking*

The Bank introduced cross-border foreign exchange remittance of corporate internet banking, personal internet banking, online financial analysis system as well as global account management service covering both corporate and personal internet banking customers to enrich the system of internet banking products. The Bank made innovation in asset business of internet banking and added such new features as supply chain banking platform and Internet Loan Link. The Bank constructed the financial product experience platform and the portal website simulation transaction system to further enhance customers' experience. It expedited the promotion of internet banking overseas and opened internet banking service in 15 overseas institutions.

At the end of 2010, the number of the Bank's corporate and personal internet banking customers increased by 26.5% and 27.7% from the end of the previous year, respectively. The annual volume of corporate and personal internet banking transactions increased by 46.6% and 60.1%, respectively. The Bank was awarded the "Best Internet Banking in China" by *The Asian Banker* and the "Best Consumer Internet Bank in China" by the *Global Finance*.

◆ *Telephone Banking*

The Bank completed the construction of its integrated telephone banking system, improved the operation and management of telephone banking and implemented flexible distribution of telephone answers throughout the Bank. It expanded its 95588 service channel with its launch of its SMS customer services, which effectively diverted business volume borne by telephone banking answers. E-banking Center (Hefei) and E-banking Center (Shijiazhuang) were put into operation, further enhancing the service level. The construction of overseas telephone banking centers was facilitated and telephone banking services became available in ICBC (Canada), ICBC (Indonesia) and Frankfurt Branch.

◆ *Mobile Banking*

The Bank accommodated itself to the development trend of mobile internet by accelerating the innovation in mobile financial products, providing new functions including mobile banking wealth management, loan and remittance to overseas VISA cards, thus enriching the system of mobile banking products. The Bank promoted innovation in products such as mobile portals and electronic maps to extend mobile marketing services. The number and transaction volume of mobile banking customers sustained a rapid growth.

◆ *Self-service Banking*

The Bank made innovations on outside-bank layout pattern of ATMs, optimized the layout of ATMs and accelerated outside-bank distribution of self-service equipment. The Bank also increased the BSM functions and optimized the business processing procedures. Marketing for business functions of self-service equipment was strengthened and diversion from over-the-counter services guided to increase utilization efficiency of self-service equipment. At the end of 2010, the Bank owned 11,414 self-service banking outlets, representing an increase of 30.8% from the end of the previous year, and 42,868 ATMs, up 25.8%. The volume of ATM transactions amounted to RMB3,375.3 billion, up 64.9%.

Brands and Services

The Bank carried out the "Year of Service Enhancement for 2010" activity at a profound level and comprehensively implemented ten service improvement projects including raising service efficiency of outlets, improving service quality of electronic channel and handling customers' complaints to further lift customer service level. The Bank constructed one-stop platform for managing complaints about services, established regular analysis, tracking and supervising on the handling of customers' complaints and focused upon the treatment of prominent issues with strong responses from personal customers to improve reputation among customers. The distribution of outlets' windows and labor mixes were optimized to effectively carry out measures such as customer diversion, business tiering and functional zoning and truly improve service efficiency. To further reinforce the service-supply ability, the Bank strengthened the construction and rebuilding of outlets, accelerated the installment of self-service equipment and complemented the customer service team consisting of duty managers, account managers and front-line tellers. The Bank intensified standardized construction of outlet services and acted from customers' experience to dig out service details and prepare serial service norms to further enhance service quality of outlets and self-service equipment and standardized level of services. 138 outlets of the Bank were selected to be "1,000 Best Model Units for Civilized and Standard Services in Chinese Banking Industry in 2010" by China Banking Association, being the highest number of outlets selected in the banking industry. Taking customers' demands into consideration, the Bank strengthened product innovation and added 449 new products, increasing the total number of products of the Bank to 2,815. The Bank enhanced the quality of E-banking services and spared no efforts to serve the Shanghai Expo and the Guangzhou Asian Games with respect to E-banking. It successfully fulfilled high-standard goals of "zero service error, zero safety incident and zero customer complaint" with regard to financial services for the Expo and the Asian Games, thus winning the "Organizational Award of Financial Services for the Shanghai Expo in Chinese Banking Industry" and "Innovation Award of Financial Services for the Shanghai Expo in Chinese Banking Industry".

The bank-wide brand integration project was completed to form a new brand structure with distinctive tiers, well-defined priorities, simple structure and close two-way linkage between businesses and customers, and to deepen the relationship between brand building and business development as well as between brands and sub-brands. The Bank promoted the construction of outlets' marketing and dissemination system, performed overall design and standardized management over various information dissemination carriers inside and outside outlets as well as their management systems, facilitated the shift of outlets from simple business operation centers to business operation and information dissemination centers to better publicize the Bank's brands, products and services to customers. It released the first annual brand report in the domestic banking industry. In close combination with the needs of business marketing, the Bank arranged media resources such as TV, print, internet and film in a comprehensive manner to accurately disseminate information to target customers. The Bank took the Shanghai Expo and the Asian Games as good opportunities to launch full-directional and three-dimensional brand promotion, which obtained positive social responses and international influences. The Bank released international TV advertisement and corresponding print advertisement in both Chinese and English, and took active part in large overseas marketing and promotional activities as well as high-end forums to strengthen internationalized dissemination of core brand value and operating philosophy of ICBC. The brand value of the Bank once again ranked first among financial institutions in 2010 in the "Top 100 Most Powerful Brands" published by Millward Brown Optimor, an international market research institution.

Internationalized and Diversified Operation

The Bank seized the favorable opportunities in the post-financial crisis era to comprehensively implement the internationalized and diversified operation strategy through accelerating the establishment and mergers and acquisitions of overseas institutions in both emerging and developed markets. Through M&As, the Bank has laid a solid foundation for future expansion in the domestic insurance market. The cross-market and internationalized development pattern focusing upon commercial banking was basically formed, and the Bank enhanced cross-market and globalized service capability based on the integrated development mechanism of the Group's domestic and overseas operations.

During the reporting period, ICBC Hanoi Branch, ICBC (Malaysia) and ICBC Abu Dhabi Branch commenced business; the acquisitions of The Bank of East Asia (Canada) and ACL BANK Public Company Limited in Thailand were completed and the two companies were renamed to Industrial and Commercial Bank of China (Canada) and Industrial and Commercial Bank of China (Thai) Public Company Limited, respectively; the privatization of ICBC (Asia) was completed; Industrial and Commercial Bank of China Financial Services LLC was founded after the Bank acquired the

Prime Dealer Services of Fortis Securities; legal agreement concerning the purchase of AXA-Minmetals Assurance Co., Ltd. was executed; Paris Branch, Amsterdam Branch, Brussels Branch, Milan Branch, Madrid Branch[1] and Pakistan-based institutions (Karachi Branch and Islamabad Branch) had obtained overseas regulatory approvals smoothly; the expansion of tier-2 networks in countries and regions including South Korea, Indonesia, Hong Kong and Macau and their localization processes further accelerated. At the end of 2010, the Bank had 203 overseas institutions in 28 countries and regions, including 21 overseas branches and their institutions and 181 overseas subsidiaries and their institutions; and established correspondent bank relationship with 1,453 overseas banking institutions in 132 countries and regions. With diversified channels, well-defined layout, reasonable positioning and efficient operation, the global financial service network covering Asia, Africa, Europe, America and Australia has been basically established.

The Bank strengthened differentiated management of overseas institutions and created distinctive development patterns. Capitalizing on FOVA, the advanced IT infrastructure for overseas institutions' business processing, and taking the advantages of multi-licensed overseas institutions, the Bank actively built key product lines accommodating to the needs of globalized Chinese corporate customers, including retail banking, bank cards, E-banking, fund clearing, specialized financing, global cash management, investment banking, asset management and trade finance. The globalized and full-functional service chain for globalized customers has been preliminarily established. Cross-border RMB business topped one hundred billion in RMB and realized rapid development in a short period. In the field of international investment banking, the Bank successfully participated in several globally influential financing and IPO projects, including Petrobras and AIA Group Limited.

During the reporting period, total assets of overseas institutions (including overseas branches, overseas subsidiaries and investments in Standard Bank) of the Bank were USD75,727 million, representing an increase of USD23,521 million or 45.1% from the end of previous year; profit before tax was USD1,185 million, representing an increase of 37.2% from the previous year. All overseas operating institutions, including those newly established, posted a profit.

DISTRIBUTION OF ASSETS, PROFIT BEFORE TAX AND INSTITUTIONS BY OVERSEAS REGION

	Assets (in USD millions)		Profit before tax (in USD millions)		Number of institutions	
Item	31 December 2010	31 December 2009	2010	2009	31 December 2010	31 December 2009
Hong Kong and Macau	48,411	37,644	658	481	126	126
Asia-Pacific region (except Hong Kong and Macau)	13,568	7,066	117	65	56	28
Europe	6,216	3,435	56	29	12	7
America	6,592	1,012	33	1	9	1
Africa(1)	5,971	5,294	321	288	–	–
Eliminations	(5,031)	(2,245)				
Total	**75,727**	**52,206**	**1,185**	**864**	**203**	**162**

Note: (1) Refers to investments in Standard Bank. The assets represent the balance of the Bank's investment and the profit before tax represents the Bank's gain on investment recognized by the Bank during the reporting period.

1 Paris Branch, Brussels Branch, Amsterdam Branch, Milan Branch and Madrid Branch are branches under ICBC (Europe), and have successively commenced business in January 2011.

Overseas Subsidiaries

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

ICBC (Asia) is a bank registered in Hong Kong and listed on SEHK, and has a share capital of HKD2,704 million, with the Bank holding 100% of its shares at the end of 2010[1]. It renders comprehensive commercial banking services, which covers trade finance, receiving bank services for IPOs and dividend distribution, commercial credit, investment service, credit card, custody, E-banking and so on. At the end of 2010, ICBC (Asia) recorded total assets of USD34,339 million, and net assets of USD2,592 million. It generated a net profit of USD386 million during the year.

ICBC INTERNATIONAL HOLDINGS LIMITED

ICBC International, a wholly-owned subsidiary of the Bank as well as a full-licensed investment bank in Hong Kong, has a registered capital of HKD939 million. ICBC International renders a variety of investment banking services, including acting as a sponsor for listing and underwriting, equity financing, bond financing, direct investment, securities brokerage and fund management. At the end of 2010, it recorded total assets of USD1,132 million and net assets of USD405 million. It generated a net profit of USD69.04 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MACAU) LIMITED

ICBC (Macau) is the largest local legal banking entity and the second largest commercial bank in Macau. It has a registered capital of MOP461 million, in which the Bank holds an 89.33% stake. ICBC (Macau) mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. At the end of 2010, it recorded total assets of USD8,918 million and net assets of USD823 million. It generated a net profit of USD80.16 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD

ICBC (Malaysia), a wholly-owned subsidiary of the Bank established in Malaysia, formally commenced operations on 28 April 2010. With a registered capital of MYR331 million, it is able to provide a full range of commercial banking services. At the end of 2010, ICBC (Malaysia) recorded total assets of USD330 million and net assets of USD108 million. It generated a net profit of USD0.68 million during the year.

PT. BANK ICBC INDONESIA

ICBC (Indonesia) is a full-licensed commercial banking subsidiary registered in Indonesia, with a paid-up capital of IDR1.5 trillion, in which ICBC holds a 97.5% stake. ICBC (Indonesia) mainly provides services such as deposit, loan and trade finance, settlement, agency business, inter-bank borrowing and lending and foreign exchange. At the end of 2010, ICBC (Indonesia) recorded total assets of USD1,162 million and net assets of USD174 million. It generated a net profit of USD4.7 million during the year.

1 Please see "Significant Events — Material Asset Acquisition, Sale and Merger" for information on the privatization of ICBC (Asia) during the reporting period.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

ICBC (Thai), a subsidiary of the Bank, has a registered capital of THB15,905 million. The Bank completed the voluntary tender offer for 97.24% of Thailand's ACL BANK Public Company Limited in April 2010 and renamed it to Industrial and Commercial Bank of China (Thai) Public Company Limited in July 2010[1]. ICBC (Thai) holds a comprehensive banking license and provides various services including deposit, loan, trade finance, remittance, settlement, leasing and consulting. At the end of 2010, ICBC (Thai) recorded total assets of USD2,435 million and net assets of USD457 million. It generated a net profit of USD13.87 million after completion of the voluntary tender offer.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ALMATY) JOINT STOCK COMPANY

ICBC (Almaty), a wholly-owned subsidiary of the Bank, was incorporated in Kazakhstan with a registered capital of KZT3,934 million. It principally engages in commercial banking services such as deposit, loan, international settlement and trade finance, foreign currency exchange, guarantee and account management. At the end of 2010, ICBC (Almaty) recorded total assets of USD112 million and net assets of USD37.80 million. It generated a net profit of USD2.76 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MIDDLE EAST) LIMITED

ICBC (Middle East), a wholly-owned subsidiary of the Bank, was incorporated in United Arab Emirates with a registered capital of USD50 million. Its scope of business covers investment banking and commercial banking businesses. At the end of 2010, ICBC (Middle East) recorded total assets of USD296 million and net assets of USD56 million. It generated a net profit of USD4.34 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA, (LONDON) LIMITED

ICBC (London), a wholly-owned subsidiary of the Bank, was incorporated in the United Kingdom with a registered capital of USD200 million. It provides a full spectrum of banking services such as exchange and remittance, loan, trade finance, international settlement, funds clearing, agency and custody. At the end of 2010, ICBC (London) recorded total assets of USD1,787 million and net assets of USD223 million. It generated a net profit of USD17.69 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LUXEMBOURG S.A.

ICBC (Luxembourg), a wholly-owned subsidiary of the Bank, was incorporated in Luxembourg with a registered capital of EUR115 million. It mainly offers commercial banking services such as retail banking, franchise wealth management, treasury operations and credits. At the end of 2010, ICBC (Luxembourg) recorded total assets of USD363 million and net assets of USD156 million. It generated a net profit of USD0.11 million during the year. ICBC (Luxembourg) changed its corporate name to ICBC (Europe) S.A. in January 2011 and established Paris Branch, Amsterdam Branch, Brussels Branch, Milan Branch and Madrid Branch under it.

ZAO INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MOSCOW)

ICBC (Moscow), a wholly-owned subsidiary of the Bank, was incorporated in Russia with a registered capital of RUB1,000 million. It principally provides a full spectrum of corporate banking services, which mainly include loan, settlement, trade finance, deposit, foreign currency exchange, franchise treasury business, global cash management and corporate financial consulting as well as remittance for natural persons without account. ICBC (Moscow) is market maker for RMB trading against RUB on Moscow Foreign Exchange. At the end of 2010, ICBC (Moscow) recorded total assets of USD107 million and net assets of USD33.37 million. It generated a net profit of USD4.02 million during the year.

1 The Bank completed the voluntary delisting tender offer of ICBC (Thai) on 8 March 2011. Please refer to the section headed "Significant Events — Material Asset Acquisition, Sale and Merger" for detailed information.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

ICBC (Canada) is a subsidiary of the Bank in Canada with a paid-up capital of CAD58 million. The Bank acquired a 70% stake in The Bank of East Asia (Canada) in January 2010 and renamed it to Industrial and Commercial Bank of China (Canada) in July 2010. Holding a full-functional commercial banking license, ICBC (Canada) provides various corporate and retail banking services such as deposit, loan, trade finance, settlement, E-banking and bank card service. At the end of 2010, ICBC (Canada) recorded total assets of USD630 million and net assets of USD71 million. It generated a net profit of USD3.81 million after completion of the acquisition.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC

ICBKFS was founded after the Bank acquired the Prime Dealer Services of Fortis Securities, marking a significant step of the Bank towards establishing a clearing and custody platform in harmony with international financial markets. ICBKFS formally commenced operation on 1 November 2010 and has a registered capital of USD50 million. It offers comprehensive banking services including securities clearing, settlement and financing in European and American markets for institutional customers. At the end of 2010, ICBKFS recorded total assets of USD4,951 million and net assets of USD56.58 million. It generated a net profit of USD6.57 million after completion of the acquisition.

Domestic Subsidiaries

ICBC CREDIT SUISSE ASSET MANAGEMENT CO., LTD.

ICBC Credit Suisse Asset Management, a subsidiary of the Bank, has a registered capital of RMB200 million, in which the Bank holds a 55% stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by CSRC. In 2010, ICBC Credit Suisse Asset Management obtained the qualification as a domestic investment manager of national social security fund and won the "Award of the Most Popular Listed Company in China's Securities Market Rated by Investors in 20 Years" selected by such authoritative media as *China Securities Journal* and *Shanghai Securities News*. At the end of 2010, it managed a total of 16 mutual funds, and the size of the assets under management amounted to approximately RMB57.9 billion. ICBC Credit Suisse Asset Management recorded total assets of RMB880 million and net assets of RMB686 million, and generated a net profit of RMB189 million during the year.

ICBC FINANCIAL LEASING CO., LTD.

ICBC Leasing, a wholly-owned subsidiary of the Bank, was incorporated in Binhai New Area of Tianjin with a registered capital of RMB5.0 billion. It is the first financial leasing company established by a commercial bank in China approved by CBRC, mainly engages in financial leasing in the fields of aviation, shipping and large-scale equipment and various leasing products, and provides a variety of financial and industrial services including rental assignment, investment funds, securitization of investment assets and assets transactions and management. In 2010, ICBC Leasing was awarded the "Financial Leasing Company of the Year" by *Financial News* once again. At the end of 2010, it recorded total assets of RMB55,918 million and net assets of RMB5,973 million, and generated a net profit of RMB585 million during the year.

Major Equity Participation Company

STANDARD BANK GROUP LIMITED

Standard Bank is the largest commercial bank in South Africa as well as in Africa. The Bank holds 314,388,117 ordinary shares of Standard Bank, representing a 20.06% stake. The Bank has initiated more than 104 cooperative projects with Standard Bank in terms of financing, asset custody, settlement and cash management, investment banking and information technology, among which, the total value of the agreements entered between the two banks in relation to financing to Africa amounted to approximately USD6.7 billion. To deepen the overall strategic cooperation with Standard Bank, the Bank established a working team in Standard Bank in 2010. At the end of 2010, it recorded total assets of ZAR1,336,308 million and net assets of ZAR103,198 million, and generated a net profit of ZAR13,007 million during the year.

Information Technology

Closely revolving around the goal of bank-wide reform and development, the Bank comprehensively implemented the "technology-oriented" strategy to fully accomplish various tasks in the Eleventh Five-Year Plan on information technology development and ensure stable and secure operation of the information system. The Bank made great efforts to promote the construction of the fourth-generation application system (NOVA+) to create an application system that is more flexible, advanced, efficient and risk-resistant, to continuously enhance the Bank's core competitiveness using advanced information technologies. In 2010, the Bank's 13 technological achievements were given the Award of Banking Technical Advancement by PBOC and won the "WIPO — Gold Medal Awards for Outstanding Inventors (China) — Utilization Award" from World Intellectual Property Organization (WIPO) and National Copyright Administration of the People's Republic of China.

Continuous Innovation of Application Products

In 2010, the Bank accelerated research and development (R&D) and optimization of application products and vigorously boosted the "1031" project. As a result, eight service platforms were successfully established due to the breakthrough in R&D on applications, further leading to the enhancement of the Bank's operation and risk management capabilities. The Bank set up a uniform customer service support management system across the Bank and constructed a uniform customer assessment system; expanded the multi-application platform of chip cards, launched mobile payment service of mobile chip cards and promoted highway express project; comprehensively got through bank-wide integrated telephone banking system; self-developed an integrated fund management system and structure for RMB and foreign currencies featured with the "sum concentration and individual pricing" mode; researched and developed risk management systems including advanced measurement approach to operational risk and internal models approach to market risk; completed the promotion of FOVA to 25 overseas branches; issued intra-system cross-border remittance products in the market in July 2010; and promoted global personal account management in ICBC (Macau) and Shenzhen Branch on a pilot basis in order to provide customers with services like global account enquiry, transfer and remittance through over-the-counter and E-banking channels. In 2010, the Bank saw the creation of 449 new products, increasing the total number of products to 2,815 cumulatively, representing an increase of 19% from the end of the previous year. In 2010, 24 patents of the Bank were authorized by the State Intellectual Property Office, increasing the total number of patents owned by the Bank to 115.

Continuous Improvement in Information Technology Management

The information system maintained secure and stable operation throughout 2010, satisfactorily fulfilling those tasks relating to secure operation of information system during key periods such as the Shanghai Expo, the Guangzhou Asian Games and the Guangzhou Asian Para Games and guaranteeing the smooth performance of the Bank's "Year of Service Enhancement for 2010" program. The Bank continued to optimize technological architecture and completed the integration of host systems of production centers to effectively improve trading capability of host application system; the operation of host system became fully automatic, further raising production operation and maintenance efficiency and reducing operational risk of the information system. Monitoring methods of the information system were diversified to form a uniform, integrated and comprehensive operation monitoring system covering the whole Bank and gradually realize concentrated monitoring over each business category and each channel. The Bank promoted the implementation of application system disaster recovery project, completed disaster recovery implementation of key application systems and accelerated the construction of "Two Cities and Three Sites" project to further enhance the Bank's overall disaster recovery level and continuous operation ability of the information system. With the goal of becoming an international bank with a world-class information technology system in mind, the Bank optimized its information technology management process and enhanced the integration of information technology and its businesses; established a set of rules on information technology management consisting of administrative measures, implementation rules and management manuals, which led to a scientific, comprehensive and practical information technology management system.

Human Resources Management

The Bank continued to improve the corporate compensation allocation system which placed job value, capabilities and performance as the core attributes, actively promoted comprehensive compensation management concept, continued to advance on the building of the differentiated compensation and incentive mechanism and gradually improved the compensation information transmission mechanism and the communication and feedback mechanism. Following the trend of sound compensation schemes offered by domestic and international financial institutions, the Bank accelerated its development of remuneration packages and incentive schemes such that they were in line with corporate governance requirements sustainable development targets and risk management systems, while meeting the Bank's need to increase its talent pool and contribute to employees' value, so as to meet the group-based, diversified and internationalized development needs.

Human Resources Management and Incentive and Disciplinary Measures

The Bank continued to make improvements to its job ranking system, built the mechanism on promotion, selection, division of accountability, assessment and exit concerning business positions and gave play to the role of job sequences as the major route for employees' career growth. The Bank gradually established a qualification system covering different levels of job sequences, defined talent growth criteria and encouraged employees to more rapidly enhance capabilities and professionalism with reference to the qualifications requirements of their positions, which pushed forward comprehensive enhancement of overall quality of the Bank's team of talents. Rational use of differentiated methods including enhancement of position hierarchy, salary levels and salary grades has motivated employees effectively. A mobile platform was built to facilitate transfer of employees to different positions in an effort to improve the matching of employees with suitable positions within the Bank. Corporate culture building was deeply promoted, with ICBC corporate culture system being formally issued, and launched themed education campaigns targeted at strengthening cohesion among employees.

Management and Development of Human Resources

The Bank continued to improve the capability development platform placing equal emphasis upon education, training and practical work for mutual promotion, enhanced the employees' comprehensive quality and capabilities and laid a foundation for employees to foster career growth. Centering on the training of management personnel, professionals and business personnel, with a focus on professional qualification and certification training and on-the-job training of mid-age employees, the Bank innovated training projects, improved training methods in an effort to improve the pertinence and effectiveness of education and training, with their effects on bank-wide transformation and development and employees' intellectual growth put into full play. During the year, the Bank carried out various trainings, covering 47 thousands sessions for 2.23 million man times, with an average of 8.2 days of training per person. The Bank strengthened fundamental construction and focused upon quality and efficiency of education and training so that the construction of databases on bases, teachers, teaching materials, cases, test questions and archives achieved important progress. The construction of the ICBC online university platform and its functions was sped up. The Bank upgraded the functions of the examination system and completed the set-up of an independent environment for the simulation bank. System management was reinforced to continuously improve systemized and professional management of education and training.

Reform of Head Office and Branches

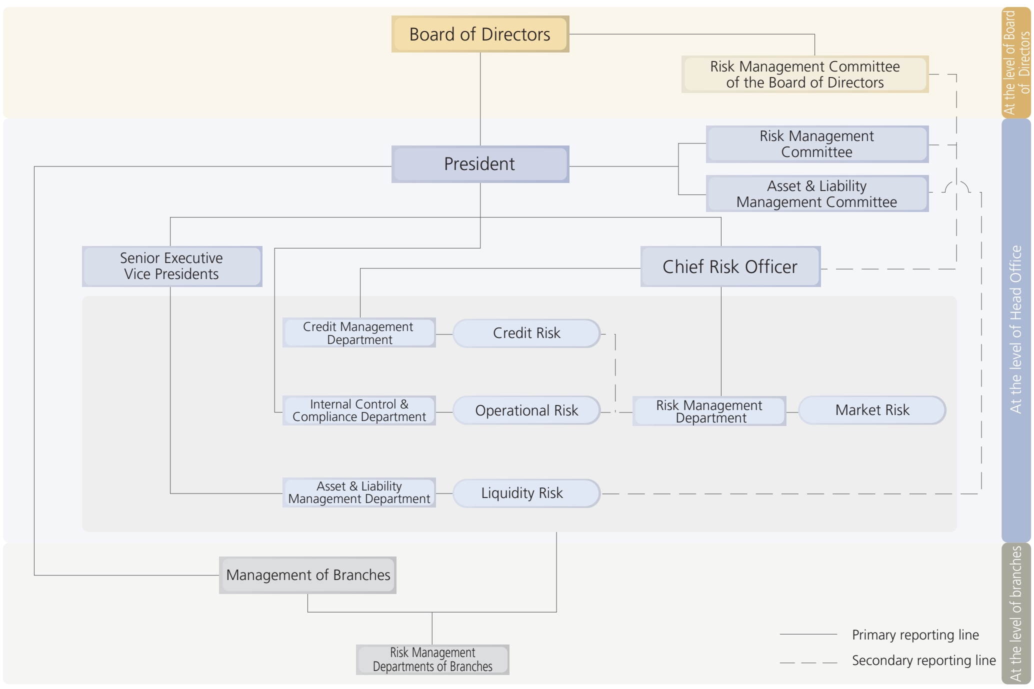
The Bank carried out profit center reform in the Global Market Department, Asset Custody Department, Precious Metal Business Department and ICBC Bills Discounting Department. In 2010, the four profit centers generated a profit before tax of RMB36,968 million, laying a good foundation for full implementation of the profit center reform of the Head Office. The Bank started the reform of the competitiveness system of banking departments of provincial or autonomous regional branches, where five branches such as Shanxi Branch were the earliest to organize and implement such reform. The Bank continued to deepen the transformation of county-based sub-branches by taking classified management in the aspects of credit policies, banking products and human resources. The Bank established credit supervision and enforcement department in tier-1 branches to further enhance the supervision and management on areas such as loan disbursement and payment. The Bank launched the reform of vertical and integrated management system for credit review and approval and adopted full jurisdictional and integrated management in ten urban branches such as Beijing Branch and Tianjin Branch. ICBC Credit Card Center (International) was established in Hong Kong to further promote the development of overseas credit card business and facilitate the promotion of the wholesale and retail banking operations and the transformation of the mode of their coordinated development.

RISK MANAGEMENT

Enterprise Risk Management System

The enterprise risk management system is a process where the Board of Directors, the Senior Management and other employees of the Bank perform their respective duties and responsibilities to take effective control of all the risks at various business levels in order to provide reasonable guarantee to the achievement of objectives of the Bank. The principles of risk management include matching of return with risk, internal checking and balance with consideration as to efficiency, risk diversification, combination of quantitative and qualitative analysis, use of dynamic adaptability adjustments and gradual improvement, etc.

The Bank's organizational structure of risk management comprises the Board of Directors and its special committees, the Senior Management and its special committees, the Risk Management Department, the Internal Audit Department, etc. The risk management organizational structure is illustrated below:



In 2010, the Bank strengthened the innovation of the enterprise risk management system, formulated the risk appetite system, and made full use of the risk quantification results to optimize the Bank's risk appetite indicators. The Bank revised the enterprise risk management framework, established the principle for group risk management, further reinforced the management of various types of risks, and regularized risk management policies and set risk limits. It updated the risk reporting system by adding report types, risk quantification management indicators, country risk and other contents. It also strengthened risk concentration management at the group level, formulated the management rules on risk concentration management at the group level, and further defined the object, governance structure, key processes, technical methods and other contents regarding risk concentration management. Furthermore, the Bank established the management rules on country risk management, clarified the object, responsibilities and processes, rating method and risk limit management measures with respect to country risk management, and set up the country risk reporting, supervision and inspection mechanism. The Bank improved its risk management mechanism on consolidated institutions, intensified the monitoring and reporting of the risk status of consolidated institutions, and further improved the level of enterprise risk management at the group level.

Preparations for the Implementation of the New Capital Accord

Pursuant to the overall planning of CBRC for the implementation of the New Capital Accord and the three pillars of Basel II (minimum capital requirements, supervisory review by the regulator and market discipline), the Bank continuously strengthened enterprise risk management, kept improving credit risk management, and accelerated the implementation of market risk management. The Bank kept a leading level in operational risk management among peers, implemented prudent liquidity risk management, and steadily pressed ahead with the preparatory work for the implementation of the New Capital Accord with a view to becoming one of the first commercial banks that implement Basel II in China. By the end of 2010, the Bank had basically completed relevant projects under Pillar 1 of Basel II, and started on the active preparation to implement projects under Pillar 2 and Pillar 3.

- *Pillar 1*

In respect of credit risk, the Bank continued to advance in the construction of the internal rating system, and kept deepening the application of quantitative results of internal rating to different areas of risk management. The Bank also standardized different technical standards and operational processes for the internal rating-based approach (IRB) to build an internal rating system with integral structure, reasonable levels and comprehensive contents. Furthermore, the Bank carried out thorough measurement validation and model optimization to make rating results reflect risk characteristics of credit assets more accurately, steadily promoted the development, optimization and upgrade of related systems, and achieving the rating of the systemized management of the entire process involving the front, middle and back offices.

In respect of market risk, the Bank continued to optimize the market risk management system, engaged in the establishment of projects under the internal model approach (IMA) in every aspect, and steadily improved the level of market risk management. Moreover, the Bank formulated the group consolidated reporting and limit management system with regard to market risk, built a self-developed market risk management, launched the foreign exchange business and product control system, consolidated the supervisory function of the middle office, optimized the transaction review system and processes, and made no errors in business review in the full year.

In respect of operational risk, the Bank continued to strengthen the building and application of the advanced measurement approach (AMA) for operational risk, while fully promoting the development of the standardized approach for operational risk. In addition, the Bank developed the advanced measurement model for operational risk to make capital measurement more scientific and sensitive, launched the AMA application management system of operational risk, performed the operational risk and control self assessment (RCSA) and scenario analysis (SA), and actively promoted project application results to further increase risk forewarning capability.

- *Pillar 2*

The Bank actively developed the internal capital adequacy assessment process (ICAAP), built the capital supplement assessment system, the capital planning system and the integrated stress testing system under Pillar 2, and formulated the administrative measures for risk and capital adequacy assessment. The Bank also regularized the governance framework and management flow for internal capital adequacy assessment, established the methods and scope of assessment for major risks, defined the reporting mechanism and system operation mechanism for internal capital adequacy assessment, and realized the comprehensive assessment of all substantive risks of the Bank.

- *Pillar 3*

The Bank made an active effort to prepare for reporting and information disclosure under Pillar 3, in accordance with relevant requirements under the Guidelines on Information Disclosure of Capital Adequacy Ratios of Commercial Banks published by CBRC and by referring to the disclosure practices of international peers.

Credit Risk

Credit Risk Management

The Bank is exposed principally to credit risk. Credit risk is the risk that loss is caused to banking business when the borrower or counterparty fails to meet its contractual obligations. The Bank's credit risks mainly originate from loans while treasury operation and off-balance-sheet business may also expose the Bank to credit risk.

The Bank strictly observed the guidance from CBRC regarding credit risk management and other regulatory requirements, earnestly executed established strategies and objectives under the leadership of the Board of Directors and the Senior Management, implemented an independent, integrated and vertical credit risk management mode, continuously optimized the credit flow, and formed a management organizational structure featuring the separation of the front office, the middle office and the back office of the credit business. The Board of Directors assumes the final responsibility to the effectiveness of the implementation and monitoring of credit risk management. The Senior Management is responsible to execute the strategies, overall policy and system regarding credit risk management approved by the Board of Directors. The Credit Risk Management Committee of the Senior Management is review and decision-making organ of the Bank in respect of credit risk management, and is responsible to review material and important affairs of credit risk management, and performs its duty in accordance with the Working Regulations for the Credit Risk Management Committee. The credit risk management departments at different levels undertake the responsibility to coordinate the work of credit risk management at respective levels, and the business departments play their roles in implementing credit risk management policies and standards in respective business areas.

The Bank's credit risk management has the following characteristics: (1) standardized credit management processes are followed throughout the Bank; (2) the principles and processes of risk management focus on the entire process of credit business, covering customer investigation, credit rating, loan evaluation, loan review and approval, loan payment and post-lending monitoring; (3) special organization is set up to supervise the entire process of credit business; (4) the qualification of the employees who are responsible for credit review and approval is strictly reviewed; and (5) a series of information management systems are designed to monitor the risks on a timely basis. The Bank organizes various training programs for credit personnel at different levels to strengthen the credit risk management of the Bank.

In 2010, in response to the changes in the overall economic and financial environment and regulatory requirements, the Bank studied the macroeconomic policy adjustments and market changes in depth, adjusted and improved various credit policies in a timely manner, and continued the building of the credit system. The Bank strengthened the management of industry risk and the adjustment of credit structure, reinforced credit risk consolidation management and optimized the overseas credit risk reporting system. It also promoted stringent credit operations flow, strengthened post-lending management, continued deepening credit risk monitoring and analysis, enhanced the management of loans with potential risk factors, continued to advance collection and disposal of NPLs, thereby fully enhanced credit risk management. In addition, the Bank reinforced the application of internal rating results to credit risk management, deepened the application of internal rating to loan pricing, credit review, business authorization and other aspects, used the internal rating system to enhance post-lending monitoring, analysis and reporting, organized the bank-wide internal rating check, and strengthened internal rating management.

◆ *Credit Risk Management of Corporate Loans*

- The Bank continued to advance the development of the credit system and further optimized the credit policy system. The Bank formulated and implemented differentiated regional credit policies pursuant to the national strategic planning for key regions, in a move to actively support the credit demand arising out of regional development. Subject to the regulatory requirements, the Bank intensified the management of "actual lending, actual payment" and "consignment payment", and optimized the credit review and disbursement approval processes. The Bank amended the administrative measures on the classification of the quality of credit assets for corporate customers and further standardized the work in respect of the classification of the quality of credit assets.

- The Bank improved industry credit policies and enhanced industry-specific risk management. Subject to the macroeconomic control policy and the orientation of the industry policy of the government, the Bank explored the industry trends, market opportunities and risk profiles, formulated and adjusted the credit policy for certain industries, further expanded the coverage of industrial credit policies, and employed customer classification, list-based management, industry limit and other resorts to enhance the execution of the industrial policies. The Bank perfected the green credit system and standard, extended the adjustment of the credit structure of environment-sensitive industries and customers, offered more credit supports to the areas of energy-saving, environmental protection, recycling economy and low-carbon economy, and strictly controlled lending to industries with high energy consumption, high pollution and over-capacity.

- The Bank strengthened loan risk management in relation to the local government financing platforms. The Bank implemented strict regional access and classification management regarding loans extended to the local government financing platforms, and established the approved city list and implemented the loan limit management system. The Bank also adjusted the credit policies for relevant areas on a timely basis, strictly controlled the aggregate amount and the purpose of use of loans, and disbursed loans mainly to national key development areas and quality projects. Based on regulatory requirements, the Bank checked the existing loans, and took diverse risk mitigation measures to safeguard the credit assets.

- The Bank strengthened risk management of the real estate industry. In response to the changes in relevant policies of the government and the real estate market, the Bank adjusted the credit policy for the real estate industry in a timely fashion, revised relevant administrative measures and further improved the property loan system. Moreover, the Bank continued to implement industry limit management, strengthen the list-based management of real estate developer, and defined customer entry standards to optimize and adjust the customer structure. The Bank adjusted the product mix of property loans to extend an active support to the construction of government-subsidized housing and further improve relevant policy for land reserve loans. The Bank also strictly implemented the closed management of property loans, restricted the use of project funds, and strictly implemented the loan recovery system based on sales proportion.

- The Bank strengthened risk management in relation to trade finance. The Bank further enriched the types of fundamental products to cover each process of the trade chain of enterprises. Trade finance policies were streamlined and improved, trade finance business management was standardized, and risk management requirements on trade finance business were clarified. The Bank adopted various methods to consolidate business management, and clarified the key areas and specific requirements for post-lending management to enhance the focus and effectiveness of the post-lending management. In addition, the Bank built relevant business platform systems to strengthen the system-based management of trade finance and further improved the management standard in this regard.

- The Bank enhanced risk management of small enterprise loans and optimized the small enterprise credit policy and management mechanism on small enterprise loans. The Bank optimized and timely adjusted the small enterprise credit policy based on market dynamics and the status of the development of the small enterprise loan business. The Bank optimized the operation process of the small enterprise credit business, and upgraded and reformed the small enterprise business system. Also, the Bank enhanced the system monitoring and analysis of the small enterprise loan system to intensify risk prevention and control. The Bank adjusted the customer structure of small enterprise loans, persisted in executing the flow-based management of small enterprise loans and enhanced the collection and disposal of NPLs in relation to small enterprise.

- In addition, the Bank kept improving the level of IT-based credit management. The Bank enhanced the functions of the asset management system, optimized the electronic review process of the credit business, realized the system process control over domestic trade finance products, strengthened the management of consigned loan payment and initiated the establishment of the global asset management system.

◆ *Credit Risk Management of Personal Loans*

- The Bank strengthened risk management of personal loans. According to relevant regulatory policies, differentiated credit policies were formulated and applied to reflect different risk management levels of branches on personal loans business, different regional market conditions and different customer groups, so as to drive a tiered development of the personal credit business progressively. The Bank formulated administrative measures for relevant business, and strengthened the management of the collection of overdue loans and reduced the loan risk through centralized collection, loan restructuring and other methods. The Bank applied internal rating in depth, and realized a host of rigid applications such as credit rating and risk-adjusted return on capital (RAROC) to further improve the standard of risk management.
- The Bank actively adjusted the structure of personal credit products to realize a balanced development of the varieties of personal loans. The Bank reinforced risk management with regard to personal housing loans, amended the administrative measures and business processes for personal housing loans, and carried out differentiated housing credit policies. The Bank paid close attention to the housing price trends in different regions, and actively carried out stress testing on the loans. The Bank strictly implemented the mortgage registration procedure and improved the mortgage registration process.
- The Bank continued to improve the level of IT-based personal credit management, further optimized functions of the asset management system, strengthened mortgage management relating to personal loans and supervision of the use of funds, and intensified efforts to monitor and control fraudulent loans.

◆ *Credit Risk Management of Credit Card Business*

The Bank continued to strengthen quality management and risk control of credit card overdrafts. In-depth studies on risk management and control system of the credit card business were conducted, business and process management rules were formulated and improved, credit approval strategy was optimized, and the integrated credit management based on customers was strengthened. The Bank established the credit rating model application system, and optimized the review and handling process to lift the level of credit risk management of the credit card business. The Bank also improved the asset quality monitoring indicator system for overdrafts on credit cards, and actively broadened the channels to recover and convert non-performing overdrafts to effectively prevent post-lending risk. The Bank built the credit card risk real-time monitoring system to enhance risk control capability.

◆ *Credit Risk Management of Treasury Operations*

The Bank's treasury business is exposed to credit risk mainly as a result of bonds investment and trading, interbank offering and adverse repurchase of bills etc. The RMB bond investment portfolio mainly included bonds issued by the Chinese government and other domestic issuers. The foreign currency debt securities investment portfolio mainly included investment-level bonds. Credit risk management measures adopted by the Bank in relation to treasury operations mainly comprised defining customers' entrance criteria, controlling credit limit, controlling investment limit (scale), controlling margin proportion, rating management and controlling authorization limit for single transactions. In 2010, the Bank actively optimized the foreign currency bonds investment portfolio in alignment with the trend of global financial markets, reduced the investment in foreign currency assets with high risks, and effectively mitigated the credit risk of the foreign currency bonds investment portfolio.

◆ *Credit Asset Quality Management*

According to the regulatory requirement on loan risk classification, the Bank implemented five-tier classification management in relation to loan quality and classified loans into five categories: pass, special mention, substandard, doubtful and loss, based on the possibility of collecting the principal and interest of loans. In order to implement refined management of credit asset quality and improve risk management, the Bank implemented the twelve-tier internal classification system for corporate loans. In 2010, the Bank amended the administrative measures on the classification of the quality of credit assets for corporate customers, and reset the authorization to assess and confirm the classification of the quality of assets. The Bank also defined the standards for customer classification and adjusted the fundamental process for classification appraisal amid the changes in the credit business processes and the optimization and upgrade of the classification management system. The Bank applied five-tier classification management to personal credit assets and ascertained the class of the loans based on the number of months for which the lender is in default, anticipated loss rate, credit rating, collaterals and other quantitative and qualitative factors.

In 2010, the Bank continued the effort to terminate loans with potential risks and collect and dispose of NPLs, implemented the revised administrative measures for writing-off bad debts and administrative measures for assets under cancelled and suspended accounts, and further amended the administrative measures for NPLs. The Bank established the inspection and supervision system for NPL disposal, promoted the development of IT-based NPL management, and increased the level of refined management of NPLs and assets under cancelled and suspended accounts. Moreover, the Bank increased the rate of collection, disposal and recovery by taking different methods such as cash recovery, bad debts write-off, repossession of assets and renegotiation.

Credit Risk Analysis

DETAILS OF THE BANK'S MAXIMUM EXPOSURE TO CREDIT RISK WITHOUT TAKING ACCOUNT OF ANY COLLATERAL AND OTHER CREDIT ENHANCEMENTS

In RMB millions

Item	At 31 December 2010	At 31 December 2009
Balances with central banks	2,234,075	1,654,206
Due from banks and other financial institutions	248,860	235,301
Financial assets held for trading	10,051	18,847
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	3,714,237	3,574,542
Receivables	501,706	1,132,379
Held-to-maturity investments	2,312,781	1,496,738
Available-for-sale financial assets	899,750	945,425
Others	86,256	73,932
Subtotal	**13,195,208**	**11,555,757**
Credit commitments	**1,649,157**	**1,239,687**
Maximum credit risk exposure	**14,844,365**	**12,795,444**

DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

In RMB millions, except for percentages

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

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 the withdrawal of loans with potential risk factors and accelerating NPL collection and disposal through cash recovery, bad debts write-off, repossession of assets and renegotiation.

DISTRIBUTION OF LOANS AND NPLs BY BUSINESS LINE

In RMB millions, except for percentages

	At 31 December 2010				At 31 December 2009			
Item	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
Total	**6,790,506**	**100.0**	**73,241**	**1.08**	**5,728,626**	**100.0**	**88,467**	**1.54**

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 LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

	At 31 December 2010				At 31 December 2009			
Item	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Head Office	163,606	2.4	1,039	0.64	104,203	1.8	678	0.65
Yangtze River Delta	1,583,758	23.3	11,978	0.76	1,388,853	24.2	13,734	0.99
Pearl River Delta	979,399	14.4	8,901	0.91	844,690	14.8	9,976	1.18
Bohai Rim	1,253,538	18.5	14,907	1.19	1,076,820	18.8	16,848	1.56
Central China	919,738	13.6	12,079	1.31	777,925	13.6	15,482	1.99
Western China	1,142,027	16.8	15,011	1.31	952,011	16.6	18,557	1.95
Northeastern China	408,604	6.0	7,351	1.80	349,926	6.1	11,546	3.30
Overseas and others	339,836	5.0	1,975	0.58	234,198	4.1	1,646	0.70
Total	**6,790,506**	**100.0**	**73,241**	**1.08**	**5,728,626**	**100.0**	**88,467**	**1.54**

The Bank continuously optimized the geographic credit mix and promoted a balanced allocation of credit resources for different geographic areas. The Bank continued to support the growth of the credit business in Yangtze River Delta, Pearl River Delta and Bohai Rim, where new loans amounted to RMB506,332 million, accounting for 47.7% of total new loans. The Bank also actively supported regional development of Central China, Western China and Northeastern China and provided credit support for the rebuilding of areas hit by the earthquake. During the year, the Bank extended RMB390,507 million worth of new loans to these three regions, up 18.8%, exceeding the average growth of the Bank. The NPL balance and the NPL ratio both declined in the aforesaid regions. Overseas and other loans increased by RMB105,638 million, up 45.1%, mainly as a result of the continued progression in the internationalized and diversified operation as well as the inclusion of ICBC (Thai) in the consolidated statement.

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

In RMB millions, except for percentages

	At 31 December 2010				At 31 December 2009			
Item	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
Total	**4,700,343**	**100.0**	**61,610**	**1.31**	**3,957,786**	**100.0**	**76,792**	**1.94**

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

	Individually assessed	Collectively assessed	Total
At the beginning of the year	**45,500**	**99,952**	**145,452**
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
At the end of the year	**41,300**	**125,834**	**167,134**

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

	At 31 December 2010		At 31 December 2009	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	2,780,346	40.9	2,191,909	38.3
Including: Personal housing loans(1)	1,090,095	16.1	874,244	15.3
Pledged loans	665,641	9.8	786,739	13.7
Including: Discounted bills(1)	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
Total	**6,790,506**	**100.0**	**5,728,626**	**100.0**

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

	At 31 December 2010		At 31 December 2009	
Overdue periods	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
Total	**64,348**	**0.9**	**77,088**	**1.4**

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. The table below shows the details of the loans of the top ten single borrowers of the Bank as at the end of 2010.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total
Borrower A	Transportation, storage and postal services	30,200	0.5%
Borrower B	Transportation, storage and postal services	25,634	0.4%
Borrower C	Transportation, storage and postal services	22,658	0.3%
Borrower D	Transportation, storage and postal services	22,112	0.3%
Borrower E	Transportation, storage and postal services	19,415	0.3%
Borrower F	Manufacturing	17,538	0.3%
Borrower G	Transportation, storage and postal services	16,445	0.2%
Borrower H	Mining	16,064	0.2%
Borrower I	Production and supply of electricity, gas and water	15,633	0.2%
Borrower J	Transportation, storage and postal services	13,260	0.2%
Total		**198,959**	**2.9%**

Market Risk

Market risk is the risk of loss, in respect of the Bank's on and off-balance sheet activities, arising from adverse movements in market rates (including interest rates, exchange rates, stock price and commodity prices).The Bank is primarily exposed to interest rate risk and exchange rate risk (including gold), which refer to the risks brought about by the adverse changes in interest rate and exchange rate respectively.

The Bank's market risk management is the process of identifying, measuring, monitoring, controlling and reporting market risk for the purposes of setting up and enhancing the market risk management system, specifying responsibilities and process, determining and standardizing the measurement approaches, limit management indicators and market risk reports, controlling and mitigating market risk and improving the level of market risk management. The objective of market risk management is to control market risk exposures within a tolerable level and maximize risk-adjusted return according to the Bank's risk appetite.

The Bank strictly complies with the Guidelines on Market Risk Management of Commercial Banks issued by CBRC and other related regulatory requirements, implements an independent, centralized and coordinated market risk management model under the leadership of the Board of Directors and the Senior Management, and formed a management organizational structure featuring the segregation of the front office, the middle office and the back office in the financial market business. The Board of Directors assumes the final responsibility to implementation and monitoring of market risk management. The Senior Management is responsible to execute the strategies, overall policy and system regarding market risk management approved by the Board of Directors. The Market Risk Management Committee of the Senior Management is the review and decision-making organ of the Bank in respect of market risk management, and is responsible to review material affairs of market risk management and performs its duty in accordance with the Working Regulations for the Market Risk Management Committee. The market risk management departments at different levels undertake the responsibility to coordinate the work of market risk management at respective levels, and the business departments play their roles in implementing market risk management policies and standards in respective business areas.

In 2010, the Bank further reinforced the consolidated management of market risk at the group level, formulated the administrative measures for consolidated management of market risk, improved the vertical reporting system applicable to the consolidated institutions, and improved the standard of market risk management at the group level. At the same time, the Bank accelerated the preparation for the implementation of IMA for market risk to build a market risk management system based on IMA implementation, and established a self-developed pricing and valuation model and market risk measurement methodology. Moreover, the Bank accelerated the construction of the self-developed global market risk management system (GMRM) to establish an integrated and unified management platform for transaction data, reference data and market data as well as a risk measurement management platform, and realized an array of core system functions such as measurement of value at risk (VaR), stress testing, back testing, limit management and capital calculation.

Banking Book and Trading Book

In order to take more effective market risk management measures and accurately measure regulatory capital arising from market risk, the Bank categorized all on-and off-balance sheet assets and liabilities into trading book and banking book according to the nature and characteristics of these accounts. The trading book includes tradable financial instruments and commodity positions held by the Bank for the purposes of trading or hedging the risks of other items in the trading book, whereas all other positions are included in the banking book.

Market Risk Management of the Banking Book

- *Interest Rate Risk Management*

Interest rate risk is the risk of loss in the overall gain and economic value of the banking book arising from adverse movements in interest rate and term structure etc. Interest rate risks mainly include re-pricing risk, yield curve risk, benchmark rate risk and option risk, of which, repricing risk and benchmark rate risk are the Bank's primary interest risks.

The Bank's interest rate risk management is aimed at maximizing the risk-adjusted net interest income within the tolerable level of interest rate risk according to its risk management and risk appetite. The Bank adheres to the prudence principle in interest rate risk management of the banking book. The department in charge of interest rate risk management of the banking book and business departments jointly monitor and forecast interest rate trends and manage the interest rate risk based on monitoring results to maximize the risk-adjusted income.

In 2010, the Bank further improved its system and formulated the administrative measures for interest rate risk of the banking book to ensure the compliance with regulatory requirements. It launched the Centralized Fund Management System, thereby successfully building an integrated, intensified and centralized management mechanism covering all funds in both Renminbi and foreign currencies and laying a solid foundation for the uniform and centralized management of interest rate risk and exchange rate risk. The Bank initiated the consolidated management of interest rate risk, and measured and analyzed the status of interest rate risks of all domestic and overseas consolidated institutions, thus realizing the monitoring of the consolidated interest rate risk at the group level. In addition, the Bank strengthened the management of fixed interest rate amid an expectation of rising interest rate to prevent repricing risk.

◆ *Exchange Rate Risk Management*

Exchange rate risk is the risk of adverse movements of exchange rate resulting in losses from the foreign currency exposure arising from the currency structures mismatch between foreign currency assets and liabilities.

The Bank's objective of exchange rate risk management is to control the impact of exchange rate fluctuations on the Bank's financial position and shareholders' equity to a tolerable extent. The Bank mitigates such risk principally by limit management and hedge of risks. The Bank carries out sensitivity analysis and stress testing of exchange rate risk on a quarterly basis, and submits exchange rate risk reports to the Senior Management and the Market Risk Management Committee.

Market Risk Management of the Trading Book

In 2010, the Bank continued to strengthen and improve risk measurement and product control of the trading book. The Bank employed multiple methods such as VaR, sensitivity analysis and exposure analysis to measure and analyze products under the trading book, gradually carried out stress testing, back testing and model validation, built a transaction portfolio-based market risk limit management system, and used the self-developed global market risk management system (GMRM) to measure and monitor the risks of foreign currency bonds under the trading book of the Head Office.

The Bank applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of one day and historical data of 250 days) to measure VaR of the Head Office's trading book (including bonds denominated in domestic and foreign currencies, RMB exchange settlement and foreign exchange transactions).

VALUE AT RISK (VAR) OF THE TRADING BOOK

In RMB millions

	From January to December 2010				From January to December 2009			
Item	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
Interest rate risk	13	16	43	4	30	58	141	23
Foreign exchange rate risk	291	116	305	47	58	60	175	17
Total portfolio VaR	**292**	**118**	**299**	**47**	**60**	**87**	**212**	**31**

Note: Please refer to "Note 52.(c)(i) to the Financial Statements: VaR".

Market Risk Analysis

◆ *Interest Rate Risk Analysis*

In 2010, the PBOC raised the benchmark interest rates on deposits and loans twice. In response to the changes in macro environment, the Bank actively took effective measures to strengthen the management of interest rate pricing and shorten the repricing period of loan interest rate. Moreover, through the limit control on medium and long-term fixed interest rates loans, the Bank brought reasonable control on the scale of medium and long-term fixed interest rates loans to reduce the interest rate repricing risk in an upward cycle in interest rates.

