CONFIDENTIAL

Skysea International Capital Management Limited

(incorporated with limited liability in the British Virgin Islands)

US$750,000,000

4.875% Guaranteed Notes due 2021

Unconditionally and Irrevocably Guaranteed by

Industrial and Commercial Bank of China Limited, Hong Kong Branch

Issue Price: 97.708%

The 4.875% Guaranteed Notes due 2021 in the aggregate principal amount of US$750,000,000 (the "Notes") will be issued by Skysea International Capital Management Limited (the "Issuer"). The Notes will have the benefit of an unconditional and irrevocable guarantee (the "Guarantee") to be given by the Industrial and Commercial Bank of China Limited, Hong Kong Branch (the "Guarantor" or "ICBC (HK)").

The Notes will constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Guarantee constitutes a direct, general and unconditional obligation of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Interest on the Notes is payable semi-annually in arrear on 7 June and 7 December in each year. Payments on the Notes will be made without withholding or deduction for taxes of the British Virgin Islands, Hong Kong or the People's Republic of China (the "PRC", which for the purpose of this Offering Circular only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) to the extent described under "Terms and Conditions of the Notes — Taxation".

The Notes mature on 7 December 2021 but may be redeemed before then at the option of the Issuer, in whole but not in part, at any time at their principal amount, together with accrued interest, at any time in the event of certain changes affecting taxes of British Virgin Islands, Hong Kong or the PRC. See "Terms and Conditions of the Notes — Redemption and Purchase".

Application has been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange" or the "HKSE") for the listing of, and permission to deal in, the Notes by way of selectively marketed securities (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and such permission is expected to become effective on or about 8 December 2011.

Investing in the Notes involves certain risks. See "Risk Factors" beginning on page 9.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "Subscription and Sale".

The Notes are expected to be assigned a rating of "A1" by Moody's Investors Services, Inc. ("Moody's") and "A" by Standard & Poor's Rating Services ("S&P"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension and withdrawal at any time by the relevant rating organisation. Potential purchasers should evaluate each rating independently of any other rating of the Notes or other securities of the Bank.

The Notes will be represented by interests in a global certificate (the "Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 7 December 2011 (the "Issue Date") with a common depositary for, Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream").

Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators

UBS **Barclays Capital** **ICBC International**

Joint Lead Managers and Joint Bookrunners

Barclays Capital **HSBC** **ICBC International**

Standard Chartered Bank **UBS**

Offering Circular dated 30 November 2011

This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer, the Guarantor, the Bank and the Notes.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all material information with respect to the Issuer, the Guarantor and the Bank, and to the Notes and the Guarantee (including all information which, according to the particular nature of the Issuer, the Guarantor, the Bank and of the Notes and the Guarantee, is necessary to enable potential purchasers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Bank and of the rights attaching to the Notes), (ii) all statements relating to the Issuer, the Guarantor, the Bank and to the Notes and the Guarantee contained in this Offering Circular are in every material particular true and accurate and not misleading, and that there are no other facts in relation to the Issuer, the Guarantor, the Bank and to the Notes and the Guarantee the omission of which would in the context of the issue of the Notes and the Guarantee make any statement in this Offering Circular misleading, (iii) the statements of intention, opinion, belief or expectation with regard to the Issuer, the Guarantor and the Bank contained in this Offering Circular are honestly made or held and have been reached after considering all relevant circumstances and have been based on reasonable assumptions and (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such statements.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes described in this Offering Circular. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers (as defined herein) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular, see "Subscription and Sale".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Bank, the Notes or the Guarantee other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Bank, the Joint Lead Managers or the Agents (as defined in the Terms and Conditions of the Notes). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Bank or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Bank, the Joint Lead Managers or the Agents to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers or the Agents. The Joint Lead Managers have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Guarantor, the Bank, the Joint Lead Managers or the Agents that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

The Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Bank or the Notes. In making an investment decision, potential purchasers must rely on their own examination of the Issuer, the Guarantor, the Bank and the terms of the offering of the Notes, including the merits and risks involved. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers in connection with its investigation of the accuracy of such information or its investment decision.

Unless otherwise specified or the context requires, references herein to "Bank" or "ICBC" are to Industrial and Commercial Bank of China Limited itself or Industrial and Commercial Bank of China Limited and its subsidiaries, as the context requires; references herein to "Guarantor" or "ICBC (HK)" are to Industrial and Commercial Bank of China Limited, Hong Kong Branch; references herein to "Hong Kong dollars", "HK dollars" and "HK$" are to the lawful currency of Hong Kong; references herein to "U.S. dollars", "US$" or "USD" are to the lawful currency of the United States of America; references herein to "CAD" are to the lawful currency of Canada; references herein to "CNY", "Renminbi" or "RMB" are to the lawful currency of the PRC; references to "IFRS" are to International Financial Reporting Standards; references to "PRC GAAP" are to the Chinese Accounting Standards for Business Enterprises.

The audited consolidated financial statements for the years ended 31 December 2008, 2009 and 2010 included in this Offering Circular were audited by Ernst & Young and have been extracted from the Bank's annual reports. The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2010 and 2011 of the Bank included in this Offering Circular have been extracted from the Bank's interim reports. Such unaudited interim consolidated financial statements have been reviewed by Ernst & Young. These financial statements were prepared in accordance with IFRS.

The unaudited consolidated financial statements for the nine months ended 30 September 2010 and 2011 of the Bank included in this Offering Circular have been extracted from the Bank's third quarterly report of 2011 as announced by the Bank on 27 October 2011 (the "Third Quarterly Report"). The summary unaudited third quarter condensed consolidated financial statements for the nine months ended 30 September 2010 and 2011 set forth in the Third Quarterly Report were prepared and presented in accordance with IFRS and have not been audited or reviewed by Ernst & Young. Consequently, such summary and the Third Quarterly Report should not be relied upon by potential purchasers to provide the same quality of information associated with information that has been subject to an audit or review. Potential purchasers must exercise caution when using such data to evaluate the Bank's financial condition, results of operations and results. Such unaudited third quarter condensed consolidated financial information as at and for the nine months ended 30 September 2011 should not be taken as an indication of the expected financial condition, results of operations and results of the Bank for the full financial year ending 31 December 2011.

Certain financial information of ICBC Financial Leasing Co., Ltd. ("**ICBC Leasing**") for the years ended 31 December 2008, 2009 and 2010 as set out in this Offering Circular were prepared and presented in accordance with IFRS but have not been audited. ICBC Leasing prepares its financial statements in accordance with PRC GAAP, which differs in certain respects from IFRS. For the purposes of consolidation with the financial statements of the Bank, ICBC Leasing prepares management accounts in accordance with IFRS but these financial statements prepared in accordance with IFRS are not audited or reviewed.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

IN CONNECTION WITH THE ISSUE OF THE NOTES, TO THE EXTENT PERMITTED BY, AND IN ACCORDANCE WITH, APPLICABLE LAWS AND REGULATIONS, BARCLAYS BANK PLC (THE "STABILISING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements under "Risk Factors", "Description of the Issuer", "Description of ICBC (HK)", "Description of the Bank" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "anticipate", "believe", "estimate", "expect", "intend", "plan" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Bank and the plans and objectives of the Bank's management for its future operations (including development plans and objectives relating to the Bank's operations), are forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Bank to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future. Each of the Issuer, the Guarantor and the Bank expressly disclaim any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Bank's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's, the Guarantor's or the Bank's expectations. All subsequent written and forward-looking statements attributable to the Issuer, the Guarantor or the Bank or persons acting on behalf of the Issuer, the Guarantor or the Bank are expressly qualified in their entirety by such cautionary statements.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to potential purchasers and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this Summary. Potential purchasers should therefore read this Offering Circular in its entirety.

The Issuer

Skysea International Capital Management Limited is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1672231). It was incorporated in the British Virgin Islands on 22 September 2011 as a special purpose vehicle. Its registered office is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The Issuer is a wholly-owned subsidiary of the Bank.

The Issuer was established pursuant to the unrestricted objects and powers set out in its memorandum of association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as a wholly-owned subsidiary of the Bank and those incidental to the issue of the Notes.

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 no par value shares and 50,000 shares have been issued to and held by ICBC International Leasing Company Limited. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

The Guarantor

The Guarantor is the second overseas branch of the Bank. The establishment of the Guarantor has fostered cooperation between the Bank and other international financial institutions, thus providing the Bank's clients with more excellent and convenient financial services.

The Guarantor is a fully licensed bank in Hong Kong, with its registered office at 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong, and is currently focusing on the development of its wholesale banking business. A broad range of financial services are offered by the Guarantor to serve clients' specific needs, including:

- trade finance including issuance of letters of credit, shipping guarantees, trust receipts, inward collections, advising and confirmation of letters of credit, letters of credit negotiation, outward collections, bill discounts and packing loans;
- corporate finance in the forms of commercial paper issuance, bond underwriting and derivative dealings;
- treasury products, foreign exchange and derivative products, capital markets services, risk management as well as asset and liability management consultancy services;
- lending services including syndicated loans, commercial lending and mortgage lending;
- deposits and remittances; and
- issuance of certificates of deposit.

The Bank

Through its continuous efforts and solid growth, the Bank ranks first in its industry in the PRC in terms of total assets, respective market share of loans and deposits and has become the world's most profitable leading large-scale commercial bank in terms of net profit according to *2011 Fortune Global 500* with the largest market capitalisation in the world (US$206.1 billion) as at 30 September 2011 according to *Bloomberg*. As at 30 June 2011, the Bank provided services to 4.36 million corporate clients and 269 million individual clients through its traditional branch network including 16,267 domestic branches, outlets and other institutions (including the Head Office) as well as electronic banking network, including internet banking, telephone banking, mobile banking and self-service banking. The Bank has made efforts to proactively develop its international business, and it currently owns 220 overseas branches, subsidiaries, representative offices and outlets. The Bank has built correspondent bank relationship with 1,516 overseas banks in 134 countries and regions.

The Bank provides clients with a wide range of financial products and services and has formed a cross-market, internationalised and integrated business model with a focus on commercial banking. The Bank has maintained a leading position in the PRC market in most of the core and emerging businesses of commercial banks.

The Bank believes that "Industrial and Commercial Bank of China" is one of the most recognised financial service brand names in the PRC with great international influence. The Bank has won numerous awards in recent years. In 2010 alone, the awards won by the Bank include the "Best Bank in China", "Best Sub-Custodian Bank in China", "Best Consumer Internet Bank in China", "Best Credit Card Bank in China" by *Global Finance*, the "Platinum Award for All-Round Excellence" by *The Asset*, the "Best Bank in China", "Best Chinese Company (Banking & Financial sector)", "Best Private Bank in China for Fixed Income Portfolio Management" by *Euromoney*, the "Best Cash Management Bank in China" by *Finance Asia*, the "Best Corporate Bank in China" by the British *Financial Times* and the "Best Retail Bank in China", "Best Large-scale Retail Bank in China", "Best Internet Banking in China", "Achievement Award for Cash Management in China" by *The Asian Banker*. Also in 2010, the Bank was ranked the 5th place among the Global 2000 by *Forbes*, the 7th place among the Top 1000 World Banks by *The Banker*, the 87th place among the Global 500 by *Fortune*, the 11th place among the Top 100 Most Valuable Global Brands (First among the financial institution brands) by *Millward Brown*, and the 5th place among the Top 500 Enterprises of China by *China Enterprise Confederation*. Moreover, the Bank was ranked as "No.1 National Commercial Banks with Core Competitiveness" by the *Chinese Banker* in 2009 and 2010. In *Fortune*'s 2011 ranking of the "Global 500", the Bank ranked first among all banks and fourth among all companies in the world in terms of net profit. In the "Top 100 Most Valuable Global Brands" published by *Millward Brown Optimor*, the Bank ranked first among financial institutions.

The Bank has been continuously enhancing its capital position. In 2010, the Bank issued RMB25.0 billion of A-share convertible bonds and completed its A-share and H-share rights issue. During the six months ended 30 June 2011, the Bank issued RMB38.0 billion of subordinated bonds. On 26 September 2011, the Bank's board of directors approved the proposed issue of up to RMB70.0 billion of subordinated bonds. For more details on the above transactions, see "*Recent Developments — Recent Capital Markets Transactions and Capital Enhancement*".

THE OFFERING

The following is a brief summary of the terms of the issue and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expression defined in "Terms and Conditions of the Notes" shall have the same meanings in this summary. For a complete description of the terms of the Notes, see "Terms and Conditions of the Note" in this Offering Circular.

Phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes".

Issuer	Skysea International Capital Management Limited
Guarantor	Industrial and Commercial Bank of China Limited, Hong Kong Branch
Principal amount of the Notes	US$750,000,000 aggregate principal amount of 4.875% Guaranteed Notes due 2021.
Guarantee	The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes.
Issue Price	97.708%
Form and Denomination	The Notes will be issued in registered form in the denomination of US$200,000 each and integral multiples of US$1,000 in excess thereof.
Interest	The Notes will bear interest from and including 7 December 2011 at the rate of 4.875% per annum, payable semi-annually in arrear on 7 June and 7 December in each year.
Issue Date	7 December 2011
Maturity Date	7 December 2021
Status of the Notes	The Notes constitute direct, general, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Status of the Guarantee	The Guarantee constitutes a direct, general, unconditional and unsecured obligation of the Guarantor which shall at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Cross Default	The Notes will contain a cross default provision as further described in Condition 8(c) of the Terms and Conditions of the Notes.
Events of Default	Upon the occurrence of certain events as described in Condition 8 of the Terms and Conditions of the Notes, upon notice in writing addressed to the Issuer and the Guarantor and

	delivered to the Issuer and the Guarantor or to the specified office of the Fiscal Agent by any Noteholder to declare their Notes immediately due and payable whereupon such Notes shall become immediately due and payable at their principal amount, together with accrued interest, without further action or formality.
Final Redemption	Unless previously redeemed or purchased and cancelled, the Notes will be redeemed on 7 December 2021 at their principal amount, together with interest accrued to the date fixed for redemption.
Tax Redemption Right	The Issuer may redeem all but not some of the Notes at their principal amount, together with interest accrued to the date fixed for redemption, in the event of certain changes in the British Virgin Islands, Hong Kong or PRC taxation, as further described in Condition 5(b) of the Terms and Conditions of the Notes.
Clearing Systems	The Notes will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificate.
Clearance and Settlement	The Notes have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS0702140756 Common Code: 070214075
Rating	The Notes are expected to be assigned a rating of "A1" by Moody's and "A" by S&P. See "*Risk Factors — Risk relating to the Notes — The ratings of the Notes may be downgraded or withdrawn.*" A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Governing Law	English law.
Fiscal Agent and Paying Agent	Industrial and Commercial Bank of China (Asia) Limited.
Registrar	Industrial and Commercial Bank of China (Asia) Limited.
Listing	Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of selectively marketed securities.
Use of Proceeds	See section entitled "Use of Proceeds".

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Bank as at and for the periods indicated.

The summary consolidated financial statements for the years ended 31 December 2008, 2009 and 2010 set forth below is derived from the Bank's published audited consolidated financial statements for the year ended 31 December 2008, 2009 and 2010, which have been audited by Ernst & Young, Certified Public Accountants, and are included in this Offering Circular, and should be read in conjunction with such published audited consolidated financial statements and the notes thereto included elsewhere in this Offering Circular.

The summary unaudited interim condensed consolidated financial statements for the six months ended 30 June 2010 and 2011 set forth below is derived from the Bank's published unaudited interim condensed consolidated financial statements for the six months ended 30 June 2010 and 2011, which have been reviewed by Ernst & Young, Certified Public Accountants, and are included in this Offering Circular, and should be read in conjunction with such published unaudited condensed financial statements and the notes thereto included elsewhere in this Offering Circular.

The summary unaudited third quarter condensed consolidated financial statements for the nine months ended 30 September 2010 and 2011 set forth below are derived from the Third Quarterly Report, which have not been audited or reviewed by Ernst & Young, Certified Public Accountants, and are included in this Offering Circular, and should be read in conjunction with the Third Quarterly Report included elsewhere in this Offering Circular.

The Bank's audited consolidated financial statements, unaudited interim condensed consolidated financial statements and unaudited third quarter condensed consolidated financial statements are prepared and presented in accordance with IFRS.

Consolidated Income Statement

	For the year ended 31 December			For the six months ended 30 June		For the nine months ended 30 September	
	2008	**2009**	**2010**	**2010**	**2011**	**2010**	**2011**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(In RMB millions, unless otherwise stated)						
Interest income	440,574	405,878	462,762	219,865	272,719	338,818	426,187
Interest expense	(177,537)	(160,057)	(159,013)	(76,553)	(98,215)	(117,155)	(159,100)
NET INTEREST INCOME	263,037	245,821	303,749	143,312	174,504	221,663	267,087
Fee and commission income	46,711	59,042	78,008	39,055	56,844	58,029	83,273
Settlement, clearing business and cash management	13,002	14,587	19,160	9,546	13,582	-	-
Investment banking business	8,028	12,539	15,506	8,666	13,155	-	-
Personal wealth management and private banking services	10,327	12,059	14,858	7,166	10,552	-	-
Bank card business	7,199	9,408	13,687	6,186	8,058	-	-
Others	8,155	10,449	14,797	7,491	11,497	-	-
Fee and commission expense	(2,709)	(3,895)	(5,168)	(2,166)	(3,053)	(3,466)	(4,978)
NET FEE AND COMMISSION INCOME	44,002	55,147	72,840	36,889	53,791	54,563	78,295
Net trading income/(expense)	1,883	(75)	(476)	(322)	(21)	(566)	(264)
Net loss on financial assets and liabilities designated at fair value through profit or loss	(699)	(129)	(217)	(124)	(224)	(143)	(546)
Net gain/(loss) on financial investments	(367)	7,339	1,009	89	309	120	422
Other operating income, net	2,339	1,308	3,843	1,084	2,801	2,048	3,503
OPERATING INCOME	310,195	309,411	380,748	180,928	231,160	277,685	348,497
Operating expenses	(111,335)	(120,819)	(139,480)	(61,869)	(73,255)	(95,418)	(113,607)
Impairment losses on:							
Loans and advances to customers	(36,512)	(21,682)	(27,888)	(9,743)	(16,794)	(17,986)	(24,428)
Others	(18,950)	(1,603)	(100)	50	(87)	166	45
OPERATING PROFIT	143,398	165,307	213,280	109,366	141,024	164,447	210,507
Share of profits and losses of associates and a jointly-controlled entity	1,978	1,987	2,146	1,250	1,321	1,877	1,852
PROFIT BEFORE TAX	145,376	167,294	215,426	110,616	142,345	166,324	212,359
Income tax expense	(34,150)	(37,898)	(49,401)	(25,651)	(32,770)	(38,529)	(48,381)
PROFIT FOR THE YEAR/PERIOD	111,226	129,396	166,025	84,965	109,575	127,795	163,978
Attributable to:							
Equity holders of the parent company	110,841	128,645	165,156	84,603	109,481	127,216	163,840
Non-controlling interests	385	751	869	362	94	579	138
	111,226	129,396	166,025	84,965	109,575	127,795	163,978
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY							
— Basic (RMB yuan)	0.33	0.38	0.48	0.25	0.31	0.37	0.47
— Diluted (RMB yuan)	0.33	0.38	0.48	0.25	0.31	0.37	0.46

Consolidated Statement of Comprehensive Income

	For the year ended 31 December			For the six months ended 30 June		For the nine months ended 30 September	
	2008	2009	2010	2010	2011	2010	2011
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(In RMB millions, unless otherwise stated)						
Profit for the year/period	111,226	129,396	166,025	84,965	109,575	127,795	163,978
Other comprehensive income/(loss) (after-tax, net):							
Net gain/(loss) on available-for-sale financial assets	9,191	(8,890)	(5,510)	4,491	(4,752)	5,816	(10,458)
Net gain/(loss) on cash flow hedges	(4,073)	(9)	(211)	(70)	102	(129)	333
Share of other comprehensive income/(loss) of associates and a jointly-controlled entity	500	(1,155)	(882)	(94)	138	(527)	753
Foreign currency translation differences	(8,604)	7,531	2,374	(1,757)	(2,812)	1,387	(10,003)
Others	-	-	157	-	11	-	11
Subtotal of other comprehensive income for the year/period	(2,986)	(2,523)	(4,072)	2,570	(7,313)	6,547	(19,364)
Total comprehensive income for the year/period	108,240	126,873	161,953	87,535	102,262	134,342	144,614
Total comprehensive income attributable to:							
Equity holders of the parent company	108,729	125,682	161,316	87,188	102,182	133,756	144,527
Non-controlling interests	(489)	1,191	637	347	80	586	87
	108,240	126,873	161,953	87,535	102,262	134,342	144,614

Consolidated Statement of Financial Position

	For the year ended 31 December			For the six months ended 30 June	For the nine months ended 30 September
	2008	2009	2010	2011	2011
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
	(In RMB millions unless otherwise stated)				
ASSETS					
Cash and balances with central banks	1,693,024	1,693,048	2,282,999	2,845,902	2,916,591
Due from banks and other financial institutions	168,363	235,301	248,860	461,686	296,021
Financial assets held for trading	32,182	18,976	10,188	34,317	42,129
Financial assets designated at fair value through profit or loss	1,459	1,171	2,798	97,179	137,087
Derivative financial assets	15,721	5,758	13,332	13,803	15,596
Reverse repurchase agreements	163,493	408,826	262,227	357,829	263,273
Loans and advances to customers	4,436,011	5,583,174	6,623,372	7,152,587	7,410,387
Financial investments	3,014,669	3,579,026	3,719,282	3,598,101	3,700,965
Investments in associates and a jointly-controlled entity	28,421	36,278	40,325	38,530	33,180
Property and equipment	86,800	95,684	103,412	103,719	108,302
Deferred income tax assets	10,746	18,696	21,712	20,949	23,386
Other assets	106,257	109,115	130,115	171,446	180,085
TOTAL ASSETS	9,757,146	11,785,053	13,458,622	14,896,048	15,127,002
LIABILITIES					
Due to central banks	-	-	51	100	100
Financial liabilities held for trading	4,268	-	-	-	-
Financial liabilities designated at fair value through profit or loss	7,566	15,831	6,670	130,876	174,833
Derivative financial liabilities	13,612	7,773	10,564	11,025	13,808
Due to banks and other financial institutions	646,254	1,001,634	1,048,002	1,284,008	1,304,410
Repurchase agreements	4,648	36,060	84,888	61,901	136,069
Certificates of deposit	726	1,472	9,314	27,645	28,311
Due to customers	8,223,446	9,771,277	11,145,557	12,047,138	12,144,232
Income tax payable	37,862	22,231	33,759	21,684	35,118
Deferred income tax liabilities	16	178	318	231	129
Debt securities issued	35,000	75,000	102,264	145,248	149,834
Other liabilities	177,118	174,663	195,578	306,577	238,292
TOTAL LIABILITIES	9,150,516	11,106,119	12,636,965	14,036,433	14,225,136
EQUITY					
Equity attributable to equity holders of the parent company					
Issued share capital	334,019	334,019	349,019	349,020	349,020
Equity component of convertible bonds	-	-	2,985	2,985	2,985
Reserves	195,727	221,114	267,269	260,216	248,191
Retained profits	72,929	118,760	201,157	246,170	300,486
	602,675	673,893	820,430	858,391	900,682
Non-controlling interests	3,955	5,041	1,227	1,224	1,184
TOTAL EQUITY	606,630	678,934	821,657	859,615	901,866
TOTAL EQUITY AND LIABILITIES	9,757,146	11,785,053	13,458,622	14,896,048	15,127,002

FINANCIAL INDICATORS

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
Return on average total assets(1)	1.21	1.20	1.32	1.37	1.55
Return on weighted average equity(2)	19.43	20.15	22.79	23.90	25.12
Net interest margin(3)	2.95	2.26	2.44	2.37	2.60
Ratio of net fee and commission income to operating income	14.19	17.82	19.13	20.39	23.27
Cost-to-income ratio(4)	29.84	33.18	30.99	28.47	25.82

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 dividing net interest income by the average balance of interest-generating assets.

(4) Calculated by dividing operating expense (less business tax and surcharges) by operating income.

MAJOR REGULATORY INDICATORS

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
Liquidity Ratio(1)					
RMB	33.3	30.7	31.8	33.1	30.3
Foreign Currency	83.5	61.1	53.4	56.9	50.7
Loan-to-deposit Ratio(2)					
RMB and foreign currency	56.4	59.5	62.0	59.5	61.2

Notes:

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

(2) Calculated by dividing loan balance by deposit balance. Deposit balance excludes fiscals deposits and outward remittance.

RISK FACTORS

Prior to making any investment decision, potential purchasers should consider carefully all of the information in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Bank could be materially adversely affected by any of these risks. The Issuer and the Guarantor believe that the following factors may affect the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer or the Guarantor believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay principal, interest (if any) or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons and the Issuer, the Guarantor and the Bank do not represent that the statements below regarding the risks of holding the Notes are exhaustive.

RISKS RELATING TO THE BUSINESS OF THE BANK

Potential purchasers must rely on the creditworthiness of the Bank.

The Bank is a large financial institution and has many financial products and contracts outstanding at any given time. When purchasing the Notes, potential purchasers will be relying upon the creditworthiness of the Bank and no one else. If the Bank becomes insolvent or default on its obligations under the Notes, potential purchasers can only claim against it as unsecured creditors.

The Bank is subject to risks relating to its loan portfolio.

The Bank may face risks arising from deterioration in the quality of its loans.

Risk arising from its loan business is one of the key risks of the Bank. The Bank has established a comprehensive risk management system, implemented standardised credit management processes and focused on the risk inherent in the entire process of its loan business. As at 30 June 2011, 31 December 2010, 31 December 2009 and 31 December 2008, the Bank's NPL amounted to RMB69,486 million, RMB73,241 million, RMB88,467 million and RMB104,482 million, representing NPL ratios of 0.95%, 1.08%, 1.54% and 2.29%, respectively. The amount and ratio of NPL have decreased on an annual basis.

However, if the economic growth of the PRC slows down or deteriorates in the future or any other factor occurs which adversely affects the PRC economy, the ability of borrowers of the Bank, particularly the SME borrowers of the Bank, to repay their outstanding debt may be adversely affected and consequently, the quality of the Bank's loans, results of operations and financial condition may suffer.

Actual losses on its loans may exceed its allowance for impairment losses.

As at 30 June 2011, 31 December 2010, 31 December 2009 and 31 December 2008, the Bank's allowance to NPL reached 261.14%, 228.20%, 164.41% and 130.15%, respectively, representing an upward trend on an annual basis.

The amount of the Bank's allowance for impairment losses on loans is determined based on its assessment on factors which may affect the quality of its loans. These factors include the borrower's financial condition, the repayment capability and willingness, the current realisable value of any collateral and ability to obtain future support from guarantors by the borrower, as well as the PRC economy, the government's macro economic policies, interest rates, exchange rates, and the legal and regulatory environment. Most of these factors are beyond the control of the Bank. Should the Bank's assessment or forecast of the impact of these factors on the quality of its loan portfolio be different from actual development or actual loan quality deteriorates more than what has been expected, then the allowance for impairment losses on loans provided by the Bank may not be sufficient to cover actual losses, and the Bank may need to make additional provision in the future which could lead to a decrease in profit and could adversely affect its results of operations and financial condition.

The Bank is subject to risks relating to collateralised or guaranteed loans.

As at 30 June 2011, the Bank's total amount of loans to customers reached RMB7,334,040 million which can be separated into unsecured loans of RMB2,440,120 million, guaranteed loans of RMB1,166,709 million, pledged loans of RMB719,951 million, and loans secured by mortgages of RMB3,007,260 million.