As at the end of 2010, the Bank had a cumulative interest rate sensitivity negative exposure within one year of RMB832,730 million, an increase of RMB735,408 million from the end of the previous year, mainly as a result of the increased customer deposits and the maturity of some investment in securities related to restructuring, whereas the interest rate sensitivity positive exposure above one year expanded, mainly because of the extension of the term of the Huarong bonds after maturity and the reinvestment of the special central bank bills after maturity. The structure of the Bank's interest rate risk exposure according to the contractual repricing date or maturity date (whichever is earlier) is shown in the following table:

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
31 December 2010	(4,004,468)	3,171,738	513,833	1,091,312
31 December 2009	(3,396,134)	3,298,812	209,625	514,569

Note: Please refer to "Note 52.(c)(iii) to the Financial Statements: Interest rate risk".

The following table illustrates the interest rate sensitivity analysis of the Bank on the assumption that the overall interest rate in the market moves in parallel and risk management actions that the Management may take to mitigate interest rate risk are not taken into account:

INTEREST RATE SENSITIVITY ANALYSIS

In RMB millions

	At 31 December 2010		At 31 December 2009	
Changes of interest rate in basis points	Changes in net interest income	Changes in equity	Changes in net interest income	Changes in equity
Increase by 100 basis points	(23,156)	(18,848)	(17,273)	(16,505)
Decrease by 100 basis points	23,156	20,130	17,273	17,385

Note: Please refer to "Note 52.(c)(iii) to the Financial Statements: Interest rate risk".

◆ *Exchange Rate Risk Analysis*

In 2010, the reform of the Renminbi exchange rate formation mechanism continued to progress, exchange rate elasticity was further enhanced, and the Renminbi-U.S. dollar exchange rate appreciated 3.1% for the whole year. The Bank paid close attention to changes in external market, actively took a combination of measures such as price leverage to adjust and optimize the aggregate amount and structure of foreign exchange assets and liabilities, and kept the bank-wide exchange rate risk generally controllable while maintaining a coordinated development of foreign exchange deposit and loan businesses.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

Item	At 31 December 2010 RMB	At 31 December 2010 USD equivalent	At 31 December 2009 RMB	At 31 December 2009 USD equivalent
Exposure of on-balance sheet foreign exchange items, net	231,896	35,015	214,195	31,369
Exposure of off-balance sheet foreign exchange items, net	(163,326)	(24,662)	(163,399)	(23,930)
Total foreign exchange exposure, net	**68,570**	**10,353**	**50,796**	**7,439**

Please refer to "Note 52.(c)(ii) to the Financial Statements: Currency risk" for the exchange rate sensitivity analysis.

Liquidity Risk

Liquidity risk is the risk that the Bank, despite its solvency, will be unable to raise funds on a timely basis or at a reasonable cost to fund the asset growth or to settle liabilities as they fall due. Liquidity risk includes financing liquidity risk and market liquidity risk. Financing liquidity risk refers to the risk that the Bank fails to satisfy the funding needs in a timely and effective manner without affecting daily operation or financial position of the Bank, while market liquidity risk refers to the risk that the Bank is unable to raise funds through the disposal of assets at a reasonable market price as a result of market illiquidity or market volatility.

Liquidity risk may arise from the following events or factors: withdrawal of customers' deposits, drawing of loans by customers, overdue payment of debtors, mismatch of asset and liability, difficulties in realization of assets, operating losses, derivatives trading risk and risk associated with its affiliates.

Liquidity Risk Management

In 2010, the Bank further strengthened the development of the liquidity risk system by revising, improving and implementing the administrative measures for liquidity risk and the reporting system for material liquidity risk events, and by further optimizing and standardizing the liquidity consolidated management mechanism in accordance with relevant regulatory requirements and internal management needs. The Bank also launched and optimized the Centralized Fund Management System and the cash flow monitoring and management system and increased the efficiency of the asset and liability business management throughout the Bank, laying a solid foundation for preventing medium and long-term liquidity risks.

◆ *Liquidity Risk Management System and Governance Structure*

The Bank's liquidity risk management system conforms to the overall development strategy and the entire risk management system of the Bank, and commensurate with the scale, business nature, complexity and other aspects of the Bank. The system includes the following fundamental elements: effective monitoring by the Board of Directors and the Senior Management; sound strategy, policy and procedure for liquidity risk management; sound identification, measurement, monitoring and control procedures for liquidity risk; sound internal control and effective supervision mechanism; effective and comprehensive information management system; and effective crisis handling mechanism.

The Bank's governance structure in respect of liquidity risk management embodies the decision-making system comprising the Board of Directors and its special committees as well as the Asset & Liability Management Committee and the Risk Management Committee of the Head Office; the supervision system consisting of the Board of Supervisors, the Internal Audit Bureau and the Internal Control & Compliance Department; and the execution system made up of the Asset & Liability Management Department, the business departments and the operation management departments of the Head Office. Each of these systems undertakes corresponding decision, execution and supervision functions in respect of liquidity risk management in accordance with their respective responsibilities.

◆ *Objective, Strategy and Important Policy of Liquidity Risk Management*

The objective of liquidity risk management of the Bank is to meet the liquidity needs of asset, liability and off-balance sheet activities and meet its payment obligation to external parties on a timely basis and to effectively balance fund efficiency and security on the condition of ensuring normal operation and stress status of the Bank and through the development of a scientific and comprehensive liquidity risk management mechanism and the implementation of effective identification, measurement, monitoring and reporting measures on liquidity risk, and on this basis, to strengthen liquidity risk management and monitoring of affiliates and to mitigate the overall liquidity risk of the Group.

The strategy of liquidity risk management of the Bank is to establish a centralized liquidity risk management mode based on the thorough consideration of the organizational structure and major business characteristics of the Bank as well as regulatory policies, and list out concrete policies in relation to specific matters of liquidity risk management. Important policies for liquidity risk management are formulated in accordance with external and macro business environments and business development of the Bank, with a view to striking an effective balance among security, profitability and liquidity.

◆ *Liquidity Risk Management Mode*

The mode of liquidity risk management of the Bank is the consolidated liquidity risk management based on management of liquidity risk at entity level, of which, the Head Office manages the liquidity risk of the Bank in a unified and centralized manner and ensures liquidity security of the Bank through the dynamic adjustment of the aggregate amount and structure of assets and liabilities, whereas the affiliates assume primary responsibility to respective liquidity risk management, and undertake corresponding responsibilities to liquidity management as required by the Head Office.

◆ *Stress Testing*

Observing the prudence principle, the Bank employs the scenario analysis method and the sensitivity analysis method to perform the stress testing on the liquidity risk. The Bank has taken full consideration of various macroscopic and microscopic factors that may influence the Bank's liquidity status to set stress scenarios against products, businesses and institutions with concentrated liquidity risk in line with the characteristics and complexity of the Bank's businesses. The Bank performs stress testing on a quarterly basis, and when necessary, may carry out temporary and special stress testing at a specific point in time in accordance with changes in the external operating environment and regulatory requirements.

Liquidity Risk Analysis

In 2010, PBOC kept enhancing the focus, flexibility and effectiveness of the monetary policy, and raised the mandatory deposit reserve ratio for six times and the benchmark interest rates on deposits and loans twice to strengthen the liquidity management in the banking system. The excess market liquidity was effectively controlled and gradually resumed to a normal level. The Bank actively strengthened the initiative, flexibility and forward-looking capability of the liquidity risk management, established multi-level liquidity reserves, effectively reduced the utilization of low-efficiency funds, and strived to boost the benefits from fund use while ensuring bank-wide liquidity security.

In respect of foreign currencies, the Bank closely observed external market changes and internal funding situation, adjusted the internal transfer price of foreign exchange funds and the interest rate pricing standard for foreign exchange deposits and loans on various occasions, and reasonably optimized the asset and liability structure to promote the coordinated development of foreign exchange deposit and loan businesses.

In 2010, the deposit and loan businesses of the Bank achieved coordinated development, the asset and liability structure was further optimized, liquidity risk remained controllable, and relevant indicators reflecting the Bank's liquidity status all met regulatory requirements. See the table below for details:

Item		Regulatory Criteria	31 December 2010	31 December 2009	31 December 2008
Liquidity ratio[(2)] (%)	RMB	>=25.0	31.8	30.7	33.3
	Foreign currency	>=25.0	53.4	61.1	83.5
Loan-to-deposit ratio[(3)] (%)	RMB and foreign currency	<=75.0	62.0	59.5	56.4

Notes: (1) The regulatory indicators in this table are calculated in accordance with the 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 balance of current liabilities.

(3) Calculated by dividing the loan balance by deposit balance. Deposit balance excludes fiscal deposits and outward remittances.

The Bank also assesses the liquidity risk status by using liquidity exposure analysis. As at the end of 2010, relatively big changes in the liquidity exposure of the Bank mainly happened to the following terms: overdue/repayable on demand, three months to one year, one year to five years, and over five years. The significant increase in demand deposits expanded the negative exposure which was overdue/repayable on demand category of the Bank; the maturity of some investment in securities related to restructuring led to a negative liquidity exposure of the Bank with a remaining maturity of within three months to one year as opposed to a positive exposure at the end of the previous year; and the positive liquidity exposures of the Bank with a remaining maturity of within one year to five years and over five years were further enlarged by the increase in medium and long-term loans, the extension of the term of the Huarong bonds after maturity, the reinvestment of the special central bank bills and the decrease in customer deposits with the corresponding term. Demand deposits of the Bank have a high deposition rate, and at the same time, the Bank made heavy investment in central bank bills, treasury bonds and other high-liquidity assets, together with sufficient liquidity reserves, has driven the cumulative positive liquidity exposure to further increase. Therefore, the overall liquidity of the Bank was safe. The liquidity exposure analysis of the Bank as at the end of 2010 is shown in the table below:

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
31 December 2010	(6,585,303)	(162,433)	(301,119)	(383,368)	2,537,639	3,515,949	2,200,292	821,657
31 December 2009	(5,844,656)	(64,006)	(66,927)	573,857	1,965,097	2,457,040	1,658,529	678,934

Note: Please refer to "Note 52.(b) to the Financial Statements: Liquidity risk".

Operational Risk

Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, employees and IT systems or from external events, including legal risk, but excluding strategic and reputational risk. There are seven major types of operational risks faced by the Bank, including internal fraud, external fraud, customers, products and business activities, execution, delivery and process management, employment system and workplace safety, damage to physical assets and IT system events. Among these, the execution, delivery and process management and the customers, products and business activities constitute major sources of operational risk losses of the Bank.

The Bank adopts the mode of "united management and segregation of duties" in operational risk management according to the Guidance to the Operational Risk Management of Commercial Banks issued by CBRC and under the leadership of the Board of Directors and the Senior Management. The Board undertakes the final responsibility for the effectiveness of the operational risk management, and the Senior Management is responsible for implementing the strategy, overall policy and system for operational risk management approved by the Board. The Operational Risk Management Committee under the Senior Management, as the organizer and coordinator of operational risk management of the Bank, is responsible for reviewing and approving significant matters related to operational risk management and working under the Working Regulations for the Operational Risk Management Committee. The internal control and compliance departments at various levels serve as lead departments and carry out operational risk management in an overall manner. The marketing and product departments, the risk management departments, the comprehensive administration departments and the support departments, based on the work allocation, are responsible for the operational risk management and control in their fields according to general policies and standards of the Bank.

In 2010, the Bank focused on the advancement of refined management of key areas and critical processes in accordance with latest regulatory requirements concerning operational risk and the trends of operational risk, and further improved the operational risk control mechanism. The Bank focused on implementing the advanced measurement approach (AMA), piloted the operational risk and control self assessment (RCSA) throughout the Bank, completed the first scenario analysis (SA) of operational risk, optimized the operational risk monitoring system, and improved the management of internal loss events arising from operational risk. The Bank optimized the organizational structure, rules, processes and system regarding credit operation, and optimized the loan distribution and payment management. By continuously deepening the reform of the business operation system, the Bank established a centralized business accounting authorization system across institutions, and further improved the operational risk control system. The Bank created treasury business management measures, and enhanced the level of the system-based operation and management of the treasury business. In addition, the Bank strengthened the management of certain key areas and processes to reduce risk hazards, continuously promoted the building of the disaster backup security system, and kept improving the standard of operation and maintenance automation across the Bank.

Legal Risk

Legal risk is the risk of incurring legal sanctions, regulatory penalties, financial losses, reputational losses or other negative consequences that arise out of or in connection with the failure of the Bank to comply with relevant laws, regulations, administrative rules, regulatory provisions and requirements of other relevant rules in the operational management of the Bank; the unfavorable legal defects that exist in products, services or information provided, transactions engaged in, and contracts, agreements or other documents executed, by the Bank; legal disputes (legal or arbitration proceedings) between the Bank and customers, counterparties and stakeholders; important changes in relevant laws and regulations, administrative rules, regulatory provisions and other relevant rules; and other relevant legal events that occur internally and externally.

Based on the objective to ensure legal and compliant operation, the Bank always attaches importance to establishing a sound legal risk management system and forging a full-process legal risk prevention and control mechanism to support and secure business innovation and market competition, and prevent and eliminate various potential or practical legal risks. The Board of Directors is responsible to review and determine the strategy and policy relating to legal risk management, and assumes the final responsibility of legal risk management. The Senior Management is responsible to execute the legal risk management strategy and policy, formulate relevant systems and measures, and examine and approve relevant important affairs. The Legal Affairs Department of the Head Office is the functional department in charge of legal risk management across the Bank, relevant business departments provide related support and assistance on the work regarding legal risk prevention and control, and the affiliates and domestic and overseas branches undertake the responsibility of legal risk management of respective institutions.

In 2010, the Bank further strengthened and improved the legal risk management system and developed relevant rules, and established the consolidated legal risk management mechanism at the group level. The Bank regulated the management of related party transactions, studied and formulated the administrative measures for contract management, focused on improving corporate governance and satisfying listing regulatory requirements, and used legal resorts to actively support the internationalized and diversified operations as well as the development and innovation of various businesses. In addition, it developed and launched the support management system for customer services and complaints, reinforced the monitoring and management of legal proceedings, in particular where the Bank was the defendant, strengthened the management of trademark and the protection of relevant intellectual properties, and actively conducted the work related to legal risk management.

Anti-money Laundering

In strict compliance with applicable laws and regulations concerning anti-money laundering, the Bank actively implemented various regulatory requirements in respect of anti-money laundering, earnestly fulfilled the obligation to anti-money laundering as a commercial bank, and fully enhanced the compliance level.

In 2010, domestic and overseas branches of the Bank strictly observed the laws and regulations of the locality in which the Bank operates and in China concerning anti-money laundering and anti-terrorist financing, actively implemented various regulatory requirements, effectively carried out anti-money laundering work and improved the standard of anti-money laundering work at the group level. The Bank continued to improve the internal control system against money laundering, embarked on the amendment of internal anti-money laundering regulations, further defined the policy, roles and requirements with respect to anti-money laundering to establish the anti-money laundering management framework and working mechanism at the group level, studied and formulated a number of special management systems and implemented anti-money laundering requirements in all business processes. The Bank strengthened the establishment of the anti-money laundering information system, optimized the information monitoring, collection, inquiry and analysis functions of the anti-money laundering system, and kept enhancing the quality of report and reporting data against large-amount and suspected money-laundering transactions. The Bank strengthened the maintenance of the information of existing customers, and enhanced the quality of customer information by developing the corporate information collection and supplement system, publishing regular notices on the status of the maintenance of personal customer information and taking other measures. Relying on the anti-money laundering customer risk classification system that had been launched, the Bank completed the work of customer risk classification ahead of the deadline required by the regulator. The Bank creatively developed the centralized processing mode for anti-money laundering, strengthened manual identification of suspected transactions, improved the rules for the identification of suspected transactions, continuously addressed the monitoring, reporting, analysis and risk warning of key suspected transactions, focused on the prevention of risks associated with electronic banking and other key business areas, and spared no effort to cooperate with the regulatory authorities in anti-money laundering investigation. The Bank studied and improved the list-based management mechanism for sanction risks regarding money laundering and terrorist financing, and strengthened anti-money laundering compliance management and guidance to overseas institutions. The Bank organized all domestic branches to carry out self-inspection on anti-money laundering, conducted on-site anti-money laundering inspection in some domestic and overseas branches, and strengthened the efforts in weak areas of anti-money laundering. The Bank developed new anti-money laundering training methods by launching anti-money laundering informative program and training in various forms and reinforcing knowledge and skill training for management and employees at all levels engaged in anti-money laundering.

During the reporting period, no domestic or overseas institutions or any employees were found to be or were suspected of being involved in money laundering or terrorist financing activities.

Reputational Risk

Reputational risk is the risk of negative assessment or comments on a commercial bank from stakeholders as a result of its operation, management and other behaviors or external events. Reputational risk may arise in any part of the Bank's operation and management, and usually co-exists and co-relates with credit risk, market risk, operational risk and liquidity risk.

Reputational risk management of the Bank refers to the process and method which provide the basis for ensuring the achievement of the overall objective of reputational risk management, including the establishment and improvement of the reputational risk management system based on the reputational risk management objectives and plan, daily reputational risk management and properly handling of reputational events. The Bank adheres to the prevention-oriented principle and incorporates reputational risk management into each aspect of operational management of the Bank and every customer service process, with a view to controlling and mitigating reputational risk based on its source and minimizing the possibility of occurrence of and influence from reputational events.

As the highest decision-making body of the Bank's reputational risk management, the Board of Directors is responsible for formulating strategies and policies concerning reputational risk management that are in line with the strategic objective of the Bank. The Senior Management is responsible for implementing such strategies and policies established by the Board of Directors and leading reputational risk management of the Bank. The Bank has established a special reputational risk management team to take charge of the daily management of reputational risk.

In 2010, the Bank comprehensively strengthened the reputational risk management, actively advanced the establishment of the reputational risk management system and working mechanism, identified and analyzed reputational risk factors in depth, and further intensified the monitoring, prevention and handling of reputation events, thereby leading to the bank-wide reputational risk remaining controllable.

CAPITAL MANAGEMENT

The Bank implements a comprehensive capital management system which is composed of capital adequacy ratio management, economic capital management, book capital management, and aggregate capital and structure management. Capital management takes capital as the object as well as an instrument for its management activities, including measurement, planning, allocation, monitoring, evaluation, operation and others. The objectives of the Bank's capital management include: (1) maintaining reasonable capital adequacy ratio and stable capital base, supporting the business development and the implementation of strategic plans of the Bank, continuously meeting regulatory requirements and ensuring safe operation of the Bank, to achieve comprehensive, coordinated and sustainable development; (2) establishing and constantly improving the banking value management system with economic capital as the focal point, optimizing resource allocation and operational management mechanism across the Bank, whilst covering all types of risks, to raise short-term and long-term yield and create the best returns for the shareholders; (3) making reasonable use of various capital instruments, optimizing the aggregate amount and structure of capital, improving the quality of capital and reducing capital and financing costs.

In 2010, the Bank continued to strengthen capital management and further improved capital replenishment and constraint mechanism. The Bank considered and approved the Capital Management Plan of Industrial and Commercial Bank of China Limited for Years 2010 to 2012, set out the basic objectives of capital management of the Bank, the major principles of capital management plan and management objectives of capital adequacy ratio during the planning period, formulated the capital replenishment plan, and set up measures for the management of capital adequacy ratio.

The main principle of the capital management plan of the Bank is to ensure the capital adequacy ratio meets the regulatory requirements and stays at a steady level recognized by international peers, while maintaining stable in general. The Bank will make efforts to enhance capital allocation efficiency and capital adequacy level by means of strengthening and improving economic capital management and other approaches, and fulfill the objectives of capital adequacy ratio management by taking priority measures including optimizing the asset structure, enhancing the profitability, adjusting the dividend distribution plan and controlling the growth rate of risk-weighted assets.

Allocation and Management of Economic Capital

Economic capital management of the Bank includes three major procedures: measurement, allocation and evaluation. Economic capital indicators include Economic Capital (EC), Risk-Adjusted Return on Capital (RAROC) and Economic Value-added (EVA). The application areas include credit resource allocation, business plan, expenditure allocation, performance assessment, limit management and product pricing, etc. The Bank intensified the regulation of the aggregate amount and structure of risk-weighted assets through its economic capital management, further raising the level of resource allocation efficiency and return on capital.

In 2010, the Bank progressively advanced its economic capital management and formulated the economic capital management plan. The Bank carried out economic capital limit management and thus realized the optimized allocation among each risk area, region and product and controlled the expansion on the scale of risk assets, to achieve the return on capital and capital adequacy targets. In line with the requirements set out in the regulatory guidelines on the implementation of the New Capital Accord promulgated by the regulators, the Bank further optimized the standard for economic capital measurement, introduced non-retail internal ratings-based results as an important input parameter for the economic capital measurement model and continued to improve the sensitivity of economic capital measurement. The Bank also upgraded the capital management system to enrich and optimize its functions, and further deepened the management and application of economic capital in all areas.

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 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 Calculation 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

Item	At 31 December 2010	At 31 December 2009
Core capital	**750,970**	**622,121**
Issued share capital	349,019	334,019
Reserves(2)	400,724	283,061
Minority interests	1,227	5,041
Supplementary capital	**174,505**	**172,994**
General provisions for loan impairment	67,905	97,994
Long term subordinated bonds	78,286	75,000
Convertible bonds	24,870	–
Other supplementary capital	3,444	–
Total capital base before deductions	**925,475**	**795,115**
Deductions	**53,102**	**63,159**
Goodwill	27,369	24,621
Unconsolidated equity investments	22,649	19,559
Others	3,084	18,979
Net capital base	**872,373**	**731,956**
Net core capital base	**709,193**	**586,431**
Risk weighted assets and market risk capital adjustment	**7,112,357**	**5,921,330**
Core capital adequacy ratio	**9.97%**	**9.90%**
Capital adequacy ratio	**12.27%**	**12.36%**

Notes: (1) Please refer to "Note 52.(d) to the Financial Statements: Capital management".

(2) Mainly includes the valid portion of capital reserve, surplus reserves, general reserve and the valid portion of retained profits.

Capital Financing Management

To ensure sustainable, stable and healthy business development, further enhance the comprehensive competitiveness, capability of resisting risks and sustainable profitability, the Bank further replenished its capital base by way of issuing subordinated bonds and A share convertible bonds, and issuing A and H shares to existing shareholders pursuant to the rights issue and its listing. The above issuances have been completed during the reporting period, which effectively replenished the capital base of the Bank. For details of relevant fundraising activities, please refer to "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Details of Securities Issuance and Listing".

SOCIAL RESPONSIBILITY

Closely centering on the core value of "Integrity Leads to Prosperity", ICBC has continuously improved its social responsibility system consisting of "Value Creator, Green Bank, Charity Bank, Harmonious Bank, Creditworthy Bank and Brand Builder", and maintained and promoted social public benefit, from three aspects of economy, environment and society. During the reporting period, the Bank obtained widespread recognition on its performance of corporate social responsibility from all social circles, and was honored with many awards in this regard, such as "People's Award for Social Responsibility", "Most Responsible Enterprise", "Best Corporate Social Responsibility Award", "China's Most Respectable Bank", "Best Corporate Citizen in China" and "Best Bank for Performance of Corporate Social Responsibility".

Economic Performance

During the reporting period, the Bank proactively tackled the more complex economic climate in the post-crisis era, accelerated the transformation of development mode, and continuously improving of operating result and value creation capability, displaying the responsibility of a large bank in supporting national economic development. The Bank conformed to the actual needs of domestic economy in gradually turning into a normal cycle, implemented the credit policy geared to reasonable and balanced credit growth, and boosted the transformation of economic growth. It also proactively supported the development of strategic emerging industries, fully played the guiding role on industrial optimization through lending orientation and promoted the stable and rapid economic development. In combination of relevant governmental policies on regional development, the Bank took the advantages of its resources, development positioning and industrial development layout in respective regions to further perfect the regional development plan and credit policy and give full play to the financial service comprehensive advantages of the Bank. Moreover, the Bank insisted on the development of financial service for SMEs, actively supported the agriculture-related construction, and encouraged the implementation of the national policy of "enlarging employment opportunity and benefiting people's living". The Bank also closely followed the trend of economic globalization and overseas expansion of its customers, sped up in progressing on the construction of a global operating network, and accelerated the expansion of the nine major product lines, i.e., retail, bank card, E-banking, treasury clearing, professional financing, global cash management, investment banking, assets management and trade finance, to enhance its comprehensive service capability for global customers.

Environmental Performance

As the advocate and executor of "Green Bank", the Bank has always advocated and promoted green financial services, actively propagating low-carbon life, and promoting the sustainable and coordinated development of the economy, the society and the natural environment.

During the reporting period, the Bank further improved the long-term green credit mechanism, continued to advance the establishment of a green credit system and effectively led the optimization and adjustment of credit structure. The Bank insisted on the "green credit" requirement of environmental-friendliness and low resource consumption, and actively supported key national energy-saving projects, environmental protection projects and technological upgrade and transformation projects which apply advanced energy-saving and environmentally-friendly technologies. It gave priority support to the green credit projects for customers engaged in new energy, energy-saving and environmental protection as well as integrated utilization of resources, and stepped up efforts in green credit product innovation. Additionally, the Bank persisted in the overall credit principle of "supporting the good while restricting the bad; having both protection and limitation", intensified the management of green credit disbursement assessment, strictly implemented the "vetoing environmentally unqualified projects by a single vote", and vigorously supported the optimization and upgrade of national industrial structure. At the end of 2010, both the number and loan balance of the Bank's environmentally-friendly and environmentally-compliant customers were maintained at above 99.9% of the Bank's total number of domestic customers and loan balance.

The Bank proactively advocated a green office, reinforced the education of energy-saving and environmental protection upon staff, enhanced the staff's awareness of energy-saving and emission-reduction, and established a good cultural atmosphere which stresses energy-saving and environmental protection. The Bank also promoted a paperless office, strengthened daily management and formulation of rules on energy-saving and consumption reduction, implemented the energy-saving modification projects such as "green lighting", and strived to reduce the occupation and usage of social resources. Furthermore, the Bank proactively improved its electronic service channel, reduced the dependence of business development on entity premise and strived to build a resource-saving and environmentally-friendly "Green Bank".

Social Performance

The Bank has always shown an active interest in national welfare, social system and the people's livelihood and has shown much devotion to matters relating to social public welfare, which led to it being awarded the "Charity Star of the Year 2010 (Corporate)" by the China Foundation for Poverty Alleviation.

Disaster Relief. The Bank paid close attention to the situations of the disasters including draught in the southwestern regions, Yushu earthquake, and Zhouqu mud-rock flow, set about the disaster relief work in the first place, and timely established an express channel for emergency loan approval and disbursement as well as a green donation channel. During the reporting period, the Bank donated more than RMB50 million in kind and in cash to help people in areas hit by the disasters to restore their normal production and life.

Charity Activities. The Bank further intensified the effort of targeted poverty alleviation in Nanjiang County, Tongjiang County and Wanyuan City in Sichuan Province, adhered to the unique way of poverty alleviation that combines "financial support with knowledge, sanitation, science and technology and disaster relief", and contributed a total of RMB7.21 million to support local development in poor areas. The Bank also donated to Burqin County in Xinjiang RMB1.75 million earmarked for the settlement of local herdsmen, including construction of houses, re-construction of houses hit by disasters, school facilities and other infrastructure. Moreover, the Bank explored innovative charity modes by combining charity, environmental protection and financial innovation, issued the "Green Life" Yang Lan • Money Link Card and Smile Angel Foundation Money Link Card, and all the donations were used to support the development of public welfare undertakings.

Aid to Culture and Education. The Bank and the University of International Business and Economics jointly held the first "ICBC Cup" National College Students Banking Product Innovation Competition, which set the trend for innovation competitions co-organized by commercial banks and higher education institutions in China and inspired college students to research dedicatedly and innovate boldly. The Bank continued the program of "ICBC Financial Auditorium in Hundred Colleges" by bringing modern financial concepts to colleges through campus lectures and service desks and offered professional advice on growth and startups for young people.

Serving the Shanghai Expo and Supporting the Guangzhou Asian Games. The Bank proactively served the Shanghai Expo, timely completed outlet restructuring and layout optimization in major areas, and provided comprehensive, thoughtful, timely and passionate financial service for participants and visitors through appropriately expanding outlet business hours, opening express channels, establishing new branches in metro stations, launching over 2,000 self-service machines, providing multi-language services and other measures.

As the sole banking partner of the Guangzhou Asian Games, the Bank spared no effort to support the event. With a network of round-the-clock financial services, the Bank provided efficient, professional, secured and quality services for the event with "zero service error, zero safety incident and zero customer complaint", being granted the "Award for Outstanding Contribution as Guangzhou Asian Games Partner" and "Award for Outstanding Contribution as Sponsor of Guangzhou Asian Para Games" by the Guangzhou Asian Games Organization Committee.

Serving Communities and Volunteer Activities. The Bank continuously extended its reach of services to communities, actively performed its public education duties and provided extensive publicity and training programs to communities in respect of financial knowledge, investment and wealth management. Furthermore, the Bank carried out youth volunteer activities under the philosophy of "care, responsibility and harmony". During the reporting period, the Bank completed 1,610 love actions that involved over 110,000 employees and donated about RMB5.46 million in total.

Caring for Employees. Adhering to the people-oriented concept, the Bank perfected the employee motivation mechanism, and established a new career development mechanism featuring "bidirectional vertical movement and horizontal exchange" to extend the employee career path at the Bank. The Bank also intensified efforts in training, gradually establishing a competency-based training system and a training mode facilitating career development of employees. During the reporting period, the Bank held 47 thousands training sessions in total for 2.23 million man times, an average of 8.2 days of training per person. Additionally, the Bank also advanced employees' rights and interests, cared for employees' health, paid special attention to the needs of female employees and retired employees and improved the supporting mechanism for the needy employees.

Promoting Service Quality. The Bank has always followed its operating philosophy of "customer-oriented and services creating value" and accelerated the establishment of a world-class financial service platform. During the reporting period, the Bank built a unique corporate cultural system and enhanced the financial services quality and brand image by accelerating technological innovation, reinforcing channels construction and perfecting global layout. 138 outlets of the Bank were selected to be "1,000 Best Model Units for Civilized and Standard Services in Chinese Banking Industry in 2010" by China Banking Association, ranking first among peers.

Please refer to the 2010 Corporate Social Responsibility Report of Industrial and Commercial Bank of China Limited for more information on social responsibilities of the Bank.

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 industries, strategic emerging industries and modern services industries 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 bancassurance 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%.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

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) 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.

(2) "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.

(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
Goldman Sachs	13,180,811,324	13,180,811,324	0	0	Voluntary lock-up	28 April 2010

Details 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 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

Unit: RMB

Name of bondholder	Amount held
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, ICBC (Asia), a subsidiary of the Bank, issued the subordinated notes with nominal value of USD500 million. For information on the issuance of subordinated bonds by the Bank and its subsidiaries, please refer to "Note 38 to Financial Statements: Bonds Issued".

◆ *Employee Shares*

The Bank did not have any employee shares.

Particulars of Shareholders

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
Huijin	State-owned	A shares	35.4	123,641,072,864	0	None
MOF	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	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.

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 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 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. 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 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.

◆ *Particulars of other Corporate Shareholders Holding 10% Shares or More (excluding HKSCC Nominees Limited)*

None.

◆ *Particulars of the De Facto Controller*

None.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 31 December 2010, the Bank had received notices from the following persons stating that they had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
MOF[1]	Beneficial owner	118,006,174,032	Long position	45.00	33.81
Huijin[2]	Beneficial owner	118,006,174,032	Long position	45.00	33.81

Notes: (1) According to the register of shareholders as at 31 December 2010, MOF held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders as at 31 December 2010, Huijin held 123,641,072,864 shares in the Bank.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
SSF	Beneficial owner	15,774,285,559	Long position	18.17	4.52
Goldman Sachs	Beneficial owner	10,139,783,324	Long position	11.68	2.91
	Interest of controlled corporations	159,943,599	Long position	0.18	0.05
	Total	10,299,726,923		11.86	2.96
Nomura Holdings, Inc.	Interest of controlled corporations	4,909,233,950	Long position	5.66	1.41
	Interest of controlled corporations	3,862,033,001	Short position	4.45	1.11
JPMorgan Chase & Co.	Beneficial owner	419,635,947	Long position	0.48	0.12
	Investment manager	1,323,428,200	Long position	1.52	0.38
	Custodian corporation/ approved lending agent	2,421,908,503	Long position	2.79	0.69
	Total	4,164,972,650		4.79	1.19
	Beneficial owner	359,910,249	Short position	0.41	0.10
Capital Research and Management Company	Investment manager	5,011,970,000	Long position	5.77	1.44

Directors, Supervisors, Senior Management, Employees and Institutions

Basic Information on Directors, Supervisors and Senior Management[1]

Name	Position	Gender	Age	Tenure[2]	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, Senior Management, Employees and Institutions — 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.

Biographies of Directors, Supervisors and Senior Management

Jiang Jianqing, Chairman, Executive Director

Mr. Jiang has served as Chairman of the Board of Directors and Executive Director of Industrial and Commercial Bank of China Limited since October 2005. He joined ICBC in 1984, and was appointed as President in February 2000. Mr. Jiang previously served in several positions including Deputy Head of ICBC Shanghai Branch, President of Shanghai Urban Cooperation Commercial Bank (now known as Bank of Shanghai), Head of ICBC Shanghai Branch and Senior Executive Vice President of ICBC. At present, he is concurrently Chairman of the board of directors of Industrial and Commercial Bank of China (Asia) Limited, a member of the Monetary Policy Committee of the People's Bank of China, Chairman of China Banking Association, Vice Chairman of China Society for Finance and Banking, and a tutor to PhD students of Shanghai Jiao Tong University. He graduated from Shanghai University of Finance and Economics and Shanghai Jiao Tong University, and received a Master's degree in Engineering and a Doctorate degree in Management from Shanghai Jiao Tong University.

Yang Kaisheng, Vice Chairman, Executive Director, President

Mr. Yang has served as Vice Chairman, Executive Director and President of Industrial and Commercial Bank of China Limited since October 2005. He joined ICBC in 1985, and served in several positions including Deputy General Manager of ICBC Discipline Enforcement Office, General Manager of ICBC Planning and Information Department, Head of ICBC Shenzhen Branch, Senior Executive Vice President of ICBC, President of China Huarong Asset Management Corporation. He graduated from Wuhan University with a Doctorate degree in Economics.

Zhao Lin, Chairman of the Board of Supervisors

Mr. Zhao has served as Chairman of the Board of Supervisors of Industrial and Commercial Bank of China Limited since June 2008. He was appointed as Executive Director and Senior Executive Vice President of China Construction Bank in September 2004, and previously was Deputy Head of Hubei Branch, Deputy General Manager and General Manager of the Administrative Office of the Head Office, Chief Auditor, and Senior Executive Vice President of China Construction Bank. He graduated from Zhongnan University of Economics and Law, and received the Executive Master of Business Administration (EMBA) degree from Tsinghua University. He is a senior economist.

Wang Lili, Executive Director, Senior Executive Vice President

Ms. Wang has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since October 2005, and Executive Director since April 2010. She was appointed as Senior Executive Vice President upon joining ICBC in November 2000. She previously served in several positions including General Manager of the Credit Management Department, General Manager of the Risk Management Department, and Assistant to President of Bank of China. She once also served as Chairperson of Bank of China (Canada) and Yien Yieh Commercial Bank Ltd. (Hong Kong), respectively. Currently she is China's representative of APEC Business Advisory Council, a member of APEC Women Leaders' Network, a board member of International Swaps and Derivatives Association, Vice Chairperson of China Chamber of International Commerce, Vice Chairperson of the Board of Directors of Industrial and Commercial Bank of China (Asia) Limited, Chairperson of the Board of Directors of ICBC (London) Limited, Vice Chairperson of China Society of International Finance, Vice Chairperson of National Debt Association of China, and Non-executive Director of Hong Kong Mercantile Exchange. She graduated from Nankai University and received an MBA degree from University of Birmingham, UK.

Li Xiaopeng, Executive Director, Senior Executive Vice President

Mr. Li has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since October 2005, and Executive Director since October 2010. He joined ICBC in 1984, and was appointed as Senior Executive Vice President of ICBC in September 2004. He previously served in several positions including Deputy Head of ICBC Henan Branch, General Manager of the Banking Department of the Head Office, Head of ICBC Sichuan Branch, Vice President of China Huarong Asset Management Corporation, and Assistant to President of ICBC and Head of ICBC Beijing Branch. He serves concurrently as Chairman of Industrial and Commercial Bank of China (Almaty) Joint Stock Company, Chairman of Industrial and Commercial Bank of China (Middle East) Limited, Chairman of ICBC Financial Leasing Co., Ltd., Chairman of ICBC Credit Suisse Asset Management Co., Ltd., Vice Chairman of China Urban Financial Society, Vice Chairman of China Institute of Rural Finance, Head of the Financial Leasing Committee and the Development and Research Committee of China Banking Association. He graduated from Zhengzhou University and received a Doctorate degree in Economics from Wuhan University.

Huan Huiwu, Non-executive Director

Mr. Huan has served as Non-executive Director of Industrial and Commercial Bank of China Limited since February 2009. He joined the Ministry of Finance ("MOF") in 1982, and served as Chief of the Cadre Deployment Division of the Department of Human Resources, Chief of the Cadre Deployment Division of the Department of Human Resources and Education, Deputy Director-General of the Department of Human Resources and Education, and Executive Deputy Secretary of the Party Committee (at the rank of Director-General). He graduated from the Party School of the Central Committee of the Communist Party of China as a postgraduate in Economics and Administration.

Gao Jianhong, Non-executive Director

Mr. Gao has served as Non-executive Director of Industrial and Commercial Bank of China Limited since December 2008. He joined Central Huijin Investment Ltd. in 2005 and previously served as Deputy Chief of the Finance Division of Macro-economic Control Department of the State Commission for Restructuring Economy, Deputy Division Head of the Investment Business Department of China Development Bank, Deputy General Manager of the International Business Department of Everbright Securities Co., Ltd., and Senior Manager and research fellow of the Securities Offering Division of the Investment Banking Department of China Galaxy Securities Co., Ltd.. He graduated from Peking University, and subsequently pursued advanced studies in the Graduate School of the People's Bank of China and University of Reading in England, and he received a Master's degree in Economics and a degree of Master of Science in International Securities and Investment Banking.

Li Chunxiang, Non-executive Director

Ms. Li has served as Non-executive Director of Industrial and Commercial Bank of China Limited since February 2009. She joined the MOF in 1982, and served in several positions including Chief of the Township Finance Division of the Local Department and Chief of the Office of the Foreign Exchange and Foreign Affairs Department. Beginning in 1999, she joined the State Agricultural Comprehensive Development Office, and served as Chief of the Finance Planning Division and Assistant Inspector (at the rank of Deputy Director-General) of the State Agricultural Comprehensive Development Office. She graduated from Dongbei University of Finance and Economics with a Bachelor's degree.

Li Jun, Non-executive Director

Mr. Li has served as Non-executive Director of Industrial and Commercial Bank of China Limited since December 2008. He previously served as Assistant Representative of Beijing Representative Office of the Bank of Credit and Commerce International, Deputy Representative of BNP Paribas China Representative Office, Consultant of the International Banking Department of Banco Bilbao Vizcaya Argentaria, Deputy General Manager of the Research Centre of China Technology Trust and Investment Company, General Manager of the Research Department of China Sci-Tech Securities, and Professor of the Finance Department of the School of Economics and Management of the University of Science and Technology Beijing. At present, he serves in Central Huijin Investment Ltd. He graduated from University of Madrid in Spain and received a Doctorate degree in Business Management.

Li Xiwen, Non-executive Director

Mr. Li has served as Non-executive Director of Industrial and Commercial Bank of China Limited since December 2008. He previously served as Chief of the Finance and Investment Division of the Planning Department, Deputy General Manager of the Fund Planning Department, General Manager of the Credit Card Department, Deputy Head of Shandong Branch, General Manager of the Credit Risk Management Department of the Head Office, Vice Chairman of the Risk and Internal Control Management Committee of the Head Office, Head of Gansu Branch, and General Manager of the Compliance Department of the Head Office of China Construction Bank. At present, he serves in Central Huijin Investment Ltd., and concurrently as Deputy Secretary-General of China Society for Finance and Banking and Executive Director of China Investment Society. He graduated from Hubei Finance and Economics College and received a Bachelor’s degree in Economics. He is a senior economist.

Wei Fusheng, Non-executive Director

Mr. Wei has served as Non-executive Director of Industrial and Commercial Bank of China Limited since February 2009. He joined Xinhua News Agency in 1994, and served as Chief of the Economics Department of Macau Branch. He was transferred to the MOF in 1996, and served as Chief of the Education Division and Chief of the Policy and Legislation Division in the Cultural and Educational Department, Chief of the Policy and Legislation Division of the Public Expenditure Department, and Assistant Inspector (at the rank of Deputy Director-General). He graduated from Tianjin Finance and Economics College with a Bachelor’s degree.

Leung Kam Chung, Antony, Independent Non-executive Director

Mr. Leung has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since October 2005. He is currently Chairman of Blackstone Greater China, Chairman and Senior Managing Director of The Blackstone Group (HK) Limited. He was Financial Secretary of Hong Kong from 2001 to 2003. He was also the Chairman of the Asia-Pacific Region of JPMorgan Chase Bank and worked for Citicorp. He had been Regional Chief of the Treasury Department, Corporate Banking Department, Investment Banking Department and Private Banking Department of Citibank in Hong Kong, Singapore, Manila and New York. He graduated from The University of Hong Kong.

Qian Yingyi, Independent Non-Executive Director

Mr. Qian has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since October 2005. He had taught at the Department of Economics at Stanford University and University of Maryland, and served as Independent Non-executive Director of China Netcom Group Corporation (Hong Kong) Limited. He is a Professor in Department of Economics at the University of California, Berkeley and Dean of the School of Economics and Management of Tsinghua University. Concurrently, he is the Chairman of the Board of Supervisors of Vtion Wireless Technology AG. He graduated from Tsinghua University and received a Doctorate degree in Economics from Harvard University.

Xu Shanda, Independent Non-executive Director

Mr. Xu has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since September 2007. From January 2000 to 2007, he was appointed as Deputy Commissioner of the State Administration of Taxation ("SAT"). He worked as Deputy Director-General of the Tax System Reformation Department of SAT, Deputy Director-General and Director-General of the Policy and Legislation Department of SAT, Director-General of Local Taxes Department of SAT, and Director-General of Supervisory Bureau of SAT. He is currently member of the National Committee of the Chinese People's Political Consultative Conference, Chairman of the China Certified Tax Agents Association, member of the Auditing Standards Committee of The Chinese Institute of Certified Public Accountants, a member of the Accounting Standards Committee of the MOF, consultant to the China Public Finance Society, member of the Chinese Economist 50 Forum and member of the 50 Forum Academic Auditing Committee. He is the Independent Director of China Pacific Insurance (Group) Co., Ltd., part-time professor and invited researcher of Tsinghua University, Peking University, National School of Administration, Xi'an Jiaotong University, University of Science & Technology of China, Nankai University, Central University of Finance and Economics and Zhejiang Engineering University. He received his Bachelor's degree from Department of Automation, Tsinghua University, Master's degree in Agricultural Economics & Management from the Chinese Academy of Agricultural Sciences, and Master's degree in Finance from the University of Bath in UK.

Wong Kwong Shing, Frank, Independent Non-executive Director

Mr. Wong has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since January 2009. He previously held a number of senior positions with regional responsibility at financial institutions including Citibank, JPMorgan and NatWest, and took positions as Chairman of Hong Kong Futures Exchange Limited, Chairman of the Leveraged Foreign Exchange Trading Ordinance Arbitration Panel and member of the Foreign Exchange and Money Market Practices Committee of Hong Kong Association of Banks. He joined DBS Bank in 1999, and served as Vice Chairman of DBS Bank Ltd., Director and Chief Operating Officer of DBS Bank Ltd. and DBS Group Holdings, and Chairman of DBS Bank (Hong Kong) and Chairman of DBS Bank (China). He also served as the Independent Non-executive Director of the National Healthcare Group Pte Ltd under the Ministry of Health of Singapore. At present, he is concurrently a Director of PSA International Pte Ltd, Mapletree Investments Pte Ltd and China Mobile Limited, and a member of the University Court of The University of Hong Kong.

Malcolm Christopher McCarthy, Independent Non-executive Director

Sir M.C. McCarthy has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since December 2009. Sir M.C. McCarthy worked first as an economist for ICI before joining the UK Department of Trade and Industry where he held various posts from economic adviser to undersecretary. He subsequently worked as the senior executive of Barclays Bank first in Japan and then North America. He served as Chairman and Chief Executive of Office of Gas and Electricity Markets (Ofgem), and Chairman of the Financial Services Authority (FSA). Currently Sir M.C. McCarthy serves as a non-executive director of HM Treasury, and also Chairman of the board of directors of J.C. Flowers & Co. UK Ltd, a non-executive director of Intercontinental Exchange, and a Trustee of Said Business School. He is an Honorary Fellow of Merton College, an Honorary Doctorate of the University of Stirling, and a Freeman of the City of London. He has a MA History at Merton College of Oxford University, PhD Economics of Stirling University, and MS Business at Graduate School of Business of Stanford University.

Kenneth Patrick Chung, Independent Non-Executive Director

Mr. Chung has served as Independent Non-Executive Director of Industrial and Commercial Bank of China Limited since December 2009. Mr. Chung joined Deloitte Haskins and Sells London Office in 1980. He became a partner of PricewaterhouseCoopers in 1992, and was a financial service specialist of PricewaterhouseCoopers (Hong Kong and China) since 1996. Previously, he was the human resources partner of PricewaterhouseCoopers (Hong Kong), the responsible partner of the audit department of PricewaterhouseCoopers (Hong Kong and China), the global lead partner of the audit engagement team for Bank of China Limited, the honorary treasurer of The Community Chest of Hong Kong and was a member of the Ethics Committee, Limitation of Professional Liability Committee, Communications Committee, and the Investigation Panel of the Hong Kong Society of Accountants. Mr. Chung has also served as the audit partner for the restructurings and initial public offerings of Bank of China Limited, Bank of China (Hong Kong) Limited and Bank of Communications Co. Ltd. Currently, Mr. Chung serves as the honorary treasurer of International Social Service Hong Kong Branch. He is a member of the Institute of Chartered Accountants in England and Wales, a practising member of the Hong Kong Institute of Certified Public Accountants and a member of the Macau Society of Certified Practising Accountants. Mr. Chung received a bachelor's degree in economics from the University of Durham.

Wang Chixi, Shareholder Supervisor

Ms. Wang has served as Supervisor of Industrial and Commercial Bank of China Limited since October 2005. In 2003, she was appointed as full-time Supervisor (at the rank of Director-General) and General Manager of the Supervisory Board Office of ICBC as designated by the State Council. She joined ICBC in 2005. She had taken several positions including Deputy Director-General of the Financial Audit Department of the National Audit Office, Deputy Director-General of the Agricultural, Forestry and Sea Products Audit Bureau of the National Audit Office and was appointed as full-time Supervisor (at the rank of Director-General) and General Manager of the Board of Supervisors' Office of Agricultural Bank of China as designated by the State Council. She graduated from Shenyang Agricultural College, and is a PRC Certified Public Accountant (as a non-practising member).

Dong Juan, External Supervisor

Ms. Dong has served as External Supervisor of Industrial and Commercial Bank of China Limited since May 2009. She is currently Chairperson of the Board of Directors of Grandchina International Consulting Co., Ltd. She previously served as Deputy Chief and Chief of the Foreign Trade Division of Commerce and Trade Department of the MOF, as Director-General of the Enterprise Affairs Department of the State Administration of State-owned Assets, as Director-General of the Evaluation Department of the MOF, and as the independent director of Sinotex Investment & Development Co., Ltd. and The Ming An (Holdings) Company Limited. At present, Ms. Dong concurrently serves as an independent director of Shanghai Qiangsheng Holding Co., Ltd. and Baocheng Investment Co., Ltd. Ms. Dong graduated from Shanxi Finance and Economics Institute and from Dongbei University of Finance and Economics with a Master's degree in economics. Ms. Dong is also a PRC Certified Public Accountant (as a non-practising member).

Meng Yan, External Supervisor

Mr. Meng has served as External Supervisor of Industrial and Commercial Bank of China Limited since May 2009. Currently, he is the Dean, Professor and Tutor to PhD students in the School of Accountancy of Central University of Finance and Economics ("CUFE"). He is also an Executive Council Member of the Accounting Society of China, a Council Member of the China Audit Society, an Executive Council Member of the Banking Accounting Society of China, a member of the Steering Committee on Teaching and Learning of Business Administration Disciplines of Higher Education Institutions under the Ministry of Education, and a member of the National Accounting Master Education Steering Committee. Mr. Meng served as Head of the Department of Accountancy of CUFE. He was also the Expert Consultant of the Accounting Standards Committee of the MOF for accounting standards, the Expert Consultant of the MOF for independent auditing standards, and an Expert Consultant of the MOF for enterprise performance evaluation and an independent director of Beijing North Star Company Limited. At present, he concurrently serves as an independent director of China Merchants Property Development Company, an independent supervisor of China COSCO Holdings Company Limited, and an independent director of Yantai Wanhua Polyurethane Co., Ltd, Beijing Bashi Media Co., Ltd. and Jolimark Holdings Limited. Mr. Meng obtained his Doctorate degree in economics from the Research Institute for Fiscal Science of the MOF.

Zhang Wei, Employee Supervisor

Mr. Zhang has served as Employee Supervisor of Industrial and Commercial Bank of China Limited since August 2006. He joined ICBC in 1994, and has served as General Manager of the Legal Affairs Department since 2004. Currently, he is also Vice Chairman and Arbitrator of the Finance Committee of China International Economic and Trade Arbitration Commission, Vice Chairman of the Banking Law Research Institute and an executive council member of the Securities Law Research Institute of China Law Society, a council member of China Society for Finance and Banking and a professor of China University of Political Science and Law. He graduated from Peking University with a Doctorate degree in Law and is a research fellow.

Zhu Lifei, Employee Supervisor

Mr. Zhu has served as the Employee Supervisor of Industrial and Commercial Bank of China Limited since September 2010. He joined ICBC in 1984 and has served the Executive Deputy General Manager of the Working Committee of the Trade Union since 2010. He has previously served in several positions including Head of ICBC Anhui Branch, ICBC Heilongjiang Branch and ICBC Liaoning Branch. He graduated from Northeast Institute of Technology, and is a senior economist.

Luo Xi, Senior Executive Vice President

Mr. Luo has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since December 2009. He joined Agricultural Bank of China ("ABC") in December 1987, and was appointed as Assistant to President and General Manager of the International Department in January 2002, Senior Executive Vice President of ABC in March 2004, and Executive Director and Senior Executive Vice President of Agricultural Bank of China Limited in January 2009. He previously served several positions including Assistant to Head of ABC Hainan Branch and General Manager of Agricultural Bank of China Hainan Trust Investment Company, Deputy Head of ABC Hainan Branch, Deputy Head of ABC Fujian Branch, General Manager of ABC Assets Preservation Department, General Manager of ABC Asset Risk Supervision Department, General Manager of ABC International Department and Chairman of the Board of Directors of China Agricultural International Finance Co., Ltd. in Hong Kong and Chairman of Hainan International Finance Co., Ltd.. He is concurrently the Chairman of ZAO Industrial and Commercial Bank of China (Moscow) and Industrial and Commercial Bank of China (Canada) and an Executive Director of China Institute of Rural Finance and Vice Chairman of China Society of International Finance. He graduated from the Graduate School of the People's Bank of China and received a Master's degree in Economics.

Liu Lixian, Secretary of Party Discipline Committee

Mr. Liu has served as Secretary of Party Discipline Committee of Industrial and Commercial Bank of China Limited since October 2005. He was appointed as Executive Vice President of China Huarong Asset Management Corporation in September 2003, and joined ICBC in 2005. He previously served in several positions including Deputy Director-General of the Bribery and Corruption Inspection Department, Deputy Director-General of the General Bureau of Anti-bribery and Corruption, Director-General of the Inspection Technology Bureau, and Director-General of the Inspection Theory Research Institute of the Supreme People's Procuratorate. He graduated from Jilin University.

Yi Huiman, Senior Executive Vice President

Mr. Yi has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since July 2008. He joined ICBC in 1985, and was appointed as member of the Senior Management in October 2005. He served in several positions at ICBC including Deputy Head of Zhejiang Branch, Deputy Head and Head of Jiangsu Branch, and

Head of Beijing Branch. He is concurrently the Chairman of Industrial and Commercial Bank of China (Thai) Public Company Limited and Industrial and Commercial Bank of China (Malaysia) Berhad. He obtained a Master's degree in Executive Business Administration from Guanghua School of Management of Peking University.