In addition, a portion of the Bank's loans is secured by guarantees provided by affiliates of the borrowers or third parties. Simultaneous deterioration in the financial condition of the borrowers and guarantors may cause the Bank to become unable to recover part or all of the loans. In addition, the Bank has a relatively large portion of loans secured by collateral or pledge of assets including property and land. Changes in macro economic conditions and legal environment or other adverse factors may cause significant declines or fluctuations in the value of the Bank's loan collateral, making it difficult to realise the value of collateral, and hence increasing its loan impairment loss. If the above situations occur, the Bank's financial condition and results of operations may be adversely affected.

The Bank is subject to risks related to concentration of loans to certain industries.

As at 30 June 2011, the Bank's domestic loans were relatively concentrated in the following industries: (i) transportation, storage and postal services; (ii) manufacturing; (iii) production and supply of electricity, gas and water; (iv) water, environment and public utility management and (v) real estates, representing 20.7%, 20.1%, 12.0%, 10.7% and 10.5% respectively of its total loans to customers.

The Bank has prudently adjusted the allocation of its loans among different industries according to changes in macro economic trends and continued to optimise its credit portfolio for different industries. However, a significant downturn in one or more of the industries mentioned above caused by adverse macro economic environment or national policies may lead to a significant increase in the Bank's NPL in such industry, which will adversely affect its financial condition and results of operations.

The Bank is subject to risks associated with real estate related loans.

The Bank's real estate related loans in the PRC include corporate property loans and personal housing loans. As at 30 June 2011, in terms of the distribution of the Bank's corporate loans by product line, property loans amounted to RMB533,999 million, accounting for 7.3% of its total loans, with a NPL ratio of 0.7%. The Bank's personal housing loans of domestic branches amounted to RMB1,133,346 million, accounting for 15.5% of its total loans, with a NPL ratio of 0.37%.

In recent years, the Bank has actively responded to changes in the real estate market, continued to optimise the product mix of its real estate related loans and tightened its credit policy towards the real estate industry, which has resulted in continuous improvement in the quality of its real estate related loans. The Bank has been closely monitoring the risks associated with the real estate market, established a name list control system of real estate developer and focused its loans on high quality commercial housing projects, introduced a project risk monitoring and precaution system, followed closely to any adjustment in real estate macro policies and real estate market trends and timely adjusted its credit policies for the real estate industry accordingly. At the same time, the Bank has also adopted a series of measures to strengthen the risk management of personal housing loans, and continuously refined the post-lending management of personal loans.

In 2010, pursuant to relevant requirements of China Banking Regulatory Commission (the "CBRC"), the Bank has performed stress tests on the impact on loan quality based on fluctuations in the real estate market, which specifically analysed the sensitivity of the asset quality of real estate related loans of the Bank with reference to movements in the real estate market. Based on the result of the stress tests and having considered the different scenarios being tested, the Bank's risks associated with real estate related loans are within controllable limits specified by the CBRC.

Notwithstanding the above, any long term and extreme adjustment of the real estate market due to changes in macro economic conditions, government policies or other factors may adversely affect the quality and future growth rate of the Bank's real estate related loans, which may adversely affect its financial condition and results of operation.

The Bank is subject to risks related to loans to industries facing over-capacity.

On 22 December 2009, The People's Bank of China ("PBOC"), CBRC, China Insurance Regulatory Commission ("CIRC") and China Securities Regulatory Commission ("CSRC") jointly promulgated the "Guiding Opinion to Further Improve Financial Service to Support the Restructure and Revitalisation of Key Industries and Curb Over-Capacity in Certain Industries", which requires commercial banks to actively support the government policy on consolidation of industries and financial market control, and prohibits commercial banks to make loans to entities or projects related to industries with serious over-capacity as identified by the government, including industries related to iron and steel, cement, electrolytic aluminium, plate glass, coal chemistry, poly-crystalline silicon, wind power equipment and shipbuilding.

The Bank has focused on minimising the potential risks it is exposed to in relation to industries facing over-capacity. The Bank strictly controls its loans to industries facing over-capacity by adopting a necessary industry credit policy and systematic credit approval process. The Bank has also implemented a strict industry quota mechanism and a client list control system for industries facing over-capacity. The Bank will consider financing new projects in industries facing over-capacity only if the projects are fall within or comply with the State's industrial policy guidelines, have obtained appropriate approvals or verification (filing) from competent administrative departments in charge of investment, and have met the requirements of "Green Credit" policy. In addition, such loans are required to be reported to its headquarter for approval. At the same time, the Bank has adopted a flexible approach on industry credit and reinforced its efforts to optimise its loan structure. The Bank has also increased credit support to major projects involved in energy saving and emission reduction as well as to enterprises engaging in technology development for energy saving and emission reduction, strictly controlled its lending to high energy consumption, high pollution and excessive capacity industries, and proactively terminated loans to enterprises that do not comply with the State's industrial policies.

The Bank has controlled its risk of lending to industries facing over-capacity by strictly implementing industry credit policy and continuously optimising the structure of its loan portfolio. However, if over-capacity in the above industries continues and does not improve, the government may reinforce its control over macro economic policies, which will adversely affect the operating environment and repayment ability of certain of the Bank's borrowers. In such a case, the Bank's financial condition and results of operations may be adversely affected.

Deterioration in the debt repayment abilities of local government financing vehicles to which the Bank extends loans may adversely affect its asset quality, financial condition and results of operations.

The Bank's loans to local government financing platforms are mainly made to the investment and financing platforms of various development zones, state-owned asset management companies, land reserve companies and urban construction investment companies, covering a number of industries including water, environment and public utility management, transportation, storage, postal services and leasing and commercial services. Most of these loans were made to financing platforms of provincial and municipal level or above with terms of less than five years. The Bank believes that the asset quality of these loans is categorised as "pass" under its internal classification system and hence NPL ratio is low.

Recently, with the aim of reinforcing the risk management of loans to local government financing platforms, the State Council, the CBRC and the PBOC, along with several other PRC regulatory authorities promulgated a series of notices, guidelines and other regulatory documents to direct PRC banks and other financial institutions to optimise and strengthen their risk management measures regarding their loans to local government financing platforms. The Bank has consistently focused on the risks associated with loans to the local government financing platforms through a series of measures such as imposing stringent regional controls on disbursing loans to local government financing platform, establishing a list of approved cities and lending limit control and establishing credit and credit product related policies. Through such measures, the risks associated with loans to local government financing platforms, the aggregate volume of loans and their investment direction can be prudently controlled in order to ensure the Bank's loans are primarily disbursed to key construction and development areas of the state and projects of high quality. While the Bank has taken various measures to reduce the risks of default, unfavourable developments in macroeconomic conditions, adverse changes to state policies, adverse changes to the financial condition of local governments or other factors may adversely affect the debt repayments of these financing platforms, which may in turn materially and adversely affect the Bank's asset quality, financial condition and results of operations.

The Bank is subject to risks related to its concentrated exposure to certain customers.

As at 30 June 2011, 31 December 2010, 31 December 2009 and 31 December 2008, the total amount of loans granted to the single largest customer accounted for 3.4%, 3.5%, 2.8% and 2.9%, respectively, of its net capital while the total amount of loans granted to the top ten single customers accounted for 20.6%, 22.8%, 20.9% and 20.4%, respectively, of its net capital. The Bank's borrower concentration ratios comply with regulatory requirements and are maintained at a relatively low level. However, deterioration in the financial condition of the Bank's key borrowers and their respective guarantors may diminish their ability to repay loans, which can potentially have a material adverse effect on its financial condition and results of operations.

The Bank's loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.

The Bank classifies its loans using a five-tier classification system in accordance with the guidelines set forth by the PRC regulators. The five tiers are pass, special mention, substandard, doubtful and loss. The Bank assesses its impairment losses on loans and determine a level of allowance for impairment losses using the five-tier classification system. The Bank performs such assessment, determination and recognition using the concept of impairment under International Accounting Standard 39 ("IAS 39"). The Bank's loan classification and provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, its loan classification as well as its allowance for impairment losses, as determined under its loan classification and provisioning policies, may differ from those that would be reported by banks incorporated in other countries or regions.

Proposal to replace IAS 39 may require the Bank to change its provisioning practice.

The Bank currently assesses its loans and investment assets for impairment under IAS 39. The International Accounting Standards Board issued an exposure draft in November 2009 on amortised cost and impairment which is part of a comprehensive project to replace IAS 39 in its entirety. IFRS 9, issued in November 2009, reflects the first phase of the IASB's work on the placement 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. The adoption of the first phase of IFRS 9 will have an effect on the classification and measure of the Bank's financial assets and liabilities. In subsequent phases, the IASB will address impairment of financial assets and hedge accounting. In November 2009, the IASB issued an exposure draft on amortised cost and impairment which is part of a comprehensive project to replace IAS 39 in its entirety. On 31 January 2011, the IASB and FASB issued a jointly developed supplementary document: Financial Instrument: Impairment to the November 2009 IASB ED. On 4 August 2011, the IASB published ED/2011/3 Amendments to IFRS 9 Financial instruments (November 2009) and IFRS 9 Financial instruments (October 2010): Mandatory Effective Date, which proposes to adjust the mandatory effective date of IFRS 9 Financial instrument from 1 January 2013 to 1 January 2015. If it is adopted, it will result in the replacement of the incurred loss model under IAS 39 with an expected loss model. The above change in accounting policies may require the Bank to change its current provisioning practice and may, as a result, materially affect its financial condition and results of operations.

Certain financial information of ICBC Leasing contained in this Offering Circular has not been audited or reviewed.

ICBC Leasing prepares its financial statements in accordance with the PRC GAAP, which differs in certain respects from the IFRS. Such financials prepared in accordance with the PRC GAAP are audited by Ernst & Young Hua Ming on an annual basis.

Some of the financial information of ICBC Leasing for the years ended 31 December 2008, 2009 and 2010 as set out in the section captioned "Description of the Bank's Leasing Business" in the Offering Circular were prepared and presented by the management of ICBC Leasing in accordance with IFRS for the purpose of consolidation with the financial statements of the Bank. Such financial information and the underlying management accounts prepared in accordance with IFRS have not been audited or reviewed by Ernst & Young. ICBC Leasing has not prepared a complete reconciliation of its financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences.

The Bank is subject to market risks.

The uncertainties in the global economy, the global financial market and, in particular, in the PRC could materially and adversely affect the financial condition and results of operations of the Bank.

Emerging from the peak of the global financial crisis, some countries started to withdraw the stimulus packages previously executed and implement more moderate monetary policies. The PRC started to withdraw its economic stimulus plan implemented during the financial crisis and returned to its normal policy direction. The PRC government implemented stricter control measures on the real estate market, regulated the local government financing vehicles, cancelled the export tax refund policies for certain commodities and restarted the reform of Renminbi exchange rate.

Currently, the employment, credit and property market conditions of developed economies are still volatile. Coupled with the ongoing concerns on the sovereign debt crisis in Europe and the U.S., risk of stagflation is emerging. Uncertainties in the global and the PRC's economies may adversely affect the Bank's financial condition and results of operations in many ways, including, among other things:

- During a period of economic slowdown, there is a greater likelihood that more of the Bank's customers or counterparties could become delinquent in respect of their loan repayments or other obligations to the Bank, which, in turn, could result in a higher level of NPL, allowance for impairment losses and write-offs, all of which would adversely affect its results of operations and financial condition;

- The increased regulation and supervision by the financial services industry in response to the financial crisis in certain jurisdictions where the Bank operates may restrict its business flexibility and increase the compliance costs, which may adversely affect its business operations;

- The value of the Bank's investments in the equity and debt securities issued by overseas governments and financial institutions may significantly decline, which may adversely affect its financial condition;

- The Bank's ability to raise additional capital on favourable terms, or at all, could be adversely affected; and

- Trade and capital flows may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in economies and adversely affect the Bank's business prospects.

There can be no assurance that the PRC's economy or the global economy will maintain sustainable growth. If further economic downturn occurs or continues, the business, results of operations and financial condition of the Bank could be materially and adversely affected.

Interest rate risk.

A significant portion of the Bank's assets consists of, and a significant portion of its revenue is derived from, assets that are monetary in nature. The Bank engages in limited proprietary trading through positions in fixed-income instruments and, to some extent in financial derivative instruments, which are subject to the usual risks associated with proprietary investing activities, including the risk that a change in market prices, rates, indices, volatility, correlations, liquidity or other factors will result in losses for a specific position or portfolio.

The net interest income of the Bank is affected by changes in interest rates. The net interest income of the Bank represented 75.5%, 79.8%, 79.4% and 84.8% of its total operating income in the six months ended 30 June 2011 and in the years ended 31 December 2010, 31 December 2009 and 31 December 2008, respectively. The Bank has closely monitored market changes and made effective adjustments to changes in monetary policy direction and improved its interest rate management and monitoring system. However, increasing competition in the banking industry and further liberalisation of the interest rate regime may result in more volatility in interest rates. Changes in PBOC benchmark interest rates or volatility in market interest rates may adversely affect the net interest income of the Bank, which may affect its financial condition and results of operations.

PBOC increased the benchmark interest rates on Renminbi loans and deposits for financial institutions on 9 February 2011, 6 April 2011 and 7 July 2011 successively, in which, for example, the one-year benchmark deposit rate increased from 2.75% to 3.50%, and the one-year benchmark lending rate increased from 5.81% to 6.56%, each being raised by 0.75% accumulatively, and the benchmark interest rates on loans and deposits with other terms of maturity were adjusted accordingly. Interest rates on demand deposits, deposit reserves, re-financing loans and discounted loans remain unchanged.

The yield arising from the Bank's investment in debt securities is affected by changes in interest rates. As at 30 June 2011, the Bank's net investment amount in RMB-denominated government notes, central bank bills and other debt securities was RMB3,567,677 million, which represented 23.95% of its total assets. Changes in market interest rates may affect the yield from the Bank's investment in debt securities and thus may further adversely affect its financial condition and results of operations.

The following table illustrates the effect of reasonable and possible interest rate changes on the Bank's net interest income and equity with other variables held constant. The sensitivity of net interest income is the effect of certain assumed changes in interest rates on the net interest income, based on the financial assets and financial liabilities held at year-end which are subject to re-pricing within the coming year, including the effect of hedging instruments, on the assumption that the overall interest rate in the market moves in parallel. The sensitivity of equity is the effect of certain assumed changes in interest rates on the fair value of fixed-rate available-for-sale financial assets held at year-end and as a result changes to other comprehensive income, including the effect of hedging instruments, on the assumption that the overall interest rate in the market move in parallel.

	Changes in interest rates	**30 June**		**31 December**		
		2011	**2010**	**2010**	**2009**	**2008**
				in RMB		
Sensitivity of net interest income.....	Increase by 100 basis points	(21,709)	(22,639)	(23,156)	(17,273)	(16,116)
	Decrease by 100 basis points	21,709	22,639	23,156	17,273	16,116
Sensitivity of equity	Increase by 100 basis points	(18,700)	(18,367)	(18,848)	(16,505)	(9,143)
	Decrease by 100 basis points	19,909	19,477	20,130	17,385	9,536

It should also be noted that changes in interest rates, changes in relationship between short-term and long-term interest rates, or changes in relationship between different types of interest rates can affect the interest rate charged on interest-earning assets to different degrees than the interest rate paid on interest-bearing liabilities. This impact may be increased by the Bank's inability to adjust to rate changes with respect to the fixed rate portions of its portfolio.

In an increasing interest rate environment, the ability of the Bank to earn higher returns on its fixed rate interest-earning assets consistent with the change in the market rates is limited by the maturity periods of such assets. The maturity periods of the Bank's interest-earning assets tend to be longer than such periods for its interest-bearing liabilities.

In addition, the Bank may also experience decreases in net interest income in a declining interest rate environment. Further, during a rising interest rate environment, its ability to adjust upwards the Bank's interest rates that it receives on its interest-bearing assets, mainly loans, may be limited, whether due to competition or other factors as its customers may repay existing loans with it prior to their maturity through other refinancings that may bear lower rates of interest. How the Bank manages interest rate volatility generally will determine, to a certain extent, the impact of such volatility on its net interest and dividend income, and it cannot assure you that it will be able to manage such volatility in a manner that does not adversely affect its results of operations.

Currency risk.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC and international political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. In August 2008, the PRC announced a further change in its exchange regime to a managed floating exchange rate regime based on market supply and demand.

Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of the Bank's foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, the Bank's H Shares in foreign currency terms.

The Bank is subject to currency risk arising from losses incurred by unfavourable exchange rate fluctuations on its foreign exchange exposures resulting from the unmatched currency structure between foreign currency-denominated assets and foreign currency-denominated liabilities. As at 30 June 2011, the Bank's net foreign exchange exposure was RMB105,755 million. The Bank manages its foreign exchange risk through various methods, including exposure limit management and risk hedging to mitigate currency risk, and performs currency risk sensitivity analysis and stress testing regularly. However, changes of exchange rates in the future may adversely affect the Bank's financial condition and results of operations.

The table below indicates a sensitivity analysis of exchange rate changes of the currencies to which the Bank 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 Bank's foreign exchange exposures as at the period/year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Bank to mitigate the adverse impact of this foreign exchange risk.

		Effect on profit before tax				**Effect on equity**			
Currency	**Change in currency rate**	**30 June 2011 (unaudited)**	**31 December 2010 (audited)**	**31 December 2009 (audited)**	**31 December 2008 (audited)**	**30 June 2011 (unaudited)**	**31 December 2010 (audited)**	**31 December 2009 (audited)**	**31 December 2008 (audited)**
USD …	-1%	(237)	149	59	(85)	(41)	(42)	(25)	(20)
HK$ …	-1%	(116)	(5)	30	115	(214)	(212)	(193)	(199)

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.

The Bank is subject to liquidity risk.

Customer deposits have been the Bank's main source of funding. As at 30 June 2011, 94.4% of the Bank's total customer deposits were time deposits with remaining maturity of one year or less or demand deposits.

If a substantial portion of the Bank's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Bank may need to pay higher cost to seek alternative sources of funding to meet its funding requirements. In response to this, the Bank has closely monitored changes in monetary policy, market environment and maintained reasonable liquidity reserve to handle position movements caused by various factors. Whilst ensuring risk control, the Bank has proactively expanded channels of funding, enhanced management in fund allocation and maturity mismatch.

However, the Bank's ability to obtain additional sources of funding may be affected by factors such as deterioration of market conditions and disruptions to financial markets. During the six months ended 30 June 2011, the PBOC adjusted liquidity by raising the statutory reserve ratio six times and by using open market operations and other monetary policy instruments. If the Bank fails to secure required funding on a timely basis or at levels which are acceptable, it may face liquidity risk which may adversely affect its financial condition and results of operations.

The Bank is subject to risks related to its internationalised operations.

In recent years, the Bank has seized opportunities arising from the global financial markets, accelerated the expansion of its global operating network through a balanced development in both emerging and mature markets and through the establishment of its own offices and strategic mergers and acquisitions. With the aim of building a large multi-functional global financial services group, the Bank has actively and prudently promoted the implementation of an internationalised operational strategy. In promoting the implementation of the Bank's internationalisation strategy, its operations may be affected by a number of factors, including overseas market conditions, local competition, local rules and regulations operations of its overseas borrowers and their ability to service their debt, and integration of overseas assets acquired by it. As part of its internationalised operation, the Bank has continuously strengthened its management in local market risks and operational risks. However, the Bank's results of operations and financial condition may be adversely affected if there are adverse changes in the above factors.

In addition, the Bank's rapid international expansion exposes it to a new variety of regulatory and business challenges and risks, including cross-cultural risk, currency risks, interest rate risks, compliance risk, regulatory and reputational risk and operational risk. The loan portfolio of the Bank's international branches and subsidiaries exposes the Bank to borrowers' credit risk, regional market risk and legal risk in overseas markets.

The Bank is subject to new risks related to the continuous expansion of its products, services and business scope.

In recent years, the Bank has actively developed a number of new products and expanded its service scope, including investment banking, asset management, fund management and financial leasing, etc. While expanding its products, services and business scope, the Bank is exposed to a number of risks. For example, the Bank's limited experience may not enable it to successfully develop its new business; its anticipated market demand for new products or services may not materialise; it may not successfully hire or retain personnel who have the relevant skills and experience; its competitors may have substantially greater experience and resources for the new and expanded business activities or may imitate its new products and services; it will need to enhance its risk management and information technology systems to support a broader range of activities, which requires time and additional funding and other resources; and regulators may revoke or withhold their approval for any products and services that the Bank has offered or has planned to offer.

As a result, the return on the Bank's new products, services or businesses may be less, or realised later than expected which may adversely affect its financial condition and results of operations.

The Bank is subject to risk related to its credit commitments and guarantees.

The Bank's credit commitments and financial guarantees primarily consist of bank acceptance, loan commitments, guarantees and letters of credit. As at 30 June 2011, 31 December 2010, 31 December 2009 and 31 December 2008, the Bank's credit risk weighted amount of credit commitments were RMB785,593 million, RMB677,500 million, RMB507,149 million and RMB385,049 million, respectively. The Bank is exposed to credit risk related to above mentioned credit commitments and guarantees. If the Bank's customers cannot perform their obligations, the Bank will need to fulfil the related commitments and guarantees. In addition, if the Bank cannot obtain compensation from relevant customers, its results of operations and financial condition may be affected.

The Bank is subject to operational risks and risks relating to its information technology systems.

The Bank is subject to operational risks such as internal fraud, external fraud, customers, products and business activities, execution, closing and process management, employment system and workplace safety, damage to physical assets and IT systems events.

The Bank has established a series of policies and procedures to identify, assess, monitor, manage and report operational risks according to the "Guidance to the Operational Risk Management of Commercial Banks" issued by the CBRC. Although the Bank has adopted these measures, operational risks may cause losses to the Bank if these measures are not implemented and adhered to or cannot cover all aspects of its operations.

The Bank depends on its information technology systems to accurately process a large number of transactions on a timely basis, to store and process most of its data regarding its business and operations. The Bank has adopted a large number of technical measures and management initiatives to ensure the secure and reliable operation of its information systems. The Bank has also proactively developed information security protection initiatives and continuously optimised its emergency response and disaster recovery systems. However, the Bank's business would be adversely affected if part or all of its information system malfunctions due to any defect in software and hardware of its information system or any deficiency in its information security protection, such as hacking. Meanwhile, if the Bank fails to effectively improve or upgrade its information technology systems on a timely basis, its competitiveness, results of operations and financial condition could be adversely affected.

The Bank may not be able to fully prevent or timely detect any money laundering and other illegal or improper activities.

The Bank has strictly complied with applicable anti-money laundering laws and other relevant regulations. The Bank has continued to optimise its anti-money laundering work mechanism, actively fulfilled applicable anti-money laundering regulatory requirements and comprehensively improved the management standard of its anti-money laundering compliance. The Bank is not aware of any money laundering or other major illegal or improper activities engaged by or involving any employee of its domestic or overseas branches and operations.

However, the Bank cannot assure potential purchasers that it can completely eradicate money laundering activities or other improper activities carried out by organisations or individuals through it. If the Bank fails to timely detect and prevent money laundering activities or other illegal or improper activities, relevant regulatory agencies will have the power and authority to impose sanctions on it, which may adversely affect its reputation, financial condition and results of operations.

The Bank may not be able to detect and prevent all fraud or other misconduct committed by its employees or third parties.

The Bank has continued to strengthen the detection and prevention of fraud or other misconduct committed by its employees or third parties. However, the Bank's risk management and internal control capabilities are limited by the information and risk management tools or technologies available to it. The Bank's ability to implement and maintain strict internal control may be affected by its expansion in terms of business scale and business scope. Therefore, the Bank cannot assure potential purchasers that its internal control policies and procedures could completely and effectively prevent all fraud or other misconduct committed by its employees or third parties. These fraud or misconduct targeted at the Bank may adversely affect its business, results of operations and financial condition. In addition, if there are any deficiencies in its risk management and internal control policies and procedures, the Bank may be subject to credit risk, liquidity risk, market risk, operational risk or reputational risk, which may adversely affect its results of operations and financial condition.

The Bank is subject to risks related to property title certificates or other licenses and certificates in the PRC.

The Bank owned significant number of properties in the PRC. For a small portion of such properties, the Bank had not obtained building ownership certificates and/or state-owned land use right certificates and therefore may not have proper title to such properties. The Bank also had certain leased properties within the PRC, for which the lessors have not provided the Bank with the relevant title certificates of the property and/or consent letter from the relevant property owners to sublease. In respect of part of such leased properties, the Bank has been provided with written undertakings indicating that the lessors will compensate its potential loss due to defects in relevant property title certificates or the relevant lease agreements contain such undertakings. If the Bank has to relocate its branches or sub-branches due to the title defects with regard to properties owned or leased by it, it will incur additional costs relating to such relocation.

In addition, a small number of the Bank's branches are currently in the process of applying for new financial license, business license and/or bancassurance license, due to license renewal, upgrade of branch offices, change of name, relocation or change of business nature. The Bank will work closely with the local regulatory authorities to ensure that it can obtain the abovementioned licenses as soon as possible.

The Bank is exposed to certain risks in relation to the bonds issued by China Huarong Asset Management Corporation ("Huarong").

During the period from 1999 to 2001, the Bank disposed non-performing assets with a book value of RMB407.7 billion to Huarong, and received 10-year non-transferrable bonds issued by Huarong with a nominal value of RMB313.0 billion as well as RMB94.7 billion in cash as consideration. The above bonds issued by Huarong have a fixed interest rate of 2.25% per annum. Huarong has paid interest on the bonds to the Bank in a timely manner in the past pursuant to the terms of the Huarong bonds. In addition, Ministry of Finance of the People's Republic of China ("MOF") issued a notice on 14 June 2005 to the effect that: (1) with effect from 1 July 2005, in the event of any failure of Huarong to pay for the interest on the bonds in full to the Bank, MOF will provide financial support; and (2) if necessary, MOF will provide support for the payment of the principal of the bonds issued by Huarong.

During the period from 2010 to 2011, the 10-year bonds issued by Huarong with a nominal value of RMB313.0 billion as mentioned above and held by the Bank should have matured. In accordance with the "Letter from MOF in Respect of the Bonds Issued by China Huarong Asset Management Corporation held by Industrial and Commercial Bank of China" (Cai Jin Han [2010] No. 105), MOF agreed that the term of the Huarong bonds held by the Bank will be extended by 10 years after the expiry, and the terms of the bonds such as the interest rate will remain unchanged, and that MOF will continue its support for the principal and interest payment in relation to the Huarong bonds held by the Bank. Pursuant to its internal guidelines, the Bank has executed strict internal approval and relevant information disclosure procedures in connection with the extension of the bonds issued by Huarong.

Huarong is a wholly state-owned non-bank financial institution which has been approved by the State Council, and was duly established in October 1999 with a registered capital of RMB10.0 billion. In the past 10 years, Huarong has actively and prudently carried out a commercial transformation, and has developed a comprehensive financial service system with asset management as its main business and securities, leasing, trust and investment as its supplementary businesses. In addition, pursuant to the above notice from MOF, MOF will provide financial support for the repayment of principal and interest of the Huarong bonds held by the Bank if necessary. Given MOF's sovereign credit rating, the Bank believes that the recoverability of the bonds issued by Huarong can be reasonably guaranteed.

In consideration of the various investment channels and market returns currently available in the market, there is a certain level of opportunity costs borne by holding the bonds issued by Huarong. However, given the large investment size and long investment term of the bonds, if the principal of the Huarong bonds is returned upon maturity and if the above capital were to be reallocated, it will still be difficult to allocate all the capital to long term loans, but will only be able to allocate to non-credit assets, with the investment returns limited by the size of RMB bond market. Therefore, the above opportunity cost will have a relatively small impact on the Bank's operations.