Zhang Hongli, Senior Executive Vice President

Mr. Zhang has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since May 2010. Previously, he had been serving as a member of the Global Banking Management Committee and Head of Asia-Pacific of Deutsche Bank Global Banking and Chairman of Deutsche Bank (China) Co., Ltd. since October 2004. He worked as Financial Manager at the headquarters of Hewlett-Packard since July 1991, a Director and the Head of the China operations of Schroders PLC since July 1994, an Executive Director of Goldman Sachs Asia and the Chief Representative of Goldman Sachs (China) LLC Beijing Representative Office since June 1998, and Head of Deutsche Bank Investment Banking Greater China, Vice Chairman of Deutsche Bank Asia and Chairman of Deutsche Bank China from March 2001 to September 2004. He is concurrently the Chairman of ICBC International Holdings Limited and Vice Chairman of Standard Bank Group Limited (SBG). Mr. Zhang received a Bachelor's degree from Heilongjiang Bayi Agricultural University and a Master's degree in Genetics from the University of Alberta, Canada, as well as a Master's degree in Business Administration (MBA) from the Santa Clara University in California, USA.

Wang Xiquan, Senior Management member

Mr. Wang has served as a member of the Senior Management, and concurrently the General Manager of the Human Resources Department, of Industrial and Commercial Bank of China Limited since April 2010. He joined ICBC in 1985 and has served as the General Manager of the Human Resources Department of Industrial and Commercial Bank of China Limited since February 2009. He previously served in several positions at ICBC, including Head of Yangquan Branch in Shanxi Province, Deputy Head of Hebei Branch, General Manager of the Asset Risk Management Department and Director-General of the Internal Audit Department. He graduated from Nanjing University, and received a Doctorate degree in Management.

Wei Guoxiong, Chief Risk Officer

Mr. Wei has served as Chief Risk Officer of Industrial and Commercial Bank of China Limited since August 2006. He joined ICBC in 1987, and was appointed as General Manager of the Credit Management Department in 2001. He previously served in several positions at ICBC including Acting Head of Wenzhou Branch, Deputy Head of Zhejiang Branch and General Manager of the Industrial and Commercial Credit Department of the Head Office. He graduated from Tianjin University of Finance and Economics, and received a Master's degree in Economics.

Lin Xiaoxuan, Chief Information Officer

Mr. Lin has served as Chief Information Officer of Industrial and Commercial Bank of China Limited since November 2010. Mr. Lin joined ICBC in 1989, and has served as General Manager of Information and Technology Department of ICBC from 2001, and Chief Officer of Information and Technology, and concurrently General Manager of Information and Technology Department, of ICBC since July 2009. He also served as Chief of Technology Protection Section and Head of Software Development and Operation Centre of ICBC Fujian Branch, Deputy General Manager of Technology Protection Department of the Head Office and later General Manager of Information and Technology Department of ICBC, and for a certain period of time concurrently served as General Manager of Data Centre of ICBC. Currently, Mr. Lin is also the President of Financial Computer of China Magazine. He graduated from East China Normal University and received a Master's degree in Engineering. He is a research fellow.

Hu Hao, Board Secretary

Mr. Hu has served as Board Secretary of Industrial and Commercial Bank of China Limited since December 2010. Mr. Hu joined ICBC in 1984, serving successively as the Deputy General Manager of the Corporate and Commercial Loan Department, the Deputy General Manager of the Credit Management Department and the General Manager of the Institution Operations Department. He previously served as the President of Chinese Mercantile Bank, the Chairman of Industrial and Commercial Bank of China Luxembourg S.A. and Deputy Director-General of Construction and Administration Bureau of South-to-North Water Diversion Middle Route Project. Currently, Mr. Hu is also General Manager of Corporate Strategy and Investor Relations Department and International Banking Department of the Head Office of ICBC, and a Director of Industrial and Commercial Bank of China (Asia) Limited, Xiamen International Bank, Taiping General Insurance Company Limited and Taiping Life Insurance Company Limited. Mr. Hu graduated from Hunan University, and received a Doctorate degree in Economics from the Graduate School of the Chinese Academy of Social Sciences. He is a senior economist.

Mr. Huan Huiwu, Ms. Li Chunxiang and Mr. Wei Fusheng were nominated by the MOF to serve as Non-executive Directors of the Bank. Mr. Gao Jianhong, Mr. Li Jun and Mr. Li Xiwen were nominated by Huijin to serve as Non-executive Directors of the Bank. MOF and Huijin hold interests in shares of the Bank. Please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Interests and Short Positions Held by Substantial Shareholders and Other Persons" for further details.

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 Authorized 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 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 Authorized Representative of the Bank with effect from 28 October 2010 due to change of job assignment.

Annual Remuneration

Unit: RMB10,000

Name	Remuneration paid (before tax) (1)	Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances (2)	Part-time fee (3)	Total remuneration before tax (4)=(1)+(2)+(3)	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.

Basic Information on Employees and Institutions

As at the end of 2010, the Bank had 397,339 employees[1], representing an increase of 7,512 persons compared with the end of the previous year, of whom 335 were employees in major domestic subsidiaries and 4,379 were local employees in overseas institutions. Among the employees in domestic institutions, 46,973 were engaged in the corporate banking segment, 169,663 in personal banking segment[2], 1,819 in treasury operations segment, 73,230 in financial and accounting matters[2], and 101,275 in other specializations, in terms of academic achievements, 10,599 employees received master's degree or above, accounting for 2.7% of all employees; 154,515 employees received bachelor's degree, accounting for 39.3%; 152,185 employees received associate degree, accounting for 38.7% of all employees, and 75,661 employees had qualifications below associate degree, accounting for 19.3%.

The Bank had 16,227 domestic operation and 203 overseas institutions, totaling 16,430, representing an increase of 36 as compared with the end of the previous year.

GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES

	At 31 December 2010					
Item	Assets (in RMB millions)	Percentage (%)	Institutions	Percentage (%)	Employees	Percentage (%)
Head Office	6,416,616	33.8	35	0.2	11,880	3.0
Yangtze River Delta	2,647,319	13.9	2,452	14.9	50,894	12.8
Pearl River Delta	1,816,317	9.6	1,997	12.2	44,342	11.2
Bohai Rim	3,204,012	16.9	2,714	16.5	62,132	15.6
Central China	1,687,592	8.9	3,462	21.1	85,558	21.5
Western China	1,861,269	9.8	3,813	23.2	88,118	22.2
Northeastern China	767,301	4.0	1,750	10.7	49,701	12.5
Overseas and others	588,788	3.1	207	1.2	4,714	1.2
Total	**18,989,214**	**100.0**	**16,430**	**100.0**	**397,339**	**100.0**

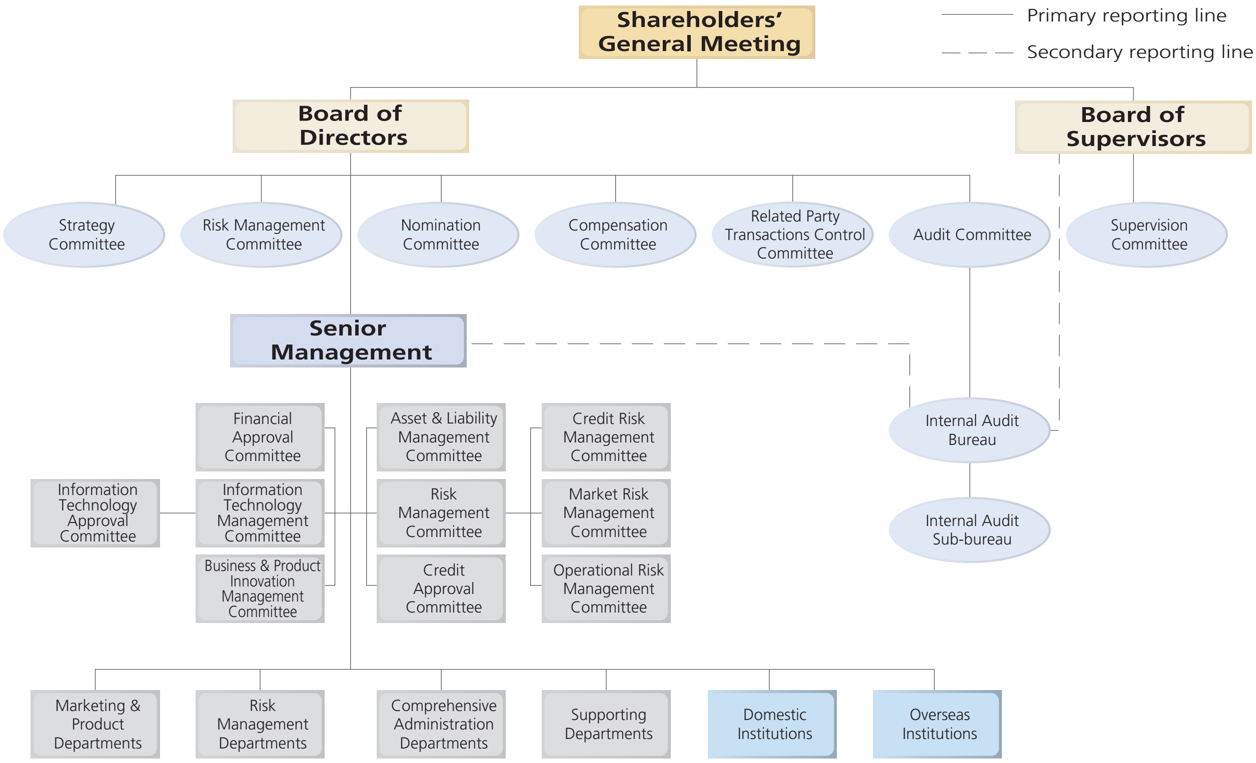
Notes: (1) Overseas and others include investments in associates and jointly controlled entities.

(2) Total excludes eliminated and undistributed assets.

1 Does not include labor dispatched for services totaling 37,479 persons.

2 Inclusive of bank tellers in branches and sub-branches.

Corporate Governance Framework



The Bank has made constant efforts to improve the corporate governance framework comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management, and to optimize responsibilities of the authority organ, decision-making organ, supervisory organ and executive organ. As a result, the operation mechanism featuring clearly-defined responsibilities and accountability, coordination and effective checks and balances has been in place.

Responsibilities of the Shareholders' General Meeting

As the authority organ of the Bank, the Shareholders' General Meeting involves all shareholders. The Shareholders' General Meeting is responsible for, among others, deciding on business policies and material investment plans of the Bank; considering and approving the proposals on the annual financial budget, final accounts, profit distribution plans and loss recovery plans; electing and replacing directors, shareholder supervisors and external supervisors; considering and approving the work report of the Board of Directors and the work report of the Board of Supervisors; adopting resolutions on merger, division, dissolution, liquidation, change of corporate form, increase or decrease of registered capital, issuance and listing of corporate bonds or other negotiable securities and repurchase of stocks; and amending the Articles of Association of the Bank.

Responsibilities of the Board of Directors

As the decision-making organ of the Bank, the Board of Directors of the Bank is accountable to, and shall report to, the Shareholders' General Meeting. The Board of Directors is responsible for, among others, convening the Shareholders' General Meeting; implementing resolutions of the Shareholders' General Meeting; deciding on business plans, investment plans and development strategies of the Bank; formulating annual financial budgets and final accounts of the Bank; formulating profit distribution plans and loss recovery plans; formulating proposals on the increase or decrease of registered capital of the Bank; formulating fundamental management rules on risk management and internal control, and supervising the implementation of these rules; appointing or removing the President, and based on the President's nomination, appointing or removing Senior Executive Vice Presidents and other Senior Management members (except the Board Secretary), and deciding on their remuneration, rewards and sanctions; deciding or authorizing the President to set up relevant internal institutions of the Bank; managing information disclosure of the Bank; and supervising and overseeing the Senior Management. The Board of Directors has established six special committees, namely the Strategy Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee, and the Related Party Transactions Control Committee.

Responsibilities of the Board of Supervisors

As the supervisory organ of the Bank, the Board of Supervisors is accountable to, and shall report to, the Shareholders' General Meeting. The Board of Supervisors is responsible for, among others, supervising the performance and due diligence of Directors and Senior Management members; supervising the performance of duties of the Board of Directors and the Senior Management; conducting audits on retiring or resigning Directors and Senior Management members when necessary; examining and supervising the Bank's financial activities; examining financial information such as financial report, business report and profit distribution plan to be submitted to the Shareholders' General Meeting by the Board of Directors; examining and supervising business decisions, risk management and internal control of the Bank, and providing guidance to the internal audit departments of the Bank; formulating performance assessment measures for supervisors, assessing the performance and conduct of supervisors, and reporting to the Shareholders' General Meeting for approval; presenting proposals to the Shareholders' General Meeting; proposing to convene extraordinary general meetings, and convening and presiding over such meetings in case the Board of Directors fails to perform its duty of convening shareholders' general meeting; proposing to convene interim meetings of the Board of Directors, etc. The Board of Supervisors has the Supervision Committee.

Responsibilities of the Senior Management

As the executive organ of the Bank, the Senior Management is accountable to the Board of Directors. The Senior Management is responsible for, among others, carrying out operational management of the Bank; organizing the implementation of business plan and investment plan approved by the Board of Directors; formulating detailed regulations and rules for operational management; formulating proposals on remuneration distribution and performance assessment for heads of internal departments and branches of the Bank; reporting operating results to the Board of Directors and the Board of Supervisors; preparing the annual financial budget, final accounts, profit distribution plans and loss recovery plans, and proposals on the increase or decrease of registered capital, issuance or listing of bonds, and making recommendations to the Board of Directors.

Overview of Corporate Governance

Sound corporate governance is the key to stable operation of the banking sector and even the entire financial system, and is also one of the most important determinants of a bank's development. During the reporting period, the Bank strictly complied with laws and regulations of the locality of its operations and relevant regulations of securities regulatory authorities of the locality where the shares of the Bank are listed, and adhered to treating the improvement of corporate governance as the foundation of strengthening core competitiveness, striving to become "a global leading bank with the best profitability, performance and prestige". The Bank adjusted and optimized the composition of the special committees of the Board of Directors, appointed new executive directors, re-elected independent non-executive director, and elected an employee supervisor. The Bank formulated the Rules on the Recommendation and Nomination of Candidates for Directors (Trial), and amended a number of fundamental regulations on corporate governance such as the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors and the Plan on Authorization of the Board of Directors to the President, and took constant efforts to improve the corporate governance mechanism featuring "clearly-defined duties and responsibilities, sound balances, checks and coordination, scientific and liberal decision-making, efficient and standardized operation, and timely and transparent information disclosure". The Bank also took greater initiatives in information disclosure, improved investor relations services, earnestly performed its social responsibilities, and established and developed sound corporate culture. In 2010, the Bank received 34 domestic and overseas corporate governance awards, including the "Award of Board of Directors of the Year 2010" granted by SSE, the "Overall Winner Award for Corporate Governance Excellence 2010" granted by The Chamber of Hong Kong Listed Companies, and the "Best Corporate Governance Disclosure Awards 2010: H-share Category Platinum Award" granted by the Hong Kong Institute of Certified Public Accountants.

Construction of the Organizational Framework of the Board of Directors

The Bank optimized the structure of the Board of Directors to enhance its independence. The Bank appointed new directors with high theoretical levels and extensive experience in operational management, strengthened effective communication between the Board of Directors and the Senior Management, and further improved expertise complementation of members of the Board of Directors to promote scientific decision-making of the Board of Directors.

The Bank optimized the composition of the special committees of the Board of Directors and effectively and actively brought their roles into practicable play. Based on major functions of each special committee of the Board of Directors, the Bank allocated those directors with suitable competencies to relevant committees, fully enabling the members to serve as experts and advisors and allowing the special committees to bridge the Board of Directors and the Senior Management.

The Bank innovated the system of special committee work groups by setting up secretariats and staffing the work groups with Board Secretary and heads and staff of relevant departments. These work groups provided support to the decision-making and research functions of the special committees, and further strengthened communication between the special committees of the Board of Directors and the Senior Management and relevant departments.

Construction of the Corporate Governance Mechanism

The Bank gave play to the strategic decision-making role of the Board of Directors, timely strengthened the capital base and actively advanced the internationalized and diversified operation. The Bank attached great importance to the formulation and dynamic adjustment of the strategic plan, and regularly listened to the reports on its implementation. In response to the changes in regulatory requirements on capital adequacy ratio and business development needs of the Bank, the Bank issued A share convertible bonds and completed rights issue of A shares and H shares. The Board of Directors and the Senior Management also leveraged opportunities in international financial market to accelerate the construction of the global network.

The Bank gave play to the supervisory function of the Board of Supervisors. By intensifying supervision over the Bank's financial activities, risk management and internal control, and supervision of the performance of the Board of Directors, the Senior Management and their members, the Board of Supervisors played an active part in strengthening operational management and achieving sustainable and sound development of the Bank.

The Bank strengthened enterprise risk management and continued to improve the construction of enterprise risk management system incorporating requirements of the Basel II, which led to increasingly enhanced capability of enterprise risk management. The Bank actively pushed forward the implementation of Basel II in that the construction of Internal Rating-based (IRB) system on credit risk was put forward, the construction of market risk management system was accelerated, the development of the Advanced Measurement Approach (AMA) on operational risk project was basically completed and risk quantification results already played an important role in risk management throughout the Bank.

The Bank continued to improve internal audit rules and system. The risk-oriented internal audit continuously focused on major risks in the Bank's operational management, the implementation of the New Capital Accord and the efficiency and effectiveness relating to the fulfillment of operating targets. The Bank had established a comprehensive informatized audit platform, upgraded off-site analysis and monitoring, continued to optimize the quality control and self-improvement mechanism, and further strengthened the innovative capability and audit results.

The Bank further intensified internal control. With a focus on advancing the construction of its internal control system, the Bank robustly pushed forward the internal control informatization and compliance to improve off-site work. The Bank also carried out various compliance inspections and audit projects, promoted the standardization of management of internal transactions, reinforced the establishment of anti-money laundering system, and strengthened the systematic management of internal control and compliance management as well as the development of internal control and compliance culture.

The Bank strengthened employee management and compensation management. The Bank actively built the group-based, market-oriented and diversified employee management system, and stepped up its efforts in improving the employment management rules and system and introducing international financial talents. The Bank continued to deepen the group-based cadre cultivation mechanism across regions, levels and specialties by highlighting the leadership training of management personnel and the cultivation of cadre reserve, and also set up the compensation and benefits and welfare system that is compatible with the risk management system.

The Bank endeavored to establish a compatible, efficient and individualized equity management platform to monitor shareholding changes of strategic and important investors on a timely basis, properly deal with the matters in relation to share transfers by institutional investors and dividend distribution, and continuously improve investor relations services.

The Bank formulated the administrative measures for insider information and insiders, strengthened related party transactions management, and constantly deepened and broadened proactive information disclosure by adhering to the principles of "authenticity, accuracy, completeness, timeliness and fairness" for information disclosure and by making references to the needs of investors.

The Bank actively fulfilled its social responsibilities. Aiming at achieving sustainable growth of corporate value, delivering optimal return to the shareholders and becoming a global leading bank with the best profitability, performance and prestige, the Bank actively fulfilled its social responsibilities, and managed to develop the corporate culture of "integrity, humanity, prudence, innovation and excellence". Through the development of the corporate culture, the cohesion and enthusiasm of employees have been further enhanced.

Development of Corporate Governance Regulations

During the reporting period, the Bank amended the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors and the Plan on Authorization of the Board of Directors to the President based on actual operational needs, and properly extended the authority of the Board of Directors and the Senior Management in several respects. The Bank also formulated or amended more than ten rules and regulations on risk management, such as the Enterprise Risk Management Framework and the Risk Reporting Rules to reinforce risk management and standardize risk reporting. The Bank formulated the Rules on the Recommendation and Nomination of Candidates for Directors (Trial) to further regularize and standardize the recommendation and nomination of candidates for directors, and amended the Working Regulations for the Strategy Committee of the Board of Directors. The timely development of the Administrative Measures for Insider Information and Insiders, leading to the establishment of the insider reporting mechanism, and carried out measures such as self-inspections on a regular basis to strictly prevent insider dealings.

There is neither material divergence between actual corporate governance of the Bank and applicable regulations and requirements of CSRC, nor any unresolved problem in respect of corporate governance.

The Shareholders' General Meeting, the Board of Directors and the Board of Supervisors operate independently and effectively in compliance with the Articles of Association of the Bank and respective rules of procedures. The Bank's prevailing regulations on corporate governance mainly include: the Articles of Association; the Rules of Procedures for the General Meeting of Shareholders; the Rules of Procedures for the Board of Directors; the Rules of Procedures for the Board of Supervisors; the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors; the Plan on Authorization of the Board of Directors to the President; the Rules on the Recommendation and Nomination of Candidates for Directors (Trial); the Working Regulations for the President; the Working Regulations for the Strategy Committee of the Board of Directors; the Working Regulations for the Audit Committee of the Board of Directors; the Working Regulations for the Risk Management Committee of the Board of Directors; the Working Regulations for the Nomination Committee of the Board of Directors; the Working Regulations for the Compensation Committee of the Board of Directors; the Working Regulations for the Related Party Transactions Control Committee of the Board of Directors; the Working Rules for the Independent Directors; the Working Rules for the Board Secretary, etc.

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.

Board of Directors and Special Committees

Composition of the Board of Directors

During the reporting period, the Bank further improved procedures for nominating and electing directors, and established the Board of Directors comprising members with diverse background. The Directors were independent on one hand, and complemented each other on the other hand with regard to their expertise and experience, which ensured scientific decision-making of the Board. As at the end of the reporting period, the Board of Directors of the Bank consisted of 16 directors, including four Executive Directors, six Non-executive Directors and six Independent Non-executive Directors. All Executive Directors have worked in the areas of banking and management for a long time and possess extensive professional expertise in those areas. Most Non-executive Directors specialize in economic management and have rich management experience. All Independent Non-executive Directors are prestigious experts in the areas of finance, accounting and taxation, and most of them once worked at international institutions and are familiar with corporate finance and management. The number of Independent Non-executive Directors of the Bank accounted for more than one-third of the total members of the Board of Directors, meeting relevant regulatory requirements.

Meetings of the Board of Directors

During the reporting period, the Board of Directors of the Bank held 12 meetings, considered 69 proposals and listened to 25 reports. The main proposals and reports are set out below:

- Proposal on the Fixed Assets Investment Budget for 2010
- Proposal on the Employment Plan for 2010
- Proposal on the Internal Audit Plan for 2010
- Proposal on the Changes in the Members of the Special Committees under the Board of Directors
- Proposal in respect of the Rules on the Recommendation and Nomination of Candidates for Directors of Industrial and Commercial Bank of China (Trial)

- Proposal on Convening the 2010 First Extraordinary General Meeting
- Proposal on the 2009 Annual Report and its Abstract
- Proposal on the 2009 Audited Accounts
- Proposal on the 2009 Profit Distribution Plan
- Proposal on the 2009 Corporate Social Responsibility Report of Industrial and Commercial Bank of China Limited
- Proposal on the 2009 Work Report of the Board of Directors of Industrial and Commercial Bank of China Limited
- Proposal on the 2009 Self Assessment on Internal Control Report by the Board of Directors of Industrial and Commercial Bank of China Limited
- Proposal on the Engagement of Auditors for 2010
- Proposal in respect of the Capital Management Plan of Industrial and Commercial Bank of China Limited for Years 2010 to 2012
- Proposal in respect of General Mandate to Issue H Shares and A Share Convertible Corporate Bonds by Industrial and Commercial Bank of China Limited
- Proposal in respect of Public Issuance and Listing of A Share Convertible Corporate Bonds by Industrial and Commercial Bank of China Limited
- Proposal in respect of the Feasibility Analysis Report of Industrial and Commercial Bank of China Limited on Use of Proceeds from the Public Issuance of A Share Convertible Corporate Bonds
- Proposal in respect of the Report of Industrial and Commercial Bank of China Limited on Utilization of Proceeds from Previous Issuances
- Proposal on the Capital Injection in Industrial and Commercial Bank of China (Macau) Limited
- Proposal on the Capital Injection in PT. Bank ICBC Indonesia
- Proposal in respect of the Administrative Measures of Industrial and Commercial Bank of China Limited for Insider Information and Insiders
- Proposal on Convening the 2009 Annual General Meeting
- Proposal on the Appointment of Mr. Zhang Hongli as Senior Executive Vice President of Industrial and Commercial Bank of China Limited
- Proposal on the First Quarterly Report of 2010
- Proposal on the Payment of Remuneration to Senior Management for 2009
- Proposal on the Payment of Remuneration to Directors and Supervisors for 2009
- Proposal on the Work Summary of Consolidated Statement Management of the Bank in 2009 and Work Plan for 2010
- Proposal in respect of the Administrative Measures for Liquidity Risk Management of Industrial and Commercial Bank of China Limited
- Proposal in respect of the Rules on Reporting of Significant Liquidity Risks of Industrial and Commercial Bank of China Limited
- Proposal in respect of the 2010 Liquidity Risk Management Strategy and Contingency Plan of Industrial and Commercial Bank of China Limited
- Proposal in respect of the Amendments to the Working Regulations for the Strategy Committee of the Board of Directors of Industrial and Commercial Bank of China Limited
- Proposal on the Nomination of Mr. Xu Shanda as Candidate for the Post of Independent Non-executive Director and for Mr. Xu to Continue to Hold Relevant Positions in Various Special Committees of the Board
- Proposal on the Privatization of Industrial and Commercial Bank of China (Asia) Limited
- Proposed Rights Issue of A Shares and H Shares by Industrial and Commercial Bank of China Limited
- Proposal in respect of the Arrangements for the Accumulated Undistributed Profits of the Bank prior to the Completion of the Rights Issue of A Shares and H Shares
- Proposal in respect of the Feasibility Analysis Report of Industrial and Commercial Bank of China Limited on Use of Proceeds from the Rights Issue of A Shares and H Shares
- Proposal in respect of the Report of Industrial and Commercial Bank of China Limited on Utilization of Proceeds from Previous Issuances
- Proposal on Convening the Second Extraordinary General Meeting of 2010, the First A Shareholders Class Meeting of 2010 and the First H Shareholders Class Meeting of 2010
- Proposal on the 2010 Interim Report and its Abstract
- Proposal on Renewal of the Liability Insurance for Directors, Supervisors and Senior Management

- Proposal on the Nomination of Mr. Li Xiaopeng as Candidate for the Post of Executive Director and the Appointment of Mr. Li Xiaopeng as a Member of the Related Party Transactions Control Committee of the Board
- Proposal in respect of the Senior Management Performance Evaluation Plan for 2010
- Proposal in respect of the Report of Industrial and Commercial Bank of China Limited on Utilization of Proceeds from Previous Issuance (A Share Convertible Corporate Bonds)
- Proposal on the Postponement of the Second Extraordinary General Meeting of 2010, the First A Shareholders Class Meeting of 2010 and the First H Shareholders Class Meeting of 2010
- Proposal on the Adjustment to the Approval and Authorization Limit of the President concerning External Donations
- Proposal on the Third Quarterly Report of 2010
- Proposal on Authorizing the President to Approve Matters Relating to the Implementation of the New Capital Accord
- Proposal in respect of the Administrative Measures for Country Risk Management of Industrial and Commercial Bank of China
- Proposal on the Investment in AXA-Minmetals Assurance Co., Ltd.
- Proposal on the Appointment of Mr. Hu Hao as Board Secretary of Industrial and Commercial Bank of China Limited
- Proposal on the Appointment of Mr. Lin Xiaoxuan as Chief Information Officer of Industrial and Commercial Bank of China Limited
- Proposal on the Land Acquisition Expenses for the Construction of Shanghai Intra-city Data Center and Project Initiation
- Proposal in respect of the Amendments to the Enterprise Risk Management Framework of Industrial and Commercial Bank of China
- Proposal in respect of the Amendments to the Risk Reporting Rules of Industrial and Commercial Bank of China
- Proposal in respect of the Administrative Measures for Risk and Capital Adequacy Assessment of Industrial and Commercial Bank of China
- Proposal in respect of the Management Rules on Risk Concentration of the Group of Industrial and Commercial Bank of China
- Proposal in respect of the Management Rules on Risk Appetite of Industrial and Commercial Bank of China (Trial) and the Schedule of Risk Appetite of Industrial and Commercial Bank of China
- Proposal in respect of the Amendments to the Plan on Authorization of the Board of Directors to the President (Trial) of Industrial and Commercial Bank of China Limited
- Report on the Internal Audit Work Report for 2009
- Report on the Identification of Related Parties of ICBC
- Report on the Implementation of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors (Trial) in 2009
- Report on the Implementation of the Plan on Authorization of the Board of Directors to the President (Trial) in 2009
- Report on the Risk Management Report for 2009
- Report in respect of Analysis on the Guidelines on Supervision and Inspection of Capital Adequacy Ratio of Commercial Banks Promulgated by CBRC and Relevant Work
- Report on the Implementation of the 2009–2011 Strategic Development Plan of Industrial and Commercial Bank of China in 2009
- Report on the Work on Personal Customer Services of the Bank
- Report on the Management of Information Technology Risk in 2009
- Report on Corporate Cultural Development of the Bank
- Report in respect of the 2010 Interim Risk Management Report of the Bank
- Report in respect of the 2010 Interim Internal Audit Work Report
- Report on Accelerating the Development of Small Enterprise Credit Services of the Bank
- Report in respect of the Board Meeting Plan for 2011
- Report in respect of the Bank's Implementation of the Basic Standard for Enterprise Internal Control and its Supporting Guidelines Promulgated by the Five Ministries and Commissions

The attendance of each of the directors in meetings of the Board of Directors and special committees of the Board of Directors during the reporting period is set out below.

Actual attendances/Number of meetings requiring attendance

Directors	Board of Directors	Special committees of the Board of Directors					
		Strategy Committee	Audit Committee	Risk Management Committee	Nomination Committee	Compensation Committee	Related Party Transactions Control Committee
Executive Directors							
Jiang Jianqing	12/12	7/7					
Yang Kaisheng	12/12	7/7			5/5	3/3	
Wang Lili	9/9			4/4			
Li Xiaopeng	3/3						3/3
Non-executive Directors							
Huan Huiwu	12/12	7/7				3/3	
Gao Jianhong	12/12	7/7				3/3	
Li Chunxiang	12/12			5/5	5/5		
Li Jun	12/12		6/6	5/5			
Li Xiwen	12/12			5/5	5/5		
Wei Fusheng	12/12	7/7	6/6	5/5			
Independent Non-executive Directors							
Leung Kam Chung, Antony	12/12	7/7	6/6	5/5	5/5	3/3	5/5
Qian Yingyi	12/12	7/7	6/6	5/5	5/5	3/3	
Xu Shanda	12/12	7/7	6/6		5/5	3/3	5/5
Wong Kwong Shing, Frank	12/12		6/6	5/5	5/5	3/3	5/5
Malcolm Christopher McCarthy	12/12	7/7		5/5	5/5		
Kenneth Patrick Chung	12/12		6/6			3/3	5/5
Resigned Director							
Zhang Furong	5/5						2/2

Note: For the change of directors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".

Implementation of Resolutions of the Shareholders' General Meeting by the Board of Directors

The Board of Directors earnestly and fully implemented resolutions considered and passed at the Shareholders' General Meeting during the reporting period.

For details of the proposals and reports considered at the Shareholders' General Meeting, please refer to the section headed "Summary of the Shareholders' General Meeting".

Implementation of Matters Authorized by the Shareholders' General Meeting

The Board of Directors of the Bank was in strict compliance with the Articles of Association of the Bank and the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors, earnestly performed its duties, made decisions in a scientific and prudent manner, and exercised powers pursuant to the defined scope of authority. During the reporting period, no matter was beyond the scope of the approval authority of the Board.

Responsibilities of Directors in respect of Financial Statements

The Directors of the Bank acknowledged that they are responsible for the preparation of the financial statements of the Bank. The Bank had published its annual results within three months after the end of the reporting period.

Independence and Performance of Duties of Independent Non-executive Directors

The qualifications, number and proportion of the Bank's Independent Non-executive Directors fully comply with regulatory requirements. The Bank's Independent Non-executive Directors do not have any business or financial interests in the Bank or its subsidiaries, and they have not assumed any managerial post in the Bank. The Bank has received the annual confirmation on independence from all Independent Non-executive Directors and considered that they were independent.

During the reporting period, the Bank's Independent Non-executive Directors earnestly attended the meetings of the Board of Directors and special committees, with an attendance rate of 100%. The chairmen of five of the six special committees of the Board of Directors of the Bank (namely the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee) are Independent Non-executive Directors (Independent Director Sir Malcolm Christopher McCarthy served as Vice Chairman of the Strategy Committee), and Independent Non-executive Directors took a majority in four committees (namely the Audit Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee). The Independent Non-executive Directors of the Bank managed to thoroughly understand, among others, the financial market and business, risk management, internal control, related party transactions and employees' compensation system by means of on-site investigation and informal discussion, and exchanged opinions with the management. At the meetings of the Board of Directors, the Independent Non-executive Directors of the Bank gave their opinions actively, and provided valuable recommendations on areas such as business development and significant decision-making of the Bank. They also issued independent opinions concerning matters such as the issuance of A share convertible bonds, mergers and acquisitions, A+H share refinancing and implementation of the New Capital Accord during the reporting period, which reflected the fulfillment of their obligations to remain honest and diligent, and promoted the scientific and effective decision-making of the Board. During the reporting period, the Bank's Independent Non-executive Directors raised no objection as to the matters resolved by the Board of Directors or special committees.

Special Committees of the Board of Directors

During the reporting period, the Board of Directors of the Bank adjusted the composition of its special committees as follows: Sir Malcolm Christopher McCarthy took the posts of vice chairman and member of the Strategy Committee, member of the Nomination Committee and member of the Risk Management Committee; Mr. Kenneth Patrick Chung took the posts of member of the Audit Committee, member of the Compensation Committee and member of the Related Party Transactions Control Committee; Ms. Wang Lili took the post of member of the Risk Management Committee; Mr. Li Xiaopeng took the post of member of the Related Party Transactions Control Committee; and Mr. Zhang Furong resigned from the post of member of the Related Party Transactions Control Committee due to change of job assignment.

The performance of duties by the Strategy Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee are set out below:

- *Strategy Committee*

The Strategy Committee is mainly responsible for considering the Bank's strategic development plan, business and institutional development plan, major investment and financing plan and other major matters critical to the Bank's development, and making recommendations to the Board. As at the end of the reporting period, the Strategy Committee of the Board of Directors of the Bank consisted of nine directors, including Mr. Jiang Jianqing, Mr. Yang Kaisheng, Sir Malcolm Christopher McCarthy, Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi, Mr. Xu Shanda, Mr. Huan Huiwu, Mr. Gao Jianhong and Mr. Wei Fusheng. Chairman of the Board of Directors Mr. Jiang Jianqing and Independent Non-executive Director Sir Malcolm Christopher McCarthy assume chairman and vice chairman of the committee, respectively.

During the reporting period, the Strategy Committee of the Board of Directors held seven meetings, considered and approved 13 proposals in respect of the capital management plan for years 2010 to 2012, the public issuance and listing of A share convertible bonds, fixed assets investment budget, acquisition of shares in The Bank of East Asia (U.S.A.) National Association, etc, and heard five reports concerning the progress of certain merger and acquisition projects, the 2009–2011 strategic development plan, the implementation of various plans in 2009, etc. The Strategy Committee provided support to the scientific decision-making of the Board of Directors in the formulation and implementation of the three-year strategic development plan and the steady progression of diversified and internationalized operation.

- *Audit Committee*

The Audit Committee is mainly responsible for supervising, inspecting and evaluating internal control, financial information and internal audit of the Bank. As at the end of the reporting period, the Audit Committee of the Board of Directors of the Bank consisted of seven directors, including Mr. Xu Shanda, Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi, Mr. Wong Kwong Shing, Frank, Mr. Kenneth Patrick Chung, Mr. Li Jun and Mr. Wei Fusheng. Independent Non-executive Director Mr. Xu Shanda assumes chairman of the committee.

Summary Report on the Performance of Duties by the Audit Committee

During the reporting period, the Audit Committee of the Board of Directors held six meetings, considered and approved seven proposals including the 2009 Annual Report, the 2009 Self Assessment on Internal Control Report, the implementation of the Basic Standard for Enterprise Internal Control and its supporting guidelines, and the engagement of auditors, and heard nine reports including the regular work report of the Internal Audit Bureau. The Audit Committee reviewed financial statements of the Bank on a regular basis, and had reviewed and approved the annual report, interim report and quarterly reports of the Bank; attached importance to the supervision of external auditors and heard several reports of external auditors concerning annual audit results, management proposal and audit plan.

During the preparation and audit of the 2010 financial statements, the Audit Committee set out related matters such as audit schedule and arrangement through negotiation with external auditors, conducted supervisions at appropriate time by means of listening to reports and holding informal discussion, and reviewed the unaudited and preliminarily audited annual financial statements respectively. The Audit Committee held a meeting on 28 March 2011, and considered that the annual financial statements truly and completely reflected the financial status of the Bank. The Audit Committee also reviewed the summary of audit work performed by external auditors during the year, made an overall and objective assessment on the performance and quality of practice of the external auditors, agreed to re-engage Ernst & Young Hua Ming and Ernst & Young to serve as the domestic and international auditors of the Bank respectively in 2011, and decided to present this proposal to the Board of Directors for consideration.

- *Risk Management Committee*

The Risk Management Committee is primarily responsible for approving the strategy, policy and procedures of risk management and internal control process, and supervising and evaluating the performance of Senior Management members and risk management department in respect of risk management. As at the end of the reporting period, the Risk Management Committee of the Board of Directors of the Bank consisted of nine directors, including Mr. Leung Kam Chung, Antony, Ms. Wang Lili, Mr. Qian Yingyi, Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy, Ms. Li Chunxiang, Mr. Li Jun, Mr. Li Xiwen and Mr. Wei Fusheng. Independent Non-executive Director Mr. Leung Kam Chung, Antony assumes chairman of the committee.

During the reporting period, the Risk Management Committee of the Board of Directors held five meetings, discussed, considered and approved the Bank's risk management plan, and heard the 2009 annual and 2010 interim risk management reports. By establishing risk management objectives and considering significant risk management regulations, the Risk Management Committee of the Board of Directors supervised and guided the operation of the risk management system, explored risk management tactics in response to the latest development of the market, thereby promoting efficient operation of the risk management system.

◆ *Nomination Committee*

The Nomination Committee is mainly responsible for making recommendations to the Board of Directors on candidates for directors and Senior Management members, nominating candidates for chairmen and members of special committees of the Board of Directors, and formulating the standards and procedures for selection and appointment of directors and Senior Management members as well as the training and development plans for Senior Management members and key reserve talents. As at the end of the reporting period, the Nomination Committee of the Board of Directors of the Bank consisted of eight directors, including Mr. Yang Kaisheng, Mr. Qian Yingyi, Mr. Leung Kam Chung, Antony, Mr. Xu Shanda, Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy, Ms. Li Chunxiang and Mr. Li Xiwen. Independent Non-executive Director Mr. Qian Yingyi assumes chairman of the committee.

The Nomination Committee nominates candidates for directors based on whether the candidate is eligible for directorship, complies with applicable laws, administrative rules, regulations and the Articles of Association of the Bank, performs the obligation of diligence, has a thorough understanding of business operations management of the Bank, and accepts the supervision of the Board of Supervisors on his/her performance of duties. The meeting of the Nomination Committee is held only when over one half of all members are present, and a resolution is adopted only when over one half of all members vote for it.

Summary Report on the Performance of Duties by the Nomination Committee

During the reporting period, the Nomination Committee of the Board of Directors held five meetings, considered and approved seven proposals in respect of the adjustment to the composition of the special committees of the Board of Directors, the proposal on the nomination of Mr. Xu Shanda as candidate for the post of Independent Non-executive Director, the proposal on the nomination of Mr. Li Xiaopeng as candidate for the post of Executive Director and as a member of the Related Party Transactions Control Committee of the Board, etc. The committee put forth important suggestions on ensuring sound operation of various special committees of the Board of Directors and fully exerting their support to the decision-making of the Board of the Board of Directors.

◆ *Compensation Committee*

The Compensation Committee is mainly responsible for formulating performance assessment measures for directors, organizing performance assessment of Directors, putting forth proposal on remuneration distribution for Directors, putting forth proposal on remuneration distribution for Supervisors based on the performance assessment on Supervisors carried out by the Board of Supervisors, formulating and reviewing the assessment measures and compensation plans for Senior Management members of the Bank and evaluating the performance and behaviors of Senior Management members. As at the end of the reporting period, the Compensation Committee of the Board of Directors of the Bank consisted of eight directors, including Mr. Yang Kaisheng, Mr. Qian Yingyi, Mr. Leung Kam Chung, Antony, Mr. Xu Shanda, Mr. Wong Kwong Shing, Frank, Mr. Kenneth Patrick Chung, Mr. Huan Huiwu and Mr. Gao Jianhong. Independent Non-executive Director Mr. Qian Yingyi assumes chairman of the committee.

Summary Report on the Performance of Duties by the Compensation Committee

During the reporting period, the Compensation Committee of the Board of Directors held three meetings. In accordance with applicable regulations of the government as well as the strategic development plan and annual business plan of the Bank, the committee considered and approved five proposals in respect of the payment of remuneration to Directors, Supervisors and Senior Management members for 2009, performance evaluation for 2010, etc. The Compensation Committee of the Board of Directors put forth a proposal on the remuneration to the Senior Management members based on the performance evaluation for 2010, and presented such proposal to the Board of Directors for consideration and approval. The Bank deferred the payment of part of the performance-based remuneration to Chairman of the Board of Directors, Chairman of the Board of Supervisors and other Senior Management members. The deferred amount was accrued in the Bank's account, and will be paid in three years having regard to the operating performance and status, and the proportion payable each year will be one-third of the amount.

◆ *Related Party Transactions Control Committee*

The Related Party Transactions Control Committee is mainly responsible for identifying the Bank's related parties, reviewing major related party transactions, and receiving related party transaction statistics and reporting information of general related party transactions. As at the end of the reporting period, the Related Party Transactions Control Committee of the Board of Directors of the Bank consisted of five directors, including Mr. Wong Kwong Shing, Frank, Mr. Li Xiaopeng, Mr. Leung Kam Chung, Antony, Mr. Xu Shanda and Mr. Kenneth Patrick Chung. Independent Non-executive Director Mr. Wong Kwong Shing, Frank assumes chairman of the committee.

During the reporting period, the Related Party Transactions Control Committee held five meetings, considered related party transactions, identified the list of related parties of the Bank, heard the reports on related party transactions management, received related party transaction statistics and reporting information on a regular basis, and promoted the development of related party transaction management system.

◆ *Work Groups of Special Committees of the Board of Directors*

The Bank established the system of special committee work groups in accordance with the working regulations for special committees of the Board of Directors, in view of facilitating special committees to effectively support the Board of Directors. The Office of the Board of Directors led relevant departments of the Bank, and set up six special committee work groups, which serve as the decision-making support center, research assistant and communication bridge of each of the special committees and provide supports and services such as information collection, research support and daily liaison to each of the special committees.

The work groups of special committees of the Board of Directors are mainly responsible for, among others, assisting on the formulation of annual work plans of the Board of Directors and special committees; preparing for regular meetings of special committees of the Board of Directors; assisting special committee members to draft their research plans and carry out related researches; assisting the special committees to communicate with Senior Management and relevant departments of the Bank; and providing assistance in daily operation of special committees.

During the reporting period, the work groups of the special committees provided various services and supports to the performance of duties by special committees. For instance, the work groups researched and discussed more than ten activities to support and complement the work of the special committees, arranged seven special reports and seminars, and assisted directors to carry out forward-looking researches.

Board of Supervisors and Special Committee

Composition of the Board of Supervisors

As at the end of the reporting period, the Board of Supervisors of the Bank consisted of six members, including two Shareholder Supervisors, namely Mr. Zhao Lin and Ms. Wang Chixi, two External Supervisors, namely Ms. Dong Juan and Mr. Meng Yan, and two Employee Supervisors, namely Mr. Zhang Wei and Mr. Zhu Lifei.

Operation of the Board of Supervisors

The Board of Supervisors discusses official matters at the meeting of the Board of Supervisors, which includes regular meeting and special meeting. Regular meetings shall be held at least four times a year and such meetings shall, in principle, be held before the disclosure of periodical reports.

As the day-to-day administrative organ of the Board of Supervisors, the Supervisory Board Office, as entrusted by the Board of Supervisors, is responsible for supervising and scrutinizing matters such as corporate governance, financial activities, risk management, internal control of the Bank, and organizing meetings of the Board of Supervisors and its special committee, preparing meeting documents, and taking minutes of the meetings.

Supervision Committee

As the special committee of the Board of Supervisors established pursuant to the Articles of Association of the Bank, the Supervision Committee operates in accordance with the authorization of the Board of Supervisors and is accountable to the Board of Supervisors. The Supervision Committee is mainly responsible for formulating plans for the inspection and supervision of financial activities of the Bank; formulating plans for the audits on retiring or resigning Directors, President and other Senior Management members; formulating plans for the audits on business policies, risk management and internal control of the Bank when necessary; providing comments after review of the financial report of the Bank and reporting to the Board of Supervisors; reviewing the investigation report on significant events in the annual operation and financial status of the Bank submitted by the Supervisory Board Office, and reporting to the Board of Supervisors; giving opinions on the performance assessment of directors and Senior Management members, and reporting to the Board of Supervisors; giving opinions on the assessment of the development and implementation of risk management and internal control system, and reporting to the Board of Supervisors; and other functions and duties as may be authorized by the Board of Supervisors. The Supervision Committee consists of four Supervisors, including Ms. Dong Juan, Ms. Wang Chixi, Mr. Meng Yan and Mr. Zhang Wei. Ms. Dong Juan serves as the head member of the Supervision Committee. Daily operations of the Supervision Committee are conducted by the Supervisory Board Office.

For information of meetings of the Board of Supervisors and the Supervision Committee, please refer to the section headed "Report of the Board of Supervisors — Meetings of the Board of Supervisors and its Special Committee".

Internal Control

The Board of Directors is responsible for formulating the basic regulations for internal control and supervising the implementation of such regulations. The Audit Committee, the Risk Management Committee and the Related Party Transactions Control Committee of the Board of Directors perform the responsibilities of internal control management and review the effectiveness of internal control. The Bank has set up the Internal Audit Bureau and the Internal Audit Sub-bureau, which adopt a hierarchical management system and are responsible to and report to the Board of Directors. The Head Office and branches have internal control and compliance departments which are responsible for the bank-wide organization, promotion and coordination of internal control, operational risk management, compliance management and regular audits.

During the reporting period, the Board of Directors of the Bank continued to improve the development of the internal control system featuring "regulation-based behavior, proper authorization, effective monitoring, inspection and control" in accordance with the Basic Standard for Enterprise Internal Control and its supporting guidelines promulgated by five ministries including the MOF, the Guidelines for Internal Control of Listed Companies promulgated by SSE, as well as the Guidelines for Internal Control of Commercial Banks promulgated by CBRC.

The internal control environment has been continuously optimized. The Bank implemented the Development Plan of the Internal Control System for 2009–2011, revised the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors and the Plan on Authorization of the Board of Directors to the President, and formulated the Internal Audit Charter to continue to strengthen its corporate governance and internal control systems. The Bank also proactively promoted reform on its profit center and its management system in banking departments of provincial branches and major county sub-branches to inspire vitality in its bank-wide operations. Moreover, the Bank further improved its employment management system, strengthened all-round team building efforts in its staff, and optimized the cadre selection mechanism, striving to build a group-based, market-oriented and diversified human resource management system. The Bank printed and distributed the Regulations on Prohibited Activities of Employees, which set out various prohibited operational management activities of managers and operating staff at different levels, and together with the Code of Conduct and the Provisional Rules on Punishments for Improper Activities of Employees constituted an integrated regulation system featuring "regularizing the positive, prohibiting the negative, and punishing incompliance". The Bank also printed and distributed the Corporate Culture Manual to foster the core values of "Integrity Leads to Prosperity".

The enterprise risk management system has been continuously enhanced. The Bank revised a series of important regulations including the Enterprise Risk Management Framework, the Rules on Risk Limits Management and the Risk Reporting Rules, vigorously advanced the application of credit risk internal rating results such as the Risk-Adjusted Return on Capital (RAROC), and further implemented the development of market risk internal models and operational risk measurement methods. Besides, the Bank continued to develop the internal capital adequacy assessment process (ICAAP) project, made every effort to satisfy the standards of the New Capital Accord, and carried out the management of reputational risk, concentration and country risk at the Group level. These efforts have led to further enhancement of the Bank's risk management capabilities.

Control measures on various business operations have been intensified. The Bank strengthened its financial budget management, improved its performance value management, pushed forward the construction of its performance assessment platform, and improved its operation appraisal communication mechanism. The Bank further optimized its accounting management system, and constantly improved the quality of financial reporting. The Bank implemented reforms on its supervisory system, remote authorization and centralized business processing to scientifically manage business operational risk and enhance operation efficiency. The Bank also established a dedicated product control team, realized the separation of front office, middle office and back office of its treasury operation, strictly implemented authorization control, and enhanced its collective approval system to improve the Bank's decision-making and risk prevention capabilities. Besides, the Bank set up its anti-money laundering monitoring system and customer risk classification system, strengthened anti-money laundering compliance management of overseas institutions, and enhanced the overall effectiveness of anti-money laundering activities. The Bank issued the Measures on the Management of Related Parties to reinforce identification and management on related parties. The Bank also improved its material risk warning mechanism and emergency response mechanism by formulating the Operating Instructions on Emergency Drills, which set out the response procedure to emergencies. As a result, the internal control level throughout the Bank has been constantly strengthened.

The information communication channel has been further enhanced. The Bank rolled out its global information platform, realizing real-time collection and centralized sharing of internal and external information. The Bank advanced its bank-wide reform on centralized reporting, significantly enhanced the level of automation for its reporting functions, continued to upgrade the fourth generation application system (NOVA+), and launched the business processing system (FOVA) in overseas institutions, providing strong information technology support for the development of the Bank. The Bank also carried out activities entitled the "Year of Internal Control and Case Prevention System Implementation" to strengthen the awareness and implementation of case prevention system, further improved the policies concerning complaints and protection of the informants' identities, and intensified the anti-fraud mechanism.

The supervision and inspection mechanism has been continuously strengthened. The Bank conducted a series of risk-oriented inspections and audits on internal control of key businesses, major systems and material risks. In accordance with the Basic Standard for Enterprise Internal Control and its supporting guidelines, the Guidelines for Internal Control of Listed Companies promulgated by SSE and the Guidelines for Internal Control of Commercial Banks promulgated by CBRC, the Bank carried out the 2010 internal control assessment project, and conducted a comprehensive evaluation on the establishment and implementation of internal control at the company, procedure and IT levels. The assessment covered all the key control areas including the internal control of financial report and non-financial report, and the annual Internal Control Assessment Report was prepared on this basis.

Declaration of the Board of Directors on Internal Control Responsibility

To establish, improve and effectively implement internal control and to evaluate the effectiveness of the internal control are the responsibilities of the Board of Directors of the Bank.

The target for the internal control of the Bank is to reasonably assure its operation and management are in compliance with relevant laws, its assets safety, as well as the timeliness, authenticity and completeness of its business record, financial information and other management information, to enhance operation efficiency and results, and to facilitate the Bank to achieve its development strategy and operating target. Due to inherent limitation of internal control, only reasonable assurance can be provided for the above target.

The Board of Directors of the Bank conducted self-assessment upon the effectiveness of the bank-wide internal control during the reporting period, and believed that during the reporting period, internal control system of the Bank was sound and effectively implemented.