The transaction for the Bank to purchase the bonds issued by Huarong is part of the financial arrangements set by State policies. The Bank has enhanced its asset quality through relevant transactions to purchase the Huarong bonds, which will be conducive to consistent improvement of its profitability and shareholders' equity. Continuing to hold such bonds will not have an impact on the Bank's profitability.

The Huarong bonds are financial bonds which are placed to the Bank with the approval of PBOC and are specifically issued for the acquisition of the Bank's non-performing assets. There are no similar bonds in the open bond market and no active market for such bonds. In accordance with the accounting standards, the Bank classifies the Huarong bonds, without available valuation on active market and with fixed repayment amounts, as receivables relating to bonds investment and are subsequently measured at amortised cost using the effective interest method. Given that the interest on each payment term of the Huarong bonds have been paid in full and in timely manner, and that MOF has provided its support for the principal and interest payment in relation to the Huarong bonds, there is no event of impairment of financial assets under the accounting standards. As such, the Bank is of the view that the accounting treatment in relation to the Huarong bonds meets the requirements under the accounting standards. The bonds are measured at fair value, there is no indication of impairment and thus no provisions for impairment losses are needed.

The Bank expects that MOF will perform its obligations as set out in the notices when necessary. However, due to the absence of any precedent for requesting for the fulfilment of, or otherwise resorting to other legal procedures to seek the enforcement of, similar undertakings of MOF or other government authorities, the Bank cannot guarantee any enforcement of such notices by operation of law. In the event of any failure of Huarong and MOF to discharge any of its payment obligations relating to such bonds and that the enforcement of such notices by operation of law cannot be guaranteed, the Bank's operating results and financial conditions will be materially and adversely affected.

The Bank is subject to reputational risks related to its business operations.

The Bank has taken active efforts in reputational risk management and through a number of actions such as actively communicating its operational and management information, enhancing quality of its financial services, strengthening investor relations management and actively performing social responsibility, strived to gain understanding and recognition from customers, investors and the media to maintain a good reputation.

With the rapid development of the financial industry and changes in media communication, the public are paying increasing attention to the banking industry, resulting in easier and more frequent access to rumours related to banks' services quality, their operations and management and compliance issues. Such coverage may create negative feedback from depositors, investors and other stakeholders, which may adversely affect the Bank's normal operation and management, and may cause liquidity crisis in an extreme case.

Within the banking industry, the banks have close interbank relationships with one another and interbank deposits and lending are relatively common. If a certain bank does not operate properly or become insolvent, a chain reaction may occur, which may trigger a confidence crisis towards the whole banking industry, and adversely affect the Bank's financial condition and results of operations.

The Bank is subject to counterparty risks in its derivative transactions.

The Bank acts primarily as an intermediary in domestic and international foreign exchange and derivative markets, and it currently has foreign currency forward and swap contracts with a number of domestic and international banks, financial institutions and other entities. The Bank also has interest rate swap contracts and fair value hedges, but are subject to credit risk from its various counterparties. As at 30 June 2011, the notional amount of the Bank's outstanding derivative financial instruments amounted to RMB1,626,286 million, and the fair values of the Bank's outstanding derivative assets and liabilities amounted to RMB13,803 million and RMB11,025 million, respectively. Although the Bank believes that the overall credit quality of its counterparties is adequate, it cannot assure that parties with significant risk exposure will not have difficulty in fulfilling derivative contracts that may create losses to it.

Certain PRC regulations limit the Bank's ability to diversify its investments, and as a result, a decrease in the value of a particular type of investment may have a material adverse effect on its financial condition and results of operations.

As a result of current PRC regulatory restrictions, substantially all of the Bank's RMB-denominated investment assets are concentrated in a limited number of investments permitted for PRC commercial banks, such as PRC government bonds, bonds issued by PRC policy banks, bonds and subordinated notes issued by PRC commercial banks, PBOC bills and commercial paper issued by qualified domestic corporations. These restrictions on the Bank's ability to diversify its investment portfolio limit its ability to seek higher returns by making investments comparable with those of the banks in other countries as well as its ability to manage its liquidity in the same manner as banks in other countries. In addition, the Bank is exposed to a certain level of risk as a result of the concentration of its RMB-denominated investment assets. For example, any deterioration of the financial conditions of commercial banks in the PRC would increase the risks associated with holding their bonds and subordinated bonds. A decrease in the value of any of these types of investments could have a material adverse effect on the Bank's financial condition and results of operations.

The Bank may be subject to OFAC penalties if it were determined to have violated any OFAC regulations.

The United States is currently imposing economic sanctions towards certain countries, which are administered by the Office of Foreign Assets Control ("OFAC") of the U.S. Treasury Department and which apply only to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions involving certain aspects subject to U.S. jurisdiction. OFAC sanctions are intended to address a variety of political concerns, especially to prevent certain countries, including Cuba, Iran, Syria, Libya and Sudan, and certain individuals and entities in those and other countries, from supporting international terrorism and, additionally to prevent Iran, North Korea and Syria, as well as certain individuals and entities in those and other countries, from pursuing weapons of mass destruction and missile programmes. The Bank does not believe that these sanctions are applicable to any of its business. However, if the New York branch of the Bank provided the services mentioned above by any means, or if it was otherwise determined that any of the Bank's transactions violated the OFAC regulations, the Bank could be subject to penalties, and its reputation and ability to conduct future business in the United States or with U.S. entities could be adversely affected.

RISKS RELATING TO THE PRC BANKING INDUSTRY

The Bank is subject to risks related to increasing competition in the banking industry in the PRC.

The banking industry in the PRC is becoming increasingly competitive. The Bank is competing primarily with other PRC commercial banks and foreign banks as well as specialised lending and guarantee companies. The increasing competition may result in a decrease of the Bank's market share in major product and service areas, limit the growth of its deposits, loans and other products and services, decrease its revenue and increase its expenses, which may adversely affect its business and prospects.

The Bank is subject to risks related to uncertain changes in the regulatory environment of the PRC's banking industry.

The Bank's businesses are directly affected by changes in the PRC's banking regulatory policies, laws and regulations. The regulatory system and the laws and regulations governing the banking sector are subject to future changes, and the Bank cannot assure potential purchasers that such changes will not adversely affect its business, financial condition and results of operations.

If additional rules or regulations are introduced, the Bank may incur substantial compliance, implementation and monitoring costs. The Bank's business could also be directly affected by any changes in the CBRC's or PBOC's policies, laws and regulations, including in the areas of specific lending activities, loan loss provisioning, capital adequacy and liquidity requirements as well as changes in other government policies.

In addition, given the current economic and financial environment, the regulators may elect to raise standards or the interpretation of the standards used to measure regulatory compliance or to determine the adequacy of liquidity, certain risk management or other operational practices for financial services companies in a manner that impacts the Bank's ability to implement its strategy and such changes could affect the Bank in substantial and unpredictable ways and could have a material adverse effect on the Bank's business, cash flows, financial condition, results of operations and prospects.

In particular, there has recently been public debate in some developed economies to the effect that banks which are "too big to fail" and which pose greater systemic risks to the economy (and taxpayers) in the event of failure should face higher capital requirements and be subject to more stringent regulatory requirements as compared to other banks that would not fall within the "too big to fail" category, or even broken up into smaller units. Given that the Bank is the largest bank in the PRC and the world by market capitalisation, if any new regulations or regulatory policies are introduced in the PRC which specifically deal with this issue, then it may face stricter capital requirements or leverage limits or other additional and unpredictable restrictions on its activities as compared to its less regulated competitors. The impact of such additional regulations, reforms and restrictions may place the Bank at a competitive disadvantage compared to its less regulated competitors.

In addition, the Bank's overseas branches, subsidiaries and representative offices have to comply with local laws and regulations of the relevant jurisdiction, and are subject to the regulation and approval by the local regulatory authorities in the relevant jurisdiction. The Bank cannot assure potential purchasers that its overseas branches, subsidiaries and representative offices could always satisfy applicable laws and regulatory requirements. If the Bank could not meet such requirements, its business in the relevant jurisdiction may be adversely affected.

The Bank is subject to risks related to changes in monetary policy.

PRC monetary policy is set by the PBOC in accordance with the macro economic environment. In addition, PBOC controls monetary supply through open market operations, and adjustments to the deposit reserve ratio and rediscount rate in order to achieve targeted control over the economy. As commercial banks are a major means to implement monetary policy, changes in monetary policy will affect their operations and profitability. If the Bank cannot timely adjust its operating strategy in response to the changes in monetary policy, its results of operations and financial condition may be adversely affected.

The Bank is subject to risks related to potential capital adequacy ratio fluctuation.

According to the CBRC regulations, as a PRC commercial bank, the Bank is required to maintain a minimum capital adequacy ratio of 8% and a minimum core capital adequacy ratio of 4%; and the Bank is further subject to a minimum core capital adequacy ratio of 7% in order to issue long term subordinated debts to replenish its supplementary capital. In addition, the amount of any long term subordinated bonds issued cannot be more than 25% of its core capital and capital adequacy ratio must not be less than 10% when the Bank undertakes acquisition finance.

As at 30 June 2011, 31 December 2010, 31 December 2009 and 31 December 2008, the Bank's capital adequacy ratios were 12.33%, 12.27%, 12.36% and 13.06%, respectively, while core capital adequacy ratios were 9.82%, 9.97%, 9.90% and 10.75%, respectively, which were in compliance with regulatory requirements.

The Bank aims to maintain a stable and reasonable capital adequacy level in order to support the implementation of its business development and strategic planning. However, certain adverse changes may lead to fluctuations of the Bank's capital adequacy ratio. Such adverse changes include, but are not limited to, the increase of risk-weighted assets due to rapid business expansion, the increase of capital-deducting equity acquisitions and investments, potential deterioration in the Bank's asset quality, the decline in the value of the Bank's investments, increase of minimum capital adequacy ratio requirement by the CBRC as well as changes in computational method for capital adequacy ratio by the CBRC.

The Bank may be required to raise additional core or supplementary capital in the future in order to meet the minimum CBRC capital adequacy requirements.

To raise additional capital in order to meet the minimum CBRC capital adequacy requirement, the Bank may need to issue additional equity securities that qualify as core capital or additional instruments that qualify as supplementary capital. However, the Bank's ability to obtain additional capital may still be restricted by a number of factors, including its future business, financial condition, results of operations and cash flows; necessary government regulatory approvals; its credit rating; general market conditions for capital-raising activities by commercial banks and other financial institutions; and economic, political and other conditions both within and outside the PRC.

The Bank cannot assure the potential purchasers that it will be able to obtain additional capital on commercially reasonable terms in a timely manner, or at all. As such, there can be no assurance that it will continue to be able to comply with its capital adequacy requirements.

Furthermore, the CBRC may increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios or the Bank may otherwise be subject to new capital adequacy requirements. In recent years, the CBRC has issued several regulations and guidelines governing capital adequacy requirements applicable to commercial banks in the PRC.

In addition, in February 2007, the CBRC promulgated the "Guidelines on the Implementation of Basel II in PRC's Banking Industry", indicating that the first batch of commercial banks will be regulated according to Basel II from 2010 or in any case no later than 2013. The Bank has always been actively promoting the implementation of Basel II. If the Bank were approved to be one of the banks governed by Basel II, its capital adequacy ratio may change due to modification in its computational method. In April 2011, the CBRC promulgated the "Guiding Opinions on the Implementation of the New Regulatory Standards/Basel III in the PRC's Banking Industry", indicating that the new regulatory standards will be adopted according to Basel III from 1 January 2012, and the systemically important banks shall meet the new regulatory standards by the end of 2013. In August 2011, the CBRC published draft rules of "Regulatory Measures for Capital of Commercial Banks" for public consultation which was intended to reflect the latest regulatory capital requirements established by Basel III. Under the draft new regulatory rules, minimum requirements for core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and total capital adequacy ratio are 5%, 6% and 8% respectively, with a 2.5% capital conservation buffer, 0-2.5% counter-cyclical buffer as well as 1% additional requirement for systemically important banks. This makes a total capital adequacy ratio requirement of 11.5% and 10.5% for systemically important banks and non-systemically important banks respectively.

If the Bank's capital adequacy ratio does not meet the regulatory requirements, the regulatory authorities may adopt certain correction measures including, but not limited to, restricting the growth of its risk-bearing assets, suspending all of its operation activities other than low-risk business, as well as restricting its dividend payment, which may adversely affect its reputation, financial condition and results of operations.

RISKS RELATING TO THE PRC

The Bank is subject to risks related to changes in the PRC's economic and social environment.

Substantially all of the Bank's businesses, assets and operations are located in the PRC. Accordingly, the Bank's results of operations, financial condition and business prospects are closely related to economic developments and macro economic policies in the PRC.

The PRC's economy has continuously maintained a rapid growth for a number of years and is expected to maintain steady growth at a relatively fast pace. The growth rate of PRC's GDP reached 9.6% during the six months ended 30 June 2011 compared to the same period of last year. However, the external economic conditions are still subject to numerous uncertainties. Changes in market conditions and pattern of economic growth, as well as reform and consolidation of industries may affect relevant industries and customers, which may adversely affect the Bank's results of operations and financial condition.

The PRC's economic, political and social conditions, as well as government policies, could affect the Bank's businesses.

A substantial majority of the Bank's businesses, assets and operations are located in the PRC. Accordingly, the Bank's financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including, among other things, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

The PRC's economy has historically been a planned economy. A substantial portion of productive assets in the PRC is still owned by the PRC government. The government also exercises significant control over the PRC's economic growth by allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the Chinese government has pushed forward a large number of economic reform measures to introduce market forces and promote the establishment of sound corporate governance structure. Such economic reform measures may be adjusted, modified or applied according to different industries and different regions of the country. As a result, the Bank may not benefit from certain of such measures.