Work Plan and Implementation Program for Establishing and Improving the Internal Control System

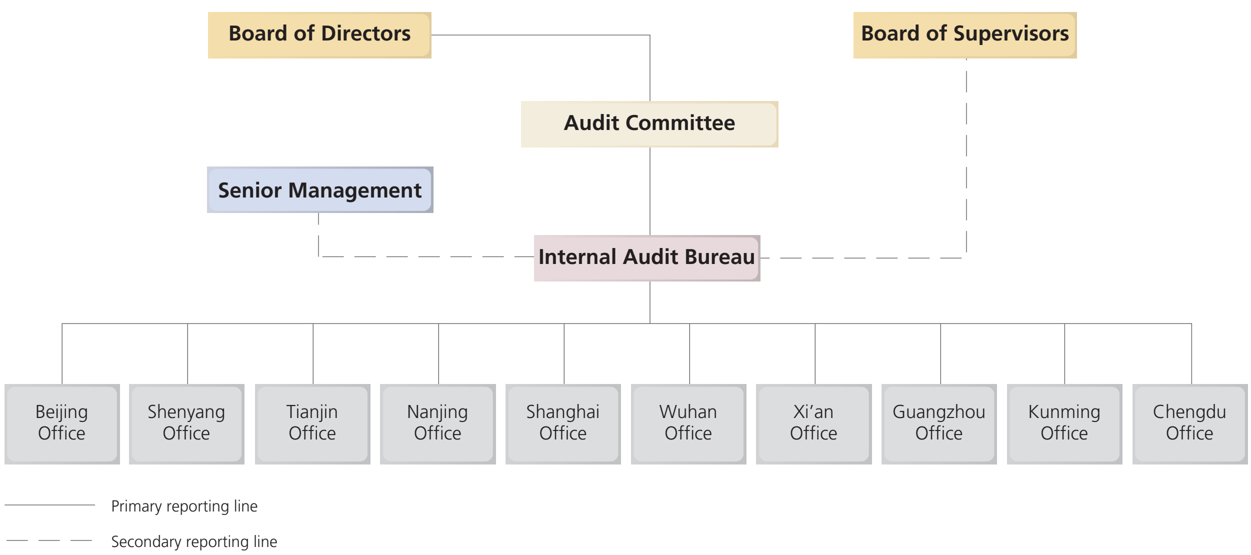
To ensure successful implementation of the Basic Standard for Enterprise Internal Control and its supporting guidelines in 2011, the Bank has been taking the following measures to further improve its internal control system:

- organize extensive publicity campaign bank-wide to study and carry out the Basic Standard and its supporting guidelines;
- further streamline its existing business system based on the Basic Standard and its supporting guidelines to define relevant risk points, control points, control targets and control measures in the business process and constantly improve the development of its internal control system;
- adapt to the requirements of internationalization, comprehensive development strategy and operation transformation to enhance the Bank's risk management and internal control system on a global and group level;
- deepen the process and system construction of various businesses, optimize relevant system functions and enhance the internal control efficiency while effectively controlling risk;
- further improve the standards and methodologies of internal control assessment and continue to promote the implementation of the Basic Standard and its supporting guidelines throughout the Bank; and
- engage external auditors to conduct internal control audit in respect of the financial reporting.

Internal Audit

During the reporting period, the Bank formulated the Internal Audit Charter, improved its internal audit regulation system, enriched its audit management and practice standard, optimized its system management mechanism and implemented quality improvement measures. Moreover, the Bank accelerated the innovation on audit approach techniques. Along with the extensive application of audit techniques centering on off-site audit techniques, the Bank realized IT-based processing and control in all audit activities, and had audit analysis and monitoring covering all its domestic and overseas businesses. The Bank strengthened the building of a professional audit team, and improved the overall efficiency of audit resources allocation, which led to enhanced internal audit performance and a continuously optimized internal audit system.

The chart below illustrates the internal audit management and reporting framework of the Bank:



During the reporting period, the Bank implemented internal audit activities under the risk-oriented principle, mainly centering on the group development strategy, changes in environment and external regulatory requirements. Focusing on the major risks and the efficiency and results of strategy implementation, the Bank conducted special audits and investigations concerning credit business, financial management, financial market business, credit card business, IT operation and management, overseas institutions, group merger & acquisition, related party transactions, operation reform and resignation of Senior Management members of domestic and international institutions. The Bank evaluated the effectiveness of bank-wide risk management, internal control and corporate governance in aspects of governance, strategy, mechanism, process and operational efficiency, completed the annual audit plan, expanded the audit scope and depth, and enhanced the audit quality and efficiency, which has led to the steady operation and sound development of the entire bank.

Chairman and President

Pursuant to code provision A.2.1 of the Code on Corporate Governance Practices (Appendix 14 to the Hong Kong Listing Rules) and the Articles of Association of the Bank, the roles of Chairman and President should be separated, and the Chairman shall not concurrently hold the position of legal representative or chief responsible officer of the controlling shareholder.

Mr. Jiang Jianqing is the Chairman and legal representative of the Bank, who is responsible for leading the Board of Directors in considering and formulating business development strategies, risk management, internal control and other significant matters of the Bank.

Mr. Yang Kaisheng is the President of the Bank, who is responsible for the daily management of the business operations of the Bank. The President is appointed by and accountable to the Board of Directors, and performs his responsibilities as stipulated in the Articles of Association of the Bank and as authorized by the Board of Directors.

Powers and Functions of the Senior Management

The powers of the Board of Directors and the Senior Management are segregated in strict compliance with the Articles of Association and other corporate governance documents of the Bank.

During the reporting period, the Bank made an inspection on the implementation of the plan on authorization of the Board of Directors to the President, and no matter was beyond the approval authority of the President.

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.

Term of Directors

The Bank has strictly complied with the provisions of the Hong Kong Listing Rules and the Articles of Association of the Bank that Directors are elected by the Shareholders' General Meeting with a term of three years, and the appointment shall take effect from the date of approval by CBRC. Directors may be re-appointed through re-election at the Shareholders' General Meeting after expiry of their term.

Engagement of Auditors

The Annual General Meeting for the Year 2009 adopted the Proposal on the Engagement of Auditors for 2010, and approved the re-appointment of Ernst & Young Hua Ming as domestic auditors and Ernst & Young as international auditors of the Bank for 2010, and approved the related audit fees. The Bank has engaged the above two accounting firms to provide audit services for five consecutive years since its IPO, and there was no change in auditors during the past five years.

During the reporting period, the Group paid Ernst & Young and its member institutions a total fee of RMB178 million for the audit of financial statements (including the audit of financial statements of subsidiaries and overseas branches), of which, RMB160 million was paid by the Bank.

During the reporting period, Ernst & Young and its member institutions provided the Group with non-audit services such as professional services for the Bank's re-financing projects including issuance of A share convertible bonds and rights issue of A+H shares and services for applying for the establishment of overseas institutions as well as tax advisory services, and received RMB32 million for such professional non-audit services.

Insider Information Management

In 2010, in accordance with the Administrative Measures for Insider Information and Insiders, the Bank strengthened insider information management, and strictly implemented the registration and reporting system in respect of insiders. After self examination, none of the insider of the Bank was involved in dealings in shares of the Bank which has taken advantage of insider information before the disclosure of material price sensitive information of the Bank in 2010.

Shareholders' Rights

The Bank has strictly complied with rules and regulations of relevant regulatory authorities and fundamental regulations of corporate governance, and has taken various measures such as enhancing corporate transparency by improving information disclosure, strengthening investor relations management and continuously standardizing and optimizing the operations mechanism of Shareholders' General Meeting, with a view to ensuring that all shareholders, especially minority investors, are being treated equally and could fully exercise their rights of information, participation in decision-making, recommendation and inquiry.

The Bank enhanced the transparency to ensure shareholders' right of information and recommendation. Adhering to the principles of "authenticity, accuracy, completeness, timeliness and fairness", the Bank has strictly complied with regulatory requirements on information disclosure in Hong Kong and Shanghai where the shares of the Bank are listed, strengthened the management of information disclosure, performed the obligation of information disclosure honestly and diligently, and strived to ensure information disclosure was in compliance with laws and regulations. In line with the needs of investors and the rights of its customers, the Bank properly enhanced voluntary information disclosure, encouraged and continued the publication of the Corporate Social Responsibility Report and the Internal Control Assessment Report, and engaged Ernst & Young Hua Ming to evaluate the Internal Control Assessment Report of the Bank, in an effort to enhance corporate transparency of the Bank.

The Bank highly focused on the development of information disclosure regulations and mechanism, and constantly improved the information disclosure system and working mechanism. As at the disclosure date, the Bank has fundamentally formed a full and comprehensive information disclosure system centering on the Information Disclosure Rules (Revised in 2007), including the Working Rules for the Audit Committee of the Board of Directors in respect of Annual Report, the Working Rules for Independent Directors in respect of Annual Report, the Administrative Measures for Information Disclosure and Preparation of Periodic Reports (Trial), the Administrative Measures for Internal Reporting of Material Information (Revised in 2009) and the Administrative Measures for Insider Information and Insiders, thereby establishing an integrated management system which covered information generation, collection, transmission, disclosure and post-disclosure management.

The Bank ensured that the shareholders could exercise their rights of participation in meetings, rights to vote and rights of inquiry. During the reporting period, the date, content, delivery method and the mode of announcement of notices of Shareholders' General Meetings of the Bank, and procedures for submitting shareholders' proposals have strictly complied with relevant provisions of the Company Law and the Articles of Association of the Bank, ensuring that shareholders could exercise their right of participation smoothly. As a company listed in Shanghai and Hong Kong, the Bank held the Annual General Meeting in Beijing and Hong Kong concurrently by video conference, which facilitated shareholders to exercise their voting rights, participate in discussions and present recommendation. In the Annual General Meeting for the Year 2009, the Bank provided internet voting for the first time to facilitate the participation of minority shareholders, and the number of shareholders who participated in voting amounted to 1,163 persons, representing an increase of 25% when compared to the previous year. The rules of procedures for the Shareholders' General Meeting provide that cumulative voting system can be adopted in electing Directors and Supervisors. The Bank allows shareholders holding individually or jointly over 1% of the shares of the Bank to nominate the candidate for independent director. In respect of inquiries from shareholders, the chairman of the meeting shall instruct the Board of Directors, the Board of Supervisors or relevant Senior Management members to respond or explain to the inquiries and recommendation raised by the shareholders, except for those involving trade secrets of the Bank which cannot be made public in the Shareholders' General Meeting.

Shareholder Enquiries. If a shareholder wishes to enquire about share transfer, changes in name or address, reporting loss of share certificates and dividend notes or any other information relating to his/her shares, he/she may write to the following address:

A Share: China Securities Depository and Clearing Corporation Limited, Shanghai Branch

36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New Area, Shanghai, PRC

Telephone: 86-21-58708888

Facsimile: 86-21-58899400

H Share: Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

Telephone: 852-28628555

Facsimile: 852-28650990

Investor Relations

Overview of Investor Relations Activities in 2010

In 2010, the Bank continuously improved investor relations services following the principle of serving investors in an efficient and proactive manner, safeguarding investors' legitimate rights and interests, while promoting continuous improvement of corporate value and return to shareholders.

The Bank effectively guided market expectation by adopting various communication methods such as organizing domestic and overseas non-listing road shows, press conferences in relation to periodic results, press conferences with large institutions and reverse road shows. The Bank also continued to optimize the investor communication e-platform including investor relations website, investor hotlines and investor email to maintain close connection with global investors in a timely and convenient fashion. The Bank further improved investor relations information collection and market information feedback transmission mechanism, captured the latest operating results of the Bank, operations of domestic and international peers, trends of capital markets, viewpoints of analysts and macro-economic data in a timely manner, thereby providing sound data support for enhancing the quality of the communication with investors. While communicating with capital market, the Bank actively solicited and listened to the views of the investors and capital market on the Bank, collected and organized the recommendations from investors concerning operational development of the Bank with an aim to push forward the continuous enhancement of corporate governance and inherent value of the Bank. The Bank also closely monitored and timely analyzed changes in shareholding structure of the Bank, explored the reasons for fluctuations of share price, strengthened its communication with shareholders, and properly handled special shareholding matters and dividend distribution preparation work to advance sophisticated shareholding services as required by the investors.

During the reporting period, the Bank successfully issued A share convertible bonds amounting to RMB25.0 billion and completed rights issue of A Shares and H Shares amounting up to RMB45.0 billion, creating multiple historical records. The setting of the terms and conditions of the A share convertible bonds was highly recognized by investors, market subscription was active with lot winning rate of 0.82%, creating the new lowest record among the issuance of convertible bonds in the A share market. The A share rights issue has marked a record breaking valid subscription rate in the capital market in China, while the oversubscription rate of the H share rights issue ranked top among its peers. At the same time, the Bank steadily dealt with the release of the selling restrictions on the lock-up shares held by the strategic investor, Goldman Sachs, which largely reduced possible market effects, thereby safeguarding the interests of minority investors and building the image of a responsible large bank.

In 2010, the Bank won the "Award of the Most Popular Listed Company in China's Securities Market Rated by Investors in 20 Years" and the "Award of Best Fortune Creation Service in China" granted by institutions such as China Center for Market Value Management of Listed Companies, *China Securities Journal*, *Shanghai Securities News* and Sina.com. The Bank also won the first place among the "Top 10 Companies in Investor Relations" and the first place among the "Top 100 Investor Relations Management of the Year" rated and elected by Investor Relations Management Study Center for China's Listed Companies, and was re-elected and awarded as the "Best Listed Company in Investor Relations" by Hexun.

In 2011, the Bank will further deepen the communication and exchange with investors to enhance the investors' understanding of the Bank, and at the same time expect to arouse more support from, and attention of, the investors.

Investor Enquiries

If an investor wishes to make any related enquiries, please contact:

Telephone:	86-10-66108608
Facsimile:	86-10-66104348
E-mail:	ir@icbc.com.cn
Address:	Corporate Strategy and Investor Relations Department, Industrial and Commercial Bank of China Limited, 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Postal code:	100140

Strategic Investor Cooperation

In 2010, the Bank continued to deepen the strategic cooperation with Goldman Sachs, achieving remarkable results in terms of risk management, financial market, staff training, corporate governance and social responsibility. In terms of risk management, the Bank and Goldman Sachs jointly advanced projects including the internal capital adequacy assessment process (ICAAP), derivative credit risk, Pillar 3 of Basel II, credit card anti-fraud projects. In terms of financial market, the Bank and Goldman Sachs continued to accelerate the independent research and development project on financial market business and risk management, completing sub-projects such as product control, model application and verification, and internal transaction. In terms of staff training, the Bank cooperated with Goldman Sachs to develop the "Pine Street" leadership training seminar, and Goldman Sachs provided overseas training for professional and backbone talents of the Bank and also organized large lectures on environmental and green credit for the Bank. In terms of corporate governance, Goldman Sachs assigned experts to participate in, and provide assistance to, the Bank on the revision of internal control related regulations of the Bank. In terms of social responsibility, the Bank and Goldman Sachs continued to cooperate in organizing public welfare activities to jointly care for the children of migrant laborers.

The Bank and American Express deepened the cooperation in aspects of card issuance, marketing, risk management and customer services. In 2010, both parties jointly issued the Peony Mobile Payment Credit Card, and the volume of issuance of Peony American Express Card exceeded 1.37 million with annual consumption volume of approximately RMB25.4 billion.

The Bank established the cooperation with the subsidiary of Allianz Group: Allianz China Life Insurance Co., Ltd. (hereinafter referred to as "Allianz China") in terms of agency insurance, assets custody and deposit business. In 2010, the volume of bancassurance products distributed by the Bank for and on behalf of Allianz China amounted to RMB190 million. As at the end of 2010, the assets of Allianz China under custody of the Bank exceeded RMB2.8 billion.

Other Information

The Chinese and English versions of this Annual Report are available at the website of the Bank (www.icbc-ltd.com) and the "HKExnews" website of SEHK (www.hkexnews.hk).

The organizational charts and a summary of the responsibilities of the Bank's Board of Directors and its special committees, the Board of Supervisors and its special committee and the Senior Management are also available at the Bank's website. If investors have any questions about obtaining this Annual Report or accessing the document on the Bank's website, please call investor hotline 86-10-66108608.

Summary of the Shareholders' General Meeting

During the reporting period, the Bank convened one annual general meeting, two extraordinary general meetings, one A shareholders class meeting and one H shareholders class meeting, which considered and approved a total of 23 proposals, and two reports were heard. Each meeting was convened in compliance with relevant legal procedures which assured shareholders' participation and exercise of rights. The Bank engaged lawyers to witness these meetings and issue legal opinions. Details of the meetings are as follows.

Annual General Meeting

The Annual General Meeting for the Year 2009 was held on 18 May 2010 in Beijing and Hong Kong concurrently by video conference. The Proposal on the 2009 Work Report of the Board of Directors of Industrial and Commercial Bank of China Limited, the Proposal on the 2009 Work Report of the Board of Supervisors of Industrial and Commercial Bank of China Limited, the Proposal on the 2009 Audited Accounts, the Proposal on the 2009 Profit Distribution Plan, the Proposal on the Engagement of Auditors for 2010, the Proposal in respect of the Capital Management Plan of Industrial and Commercial Bank of China Limited for Years 2010 to 2012, the Proposal in respect of General Mandate to Issue H Shares and A Share Convertible Corporate Bonds by Industrial and Commercial Bank of China Limited, the Proposal in respect of Public Issuance and Listing of A Share Convertible Corporate Bonds by Industrial and Commercial Bank of China Limited, the Proposal in respect of the Feasibility Analysis Report of Industrial and Commercial Bank of China Limited on Use of Proceeds from the Public Issuance of A Share Convertible Corporate Bonds, the Proposal in respect of the Report of Industrial and Commercial Bank of China Limited on Utilization of Proceeds from Previous Issuances, and the Proposal in respect of Amendments to the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Industrial and Commercial Bank of China Limited were being considered and approved at the meeting. The meeting also listened to the 2009 Work Report of Independent Directors of Industrial and Commercial Bank of China Limited and the Report on the Implementation of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors (Trial) in 2009. The announcement of the poll results of the annual general meeting was published on the website of SEHK on 18 May 2010, and in the newspapers designated for information disclosure and on the website of SSE on 19 May 2010.

Extraordinary General Meetings

The First Extraordinary General Meeting of 2010 of the Bank was held in Beijing on 8 April 2010. The Proposal on the Appointment of Ms. Wang Lili as Executive Director of Industrial and Commercial Bank of China Limited and the Proposal on the Fixed Assets Investment Budget for 2010 were being considered and approved at the meeting. The announcement of the poll results of the above extraordinary general meeting was published on the website of SEHK on 8 April 2010, and in the newspapers designated for information disclosure and on the website of SSE on 9 April 2010.

The Second Extraordinary General Meeting of 2010 of the Bank was held in Beijing on 21 September 2010. The Proposed Rights Issue of A Shares and H Shares by Industrial and Commercial Bank of China Limited, the Proposal in respect of the Arrangements for the Accumulated Undistributed Profits of the Bank prior to the Completion of the Rights Issue of A Shares and H Shares, the Proposal in respect of the Feasibility Analysis Report of Industrial and Commercial Bank of China Limited on Use of Proceeds from the Rights Issue of A Shares and H Shares, the Proposal in respect of the Report of Industrial and Commercial Bank of China Limited on Utilization of Proceeds from Previous Issuances, the Proposal on the Payment of Remuneration to Directors and Supervisors for 2009, the Proposal on the Election of Mr. Xu Shanda as Independent Non-executive Director of Industrial and Commercial Bank of China Limited, the Proposal on the Appointment of Mr. Li Xiaopeng as Executive Director of Industrial and Commercial Bank of China Limited, and the Proposal in respect of the Report of Industrial and Commercial Bank of China Limited on Utilization of Proceeds from Previous Issuance (A Share Convertible Corporate Bonds) were being considered and approved at the meeting. The announcement of the poll results of the above extraordinary general meeting was published on the website of SEHK on 21 September 2010, and in the newspapers designated for information disclosure and on the website of SSE on 22 September 2010.

Shareholders Class Meetings

The First A Shareholders Class Meeting of 2010 of the Bank and the First H Shareholders Class Meeting of 2010 of the Bank were held in Beijing on 21 September 2010. The Proposed Rights Issue of A Shares and H Shares by Industrial and Commercial Bank of China Limited was being considered and approved at respective meetings. The announcement of the poll results of the above shareholders class meetings was published on the website of SEHK on 21 September 2010, and in the newspapers designated for information disclosure and on the website of SSE on 22 September 2010.

The announcements of the poll results of the above shareholders' meetings are also available on the website of the Bank.

Principal Business

The principal business of the Bank and its subsidiaries is the provision of banking and related financial services.

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 this 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 approximately 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.

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

In RMB millions, except for percentages

Item	2009	2008	2007
Cash dividends (pre-tax)	56,783	55,113	44,425
Percentage of cash dividends[1] (%)	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.

Reserves

Changes in the reserves as at the end of 2010 are set out in the "Financial Statements: Consolidated Statement of Changes in Equity".

Distributable Reserves

Details of the distributable reserves of the Bank as at 31 December 2010 are set out in "Note 41 to the Financial Statements: Reserves".

Financial Summary

The summary of results, assets and liabilities for the five years ended 31 December 2010 is set out in the section headed "Financial Highlights" of this Annual Report.

Donations

During the reporting period, the Bank's domestic institutions made external donations of approximately RMB62.52 million (excluding personal donations of employees).

Property and Equipment

Changes in property and equipment for the year ended 31 December 2010 are set out in "Note 30 to the Financial Statements: Property and equipment" in this Annual Report.

Subsidiaries

Particulars of the Bank's principal subsidiaries as at 31 December 2010 are set out in the section of "Discussion and Analysis — Business Overview — Internationalized and Diversified Operation" and "Note 28 to the Financial Statements: Investment in subsidiaries" in this Annual Report.

Share Capital and Public Float

Changes in the issued share capital of the Bank during this financial year are set out in "Note 40 to the Financial Statements: Share capital".

As at the bulk printing date of this Annual Report, the Board of Directors of the Bank believes that the Bank has maintained the minimum public float of 23.45%, based on the publicly available information and to the best knowledge of the Board of Directors of the Bank.

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.

Details of Issue of Shares and Bonds

For details regarding the rights issue of A shares and H shares, and the issue of A share convertible bonds and subordinate bonds of the Bank, please refer to "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Details of Securities Issuance and Listing". In addition, for details regarding the issue of notes by branches of the Bank during the reporting period, please refer to "Note 36 to the Financial Statements: Certificates of deposit and notes payable". Save as disclosed above and in this Annual Report, during the reporting period, neither the Bank nor any of its subsidiaries were involved in any issue, repurchase or grant of convertible securities, options, warrants or other similar rights.

Pre-emptive Rights

The Articles of Association of the Bank do not have any mandatory provision regarding pre-emptive rights. Pursuant to the Articles of Association of the Bank, the Bank may increase its registered capital by issuing shares through public or non-public offering, issuing bonus shares to the existing shareholders, converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

Major Customers

In 2010, the aggregate interest income and other operating income from top five customers of the Bank did not exceed 30% of the interest income and other operating income of the Bank during the year.

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.

Directors' and Supervisors' Interests in Contracts of Significance

During the reporting period, none of the Directors or Supervisors of the Bank had any material interests, whether directly or indirectly, in any contract of significance regarding the Bank's business to which the Bank or any of its subsidiaries was a party. None of the Directors or Supervisors of the Bank has entered into any service contract with the Bank, which is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Competing Business

None of the Bank's Directors held any interests in any business competes or competed or is or was likely to compete, either directly or indirectly, with the Group.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

As at 31 December 2010, the Bank did not grant any rights to acquire shares or debentures to any of its Directors or Supervisors, nor were any such rights exercised by any of the Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the Directors or Supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors

As at 31 December 2010, the following Supervisor of the Bank is regarded to possess the interests as defined in Part XV of the Securities and Futures Ordinance of Hong Kong for the shares held by his spouse:

Supervisor	Capacity	Number of A shares held (share)	Nature of interests	Approximate percentage of issued A shares of the Bank (%)	Approximate percentage of total issued shares of the Bank (%)
Zhu Lifei	Spouse's interest	18,000	Long position	0.000007	0.000005

Save as disclosed above, as at 31 December 2010, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. For information on interests and short positions held by substantial shareholders and other persons of the Bank, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders".

Connected Transactions

In 2010, the Bank adopted best practice as standard for connected transaction management, and promoted the development of connected transaction management system, to realize the intellectual, systematic and computerized management of connected transactions. During the reporting period, the first phase of the system focusing on management of connected persons was put into operation, and the Measures on Management of Connected Persons was formulated for the classified management of connected persons based on different regulatory rules. The second phase of the system, centering on connected transaction management, is currently under development. In addition, the Bank stepped up efforts in regulation implementation by strictly abiding by relevant regulations in approving, collecting statistics on, filing and disclosing connected transactions, and conducted compliance examination on the regulation implementation. The management mechanism under constant improvement effectively guaranteed the legality and compliance of the Bank's connected transactions. During the reporting period, there was no connected transaction that impaired the interest of the Bank and minority shareholders.

Connected Transactions Defined under the Hong Kong Listing Rules

- *Continuing Connected Transactions with the BEA Group and the Credit Suisse Group*

Pursuant to the Hong Kong Listing Rules, The Bank of East Asia, Limited (together with its subsidiaries and associates, the "BEA Group"), and Credit Suisse (together with its subsidiaries and associates, the "Credit Suisse Group") are substantial shareholders of subsidiaries of the Bank, therefore, the BEA Group and the Credit Suisse Group are connected persons of the Bank.

During the reporting period, the Bank engaged in fixed-income securities transactions, foreign exchange transactions, derivatives transactions, money market instruments transactions, custody services and forfeiting transactions with the BEA Group on normal commercial terms, and engaged in fixed-income securities transactions, foreign exchange transactions, money market instruments transactions, equity shares and equity-linked securities transactions, listed or over-the-counter derivatives transactions, custody services, and investment banking services with the Credit Suisse Group on normal commercial terms.

In respect of such inter-bank transactions, the conditions for application of the exemption under Rule 14A.33(4) of the Hong Kong Listing Rules have been met since 1 January 2010. Therefore, as consulted with and confirmed by SEHK, the inter-bank transactions with the BEA Group and the Credit Suisse Group will be exempted from all the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The exemption under Rule 14A.33(4) of the Hong Kong Listing Rules will continue to apply to the above inter-bank transactions with the BEA Group and the Credit Suisse Group so long as such transactions continuously satisfy the relevant conditions for application of the exemption under the Hong Kong Listing Rules. Please refer to the announcement on application of exemption released on 6 December 2010 by the Bank.

◆ *Connected Transactions with the Bank of East Asia, Limited*

On 21 January 2011, the Bank and BEA as well as BEA's subsidiary, East Asia Holding Company, Inc. entered into an agreement for the acquisition of shares in The Bank of East Asia (U.S.A.) National Association. Such transaction constitutes connected transaction under the Hong Kong Listing Rules. Details of such transaction are set out in the section headed "Significant Events — Material Asset Acquisition, Sale and Merger".

Please refer to "Note 50 to the Financial Statements: Related party disclosures" for particulars on the related party transactions defined under the accounting standards.

Relations among Directors, Supervisors and Senior Management

Directors, Supervisors and Senior Management members of the Bank do not relate to one another with respect to finance, business, family, or other material relations required to be disclosed.

Remuneration Policy for Directors, Supervisors and Senior Management

The Bank has clearly documented the remuneration policy for Directors, Supervisors and Senior Management members, and has continuously improved performance assessment system and incentive restriction mechanism. From the perspectives of economic benefit, risk cost control and social responsibilities, the Bank adopted a system composed of balanced scorecard-based indicators for management and duties allocation based indicators for individuals. Payment of part of the performance-based annual remuneration of the Bank's Chairman of the Board of Directors, President, Chairman of the Board of Supervisors and other Senior Management members is deferred and shall be paid in three years, and the proportion payable each year will be one-third of the amount. The deferred payment is accrued in the Bank's accounts, and shall be made having regard to the operating performance and status for the said years. The Bank has contributed to statutory retirement programs organized by Chinese governmental organizations at different levels for Directors, Supervisors and Senior Management members, who are concurrently employees of the Bank. Upon obtaining all applicable approvals, the Bank will implement a long-term incentive program. As at 31 December 2010, the Bank had not granted any share appreciation rights to any Director, Supervisor, Senior Management member, or other core business personnel designated by the Board of Directors.

Auditors

The 2010 Financial Statements of the Bank prepared in accordance with PRC GAAP were audited by Ernst & Young Hua Ming, and the financial statements prepared in accordance with the IFRSs were audited by Ernst & Young.

Members of the Board of Directors

Executive Directors: Mr. Jiang Jianqing, Mr. Yang Kaisheng, Ms. Wang Lili and Mr. Li Xiaopeng;

Non-executive Directors: Mr. Huan Huiwu, Mr. Gao Jianhong, Ms. Li Chunxiang, Mr. Li Jun, Mr. Li Xiwen, and Mr. Wei Fusheng;

Independent Non-executive Directors: 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.

By order of the Board of Directors

Jiang Jianqing
Chairman

Meetings of the Board of Supervisors and its Special Committee

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors held six meetings, reviewed and approved 12 proposals including the 2009 Annual Report and its abstract, the final accounts, the profit distribution plan, the supervision report of the Board of Supervisors, the 2010 Interim Report and its abstract, and heard 13 reports.

Meetings of the Supervision Committee

During the reporting period, the Supervision Committee held five meetings, reviewed and approved eight proposals including the 2009 Supervision Report of the Board of Supervisors and the Plan on Supervision and Inspection of the Board of Supervisors for 2010, and heard nine reports.

The table below sets out the attendance of Supervisors in meetings of the Board of Superiors and the meetings of the Supervision Committee in 2010.

Actual attendances/Number of meetings requiring attendance

Supervisor	Board of Supervisors	Supervision Committee
Zhao Lin	6/6	
Wang Chixi	6/6	5/5
Dong Juan	6/6	5/5
Meng Yan	6/6	5/5
Zhang Wei	6/6	5/5
Zhu Lifei	2/2	
Resigned Supervisors		
Chang Ruiming	4/4	

Note: For details of changes to supervisors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".

Work of the Board of Supervisors

In 2010, the Board of Supervisors conscientiously implemented the policies and guidelines on financial work of the Central Committee of CPC; pursuant to the regulations of the Company Law and the Articles of Association of the Bank and the regulatory requirements of the regulatory authorities, it focused on the Bank's key work and performed supervision responsibility, playing an important role in various aspects including further improving corporate governance, strengthening operational management and achieving sustainable and stable development of the Bank.

The Board of Supervisors carried out in-depth supervision on performance of duties, and promoted the operating mechanism of scientific decision-making, vigorous implementation and effective supervision. In accordance with related laws and regulations, the Articles of Association of the Bank and the requirements of regulatory authorities, the Board of Supervisors learned from its experiences and actively explored effective ways to consistently improve the supervision on performance of duties on the Board of Directors, the Senior Management and their members, and carry out the assessment on the performance of duties of the Board of Directors, the Senior Management and their members for the year 2009. The Board of Supervisors formulated the Implementation Plan of the Board of Supervisors of Industrial and Commercial Bank of China Limited on the Assessment on the Performance of Duties of the Board of Directors, the Senior Management and their Members for 2009, according to which the Board of Directors and the Senior Management members were interviewed by the Chairman of the Board of Supervisors and the Supervisors and their reports on the performance of duties were presented to the Board of Supervisors. The Board of Supervisors prepared the annual assessment reports on the performance of duties of the Board of Directors, the Senior Management and their members based on the regular supervision assessment, the individual assessment reports on performance of duties and the assessment results. The Chairman of the Board of Supervisors, on behalf of the Board of Supervisors, briefed the Board of Directors and the Senior Management on the assessment opinions. With the active support and cooperation from all related departments and individuals, the supervision and assessment on the performance of duties achieved the expected targets and satisfying results.

The Board of Supervisors strengthened supervision on material financial activities and fostered improvement in financial management and accounting to ensure that the regular reports comply with regulatory requirements. In accordance with the work plan formulated at the beginning of the year, the Board of Supervisors conducted supervisions with emphases on areas including material financial activities, accounting items that have material influence on the Bank's operating results and owners' equity, the truthfulness, accuracy and completeness of regular reports and the Bank's compliance with the financial and accounting rules. During the quarterly reviews on the regular reports, the Board of Supervisors organized meetings to listened to reports on matters including the Bank's operations, the compilation of regular financial statements, the proposed disclosure of regular reports and significant events, as well as reports of external auditors on audit plan, audit results and audit findings, and brought forward specific requirements and comments, laying a foundation for presenting independent opinions in an objective and fair manner. The Board of Supervisors led the special inspections on the income and expenditures of the Head Office, the engagement of intermediaries in some share acquisition and disposal deals, the management and utilization of operating expenses of some branches and institutions and the reporting of basic auditing data of some branches for 2009, and conducted key supervisory analyses on financial data of 31 domestic branches. The Board of Supervisors carefully studied the reports of the relevant inspections and investigations, organized the Supervisory Board Office to communicate with the functional departments of the Head Office, the relevant branches and auditors on the problems found therein, and timely followed-up with the rectification status. The Head Office and the branches carried out rectification measures after identifying the reasons for the existing problems, whereby implemented the supervisory opinions of the Board of Supervisors.

The Board of Supervisors reinforced the supervision over risk management and internal control to promote compliance with laws and regulations and stable operations. The Board of Supervisors paid close attention to the changes in global and domestic economic and financial situations and national regulatory polices, and was fully aware of the status of the Bank on implementation of monetary policies and regulatory requirements, performance of risk management responsibility, establishment and refinement of internal control systems and effective internal control practices. The Board of Supervisors built up an effective communication mechanism between itself and the Board of Directors and the Senior Management, enabling it to comprehend the risk management and internal control of the Bank. The meetings of the Board of Supervisors heard reports on supervisory updates, regularly studied and analyzed material operational management, risk management and internal control matters of the Bank, pointed out risks and determined supervisory priorities, which enhanced the pertinence and efficiency of the supervisory work. The Board of Supervisors invited some branch managers to the work symposium of the Board of Supervisors to understand the progress of the branches' implementation of the national macro-control policies and the Head Office's credit policies and to discuss in-depth and exchange ideas on matters including corporate governance, risks and internal control, institutional reform, regional development strategy, enhancement of core competitiveness, incentive and restraint mechanisms. The Board of Supervisors focused on the consolidated statement management and the risk management of overseas branches and controlling subsidiaries, conducted special investigations on domestic and overseas equity investments of the Bank and heard reports on issues including asset and liability management, financial market business management, credit business, operational system reform, risk management and internal audit. The Board of Supervisors carried out on-site investigations on 14 domestic and overseas institutions, and after communicating with local financial regulators and auditors, put forward suggestions on matters including the overseas development strategy of the Bank, effective prevention and control of credit risk, concentration risk, strengthening of the Group's consolidated statement management. The Board of Supervisors organized inspections and investigations on the post-lending management of the selected government financing platforms, the management of property loans, the cooperation between banks and trust companies and so on, and sent risk notification letters to the related departments on the problems identified.

The Board of Supervisors enhanced communication and coordination with the Board of Directors and the Senior Management and endeavored to improve the supervision mechanism. In the first half of 2010, the Board of Supervisors presented written reports to the Board of Directors, the Senior Management and their members on the meetings of the Board of Supervisors and the 2009 Supervision Report of the Board of Supervisors. All functional departments earnestly studied the suggestions of the Board of Supervisors on the development strategy, operations of the Board of Directors, business competitiveness and profitability, the Group's consolidated statement management, credit risk management, financial operations, customer service quality and team building and set out corresponding rectification plans in accordance with their division of responsibilities. The 26 departments and offices of the Head Office submitted the reports on the implementation of rectifications to the Board of Supervisors. In the second half of 2010, the Board of Supervisors notified the Board of Directors, the Senior Management and their members of the relevant supervision and inspection of the Board of Supervisors during the first half of 2010 and the Report on the Implementation of the Supervisory Opinions of the Board of Supervisors in 2009.

The Board of Supervisors continuously strengthened team building and improved the performance of duties. In 2010, the Board of Supervisors drew up the assessment measures on the performance of duties of the supervisors and completed the re-election of the Employee Supervisors. The Board of Supervisors also reported and disclosed relevant information on a timely basis pursuant to the listing rules, and further intensified the institutional and organizational construction. Laying stress on strengthening the exchange with the boards of supervisors of the Bank's peers, the members of the Board of Supervisors participated in the training held by the CSRC Beijing Office, the forum of the boards of supervisors of banks, the symposium on the operations of the board of supervisors and the work of supervisors held by The Listed Companies Association of Beijing, to learn from the experiences of the other banks' boards of supervisors and continuously improve the level of own performance of duties.

Independent Opinions of the Board of Supervisors on Relevant Issues

Compliant Operation

During the reporting period, the Bank continued to operate in strict compliance with applicable laws and regulations and improve its internal control system, and the decision-making procedures complied with applicable laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and the Senior Management earnestly performed their duties. The Board of Supervisors did not find any violation of laws and regulations, or any act that contravened the interests of the Bank in the performance of duties during the reporting period.

Authenticity of Financial Statements

The annual financial statements of the Bank reflected the financial position and operating results of the Bank truly and fairly.

Use of Proceeds from Fundraising Activities

During the reporting period, the use of proceeds from the Bank's fundraising activities was consistent with the purpose stated in the prospectuses.

Purchase and Sale of Assets

During the reporting period, the Board of Supervisors did not find any insider trading or any act that contravened the shareholders' interests or caused the loss of the Bank's assets in the process of the Bank's purchase or sale of assets.

Connected Transactions

During the reporting period, the connected transactions of the Bank were conducted on normal commercial terms. The Board of Supervisors did not find any act that infringed upon the interests of the Bank.

Implementation of Resolutions Passed at the Shareholders' General Meeting

During the reporting period, the Board of Supervisors had no objection to the reports or proposals presented by the Board of Directors to the Shareholders' General Meeting for consideration. The Board of Directors earnestly implemented the resolutions passed at the Shareholders' General Meeting.

Internal Control Assessment Report of the Board of Directors

The Board of Supervisors reviewed the 2010 Internal Control Assessment Report of the Board of Directors and had no objection to the report.

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.

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				**123,337,401**	**—**	**137,396,988**	**100.0**	**22,009,291**

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, 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[(2)] (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		**34,798,843,169**	—	**41,553,001,847**	**2,133,267,297**	**929,302,668**	—	—

Notes: (1) The shares in Mingyang Wind Power, Trony Solar and China Gold International Resources Corp. Ltd. were held by ICBC International, 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 ICBC (London), 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(2) (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
Total	**562,787,447**	—	—	**320,054,312**	**5,980,568**	—	—	—

Notes: (1) The shares in Joint Electronic Teller Services Limited were held by ICBC (Asia) and 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

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 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 Industrial and Commercial Bank of China (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, 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.

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. Please refer to "Note 45 to the Financial Statements: Share appreciation rights plan" for details.

Material Related Party Transactions

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

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.

Independent Non-executive Directors' Special Explanation and Independent Opinions on External Guarantees of the Bank

In accordance with the Circular Concerning Several Issues on Regulating Fund Transfers between Listed Companies and Their Related Parties and External Guarantee of Listed Companies (Zheng Jian Fa [2003] No. 56) issued by China Securities Regulatory Commission and relevant provisions of Shanghai Stock Exchange, we, in the capacity of Independent Non-executive Directors of the Bank, reviewed external guarantees of the Bank on the principle of fairness, impartiality and objectivity, and hereby give our specific explanation and opinions as follows: upon review, external guarantees provided by the Bank mainly focus on issuance of letters of guarantee, which is part of the ordinary banking services within the business scope of the Bank as approved by the People's Bank of China and China Banking Regulatory Commission. As at 31 December 2010, the balance of letters of guarantee offered by the Bank totaled RMB239,214 million.

The Bank has attached great importance to the management of risks arising from such business and formulated strict rules on the credit ratings of the entities to which the guarantee was provided and on the operation process and review procedures of provision of guarantee services. In our opinion, risk control over the business of guarantee provision by the Bank has been effective. The Bank will continue to strengthen risk management on such service to ensure the steady improvement of performance of the Bank.

Independent Non-executive Directors of Industrial and Commercial Bank of China Limited

Leung Kam Chung, Antony, Qian Yingyi, Xu Shanda, Wong Kwong Shing, Frank,

Malcolm Christopher McCarthy, Kenneth Patrick Chung

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.

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.

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.

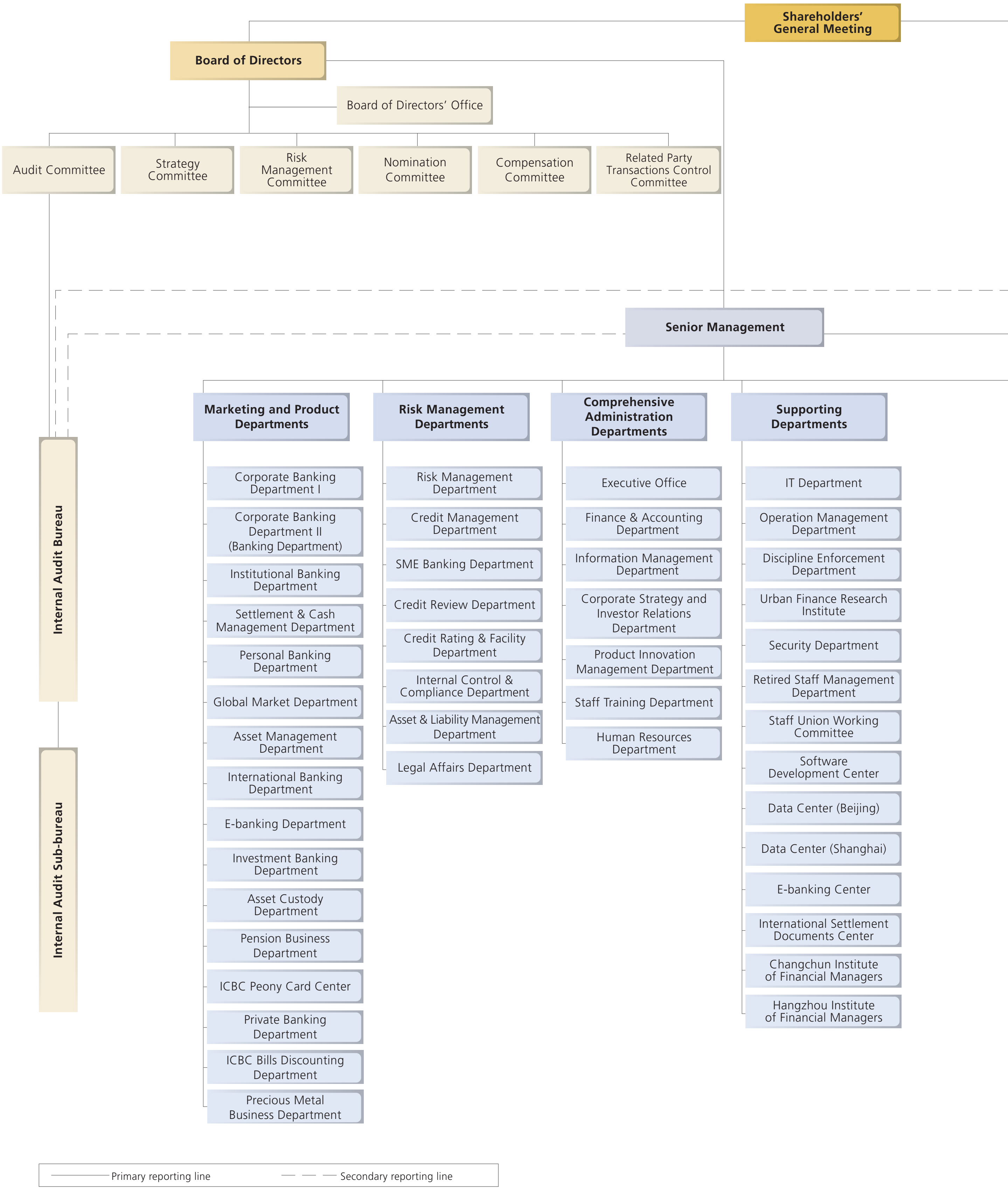
Additional Commitments on Restrictions on Sale of Shares Made by the Shareholders Holding 5% Shares or Above During the Reporting Period

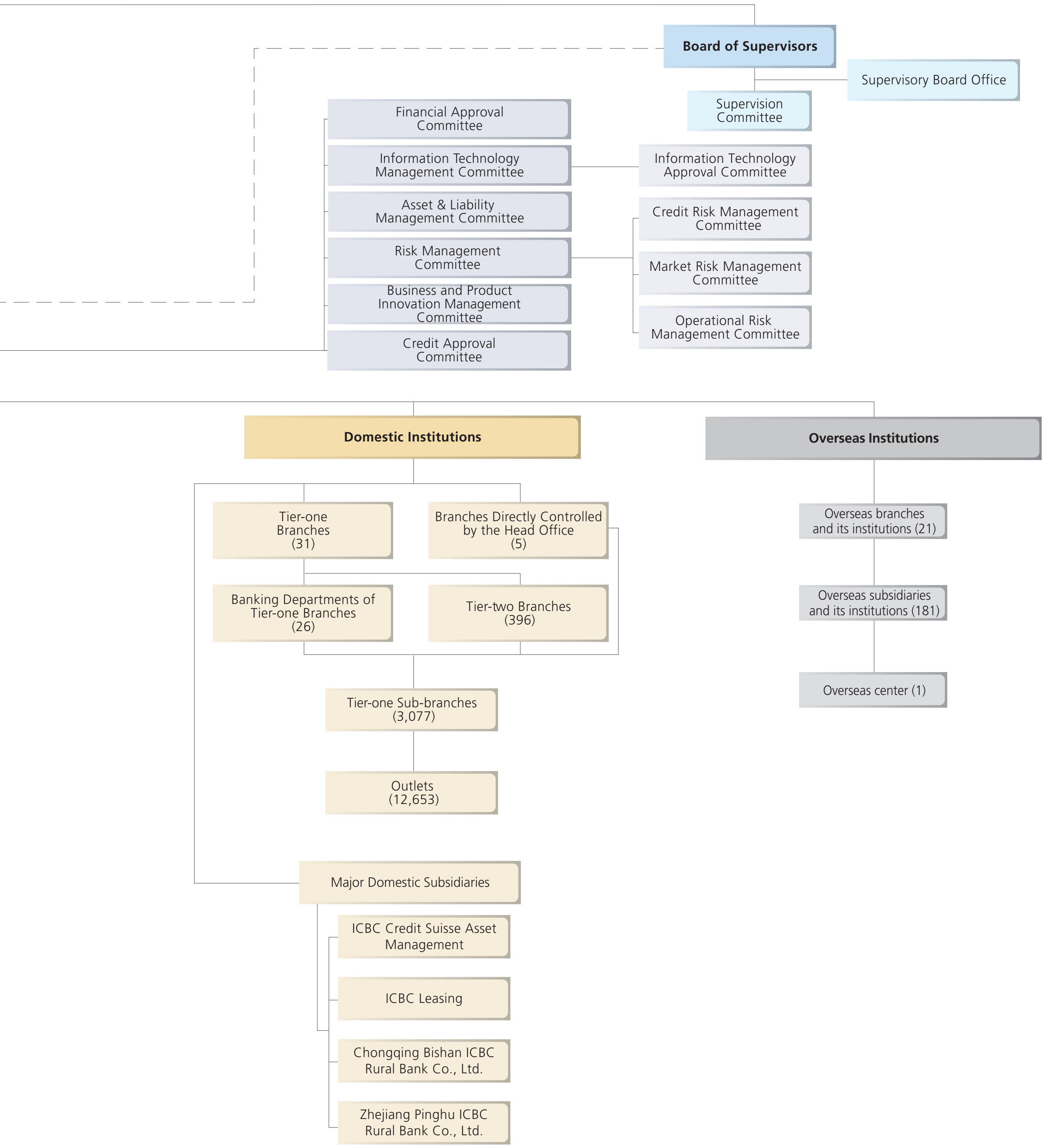
None.

Investigations, Administrative Penalties, Censures by CSRC; Public Reprimand by Stock Exchanges; and Sanctions Imposed by Other Regulatory and Judicial Authorities during the Reporting Period

During the reporting period, neither the Bank nor any of its Directors, Supervisors and members of the Senior Management was subject to any investigation, administrative penalty and criticism by circulating a notice by CSRC, public reprimand by the stock exchanges, or punishment by other regulatory authorities that had material impact on the operation of the Bank.

Organizational Chart




Board of Supervisors
Supervisory Board Office
Supervision Committee
Financial Approval Committee
Information Technology Management Committee
Asset & Liability Management Committee
Risk Management Committee
Business and Product Innovation Management Committee
Credit Approval Committee
Information Technology Approval Committee
Credit Risk Management Committee
Market Risk Management Committee
Operational Risk Management Committee
Domestic Institutions
Overseas Institutions
Tier-one Branches (31)
Branches Directly Controlled by the Head Office (5)
Banking Departments of Tier-one Branches (26)
Tier-two Branches (396)
Tier-one Sub-branches (3,077)
Outlets (12,653)
Major Domestic Subsidiaries
ICBC Credit Suisse Asset Management
ICBC Leasing
Chongqing Bishan ICBC Rural Bank Co., Ltd.
Zhejiang Pinghu ICBC Rural Bank Co., Ltd.
Overseas branches and its institutions (21)
Overseas subsidiaries and its institutions (181)
Overseas center (1)

Independent Auditors' Report and Financial Statements

CONTENTS

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the shareholders of Industrial and Commercial Bank of China Limited

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (together, the "Group") set out on pages 142 to 269, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Bank determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants

Hong Kong

30 March 2011

Consolidated Income Statement

Year ended 31 December 2010
(In RMB millions, unless otherwise stated)

	Notes	2010	2009
Interest income	6	462,762	405,878
Interest expense	6	(159,013)	(160,057)
NET INTEREST INCOME	6	303,749	245,821
Fee and commission income	7	78,008	59,042
Fee and commission expense	7	(5,168)	(3,895)
NET FEE AND COMMISSION INCOME	7	72,840	55,147
Net trading expense	8	(476)	(75)
Net loss on financial assets and liabilities designated at fair value through profit or loss	9	(217)	(129)
Net gain on financial investments	10	1,009	7,339
Other operating income, net	11	3,843	1,308
OPERATING INCOME		380,748	309,411
Operating expenses	12	(139,480)	(120,819)
Impairment losses on:			
Loans and advances to customers	26	(27,888)	(21,682)
Others	15	(100)	(1,603)
OPERATING PROFIT		213,280	165,307
Share of profits and losses of associates and jointly-controlled entities		2,146	1,987
PROFIT BEFORE TAX		215,426	167,294
Income tax expense	16	(49,401)	(37,898)
PROFIT FOR THE YEAR		166,025	129,396
Attributable to:			
Equity holders of the parent company		165,156	128,645
Non-controlling interests		869	751
		166,025	129,396
EARNINGS PER SHARE			
— Basic (RMB yuan)	19	0.48	0.38
— Diluted (RMB yuan)	19	0.48	0.38

Details of the dividends declared and paid or proposed are disclosed in note 18 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010
(In RMB millions, unless otherwise stated)

	Note	2010	2009
Profit for the year		166,025	129,396
Other comprehensive income (after-tax, net):			
Net loss on available-for-sale financial assets	42	(5,510)	(8,890)
Net loss on cash flow hedges	42	(211)	(9)
Share of other comprehensive income of associates and jointly-controlled entities	42	(882)	(1,155)
Foreign currency translation differences	42	2,374	7,531
Others		157	—
Subtotal of other comprehensive income for the year		(4,072)	(2,523)
Total comprehensive income for the year		161,953	126,873
Total comprehensive income attributable to:			
Equity holders of the parent company		161,316	125,682
Non-controlling interests		637	1,191
		161,953	126,873

Consolidated Statement of Financial Position

31 December 2010
(In RMB millions, unless otherwise stated)

	Notes	2010	2009
ASSETS			
Cash and balances with central banks	20	2,282,999	1,693,048
Due from banks and other financial institutions	21	248,860	235,301
Financial assets held for trading	22	10,188	18,976
Financial assets designated at fair value through profit or loss	23	2,798	1,171
Derivative financial assets	24	13,332	5,758
Reverse repurchase agreements	25	262,227	408,826
Loans and advances to customers	26	6,623,372	5,583,174
Financial investments	27	3,719,282	3,579,026
Investments in associates and jointly-controlled entities	29	40,325	36,278
Property and equipment	30	103,412	95,684
Deferred income tax assets	31	21,712	18,696
Other assets	32	130,115	109,115
TOTAL ASSETS		**13,458,622**	**11,785,053**
LIABILITIES			
Due to central banks		51	—
Financial liabilities designated at fair value through profit or loss	33	6,670	15,831
Derivative financial liabilities	24	10,564	7,773
Due to banks and other financial institutions	34	1,048,002	1,001,634
Repurchase agreements	35	84,888	36,060
Certificates of deposit and notes payable	36	11,168	1,472
Due to customers	37	11,145,557	9,771,277
Income tax payable		33,759	22,231
Deferred income tax liabilities	31	318	178
Bonds issued	38	100,410	75,000
Other liabilities	39	195,578	174,663
TOTAL LIABILITIES		**12,636,965**	**11,106,119**
EQUITY			
Equity attributable to equity holders of the parent company			
Issued share capital	40	349,019	334,019
Equity component of convertible bonds	38	2,985	—
Reserves		266,440	221,114
Retained profits		201,986	118,760
		820,430	673,893
Non-controlling interests		1,227	5,041
TOTAL EQUITY		**821,657**	**678,934**
TOTAL EQUITY AND LIABILITIES		**13,458,622**	**11,785,053**

Jiang Jianqing
Chairman

Yang Kaisheng
Vice Chairman and President

Shen Rujun
General Manager of Finance and Accounting Department

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													
		Reserves												
	Issued share capital	Equity component of convertible bonds	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	Total equity
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 (note 18)	—	—	—	—	—	—	—	—	—	—	(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 (note 40)	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 (note 38)	—	2,985	—	—	—	—	—	—	—	—	—	2,985	—	2,985
Balance as at 31 December 2010	**349,019**	**2,985**	**131,094**	**53,782**	**93,071**	**(6,303)**	**581**	**(4,248)**	**(1,537)**	**266,440**	**201,986**	**820,430**	**1,227**	**821,657**

(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.

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company												
		Reserves											
	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	Total equity
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 (note 18)	—	—	—	—	—	—	—	—	—	(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	**334,019**	**106,961**	**37,484**	**84,222**	**(897)**	**(1,919)**	**(4,082)**	**(655)**	**221,114**	**118,760**	**673,893**	**5,041**	**678,934**

(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.

Consolidated Statement of Cash Flows

Year ended 31 December 2010
(In RMB millions, unless otherwise stated)

	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
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	12	10,844	9,639
Amortisation	12	1,314	1,361
Amortisation of financial investments		(9,861)	(3,566)
Impairment losses on loans and advances to customers	26	27,888	21,682
Impairment losses on assets other than loans and advances to customers	15	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	6	(754)	(1,021)
Gain on disposal of available-for-sale financial assets, net	10	(925)	(7,238)
Excess over the costs of equity investments		(180)	—
Net trading gain on equity investments	8	(21)	(26)
Net loss on financial assets and liabilities designated at fair value through profit or loss	9	217	129
Net (gain)/loss on disposal of property and equipment and other assets (other than repossessed assets)		64	(575)
Dividend income	10	(84)	(101)
		245,320	193,281
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)
		(1,421,450)	(1,668,504)
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)
		1,493,080	1,938,023
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		278,176	403,862

(In RMB millions, unless otherwise stated)

	Notes	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES			
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	43(b)	(528)	—
Dividends received		1,071	544
Net cash flows from investing activities		(159,586)	(585,284)
CASH FLOWS FROM FINANCING ACTIVITIES			
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)	—
Net cash flows from financing activities		4,046	(16,287)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		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)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	44	528,971	409,394
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		449,667	399,115
Interest paid		(147,301)	(162,920)

Statement of Financial Position

Year ended 31 December 2010
(In RMB millions, unless otherwise stated)

	Notes	2010	2009
ASSETS			
Cash and balances with central banks	20	2,272,265	1,686,074
Due from banks and other financial institutions	21	259,638	238,562
Financial assets held for trading	22	6,959	14,241
Financial assets designated at fair value through profit or loss	23	1,988	148
Derivative financial assets	24	10,879	4,781
Reverse repurchase agreements	25	228,501	408,601
Loans and advances to customers	26	6,355,840	5,392,525
Financial investments	27	3,682,258	3,551,558
Investments in subsidiaries	28	45,057	26,110
Investments in associates	29	33,717	33,576
Property and equipment	30	98,418	93,678
Deferred income tax assets	31	21,568	18,635
Other assets	32	110,576	96,663
TOTAL ASSETS		**13,127,664**	**11,565,152**
LIABILITIES			
Financial liabilities designated at fair value through profit or loss	33	5,823	14,581
Derivative financial liabilities	24	8,287	6,689
Due to banks and other financial institutions	34	1,010,279	981,762
Repurchase agreements	35	52,111	34,280
Certificates of deposit and notes payable	36	5,233	1,156
Due to customers	37	10,913,696	9,590,769
Income tax payable		33,138	20,686
Bonds issued	38	97,124	75,000
Other liabilities	39	188,082	171,131
TOTAL LIABILITIES		**12,313,773**	**10,896,054**
EQUITY			
Issued share capital	40	349,019	334,019
Equity component of convertible bonds	38	2,985	—
Reserves	41	268,944	220,938
Retained profits	41	192,943	114,141
TOTAL EQUITY		**813,891**	**669,098**
TOTAL EQUITY AND LIABILITIES		**13,127,664**	**11,565,152**

Jiang Jianqing
Chairman

Yang Kaisheng
Vice Chairman and President

Shen Rujun
General Manager of Finance
and Accounting Department

1. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the "Bank"), which was previously known as Industrial and Commercial Bank of China ("ICBC"), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People's Bank of China (the "PBOC") of the People's Republic of China (the "PRC"). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring.

The Bank obtained its finance permit No. B0001H111000001 from the China Banking Regulatory Commission (the "CBRC") of the PRC. The Bank obtained its business license No. 100000000003965 from the State Administration for Industry and Commerce of the PRC. The legal representative is Jiang Jianqing and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank's A Shares and H Shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and the stock codes are 601398 and 1398, respectively.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established inside Mainland China. Overseas establishments refer to branches and subsidiaries established under local jurisdictions outside Mainland China.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss and available-for-sale financial assets (unless the fair value cannot be reliably measured) that have been measured at fair value, as further explained in the respective accounting policies below. The carrying values of recognised assets and liabilities, that are hedged in fair value hedges and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged. These financial statements are presented in RMB and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

(i) Subsidiaries

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

(In RMB millions, unless otherwise stated)

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

(a) derecognises the assets (including goodwill) and liabilities of the subsidiary;

(b) derecognises the carrying amount of any non-controlling interest;

(c) derecognises the cumulative translation differences recorded in equity;

(d) recognises the fair value of the consideration received;

(e) recognises the fair value of any investment retained;

(f) recognises any resulting surplus or deficit in profit or loss; and

(g) reclassifies the Group's share of components previously recognised in other comprehensive income is to profit or loss or retained profits, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement, and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the parent company. An acquisition of non-controlling interests is accounted for as an equity transaction.

(ii) Special purpose entities

Special purpose entities ("SPEs") are consolidated if they are in substance controlled by the Bank. When assessing whether the Bank has a control over the SPEs, the Bank evaluates a range of factors, including whether:

(a) the activities of the SPE are being conducted on behalf of the Bank and according to the Bank's specific business needs so that the Bank obtains benefits from the SPE's operations;

(b) the Bank has the decision-making powers to obtain the majority of the benefits of the activities of the SPE;

(c) the Bank has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or

(d) the Bank retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

2.2 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 (International Financial Reporting Interpretations Committee) interpretations that are effective in 2010 and relevant to the Group's operation.

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

* 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.

2.2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS THAT ARE EFFECTIVE IN 2010 AND RELEVANT TO THE GROUP (CONTINUED)

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) contain 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Bank controls, directly and indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Bank's income statement to the extent of dividends received and receivable. The Bank's investments in subsidiaries are stated at cost less any impairment losses.

(2) Jointly-controlled entities

A jointly-controlled entity is a joint venture, not being a subsidiary or an associate, that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group's investments in jointly-controlled entities are accounted for under the equity method of accounting. Under the equity method, investments in jointly-controlled entities are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the jointly-controlled entities, less any impairment losses. Goodwill relating to jointly-controlled entities is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investments in the jointly-controlled entities. The consolidated income statement reflects the share of the results of operations of the jointly-controlled entities. Where there has been a change recognised directly in the equity of the jointly-controlled entities, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities.

The results of the jointly-controlled entities are included in the Bank's income statement to the extent of dividends received and receivable. The Bank's investments in jointly-controlled entities are stated at cost less any impairment losses.

The reporting periods of the jointly-controlled entities and the Group are identical and the jointly-controlled entities' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(3) Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are accounted for under the equity method of accounting. Under the equity method, an investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment losses. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of the Group's interests in the associates.

The results of the associates are included in the Bank's income statement to the extent of dividends received and receivable. The Bank's investments in associates are stated at cost less any impairment losses.

The reporting periods of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(4) Foreign currency translation

The consolidated financial statements are presented in RMB, being the functional and presentation currency of the Bank's operations in Mainland China. Each entity in the Group determines its own functional currency and the financial statements of each entity are presented using that functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions are initially recorded at the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the income statement, with the exception of all monetary items that provide an effective hedge against a net investment in a foreign entity which are taken directly to other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rates ruling at the end of the reporting period.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. All items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the above translation are taken directly to other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Cash flows arising from transactions in foreign currencies and cash flows of overseas subsidiaries are translated using the weighted average exchange rates for the year. The effect of exchange rate movements on cash is presented separately in statement of cash flows as a reconciling item.

(5) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition of financial instruments

At initial recognition, financial assets are classified into four categories: financial assets at fair value through profit or loss, held-to-maturity financial investments, loans and receivables and available-for-sale financial assets.

At initial recognition, financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities.

A financial asset or financial liability is measured initially at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Measurement of fair value

The fair value of a financial asset or financial liability traded in active markets is based on its quoted market price.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include making reference to the prices from recent arm's length market transactions between knowledgeable and willing parties, if available, current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets or financial liabilities designated at fair value through profit or loss.

Financial assets or financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if:

(i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(ii) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking; or

(iii) it is a derivative.

Financial assets held for trading mainly include debt securities, equity investments and derivatives that are not designated as effective hedging instruments.

Financial assets or financial liabilities held for trading are measured at fair value after initial recognition. Realised or unrealised incomes or expenses are recognised in the income statement. Derivatives are separately presented and disclosed in the financial statements, and accounting policies of derivatives are shown in note 3(10).

Financial assets or financial liabilities designated at fair value through profit or loss

A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below.

(i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or financial liability or from recognising the gains and losses on them on different bases;

(ii) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or

(iii) The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it cannot be designated as a financial asset at fair value through profit or loss.

Financial assets designated at fair value through profit or loss mainly include debt securities and trust assets and others. Financial liabilities designated at fair value through profit or loss mainly include structured deposits, notes payable, certificates of deposit and wealth management products. These assets and liabilities are measured at fair value after initial recognition. Realised and unrealised income or expenses are recognised in the income statement.

Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity and which the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Gains and losses are recognised in the income statement when the held-to-maturity financial investments are derecognised or impaired, as well as through the amortisation process. All the held-to-maturity financial investments are bond investments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group shall reclassify any remaining held-to-maturity investments as available for sale and shall not classify any financial assets as held to maturity during the current financial year or during the two preceding financial years, if the Group has sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) except for sale or reclassification that:

(i) is so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

(ii) occurs after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or

(iii) is attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group has no intention of trading the assets immediately or in the near term. After initial measurement, such assets are subsequently carried at amortised cost using the effective interest rate method, less any allowance for impairment losses. Gains and losses are recognised in the income statement when such assets are derecognised or impaired, as well as through the amortisation process. Loans and receivables mainly include loans and advances to customers, receivables and discounted bills.

Discounted bills are granted by the Group to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income and the interest income of the discounted bills is recognised using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Premiums and discounts on available-for-sale financial assets are amortised using the effective interest rate method and are taken to the income statement as interest income. Changes in fair value of available-for-sale financial assets are recognised as a separate component of other comprehensive income until the financial asset is derecognised or determined to be impaired at which time the cumulative gains or losses previously recorded in other comprehensive income are transferred to the income statement. Dividend and interest income on available-for-sale financial assets are recorded in the income statement.

In the case of an equity investment classified as available for sale, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it will be measured at cost less any impairment loss.

Other financial liabilities

Other financial liabilities are carried at amortised cost using the effective interest rate method.

(6) Impairment of financial assets

An assessment on carrying amount of financial assets is made at the end of each reporting period. Impairment is recognised if there is objective evidence of impairment of financial assets, i.e., one or more events that occur after the initial recognition of those assets and have an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, they would probably enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate and shall include the value of any relevant collateral. The original effective interest rate is the rate used to determine the values of financial assets at initial recognition. With respect to floating-rate loans, receivables and held-to-maturity investments, the discount rate could be the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the assets does not exceed its amortised cost at the reversal date.

When an item of loans and receivables is uncollectible, it is written off against the related allowance for impairment losses. Such loans and receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on the financial asset, the amount of impairment loss, measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, is recognised in the income statement. In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, the amount of impairment loss is recognised in the income statement. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If there is objective evidence that the financial asset is impaired, the cumulative loss, measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised as other comprehensive income.

In the case of debt instruments classified as available for sale, if, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impaired loss is reversed through the income statement.

(7) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(8) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset; or has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to SPEs which issue securities to investors. The transferred assets may qualify for derecognition in full or in part. Further details on prerequisites for derecognition of financial assets are set out above. Interests in the securitised financial assets may be partially retained by the Group and are primarily classified as available-for-sale financial assets. The book value of the transferred asset should be recognised between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion shall be recorded in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(9) Convertible bonds

Convertible bonds which contain both a liability and an equity component are separated at the issue date. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. The equity component is assigned the residual amount after deducting from the fair value of the convertible bonds as a whole the amount separately determined for the liability component. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the convertible bonds are first recognised. The liability component is carried as a liability on the amortised cost basis until extinguished on cancellation, conversion or redemption. The equity component is included in shareholders' equity, and not remeasured in subsequent years.

On conversion of the convertible bonds, the Group derecognises the liability component and recognises it as equity.

(10) Derivatives and hedge accounting

Derivatives

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in the income statement.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under IAS 39 and are therefore treated as derivatives held for trading with fair value gains or losses recognised in the income statement. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to the income statement.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(11) Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(12) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Group has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(13) Repurchase and reverse repurchase transactions

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement", reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

(14) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially recognised at fair value and subsequent changes in fair value are recorded in income statement.

(15) Property and equipment

Property and equipment, other than construction in progress were stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

(In RMB millions, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and the annual depreciation rate of each item of property and equipment (except for aircraft and aircraft engines) are as follows:

	Estimated useful life	Estimated residual value	Annual depreciation rate
Properties and buildings	5–35 years	3%	2.77%–19.40%
Office equipment and computers	3–5 years	—	20.00%–33.33%
Motor vehicles	4–6 years	—	16.67%–25.00%
Leasehold improvements		Over the shorter of the economic useful lives and remaining lease terms	

Equipments under operating leases where the Group is the lessor are aircraft and aircraft engines. The estimated useful lives and depreciation methods are determined according to the real conditions of each individual aircraft and aircraft engines. The residual values are assessed by an independent valuer based on historical data. The estimated useful lives range from 15 to 25 years.

For an item of impaired fixed assets, the depreciation is calculated based on the carrying value less the cumulative impairment losses.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(16) Land use rights

Land use rights are recognised at cost, being the fair value at the time of injection from the central government of the PRC (the "Government") or the consideration paid. The rights are amortised using the straight-line basis over the period of the leases. When the prepaid land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of properties and buildings as finance leases in property and equipment.

(17) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(18) Business combination and goodwill

Business combinations from 1 January 2009

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU (group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Business combinations prior to 1 January 2009 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2009:

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

(20) Asset impairment

Impairment losses on assets except for deferred tax assets, financial assets and goodwill are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(21) Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with central banks, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

(22) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statutory defined contribution plans

In accordance with the relevant laws and regulations, domestic employees of the Group participate in various social insurance schemes like basic pension insurance, medical insurance, unemployment insurance and housing fund schemes administered by the local government authorities. The Group calculates and contributes to the local government agencies the above pension and insurance schemes using applicable contribution basis and rates stipulated in the relevant local regulations in the period the employees providing their services to the Group. Contributions to these plans are recognised in the income statement as incurred.

All eligible employees outside Mainland China participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

Retirement benefit annuity plan

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to the income statement when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employees benefits.

Termination benefits

Termination benefits are payable whenever an employee's employment is voluntarily terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises retirement benefits in the income statement when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal.

Early retirement benefits

According to the Bank's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefit expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognised in the income statement as incurred.

(23) Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The Group grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised ratably over the period in which the service is provided. The risk of loss is borne by those trustors.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as available-for-sale financial assets, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in profit or loss.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income on transactions conducted or from services provided over a period of time

Fee income is recognised on the basis of when the transaction is completed or on an accrual basis when the service is provided over a period of time. These fees mainly include fee income on settlement and clearing business, commission income and fee income on asset management, custody and other management advisory services.

(ii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

The fair value of the award credits granted to the bank card holders is deferred and recognised as fee and commission income when the award credits are redeemed or expire.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities that are held for trading. This includes gains and losses from changes in fair value relating to the ineffective portion of the hedging arrangements.

(25) Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the income statement except that it relates to items recognised directly in equity, in which case it is recognised in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(i) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(26) Leases

Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. Leases where substantially all the rewards and risks of the assets remain with the lessor are accounted for as operating leases.

Finance leases

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and advances to customers. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating leases

Rental payments applicable to operating leases are charged to the income statement on the straight-line basis over the lease terms.

When the Group is the lessor under operating leases, the assets subject to operating leases are accounted for as the Group's assets. Rental income is recognised as "other operating income" in the income statement on the straight-line basis over the lease term.

(27) Related parties

A party is considered to be related to the Group if:

(i) The party, directly or indirectly through one or more intermediaries, (a) controls, is controlled by, or is under common control with, the Group; (b) has an interest in the Group that gives it significant influence over the Group; or (c) has joint control over the Group;

(ii) The party is an associate of the Group;

(iii) The party is a joint venture in which the Group is a venturer;

(iv) The party is a member of the key management personnel of the Bank or its parent company;

(v) The party is a close member of the family of any individual referred to in (i) or (iv);

(vi) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(28) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised ratably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to a financial guarantee is taken to the income statement.

(29) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

(30) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as a held-to-maturity investment, significant management judgement is required. If the Group fails to correctly assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group shall reclassify the whole held-to-maturity investment portfolio as available for sale.

Impairment losses of loans and advances and amounts due from banks and other financial institutions

The Group determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances and amounts due from banks and other financial institutions. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Impairment losses of available-for-sale and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale and held-to-maturity investments, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of judgement of management, which would affect the amount of impairment losses.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or groups of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the CGU or groups of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

(In RMB millions, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

5. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendment	Amendment to IFRS 1 First-time adoption of International Financial Reporting Standards — Limited Exemption from comparative IFRS 7 Disclosure for First-time Adopters[2]
IFRS 1 Amendments	Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets[4]
IFRS 9	Financial Instruments[6]
IAS 12 Amendments	Amendments to IAS 12 Income Tax-Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (Revised)	Related Party Disclosures[3]
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation — Classification of Rights Issues[1]
IFRIC 14 Amendments	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement[3]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

Apart from the above, the IASB issued Improvements to IFRSs* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendments to IFRS 3 and IAS 27 which are effective for annual periods beginning on or after 1 July 2010, amendments to IFRS 7, IAS 1 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010

2 Effective for annual periods beginning on or after 1 July 2010

3 Effective for annual periods beginning on or after 1 January 2011

4 Effective for annual periods beginning on or after 1 July 2011

5 Effective for annual periods beginning on or after 1 January 2012

6 Effective for annual periods beginning on or after 1 January 2013

* Improvements to IFRSs contains amendments to IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13

5. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

The Group is in the process of making an assessment of the impact of these new and revised IFRSs and interpretations upon initial application. Further information about those changes that are expected to affect the Group is as follows:

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 issued in November 2009 reflects the first phase of the IASB's work on the replacement of IAS 39, and applies to classification and measurement of financial assets as defined in IAS 39. In October 2010, additions to IFRS 9 were issued to address financial liabilities and incorporated the current derecognition principles of financial instruments under IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address impairment of financial assets and hedge accounting. The completion of this project is expected in middle of 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 12 Income Tax: Deferred Tax — Recovery of Underlying Assets (Amendments)

The amended standard is effective for annual periods beginning on or after 1 January 2012. IAS 12 has been updated to include a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The amendments will have no impact on the financial statements of the Group.

IAS 24 Related Party Disclosures (Revised)

The revised standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendments)

The amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendments provide guidance on assessing the recoverable amount of a net pension asset. The amendments permit an entity to treat the prepayment of a minimum funding requirement as an asset. The amendments are deemed to have no impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss.

(In RMB millions, unless otherwise stated)

6. NET INTEREST INCOME

	2010	2009
Interest income on:		
Loans and advances to customers (i)		
— Corporate loans and advances	239,304	217,954
— Personal loans	69,364	48,551
— Discounted bills	7,458	10,634
Financial investments (ii)	106,611	96,230
Due from central banks	28,718	23,361
Due from banks and other financial institutions	11,307	9,148
	462,762	405,878
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)
	(159,013)	(160,057)
Net interest income	303,749	245,821

The above interest income and expense were related to financial instruments which are not at fair value through profit or loss.

(i) Included in interest income on loans and advances to customers for the year is an amount of RMB754 million (2009: RMB1,021 million) with respect to the accreted interest on impaired loans.

(ii) Included in interest income on financial investments for the year is an amount of RMB333 million (2009: RMB896 million) with respect to interest income on impaired debt securities.

7. 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 (i)	14,858	12,059
Bank card business	13,687	9,408
Corporate wealth management services (i)	6,886	4,442
Asset custody business (i)	3,385	2,212
Guarantee and commitment business	3,029	2,396
Trust and agency services (i)	979	882
Others	518	517
Fee and commission income	78,008	59,042
Fee and commission expense	(5,168)	(3,895)
Net fee and commission income	72,840	55,147

(i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above is an amount of RMB8,054 million (2009: RMB6,184 million) with respect to trust and other fiduciary activities.

(In RMB millions, unless otherwise stated)

8. NET TRADING EXPENSE

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

The above amounts include gains and losses arising from the buying and selling of, interest income and expense on and changes in the fair value of financial assets and liabilities held for trading as well as changes in the fair value relating to the ineffective portion of the hedging arrangements.

9. 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)
	(217)	(129)

The above amounts represent gains and losses arising from the buying and selling of, interest income and expense on and changes in the fair value of financial assets and liabilities designated at fair value through profit or loss upon initial recognition.

10. NET GAIN ON FINANCIAL INVESTMENTS

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

11. 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
	3,843	1,308

(In RMB millions, unless otherwise stated)

12. OPERATING EXPENSES

	2010	2009
Staff costs:		
Salaries and bonuses	45,310	38,769
Staff benefits	17,617	15,387
Contributions to defined contribution schemes (i)	6,712	6,334
	69,639	60,490
Premises and equipment expenses:		
Depreciation (note 30)	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
	18,874	16,760
Amortisation	1,314	1,361
Other administrative expenses (ii)	21,550	18,076
Business tax and surcharges	21,484	18,157
Others	6,619	5,975
	139,480	120,819

(i) Contributions to defined contribution schemes mainly include contributions to the state pension and the Bank's Annuity Plan. During the year and as at the end of the reporting period, the Group's forfeited contributions available to reduce its contributions to the pension schemes in future years were not material.

(ii) Included in other administrative expenses is auditors' remuneration (including related assurance services for the Group and its subsidiaries and overseas branches) of RMB178 million for the year (2009: RMB170 million).

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the directors' and supervisors' emoluments before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, are as follows:

		Year ended 31 December 2010			
Name	Position	Remuneration paid (before tax) RMB'000 (1)	Contributions to defined contribution schemes RMB'000 (2)	Fees RMB'000 (3)	Total emoluments before tax RMB'000 (4)=(1)+(2)+(3)
JIANG Jianqing	Chairman of the Board of Directors, Executive Director	765	194	—	959
YANG Kaisheng	Vice Chairman of the Board of Directors, Executive Director, President	715	184	—	899
ZHAO Lin	Chairman of the Board of Supervisors	680	183	—	863
ZHANG Furong (i)	Former Executive Director and Senior Executive Vice President	356	73	—	429
WANG Lili (ii)	Executive Director, Senior Executive Vice President	670	174	—	844
LI Xiaopeng (ii)	Executive Director, Senior Executive Vice President	670	173	—	843
HUAN Huiwu	Non-executive Director	—	—	—	—
GAO Jianhong	Non-executive Director	—	—	—	—
LI Chunxiang	Non-executive Director	—	—	—	—
LI Jun	Non-executive Director	—	—	—	—
LI Xiwen	Non-executive Director	—	—	—	—
WEI Fusheng	Non-executive Director	—	—	—	—
LEUNG Kam Chung, Antony	Independent Non-executive Director	—	—	500	500
QIAN Yingyi	Independent Non-executive Director	—	—	490	490
XU Shanda (ii)	Independent Non-executive Director	—	—	—	—
WONG Kwong Shing, Frank	Independent Non-executive Director	—	—	470	470
M.C. McCarthy	Independent Non-executive Director	—	—	383	383
Kenneth Patrick CHUNG	Independent Non-executive Director	—	—	383	383
WANG Chixi	Shareholder Representative Supervisor	697	145	—	842
DONG Juan	External Supervisor	—	—	300	300
MENG Yan	External Supervisor	—	—	280	280
ZHANG Wei	Employee Representative Supervisor	—	—	50	50
ZHU Lifei (iii)	Employee Representative Supervisor	—	—	13	13
CHANG Ruiming (iv)	Former Employee Representative Supervisor	—	—	38	38
		4,553	1,126	2,907	8,586

Note: The total compensation packages for the Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, Executive Directors, and Supervisors of the Bank for the year ended 31 December 2010 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have significant impact on the Group's and the Bank's 2010 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

(i) Mr. Zhang Furong ceased to act as executive director and senior executive vice president of the Bank, effective from 20 July 2010, due to change of his job assignment. The amount included the total emoluments before tax for the period of his service as executive director and senior Executive Vice President of the Bank in 2010.

(ii) At the First Extraordinary General Meeting held on 8 April 2010, Ms. Wang Lili was appointed as executive director of the Bank; at the Second Extraordinary General Meeting held on 21 September 2010, Mr. Li Xiaopeng was appointed as executive director of the Bank and Mr. Xu Shanda was consecutively appointed as independent non-executive director of the Bank. CBRC has approved of Ms. Wang Lili and Mr. Li Xiaopeng qualifying for their positions on 21 April 2010 and 21 October 2010, respectively.

(iii) On 10 September 2010, Mr. Zhu Lifei was elected as the employee representative supervisor of the Bank at the enlarged meeting of employee representatives of the Bank, effective from the date of election. The amount included the total emoluments before tax for the period of his service as supervisor of the Bank in 2010.

(iv) Mr. Chang Ruiming ceased to act as employee representative supervisor of the Bank due to change of his job assignment, effective from 10 September 2010. The amount included the total emoluments before tax for the period of his service as supervisor of the Bank in 2010.

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

		Year ended 31 December 2009						
Name	Position	Fees RMB'000 (1)	Remuneration paid RMB'000 (2)	Discretionary bonuses RMB'000 (3)	Contributions to defined contribution schemes RMB'000 (4)	Total emoluments before tax RMB'000 (5)=(1)+(2)+(3)+(4)	Of which: deferred payment RMB'000 (6)	Actual amount of remuneration paid (pre-tax) for 2009 RMB'000 (7)=(5)-(6)
JIANG Jianqing	Chairman of the Board of Directors, Executive Director	—	398	1,093	249	1,740	548	1,192
YANG Kaisheng	Vice Chairman of the Board of Directors, Executive Director, President	—	358	983	316	1,657	492	1,165
ZHAO Lin	Chairman of the Board of Supervisors	—	350	961	246	1,557	481	1,076
ZHANG Furong	Executive Director, Senior Executive Vice President	—	338	928	215	1,481	465	1,016
NIU Ximing	Former Executive Director and Senior Executive Vice President	—	338	928	215	1,481	465	1,016
HUAN Huiwu	Non-executive Director	—	—	—	—	—	—	—
GAO Jianhong	Non-executive Director	—	—	—	—	—	—	—
LI Chunxiang	Non-executive Director	—	—	—	—	—	—	—
LI Jun	Non-executive Director	—	—	—	—	—	—	—
LI Xiwen	Non-executive Director	—	—	—	—	—	—	—
WEI Fusheng	Non-executive Director	—	—	—	—	—	—	—
FU Zhongjun	Former Non-executive Director	—	—	—	—	—	—	—
KANG Xuejun	Former Non-executive Director	—	—	—	—	—	—	—
SONG Zhigang	Former Non-executive Director	—	—	—	—	—	—	—
Christopher A. COLE	Former Non-executive Director	—	—	—	—	—	—	—
LEUNG Kam Chung, Antony	Independent Non-executive Director	498	—	—	—	498	—	498
QIAN Yingyi	Independent Non-executive Director	485	—	—	—	485	—	485
XU Shanda	Independent Non-executive Director	—	—	—	—	—	—	—
WONG Kwong Shing, Frank	Independent Non-executive Director	428	—	—	—	428	—	428
M.C. McCarthy	Independent Non-executive Director	25	—	—	—	25	—	25
Kenneth Patrick CHUNG	Independent Non-executive Director	25	—	—	—	25	—	25
WANG Chixi	Shareholder Representative Supervisor	—	246	676	157	1,079	—	1,079
DONG Juan	External Supervisor	175	—	—	—	175	—	175
MENG Yan	External Supervisor	165	—	—	—	165	—	165
WANG Daocheng	Former External Supervisor	—	—	—	—	—	—	—
MIAO Gengshu	Former External Supervisor	—	—	—	—	—	—	—
ZHANG Wei	Employee Representative Supervisor	50	—	—	—	50	—	50
CHANG Ruiming	Employee Representative Supervisor	17	—	—	—	17	—	17
		1,868	2,028	5,569	1,398	10,863	2,451	8,412

Note 1: The above directors' and supervisors' emoluments for the year ended 31 December 2009 were restated in accordance with supplemental announcement for the 2009 annual report released by the Bank on 29 April 2010. The remuneration before tax payable to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other senior management members for 2009 set out in the table above represents the total amount of annual remuneration for each of these individuals, which includes the amount of "Remuneration paid" as disclosed in the 2009 Annual Report.

Note 2: Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred based on the future performance.

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

The non-executive directors of the Bank received emoluments from the Bank's shareholders or its affiliates in respect of their services during the year.

Three of the Bank's executive directors, who are also directors of a subsidiary of the Bank, waived emoluments amounting to RMB0.77 million for the year ended 31 December 2010 (2009: RMB0.17 million), which were related to discretionary bonuses for employees who contributed to the success of operations of the Bank's subsidiary. Therefore, those emoluments were not included in the directors' emoluments disclosed above. Except for above, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year ended 31 December 2010.

During the year, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil).

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank's overseas subsidiaries. Their emoluments were determined based on the prevailing market rates in the respective countries/regions where the subsidiaries are operating. None of them are directors, supervisors or key management personnel of the Bank whose emoluments are disclosed in note 13 and 50(e) to the financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	Group	
	2010 **RMB'000**	**2009** **RMB'000**
Salaries and allowances	12,288	14,650
Discretionary bonuses	18,692	5,898
Contributions to defined contribution schemes	585	897
	31,565	21,445

The number of these individuals whose emoluments fell within the following bands is set out below.

	Number of employees	
	2010	**2009**
RMB2,500,001 to RMB3,000,000	—	—
RMB3,000,001 to RMB3,500,000	—	1
RMB3,500,001 to RMB4,000,000	—	—
RMB4,000,001 to RMB4,500,000	1	2
RMB4,500,001 to RMB5,000,000	—	1
RMB5,000,001 to RMB5,500,000	1	1
RMB5,500,001 to RMB6,000,000	1	—
RMB6,000,001 to RMB6,500,000	1	—
RMB8,500,001 to RMB9,000,000	—	—
RMB10,000,001 to RMB10,500,000	1	—
	5	5

During the year, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil).

(In RMB millions, unless otherwise stated)

15. IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

	Notes	2010	2009
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	21	3	(3)
Financial investments:			
Held-to-maturity investments	27(d)	(203)	136
Available-for-sale financial assets	27(c)(i),(d)	(387)	781
Other assets		687	689
		100	1,603

16. 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
	49,715	38,405
Adjustments in respect of current income tax of prior years	571	3,765
Deferred income tax expense	(885)	(4,272)
	49,401	37,898

(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	215,426	167,294
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 (i)	1,124	3,307
Non-taxable income (ii)	(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	49,401	37,898

(i) The non-deductible expenses mainly represent non-deductible impairment provision and write-offs.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bonds, which is exempted from income tax.

17. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The consolidated profit attributable to equity holders of the parent company for the year ended 31 December 2010 includes a profit of RMB160,490 million (2009: RMB126,638 million) which has been dealt with in the financial statements of the Bank (note 41).

18. DIVIDENDS

	2010	2009
Dividends on ordinary shares declared and paid:		
Final dividend for 2009: RMB0.17 per share (2008: RMB0.165 per share)	56,783	55,113

	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)	64,219	56,783

19. 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	165,156	128,645
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	340,599	340,028
Basic earnings per share (RMB yuan)	0.48	0.38

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)	210	—
Profit used to determine diluted earnings per share	165,366	128,645
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)	2,008	—
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	342,607	340,028
Diluted earnings per share (RMB yuan)	0.48	0.38

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.

(In RMB millions, unless otherwise stated)

20. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2010	2009	2010	2009
Cash and unrestricted balances with central banks:				
Cash on hand	48,924	38,842	47,748	37,993
Surplus reserves with central banks (i)	69,222	85,720	68,315	85,162
Unrestricted balances with central banks of overseas countries or regions	6,823	5,167	851	1,085
	124,969	129,729	116,914	124,240
Restricted balances with central banks:				
Mandatory reserves with central banks (ii)	1,982,575	1,441,940	1,980,686	1,441,449
Fiscal deposits with the PBOC	173,843	119,753	173,843	119,753
Mandatory reserves with central banks of overseas countries or regions (ii)	1,520	1,543	730	549
Other restricted balances with PBOC (ii)	92	83	92	83
	2,158,030	1,563,319	2,155,351	1,561,834
	2,282,999	1,693,048	2,272,265	1,686,074

(i) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

(ii) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations. Mandatory reserve deposits mainly consist of deposits placed with the PBOC. As at 31 December 2010, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.

21. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2010	2009	2010	2009
Nostro accounts:				
Banks operating in Mainland China	139,915	135,736	139,113	134,073
Other financial institutions operating in Mainland China	2,036	1,177	2,036	858
Banks operating outside Mainland China	42,025	20,516	38,667	18,764
	183,976	157,429	179,816	153,695
Allowance for impairment losses	(34)	(34)	(33)	(33)
	183,942	157,395	179,783	153,662
Placements with banks and other financial institutions:				
Banks operating in Mainland China	11,775	17,508	12,005	19,254
Other financial institutions operating in Mainland China	24,066	10,174	23,165	10,174
Banks and other financial institutions operating outside Mainland China	29,108	50,252	44,712	55,500
	64,949	77,934	79,882	84,928
Allowance for impairment losses	(31)	(28)	(27)	(28)
	64,918	77,906	79,855	84,900
	248,860	235,301	259,638	238,562

(In RMB millions, unless otherwise stated)

21. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Movements of the allowance for impairment losses during the year are as follows:

Group	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2009	34	35	69
Reversal for the year	—	(3)	(3)
Write-offs	—	(4)	(4)
At 31 December 2009 and 1 January 2010	34	28	62
Charge for the year	—	3	3
At 31 December 2010	34	31	65

Bank	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2009	34	33	67
Reversal for the year	(1)	(3)	(4)
Write-offs	—	(2)	(2)
At 31 December 2009 and 1 January 2010	33	28	61
Reversal for the year	—	(1)	(1)
At 31 December 2010	33	27	60

22. FINANCIAL ASSETS HELD FOR TRADING

	Group		Bank	
	2010	2009	2010	2009
Debt securities	10,051	18,847	6,959	14,241
Equity investments	137	129	—	—
	10,188	18,976	6,959	14,241
Debt securities analysed into:				
Listed in Hong Kong	72	81	72	73
Listed outside Hong Kong	1,958	1,152	139	168
Unlisted	8,021	17,614	6,748	14,000
	10,051	18,847	6,959	14,241

23. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	2010	2009	2010	2009
Debt securities	948	1,171	138	148
Trust assets and others	1,850	—	1,850	—
	2,798	1,171	1,988	148
Analysed into:				
Listed in Hong Kong	—	333	—	—
Listed outside Hong Kong	138	675	138	148
Unlisted	2,660	163	1,850	—
	2,798	1,171	1,988	148

(In RMB millions, unless otherwise stated)

24. 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 and the Bank had derivative financial instruments as follows:

Group

	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
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)
	432,650	434,793	34,796	6,179	908,418	9,737	(6,296)
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	—	—
	19,880	84,591	192,199	37,197	333,867	2,873	(4,267)
Other derivative contracts	226	526	1,386	—	2,138	722	(1)
	452,756	519,910	228,381	43,376	1,244,423	13,332	(10,564)

	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
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)
	220,286	250,143	18,686	7,063	496,178	2,857	(3,969)
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)
	38,804	40,942	127,481	41,586	248,813	2,751	(3,665)
Other derivative contracts	273	1	34	—	308	150	(139)
	259,363	291,086	146,201	48,649	745,299	5,758	(7,773)

(In RMB millions, unless otherwise stated)

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Bank

	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
Exchange rate contracts:							
Forward and swap contracts	350,389	328,562	27,395	6,105	712,451	8,162	(4,922)
Option contracts purchased	—	7,947	—	—	7,947	92	—
	350,389	336,509	27,395	6,105	720,398	8,254	(4,922)
Interest rate contracts:							
Swap contracts	15,698	76,482	165,954	25,580	283,714	2,445	(3,187)
Forward contracts	3,470	1,470	5,364	—	10,304	178	(178)
	19,168	77,952	171,318	25,580	294,018	2,623	(3,365)
Other derivative contracts	51	467	—	—	518	2	—
	369,608	414,928	198,713	31,685	1,014,934	10,879	(8,287)

	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
Exchange rate contracts:							
Forward and swap contracts	202,247	210,523	16,985	8,070	437,825	2,280	(3,507)
Option contracts written	—	341	—	—	341	—	(6)
	202,247	210,864	16,985	8,070	438,166	2,280	(3,513)
Interest rate contracts:							
Swap contracts	34,813	34,122	97,423	36,879	203,237	2,280	(2,955)
Forward contracts	3,619	3,414	16,273	—	23,306	221	(221)
	38,432	37,536	113,696	36,879	226,543	2,501	(3,176)
	240,679	248,400	130,681	44,949	664,709	4,781	(6,689)

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.

(In RMB millions, unless otherwise stated)

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Group

	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	—	—	344	—	344	1	—
Interest rate swap contracts	—	661	3,874	3,311	7,846	—	(247)
	—	661	4,218	3,311	8,190	1	(247)

	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
Interest rate swap contracts	—	2	654	194	850	3	(5)

Bank (31 December 2009: Nil)

	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
Interest rate swap contracts	—	661	—	—	661	—	(1)

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:

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

(In RMB millions, unless otherwise stated)

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Group

	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	377	2,922	10,711	1,628	15,638	8	(716)
	377	2,975	11,528	1,628	16,508	9	(799)

	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	635	1,942	13,350	1,900	17,827	56	(676)
	635	1,942	13,404	1,900	17,881	56	(696)

Bank

	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	—	—	53	—	(11)
Interest rate swap contracts	377	2,588	5,688	249	8,902	8	(420)
	377	2,641	5,688	249	8,955	8	(431)

	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	635	1,942	7,514	446	10,537	12	(511)
	635	1,942	7,568	446	10,591	12	(531)

(In RMB millions, unless otherwise stated)

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group		Bank	
	2010	2009	2010	2009
Currency derivatives	8,267	4,722	6,143	3,077
Interest rate derivatives	2,066	2,544	1,757	2,050
Other derivatives	858	169	33	—
	11,191	7,435	7,933	5,127

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.

25. REVERSE REPURCHASE AGREEMENTS

	Group		Bank	
	2010	2009	2010	2009
Analysed by counterparty:				
Banks	117,045	356,172	116,562	356,172
Other financial institutions	145,182	52,654	111,939	52,429
	262,227	408,826	228,501	408,601
Analysed by collateral:				
Securities	199,443	348,325	167,632	348,325
Bills	54,346	53,266	54,346	53,266
Loans	8,438	7,235	6,523	7,010
	262,227	408,826	228,501	408,601

As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. At 31 December 2010, the Group had received securities with a fair value of approximately RMB82,076 million on such terms (2009: Nil). Of these, securities with a fair value of approximately RMB81,204 million have been repledged under repurchase agreements (2009: Nil). The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

26. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2010	2009	2010	2009
Corporate loans and advances	5,017,281	4,169,259	4,770,696	4,000,066
Personal loans	1,655,719	1,229,569	1,633,192	1,206,850
Discounted bills	117,506	329,798	117,135	329,792
	6,790,506	5,728,626	6,521,023	5,536,708
Allowance for impairment losses	(167,134)	(145,452)	(165,183)	(144,183)
	6,623,372	5,583,174	6,355,840	5,392,525

(In RMB millions, unless otherwise stated)

26. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Movements of allowance for impairment losses during the year are as follows:

Group

	Individually assessed	Collectively assessed	Total
At 1 January 2009	54,059	81,924	135,983
Impairment loss:	3,179	18,503	21,682
— impairment allowances charged	20,056	61,557	81,613
— impairment allowances transferred	242	(242)	—
— reversal of impairment allowances	(17,119)	(42,812)	(59,931)
Accreted interest on impaired loans (note 6)	(1,021)	—	(1,021)
Write-offs	(11,259)	(607)	(11,866)
Recoveries of loans and advances previously written off	774	142	916
Transfer out	(232)	(10)	(242)
At 31 December 2009 and 1 January 2010	45,500	99,952	145,452
Impairment loss:	1,807	26,081	27,888
— 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 (note 6)	(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
At 31 December 2010	41,300	125,834	167,134

Bank

	Individually assessed	Collectively assessed	Total
At 1 January 2009	53,758	81,567	135,325
Impairment loss:	2,803	18,148	20,951
— impairment allowances charged	19,614	61,029	80,643
— impairment allowances transferred	241	(241)	—
— reversal of impairment allowances	(17,052)	(42,640)	(59,692)
Accreted interest on impaired loans	(1,002)	—	(1,002)
Write-offs	(11,102)	(605)	(11,707)
Recoveries of loans and advances previously written off	718	138	856
Transfer out	(230)	(10)	(240)
At 31 December 2009 and 1 January 2010	44,945	99,238	144,183
Impairment loss:	1,582	25,556	27,138
— impairment allowances charged	13,199	69,024	82,223
— impairment allowances transferred	11	(11)	—
— reversal of impairment allowances	(11,628)	(43,457)	(55,085)
Accreted interest on impaired loans	(736)	—	(736)
Write-offs	(5,981)	(502)	(6,483)
Recoveries of loans and advances previously written off	906	175	1,081
At 31 December 2010	40,716	124,467	165,183

(In RMB millions, unless otherwise stated)

26. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Movements of allowance for impairment losses during the year analysed into those attributable to corporate loans and advances and discounted bills and personal loans are as follows:

Group

	Corporate loans and advances and discounted bills	Personal loans	Total
At 1 January 2009	117,533	18,450	135,983
Impairment loss:	14,998	6,684	21,682
— impairment allowances charged	69,472	12,141	81,613
— reversal of impairment allowances	(54,474)	(5,457)	(59,931)
Accreted interest on impaired loans (note 6)	(1,021)	—	(1,021)
Write-offs	(11,259)	(607)	(11,866)
Recoveries of loans and advances previously written off	774	142	916
Transfer out	(232)	(10)	(242)
At 31 December 2009 and 1 January 2010	120,793	24,659	145,452
Impairment loss:	17,654	10,234	27,888
— impairment allowances charged	66,416	17,036	83,452
— reversal of impairment allowances	(48,762)	(6,802)	(55,564)
Accreted interest on impaired loans (note 6)	(754)	—	(754)
Write-offs	(6,394)	(510)	(6,904)
Recoveries of loans and advances previously written off	913	176	1,089
Others	353	10	363
At 31 December 2010	132,565	34,569	167,134

Bank

	Corporate loans and advances and discounted bills	Personal loans	Total
At 1 January 2009	116,939	18,386	135,325
Impairment loss:	14,270	6,681	20,951
— impairment allowances charged	68,522	12,121	80,643
— reversal of impairment allowances	(54,252)	(5,440)	(59,692)
Accreted interest on impaired loans	(1,002)	—	(1,002)
Write-offs	(11,102)	(605)	(11,707)
Recoveries of loans and advances previously written off	718	138	856
Transfer out	(230)	(10)	(240)
At 31 December 2009 and 1 January 2010	119,593	24,590	144,183
Impairment loss:	16,912	10,226	27,138
— impairment allowances charged	65,207	17,016	82,223
— reversal of impairment allowances	(48,295)	(6,790)	(55,085)
Accreted interest on impaired loans	(736)	—	(736)
Write-offs	(5,981)	(502)	(6,483)
Recoveries of loans and advances previously written off	906	175	1,081
At 31 December 2010	130,694	34,489	165,183

(In RMB millions, unless otherwise stated)

26. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	Group		Bank	
	2010	2009	2010	2009
Loans and advances for which allowance for impairment losses are:				
Individually assessed	63,500	78,377	61,858	77,056
Collectively assessed	6,727,006	5,650,249	6,459,165	5,459,652
	6,790,506	5,728,626	6,521,023	5,536,708
Allowance for impairment losses:				
Individually assessed	41,300	45,500	40,716	44,945
Collectively assessed	125,834	99,952	124,467	99,238
	167,134	145,452	165,183	144,183
Net loans and advances for which allowance for impairment losses are:				
Individually assessed	22,200	32,877	21,142	32,111
Collectively assessed	6,601,172	5,550,297	6,334,698	5,360,414
	6,623,372	5,583,174	6,355,840	5,392,525
Identified impaired loans and advances	73,241	88,467	71,514	87,085
Percentage of impaired loans and advances	1.08%	1.54%	1.10%	1.57%

Securitisation business

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to SPEs which issue asset-backed securities to investors. The Group may retain interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group exposes to changes in the value of the transferred assets.

As at 31 December 2010, loans with an original carrying amount of RMB12,032 million (2009: RMB12,032 million) have been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets. As at 31 December 2010, the amount of assets that the Group continues to recognise was RMB395 million (2009: RMB519 million), and the assets were classified as available-for-sale financial assets.

27. FINANCIAL INVESTMENTS

		Group		Bank	
	Notes	2010	2009	2010	2009
Receivables	(a)	501,706	1,132,379	501,706	1,132,379
Held-to-maturity investments	(b)	2,312,781	1,496,738	2,316,159	1,501,067
Available-for-sale financial assets	(c)	904,795	949,909	864,393	918,112
		3,719,282	3,579,026	3,682,258	3,551,558

(In RMB millions, unless otherwise stated)

27. FINANCIAL INVESTMENTS (CONTINUED)

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

		Group and Bank	
	Notes	2010	2009
Huarong bonds	(i)	312,996	312,996
Special government bond	(ii)	85,000	85,000
MOF receivable	(iii)	—	62,520
Special PBOC bills	(iv)	4,325	434,790
Other bills and bonds	(v)	99,385	237,073
		501,706	1,132,379

(i) The Huarong bonds are a series of long term bonds issued by China Huarong Asset Management Corporation ("Huarong") in 2000 to 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-transferable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. During the year, the Bank received a notice from the Ministry of Finance of the People's Republic of China (the "MOF") that the maturity dates of the Huarong bonds are extended for another ten years and the interest rate remains unchanged. Besides, the MOF will continue providing funding in support of the repayment of the principal and interest of the bonds.

(ii) The special government bond represents a non-negotiable bond with a nominal value of RMB85,000 million issued by the MOF to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.

(iii) The MOF receivable represents the receivable arising from the disposal of certain impaired assets to Huarong in 2005. The MOF receivable has been fully repaid during the year.

(iv) Special PBOC bill is a non-transferable bill with a nominal value of RMB4,325 million issued by the PBOC in June 2006, which will mature in June 2011 and bears a fixed interest rate of 1.89% per annum. The PBOC has the right to early redeem the bill prior to the maturity date. As of 31 December 2009, special PBOC bills include a non-transferable bill with a nominal value of RMB430,465 million which has matured and been repaid during the year.

(v) Other bills and bonds include PBOC bills, government and financial bonds. The balance represents non-transferable debt securities with fixed or determinable payments, which will mature in April 2011 to September 2020 and bear interest rates of 2.60% to 6.30% per annum.

(b) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

	Group		Bank	
	2010	2009	2010	2009
Debt securities	2,314,255	1,498,584	2,317,472	1,502,797
Allowance for impairment losses	(1,474)	(1,846)	(1,313)	(1,730)
	2,312,781	1,496,738	2,316,159	1,501,067

	Group		Bank	
	2010	2009	2010	2009
Analysed into:				
Listed in Hong Kong	432	450	195	133
Listed outside Hong Kong	379,760	333,552	377,298	331,633
Unlisted	1,932,589	1,162,736	1,938,666	1,169,301
	2,312,781	1,496,738	2,316,159	1,501,067
Market value of listed debt securities	372,725	334,554	370,009	332,377

(In RMB millions, unless otherwise stated)

27. FINANCIAL INVESTMENTS (CONTINUED)

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	Group		Bank	
	2010	2009	2010	2009
Debt securities, at fair value (i)	899,750	945,425	861,613	915,641
Equity investments:				
At fair value (i)	2,986	2,595	818	954
At cost (ii):				
Debt for equity swaps	1,627	2,015	1,627	2,015
Others	1,468	836	1,148	315
Less: Allowance for impairment losses of equity investments	(1,036)	(962)	(813)	(813)
	2,059	1,889	1,962	1,517
Subtotal for equity investments	5,045	4,484	2,780	2,471
	904,795	949,909	864,393	918,112
Debt securities analysed into:				
Listed in Hong Kong	3,645	4,380	1,536	2,074
Listed outside Hong Kong	99,845	121,340	85,601	105,866
Unlisted	796,260	819,705	774,476	807,701
	899,750	945,425	861,613	915,641
Equity investments analysed into:				
Listed in Hong Kong	940	1,323	—	—
Listed outside Hong Kong	1,004	271	156	271
Unlisted	3,101	2,890	2,624	2,200
	5,045	4,484	2,780	2,471
Market value of listed securities:				
Debt securities	103,490	125,720	87,137	107,940
Equity investments	1,944	1,594	156	271
	105,434	127,314	87,293	108,211

(i) When impairment of an available-for-sale investment measured at fair value occurs, any impairment loss recognised is recorded in the carrying amount directly. As at 31 December 2010, the available-for-sale financial assets measured at fair value include debt securities which are individually assessed to be impaired whose carrying amount is RMB4,296 million (2009: RMB6,280 million), with the reversal of impairment loss recognised in the income statement for the year of RMB394 million (2009: the accrual of impairment loss of RMB590 million) on available-for-sale financial assets.

(ii) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise. During the year, the Group disposed of part of these equity investments with a carrying value of RMB402 million (2009: RMB300 million), with a gain of RMB2 million recognised on the disposal (2009: Nil).

(In RMB millions, unless otherwise stated)

27. FINANCIAL INVESTMENTS (CONTINUED)

(d) Movements of allowance for impairment losses of held-to-maturity investments and available-for-sale equity investments measured at cost during the year are as follows:

	Group			Bank		
	Held-to-maturity investments	Available-for-sale equity investments	Total	Held-to-maturity investments	Available-for-sale equity investments	Total
At 1 January 2009	1,713	771	2,484	1,595	747	2,342
Charge for the year	136	191	327	137	66	203
Disposals	(3)	—	(3)	(2)	—	(2)
At 31 December 2009 and 1 January 2010	1,846	962	2,808	1,730	813	2,543
Charge for the year	4	7	11	4	—	4
Reversal	(207)	—	(207)	(207)	—	(207)
Others	48	84	132	—	—	—
Disposals	(217)	(17)	(234)	(214)	—	(214)
At 31 December 2010	1,474	1,036	2,510	1,313	813	2,126

28. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2010	2009
Unlisted investments, at cost	45,057	15,104
Shares listed in Hong Kong, at cost	—	11,006
	45,057	26,110
Market value of the Bank's investment in a subsidiary whose shares are listed in Hong Kong	—	14,204

(In RMB millions, unless otherwise stated)

28. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the Bank's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest 31 December 2010 %	Percentage of equity interest 31 December 2009 %	Voting rights 31 December 2010 %	Nominal value of issued share/paid-up capital 31 December 2010	Amount invested by the Bank	Place of incorporation/ registration and operations	Principal activities
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia") (i)	100	72.40	100	HK$2,704 million	HK$22,442 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International") (ii)	100	100	100	HK$939 million	HK$982 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	100	USD26.68 million	USD26.68 million	Almaty, Kazakhstan	Commercial banking
Industrial and Commercial Bank of China, (London) Limited	100	100	100	USD200 million	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. *	55	55	55	RMB200 million	RMB110 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China Luxembourg S.A. (iii)	100	100	100	EUR115 million	EUR115 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia (iv)	97.50	97.83	97.50	IDR1,500 billion	USD176 million	Jakarta, Indonesia	Commercial banking
ZAO Industrial and Commercial Bank of China (Moscow)	100	100	100	RUB1,000 million	RUB1,000 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd. *	100	100	100	RMB5,000 million	RMB5,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited (v)	89.33	89.33	89.33	MOP461 million	MOP9,188 million	Macau, the PRC	Commercial banking
Industrial and Commercial Bank of China (Middle East) Limited	100	100	100	USD50 million	USD50 million	Dubai, United Arab Emirates	Commercial and investment banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd.	60	60	60	RMB200 million	RMB120 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd. *	100	100	100	RMB100 million	RMB100 million	Chongqing, the PRC	Commercial banking
Industrial and Commercial Bank of China (Canada) (vi)	70	—	70	CA$58 million	CA$82.95 million	Toronto, Canada	Commercial banking
Industrial and Commercial East Asia Finance Holdings Limited ("ICEA") (vi)	—	75	—	—	—	British Virgin Islands and Hong Kong	Investment banking
Industrial and Commercial Bank of China (Malaysia) Berhad (vii)	100	—	100	MYR331 million	MYR331 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited (viii)	97.24	—	97.24	THB15,905 million	THB17,786 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC (ix)	100	—	100	USD50 million	USD50.25 million	Delaware and New York, United States	Broker dealer

* These subsidiaries incorporated in Mainland China are all limited liability companies.