The PRC government has the power to implement macro economic controls affecting the PRC's economy. The government has implemented various measures in an effort to control the growth rate of certain industries and restrain inflation. For example, in response to a decreased growth rate in part as a result of the global financial crisis and economic slowdown, beginning in September 2008, among other measures, the PRC government began to implement a series of macro economic measures and moderately loose monetary policies, which included announcing an economic stimulus package in the aggregate amount of RMB4 trillion and reducing benchmark interest rates. A number of these macro economic measures may materially and adversely affect the Bank's financial condition, results of operations and asset quality. For example, the decreases in the PBOC benchmark interest rates in 2008 have resulted in the narrowing of the Bank's net interest spread and a decrease in the Bank's net interest income for the year ended 31 December 2009 compared with the same period in 2008, which adversely affected the Bank's profitability.

As measured by GDP, the PRC has been one of the world's fastest growing economies in recent years. However, the PRC may not be able to sustain such a growth rate. During the recent global financial crisis and economic slowdown, the growth of the PRC's GDP slowed down. If the PRC's economy experiences a decrease in growth rate or a significant downturn, the unfavourable business environment and economic condition for the Bank's customers could negatively impact their ability or willingness to repay the Bank's loans and reduce their demand for the Bank's banking services. The Bank's financial condition, results of operations and business prospects may be materially and adversely affected.

The PRC legal system could limit the legal protections available to potential purchasers.

The Bank is organised under the laws of the PRC. The PRC legal system is based on written statutes. The PRC government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade. However, many of these laws and regulations continue to evolve, may be subject to different interpretations and may be inconsistently enforced. In addition, there is only a limited volume of published court decisions which may be cited for reference, but such cases have limited precedent value as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations can affect the legal remedies and protections that are available to potential purchasers and can adversely affect the value of their investment.

Potential purchasers may experience difficulties in effecting service of legal process and enforcing judgements against the Bank and its management.

The Bank is a company incorporated under the laws of the PRC and a substantial majority of its businesses, assets and operations are located in the PRC. In addition, a substantial majority of its directors, supervisors and executive officers reside in the PRC and substantially all of their assets are located in the PRC. As a result, it may not be possible to serve legal written process within the United Kingdom or elsewhere outside the PRC upon the Bank or such directors, supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom, Japan and many other countries. The PRC is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or impossible.

The Bank is subject to PRC government controls on currency conversion and future movements in exchange rates.

The Bank receives a substantial majority of its revenues in Renminbi, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet its foreign currency obligations. In the event that the Bank performs its foreign currency obligations including making any payment under the Guarantee (and not making such payment through branches of the Bank outside the PRC), the conversion of RMB into foreign currency and the remittance of foreign currency outside the PRC by the Bank may be subject to the verification of State Administration of Foreign Exchange ("SAFE").

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in Chinese and international political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. In August 2008, the PRC announced a further change in its exchange regime to a managed floating exchange rate regime based on market supply and demand.

Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of the Bank's foreign currency-denominated assets. The Bank is also currently required to obtain the approval of SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect the Bank's financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

Any future occurrence of natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on the Bank's business operations, financial condition and results of operations.

Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or SARS, and swine flu caused by H1N1 virus, or H1N1 flu, may materially and adversely affect the Bank's business and results of operations. Since April 2009, there have been reports on the occurrences of H1N1 flu in certain regions of the world, including PRC and Hong Kong where the Bank operates its principal business. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Bank's business. Moreover, the PRC has experienced natural disasters like earthquakes, floods and drought in the past few years. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Bank's business. There is no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H1N1 flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of these epidemics, will not seriously interrupt the Bank's operations or those of our customers, which may have a material adverse effect on the Bank's results of operations.

RISKS RELATING TO THE GUARANTEE AND THE NOTES

The Issuer is a special purpose company with no business activities of its own and will be dependent on funds from its affiliates to make payments under the Notes.

The Issuer is a wholly-owned subsidiary of the Bank formed for the only purpose of issuing the Notes and will on-lend the entire proceeds from the issue of the Notes to its affiliates for their financial leasing business. The Issuer does not and will not have any net assets other than such on-lent loans and its ability to make payments under the Notes depends on timely payments under such loans. In the event that the affiliates of the Issuer do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Notes could be adversely affected.

The Issuer may be unable to redeem the Notes.

On certain dates, including the occurrence of an early redemption event and at maturity of the Notes, the Issuer may, and at maturity, will be required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. Failure to repay or redeem tendered Notes by the Issuer would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Bank.

The ratings of the Notes may be downgraded or withdrawn.

The Notes are expected to be rated "A1" by Moody's and "A" by S&P. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities. The ratings can be lowered or withdrawn at any time. Neither the Guarantor nor the Issuer is obliged to inform the holders of the Notes if the ratings are lowered or withdrawn. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the Issuer's and the Guarantor's ability to access the debt capital markets.

Certain facts and statistics and information relating to the Bank and ICBC (HK) are derived from publications not independently verified by the Issuer, the Joint Lead Managers or their respective advisors.

Facts and statistics in this Offering Circular relating to the PRC's economy and the industries in which the Bank operates and information relating to the Bank and ICBC (HK) are derived from publicly available sources. While the Issuer and the Bank have taken reasonable care to ensure that the facts and statistics or information relating to the Bank and ICBC (HK) presented are accurately extracted from such sources, such facts, statistics and information have not been independently verified by the Issuer, the Joint Lead Managers or their respective advisors and, therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC. Due to ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

There may not be a liquid market for the Notes, and Noteholders may not be able to sell their Notes at an attractive price or at all.

The Issuer and the Guarantor cannot assure potential purchasers that it will be able to obtain or to maintain a listing and quotation of the Notes on the Hong Kong Stock Exchange, and even if listed, the Issuer and the Guarantor cannot assure potential purchasers as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Bank's operating and financial results and the market for similar securities. The Joint Lead Managers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Notes.

TERMS AND CONDITIONS OF THE NOTES

The U.S.$750,000,000 4.875 per cent. Guaranteed Notes due 2021 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 13 (Further issues) and forming a single series therewith) of Skysea International Capital Management Limited (the "**Issuer**") are constituted by a deed of covenant dated 7 December 2011 (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are the subject of (a) a deed of guarantee dated 7 December 2011 (as amended or supplemented from time to time, the "**Deed of Guarantee**") entered into by Industrial and Commercial Bank of China Limited, Hong Kong Branch (the "**Guarantor**") and, (b) a fiscal agency agreement dated 7 December 2011 (as amended or supplemented from time to time, the "Agency Agreement") between the Issuer, Industrial and Commercial Bank of China (Asia) Limited as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Industrial and Commercial Bank of China (Asia) Limited as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Age**nts", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee applicable to them. Copies of the Agency Agreement, the Deed of Covenant and Deed of Guarantee are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1 Form, Denomination, Status and Guarantee

(a) *Form and denomination*: The Notes are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Notes*: The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank pari passu among themselves and at least pari passu with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) **Guarantee of the Notes**: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the "**Guarantee of the Notes**") constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least pari passu with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

2 Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed Periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3 Covenants

Limitations on Issuer's Activities: So long as any Note remains outstanding, the Issuer and the Guarantor jointly and severally undertake that the Issuer shall not carry on any business or other activities other than those in connection with issue of, and performance of its obligations under, the Notes and the lending of the proceeds of the issue of the Notes to the Guarantor or any of its Subsidiaries and any other activities incidental thereto.

In these Conditions:

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality; and

"**Subsidiary**" means, in relation to any Person (the "first Person") at any particular time, any other Person (the "second Person"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

4 Interest

The Notes bear interest from 7 December 2011 (the "**Issue Date**") at the rate of 4.875 per cent. per annum, (the "**Rate of Interest**") payable in arrear on 7 June and 7 December in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.$4,875 in respect of each Note of U.S.$200,000 denomination and U.S.$24.375 in respect of each Note of U.S.$1,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where "**Calculation Amount**" means U.S.$1,000 and "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months).

5 Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 7 December 2021, subject as provided in Condition 6 (*Payments*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if:

(i) (A) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the People's Republic of China (which for the purposes of these Conditions not including Hong Kong and Macau Special Administrative Region or Taiwan) ("**PRC**"), the British Virgin Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 30 November 2011; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the PRC, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 30 November 2011; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, *however*, *that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

(A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Amounts or (as the case may be) the Guarantor has or will become obliged to make such withholding or deduction as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

In this Condition 5(b), "**Additional Amounts**" means the additional amounts provided or referred to in Condition 7 (Taxation) which are in respect of any withholding or deduction (i) at a rate greater than the applicable withholding tax rate as a result of the Issuer or the Guarantor, as the case may be, being deemed by the tax authorities of the PRC to be a PRC tax resident in accordance with any applicable tax laws, treaties or regulations or (ii) by or within Hong Kong or any other jurisdiction through which payments on the Notes are made or any authority thereof or therein having power to tax, other than the PRC. For the purposes of this Condition, the applicable withholding tax rate in respect of payments on the Notes or the Deed of Guarantee by a branch of the Guarantor located in Hong Kong as at 30 November 2011 is zero.

(c) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) and (b) (*Redemption for tax reasons*) above.

(d) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price and such Notes may be held, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent for cancellation.

(e) *Cancellation*: All Notes redeemed shall be cancelled and all Notes so cancelled and any Notes cancelled pursuant to Condition 5(d) (*Redemption and Purchase – Purchase*) above may not be reissued or resold.

6 Payments

(a) *Principal*: Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (Payments) arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the

Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7 Taxation

All payments of principal and interest in respect of the Notes or under the Guarantee by or on behalf of the Issuer or, as the case may be, the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or the Guarantor, as the case may be, shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(c) held by a Holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a member state of the European Union; or

(d) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days; or

(e) held by a Holder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such Holder fails to do so within any applicable period prescribed by such relevant tax authority.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in by the Fiscal Agent in accordance with the terms of the Agency Agreement on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, Hong Kong or the PRC respectively, references in these Conditions to the British Virgin Islands, Hong Kong or the PRC shall be construed as references to the British Virgin Islands, Hong Kong or the PRC (as the case may be) and/or such other jurisdiction.

8 Events of Default

If any of the following events occurs:

(a) *Non payment*: the Issuer fails to pay any amount of principal in respect of the Notes within five days from the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 30 days from the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Deed of Covenant or the Guarantee of the Notes and such default remains unremedied for 45 days after written notice thereof, addressed to the Issuer and the Guarantor by any Noteholder, has been delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent; or

(c) *Cross-Default*: any other present or future indebtedness of the Issuer or any other present or future Public External Indebtedness of the Guarantor or any of the Subsidiaries of the Guarantor (excluding the Issuer) becomes (or in the case of the Issuer only, becomes capable of being declared) due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof, or any such indebtedness of the Issuer or any such Public External Indebtedness of the Guarantor or any of the Subsidiaries of the Guarantor (excluding the Issuer) is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the relevant indebtedness of the Issuer and the relevant Public External Indebtedness of the Guarantor or any of the Subsidiaries of the Guarantor (excluding the Issuer) in respect of which one or more of the events mentioned above in this Condition 8(c) have occurred equals or exceeds U.S.$30,000,000 or its equivalent; or

(d) *Unsatisfied jud*gment: one or more judgment(s) or order(s) for the payment is rendered against the Issuer and continue(s) unsatisfied and unstayed for a period of 14 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer; or

(f) *Insolvency*: the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries; or

(g) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, the Guarantor or any of the Principal Subsidiaries of the Guarantor, or the Issuer or the Guarantor ceases to carry on all or a substantial part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another of the Subsidiaries of the Guarantor; or

(h) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 8(d) (*Unsatisfied judgment*) to 8(g) (*Winding-up*) (both inclusive);

(i) *Illegality*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their respective obligations under or in respect of the Notes, the Deed of Covenant or the Deed of Guarantee and, the Issuer or the Guarantor, as the case may be, fails to obtain the necessary waiver or approval or complete such other necessary remedial action within 60 days such that the Issuer and the Guarantor may lawfully perform such obligations or the Issuer or the Guarantor fails to take any action, condition or thing at any time required to be taken, fulfilled or done (i) in order for the Note Certificates, the Deed of Covenant or the Deed of Guarantee to be admissible in evidence in the courts of the British Virgin Islands, Hong Kong and the PRC or (ii) to ensure that the obligations thereunder remain legal, valid, binding and enforceable against the Issuer or the Guarantor, as the case may be; or

(j) *Guarantee not in force*: the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect,

then any Noteholder may, by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders.

In this Condition 8:

"**Principal Subsidiary**" means a Subsidiary of the Guarantor whose total assets or total revenue as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for 5 per cent. or more of the consolidated assets or consolidated revenue of the Guarantor as at such date or for such period. If a Principal Subsidiary transfers all of its assets and business to another Subsidiary of the Guarantor, the transferee shall become a Principal Subsidiary and the transferor shall cease to be a Principal Subsidiary on completion of such transfer; and

"**Public External Indebtedness**" means any indebtedness of the Guarantor or any Subsidiary of the Guarantor, or any guarantee or indemnity by the Guarantor or any Subsidiary of the Guarantor of indebtedness, for money borrowed which (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (for the purposes hereof not including Hong Kong and Macau Special Administrative Region or Taiwan) (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days.

9 Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within 10 years (in the case of principal) or five years (in the case of interest) of the appropriate Relevant Date.

10 Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar and the Transfer Agent having its Specified Office in Hong Kong, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11 Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or fiscal agent and additional or successor paying agents and transfer agents; *provided*, *however*, *that* the Issuer and the Guarantor shall at all times maintain (a) a fiscal agent and a registrar, (b) a paying agent and a transfer agent in Hong Kong or so long the Notes are listed in Hong Kong and (c) a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12 Meetings of Noteholders; Modification

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than 10 percent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to amend the terms of the Guarantee of the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of not less than 90 percent. of the Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification*: The Notes, these Conditions, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

13 Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

14 Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

15 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

16 Governing Law and Arbitration

(a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

(b) Arbitration:

Any dispute or difference of whatever nature howsoever arising under, out of or in connection with the Notes (and the Conditions) (including a dispute or difference as to their breach, existence or validity) ("**Dispute**") shall be finally settled by arbitration in accordance with the London Court of International Arbitration Rules (the "**Rules**") as at present in force, which Rules are deemed to be incorporated by reference into this Condition 16 and as may be amended by the rest of this Condition 16. The tribunal shall consist of three arbitrators to be appointed in accordance with the Rules. The seat of the arbitration shall be London, England. The language of the arbitral proceedings shall be English.

If any Dispute raises issues which are substantially the same as or connected with issues raised in a Dispute which has already been referred to arbitration under the Notes (and these Conditions), including Disputes arising out of Notes held by different Noteholders (an "**Existing Dispute**"), or arises out of substantially the same facts as are the subject of an Existing Dispute (a "**Related Dispute**"), the tribunal appointed or to be appointed in respect of any such Existing Dispute shall also be appointed as the tribunal in respect of any Related Dispute. Where, pursuant to the above provisions, the same tribunal has been appointed in relation to two or more Disputes, the tribunal may, with the agreement of all the parties concerned or upon the application of one of the parties, being a party to each of the Disputes, order that the whole or part of the matters in issue shall be heard together upon such terms or conditions as the tribunal thinks fit. The tribunal shall have power to make such directions and any interim or partial award as it considers just and desirable. The parties waive any objections they may have as to the validity and/or enforcement of any arbitral awards made by the tribunal following the joinder of Disputes or arbitral proceedings in accordance with this Condition 16 to the extent that such objections are based on the fact that joinder of the same has occurred.

THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Notes in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Notes (the "Conditions" or the "Terms and Conditions") set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each US$1,000 in principal amount of Notes for which the Global Certificate is issued.

Cancellation

Cancellation of any Note by the Issuer following its redemption or purchase by the Issuer will be effected by a reduction in the principal amount of the Notes in the register of Noteholders.

Payment

Payments of principal, interest and premium (if any) in respect of Notes represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Notes, against presentation and surrender of the Global Certificate to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose.

Notwithstanding Condition 6(f) (Record date), so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Notices

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Condition 14 (Notices).

Registration of Title

Certificates in definitive form for individual holdings of Notes will not be issued in exchange for interests in Notes in respect of which the Global Certificate is issued, except either Euroclear or Clearstream (or any Alternative Clearing System on behalf of which the Notes evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or any of the circumstances described in Condition 8 (Events of Default) occurs.

Transfers

Transfers of interests in the Notes will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

USE OF PROCEEDS

The net proceeds from the issue of the Notes is estimated to be approximately US$731 million after deducting the underwriting commission to be charged by the Joint Lead Managers.

The net proceeds will be used to develop the offshore leasing business.

CAPITALISATION AND INDEBTEDNESS

Capitalisation and Indebtedness of the Bank

The following table sets forth the Bank's actual consolidated debt and capitalisation as at 30 June 2011 and as adjusted for the issue of the Notes. Potential purchasers should read this table in conjunction with the unaudited condensed financial statements and the accompanying notes as at and for the six months ended 30 June 2011 included in this Offering Circular.

	As at 30 June 2011	
	Actual	**As adjusted**
	(RMB in millions)	
Debt[(1)]		
Debt securities issued		
— Subordinated bonds	116,211	116,211
— A Share Convertible Corporate Bonds[(2)]	22,485	22,485
— Other debt securities issued	6,552	11,313[(3)]
Total debt	145,248	150,009
Equity		
Share capital	349,020	349,020
Capital reserve[(2)]	118,317	118,317
Surplus reserves	53,893	53,893
General reserves	93,208	93,208
Currency translation differences	(2,217)	(2,217)
Undistributed profits	246,170	246,170
	858,391	858,391
Non-controlling Interest	1,224	1,224
Total equity	859,615	859,615
Total capitalisation	1,004,863	1,009,624

Notes:

(1) In addition, as at 30 June 2011, the Bank had deposits from customers, amounts due to banks and other financial institutions, certificates of deposits issued, balances under repurchase agreements, credit commitments, acceptance, issued letters of guarantee and letters of credit, other commitments and contingencies, including outstanding litigation, that arise from its ordinary course of business.

(2) The Bank issued A share convertible bonds on 31 August 2010 with a par value of RMB25,000 million. When convertible bonds were issued, the Bank recognized separately the liability component and the equity component in *bonds payable* and *capital reserve*, respectively, on initial recognition. Any attributable transaction costs related to the issuance are allocated to liability and equity components in proportion to their respective fair values. As at 30 June 2011, the liability component and the equity component of the convertible bonds were RMB22,485 million and RMB2,985 million, respectively.

(3) The aggregate principal amount of the Notes to be issued has not taken into account the effect of transaction costs and expenses. US$750,000,000, the aggregate principal amount of the Notes, has been converted into RMB solely for the convenience of readers at US$1.00 to RMB6.3482.

Unless otherwise disclosed above, there has not been any material change in the Bank's capitalisation since 30 June 2011.

Capitalisation and Indebtedness of the Issuer

As at 22 September 2011, the authorised share capital of the Issuer was US$50,000, divided into 50,000 ordinary shares with no par value, all of which are held by ICBC International Leasing Company Limited and are fully paid, representing the entire issued share capital of the Issuer.

The following table sets forth the capitalisation of the Issuer as at 31 October 2011, as adjusted to give effect to the issue of the Notes:

	Unaudited	
	Actual	**As adjusted**
	(US$ in thousands)	
Borrowings — non-current		
Notes to be issued[1]	—	750,000
Total borrowing	—	750,000
Equity		
Share capital	50	50
Total equity	50	50
Total capitalisation[2]	50	750,050

Notes:

(1) The principal amount of the Notes to be issued has not taken into account the effect of transaction costs and expenses.

(2) Total capitalisation equals the sum of total borrowings and total equity.

DESCRIPTION OF THE ISSUER

Formation

Skysea International Capital Management Limited is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1672231). It was incorporated in the British Virgin Islands on 22 September 2011 as a special purpose vehicle. Its registered office is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The Issuer is a wholly-owned subsidiary of the Bank.

Business Activity

The Issuer was established pursuant to the unrestricted objects and powers set out in its memorandum of association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as a wholly-owned subsidiary of the Bank and those incidental to the issue of the Notes.

Financial Statements

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

Directors and Officers

The Directors of the Issuer are Zuo Xinghua and Dai Lin and each of their business addresses are c/o 10/F, Bank of Beijing Building, 17(C) Jinrong Street, Xicheng District, Beijing, PRC, 100140. None of the Directors of the Issuer have any interests or short positions in the shares, underlying shares or debentures of the Issuer or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong ("SFO")) which have to be notified to the Issuer and HKSE under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or any interests or short positions which have to be recorded in the register under Section 352 of SFO.

The Issuer does not have any employees and has no subsidiaries.

Share Capital

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 no par value shares and 50,000 shares have been issued to and held by ICBC International Leasing Company Limited. The register of members of the Issuer is maintained at its registered office in the British Virgin Islands at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

As at the date of this Offering Circular, the Issuer does not have any debt outstanding.

DESCRIPTION OF ICBC (HK)

Background

The Bank set up its second overseas branch in Hong Kong in 1995. The establishment of ICBC (HK) has fostered cooperation between the Bank and other international financial institutions, thus providing the Bank's clients with more excellent and convenient financial services.

Business Activities

ICBC (HK) is a fully licensed bank in Hong Kong, with its registered office at 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong, and is currently focusing on the development of its wholesale banking business. A broad range of financial services are offered by ICBC (HK) to serve clients' specific needs, including:

- trade finance including issuance of letters of credit, shipping guarantees, trust receipts, inward collections, advising and confirmation of letters of credit, letters of credit negotiation, outward collections, bill discounts and packing loans;
- corporate finance in the forms of commercial paper issuance, bond underwriting and derivative dealings;
- treasury products, foreign exchange and derivative products, capital markets services, risk management as well as asset and liability management consultancy services;
- lending services including syndicated loans, commercial lending and mortgage lending;
- deposits and remittances; and
- issuance of certificates of deposit.

Hong Kong Regulatory Guidelines

The banking industry in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and to the powers and functions ascribed by the Banking Ordinance to the Hong Kong Monetary Authority (the "HKMA"). The Banking Ordinance provides that only banks, which have been granted a banking license ("license") by the HKMA, may carry on banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks ("licensed banks").

The provisions of the Banking Ordinance are implemented by the HKMA, the principal function of which is to promote the general stability and effectiveness of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. The HKMA supervises licensed banks through, *inter alia*, a regular information gathering process, the main features of which are as follows:

- each licensed bank must submit a monthly return to the HKMA setting out the assets and liabilities of its principal place of business in Hong Kong and all local branches and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches and the HKMA has the right to allow returns to be made at less frequent intervals;
- the HKMA may order a licensed bank, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the licensed bank concerned. Such information shall be submitted within such period and in such manner as the HKMA may require. The HKMA may also require a report

by the licensed bank's auditors (approved by the HKMA for the purpose of preparing the report) confirming whether or not such information or return is correctly compiled in all material respects;

- licensed banks may be required to provide information to the HKMA regarding companies in which they have an aggregate of 20% or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller (as defined in the Banking Ordinance), with common features in their names or a concert party arrangement to promote the licensed bank's business;

- licensed banks are obliged to report to the HKMA immediately of their likelihood of becoming unable to meet their obligations;

- the HKMA may direct a licensed bank to appoint an auditor to report to the HKMA on the state of affairs and/or profit and loss of the licensed bank or the adequacy of the systems of control of the licensed bank or other matters as the HKMA may reasonably require; and

- the HKMA may, at any time, with or without prior notice, examine the books, accounts and transactions of any licensed bank, and in the case of a licensed bank incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such licensed bank. Such inspections are carried out by the HKMA on a regular basis.

DESCRIPTION OF THE BANK

Overview

Through its continuous efforts and solid growth, the Bank ranks first in its industry in the PRC in terms of total assets, respective market share of loans and deposits and has become the world's most profitable leading large-scale commercial bank in terms of net profit according to *2011 Fortune Global 500* with the largest market capitalisation in the world (approximately US$206.1 billion) as at 30 September 2011 according to *Bloomberg*. As at 30 June 2011, the Bank provided services to 4.36 million corporate clients and 269 million individual clients through its traditional branch network including 16,267 domestic branches, outlets and other institutions (including the Head Office) as well as electronic banking network, including internet banking, telephone banking, mobile banking and self-service banking. The Bank has made efforts to proactively develop its international business, and it currently owns 220 overseas branches, subsidiaries, representative offices and outlets. The Bank has built correspondent bank relationship with 1,516 overseas banks in 134 countries and regions.

The Bank provides clients with a wide range of financial products and services and has formed a cross-market, internationalised and integrated business model with a focus on commercial banking. The Bank has maintained a leading position in the PRC market in most of the core and emerging businesses of commercial banks.

The Bank believes that "Industrial and Commercial Bank of China" is one of the most recognised financial service brand names in the PRC with great international influence. The Bank has won numerous awards in recent years. In 2010 alone, the awards won by the Bank include the "Best Bank in China", "Best Sub-Custodian Bank in China", "Best Consumer Internet Bank in China", "Best Credit Card Bank in China" by *Global Finance*, the "Platinum Award for All-Round Excellence" by *The Asset*, the "Best Bank in China", "Best Chinese Company (Banking & Financial sector)", "Best Private Bank in China for Fixed Income Portfolio Management" by *Euromoney*, the "Best Cash Management Bank in China" by *Finance Asia*, the "Best Corporate Bank in China" by the British *Financial Times* and the "Best Retail Bank in China", "Best Large-scale Retail Bank in China", "Best Internet Banking in China", "Achievement Award for Cash Management in China" by *The Asian Banker*. Also in 2010, the Bank was ranked the 5th place among the Global 2000 by *Forbes*, the 7th place among the Top 1000 World Banks by *The Banker*, the 87th place among the Global 500 by *Fortune*, the 11th place among the Top 100 Most Valuable Global Brands (First among the financial institution brands) by *Millward Brown*, and the 5th place among the Top 500 Enterprises of China by *China Enterprise Confederation*. Moreover, the Bank was ranked as "No.1 National Commercial Banks with Core Competitiveness" by the *Chinese Banker* in 2009 and 2010. In *Fortune*'s 2011 ranking of the "Global 500", the Bank ranked first among all banks and fourth among all companies in the world in terms of net profit. In the "Top 100 Most Valuable Global Brands" published by *Millward Brown Optimor*, the Bank ranked first among financial institutions.

The Bank has been continuously enhancing its capital position. In 2010, the Bank issued RMB25.0 billion of A-share convertible bonds and completed its A-share and H-share rights issue. During the six months ended 30 June 2011, the Bank issued RMB38.0 billion of subordinated bonds. On 26 September 2011, the Bank's board of directors approved the proposed issue of up to RMB70.0 billion of subordinated bonds. For more details on the above transactions, see "*Summary — Recent Developments — Recent Capital Markets Transactions and Capital Enhancement*" or "*Description of the Bank — Recent Developments — Recent Capital Markets Transactions and Capital Enhancement*".

Recent Developments

Results of the First Half of 2011

- Business continued to grow steadily.

During the six months ended 30 June 2011, the Bank recorded a net profit of RMB109,575 million, representing an increase of 28.96% as compared with the same period of last year. Through improvement of loan structure and return on investment in securities, the Bank's net interest margin increased to 2.60%, up 16 basis points over the previous year. By creating more fee-based business products and improving its services, the Bank recorded a 45.5% increase in fee and commission income. As a result, the Bank's proportion of net fee and commission income to operating income reached 23.27%, representing an increase of 2.88% as compared to the same period of last year. The Bank's deposits continue to grow steadily. As at 30 June 2011, the balance of customer deposits was RMB12,047,138 million, representing an increase of RMB901,581 million or 8.1% from 31 December 2010. The Bank has over 70 million credit cards in issue. It has also developed and launched a new type of credit card based on personal payroll accounts and linkage with merchants, which can be used directly for consumption. With the net value of assets under the Bank's custody reaching RMB3.26 trillion, the Bank became the only custodian bank in the PRC which had in its custody assets worth over RMB3 trillion. The Bank was also the first and only Chinese bank that had more than 100 million personal Internet banking customers. With the volume of domestic and international settlement business reaching USD506.5 billion, the Bank's market share in this regard was further increased. Its cross-border RMB business has developed rapidly and handled in total RMB406.0 billion in the six months ended 30 June 2011, three times as compared to the same period of last year.