(In RMB millions, unless otherwise stated)

28. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

(i) On 21 December 2010, ICBC Asia formally withdrew its listing of shares on the Stock Exchange of Hong Kong Limited. On 22 December 2010, the Bank allocated the purchase price of HK$10.829 billion to the privatisation settlement accounts of ICBC Asia. As of 31 December 2010, ICBC Asia became a wholly-owned subsidiary of the Bank.

(ii) On 19 March 2010, the Bank made an additional capital injection of USD85 million into ICBC International and the total registered and paid-in capital increased to HK$939 million.

(iii) On 28 June 2010, the Bank made an additional capital injection of EUR100 million into Industrial and Commercial Bank of China Luxembourg S.A. and the total registered and paid-in capital increased to EUR115 million. On 1 January 2011, Industrial and Commercial Bank of China Luxembourg S.A. officially changed its name to Industrial and Commercial Bank of China (Europe) S.A.

(iv) The Bank made additional capital injections of USD111.27 million and USD1.47 million on 20 August and 30 December 2010, respectively, into PT. Bank ICBC Indonesia and the total registered and paid-in capital increased to IDR1,500 billion.

(v) On 23 August 2010, the Bank made an additional capital injection of HK$2,000 million into Industrial and Commercial Bank of China (Macau) Limited and the total registered and paid-in capital increased to MOP461 million.

(vi) On 28 January 2010, the Bank disposed of 15 million issued ordinary shares, representing a 75% equity interests in ICEA to the Bank of East Asia, Limited ("BEA"), for a consideration of HK$372 million (equivalent to approximately RMB327 million). The Bank acquired 70% of issued ordinary shares of the Bank of East Asia (Canada) ("BEAC") from BEA, at a consideration of CAD82.95 million (equivalent to approximately RMB532 million). On 2 July 2010, BEAC officially changed its name to Industrial and Commercial Bank of China (Canada).

(vii) Industrial and Commercial Bank of China (Malaysia) Berhad was established on 28 January 2010, with registered capital amounting to MYR331 million. The percentage of the equity interests held by the Bank was 100%.

(viii) The Bank submitted a voluntary tender offer for all the outstanding ordinary shares and preferred shares of Thailand's ACL Bank Public Company Limited ("ACL Bank"). Completion of the settlement under the voluntary tender offer took place on 21 April 2010. The Bank acquired 1,546,286,553 ordinary shares and 282,048 preferred shares of ACL Bank, representing a 97.24% equity interest in ACL Bank. On 8 July 2010, ACL Bank officially changed its name to Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai"). On 27 December 2010, the Bank made a voluntary delisting tender offer, and completion of the delisting tender offer took place on 8 March 2011. Upon completion of the delisting tender offer, the Bank held 1,553,563,401 ordinary shares and 355,581 preferred shares of ICBC Thai, in aggregate representing approximately 97.70% of the total issued shares of ICBC Thai (note 54(c)).

(ix) Pursuant to the acquisition agreement, the Bank acquired all the shares of Strong City Securities LLC at a consideration of USD0.25 million. Subsequent to the acquisition, the Bank made a total additional capital injection of USD50 million into the subsidiary, and officially changed its name to Industrial and Commercial Bank of China Financial Services LLC.

Apart from the above, the Bank has consolidated SPEs which are controlled by the Bank.

29. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

	Group	
	2010	2009
Share of net assets	19,417	17,007
Goodwill	20,908	19,271
	40,325	36,278

	Bank	
	2010	2009
Shares listed outside Hong Kong, at cost	33,717	33,576

(In RMB millions, unless otherwise stated)

29. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (CONTINUED)

The following table illustrates the summarised financial information of the Group's associates and jointly-controlled entities:

	31 December 2010	31 December 2009
Assets	1,341,448	1,237,895
Liabilities	(1,235,634)	(1,145,930)
Net assets	105,814	91,965

	2010	2009
Revenue	110,382	98,212
Profit for the year	13,116	11,117

The financial information above was extracted from the financial statements of the associates and jointly-controlled entities.

The following table illustrates the market value of the Group's listed investments in associates and jointly-controlled entities:

	31 December 2010	31 December 2009
Market value of listed investments	28,503	29,486

(In RMB millions, unless otherwise stated)

29. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (CONTINUED)

Particulars of the Group's principal associates and jointly-controlled entities are as follows:

Name	Percentage of equity interest 31 December 2010 %	Percentage of equity interest 31 December 2009 %	Voting rights 31 December 2010 %	Place of incorporation/ registration	Principal activities
Associates:					
Listed investment directly held:					
Standard Bank Group Limited ("Standard Bank") (i)	20.06	20.09	20.06	Johannesburg, Republic of South Africa	Commercial banking
Listed investment indirectly held:					
Finansia Syrus Securities Public Company Limited (ii)	23.83	—	24.51	Bangkok, Thailand	Securities
Unlisted investment indirectly held:					
IEC Investments Limited (iii)	40.00	28.96	40.00	Hong Kong, the PRC	Investment
All Winwin Holdings Limited (iv)	20.00	—	20.00	British Virgin Islands	Investment
Jointly-controlled entities:					
Unlisted investment indirectly held:					
Jiangxi Poyanghu Industry Investment Management Company Limited (v)	50.00	50.00	50.00	Jiangxi, the PRC	Investment management
COLI ICBCI China Investment Management (Cayman Islands) Limited (vi)	45.00	—	Note 1	Cayman Islands	Investment management
Harmony China Real Estate Fund L.P. (vii)	27.91	—	Note 2	Cayman Islands	Fund
ICBC HNA (Tianjin) Equity Investment Fund Management Limited ("ICBC HNA") (viii)	50.00	—	50.00	Tianjin, the PRC	Fund management

Note 1: According to the articles of association, the Group and other shareholders jointly control the entity.

Note 2: The Fund is a limited partnership; under the partnership agreement, the Group and other partners jointly control the Fund.

(i) On 26 April 2010, the Bank was allotted 1,392,445 ordinary shares of Standard Bank pursuant to the scrip dividend schemes of Standard Bank. As at 31 December 2010, the equity interests held by the Bank in Standard Bank decreased to 20.06%.

(ii) The shareholding of a 24.51% equity interest in this associate is held by a non-wholly-owned subsidiary, ICBC Thai. The percentage of equity interest disclosed represents the effective percentage of equity held by the Group.

(iii) The shareholding of a 40% equity interest in this associate is held by a wholly-owned subsidiary, ICBC Asia. The percentage of equity interest disclosed represents the effective percentage of equity held by the Group.

(iv) The shareholding of a 20% equity interest in this associate is held by a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage of equity held by the Group.

(v) Jiangxi Poyanghu Industry Investment Management Company Limited is a jointly-controlled entity of a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage held by the Group.

(vi) COLI ICBCI China Investment Management (Cayman Islands) Limited is a jointly-controlled entity of a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage held by the Group.

(vii) Harmony China Real Estate Fund L.P. is a jointly-controlled limited partnership of a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage held by the Group.

(viii) ICBC HNA is a jointly-controlled entity of a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage held by the Group.

(In RMB millions, unless otherwise stated)

30. PROPERTY AND EQUIPMENT

Group

	Properties and buildings	Construction in progress	Leasehold improve-ments	Office equipment and computers	Aircraft and motor vehicles	Total
Cost:						
1 January 2009	79,067	5,331	2,888	27,326	1,620	116,232
Additions	2,967	7,345	1,141	6,088	1,645	19,186
CIP transfer in/(out)	3,218	(3,737)	—	516	3	—
Other transfer in/(out)	58	(18)	11	—	—	51
Disposals	(582)	(120)	(112)	(1,346)	(248)	(2,408)
At 31 December 2009 and 1 January 2010	84,728	8,801	3,928	32,584	3,020	133,061
Additions	2,363	6,759	1,013	5,833	2,899	18,867
CIP transfer in/(out)	4,625	(5,098)	—	473	—	—
Acquisition of subsidiaries	4	—	—	45	11	60
Other transfer in/(out)	153	(52)	—	—	—	101
Disposals	(390)	(86)	(95)	(1,136)	(136)	(1,843)
At 31 December 2010	91,483	10,324	4,846	37,799	5,794	150,246
Accumulated depreciation and impairment:						
At 1 January 2009	12,004	142	1,036	15,148	1,102	29,432
Depreciation charge for the year (note 12)	4,170	—	596	4,712	161	9,639
Disposals	(229)	(34)	(69)	(1,119)	(243)	(1,694)
At 31 December 2009 and 1 January 2010	15,945	108	1,563	18,741	1,020	37,377
Depreciation charge for the year (note 12)	4,588	—	749	5,220	287	10,844
Impairment allowance charge for the year	—	—	—	—	61	61
Disposals	(147)	(54)	(39)	(1,084)	(124)	(1,448)
At 31 December 2010	20,386	54	2,273	22,877	1,244	46,834
Net carrying amount:						
At 31 December 2009	68,783	8,693	2,365	13,843	2,000	95,684
At 31 December 2010	71,097	10,270	2,573	14,922	4,550	103,412

(In RMB millions, unless otherwise stated)

30. PROPERTY AND EQUIPMENT (CONTINUED)

Bank

	Properties and buildings	Construction in progress	Leasehold improve-ments	Office equipment and computers	Aircraft and motor vehicles	Total
Cost:						
1 January 2009	78,752	5,331	2,662	27,145	1,605	115,495
Additions	2,888	7,345	1,069	6,010	322	17,634
CIP transfer in/(out)	3,218	(3,737)	—	516	3	—
Other transfer in/(out)	58	(18)	11	—	—	51
Disposals	(582)	(120)	(99)	(1,307)	(245)	(2,353)
At 31 December 2009 and 1 January 2010	84,334	8,801	3,643	32,364	1,685	130,827
Additions	1,830	6,757	969	5,779	253	15,588
CIP transfer in/(out)	4,625	(5,096)	—	471	—	—
Other transfer in/(out)	153	(52)	—	—	—	101
Disposals	(387)	(86)	(95)	(1,062)	(124)	(1,754)
At 31 December 2010	90,555	10,324	4,517	37,552	1,814	144,762
Accumulated depreciation and impairment:						
At 1 January 2009	11,991	142	927	15,118	1,097	29,275
Depreciation charge for the year	4,152	—	565	4,662	158	9,537
Disposals	(229)	(34)	(67)	(1,091)	(242)	(1,663)
At 31 December 2009 and 1 January 2010	15,914	108	1,425	18,689	1,013	37,149
Depreciation charge for the year	4,563	—	718	5,164	169	10,614
Disposals	(146)	(54)	(38)	(1,058)	(123)	(1,419)
At 31 December 2010	20,331	54	2,105	22,795	1,059	46,344
Net carrying amount:						
At 31 December 2009	68,420	8,693	2,218	13,675	672	93,678
At 31 December 2010	70,224	10,270	2,412	14,757	755	98,418

The Group leases certain aircrafts and aircraft engines which were included in "Aircraft and motor vehicles" to third parties under operating lease arrangements. Details are analysed as follows:

	Group	
	2010	2009
Cost	3,861	1,323
Accumulated depreciation	(112)	—
Impairment	(61)	—
Net carrying amount	3,688	1,323

(In RMB millions, unless otherwise stated)

30. PROPERTY AND EQUIPMENT (CONTINUED)

The carrying value of the Group's and the Bank's properties and buildings is analysed based on the remaining terms of the leases as follows:

	Group		Bank	
	2010	2009	2010	2009
Long term leases (over 50 years)				
Held in the PRC (other than Hong Kong)	5,710	5,893	5,710	5,893
Held in Hong Kong	166	189	166	178
Held overseas	203	11	57	—
	6,079	6,093	5,933	6,071
Medium term leases (10 to 50 years)				
Held in the PRC (other than Hong Kong)	60,549	59,295	60,537	59,152
Held in Hong Kong	89	95	41	44
Held overseas	363	101	—	40
	61,001	59,491	60,578	59,236
Short term leases (less than 10 years)				
Held in the PRC (other than Hong Kong)	3,928	3,124	3,711	3,113
Held in Hong Kong	82	75	—	—
Held overseas	7	—	2	—
	4,017	3,199	3,713	3,113
	71,097	68,783	70,224	68,420

As at 31 December 2010, the process of obtaining the titleship for the Group's properties and buildings with an aggregate net carrying value of RMB6,520 million (2009: RMB6,350 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

Group

	2010		2009	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible temporary differences	Deferred income tax assets
Deferred income tax assets:				
Allowance for impairment losses	57,279	14,297	49,253	12,290
Change in fair value of available-for-sale financial assets	11,489	2,885	3,020	776
Change in fair value of financial instruments at fair value through profit or loss	(2,979)	(745)	1,472	368
Accrued staff costs	19,709	4,927	20,510	5,127
Others	1,366	348	573	135
	86,864	21,712	74,828	18,696

(In RMB millions, unless otherwise stated)

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

	2010		2009	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)
Deferred income tax liabilities:				
Allowance for impairment losses	(338)	(56)	(266)	(43)
Change in fair value of available-for-sale financial assets	1,872	309	1,121	185
Change in fair value of financial instruments at fair value through profit or loss	227	37	220	36
Others	40	28	3	—
	1,801	318	1,078	178

Bank

	2010		2009	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible temporary differences	Deferred income tax assets
Deferred income tax assets:				
Allowance for impairment losses	56,855	14,212	49,072	12,267
Change in fair value of available-for-sale financial assets	11,479	2,882	3,020	776
Change in fair value of financial instruments at fair value through profit or loss	(2,979)	(745)	1,472	368
Accrued staff costs	19,709	4,927	20,510	5,127
Others	1,146	292	386	97
	86,210	21,568	74,460	18,635

(b) Movements of deferred income tax

Group

	At 1 January 2010	Credited/ (debited) to the income statement	Credited to other comprehensive income	At 31 December 2010
Deferred income tax assets:				
Allowance for impairment losses	12,290	2,007	—	14,297
Change in fair value of available-for-sale financial assets	776	—	2,109	2,885
Change in fair value of financial instruments at fair value through profit or loss	368	(1,113)	—	(745)
Accrued staff costs	5,127	(200)	—	4,927
Others	135	213	—	348
	18,696	907	2,109	21,712

(In RMB millions, unless otherwise stated)

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

	At 1 January 2009	Credited/ (debited) to the income statement	Credited to other comprehensive income	At 31 December 2009
Deferred income tax assets:				
Allowance for impairment losses	11,903	387	—	12,290
Change in fair value of available-for-sale financial assets	(2,925)	—	3,701	776
Change in fair value of financial instruments at fair value through profit or loss	(991)	1,359	—	368
Accrued staff costs	2,589	2,538	—	5,127
Others	170	(35)	—	135
	10,746	4,249	3,701	18,696

	At 1 January 2010	Debited/ (credited) to the income statement	Debited/ (credited) to other comprehensive income	At 31 December 2010
Deferred income tax liabilities:				
Allowance for impairment losses	(43)	(13)	—	(56)
Change in fair value of available-for-sale financial assets	185	—	124	309
Change in fair value of financial instruments at fair value through profit or loss	36	1	—	37
Others	—	34	(6)	28
	178	22	118	318

	At 1 January 2009	Debited/ (credited) to the income statement	Debited to other comprehensive income	At 31 December 2009
Deferred income tax liabilities:				
Allowance for impairment losses	—	(43)	—	(43)
Change in fair value of available-for-sale financial assets	—	—	185	185
Change in fair value of financial instruments at fair value through profit or loss	—	36	—	36
Others	16	(16)	—	—
	16	(23)	185	178

(In RMB millions, unless otherwise stated)

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

Bank

	At 1 January 2010	Credited/ (debited) to the income statement	Credited to other comprehensive income	At 31 December 2010
Deferred income tax assets:				
Allowance for impairment losses	12,267	1,945	—	14,212
Change in fair value of available-for-sale financial assets	776	—	2,106	2,882
Change in fair value of financial instruments at fair value through profit or loss	368	(1,113)	—	(745)
Accrued staff costs	5,127	(200)	—	4,927
Others	97	195	—	292
	18,635	827	2,106	21,568

	At 1 January 2009	Credited/ (debited) to the income statement	Credited to other comprehensive income	At 31 December 2009
Deferred income tax assets:				
Allowance for impairment losses	11,859	408	—	12,267
Change in fair value of available-for-sale financial assets	(3,027)	—	3,803	776
Change in fair value of financial instruments at fair value through profit or loss	(991)	1,359	—	368
Accrued staff costs	2,589	2,538	—	5,127
Others	177	(80)	—	97
	10,607	4,225	3,803	18,635

The Group and the Bank did not have significant unrecognised deferred income tax assets and liabilities at the end of the reporting period.

32. OTHER ASSETS

	Group		Bank	
	2010	2009	2010	2009
Interest receivable	58,616	55,124	57,394	54,441
Land use rights	22,090	22,672	22,090	22,672
Settlement accounts	11,037	6,030	8,147	5,039
Precious metal	10,226	2,699	10,224	2,699
Advance payments	8,720	5,428	1,163	626
Goodwill (i)	6,461	5,350	—	—
Repossessed assets	2,317	1,954	2,050	1,952
Others	10,648	9,858	9,508	9,234
	130,115	109,115	110,576	96,663

(In RMB millions, unless otherwise stated)

32. OTHER ASSETS (CONTINUED)

(i) Goodwill arising from business combinations has been allocated to the Group's CGU, which is not larger than the reportable segment of the Group, for impairment testing.

The recoverable amount of the CGU is determined based on the discounted future cash flows of the CGU. The cash flow projections based on financial forecasts approved by management of the subsidiaries cover a three to five years period. Cash flows beyond the three to five years period are extrapolated using the estimate rates which do not exceed the long term average growth rate for the business in which the CGU operates. The discount rate is the pre-tax rate and reflects the specific risk associated with the CGU.

As indicated by the impairment tests, goodwill arising from business combinations are not impaired and thus, no impairment loss is recognised.

33. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Bank	
	Notes	2010	2009	2010	2009
Structured deposits	(i)	3,961	14,581	3,961	14,581
Wealth management product	(ii)	1,862	—	1,862	—
Certificates of deposit	(iii)	754	1,250	—	—
Notes payable	(iv)	93	—	—	—
		6,670	15,831	5,823	14,581

(i) The fair value of structured deposits in excess of the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity as at 31 December 2010 was RMB6.60 million (2009: RMB1.63 million below).

(ii) The principal guaranteed wealth management product issued by the Group and the financial assets invested by the aforesaid product form part of a group of financial instruments that together are managed on a fair value basis, and are classified as financial liabilities and financial assets designated at fair value through profit or loss, respectively. The fair value of the wealth management product was similar to the amount that the Group would be contractually required to pay to the holders of the wealth management product upon maturity as at 31 December 2010.

(iii) The certificates of deposit were all issued by ICBC Asia to financial institutions and retail customers at fixed rates and were classified as financial liabilities designated at fair value through profit or loss. The fair value of the certificates of deposit in excess of the amount that the Group would be contractually required to pay to the holders of these certificates of deposit upon maturity as at 31 December 2010 was RMB6.01 million (2009: RMB12.30 million above).

(iv) The notes were all issued by ICBC Asia and were classified as financial liabilities designated at fair value through profit or loss. The fair value of the notes was similar to the amount that the Group would be contractually required to pay to the holders upon maturity as at 31 December 2010.

There were no significant changes in the credit spread of the Bank and ICBC Asia and therefore the amounts of changes in fair value of the financial liabilities that were attributable to changes in credit risk were considered not significant during the years presented and cumulatively as at 31 December 2010 and 31 December 2009. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

Certain structured deposits, certificates of deposit and notes payable have been matched with derivatives as part of a documented risk management strategy to mitigate market risk, such as interest rate risk. An accounting mismatch would arise if these financial liabilities were accounted for at amortised cost, because the related derivatives are measured at fair value with movements in the fair value taken through the income statement. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values is recorded in the income statement.

(In RMB millions, unless otherwise stated)

34. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2010	2009	2010	2009
Deposits				
Banks and other financial institutions operating in Mainland China	907,686	920,315	909,619	920,911
Banks and other financial institutions operating outside Mainland China	14,683	10,695	14,471	10,254
	922,369	931,010	924,090	931,165
Money market takings				
Banks and other financial institutions operating in Mainland China	55,211	35,544	11,174	14,488
Banks and other financial institutions operating outside Mainland China	70,422	35,080	75,015	36,109
	125,633	70,624	86,189	50,597
	1,048,002	1,001,634	1,010,279	981,762

35. REPURCHASE AGREEMENTS

	Group		Bank	
	2010	2009	2010	2009
Analysed by counterparty:				
Banks	52,495	36,060	50,770	34,280
Other financial institutions	32,393	—	1,341	—
	84,888	36,060	52,111	34,280
Analysed by collateral:				
Securities	83,163	34,280	52,111	34,280
Loans	1,725	1,780	—	—
	84,888	36,060	52,111	34,280

36. CERTIFICATES OF DEPOSIT AND NOTES PAYABLE

		Group		Bank	
	Notes	2010	2009	2010	2009
Certificates of deposit	(i)	9,314	1,332	3,471	1,156
Notes payable	(ii)	1,854	140	1,762	—
		11,168	1,472	5,233	1,156

(i) Certificates of deposit were mainly issued by Hong Kong Branch, New York Branch of the Bank, ICBC Asia and ICBC Macau, and recognised at amortised cost.

(ii) Notes payable were mainly issued by Sydney Branch of the Bank and ICBC Asia and recognised at amortised cost. Notes payable issued by Sydney Branch of the Bank bear fixed interest rates ranging from 0.52% to 4.24% and will mature in 2011; notes payable issued by ICBC Asia are dominated in HK$ and will mature in 2011.

(In RMB millions, unless otherwise stated)

37. DUE TO CUSTOMERS

	Group		Bank	
	2010	2009	2010	2009
Demand deposits:				
Corporate customers	3,582,149	3,195,842	3,547,282	3,164,652
Personal customers	2,273,322	1,827,851	2,252,794	1,808,352
Time deposits:				
Corporate customers	2,070,994	1,736,118	1,929,355	1,628,355
Personal customers	3,026,122	2,874,646	2,991,317	2,852,632
Others	192,970	136,820	192,948	136,778
	11,145,557	9,771,277	10,913,696	9,590,769

38. BONDS ISSUED

		Group		Bank	
	Notes	2010	2009	2010	2009
Subordinated bonds issued by:					
The Bank	(1)(a)	75,000	75,000	75,000	75,000
A subsidiary	(1)(b)	3,286	—	—	—
		78,286	75,000	75,000	75,000
Convertible bonds	(2)	22,124	—	22,124	—
		100,410	75,000	97,124	75,000

(1) Subordinated bonds

(a) As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds through open market bidding in 2005, 2009 and 2010. These subordinated bonds were traded in the bond market among banks. The Bank has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds during the year (2009: None). The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue price (RMB)	Coupon rate	Value date	Maturity date	Circulation date	Issue amount (RMB)	Notes
05 ICBC 02 Bond	2005–8–19	100	3.77%	2005–9–6	2020–9–6	2005–10–11	13,000 million	(i)
09 ICBC 01 Bond	2009–7–16	100	3.28%	2009–7–20	2019–7–20	2009–8–20	10,500 million	(ii)
09 ICBC 02 Bond	2009–7–16	100	4.00%	2009–7–20	2024–7–20	2009–8–20	24,000 million	(iii)
09 ICBC 03 Bond	2009–7–16	100	Base rate +0.58%	2009–7–20	2019–7–20	2009–8–20	5,500 million	(iv)
10 ICBC 01 Bond	2010–9–10	100	3.90%	2010–9–14	2020–9–14	2010–11–03	5,800 million	(v)
10 ICBC 02 Bond	2010–9–10	100	4.10%	2010–9–14	2025–9–14	2010–11–03	16,200 million	(vi)

(i) The Bank has the option to redeem all or part of the bonds at face value on 6 September 2015. If the Bank does not exercise this option, the annual coupon rate will increase by 300 basis points ("bps") thereafter.

(ii) The Bank has the option to redeem all or part of the bonds at face value on 20 July 2014. If the Bank does not exercise this option, the annual coupon rate will increase by 300 bps thereafter.

(iii) The Bank has the option to redeem all or part of the bonds at face value on 20 July 2019. If the Bank does not exercise this option, the annual coupon rate will increase by 300 bps thereafter.

(In RMB millions, unless otherwise stated)

38. BONDS ISSUED (CONTINUED)

(iv) The base rate for the bonds is the one-year lump-sum deposit and withdrawal time deposit rate published by the PBOC which is applicable on the date of issue or the first value date in each interest-bearing year. The spread in the first five interest-bearing years (i.e., initial spread) is 0.58%. The Bank has the option to redeem all or part of the bonds at face value on 20 July 2014. If the Bank does not exercise this option, the interest margin will increase by 300 bps thereafter.

(v) The Bank has the option to redeem all of the bonds at face value on 14 September 2015 upon the approval of the relevant regulatory authorities.

(vi) The Bank has the option to redeem all of the bonds at face value on 14 September 2020 upon the approval of the relevant regulatory authorities.

(b) On 30 November 2010, ICBC Asia, a subsidiary of the Bank, issued subordinated notes in an aggregate nominal amount of USD500 million, with a fixed interest rate of 5.125% per annum. The subordinated notes were issued at the price fixed at 99.737% of the nominal amount maturing on 30 November 2020. The notes were listed on the Singapore Exchange Securities Trading Limited. ICBC Asia has not had any defaults of principal or interest or other breaches with respect to the subordinated notes during the year.

(2) Convertible bonds

As approved by the CBRC and the China Securities Regulatory Commission, the Bank issued RMB25 billion A share convertible bonds on 31 August 2010.

Name	Issue date	Issue price	Coupon rate	Value date	Maturity date	Circulation date	Issue amount
ICBC convertible bonds	31 August 2010	RMB100	Step-up interest rate	31 August 2010	31 August 2016	10 September 2010	RMB 25 billion

The convertible bonds have a term of six years. From the first year to the sixth year, the bonds are paying annual coupon at the rates of 0.5%, 0.7%, 0.9%, 1.1%, 1.4% and 1.8% respectively. The conversion period of the bonds commences on 1 March 2011, which is the first trading day immediately following the expiry of the six-month period after the date of issuance of the convertible bonds, and ends on 31 August 2016, which is the maturity date of the bonds. Within five trading days after the maturity of the bonds, the Bank shall redeem all the outstanding convertible bonds which have not been converted into shares by then at 105% of the nominal value of these convertible bonds (including the interest last accrued).

During the conversion period of the convertible bonds, if the closing prices of the A Shares of the Bank in at least 15 trading days out of 30 consecutive trading days are equal to or higher than 130% of the prevailing conversion price, the Bank shall have the right to redeem all or any part of the outstanding convertible bonds which have not been converted into the shares, at a price equal to the nominal value of the convertible bonds plus the interest accrued. When the nominal value of the balance of the outstanding convertible bonds is less than RMB30 million, the board of the Bank shall have the right to decide whether to redeem all the outstanding convertible bonds at a price equal to the nominal value plus the interest accrued.

If, during the term of the convertible bonds, the closing prices of the A Shares of the Bank in any 15 trading days out of any 30 consecutive trading days are lower than 80% of the prevailing conversion price, the board of the Bank may propose a downward adjustment to the conversion price to the shareholders for their consideration and approval at a shareholders' general meeting.

The initial conversion price was RMB4.20 per share. The conversion price is subject to adjustment, upon the occurrence of certain events which affect the share capital of the Bank, such as distribution of share dividend, capitalisation, issuance of new shares, rights issue or distribution of cash dividend. Because of the rights issues of the Bank during this year, the conversion price was adjusted to RMB4.15 per share.

38. BONDS ISSUED (CONTINUED)

The convertible bonds issued during the year have been split as to the liability and equity components, as follows:

	Liability component	Equity component	Total
Nominal value of convertible bonds	21,998	3,002	25,000
Direct transaction costs	(113)	(17)	(130)
Balance as at the issuance date	21,885	2,985	24,870
Amortisation	239	—	239
Balance as at 31 December 2010	22,124	2,985	25,109

39. OTHER LIABILITIES

	Group		Bank	
	2010	2009	2010	2009
Interest payable	95,103	86,221	94,240	85,740
Settlement accounts	47,884	38,856	45,759	37,895
Salaries, bonuses, allowances and subsidies payables (i)	12,572	9,976	12,015	9,743
Early retirement benefits	7,462	10,229	7,462	10,229
Sundry tax payables	7,158	6,395	7,088	6,344
Bank drafts	3,180	4,242	3,065	3,990
Others	22,219	18,744	18,453	17,190
	195,578	174,663	188,082	171,131

(i) Except for the deferred discretionary bonuses for those employees under the deferred performance-based salary scheme pursuant to regulations of the PRC relevant authorities, the salaries, bonuses, allowances and subsidies payables were scheduled to be paid before 30 June 2011. There was no overdue payment for staff salaries, bonuses, allowance and subsidies payables as at 31 December 2010 (as at 31 December 2009: None).

40. SHARE CAPITAL

	31 December 2010		31 December 2009	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 each (i)	86,795	86,795	83,057	83,057
A shares of RMB1 each (ii)	262,224	262,224	250,962	250,962
	349,019	349,019	334,019	334,019

Except for the dividends for H shares which are payable in Hong Kong dollars ("HK$"), all of the H shares and A shares rank pari passu with each other in respect of dividends.

Summary of the movements in the Bank's issued share capital during the year is as follows:

(i) The Bank completed the rights issue of 3,738 million H shares on the basis of 0.45 H rights shares for every ten existing H shares held by members registered on 26 November 2010, at an issue price of HK$3.49 per H rights share. The Bank raised a total proceeds of RMB11,174 million, of which an amount of RMB3,738 million was recorded in share capital and RMB7,305 million was recorded in capital reserve after deducting the issuance costs of RMB131 million.

40. SHARE CAPITAL (CONTINUED)

(ii) The Bank completed the rights issue of 11,262 million A shares on the basis of 0.45 A rights shares for every ten existing A shares held by members registered on 15 November 2010, at an issue price of RMB2.99 per A rights share. The Bank raised a total proceeds of RMB33,674 million, of which an amount of RMB11,262 million was recorded in share capital and RMB22,316 million was recorded in capital reserve after deducting the issuance costs of RMB96 million.

(iii) The above mentioned paid-up capital has been verified by Ernst & Young Hua Ming in the issued capital verification reports (Ernst & Young Hua Ming [2010] Yanzi No. 60438506_A04 and Ernst & Young Hua Ming [2010] Yanzi No. 60438506_A05).

Up to the approval date of these financial statements, application in relation to the change in registered capital of the Bank and the amendments to the Articles of Association of Industrial and Commercial Bank of China Limited (the "Articles") has been submitted to and approved by the CBRC, and the filing with the Administration of Industry and Commerce for registration of the amendments to the Articles and changes in registered capital is under way. After the filing is completed, the registered capital of the Bank will change from RMB334,018,850,026 to RMB349,018,545,827.

41. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value, details of the movement to the share premium are disclosed in note 40 to the financial statements.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

Pursuant to the resolution of the Board of Directors' meeting held on 30 March 2011, an appropriation of 10% of the profit for the year determined under PRC GAAP to the statutory surplus reserve, in the amount of RMB16,165 million (2009: RMB12,775 million) was approved.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meeting. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(iii) Other surplus reserve

The Bank's overseas entities appropriate their profits to the surplus reserves in accordance with the relevant regulations promulgated by the local regulatory bodies.

41. RESERVES (CONTINUED)

(c) General reserve

The Bank is required to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1% of the year end balance of its risk assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

Pursuant to the resolution of the Board of Directors' meeting held on 30 March 2011, an appropriation to the general reserve amounting to RMB8,740 million (2009: RMB14,813 million) was approved. The general reserve balance of the Bank as at 31 December 2010 amounted to RMB92,728 million, which has reached 1% of the year end balance of the Bank's risk assets.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes of available-for-sale financial assets.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Mainland China.

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and jointly-controlled entities other than the items listed above.

(h) Distributable profits

The Bank's distributable profits are based on the retained profits of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

(In RMB millions, unless otherwise stated)

41. RESERVES (CONTINUED)

The movements in reserves and retained profits of the Bank during the year are set out below.

	Reserves							
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Total	Retained profits
Balance as at 1 January 2009	105,019	24,594	69,175	8,850	(327)	(4,080)	203,231	70,233
Profit for the year	—	—	—	—	—	—	—	126,638
Change in fair value of available-for-sale investments	—	—	—	(10,552)	—	—	(10,552)	—
Foreign currency translation	—	—	—	—	92	—	92	—
Dividend — 2008 final (note 18)	—	—	—	—	—	—	—	(55,113)
Appropriation to surplus reserves (note)	—	12,804	—	—	—	—	12,804	(12,804)
Appropriation to general reserve	—	—	14,813	—	—	—	14,813	(14,813)
Others	550	—	—	—	—	—	550	—
Balance as at 31 December 2009 and 1 January 2010	**105,569**	**37,398**	**83,988**	**(1,702)**	**(235)**	**(4,080)**	**220,938**	**114,141**
Profit for the year	—	—	—	—	—	—	—	160,490
Rights issue	29,621	—	—	—	—	—	29,621	—
Change in fair value of available-for-sale investments	—	—	—	(6,487)	—	—	(6,487)	—
Cash flow hedges, net of tax	—	—	—	—	—	(2)	(2)	—
Foreign currency translation	—	—	—	—	(31)	—	(31)	—
Dividend — 2009 final (note 18)	—	—	—	—	—	—	—	(56,783)
Appropriation to surplus reserves (note)	—	16,165	—	—	—	—	16,165	(16,165)
Appropriation to general reserve	—	—	8,740	—	—	—	8,740	(8,740)
Balance as at 31 December 2010	**135,190**	**53,563**	**92,728**	**(8,189)**	**(266)**	**(4,082)**	**268,944**	**192,943**

Note: As at 31 December 2010, there are no appropriation made by overseas branches (2009: RMB29 million).

42. 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	1,985	3,516
	(5,510)	(8,890)
Cash flow hedges:		
Loss during the year	(244)	(2)
Less: Transfer to the income statement	—	(7)
Income tax effect	33	—
	(211)	(9)
Share of other comprehensive income of associates and jointly-controlled entities	(882)	(1,155)
Less: Transfer to the income statement	—	—
Income tax effect	—	—
	(882)	(1,155)
Foreign currency translation differences	2,329	7,531
Less: Transfer to the income statement	45	—
	2,374	7,531
Others	184	—
Less: Income tax effect	(27)	—
	157	—
	(4,072)	(2,523)

(In RMB millions, unless otherwise stated)

43. BUSINESS COMBINATION AND DISPOSAL OF A SUBSIDIARY

(a) Acquisition of subsidiaries

ACL BANK Public Company Limited

ACL Bank is a commercial bank established in Thailand. To expand the overseas business, the Bank acquired 97.24% of the total issued shares of ACL Bank under voluntary tender offer. The acquisition was completed on 21 April 2010 at a consideration of THB17,786 million (equivalent to RMB3,775 million) in aggregate. On 8 July 2010, ACL Bank officially changed its name to Industrial and Commercial Bank of China (Thai) Public Company Limited.

In the opinion of the Bank, there was no material difference between the fair value of the identifiable assets and liabilities of ACL Bank and their carrying amounts as at the acquisition date. The details of the identifiable assets and liabilities acquired are as follows:

	21 April 2010
Cash and balances with central banks	129
Due from banks and other financial institutions	29
Derivative financial assets	193
Reverse repurchase agreements	993
Loans and advances to customers (i)	9,445
Available-for-sale financial assets	1,876
Held-to-maturity investments	296
Long term equity investments	56
Other assets	582
Due to banks and other financial institutions	(477)
Derivative financial liabilities	(197)
Due to customers	(9,859)
Other liabilities	(223)
Non-controlling interests	(78)
Net assets acquired	2,765
Goodwill on acquisition	1,010
Total cash consideration	3,775

(i) As at 21 April 2010, the gross contractual amounts of loans and advances to customers of ACL Bank was RMB9,776 million, and the allowance for impairment losses on loans amounted to RMB331million.

The financial performance and cash flows of ACL Bank from the date of acquisition until 31 December 2010 are as follows:

	Period from 21 April 2010 to 31 December 2010
Operating income	383
Profit for the period	92
Net cash flows for the period	(82)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of ACL Bank is as follows:

	21 April 2010
Cash and cash equivalents held by ACL Bank	1,091
Cash consideration on acquisition of ACL Bank	(3,775)
Net cash outflow on acquisition of ACL Bank	(2,684)

(In RMB millions, unless otherwise stated)

43. BUSINESS COMBINATION AND DISPOSAL OF A SUBSIDIARY (CONTINUED)

The Bank of East Asia (Canada)

BEAC is a commercial bank operated in Canada. To expand the overseas business, the Bank acquired a 70% equity interest in BEAC. The acquisition was completed on 28 January 2010 at a consideration of CA$83 million (equivalent to RMB532 million) in aggregate. On 2 July 2010, BEAC officially changed its name to Industrial and Commercial Bank of China (Canada).

In the opinion of the Bank, there was no material difference between the fair value of the identifiable assets and liabilities of BEAC and their carrying amounts as at the acquisition date. The details of the identifiable assets and liabilities acquired are as follows:

	28 January 2010
Cash on hand	9
Due from banks and other financial institutions	445
Held-to-maturity investments	299
Loans and advances to customers (i)	2,986
Other assets	30
Due to customers	(1,149)
Due to banks and other financial institutions	(2,149)
Other liabilities	(41)
Non-controlling interests	(129)
Net assets acquired	301
Goodwill on acquisition	231
Total cash consideration	532

(i) As at 28 January 2010, the gross contractual amounts of loans and advances to customers of BEAC was RMB3,018 million, and the allowance for impairment losses on loans amounted to RMB32 million.

The financial performance and cash flows of BEAC from the date of acquisition until 31 December 2010 are as follows:

	Period from 28 January 2010 to 31 December 2010
Operating income	101
Profit for the period	25
Net cash flows for the period	93

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of BEAC is as follows:

	28 January 2010
Cash and cash equivalents held by BEAC	287
Cash consideration on acquisition of BEAC	(532)
Net cash outflow on acquisition of BEAC	(245)

(In RMB millions, unless otherwise stated)

43. BUSINESS COMBINATION AND DISPOSAL OF A SUBSIDIARY (CONTINUED)

Had the above two combinations taken place at the beginning of the year, the operating income and the profit of the Group for the year would have been RMB380,974 million and RMB166,058 million, respectively.

The transaction costs on the aforementioned acquisitions are RMB9 million and the goodwill on acquisitions mainly arise from the operating channels of ACL Bank and BEAC in the local markets, their future operating income and other factors which could not be recognised as individually identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

(b) Disposal of a subsidiary

Industrial and Commercial East Asia Finance Holdings Limited

The disposal of 75% of the equity interest in ICEA took place on 28 January 2010 at a consideration of HK$372 million (equivalent to RMB327 million) in aggregate.

The net assets of ICEA at the date of disposal were RMB404 million. The financial performance and cash flows of ICEA from 1 January 2010 until 28 January 2010 are as follows:

	Period from 1 January 2010 to 28 January 2010
Operating income	17
Profit for the period	4
Net cash flows for the period	(777)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of ICEA is as follows:

	28 January 2010
Cash and cash equivalents held by ICEA	(855)
Cash received on disposal of ICEA	327
Net cash outflow on disposal of ICEA	(528)

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of balances of cash and cash equivalents

	Note	2010	2009
Cash on hand	20	48,924	38,842
Balances with central banks other than restricted deposits	20	76,045	90,887
Nostro accounts with banks and other financial institutions with original maturity of three months or less		122,651	89,878
Placements with banks and other financial institutions with original maturity of three months or less		36,957	56,985
Reverse repurchase agreements with original maturity of three months or less		244,394	132,802
		528,971	409,394

(In RMB millions, unless otherwise stated)

45. SHARE APPRECIATION RIGHTS PLAN

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the Board of Directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the approval date of these financial statements, no share appreciation rights have been granted.

46. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

	Group		Bank	
	2010	2009	2010	2009
Authorised, but not contracted for	1,507	4,177	1,507	4,177
Contracted, but not provided for	6,730	6,125	6,687	5,135
	8,237	10,302	8,194	9,312

(b) Operating lease commitments

Operating lease commitments — Lessee

At the end of the reporting period, the Group and the Bank 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:

	Group		Bank	
	2010	2009	2010	2009
Within one year	2,859	2,570	2,602	2,274
After one year but not more than five years	6,606	6,022	6,184	5,382
After five years	1,700	1,616	1,655	1,604
	11,165	10,208	10,441	9,260

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:

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

(In RMB millions, unless otherwise stated)

46. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(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.

	Group		Bank	
	2010	**2009**	**2010**	**2009**
Bank acceptances	249,522	209,967	247,897	209,514
Guarantees issued	239,214	210,243	231,419	205,899
Financing letters of guarantees	67,035	78,643	62,389	77,348
Non-financing letters of guarantees	172,179	131,600	169,030	128,551
Sight letters of credit	60,513	50,019	58,598	48,201
Usance letters of credit and other commitments	207,117	113,416	221,832	111,761
Loan commitments	648,762	457,956	561,461	368,486
With original maturity of not more than one year	179,087	216,253	114,926	149,770
With original maturity of more than one year	469,675	241,703	446,535	218,716
Undrawn credit card limit	244,029	198,086	243,465	197,696
	1,649,157	1,239,687	1,564,672	1,141,557

	Group		Bank	
	2010	**2009**	**2010**	**2009**
Credit risk weighted amount of credit commitments	677,500	507,149	662,398	494,460

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 and the Bank have 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 and the Bank.

(In RMB millions, unless otherwise stated)

46. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(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 and the Bank had no unexpired securities underwriting obligations (2009: RMB1,800 million).

47. DESIGNATED FUNDS AND LOANS

	Group and Bank	
	2010	2009
Designated funds	395,216	280,805
Designated loans	394,407	280,080

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrust agreements signed by the Group and the trustors. The Group does not bear any risk.

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

48. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as security for liabilities or contingent liabilities, mainly the repurchase agreements and derivative contracts. As at 31 December 2010, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB54,240 million (2009: RMB36,111 million).

49. FIDUCIARY ACTIVITIES

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in "Net fee and commission income" set out in note 7 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

(In RMB millions, unless otherwise stated)

50. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Shareholders with significant influence

(i) The MOF

As at 31 December 2010, the MOF directly owned approximately 35.33% (2009: approximately 35.33%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, including the subscription and redemption of government bonds issued by the MOF. Details of the material transactions are as follows:

	2010	2009
Balances at end of the year:		
The PRC government bonds and the special government bond	735,716	618,717
MOF receivable (note 27(a)(iii))	—	62,520

	2010	2009
Transactions during the year:		
Subscription of the PRC government bonds	271,170	220,538
Redemption of the PRC government bonds	117,668	87,126
Interest income on the PRC government bonds	21,585	17,569
Repayment of the MOF receivable (note 27(a)(iii))	62,520	80,253
Interest income on the MOF receivable	153	3,764
Interest rate ranges during the year are as follows:	%	%
MOF receivable	3	3
Bond investments	1.0 to 6.8	0.9 to 6.8

The MOF is a ministry under the State Council, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. Enterprises or legal entities under the control or supervision of the MOF are mainly financial institutions, government departments or agencies. Enterprises under the control or joint control of the MOF are not considered as related parties of the Group.

(ii) Huijin

As at 31 December 2010, Central Huijin Investment Ltd ("Huijin") directly owned approximately 35.43% (2009: approximately 35.42%) of the issued share capital of the Bank. Huijin is a state-owned investment company established on 16 December 2003 under the Company Law of the PRC. Huijin has a total registered and paid-in capital of RMB552,117 million, and its legal representative is Mr. Lou Jiwei. Huijin is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation by the State, Huijin makes equity investments in the key state-owned financial institutions, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

(In RMB millions, unless otherwise stated)

50. RELATED PARTY DISCLOSURES (CONTINUED)

During the year, the Bank subscribed bonds issued by Huijin (the "Huijin Bonds") by means of public bid at the national inter-bank market. As at 31 December 2010, the Huijin Bonds held by the Bank are of an aggregate face value of RMB21.43 billion, with the terms ranging from 5 to 30 years and coupon rate ranging from 3.14% to 4.2% per annum. The Huijin Bonds are government-backed and the Bank's subscription of the Huijin Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory requirements and the corporate governance of the Bank.

The Group entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at the market rates. Details of the material transactions are as follows:

	2010	2009
Balances at end of the year:		
Debt securities purchased	20,407	—
Interest receivable	238	—
Deposits	3,642	1,524
Interest payable	1	15

	2010	2009
Transactions during the year:		
Debt securities purchased	21,430	—
Interest income on debt securities purchased	235	—
Interest expense on deposits	59	423
Interest rate ranges during the year are as follows:	%	%
Debt securities purchased	3.14 to 4.20	N/A
Deposits	0.02 to 1.98	0.01 to 4.10

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Significant transactions during the year conducted with these banks and financial institutions, and the corresponding balances as at 31 December 2010 are as follows:

	2010	2009
Balances at end of the year:		
Debt securities purchased	659,589	555,687
Due from banks and other financial institutions	18,955	33,723
Derivative financial assets	1,213	367
Due to banks and other financial institutions	76,955	61,270
Derivative financial liabilities	1,101	371

(In RMB millions, unless otherwise stated)

50. RELATED PARTY DISCLOSURES (CONTINUED)

	2010	2009
Transactions during the year:		
Interest income on debt securities purchased	18,851	16,115
Interest income on amounts due from banks and other financial institutions	323	304
Interest expense on amounts due to banks and other financial institutions	715	1,103
Interest rate ranges during the year are as follows:	%	%
Debt securities purchased	0 to 5.5	1.0 to 5.5
Due from banks and other financial institutions	0.0001 to 8.01	0.0001 to 11.1
Due to banks and other financial institutions	0.0001 to 9.4	0.0001 to 5.7

The interest rates disclosed above vary across product groups and transactions depending on the maturity date, credit risk of counterparty and currency. In particular, given local market conditions, the spread of certain significant or long dated transactions can vary across the market.

(b) Subsidiaries

	2010	2009
Balances at end of the year:		
Debt securities purchased	9,765	9,932
Due from banks and other financial institutions	36,682	26,064
Derivative financial assets	153	179
Due to banks and other financial institutions	16,824	7,710
Derivative financial liabilities	65	111

	2010	2009
Transactions during the year:		
Interest income on debt securities purchased	89	151
Interest income on amounts due from banks and other financial institutions	296	204
Interest expense on amounts due to banks and other financial institutions	260	167
Net trading expense	12	17
Fee and commission income	211	182
Interest rate ranges during the year are as follows:	%	%
Debt securities purchased	0.28 to 1.85	0.5 to 5.40
Due from banks and other financial institutions	0 to 4.88	0 to 5.70
Due to banks and other financial institutions	0 to 5.60	0 to 5.70

The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.

(In RMB millions, unless otherwise stated)

50. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Associates and affiliates

	2010	2009
Balances at end of the year:		
Due from banks	404	1,065
Loans to an associate	1,467	2,922
Other receivables	552	—
Due to banks	927	7
Deposits	6	—

	2010	2009
Transactions during the year:		
Interest income on amounts due from banks	18	28
Interest income on loans to an associate	34	26
Interest expense on amounts due to banks	8	—
Interest rate ranges during the year are as follows:	%	%
Due from banks	6.15 to 14.5	14.5
Loans to an associate	2.87 to 6.77	2.25
Due to banks	1.05 to 1.45	0.82 to 1.62
Deposits	0 to 0.51	N/A

The major transactions between the Group and the associates and their affiliates mainly comprised taking and placing inter-bank balances, lending and deposit taking and the corresponding interest income and interest expense. In the opinion of the management, the transactions between the Group and the associates and their affiliates were conducted under normal commercial terms and conditions.

(d) Jointly-controlled entities and affiliates

	2010	2009
Balances at end of the year:		
Deposits	212	—

	2010	2009
Transactions during the year:		
Interest expense on deposits	1	—
Interest rate ranges during the year are as follows:	%	%
Deposits	0.196 to 0.89	N/A

In the opinion of the management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

50. RELATED PARTY DISCLOSURES (CONTINUED)

(e) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the Board of Directors, the supervisory board and executive officers.

The aggregate compensation for the year, other than those for the personnel disclosed in note 13 above, is as follows:

	2010 RMB'000	2009 RMB'000
Short term employment benefits	4,743	7,692
Post-employment benefits	415	1,033
	5,158	8,725

Note: The above compensation for the year ended 31 December 2009 were restated in accordance with supplemental announcement for the 2009 annual report released by the Bank on 29 April 2010.

The total compensation packages for certain senior management of the Bank for the year ended 31 December 2010 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have significant impact on the Group's and the Bank's 2010 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

Companies or corporations, in which the key management of the Group or their close relatives are shareholders or key management personnel who are able to exercise control directly or indirectly are also considered as related parties of the Group.

The transactions between the Group and the aforementioned parties for the year are as follows:

	2010	2009
Loans	114	274
Deposits	395	—

In the opinion of the management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, no transactions were conducted between the Group and the Annuity Fund during the year (2009: Nil).

(g) Transactions with other state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organizations (collectively the "state-owned entities"). During the year, the Group had transactions with the state-owned entities including, but not limited to, lending and deposit taking, taking and placing of inter-bank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

Management considers that transactions with other state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities. Having due regard to the substance of the relationship, management is of the opinion that none of these transactions are considered related party transactions that require disclosure.

51. 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".

(In RMB millions, unless otherwise stated)

51. SEGMENT INFORMATION (CONTINUED)

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.

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

(i) Including net trading expense, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

(ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

(In RMB millions, unless otherwise stated)

51. SEGMENT INFORMATION (CONTINUED)

	Corporate banking	Personal banking	Treasury operations	Others	Total
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 (i)	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					129,396
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	4,472,851	1,262,155	5,966,772	83,275	11,785,053
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 (ii)	13,893	7,668	4,761	5,794	32,116
Segment liabilities	5,165,238	4,787,973	1,143,877	9,031	11,106,119
Other segment information:					
Credit commitments	1,041,601	198,086	—	—	1,239,687

(i) Including net trading expense, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

(ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

(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).

(In RMB millions, unless otherwise stated)

51. SEGMENT INFORMATION (CONTINUED)

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)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
2010										
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 (i)	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										166,025
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	—	20,185

(i) Including net trading expense, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

(In RMB millions, unless otherwise stated)

51. SEGMENT INFORMATION (CONTINUED)

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
As at 31 December 2010										
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 (i)	7,763	6,230	2,228	4,044	5,312	4,270	1,932	1,334	—	33,113
Unallocated assets										21,712
Total assets										13,458,622
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										34,077
Total liabilities										12,636,965
Other segment information:										
Credit commitments	253,436	369,051	323,712	319,667	94,448	107,885	46,026	134,932	—	1,649,157

(i) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
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 (i)	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										129,396
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	—	20,430

(i) Including net trading expense, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments, and other operating income (net).

(In RMB millions, unless otherwise stated)

51. SEGMENT INFORMATION (CONTINUED)

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
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 (i)	6,303	6,172	2,269	4,365	5,546	4,576	1,905	980	—	32,116
Unallocated assets										18,696
Total assets										11,785,053
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										22,409
Total liabilities										11,106,119
Other segment information:										
Credit commitments	215,103	244,798	167,451	288,195	73,463	84,286	31,815	134,576	—	1,239,687

(i) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The Board of Directors (the "Board") has the ultimate responsibility for the risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The Group has also assigned departments monitoring financial risks within the Group, including the Credit Management Department to monitor credit risk, the Risk Management Department together with the Asset and Liability Management Department to monitor market and liquidity risks, and the Internal Control and Compliance Department to monitor operational risk. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to both the corresponding risk management departments at the head office and management of the relevant branches.

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. The Group is exposed to credit risk primarily due to loans, guarantees and other credit related commitments.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval, granting of loan and post-disbursement loan monitoring;
- Stringent qualification system for the loan approval officers; and
- Information management systems designed to enable a real time risk monitoring.

To enhance the credit risk management practices, the Group also launches training programs periodically for credit officers at different levels.

In addition to the credit risk exposures on credit-related assets and amounts due from or lending to banks and other financial institutions, credit risk also arises in other areas. For instance, credit risk exposure also arises from derivative financial instruments which is, however, limited to those with positive fair values, as recorded in the statement of financial position. In addition, the Group also makes available to its customers' guarantees which may require the Group to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the Group to similar risks as loans and these are mitigated by the same control processes and policies.

The Group will normally sign an ISDA Master Agreement, a China Inter-bank Market Financial Derivatives Master Agreement ("NAFMII master agreement") or a China Inter-bank RMB-FX Derivatives Master Agreement ("CFETS master agreement") with its counterparties for documenting over-the-counter derivatives activities. Each of these master agreements provides the contractual framework within which derivatives dealing activities are conducted. Under each of these master agreements, close-out netting shall be applied across all outstanding transactions covered by the agreement if either party defaults.

Risk concentration

Credit risk is often greater when counterparties are concentrated in one single industry or geographical location or have comparable economic characteristics.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed impairment and collectively assessed impairment.

Individually assessed loans

All corporate loans and discounted bills are individually reviewed for objective evidence of impairment and classified based on a five-tier classification system. Corporate loans and discounted bills that are classified as substandard, doubtful or loss are assessed individually for impairment.

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

If there is objective evidence that an impairment loss on a loan or advance has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the income statement. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the counterparty's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Collectively assessed loans

Loans that are assessed for impairment losses on a collective basis include the following:

- Homogeneous groups of loans, including all personal loans; and
- All loans for which no impairment can be identified individually, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

For the purpose of collective assessment, assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Objective evidence of impairment losses on a collective basis consists of observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, including:

- Adverse changes in the payment status of borrowers in the group of loans; and
- National or local economic conditions that correlate with defaults on assets in the portfolio of loans.

Homogenous groups of loans not considered individually significant

For homogeneous groups of loans, the Group uses a collective assessment approach for impairment losses. The approach analyses historical trends of probability of default and the amount of the consequential loss, as well as evaluates current economic conditions that may have a consequential impact on inherent losses in the portfolio.

Individually assessed loans with no objective evidence of impairment

When no impairment can be identified for individual loans, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows, these loans are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This loss covers those loans that were impaired at the end of the reporting period but which would not be individually identified as impaired until some time in the future. The collective impairment loss is assessed after taking into account:

- Historical loss experience in portfolios of similar risk characteristics; and
- The current economic and credit environment and, whether these, in management's experience, indicate that the actual level of incurred but not yet identified losses is likely to be greater or less than that suggested by historical experience.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

As soon as information that specifically identifies objective evidence of impairment on individual assets in a pool is available, those assets are excluded and individually assessed. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

Collateral

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, mainly collateralised by bills, loans or investment securities;
- For commercial lending, mainly collateralised by charges over land and properties and other assets of the borrowers; and
- For retail lending, mainly collateralised by mortgages over residential properties.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group and of the Bank without taking account of any collateral and other credit enhancements is set out below:

	Group		Bank	
	2010	**2009**	**2010**	**2009**
Balances with central banks	2,234,075	1,654,206	2,224,517	1,648,081
Due from banks and other financial institutions	248,860	235,301	259,638	238,562
Financial assets held for trading	10,051	18,847	6,959	14,241
Financial assets designated at fair value through profit or loss	2,798	1,171	1,988	148
Derivative financial assets	13,332	5,758	10,879	4,781
Reverse repurchase agreements	262,227	408,826	228,501	408,601
Loans and advances to customers	6,623,372	5,583,174	6,355,840	5,392,525
Financial investments				
— Receivables	501,706	1,132,379	501,706	1,132,379
— Held-to-maturity investments	2,312,781	1,496,738	2,316,159	1,501,067
— Available-for-sale financial assets	899,750	945,425	861,613	915,641
Others	86,256	73,932	73,735	66,986
	13,195,208	11,555,757	12,841,535	11,323,012
Credit commitments	1,649,157	1,239,687	1,564,672	1,141,557
Total maximum credit risk exposure	14,844,365	12,795,444	14,406,207	12,464,569

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. Besides, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

By geographical distribution

The following tables set out the breakdown of the Group's and the Bank's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical distribution.

Group

31 December 2010

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	2,010,309	50,589	26,648	81,346	14,514	28,265	11,265	11,139	2,234,075
Due from banks and other financial institutions	108,249	24,159	6,156	26,787	18,731	8,608	24,742	31,428	248,860
Financial assets held for trading	6,959	—	—	—	—	—	—	3,092	10,051
Financial assets designated at fair value through profit or loss	1,850	—	—	—	—	—	—	948	2,798
Derivative financial assets	7,433	634	865	699	71	258	691	2,681	13,332
Reverse repurchase agreements	165,691	25,600	1,806	13,734	2,361	1,702	17,607	33,726	262,227
Loans and advances to customers	160,032	1,547,691	955,623	1,221,346	894,731	1,111,895	394,666	337,388	6,623,372
Financial investments									
— Receivables	495,706	—	—	—	—	—	6,000	—	501,706
— Held-to-maturity investments	2,184,996	61,403	35,337	20,372	—	—	1,000	9,673	2,312,781
— Available-for-sale financial assets	550,264	43,016	21,419	205,465	9,066	11,819	3,657	55,044	899,750
Others	40,251	8,272	3,943	7,265	5,279	6,000	1,684	13,562	86,256
	5,731,740	1,761,364	1,051,797	1,577,014	944,753	1,168,547	461,312	498,681	13,195,208
Credit commitments	253,436	369,051	323,712	319,667	94,448	107,885	46,026	134,932	1,649,157
Total maximum credit risk exposure	5,985,176	2,130,415	1,375,509	1,896,681	1,039,201	1,276,432	507,338	633,613	14,844,365

The compositions of each geographical distribution above are set out in note 51(b).

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

31 December 2009

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	1,477,686	39,024	21,621	65,215	12,933	23,277	7,032	7,418	1,654,206
Due from banks and other financial institutions	83,212	14,195	30,241	20,180	18,636	3,456	36,666	28,715	235,301
Financial assets held for trading	14,241	—	—	—	—	—	—	4,606	18,847
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	1,171	1,171
Derivative financial assets	1,765	429	806	858	157	275	431	1,037	5,758
Reverse repurchase agreements	378,797	14,219	1,444	6,415	5,180	200	2,346	225	408,826
Loans and advances to customers	102,511	1,357,287	824,041	1,048,042	756,895	925,672	336,280	232,446	5,583,174
Financial investments									
— Receivables	1,126,379	—	—	—	—	—	6,000	—	1,132,379
— Held-to-maturity investments	1,400,518	21,696	26,527	38,761	30	33	1,024	8,149	1,496,738
— Available-for-sale financial assets	656,507	73,548	21,051	123,467	8,778	10,022	4,282	47,770	945,425
Others	39,669	5,928	3,423	6,021	4,543	5,430	1,358	7,560	73,932
	5,281,285	1,526,326	929,154	1,308,959	807,152	968,365	395,419	339,097	11,555,757
Credit commitments	215,103	244,798	167,451	288,195	73,463	84,286	31,815	134,576	1,239,687
Total maximum credit risk exposure	5,496,388	1,771,124	1,096,605	1,597,154	880,615	1,052,651	427,234	473,673	12,795,444

The compositions of each geographical distribution above are set out in note 51(b).

Bank

31 December 2010

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	2,010,309	50,589	26,648	81,346	14,514	28,265	11,265	1,581	2,224,517
Due from banks and other financial institutions	128,702	24,199	7,747	26,841	18,754	8,638	24,761	19,996	259,638
Financial assets held for trading	6,959	—	—	—	—	—	—	—	6,959
Financial assets designated at fair value through profit or loss	1,850	—	—	—	—	—	—	138	1,988
Derivative financial assets	7,441	634	865	699	71	258	691	220	10,879
Reverse repurchase agreements	165,691	25,600	1,806	13,734	2,361	1,702	17,607	—	228,501
Loans and advances to customers	160,032	1,547,691	955,623	1,224,165	894,731	1,112,185	395,140	66,273	6,355,840
Financial investments									
— Receivables	495,706	—	—	—	—	—	6,000	—	501,706
— Held-to-maturity investments	2,191,473	61,403	35,337	20,372	—	—	1,000	6,574	2,316,159
— Available-for-sale financial assets	550,264	43,016	21,419	205,465	9,066	11,819	3,657	16,907	861,613
Others	40,265	8,272	3,943	7,265	5,279	6,000	1,684	1,027	73,735
	5,758,692	1,761,404	1,053,388	1,579,887	944,776	1,168,867	461,805	112,716	12,841,535
Credit commitments	253,436	370,947	333,850	323,341	95,395	107,896	46,121	33,686	1,564,672
Total maximum credit risk exposure	6,012,128	2,132,351	1,387,238	1,903,228	1,040,171	1,276,763	507,926	146,402	14,406,207

The compositions of each geographical distribution above are set out in note 51(b), except that "overseas and others" does not include domestic and overseas subsidiaries.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

31 December 2009

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	1,477,686	39,024	21,621	65,215	12,933	23,277	7,032	1,293	1,648,081
Due from banks and other financial institutions	97,492	14,236	31,756	20,204	18,663	3,482	36,679	16,050	238,562
Financial assets held for trading	14,241	—	—	—	—	—	—	—	14,241
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	148	148
Derivative financial assets	1,765	429	806	858	157	275	431	60	4,781
Reverse repurchase agreements	378,797	14,219	1,444	6,415	5,180	200	2,346	—	408,601
Loans and advances to customers	102,511	1,357,287	824,041	1,048,042	756,895	925,672	336,280	41,797	5,392,525
Financial investments									
— Receivables	1,126,379	—	—	—	—	—	6,000	—	1,132,379
— Held-to-maturity investments	1,409,254	21,696	26,527	38,761	30	33	1,024	3,742	1,501,067
— Available-for-sale financial assets	656,507	73,548	21,051	123,467	8,778	10,022	4,282	17,986	915,641
Others	39,673	5,928	3,423	6,022	4,543	5,430	1,358	609	66,986
	5,304,305	1,526,367	930,669	1,308,984	807,179	968,391	395,432	81,685	11,323,012
Credit commitments	215,103	244,798	167,451	288,195	73,463	84,286	31,815	36,446	1,141,557
Total maximum credit risk exposure	5,519,408	1,771,165	1,098,120	1,597,179	880,642	1,052,677	427,247	118,131	12,464,569

The compositions of each geographical distribution above are set out in note 51(b), except that "overseas and others" does not include domestic and overseas subsidiaries.

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers and investments in securities. Details of the composition of the Group's investments in debt securities are set out in note 52 (a)(iv) to the financial statements. The composition of the Group's and of the Bank's gross loans and advances to customers by industry is analysed as follows:

	Group		Bank	
	2010	2009	2010	2009
Transportation, storage and postal services	1,039,929	826,557	1,002,646	807,041
Manufacturing	970,184	826,066	947,084	799,058
Production and supply of electricity, gas and water	597,189	548,541	579,740	536,394
Real estate	586,654	474,710	518,419	426,475
Water, environment and public utility management	552,886	510,942	549,326	510,762
Wholesale, retail and lodging	430,954	283,974	399,128	265,714
Leasing and commercial services	378,568	305,233	360,724	293,410
Mining	133,358	108,139	131,301	106,798
Construction	89,188	65,280	84,252	62,419
Science, education, culture and sanitation	69,265	67,520	68,202	66,896
Others	169,106	152,297	129,874	125,099
Subtotal for corporate loans and advances	5,017,281	4,169,259	4,770,696	4,000,066
Personal mortgage and business loans	1,288,683	1,027,032	1,274,066	1,012,339
Others	367,036	202,537	359,126	194,511
Subtotal for personal loans	1,655,719	1,229,569	1,633,192	1,206,850
Discounted bills	117,506	329,798	117,135	329,792
Total for loans and advances to customers	6,790,506	5,728,626	6,521,023	5,536,708

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(iii) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	Group		Bank	
	2010	2009	2010	2009
Neither past due nor impaired	6,680,206	5,604,897	6,415,279	5,415,593
Past due but not impaired	37,059	35,262	34,230	34,030
Impaired	73,241	88,467	71,514	87,085
	6,790,506	5,728,626	6,521,023	5,536,708
Allowance for impairment losses	(167,134)	(145,452)	(165,183)	(144,183)
	6,623,372	5,583,174	6,355,840	5,392,525

Neither past due nor impaired

The loans and advances to customers of the Group that are neither past due nor impaired are classified as "Pass" or "Special mention" under the five-tier loan classification system maintained by the Group. Management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of the reporting period.

The following table presents the types of loans and advances to customers which are neither past due nor impaired as at the end of the reporting period:

Group

	2010			2009		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	2,208,160	58,018	2,266,178	1,762,827	45,901	1,808,728
Guaranteed loans	986,943	54,996	1,041,939	850,179	53,633	903,812
Loans secured by mortgages	2,647,311	66,646	2,713,957	2,032,806	83,363	2,116,169
Pledged loans	633,469	24,663	658,132	747,741	28,447	776,188
	6,475,883	204,323	6,680,206	5,393,553	211,344	5,604,897

Bank

	2010			2009		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	2,134,575	56,787	2,191,362	1,707,588	43,074	1,750,662
Guaranteed loans	934,950	54,492	989,442	818,892	53,114	872,006
Loans secured by mortgages	2,526,592	58,773	2,585,365	1,946,176	76,519	2,022,695
Pledged loans	624,486	24,624	649,110	741,788	28,442	770,230
	6,220,603	194,676	6,415,279	5,214,444	201,149	5,415,593

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Past due but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group and the Bank that are subject to credit risk which are past due but not impaired as at the end of the reporting period:

Group

	2010			2009		
	Corporate loans and advances	Personal loans	Total	Corporate loans and advances	Personal loans	Total
Past due for:						
Less than one month	3,365	24,720	28,085	2,813	23,720	26,533
One to two months	250	4,647	4,897	15	4,826	4,841
Two to three months	95	3,548	3,643	1	3,194	3,195
Over three months	426	8	434	22	671	693
	4,136	32,923	37,059	2,851	32,411	35,262
Fair value of collateral held	5,263	73,598	78,861	4,772	74,637	79,409

Bank

	2010			2009		
	Corporate loans and advances	Personal loans	Total	Corporate loans and advances	Personal loans	Total
Past due for:						
Less than one month	1,687	24,405	26,092	1,998	23,381	25,379
One to two months	6	4,577	4,583	—	4,792	4,792
Two to three months	13	3,542	3,555	—	3,191	3,191
Over three months	—	—	—	—	668	668
	1,706	32,524	34,230	1,998	32,032	34,030
Fair value of collateral held	2,799	72,925	75,724	3,715	74,048	77,763

Impaired

Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated. These loans and advances include corporate loans and personal loans which are graded as "Substandard", "Doubtful" or "Loss".

The fair values of collateral that the Group and the Bank hold relating to loans individually determined to be impaired as at 31 December 2010 amounted to RMB13,408 million (2009: RMB22,021 million) and RMB12,435 million (2009: RMB21,412 million). The collateral mainly consists of land and buildings, equipment and also others.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Renegotiated loans and advances to customers

The Group has formulated a set of loan restructuring policies to renegotiate the contractual terms with customers, to maximise the collectibility of loans and to manage customer relationships.

The carrying amount of renegotiated loans and advances to customers is as follows:

	Group		Bank	
	2010	2009	2010	2009
Renegotiated loans and advances to customers	10,716	15,611	10,456	15,504
Impaired loans and advances to customers included in above	9,047	13,199	8,885	13,096

Collateral repossessed

During the year, the Group took possession of collateral held as security with a carrying amount of RMB1,067 million (2009: RMB1,411 million). Such collateral mainly comprises land and buildings and equipment.

(iv) Debt securities

The credit risk of debt securities mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities by types of issuers and investments:

Group

31 December 2010

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	134,850	1,501,434	364,569	1,588	—	2,002,441
Policy banks	47,000	742,532	187,130	1,241	—	977,903
Public sector entities	—	22,157	63,865	145	106	86,273
Banks and other financial institutions	319,856	28,961	72,916	1,254	299	423,286
Corporate entities	—	15,109	206,974	5,823	543	228,449
	501,706	2,310,193	895,454	10,051	948	3,718,352
Impaired (i)						
Public sector entities	—	1,065	3,875	—	—	4,940
Banks and other financial institutions	—	2,965	420	—	—	3,385
Corporate entities	—	32	1	—	—	33
	—	4,062	4,296	—	—	8,358
Less: Allowance for impairment losses for held-to-maturity investments	—	(1,474)	—	—	—	(1,474)
	—	2,588	4,296	—	—	6,884
	501,706	2,312,781	899,750	10,051	948	3,725,236

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

31 December 2009

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	768,573	844,308	504,729	2,798	—	2,120,408
Policy banks	47,000	569,241	139,496	3,273	—	759,010
Public sector entities	—	22,785	45,466	579	177	69,007
Banks and other financial institutions	316,806	41,307	73,013	3,904	310	435,340
Corporate entities	—	14,888	176,441	8,293	684	200,306
	1,132,379	1,492,529	939,145	18,847	1,171	3,584,071
Impaired (i)						
Public sector entities	—	2,151	5,607	—	—	7,758
Banks and other financial institutions	—	3,869	671	—	—	4,540
Corporate entities	—	35	2	—	—	37
	—	6,055	6,280	—	—	12,335
Less: Allowance for impairment losses for held-to-maturity investments	—	(1,846)	—	—	—	(1,846)
	—	4,209	6,280	—	—	10,489
	1,132,379	1,496,738	945,425	18,847	1,171	3,594,560

(i) Impaired debt securities above are all determined based on individual assessments. In determining whether a debt security is impaired, the Group considers the evidence of a loss event and the decreases in estimated future cash flows. The majority of the Group's impaired debt securities are U.S. mortgage-backed securities. No collateral was held by the Group as security of the impaired debt securities.

Bank

31 December 2010

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	134,850	1,499,122	361,313	223	—	1,995,508
Policy banks	47,000	742,421	186,373	1,233	—	977,027
Public sector entities	—	22,071	62,857	45	—	84,973
Banks and other financial institutions	319,856	35,410	46,621	453	138	402,478
Corporate entities	—	14,731	200,154	5,005	—	219,890
	501,706	2,313,755	857,318	6,959	138	3,679,876
Impaired (i)						
Public sector entities	—	1,065	3,875	—	—	4,940
Banks and other financial institutions	—	2,620	420	—	—	3,040
Corporate entities	—	32	—	—	—	32
	—	3,717	4,295	—	—	8,012
Less: Allowance for impairment losses for held-to-maturity investments	—	(1,313)	—	—	—	(1,313)
	—	2,404	4,295	—	—	6,699
	501,706	2,316,159	861,613	6,959	138	3,686,575

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

31 December 2009

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	768,573	842,228	501,891	2,109	—	2,114,801
Policy banks	47,000	569,102	139,054	3,273	—	758,429
Public sector entities	—	22,732	44,872	505	—	68,109
Banks and other financial institutions	316,806	48,066	52,554	580	148	418,154
Corporate entities	—	14,736	170,996	7,774	—	193,506
	1,132,379	1,496,864	909,367	14,241	148	3,552,999
Impaired (i)						
Public sector entities	—	2,151	5,607	—	—	7,758
Banks and other financial institutions	—	3,747	667	—	—	4,414
Corporate entities	—	35	—	—	—	35
	—	5,933	6,274	—	—	12,207
Less: Allowance for impairment losses for held-to-maturity investments	—	(1,730)	—	—	—	(1,730)
	—	4,203	6,274	—	—	10,477
	1,132,379	1,501,067	915,641	14,241	148	3,563,476

(i) Impaired debt securities above are all determined based on individual assessments. In determining whether a debt security is impaired, the Bank considers the evidence of loss event and the decreases in estimated future cash flows. The majority of the Bank's impaired debt securities are U.S. mortgage-backed securities. No collateral was held by the Bank as security of the impaired debt securities.

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at a reasonable cost in a timely manner to meet the need of asset growth or repayment of debts due, although remains solvency. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

The Group and the Bank's expected remaining maturity of its financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:

Group

31 December 2010

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	298,812	—	—	—	—	—	1,984,187	2,282,999
Due from banks and other financial institutions (i)	55,178	348,602	14,295	36,923	56,089	—	—	511,087
Financial assets held for trading	—	95	2,477	1,732	4,025	1,722	137	10,188
Financial assets designated at fair value through profit or loss	—	—	600	1,388	649	161	—	2,798
Derivative financial assets	—	1,198	3,365	4,249	2,804	1,716	—	13,332
Loans and advances to customers	6,129	348,951	455,760	1,489,022	1,889,164	2,407,668	26,678	6,623,372
Financial investments	—	96,360	252,473	721,794	1,448,663	1,188,063	11,929	3,719,282
Investments in associates and jointly-controlled entities	—	—	—	—	—	—	40,325	40,325
Property and equipment	—	—	—	—	—	—	103,412	103,412
Others	34,267	21,532	15,241	30,816	8,615	7,732	33,624	151,827
Total assets	394,386	816,738	744,211	2,285,924	3,410,009	3,607,062	2,200,292	13,458,622
Liabilities:								
Due to central banks	—	—	1	50	—	—	—	51
Financial liabilities designated at fair value through profit or loss	—	3,476	578	2,547	69	—	—	6,670
Derivative financial liabilities	—	804	1,340	3,250	2,845	2,325	—	10,564
Due to banks and other financial institutions (ii)	765,833	222,444	54,014	51,033	36,855	2,711	—	1,132,890
Due to customers	6,134,482	730,545	966,949	2,527,394	772,418	13,769	—	11,145,557
Bonds issued	—	—	—	—	34,800	65,610	—	100,410
Certificates of deposit and notes payable	—	969	1,861	2,540	5,798	—	—	11,168
Others	79,374	20,933	20,587	82,478	19,585	6,698	—	229,655
Total liabilities	6,979,689	979,171	1,045,330	2,669,292	872,370	91,113	—	12,636,965
Net liquidity gap	(6,585,303)	(162,433)	(301,119)	(383,368)	2,537,639	3,515,949	2,200,292	821,657

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

31 December 2009

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	249,482	—	—	—	—	—	1,443,566	1,693,048
Due from banks and other financial institutions (i)	29,654	374,775	79,759	133,225	26,714	—	—	644,127
Financial assets held for trading	—	1,091	2,171	3,880	7,397	4,308	129	18,976
Financial assets designated at fair value through profit or loss	—	—	69	139	774	189	—	1,171
Derivative financial assets	—	606	577	1,658	1,495	1,422	—	5,758
Loans and advances to customers	5,552	243,689	514,854	1,296,576	1,606,635	1,878,490	37,378	5,583,174
Financial investments	—	64,100	248,112	1,582,284	1,008,153	661,404	14,973	3,579,026
Investments in associates and jointly-controlled entities	—	—	—	—	—	—	36,278	36,278
Property and equipment	—	—	—	—	—	—	95,684	95,684
Others	20,723	12,930	16,735	32,148	11,276	3,478	30,521	127,811
Total assets	305,411	697,191	862,277	3,049,910	2,662,444	2,549,291	1,658,529	11,785,053
Liabilities:								
Financial liabilities designated at fair value through profit or loss	—	12,352	2,062	588	829	—	—	15,831
Derivative financial liabilities	5	484	1,045	2,397	2,211	1,631	—	7,773
Due to banks and other financial institutions (ii)	857,533	81,110	36,071	45,509	17,471	—	—	1,037,694
Due to customers	5,227,043	654,704	864,840	2,359,489	655,590	9,611	—	9,771,277
Bonds issued	—	—	—	—	—	75,000	—	75,000
Certificates of deposit and notes payable	—	435	861	—	176	—	—	1,472
Others	65,486	12,112	24,325	68,070	21,070	6,009	—	197,072
Total liabilities	6,150,067	761,197	929,204	2,476,053	697,347	92,251	—	11,106,119
Net liquidity gap	(5,844,656)	(64,006)	(66,927)	573,857	1,965,097	2,457,040	1,658,529	678,934

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Bank

31 December 2010

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	290,757	—	—	—	—	—	1,981,508	2,272,265
Due from banks and other financial institutions (i)	52,331	308,157	23,738	48,061	55,686	166	—	488,139
Financial assets held for trading	—	10	300	1,631	3,357	1,661	—	6,959
Financial assets designated at fair value through profit or loss	—	—	600	1,388	—	—	—	1,988
Derivative financial assets	—	781	3,143	3,433	1,943	1,579	—	10,879
Loans and advances to customers	3,839	315,760	437,224	1,448,294	1,794,633	2,331,161	24,929	6,355,840
Financial investments	—	93,788	251,326	719,459	1,416,967	1,191,239	9,479	3,682,258
Investments in subsidiaries and associates	—	—	—	—	—	—	78,774	78,774
Property and equipment	—	—	—	—	—	—	98,418	98,418
Others	30,399	15,886	14,347	30,027	7,190	7,683	26,612	132,144
Total assets	377,326	734,382	730,678	2,252,293	3,279,776	3,533,489	2,219,720	13,127,664
Liabilities:								
Financial liabilities designated at fair value through profit or loss	—	3,476	485	1,862	—	—	—	5,823
Derivative financial liabilities	—	649	1,009	2,423	2,210	1,996	—	8,287
Due to banks and other financial institutions (ii)	767,171	197,935	44,694	17,490	35,100	—	—	1,062,390
Due to customers	6,078,784	649,509	921,527	2,481,745	768,386	13,745	—	10,913,696
Bonds issued	—	—	—	—	34,800	62,324	—	97,124
Certificates of deposit and notes payable	—	893	1,771	1,648	921	—	—	5,233
Others	73,793	20,831	19,997	81,610	19,361	5,628	—	221,220
Total liabilities	6,919,748	873,293	989,483	2,586,778	860,778	83,693	—	12,313,773
Net liquidity gap	(6,542,422)	(138,911)	(258,805)	(334,485)	2,418,998	3,449,796	2,219,720	813,891

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

31 December 2009

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	243,994	—	—	—	—	—	1,442,080	1,686,074
Due from banks and other financial institutions (i)	27,475	370,422	88,077	134,413	26,776	—	—	647,163
Financial assets held for trading	—	265	1,370	1,776	6,529	4,301	—	14,241
Financial assets designated at fair value through profit or loss	—	—	—	—	148	—	—	148
Derivative financial assets	—	259	464	1,396	1,334	1,328	—	4,781
Loans and advances to customers	3,788	236,978	501,374	1,258,951	1,536,658	1,818,226	36,550	5,392,525
Financial investments	—	63,096	245,096	1,575,277	990,452	664,689	12,948	3,551,558
Investments in subsidiaries and associates	—	—	—	—	—	—	59,686	59,686
Property and equipment	—	—	—	—	—	—	93,678	93,678
Others	18,951	12,642	15,821	28,458	10,804	3,602	25,020	115,298
Total assets	294,208	683,662	852,202	3,000,271	2,572,701	2,492,146	1,669,962	11,565,152
Liabilities:								
Financial liabilities designated at fair value through profit or loss	—	12,284	2,017	275	5	—	—	14,581
Derivative financial liabilities	—	277	942	2,061	1,894	1,515	—	6,689
Due to banks and other financial institutions (ii)	858,481	82,748	33,191	24,551	17,071	—	—	1,016,042
Due to customers	5,175,884	586,272	828,748	2,336,044	654,611	9,210	—	9,590,769
Bonds issued	—	—	—	—	—	75,000	—	75,000
Certificates of deposit and notes payable	—	376	780	—	—	—	—	1,156
Others	62,525	11,244	23,719	67,143	21,244	5,942	—	191,817
Total liabilities	6,096,890	693,201	889,397	2,430,074	694,825	91,667	—	10,896,054
Net liquidity gap	(5,802,682)	(9,539)	(37,195)	570,197	1,877,876	2,400,479	1,669,962	669,098

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's and of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group and the Bank's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

Group

31 December 2010

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	298,812	—	899	—	—	—	1,984,187	2,283,898
Due from banks and other financial institutions (i)	55,240	349,829	14,476	37,036	62,871	—	—	519,452
Financial assets held for trading	—	111	2,535	1,904	4,576	1,850	137	11,113
Financial assets designated at fair value through profit or loss	—	6	620	1,434	716	625	—	3,401
Loans and advances to customers (ii)	7,174	376,542	523,409	1,707,765	2,633,490	3,388,618	61,951	8,698,949
Financial investments	—	100,073	270,232	802,576	1,708,727	1,413,431	25,527	4,320,566
Others	31,492	5,121	516	684	1,538	—	—	39,351
	392,718	831,682	812,687	2,551,399	4,411,918	4,804,524	2,071,802	15,876,730

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2010

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	—	—	1	51	—	—	—	52
Financial liabilities designated at fair value through profit or loss	—	3,479	578	2,632	87	—	—	6,776
Due to banks and other financial institutions (i)	765,839	223,061	54,545	52,387	39,721	3,232	—	1,138,785
Due to customers	6,136,119	744,212	988,524	2,594,560	818,850	14,948	—	11,297,213
Bonds issued	—	—	—	2,350	43,476	72,105	—	117,931
Certificates of deposit and notes payable	—	969	1,867	2,563	5,968	—	—	11,367
Others	61,950	10	83	88	1,144	6,393	—	69,668
	6,963,908	971,731	1,045,598	2,654,631	909,246	96,678	—	12,641,792
Derivative cash flows:								
Derivative financial instruments settled on net basis	(2)	(14)	(52)	(115)	347	(386)	—	(222)
Derivative financial instruments settled on gross basis:								
— Cash inflow	1,240	211,555	222,707	417,415	30,552	274	—	883,743
— Cash outflow	(1,243)	(211,550)	(220,605)	(415,414)	(30,751)	(272)	—	(879,835)
	(3)	5	2,102	2,001	(199)	2	—	3,908

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

31 December 2009

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	249,482	—	—	—	—	—	1,443,566	1,693,048
Due from banks and other financial institutions (i)	29,718	375,333	80,372	135,060	28,723	—	—	649,206
Financial assets held for trading	—	1,110	2,231	4,212	8,527	4,842	129	21,051
Financial assets designated at fair value through profit or loss	—	3	79	197	739	365	—	1,383
Loans and advances to customers (ii)	5,903	272,259	575,236	1,526,218	2,311,709	2,921,363	77,642	7,690,330
Investments	—	68,228	263,048	1,660,795	1,173,810	797,583	33,649	3,997,113
Others	18,100	333	908	2,922	906	—	—	23,169
	303,203	717,266	921,874	3,329,404	3,524,414	3,724,153	1,554,986	14,075,300

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2009

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss	—	12,363	2,070	641	869	—	—	15,943
Due to banks and other financial institutions (i)	857,537	81,531	36,325	46,577	18,774	—	—	1,040,744
Due to customers	5,228,121	667,036	884,379	2,425,818	699,802	10,550	—	9,915,706
Bonds issued	—	—	119	2,473	7,801	80,290	—	90,683
Certificates of deposit and notes payable	—	437	870	—	178	—	—	1,485
Others	52,018	9	76	214	1,446	5,625	—	59,388
	6,137,676	761,376	923,839	2,475,723	728,870	96,465	—	11,123,949
Derivative cash flows:								
Derivative financial instruments settled on a net basis	(2)	6	(27)	(237)	(1,249)	(424)	—	(1,933)
Derivative financial instruments settled on a gross basis:								
— Cash inflow	202	101,117	113,071	246,631	19,520	6,053	—	486,594
— Cash outflow	(207)	(100,837)	(112,930)	(246,621)	(19,508)	(6,079)	—	(486,182)
	(5)	280	141	10	12	(26)	—	412

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Bank

31 December 2010

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	290,757	—	898	—	—	—	1,981,508	2,273,163
Due from banks and other financial institutions (i)	52,393	309,213	23,942	49,108	62,410	179	—	497,245
Financial assets held for trading	—	23	352	1,786	3,867	1,784	—	7,812
Financial assets designated at fair value through profit or loss	—	6	617	1,402	—	—	—	2,025
Loans and advances to customers (ii)	4,845	341,723	503,751	1,659,236	2,511,110	3,290,922	59,599	8,371,186
Financial investments	—	97,419	268,765	799,590	1,675,975	1,417,510	22,574	4,281,833
Others	27,948	—	—	—	—	—	—	27,948
	375,943	748,384	798,325	2,511,122	4,253,362	4,710,395	2,063,681	15,461,212

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2010

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss	—	3,479	485	1,927	—	—	—	5,891
Due to banks and other financial institutions (i)	767,177	198,274	45,004	17,718	37,823	—	—	1,065,996
Due to customers	6,079,991	663,080	942,465	2,548,497	814,815	14,928	—	11,063,776
Bonds issued	—	—	—	2,350	43,476	68,821	—	114,647
Certificates of deposit and notes payable	—	894	1,772	1,661	949	—	—	5,276
Others	57,375	10	83	88	1,144	5,379	—	64,079
	6,904,543	865,737	989,809	2,572,241	898,207	89,128	—	12,319,665
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	(2)	—	19	(246)	(420)	—	(649)
Derivative financial instruments settled on gross basis:								
— Cash inflow	—	158,952	186,780	327,210	24,473	201	—	697,616
— Cash outflow	—	(158,762)	(184,549)	(325,290)	(24,558)	(206)	—	(693,365)
	—	190	2,231	1,920	(85)	(5)	—	4,251

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

31 December 2009

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	243,994	—	—	—	—	—	1,442,080	1,686,074
Due from banks and other financial institutions (i)	27,538	370,990	88,709	136,243	28,789	—	—	652,269
Financial assets held for trading	—	281	1,423	2,104	7,623	4,842	—	16,273
Financial assets designated at fair value through profit or loss	—	—	5	5	146	—	—	156
Loans and advances to customers (ii)	4,111	265,247	560,981	1,486,184	2,229,613	2,852,133	76,260	7,474,529
Financial investments	—	67,119	259,920	1,653,158	1,154,201	801,616	31,261	3,967,275
Others	16,514	—	—	—	—	—	—	16,514
	292,157	703,637	911,038	3,277,694	3,420,372	3,658,591	1,549,601	13,813,090

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2009

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss	—	12,284	2,017	275	5	—	—	14,581
Due to banks and other financial institutions (i)	858,486	83,159	33,424	24,924	18,338	—	—	1,018,331
Due to customers	5,176,960	597,607	847,682	2,403,148	699,473	10,123	—	9,734,993
Bonds issued	—	—	119	2,473	7,801	80,290	—	90,683
Certificates of deposit and notes payable	—	379	788	—	—	—	—	1,167
Others	49,399	9	76	214	1,446	5,625	—	56,769
	6,084,845	693,438	884,106	2,431,034	727,063	96,038	—	10,916,524
Derivative cash flows:								
Derivative financial instruments settled on a net basis	—	(12)	(9)	(38)	(430)	(186)	—	(675)
Derivative financial instruments settled on a gross basis:								
— Cash inflow	—	89,698	112,548	210,856	16,839	8,070	—	438,011
— Cash outflow	—	(89,567)	(112,403)	(210,798)	(16,799)	(8,096)	—	(437,663)
	—	131	145	58	40	(26)	—	348

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of the commitments.

Group

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
31 December 2010							
Credit commitments	406,297	100,223	211,154	378,978	320,778	231,727	1,649,157
31 December 2009							
Credit commitments	313,709	77,958	183,322	330,810	204,853	129,035	1,239,687

Bank

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
31 December 2010							
Credit commitments	396,324	98,468	205,680	335,526	302,286	226,388	1,564,672
31 December 2009							
Credit commitments	305,171	64,443	169,009	291,783	183,604	127,547	1,141,557

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

The Group considers the market risk arising from commodity or stock prices fluctuations in respect of its investment portfolios as immaterial.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk ("VaR") analysis is a major tool used by the Bank since the second quarter of 2008 to measure and monitor the market risk of its trading portfolios at the HO level. The following sections include a VaR analysis by risk type of the Group's trading portfolios at the HO level and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(i) VaR

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a given level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

A summary of the VaR by risk type of the Bank's trading portfolios at the HO level (including investments held for trading and foreign exchange transactions) is as follows:

	2010			
	31 December 2010	Average	Highest	Lowest
Interest rate risk	13	16	43	4
Foreign exchange risk	291	116	305	47
Total portfolio VaR	292	118	299	47

	2009			
	31 December 2009	Average	Highest	Lowest
Interest rate risk	30	58	141	23
Foreign exchange risk	58	60	175	17
Total portfolio VaR	60	87	212	31

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there was diversification effect due to the correlation amongst the risk factors, the individual VaR did not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, mainly including the following:

(1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose of positions within that period without restriction, the price of the financial instruments will fluctuate in the given range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

(2) Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and

(3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(ii) Currency risk

The Group conducts it businesses mainly in RMB, with certain transactions denominated in USD, HK$ and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealings and overseas investments.

The exchange rate of RMB to USD is managed under a floating exchange rate system. The HK$ exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HK$ has fluctuated in line with the changes in the exchange rate of RMB to USD.

The Group manages its currency risk through various methods, including limitation management and risk hedging to hedge foreign exchange risk, and performing currency risk sensitivity analysis and stress testing regularly.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

Group

		Effect on profit before tax		Effect on equity	
Currency	Change in Currency rate	2010	2009	31 December 2010	31 December 2009
USD	-1%	149	59	(42)	(25)
HK$	-1%	(5)	30	(212)	(193)

Bank

		Effect on profit before tax		Effect on equity	
Currency	Change in Currency rate	2010	2009	31 December 2010	31 December 2009
USD	-1%	198	143	(7)	(4)
HK$	-1%	(35)	(35)	(2)	(1)

While the table above indicates the effect on profit before tax and equity of 1% depreciation of USD and HK$, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

A breakdown of the assets and liabilities analysed by currency is as follows:

Group

31 December 2010

	RMB	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	2,261,743	9,154	5,641	6,461	2,282,999
Due from banks and other financial institutions (i)	407,659	75,633	3,222	24,573	511,087
Financial assets held for trading	6,921	467	2,436	364	10,188
Financial assets designated at fair value though profit or loss	1,850	663	285	—	2,798
Derivative financial assets	7,416	3,983	87	1,846	13,332
Loans and advances to customers	6,108,135	353,869	115,688	45,680	6,623,372
Financial investments	3,625,676	69,045	5,141	19,420	3,719,282
Investments in associates and jointly-controlled entities	25	707	164	39,429	40,325
Property and equipment	99,659	2,918	329	506	103,412
Others	127,041	4,983	5,983	13,820	151,827
Total assets	12,646,125	521,422	138,976	152,099	13,458,622
Liabilities:					
Due to central banks	50	—	—	1	51
Financial liabilities designated at fair value through profit or loss	5,367	299	685	319	6,670
Derivative financial liabilities	3,880	4,842	174	1,668	10,564
Due to banks and other financial institutions (ii)	945,965	144,041	11,528	31,356	1,132,890
Due to customers	10,791,485	166,357	126,104	61,611	11,145,557
Bonds issued	97,124	3,286	—	—	100,410
Certificates of deposit and notes payable	2,172	3,804	5,055	137	11,168
Others	210,321	9,729	2,957	6,648	229,655
Total liabilities	12,056,364	332,358	146,503	101,740	12,636,965
Long/(short) position	589,761	189,064	(7,527)	50,359	821,657
Credit commitments	1,203,417	334,126	74,380	37,234	1,649,157

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

31 December 2009

	RMB	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	1,675,025	9,049	5,815	3,159	1,693,048
Due from banks and other financial institutions (i)	562,171	61,731	3,103	17,122	644,127
Financial assets held for trading	12,414	3,119	3,063	380	18,976
Financial assets designated at fair value though profit or loss	—	885	286	—	1,171
Derivative financial assets	1,834	2,127	64	1,733	5,758
Loans and advances to customers	5,198,888	243,061	113,605	27,620	5,583,174
Financial investments	3,478,181	73,449	4,547	22,849	3,579,026
Investments in associates and jointly-controlled entities	3	—	154	36,121	36,278
Property and equipment	95,012	197	179	296	95,684
Others	118,927	2,018	6,012	854	127,811
Total assets	11,142,455	395,636	136,828	110,134	11,785,053
Liabilities:					
Financial liabilities designated at fair value through profit or loss	14,232	195	1,109	295	15,831
Derivative financial liabilities	3,253	3,236	117	1,167	7,773
Due to banks and other financial institutions (ii)	945,832	67,314	11,860	12,688	1,037,694
Due to customers	9,457,807	163,755	106,041	43,674	9,771,277
Bonds issued	75,000	—	—	—	75,000
Certificates of deposit and notes payable	—	—	316	1,156	1,472
Others	181,592	5,545	3,415	6,520	197,072
Total liabilities	10,677,716	240,045	122,858	65,500	11,106,119
Net position	464,739	155,591	13,970	44,634	678,934
Credit commitments	904,491	218,666	80,089	36,441	1,239,687

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Bank

31 December 2010

	RMB	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	2,259,221	8,301	1,884	2,859	2,272,265
Due from banks and other financial institutions (i)	400,448	59,047	8,474	20,170	488,139
Financial assets held for trading	6,887	72	—	—	6,959
Financial assets designated at fair value though profit or loss	1,850	138	—	—	1,988
Derivative financial assets	6,606	2,782	50	1,441	10,879
Loans and advances to customers	6,055,563	265,528	13,714	21,035	6,355,840
Financial investments	3,623,388	44,042	4,721	10,107	3,682,258
Investments in subsidiaries and associates	5,294	5,620	29,152	38,708	78,774
Property and equipment	98,150	174	9	85	98,418
Others	118,936	1,703	124	11,381	132,144
Total assets	12,576,343	387,407	58,128	105,786	13,127,664
Liabilities:					
Financial liabilities designated at fair value through profit or loss	5,367	137	1	318	5,823
Derivative financial liabilities	3,846	2,818	71	1,552	8,287
Due to banks and other financial institutions (ii)	905,746	113,777	14,241	28,626	1,062,390
Due to customers	10,769,011	94,229	19,755	30,701	10,913,696
Bonds issued	97,124	—	—	—	97,124
Certificates of deposit and notes payable	1	2,698	2,397	137	5,233
Others	208,861	6,053	604	5,702	221,220
Total liabilities	11,989,956	219,712	37,069	67,036	12,313,773
Net position	586,387	167,695	21,059	38,750	813,891
Credit commitments	1,198,736	324,980	10,553	30,403	1,564,672

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

31 December 2009

	RMB	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	1,673,953	8,973	1,590	1,558	1,686,074
Due from banks and other financial institutions (i)	561,406	61,527	6,281	17,949	647,163
Financial assets held for trading	12,381	1,860	—	—	14,241
Financial assets designated at fair value though profit or loss	—	148	—	—	148
Derivative financial assets	1,748	1,569	39	1,425	4,781
Loans and advances to customers	5,171,582	186,579	16,345	18,019	5,392,525
Financial investments	3,477,703	53,502	2,694	17,659	3,551,558
Investments in subsidiaries and associates	5,335	3,197	11,294	39,860	59,686
Property and equipment	93,423	192	10	53	93,678
Others	113,637	1,015	75	571	115,298
Total assets	11,111,168	318,562	38,328	97,094	11,565,152
Liabilities:					
Financial liabilities designated at fair value through profit or loss	14,231	54	1	295	14,581
Derivative financial liabilities	3,164	2,613	44	868	6,689
Due to banks and other financial institutions (ii)	923,402	71,114	8,885	12,641	1,016,042
Due to customers	9,453,123	92,503	20,128	25,015	9,590,769
Bonds issued	75,000	—	—	—	75,000
Certificates of deposit and notes payable	—	—	—	1,156	1,156
Others	180,355	4,882	320	6,260	191,817
Total liabilities	10,649,275	171,166	29,378	46,235	10,896,054
Net position	461,893	147,396	8,950	50,859	669,098
Credit commitments	899,353	204,149	5,366	32,689	1,141,557

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB interest policy which include a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Bank's net interest income and equity.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at year end that are subject to repricing within the coming year, including the effect of hedging instruments. The sensitivity of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate available-for-sale financial assets held at year end, including the effect of any associated hedges.

Group

	Sensitivity of net interest income		Sensitivity of equity	
Change in basis points	2010	2009	31 December 2010	31 December 2009
+100 basis points	(23,156)	(17,273)	(18,848)	(16,505)
-100 basis points	23,156	17,273	20,130	17,385

Bank

	Sensitivity of net interest income		Sensitivity of equity	
Change in basis points	2010	2009	31 December 2010	31 December 2009
+100 basis points	(22,742)	(16,667)	(18,557)	(16,353)
-100 basis points	22,742	16,667	19,839	17,234

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's and the Bank's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's assets and liabilities:

31 December 2010

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	2,053,031	—	—	—	229,968	2,282,999
Due from banks and other financial institutions (i)	431,688	74,549	2,758	—	2,092	511,087
Financial assets held for trading	3,463	2,446	2,896	1,246	137	10,188
Financial assets designated at fair value through profit or loss	1,850	138	649	161	—	2,798
Derivative financial assets	—	—	—	—	13,332	13,332
Loans and advances to customers	1,693,741	4,822,637	4,264	102,730	—	6,623,372
Financial investments	455,651	886,647	1,305,385	1,066,554	5,045	3,719,282
Investments in associates and jointly-controlled entities	—	—	—	—	40,325	40,325
Property and equipment	—	—	—	—	103,412	103,412
Others	7,494	—	—	—	144,333	151,827
Total assets	4,646,918	5,786,417	1,315,952	1,170,691	538,644	13,458,622
Liabilities:						
Due to central banks	1	50	—	—	—	51
Financial liabilities designated at fair value through profit or loss	4,054	2,547	69	—	—	6,670
Derivative financial liabilities	—	—	—	—	10,564	10,564
Due to banks and other financial institutions (ii)	1,054,575	77,420	71	—	824	1,132,890
Due to customers	7,583,862	2,527,185	772,382	13,769	248,359	11,145,557
Bonds issued	—	5,500	29,300	65,610	—	100,410
Certificates of deposit and notes payable	8,894	1,977	297	—	—	11,168
Others	—	—	—	—	229,655	229,655
Total liabilities	8,651,386	2,614,679	802,119	79,379	489,402	12,636,965
Interest rate mismatch	(4,004,468)	3,171,738	513,833	1,091,312	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

31 December 2009

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,527,200	—	—	—	165,848	1,693,048
Due from banks and other financial institutions (i)	484,948	157,487	690	—	1,002	644,127
Financial assets held for trading	4,443	4,601	5,903	3,900	129	18,976
Financial assets designated at fair value through profit or loss	69	139	774	189	—	1,171
Derivative financial assets	—	—	—	—	5,758	5,758
Loans and advances to customers	1,761,803	3,821,371	—	—	—	5,583,174
Financial investments	397,263	1,751,016	869,172	557,091	4,484	3,579,026
Investments in associates and jointly-controlled entities	—	—	—	—	36,278	36,278
Property and equipment	—	—	—	—	95,684	95,684
Others	4,708	—	—	—	123,103	127,811
Total assets	4,180,434	5,734,614	876,539	561,180	432,286	11,785,053
Liabilities:						
Financial liabilities designated at fair value through profit or loss	14,674	333	824	—	—	15,831
Derivative financial liabilities	—	—	—	—	7,773	7,773
Due to banks and other financial institutions (ii)	979,377	57,480	—	—	837	1,037,694
Due to customers	6,572,045	2,359,489	655,590	9,611	174,542	9,771,277
Bonds issued	9,000	18,500	10,500	37,000	—	75,000
Certificates of deposit and notes payable	1,472	—	—	—	—	1,472
Others	—	—	—	—	197,072	197,072
Total liabilities	7,576,568	2,435,802	666,914	46,611	380,224	11,106,119
Interest rate mismatch	(3,396,134)	3,298,812	209,625	514,569	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Bank's assets and liabilities:

31 December 2010

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	2,043,427	—	—	—	228,838	2,272,265
Due from banks and other financial institutions (i)	399,981	85,928	2,024	166	40	488,139
Financial assets held for trading	648	2,434	2,692	1,185	—	6,959
Financial assets designated at fair value through profit or loss	1,850	138	—	—	—	1,988
Derivative financial assets	—	—	—	—	10,879	10,879
Loans and advances to customers	1,641,557	4,607,289	4,264	102,730	—	6,355,840
Financial investments	448,118	884,885	1,281,922	1,064,553	2,780	3,682,258
Investments in subsidiaries and associates	—	—	—	—	78,774	78,774
Property and equipment	—	—	—	—	98,418	98,418
Others	—	—	—	—	132,144	132,144
Total assets	4,535,581	5,580,674	1,290,902	1,168,634	551,873	13,127,664
Liabilities:						
Financial liabilities designated at fair value through profit or loss	3,961	1,862	—	—	—	5,823
Derivative financial liabilities	—	—	—	—	8,287	8,287
Due to banks and other financial institutions (ii)	1,020,742	41,648	—	—	—	1,062,390
Due to customers	7,414,256	2,481,745	768,386	13,745	235,564	10,913,696
Bonds issued	—	5,500	29,300	62,324	—	97,124
Certificates of deposit and notes payable	3,288	1,648	297	—	—	5,233
Others	—	—	—	—	221,220	221,220
Total liabilities	8,442,247	2,532,403	797,983	76,069	465,071	12,313,773
Interest rate mismatch	(3,906,666)	3,048,271	492,919	1,092,565	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

31 December 2009

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,521,085	—	—	—	164,989	1,686,074
Due from banks and other financial institutions (i)	487,244	158,806	752	—	361	647,163
Financial assets held for trading	1,958	2,720	5,704	3,859	—	14,241
Financial assets designated at fair value through profit or loss	—	—	148	—	—	148
Derivative financial assets	—	—	—	—	4,781	4,781
Loans and advances to customers	1,741,641	3,650,884	—	—	—	5,392,525
Financial investments	391,466	1,746,998	855,581	555,042	2,471	3,551,558
Investments in subsidiaries and associates	—	—	—	—	59,686	59,686
Property and equipment	—	—	—	—	93,678	93,678
Others	—	—	—	—	115,298	115,298
Total assets	4,143,394	5,559,408	862,185	558,901	441,264	11,565,152
Liabilities:						
Financial liabilities designated at fair value through profit or loss	14,561	20	—	—	—	14,581
Derivative financial liabilities	—	—	—	—	6,689	6,689
Due to banks and other financial institutions (ii)	974,145	41,622	—	—	275	1,016,042
Due to customers	6,416,404	2,336,044	654,611	9,210	174,500	9,590,769
Bonds issued	9,000	18,500	10,500	37,000	—	75,000
Certificates of deposit and notes payable	1,156	—	—	—	—	1,156
Others	—	—	—	—	191,817	191,817
Total liabilities	7,415,266	2,396,186	665,111	46,210	373,281	10,896,054
Interest rate mismatch	(3,271,872)	3,163,222	197,074	512,691	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(d) Capital management

The Group's objectives on capital management are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To allocate capital in an efficient and risk-based approach to optimise risk adjusted return to the shareholders; and
- To maintain an adequate capital base to support the development of its business.

(In RMB millions, unless otherwise stated)

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem own shares, long term subordinated bonds, convertible bonds and hybrid instruments.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBRC. The required information is filed with the CBRC by the Group and the Bank bi-annually and quarterly.

The CBRC requires each bank to maintain the capital adequacy ratio and core capital adequacy ratio not below the minimum of 8% and 4%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk capital adjustment is calculated using the standardised approach.

The Group computes the capital adequacy ratio and core capital adequacy ratio in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and related regulations promulgated by the CBRC. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

The Group calculates the capital adequacy ratios in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and relevant requirements promulgated by the CBRC.

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

52. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(i) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, reserves include valid portion of capital reserve and retained profits, surplus reserve and general reserve.

(ii) Pursuant to the Notice on Specifying the Calculating Method of General Provisions for Loan Impairment issued by the CBRC, the general provisions for loan impairment included in supplementary capital should not exceed 1% of the total loans balance since the second quarter of 2010.

(iii) On 31 August 2010, as approved by the relevant regulators, the Bank issued convertible bonds of RMB25 billion. All funds raised from the issuance are utilised to enhance the Bank's supplementary capital after deducting direct transaction costs.

(iv) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, 100% and 50% of unconsolidated equity investments were deducted when calculating the net capital base and net core capital base, respectively.

(v) Included in the amount was the asset securitisation risk exposure deducted according to relevant regulations issued by the CBRC. As at 31 December 2009, the amount also included subordinated debts deducted which were issued by other commercial banks and purchased by the Bank after 1 July 2009 according to the Notice on Improving Capital Supplement Mechanism of Commercial Banks issued by the CBRC.

53. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(In RMB millions, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group

31 December 2010

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
Equity investments	137	—	—	137
Debt securities	1,782	8,269	—	10,051
	1,919	8,269	—	10,188
Financial assets designated at fair value through profit or loss				
Debt securities	364	584	—	948
Trust assets and others	—	1,850	—	1,850
	364	2,434	—	2,798
Derivative financial assets				
Exchange rate contracts	—	8,557	1,180	9,737
Interest rate contracts	—	1,818	1,055	2,873
Other derivative contracts	—	13	709	722
	—	10,388	2,944	13,332
Available-for-sale financial assets				
Equity investments	2,986	—	—	2,986
Debt securities	39,954	852,889	6,907	899,750
	42,940	852,889	6,907	902,736
	45,223	873,980	9,851	929,054
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss				
Structured deposits	—	3,961	—	3,961
Wealth management product	—	1,862	—	1,862
Certificates of deposit	—	754	—	754
Notes payable	—	93	—	93
	—	6,670	—	6,670
Derivative financial liabilities				
Exchange rate contracts	—	5,115	1,181	6,296
Interest rate contracts	—	2,852	1,415	4,267
Other derivative contracts	—	1	—	1
	—	7,968	2,596	10,564
	—	14,638	2,596	17,234

(In RMB millions, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2009

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
Equity investments	129	—	—	129
Debt securities	2,401	16,446	—	18,847
	2,530	16,446	—	18,976
Financial assets designated at fair value through profit or loss				
Debt securities	675	496	—	1,171
Derivative financial assets				
Exchange rate contracts	—	2,560	297	2,857
Interest rate contracts	—	923	1,828	2,751
Other derivative contracts	—	150	—	150
	—	3,633	2,125	5,758
Available-for-sale financial assets				
Equity investments	2,595	—	—	2,595
Debt securities	40,328	897,409	7,688	945,425
	42,923	897,409	7,688	948,020
	46,128	917,984	9,813	973,925
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss				
Structured deposits	—	14,581	—	14,581
Certificates of deposit	—	1,250	—	1,250
	—	15,831	—	15,831
Derivative financial liabilities				
Exchange rate contracts	—	3,666	303	3,969
Interest rate contracts	—	1,603	2,062	3,665
Other derivative contracts	—	139	—	139
	—	5,408	2,365	7,773
	—	21,239	2,365	23,604

(In RMB millions, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Bank

31 December 2010

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
Debt securities	—	6,959	—	6,959
Financial assets designated at fair value through profit or loss				
Debt securities	—	138	—	138
Trust assets and others	—	1,850	—	1,850
	—	1,988	—	1,988
Derivative financial assets				
Exchange rate contracts	—	7,074	1,180	8,254
Interest rate contracts	—	1,568	1,055	2,623
Other derivative contracts	—	—	2	2
	—	8,642	2,237	10,879
Available-for-sale financial assets				
Equity investments	818	—	—	818
Debt securities	14,598	841,703	5,311	861,612
	15,416	841,703	5,311	862,430
	15,416	859,292	7,548	882,256
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss				
Structured deposits	—	3,961	—	3,961
Wealth management product	—	1,862	—	1,862
	—	5,823	—	5,823
Derivative financial liabilities				
Exchange rate contracts	—	3,741	1,181	4,922
Interest rate contracts	—	1,950	1,415	3,365
	—	5,691	2,596	8,287
	—	11,514	2,596	14,110

(In RMB millions, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2009

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
Debt securities	—	14,241	—	14,241
Financial assets designated at fair value through profit or loss				
Debt securities	148	—	—	148
Derivative financial assets				
Exchange rate contracts	—	1,983	297	2,280
Interest rate contracts	—	722	1,779	2,501
	—	2,705	2,076	4,781
Available-for-sale financial assets				
Equity investments	954	—	—	954
Debt securities	17,773	890,182	7,686	915,641
	18,727	890,182	7,686	916,595
	18,875	907,128	9,762	935,765
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss				
Structured deposits	—	14,581	—	14,581
Derivative financial liabilities				
Exchange rate contracts	—	3,210	303	3,513
Interest rate contracts	—	1,163	2,013	3,176
	—	4,373	2,316	6,689
	—	18,954	2,316	21,270

The following is a description of the fair value of the financial instruments recorded at fair value which are determined using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Financial investments valued using a valuation technique consist of certain debt securities and asset-backed securities. The Group values such securities in use of discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Government Securities Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

(In RMB millions, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate yield curves.

Derivatives valued using a valuation technique with significant non-market observable inputs are primarily certain structured products. These derivatives are valued using models which calculate present value such as the binomial model for options. The models incorporate various non-observable assumptions such as market rate volatilities.

Other liabilities designated at fair value through profit or loss

For unquoted other liabilities designated at fair value through profit or loss, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads.

(b) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

Group

	As at 1 January 2010	Total gains/ (losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Disposals	Settlements	Transfers to level 3 from level 2	As at 31 December 2010
Financial assets:								
Derivative financial assets								
Exchange rate contracts	297	892	—	—	—	(9)	—	1,180
Interest rate contracts	1,828	(32)	—	—	—	(741)	—	1,055
Other derivative contracts	—	286	—	423	—	—	—	709
	2,125	1,146	—	423	—	(750)	—	2,944
Available-for-sale financial assets								
Debt securities	7,688	66	688	837	(161)	(2,432)	221	6,907
	9,813	1,212	688	1,260	(161)	(3,182)	221	9,851
Financial liabilities:								
Derivative financial liabilities								
Exchange rate contracts	(303)	(893)	—	—	—	15	—	(1,181)
Interest rate contracts	(2,062)	(104)	—	—	—	751	—	(1,415)
	(2,365)	(997)	—	—	—	766	—	(2,596)

(In RMB millions, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	As at 1 January 2009	Total gains/ (losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Disposals	Settlements	Transfers to level 2 from level 3	As at 31 December 2009
Financial assets:							
Derivative financial assets							
Exchange rate contracts	877	(222)	—	—	(358)	—	297
Interest rate contracts	5,125	(2,007)	—	—	(1,290)	—	1,828
	6,002	(2,229)	—	—	(1,648)	—	2,125
Available-for-sale financial assets							
Debt securities	27,749	(518)	311	(15,110)	(4,000)	(744)	7,688
	33,751	(2,747)	311	(15,110)	(5,648)	(744)	9,813
Financial liabilities:							
Derivative financial liabilities							
Exchange rate contracts	(877)	216	—	—	358	—	(303)
Interest rate contracts	(5,402)	2,041	—	—	1,299	—	(2,062)
	(6,279)	2,257	—	—	1,657	—	(2,365)

Bank

	As at 1 January 2010	Total gains/ (losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Disposals	Settlements	Transfers to level 3 from level 2	As at 31 December 2010
Financial assets:							
Derivative financial assets							
Exchange rate contracts	297	892	—	—	(9)	—	1,180
Interest rate contracts	1,779	17	—	—	(741)	—	1,055
Other derivative contracts	—	2	—	—	—	—	2
	2,076	911	—	—	(750)	—	2,237
Available-for-sale financial assets							
Debt securities	7,686	66	34	(161)	(2,431)	117	5,311
	9,762	977	34	(161)	(3,181)	117	7,548
Financial liabilities:							
Derivative financial liabilities							
Exchange rate contracts	(303)	(893)	—	—	15	—	(1,181)
Interest rate contracts	(2,013)	(153)	—	—	751	—	(1,415)
	(2,316)	(1,046)	—	—	766	—	(2,596)

(In RMB millions, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	As at 1 January 2009	Total gains/ (losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Disposals	Settlements	Transfers to level 2 from level 3	As at 31 December 2009
Financial assets:							
Derivative financial assets							
Exchange rate contracts	877	(222)	—	—	(358)	—	297
Interest rate contracts	5,084	(2,015)	—	—	(1,290)	—	1,779
	5,961	(2,237)	—	—	(1,648)	—	2,076
Available-for-sale financial assets							
Debt securities	27,737	(507)	310	(15,110)	(4,000)	(744)	7,686
	33,698	(2,744)	310	(15,110)	(5,648)	(744)	9,762
Financial liabilities:							
Derivative financial liabilities							
Exchange rate contracts	(877)	216	—	—	358	—	(303)
Interest rate contracts	(5,360)	2,048	—	—	1,299	—	(2,013)
	(6,237)	2,264	—	—	1,657	—	(2,316)

Gains or losses on level 3 financial instruments included in the income statement for the year comprise:

	Group			Bank		
	Realised	Unrealised	Total	Realised	Unrealised	Total
2010						
Total gains/(losses) for the year	277	(63)	214	277	(346)	(69)
2009						
Total losses for the year	(120)	(370)	(490)	(120)	(360)	(480)

(c) Transfers between level 1 and level 2

During the year, the Group had no transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities which were recorded at fair value.

(d) Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and the fair values of receivables, held-to-maturity investments and bonds issued whose fair values have not been presented or disclosed above:

	Group		Bank	
	Carrying value	Fair value	Carrying value	Fair value
31 December 2010:				
Receivables	501,706	501,310	501,706	501,310
Held-to-maturity investments	2,312,781	2,291,074	2,316,159	2,294,436
Subordinated bonds	78,286	72,721	75,000	69,424
Convertible bonds	22,124	20,990	22,124	20,990
31 December 2009:				
Receivables	1,132,379	1,133,843	1,132,379	1,133,843
Held-to-maturity investments	1,496,738	1,511,251	1,501,067	1,515,599
Subordinated bonds	75,000	71,875	75,000	71,875

(In RMB millions, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(i) The receivables are non-transferable. The fair values of those receivables relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of receivables other than those relating to the restructuring of the Bank are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of held-to-maturity investments and bonds issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group and the Bank's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Balances with central banks	Due to banks and other financial institutions
Due from banks and other financial institutions	Repurchase agreements
Reverse repurchase agreements	Due to customers
Loans and advances to customers	Other financial liabilities
Other financial assets	

54. EVENTS AFTER THE REPORTING PERIOD

a. The profit distribution plan

A final dividend of RMB0.184 per share after the appropriation of statutory surplus reserve and general reserve share, was approved at the Board of Directors' meeting held on 30 March 2011, and is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting. Based on the number of shares issued as at 31 December 2010, the final dividend amounted to approximately RMB64,219 million. The dividend payable was not recognised as a liability as at 31 December 2010.

b. Acquisition of the Bank of East Asia (U.S.A.) National Association

On 23 January 2011, the Bank held the Board of Directors' meeting and announced that the Bank, BEA and East Asia Holding Company, Inc. ("EAHC") entered into an agreement for the acquisition of shares of the Bank of East Asia (U.S.A) National Association. Under the acquisition agreement, the Bank will pay a consideration of approximately USD140 million (equivalent to RMB924 million calculated based on the central parity in USD/RMB rate closing on 23 January 2011) for the acquisition of 80% of common shares outstanding of the Bank of East Asia (U.S.A.) National Association. Transaction price will be adjusted after completion of the transaction to reflect any increase or decrease in 80% of the book value of the identifiable net assets of the Bank of East Asia (U.S.A) National Association between 30 September 2010 and the closing date of the transaction.

Upon completion of the transaction, EAHC still holds 20% of total shares of the Bank of East Asia (U.S.A) National Association, and has a put option to sell the remaining 20% of the shares it holds to the Bank at any time from the date that is 18 months after the completion of the transaction to the tenth anniversary of the date of completion of the transaction. The transaction is subject to the approvals of the regulatory authorities in the U.S. and China (including Hong Kong), and will be completed within 14 months from the date of the execution of the acquisition agreement.

54. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(c) Completion of voluntary delisting tender offer for ICBC Thai

All necessary approvals for the applications for delisting of shares of ICBC Thai from the Stock Exchange of Thailand were obtained from the Thai authorities and regulators on 21 December 2010. On 27 December 2010, the Bank made a voluntary delisting tender offer (the "Delisting Tender Offer") for all issued shares of ICBC Thai not otherwise held by the Bank, in the amount of 43,702,060 ordinary shares and 182,284 preferred shares, and in aggregate representing approximately 2.76% of the total issued and voting shares of ICBC Thai. The tender offer period under the Delisting Tender Offer commenced on 28 December 2010 and ended on 3 March 2011.

The Delisting Tender Offer was completed 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 1,553,563,401 ordinary shares and 355,581 preferred shares of ICBC Thai, in aggregate representing approximately 97.70% of the total issued shares of ICBC Thai. On 19 March 2011, ICBC Thai's shares were formally delisted from the Stock Exchange of Thailand.

55. COMPARATIVE AMOUNTS

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

56. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2011.

(In RMB millions, unless otherwise stated)

(a) Illustration of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for the year ended 31 December 2010 (for the year ended 31 December 2009: the profit attributable to equity holders of the parent company under IFRSs was 46 million higher than that under PRC GAAP, which was due to the reversal adjustments to the revaluation surplus of certain assets upon their disposal or impairment). There are no differences between the equity attributable to equity holders of the parent company under PRC GAAP and IFRSs as at 31 December 2010 (as at 31 December 2009: no differences).

(b) Liquidity ratios

	As at 31 December 2010	Average for the year ended 31 December 2010	As at 31 December 2009	Average for the year ended 31 December 2009
RMB current assets to RMB current liabilities	31.78%	31.24%	30.70%	29.33%
Foreign currency current assets to foreign currency current liabilities	53.37%	57.26%	61.14%	71.16%

The above liquidity ratios are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January 2007. It requires the disclosure of average liquidity ratio, which being the arithmetic mean of the liquidity ratios for each calendar month liquidity ratio. The Group prepared liquidity ratio on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

(c) Foreign currency concentrations

	USD	HK$	Others	Total
As at 31 December 2010				
Spot assets	517,797	138,483	112,315	768,595
Spot liabilities	(332,358)	(146,503)	(101,740)	(580,601)
Forward purchases	333,195	44,986	49,516	427,697
Forward sales	(526,173)	(15,301)	(46,033)	(587,507)
Net option position	(3,808)	(1)	293	(3,516)
Net long/(short) position	(11,347)	21,664	14,351	24,668
Net structural position	3,625	493	39,784	43,902
As at 31 December 2009				
Spot assets	395,439	136,495	73,867	605,801
Spot liabilities	(240,045)	(122,858)	(65,500)	(428,403)
Forward purchases	156,039	12,186	31,852	200,077
Forward sales	(315,368)	(8,135)	(39,980)	(363,483)
Net option position	(242)	(3)	252	7
Net long/(short) position	(4,177)	17,685	491	13,999
Net structural position	197	333	36,267	36,797

(In RMB millions, unless otherwise stated)

(c) Foreign currency concentrations (continued)

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and jointly-controlled entities.

(d) Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions and debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Public sector entities	Others	Total
As at 31 December 2010:				
Asia Pacific excluding Mainland China	65,601	15,609	146,391	227,601
— of which attributed to Hong Kong	25,616	8,798	90,463	124,877
Europe	50,709	1,875	16,567	69,151
North and South America	44,835	6,423	33,972	85,230
	161,145	23,907	196,930	381,982
As at 31 December 2009:				
Asia Pacific excluding Mainland China	43,932	10,242	128,820	182,994
— of which attributed to Hong Kong	21,743	6,234	96,005	123,982
Europe	46,055	1,429	21,650	69,134
North and South America	32,918	9,536	16,163	58,617
	122,905	21,207	166,633	310,745

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers

(i) Analysis by industry sector

31 December 2010

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses: Individually assessed	Allowance for impairment losses: Collectively assessed	Allowance for impairment losses: Total
Transportation, storage and postal services	1,039,929	272,298	8,384	9,105	5,403	3,171	8,574
Manufacturing	970,184	397,667	25,507	27,336	19,404	21,333	40,737
Production and supply of electricity, gas and water	597,189	82,106	4,810	5,278	2,570	1,473	4,043
Real estate	586,654	441,884	5,987	5,724	3,345	9,278	12,623
Water, environment and public utility management	552,886	108,679	186	208	137	31,344	31,481
Wholesale, retail and lodging	430,954	259,584	10,253	10,460	6,453	4,686	11,139
Leasing and commercial services	378,568	130,404	1,036	1,201	762	13,791	14,553
Mining	133,358	15,825	273	297	209	274	483
Construction	89,188	39,000	1,200	1,231	942	824	1,766
Science, education, culture and sanitation	69,265	9,012	774	846	689	212	901
Others	169,106	85,287	1,269	1,814	1,386	2,802	4,188
Subtotal of corporate loans and advances	5,017,281	1,841,746	59,679	63,500	41,300	89,188	130,488
Personal mortgage and business loans	1,288,683	1,223,922	30,313	—	—	30,404	30,404
Others	367,036	259,489	12,208	—	—	4,165	4,165
Subtotal of personal loans	1,655,719	1,483,411	42,521	—	—	34,569	34,569
Discounted bills	117,506	117,506	98	—	—	2,077	2,077
Total loans and advances to customers	6,790,506	3,442,663	102,298	63,500	41,300	125,834	167,134
Current market value of collateral held against the covered portion of overdue loans and advances*							104,832
Covered portion of overdue loans and advances*							48,023
Uncovered portion of overdue loans and advances*							54,275

* Please see section (e) (ii) for the definition of overdue loans and advances to customers.

31 December 2009

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses: Individually assessed	Allowance for impairment losses: Collectively Assessed	Allowance for impairment losses: Total
Transportation, storage and postal services	826,557	258,743	8,450	11,207	4,954	16,634	21,588
Manufacturing	826,066	311,484	33,287	34,894	22,753	15,161	37,914
Production and supply of electricity, gas and water	548,541	121,609	5,423	6,541	2,939	4,582	7,521
Real estate	474,710	331,231	6,922	7,097	3,412	11,119	14,531
Water, environment and public utility management	510,942	114,693	220	333	205	10,550	10,755
Wholesale, retail and lodging	283,974	165,377	11,893	12,439	7,213	6,621	13,834
Leasing and commercial services	305,233	93,616	1,242	1,343	808	5,065	5,873
Mining	108,139	8,336	322	357	272	812	1,084
Construction	65,280	25,089	1,295	1,330	937	549	1,486
Science, education, culture and sanitation	67,520	11,149	870	1,132	712	605	1,317
Others	152,297	48,487	1,900	1,704	1,295	1,224	2,519
Subtotal of corporate loans and advances	4,169,259	1,489,814	71,824	78,377	45,500	72,922	118,422
Personal mortgage and business loans	1,027,032	960,381	32,307	—	—	20,073	20,073
Others	202,537	149,785	10,059	—	—	4,586	4,586
Subtotal of personal loans	1,229,569	1,110,166	42,366	—	—	24,659	24,659
Discounted bills	329,798	329,798	—	—	—	2,371	2,371
Total loans and advances to customers	5,728,626	2,929,778	114,190	78,377	45,500	99,952	145,452
Current market value of collateral held against the covered portion of overdue loans and advances*							103,481
Covered portion of overdue loans and advances*							53,384
Uncovered portion of overdue loans and advances*							60,806

* Please see section (e) (ii) for the definition of overdue loans and advances to customers.

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

The amount of new impairment loss charged to the consolidated income statement and the amount of impaired loans and advances written off during the year are set out below:

	2010		2009	
	New impairment loss	Write-offs of impaired loans	New impairment loss	Write-offs of impaired loans
Transportation, storage and postal services	5,746	50	12,222	22
Manufacturing	12,394	3,846	15,008	7,629
Production and supply of electricity, gas and water	1,654	280	1,387	194
Real estate	3,100	416	5,861	603
Water, environment and public utility management	22,646	117	14,245	1
Wholesale, retail and lodging	4,957	931	11,705	1,697
Leasing and commercial services	9,667	48	4,565	74
Mining	579	21	81	99
Construction	602	57	281	34
Science, education, culture and sanitation	350	3	399	94
Others	2,644	625	1,347	812
Subtotal for corporate loans and advances	64,339	6,394	67,101	11,259
Personal mortgage and business loans	14,270	317	9,703	334
Others	2,766	193	2,438	273
Subtotal for personal loans	17,036	510	12,141	607
Discounted bills	2,077	—	2,371	—
Total for loans and advances to customers	83,452	6,904	81,613	11,866

(ii) Overdue loans and advances to customers

	2010	2009
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	3,264	4,175
Between 6 and 12 months	5,248	11,090
Over 12 months	55,836	61,823
	64,348	77,088
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.05%	0.1%
Between 6 and 12 months	0.1%	0.2%
Over 12 months	0.8%	1.1%
	0.95%	1.4%

The definition of overdue loans and advances to customers is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans and advances would be classified as overdue.

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

(iii) Overdue and impaired loans and advances to customers by geographical distribution

31 December 2010

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	4,176	189	86	194	119	3,455
Yangtze River Delta	15,031	9,099	5,544	10,880	6,761	29,306
Pearl River Delta	13,384	6,906	4,583	7,731	5,540	18,236
Bohai Rim	19,177	12,026	7,315	12,873	8,085	24,107
Central China	17,729	9,158	5,312	10,478	6,939	18,068
Western China	20,788	12,109	6,282	13,337	7,850	22,282
Northeastern China	8,715	5,751	5,044	6,117	5,225	8,713
Overseas and others	3,298	399	180	1,890	781	1,667
	102,298	55,637	34,346	63,500	41,300	125,834

31 December 2009

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	3,411	93	32	108	57	1,635
Yangtze River Delta	17,129	11,197	5,994	12,739	7,209	24,357
Pearl River Delta	15,791	8,368	5,289	8,770	5,543	15,106
Bohai Rim	21,419	13,891	8,268	14,493	8,982	19,796
Central China	18,622	10,706	5,458	13,923	6,879	14,151
Western China	22,603	14,511	7,221	16,666	8,885	17,454
Northeastern China	13,120	9,377	6,893	10,093	7,180	6,466
Overseas and others	2,095	802	387	1,585	765	987
	114,190	68,945	39,542	78,377	45,500	99,952

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

(iv) Renegotiated loans and advances to customers

	2010		2009	
		% of total loans and advances		% of total loans and advances
Renegotiated loans and advances	10,716	0.16%	15,611	0.3%
Less: Renegotiated loans and advances overdue for more than three months	(7,602)	(0.11%)	(11,106)	(0.2%)
Renegotiated loans and advances overdue for less than three months	3,114	0.05%	4,505	0.1%

(f) Overdue placements with banks and other financial institutions

	2010	2009
The Group's gross placements with banks and other financial institutions which have been overdue with respect to either principal or interest for a period of:		
Over 12 months	28	28
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.04%	0.04%

(g) Exposures to Mainland China Non-bank entities

	2010	2009
On-balance sheet exposure	9,009,721	6,652,463
Off-balance sheet exposure	1,497,421	1,098,085
	10,507,142	7,750,548
Individually assessed allowance for impairment losses	40,926	44,810

In addition to those disclosed above, exposures to other non-bank counterparties outside Mainland China to which the credit is granted for use in Mainland China are considered insignificant to the Group.

2010 Ranking and Awards

Ranking

The Banker

The 7th place among the Top 1,000 World Banks
(ranking in terms of Tier 1 capital of the Bank)

Millward Brown

The 11th place among the Top 100 Most Valuable Global Brands (First among the financial institution brands)
(ranking in terms of brand value)

Forbes

The 5th place among the Global 2000
(overall ranking in terms of four aspects: sales, profit, assets and market value)

Fortune

The 87th place among the Global 500
(ranking in terms of revenues)

China Enterprise Confederation

The 5th place among the Top 500 Enterprises of China
(ranking in terms of operating income)

Awards

The Chamber of Hong Kong Listed Companies

Overall Winner Award for Corporate Governance Excellence 2010
Award for Corporate Governance Excellence 2010: Category for Hang Seng Index Companies

Euromoney

Best Bank in China
Best Chinese Company (Banking & Financial sector)
Best Private Bank in China for Fixed Income Portfolio Management

Global Finance

Best Bank in China
Best Sub-Custodian Bank in China
Best Consumer Internet Bank in China
Best Credit Card Bank in China
Best Treasury & Cash Management Bank in China

The Asian Banker

Best Retail Bank in China
Best Large-scale Retail Bank in China
Best Internet Banking in China
Best Domestic Bank for International Clearing Business in Asia Pacific
Achievement Award for Cash Management in China

The Asset

Best Transaction Bank (China)
Best Cash Management Bank (China)
Best Domestic Custodian (China)
Custodian Banker of the Year (China)
Rising Star Trade Finance Bank (China)
Platinum Award for All-Round Excellence

Reader's Digest

Trusted Brand-Bank: Gold (China)
Trusted Brand-Credit Card Issuing Bank: Gold (China)

Financial Times

Best Corporate Bank in China

FinanceAsia

Best Cash Management Bank in China

Global Custodian

Domestic Top Rated Provider (China)

Aisamoney

Best Equity Offering

Hong Kong Institute of Certified Public Accountants

Best Corporate Governance Disclosure Awards 2010: H-share Category Platinum Award

LACP

Vision Awards — Annual Report: Silver

IR Magazine

Best Annual Report (Hong Kong)

Marine Money

Dealmaker of The Year

Jane's Transport Finance

Aircraft Debt Deal of the Year (Africa)

Asia Legal Business

Banking and Financial Service In-House Team of the Year, China

Treasury Today

Best Financing Practice
Best Corporate Financial Management
Best Global and Local Banking Solutions

Yazhou Zhoukan

Top Ten Banks in China Honorary Award

Visa Inc.

Best Technology Innovation
Best Progress in Acquiring Service
Best Chip Card Product

American Express

Best Collaborator in Card Issue

Global Association of Risk Professionals (GARP)

Leading China Risk Management Educator of the Year

Appraisal Institute

Outstanding Professionalism

World Intellectual Property Organization (WIPO)

WIPO — Gold Medal Awards for Outstanding Inventors (China) — Utilization Award

ifeng.com

Best Bank for Performance of Corporate Social Responsibility

IDG\Stanford University

Globally Competitive Brands — Top 10 in China

Ministry of Finance

Award of Excellence in Underwriting Book-entry Treasury Bond

Ministry of Finance, The People's Bank of China

Award of Excellence in Underwriting Certificated Treasury Bond

The People's Bank of China

Award of Banking Technical Advancement

National Enterprise Management Modernization and Innovations Certification Committee

First Prize of Management Modernization and Innovations among State Level Enterprises

Shanghai Stock Exchange

Award of Board of Directors of the Year
Award of Outstanding Independent Director of the Year

China UnionPay

Outstanding Contribution Award
Card Issuance Cooperation Award

China Government Securities Depository Trust & Clearing Co., Ltd.

Excellent Settlement Member in Proprietary Trading of Bonds
Excellent Settlement Member in Settlement Agency Business of Bonds
Excellent Undertaking Organization in Treasury Bond Counter Business

China Foreign Exchange Trading Centre

Most Influential Market Maker of the Year
Best Market Maker in Derivatives of the Year
Award of Best Technology in Market-maker System
Most Disciplined Trading Member of the Year
Excellent Trading Member of the Year
Award of Most Market Influence
Top 100 Trading Volume in National Interbank Market

Shanghai Gold Exchange

First Prize of Outstanding Members of the Year
Award of Trade of the Year (Gold Category)
Award of Trade of the Year (Platinum Category)

Enterprise Research Institute of the Development Research Center of the State Council, Sohu Business, etc.

Best Corporate Governance Enterprise of the Year

CCTV

CCTV China Brands of the Year

Red Cross Society of China

Award of Outstanding Contribution to China's Red Cross

All China Women's Federation, China Children and Teenagers' Fund

Award of Chinese Children Philanthropy

Chinese Foundation for Lifeline Express

Brightness Contribution Prize
Special Award of Loving Care Donation

China Association of Small and Medium Enterprises

Excellent Service Organization for SMEs
Award of Service Product for SMEs

Sina

Best Comprehensive Bank
Award of Marketing with Creative Advertisement

Sohu

Most Competitive Bank
Best Mobile Banking Experience of Online Users
Best Credit Card Experience of Online Users

Hexun

Outstanding Chinese Banker of the Year
Most Popular Banking Brand of the Year
Best Online Banking Award
Best Investment & Wealth Management Award
Best Safe Service Award
Best Wealth Management Brand of the Year
Best Cash Management Brand of the Year
Best Listed Company in Investor Relations

NetEase

Best Bank Brand Award

Tencent

Best Bank
Best Online Banking
Best Credit Card
Most Influential Credit Card
Credit Card with Most Brand Value

People's Daily Online

Most Influential Press Spokesman Team among Chinese Enterprises

ChinaHR

Top 10 Best Domestic Employers for Chinese Undergraduate Students
Top 10 Best Employers in the Financial Sector for Chinese Undergraduate Students

China Finance Online

Most Respectable Credit Card Issuing Bank
Credit Card with the Most Innovative Functions
Best Joint Credit Card with Booking Function
Best High-end Classic Credit Card
Credit Card Figure of the Year

Eastmoney.com

Award of Most Popular Online Banking Brand
Award of Innovation Achievement in Online Banking
Award of Major Technical Achievement in China's Online Banking in Past 10 Years

21st Century Business Herald

Best Corporate Citizen in China
Best Public Financial Service Bank in Asia
Outstanding Chinese-Funded Private Banking Brand of the Year
Best Asset Management Team

Financial News

Best Online Bank of the Year

Financial News, Finance and Banking Institute under Chinese Academy of Social Sciences (CASS)

Best Commercial Bank of the Year

Securities Times

Top 10 Financial Institutions with Best IT Innovation
Best Electronic Banking Service
Best Mobile Banking
Best Marketing & Promotion
Best Bank in Investment Banking
Best M&A Service Bank
Best Project in Syndicated Financing
Best Project in Bond Underwriting

The Economic Observer

Best Commodity Financing Bank in China
Best Commercial Credit Card in China

Securities Daily

Gold Censer Prize

China Securities Journal

Golden Bull Sunlight Private Equity Sales Service Bank

Southern Weekly

The 2nd Place in CSR Rankings among China's State-owned Listed Companies
The 1st Place in CSR Rankings among China's State-owned Listed Companies (Public Image Category)
The 2nd Place in CSR Rankings among China's State-owned Listed Companies (Economic Responsibility Category)

China Business Journal

Investment Banking with Excellent Competitiveness

China Enterprise News

Most Influential Enterprise

China United Business News

No. 1 Choice to Customer Satisfaction in China's Financial Service (Elite Club Account)

China WTO Tribune

Golden Bee Special Contribution Award
Excellent Corporate Social Responsibility Report
• Leading Enterprises

The Chinese Banker

Best Commercial Bank
No. 1 National Commercial Banks with Core Competitiveness
China Finance Marketing Award — Best Corporate Social Responsibility Award
China Finance Marketing Award — Top 10 Financial Products

CFO WORLD

Best Bank as Partner of Enterprise
Best Trade Finance Award
Best Cash Management Award

Economy Magazine, China Business Times, etc.

Huazun Prize — Sole Symbolic Brand in China's Gold Trading Industry
Huazun Prize — Best Bank in RMB Settlement for China's Cross-border Trade
Huazun Prize — No.1 Choice to Customer Satisfaction in RMB Settlement for China's Cross-border Trade

Money Week

China's Most Respectable Bank
Best Board of Directors of China's Main Board Listed Companies (Top 10)
Board of Directors in China's Listed Companies with Best Governance (Top 10)
Most Social Responsible Board of Directors in China's Listed Companies (Top 10)
Best Secretary of Board of Directors in China's Listed Companies
Best Retail Bank
Best Design and Innovation Team
Best Investment and Management Team
Most Convenient Credit Card Brand

China Center for Market Value Management of Listed Companies, China Securities Journal, Shanghai Securities News, Sina.com, etc.

Award of the Most Popular Listed Company in China's Securities Market Rated by Investors in 20 Years
Award of the Most Influential Listed Company in China's Securities Market in 20 Years
Award of Best Fortune Creation Leader
Award of Best Fortune Creation IR in China
Award of Best Fortune Creation Service in China

Investor Relations Management Study Center for China's Listed Companies

Award of Implementation of Best Investor Relations
Top 10 Companies in Investor Relations
Top 100 Investor Relations Management of the Year
Social Responsibilities Contribution Award

Organizing Committee of the Annual Conference of China's Small & Medium Entrepreneurs, China Association of Small & Medium Commercial Enterprises

Top 10 Best National Commercial Banks for Supporting the Development of SMEs

China Corporate Culture Institute

Title of China's Top 10 Most Influential Corporate Spirits in PRC's 60 Year History

China Electronic Finance Union

Award of Most Competitive Enterprises
Top 30 Electronic Financial Enterprises in China
Most Popular Online Bank Rated by Consumers
Most Popular Mobile Bank Rated by Consumers
Award of Most Innovative Products

China Electronic Commerce Association

Award of Outstanding Contribution in China's Electronic Finance in 10 Years
Excellent Figures in China's Electronic Finance in 10 Years
Top 10 Most Influential Electronic Finance Brands
Best Mobile Banking
Award of Best Financial Service for SMEs

China Financial Certification Authority

Best Online Banking in China

Consumption Daily

Most Famous Brand Enterprise Favored by Consumers

China Times

Bank of the Year

Lifestyle

Safest Credit Card

Fellow Traveler

Most Popular Banking Brand Rated by Business Elite
Most Popular Innovative Debit Card Rated by Business Elite
Most Popular Online Banking Rated by Business Elite

Wisemoney

Top 10 Electronic Banks
Top 10 Bank Cards

Financial Money

Best Retail Bank

Money Talks

Most Reliable Wealth Management Institution

Money Weekly

Most Popular Financial Brand Award

The Organizing Committee of China Low Carbon Economy Forum

Award of Low Carbon Prominent Bank

China Finance Summit

Best Green Bank Innovation Award

China Entrepreneur Club

Top 100 Green Companies in China

Rankins CSR Ratings, Hexun.com, DNV

Best Social Responsibility Report in the Finance and Insurance Industry

The Organizing Committee of 2010 China's Listed Companies Law Risk Management Summit Forum

Excellent Enterprises in Legal Risk Management among China's Listed Companies

Financial Talents Committee of Talents Research Association of China

Award of Financial Talents Development and Innovations

List of Domestic and Overseas Branches and Offices

Domestic Institutions

ANHUI PROVINCIAL BRANCH
Address: No. 189 Wuhu Road, Hefei City, Anhui Province, China
Postcode: 230001
Tel: 0551-2869178/2868101
Fax: 0551-2868077

BEIJING MUNICIPAL BRANCH
Address: Tower B, Tianyin Mansion, No. 2 Fuxingmen South Street, Xicheng District, Beijing, China
Postcode: 100031
Tel: 010-66410579
Fax: 010-66410579

CHONGQING MUNICIPAL BRANCH
Address: No. 9 Jiangnan Road, Nan'an District, Chongqing, China
Postcode: 400060
Tel: 023-62918002/62918047
Fax: 023-62918059

DALIAN BRANCH
Address: No. 5 Zhongshan Square, Dalian City, Liaoning Province, China
Postcode: 116001
Tel: 0411-82378888/82819593
Fax: 0411-82808377

FUJIAN PROVINCIAL BRANCH
Address: No. 108 Gutian Road, Fuzhou City, Fujian Province, China
Postcode: 350005
Tel: 0591-88087810/88087827/88087000
Fax: 0591-83353905

GANSU PROVINCIAL BRANCH
Address: No. 408 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province, China
Postcode: 730030
Tel: 0931-8432532
Fax: 0931-8435166

GUANGDONG PROVINCIAL BRANCH
Address: No. 123 Yanjiangxi Road, Guangzhou City, Guangdong Province, China
Postcode: 510120
Tel: 020-81308130/81308123
Fax: 020-81308789

GUANGXI AUTONOMOUS REGION BRANCH
Address: No. 15-1 Jiaoyu Road, Nanning City, Guangxi Autonomous Region, China
Postcode: 530022
Tel: 0771-5316617
Fax: 0771-5316617/2806043

GUIZHOU PROVINCIAL BRANCH
Address: No. 41 Ruijin Middle Road Guiyang City, Guizhou Province, China
Postcode: 550003
Tel: 0851-8620000/8620018
Fax: 0851-5963911/8620017

HAINAN PROVINCIAL BRANCH
Address: Tower A, No. 3 Heping South Road, Haikou City, Hainan Province, China
Postcode: 570203
Tel: 0898-65355774
Fax: 0898-65342986

HEBEI PROVINCIAL BRANCH
Address: Tower B, Zhonghua Shangwu Tower, No. 188 Zhongshan West Road, Shijiazhuang City, Hebei Province, China
Postcode: 050051
Tel: 0311-66001888/66000001
Fax: 0311-66001889/66000002

HENAN PROVINCIAL BRANCH
Address: No. 99, Jingsan Road, Zhengzhou City, Henan Province, China
Postcode: 450011
Tel: 0371-65776888
Fax: 0371-65776889

HEILONGJIANG PROVINCIAL BRANCH
Address: No. 218 Zhongyang Road, Daoli District, Harbin City, Heilongjiang Province, China
Postcode: 150010
Tel: 0451-84698074/84698116
Fax: 0451-84698115

HUBEI PROVINCIAL BRANCH
Address: No. 372 Jiefang Road, Wuchang District, Wuhan City, Hubei Province, China
Postcode: 430060
Tel: 027-88726049/88726073
Fax: 027-88726077

HUNAN PROVINCIAL BRANCH
Address: No. 619 Furong Middle Road Yi Duan, Changsha City, Hunan Province, China
Postcode: 410011
Tel: 0731-84428833/84420000
Fax: 0731-84430039

JILIN PROVINCIAL BRANCH
Address: No. 136 Tongzhi Street, Chaoyang District, Changchun City, Jilin Province, China
Postcode: 130061
Tel: 0431-88965747/88965533
Fax: 0431-88923808

JIANGSU PROVINCIAL BRANCH
Address: No. 408 Zhongshan South Road, Nanjing City, Jiangsu Province, China
Postcode: 210006
Tel: 025-52858000/52858999
Fax: 025-52858111

JIANGXI PROVINCIAL BRANCH
Address: No. 233, Fuhe North Road, Nanchang City, Jiangxi Province, China
Postcode: 330008
Tel: 0791-6695117/6695018
Fax: 0791-6695230

LIAONING PROVINCIAL BRANCH

Address: No. 88 Nanjing North Street, Heping District, Shenyang City, Liaoning Province, China
Postcode: 110001
Tel: 024-23414525/23414313
Fax: 024-23414520

INNER MONGOLIA AUTONOMOUS REGION BRANCH

Address: No. 105 Xilin North Road, Huhehot City, Inner Mongolia Autonomous Region, China
Postcode: 010050
Tel: 0471-6940192/6940297
Fax: 0471-6940591/6940048

NINGBO BRANCH

Address: No. 218 Zhongshan West Road, Ningbo City, Zhejiang Province, China
Postcode: 315010
Tel: 0574-87361162
Fax: 0574-87361190

NINGXIA AUTONOMOUS REGION BRANCH

Address: No. 901 Huanghe East Road, Jinfeng District, Yinchuan City, Ningxia Autonomous Region, China
Postcode: 750002
Tel: 0951-5039558
Fax: 0951-5042348

QINGDAO BRANCH

Address: No. 25 Shandong Road, Shinan District, Qingdao City, Shandong Province, China
Postcode: 266071
Tel: 0532-85809988-621031
Fax: 0532-85814711

QINGHAI PROVINCIAL BRANCH

Address: No. 2 Shengli Road, Xining City, Qinghai Province, China
Postcode: 810001
Tel: 0971-6146733/6146734
Fax: 0971-6146733

SHANDONG PROVINCIAL BRANCH

Address: No. 310 Jingsi Road, Jinan City, Shandong Province, China
Postcode: 250001
Tel: 0531-66681622
Fax: 0531-87941749

SHANXI PROVINCIAL BRANCH

Address: No. 145 Yingze Street, Taiyuan City, Shanxi Province, China
Postcode: 030001
Tel: 0351-6248888/6248011
Fax: 0351-6248004

SHAANXI PROVINCIAL BRANCH

Address: No. 395 Dongxin Street, Xi'an City, Shaanxi Province, China
Postcode: 710004
Tel: 029-87602608/87602630
Fax: 029-87602999

SHANGHAI MUNICIPAL BRANCH

Address: No. 9 Pudong Avenue, Pudong New District, Shanghai, China
Postcode: 200120
Tel: 021-58885888
Fax: 021-58886888

SHENZHEN BRANCH

Address: North Block Financial Center, No. 5055 Shennan East Road, Luohu District, Shenzhen City, Guangdong Province, China
Postcode: 518015
Tel: 0755-82246400
Fax: 0755-82062761

SICHUAN PROVINCIAL BRANCH

Address: No. 35 Zongfu Road, Jinjiang District, Chengdu City, Sichuan Province, China
Postcode: 610016
Tel: 028-82866000
Fax: 028-82866025

TIANJIN MUNICIPAL BRANCH

Address: No. 123 Weidi Road, Hexi District, Tianjin, China
Postcode: 300074
Tel: 022-28400033/28401380
Fax: 022-28400123

XIAMEN BRANCH

Address: No. 17 Hubin North Road, Xiamen City, Fujian Province, China
Postcode: 361012
Tel: 0592-5292000
Fax: 0592-5054663/5057427

XINJIANG AUTONOMOUS REGION BRANCH

Address: No. 231 Remin Road, Tianshan District, Urumuqi, Xinjiang Autonomous Region, China
Postcode: 830002
Tel: 0991-5981888/5981207
Fax: 0991-2337527

TIBET AUTONOMOUS REGION BRANCH

Address: No. 31 Jinzhu Mid-Rd., Lhasa, Tibet Autonomous Region
Postcode: 850000
Tel: 0891-6898019/6898002
Fax: 0891-6898001

YUNNAN PROVINCIAL BRANCH

Address: Bank Mansion, No. 395 Qingnian Road, Kunming City, Yunnan Province, China
Postcode: 650021
Tel: 0871-3136172/3178888
Fax: 0871-3134637

ZHEJIANG PROVINCIAL BRANCH

Address: No. 150 Zhonghe Middle Road, Hangzhou City, Zhejiang Province, China
Postcode: 310009
Tel: 0571-87803888
Fax: 0571-87808207

ICBC Credit Suisse Asset Management Co., Ltd.

Address: Bank of Beijing Building, 17 C Financial Street, Xicheng District, Beijing, China
Postcode: 100140
Tel: 010-66583333
Fax: 010-66583158

ICBC Financial Leasing Co., Ltd.

Address: E5AB, Finance Street, No. 20 Plaza East Road, Economic Development Zone, Tianjin
Postcode: 300457
Tel: 022-66283766/010-66105888
Fax: 022-66224510/010-66105999

CHONGQING BISHAN ICBC RURAL BANK CO., LTD.

Address: No.1 Aokang Avenue, Bishan County, Chongqing
Postcode: 402760
Tel: 023-85297704
Fax: 023-85297709

ZHEJIANG PINGHU ICBC RURAL BANK CO., LTD.

Address: No.258 Chengnan West Road, Pinghu, Zhejiang
Postcode: 314200
Tel: 0573-85139616
Fax: 0573-85139626

Overseas Institutions

Industrial and Commercial Bank of China Limited, Hong Kong Branch

Address: 33/F, ICBC Tower,
3 Garden Road, Central,
Hong Kong
Email: hilda.chow@icbcasia.com
Tel: +852-25881188
Fax: +852-28787784
SWIFT: ICBKHKHH

Industrial and Commercial Bank of China Limited, Seoul Branch

Address: 16 Floor, Taepeongno Bldg., #310
Taepeongno2-ga,
Jung-gu, Seoul, 100-767,
Korea
Email: icbcseoul@kr.icbc.com.cn
Tel: +822-37886670
Fax: +822-7553748
SWIFT: ICBKKRSE

Industrial and Commercial Bank of China Limited, Busan Branch

Address: 1st Floor, Samsung Fire & Marine Insurance Bldg.,
#1205-22
Choryang-1dong,
Dong-Gu, Busan,
601-728, Korea
Email: busanadmin@kr.icbc.com.cn
Tel: +8251-4638868
Fax: +8251-4636880
SWIFT: ICBKKRSE

Industrial and Commercial Bank of China Limited, Tokyo Branch

Address: 2-1 Marunouchi 1-Chome,
Chiyoda-Ku Tokyo,
100-0005,Japan
Email: icbctokyo@icbc.co.jp
Tel: +813-52232088
Fax: +813-52198502
SWIFT: ICBKJPJT

Industrial and Commercial Bank of China Limited, Singapore Branch

Address: 6 Raffles Quay #12-01,
Singapore 048580
Email: icbcsg@icbc.com.sg
Tel: +65-65381066
Fax: +65-65381370
SWIFT: ICBKSGSG

Industrial and Commercial Bank of China Limited, Hanoi City Branch

Address: Daeha Business Center,
No.360, Kim Ma Str.,
Ba Dinh Dist., Hanoi,
Vietnam
Email: weiyong@vn.icbc.com.cn
Tel: +84-462698888
Fax: +84-462699800
SWIFT: ICBKVNVN

Industrial and Commercial Bank of China Limited, Doha Branch

Address: Office 702, 7/F,
QFC Tower,
Diplomatic Area,
West Bay, Doha, Qatar
Email: dboffice@dxb.icbc.com.cn,
office@doh.icbc.com.cn
Tel: +974-4968076
Fax: +974-4968080
SWIFT: ICBKQAQA

Industrial and Commercial Bank of China Limited, Abu Dhabi Branch

Address: 9th floor &
Mezzanine floor
AKAR properties,
Al Bateen Tower C6
Bainuna Street,
Al Bateen Area
Abu Dhabi
United Arab Emirates
SWIFT: ICBKAEAA

Industrial and Commercial Bank of China Limited, Sydney Branch

Address: Level 1,
220 George Street,
Sydney NSW 2000,
Australia
Email: Info@icbc.com.au
Tel: +612-94755588
Fax: +612-92333982
SWIFT: ICBKAU2S

Industrial and Commercial Bank of China Limited, Frankfurt Branch

Address: Bockenheimer Anlage 15,
60322 Frankfurt am Main,
Germany
Email: icbc@icbc-ffm.de
Tel: +4969-50604700
Fax: +4969-50604708
SWIFT: ICBKDEFF

Industrial and Commercial Bank of China Limited, Luxembourg Branch

Address: 8-10, Avenue
Marie-Thérèse,
L-2132 Luxembourg
B.P.278 L-2012
Luxembourg
Email: icbc@icbc.lu
Tel: +352-2686661
Fax: +352-26866666
SWIFT: ICBKLULL

Industrial and Commercial Bank of China Limited, New York Branch

Address: 725 Fifth Avenue,
20th Floor, New York,
NY 10022, USA
Email: info@icbkus.com
Tel: +1-2128387799
Fax: +1-2128386688
SWIFT: ICBKUS33

Industrial and Commercial Bank of China (Asia) Limited
Address: 33/F, ICBC Tower,
3 Garden Road, Central,
Hong Kong
Email: hilda.chow@icbcasia.com
Tel: +852-25881188
Fax: +852-28787784
SWIFT: UBHKHKHH

ICBC International Holdings Limited
Address: Level 18,
Three Pacific Place,
1 Queen's Road East,
Hong Kong
Email: info@icbci.com.hk
Tel: +852-26833888
Fax: +852-26833900
SWIFT: ICILHKHH

Industrial and Commercial Bank of China (Macau) Limited
Address: 18th Floor, ICBC Tower,
Macau Landmark,
555 Avenida da Amizade,
Macau
Email: icbc@mc.icbc.com.cn
Tel: +853-28555222
Fax: +853-28338064
SWIFT: ICBKMOMX

Industrial and Commercial Bank of China (Malaysia) Berhad
Address: Level 34C, Menara Maxis,
KLCC 50088 KL, Malaysia
Email: icbcmalaysia@icbcmalaysia.com.my
Tel: +603-23013399
Fax: +603-23013388
SWIFT: ICBKMYKL

PT. Bank ICBC Indonesia
Address: TCT ICBC Tower,
Jl. MH.Thamrin No.81,
Jakarta Pusat, Indonesia
Email: icbc@icbc.co.id
Tel: +62-2131996088
Fax: +62-2131996016
SWIFT: ICBKIDJA

Industrial and Commercial Bank of China (Thai) Public Company Limited
Address: 622 Emporium Tower
11th-13th Fl.,
Sukhumvit Road,
Khlong Ton, Khlong Toei,
Bangkok, Thailand
Tel: +66-026639333
Fax: +66-026639333
SWIFT: ACLXTHBK

Industrial and Commercial Bank of China (Almaty) Joint Stock Company
Address: 110 Furmanov Avenue,
Almaty, Kazakhstan,
050000
Email: office@icbcalmaty.kz
Tel: +7727-2596391
Fax: +7727-2596400
SWIFT: ICBKKZKX

Industrial and Commercial Bank of China (Middle East) Limited
Address: 19/F, Al Kifaf Tower,
Sheikah Zayed Road,
Dubai, U.A.E
Email: dboffice@dxb.icbc.com.cn
Tel: +971-47031111
Fax: +971-47031199
SWIFT: ICBKAEAD

Industrial and Commercial Bank of China, (London) Limited
Address: 36 King Street,
London EC2V 8BB, UK
Email: admin@icbclondon.com
Tel: +4420-73978888
Fax: +4420-73978899
SWIFT: ICBKGB2L

ICBC (Europe) S.A.
Address: 8-10, Avenue
Marie-Thérèse,
L-2132 Luxembourg
B.P.278 L-2012
Luxembourg
Email: icbc@icbc.lu
Tel: +352-2686661
Fax: +352-26866666
SWIFT: ICBKLULU

ZAO Industrial and Commercial Bank of China (Moscow)
Address: Serebryanicheskaya
Naberejnaya Street
build. 29, First floor,
room 46-1, 109028,
Moscow, Russia
Email: icbcmoscow@yahoo.com.cn
Tel: +7495-2873099
Fax: +7495-2873098
SWIFT: ICBKRUMM

Industrial and Commercial Bank of China (Canada)
Address: Suite 102-103,
350 Highway 7 East,
Richmond Hill, Ontario,
Canada L4B 3N2
Email: info@icbk.ca
Tel: +1416-366-5588
Fax: +1416-607-2000
SWIFT: ICBKCAT2

Industrial and Commercial Bank of China Financial Services LLC
Address: 1633 Broadway,
28th Floor, New York, NY,
10019
Email: icbcfs@icbkus.com
Tel: +001-212-993-7300
Fax: +001-212-993-7349
SWIFT: ICBKUS33FIN

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

HIBOR	Hong Kong Interbank Offered Rate
LIBOR	London Interbank Offered Rate
SHIBOR	Shanghai Interbank Offered Rate
Allianz	Allianz Group
the Bank/the Group/ICBC	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries
Articles of Association	The Articles of Association of Industrial and Commercial Bank of China Limited
Standard Bank	Standard Bank Group Limited
MOF	Ministry of Finance of the People's Republic of China
BEA	The Bank of East Asia, Limited
Goldman Sachs	The Goldman Sachs Group, Inc.
Company Law	Company Law of the People's Republic of China
ICBC (Almaty)	Industrial and Commercial Bank of China (Almaty) Joint Stock Company
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC International	ICBC International Holdings Limited
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBKFS	Industrial and Commercial Bank of China Financial Services LLC
ICBC (Luxembourg)	Industrial and Commercial Bank of China Luxembourg S.A.
ICBC (London)	Industrial and Commercial Bank of China, (London) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Moscow)	ZAO Industrial and Commercial Bank of China (Moscow)
ICBC (Europe)	ICBC (Europe) S.A.
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC (Middle East)	Industrial and Commercial Bank of China (Middle East) Limited
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
State Council	The State Council of the People's Republic of China
Huijin	Central Huijin Investment Ltd.
convertible bonds	convertible corporate bonds
American Express	American Express Company
PBOC	The People's Bank of China
SSE	Shanghai Stock Exchange
SSF	National Council for Social Security Fund
SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
PRC GAAP	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by the Ministry of Finance in 2006, as well as other relevant regulations
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission

中國北京市西城區復興門內大街55號　　郵編：100140
55 Fuxingmennei Avenue, Xicheng District, Beijing, China　　Post Code: 100140
www.icbc.com.cn, www.icbc-ltd.com