- The Bank has further improved its credit structure and deposit base.

During the six months ended 30 June 2011, the Bank achieved steady and controlled loan growth. The RMB-denominated loans of the Bank's domestic branches reached RMB6,622,780 million, representing an increase of RMB410,867 million or 6.6% from 31 December 2010. While managing the total volume and pace of lending, the Bank further increased its efforts to improve its credit structure. Through a comprehensive use of credit policy tools, the Bank actively channelled credit resources to areas with balanced benefits and risks, better liquidity and lower capital consumption. During the six months ended 30 June 2011, the Bank also recorded growth in SME loans, trade finance, and personal loans portfolios. Customers of small enterprise loans accounted for approximately 70% of the number of customers of corporate loans and the growth of small enterprise loans was approximately 4.5 times that of the growth of all corporate loans granted by domestic operations. The increment of non-housing loans accounted for approximately 75.6% of the total increment of personal loans, surpassing personal housing loans for the first time. At the same time, the Bank's property loans increased by RMB7,667 million or 1.5% to RMB533,999 million, and the increment decreased by RMB87,141 million as compared to the same period of last year. Lastly, loans to over-capacity industries continued to decrease. During the six months ended 30 June 2011, the Bank grew steadily, recording 8.0% growth in terms of total loans and advances to customers from 31 December 2010.

- Product and service innovation.

During the six months ended 30 June 2011, the Bank continued to strategically carry out product innovation and improve services to attain sustainable development. To gain an "intergeneration" advantage in its technical development, the Bank commenced the construction of the "fourth-generation" service system, thereby creating a more flexible and advanced application system. The Bank released a series of key new products including mobile banking service on iPhone and Internet banking on iPad. The Bank continued to upgrade its network of outlets and service channels and expand its business in urban areas, and fast-developing counties, villages and towns in the PRC. The Bank constructed more self-service banks and various self-service banking facilities. New services such as SMS and online customer services were also improved.

- Risk management and internal control were further strengthened.

In face of a complex and volatile economic conditions and volatility in the international financial market, the Bank focused on the evolution of various risk factors and improved its risk prevention and control capabilities in the areas of technology and process/procedures. It further advanced the development and application of its internal rating system, conducted internal assessment following the implementation of the New Capital Accord and earnestly followed the requirements concerning capital constraints throughout the process of operation and management. The Bank paid special attention to the changes in the real estate market under macro-control. It took a series of risk management measures such as exerting reasonable control over total credit, tightening customer access standards and intensifying post-loan management. Additionally, the Bank also recognised risks regarding the loans in relation to LGFV and took measures such as confirming the legitimacy and validity of collateral and pledged assets secured in favour of loans, thus effectively controlling the risks and exposures to LGFV loans. As at 30 June 2011, both the balance and ratio of the Bank's NPL were on the decrease, with the NPL ratio decreasing to 0.95%. The Bank's allowance to NPL was 261.14% as at 30 June 2011, representing 32.94% increase from 31 December 2010. The allowance to total loans ratio remained at 2.47% as at 30 June 2011. For LGFV loans, as at 30 June 2011, the balance outstanding of the Bank was RMB931 billion and the NPL ratio for the Bank's LGFV loans was 0.25% according to *Bloomberg*. In addition, the Bank built a new risk supervision system based on data analysis. As a result, both accuracy of risk recognition and efficiency of supervision were improved.

Recent Capital Markets Transactions and Capital Enhancement

The Bank has conducted and is proposing to conduct a number of capital market transactions to further enhance its capital position, including a recent A-share convertible bond issue, an A-share and H-share rights issue and a subordinated bond issue.

- RMB25.0 Billion A-share Convertible Bonds

On 31 August 2010, the Bank issued the Convertible Bonds in an aggregate principal amount of RMB25.0 billion at an initial conversion price of RMB4.20 per share. The Convertible Bonds pay an annual coupon at the rate of 0.5% in the first year, 0.7% in the second year, 0.9% in the third year, 1.1% in the fourth year, 1.4% in the fifth year and 1.8% in the sixth year. The conversion period of the Convertible Bonds commenced on 1 March 2011. As at 30 June 2011, there were still RMB24,996,207,000 in aggregate principal amount of the Convertible Bonds outstanding in the market.

- RMB45.0 Billion A-share and H-share Rights Issue

On 23 December 2010, the Bank completed an A-share rights issue of 11,262,153,213 A-shares at RMB2.99 per A-Share and an H-share rights issue of 3,737,542,588 H-shares at HK$3.49 per H-share, raising gross proceeds of RMB33,674 million and HKD13,044 million under the A share rights issue and H share rights issue, respectively.

- RMB38.0 Billion Subordinated Bonds

On 29 June 2011, the Bank issued subordinated bonds in an aggregate principal amount of RMB38.0 billion in the PRC national inter-bank bond market. The bonds have a fixed rate of interest of 5.56% per annum. The term of the bonds is 20 years and the Bank has a conditional redemption right from the end of the fifteenth year onwards.

- The Proposed Subordinated Bonds

On 26 September 2011, the Bank's board of directors approved the proposed issue of subordinated bonds of not exceeding RMB70.0 billion and with maturities of not less than five years. The transaction is still subject to the shareholders' approval as well as regulatory approvals.

Recent Investments

The Bank has continued to steadily expand its international network. As at 30 June 2011, the Bank have 220 overseas institutions, across 29 countries and regions. The Bank has achieved part of its international expansion through acquisitions. The following is a summary of certain recent acquisitions made by the Bank:

- ICBC Asia

On 28 July 2010, the Bank requested the board of directors of ICBC Asia to circulate to ICBC Asia's minority shareholders the proposal for the privatization of ICBC Asia by way of a scheme of arrangement under section 166 of the Hong Kong Companies Ordinance and the withdrawal of the listing of ICBC Asia. The Bank offered HK$29.45 for each share held by the minority shareholders and the total cash payment under the privatization was approximately HK$10,828.7 million. The completion of the privatization took place on 21 December 2010. Upon completion, the Bank's interest in ICBC Asia increased from 72.8% to 100%.

- BEA(USA)

On 21 January 2011, the Bank, BEA and EAHC entered into a share sale agreement, pursuant to which the Bank agreed to purchase 80% of the issued shares of BEA(USA) for a consideration of approximately USD140 million. 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 falling 18 months after the date of completion of the transaction to the tenth anniversary of the date of completion of the transaction. Final completion of the transaction is still subject to regulatory approvals.

- ICBC Canada

On 31 March 2011, the Bank served a notice on BEA to exercise its option to acquire an additional 10% of the shares in ICBC Canada from BEA. The consideration for the acquisition is approximately CAD15.7 million (equivalent to approximately HK$124.0 million). The completion of the transaction took place on 26 August 2011. Upon completion of the acquisition, the Bank's interest in ICBC Canada increased from 70% to 80%.

- Standard Bank Argentina

On 5 August 2011, the Bank entered into a memorandum of agreement with SBL and Holding W-S, in relation to the acquisition by the Bank of shares in Standard Bank Argentina and certain related companies. Pursuant to the memorandum of agreement, the Bank shall purchase from SBL 55% of the issued shares of Standard Bank Argentina and 50% of the shares of each of the related companies held by SBL, and from Holding W-S 25% of the issued shares of Standard Bank Argentina and 30% of the shares of each of the related companies held by Holding W-S, for a total consideration of approximately USD600 million. Upon completion of the transaction, the Bank will have a 80% shareholding in each of Standard Bank Argentina and the related companies, and SBL will hold the remaining 20% of the shares. Final completion of the transaction is subject to the obtaining of approvals from domestic and foreign regulatory authorities.

The Bank's Competitive Strengths

Leading market position with growing international influence.

The Bank is the world's most profitable commercial bank in terms of net profit according to *2011 Fortune Global 500* with the largest market capitalisation in the world (approximately US$206.1 billion) as at 30 September 2011 according to *Bloomberg*. It possesses leading positions in major business areas, with growing international influence.

The Bank has set its goal to become the "most profitable, most preeminent and most respected world class modern financial service enterprise" since its initial public offering. In *Fortune*'s 2011 ranking of the "Global 500", the Bank ranked first among all banks in the world in terms of net profit. "Industrial and Commercial Bank of China" has become one of the PRC's best known brand names in financial service industry, and its international influence is also expanding rapidly.

The Bank is the largest commercial bank in the PRC by total assets, total loans and total deposits as at 31 December 2010 and 30 June 2011 and has prevailing scale advantages. The Bank currently has the highest credit rating among all domestic Chinese commercial banks rated by Moody's, S&P and Fitch after its rating was upgraded by S&P on 17 December 2010. With respect to the traditional banking business, the Bank has further strengthened its competitive advantages and leading position. The Bank's corporate loans and deposits and individual loans and deposits businesses have been growing steadily, with the largest market share in the industry. With respect to the emerging businesses and the intermediary businesses, the Bank has maintained high growth development in these areas and further expanded its leading advantages. The Bank has the largest market share in the corporate RMB settlement and debt financing instruments underwriting businesses. The total number of credit cards issued by the Bank, the consumption value through the Bank's credit cards and the amount of outstanding overdraft balances all rank first in the industry in the PRC. In addition, the growth rate and volume increase of the Bank's intermediary business continue to lead the industry.

The Bank has maintained a steady growth. The Bank has achieved a Compound Annual Growth Rate ("CAGR") of 32.97% for its net profit from 2003 to 2010. In particular, even under the difficult and unfavourable business environment since the global financial crisis in 2008 and the slowdown of economic growth in the PRC, and in contrast with the widespread losses in the global banking industry, the Bank withstood the impact of the global financial crisis and maintained a sound and steady profit growth.

Leveraging on the growth of the PRC economy, the Bank has enhanced its global influence. In recent years, with its outstanding corporate culture, management capacity and operation performance, the Bank has frequently received various awards from various well-known international media and institutes.

The Bank has transformed its business operation successfully across revenue mix, asset and liability composition and distribution channels, and has created a leading business model in the industry.

The Bank has persisted in transforming its development pattern and optimising its business structure and has created a business model that balances risks and benefits and has strong sustainability.

The Bank has continuously optimised its asset and liability structure. With respect to assets, the Bank has continuously improved return on loans, while maintaining a low proportion of risky assets. As at 30 June 2011, the Bank's loan-to-deposit ratio was 61.2% and risk-weighted assets to total assets ratio was 54.4%. Meanwhile, in view of practical needs when the PRC's economy gradually returns to its normal course and guidance from state macro-control policy, the Bank has maintained reasonable and balanced growth on the total amount of credit and on this basis. The Bank has shifted the focus of its work to the adjustment and optimisation of credit structure and the cultivation of new growth areas. The Bank has continuously optimised its product mix, industry allocation, client allocation and geographical allocation in relation to its corporate loans. The proportion of high quality business with good growth potential, such as individual loans, loans to small and medium enterprises and trade finance, has been increasing, which has promoted the orderly development of large, medium and small customers and successive development of traditional and emerging markets. With regard to liabilities, through the sale of wealth management products, the Bank diverted from high-cost term deposits and generated income from transaction fees. Meanwhile, the proportion of low-cost demand deposit and interbank deposit continues to increase, resulting in significant transformation of liabilities structure and significant reduction in cost of capital.

The Bank has continued to optimise its income structure. The Bank has continued its strategy of business transformation, significantly enhanced its efforts to develop low capital consumption intermediary businesses and emerging businesses, and actively promoted the restructuring of its operation as well as the change of its mode of development. Also, the Bank has pushed forward the diversified development of its business structure and promoted a more diversified, stable and balanced income structure. Both the volume and pace of the growth of its intermediary business continue to take the lead over the Bank's peers, and the Bank believes its leading position in the market has been further established.

The Bank has continuously optimised its customer base, established extensive and effective distribution channels, and established a leading position in electronic banking services.

The Bank has an extensive customer base. As at 30 June 2011, the Bank had approximately 4.36 million corporate customers and 269 million individual customers. Meanwhile, the Bank has actively optimised the structure of its customer mix. The number of medium and high end customers with high quality and their contribution has continued growing.

The Bank has an industry-leading corporate customer base and the number of high quality corporate customers has been increasing. As at 30 June 2011, the Bank had 4.36 million corporate customers, of which approximately 116,000 had financing balance. In addition, the Bank had approximately 602,000 cash management customers and 2.73 million corporate internet banking clients. The continuously optimised customer structure not only has provided the Bank with steady sources of funds, promoted sound growth of its corporate credit business, but also laid a solid foundation for the fast growth of its corporate intermediary business. In addition, the proportion of the Bank's medium and high-end individual customers has increased rapidly. The high quality individual customer base provides strong support to the further development in the Bank's personal financial products and services.

The Bank has established a well structured, extensive and efficient distribution network. As at 30 June 2011, the Bank had 16,267 domestic institutions, 220 overseas institutions and 1,516 correspondent banks worldwide. The Bank has strengthened the advantage of its traditional network by adjusting geographical allocation of its branch network and upgrading outlets. More channels have been added to the Bank's distribution network and its ability to provide individualised service has improved.

The Bank has promoted its electronic banking as a substitute for traditional physical outlets. As at 30 June 2011, the Bank had 11,867 self-service banking centres and 46,181 ATMs. As at 30 June 2011, the number of transactions that had been processed through the Bank's electronic banking accounted for 62.0% of its total number of transactions.

The Bank has continued to upgrade and optimise its operation network, strengthen the build-up of its customer management team, and improve the multi-level customer service system and its customer service capability.

The Bank has further enhanced its risk control capability by establishing advanced, quantitative and comprehensive risk management system.

Since its initial public offering, the Bank has continuously improved its risk management capabilities, implemented the "Full Process" and "Full Coverage" risk management model, and adopted the "New Standards" and "New Technology". The Bank has continued to improve its comprehensive risk management and control capability.

"*Full Process*" — The Bank's risk management covers the complete process of risk identification and quantification, control, monitoring, assessment and reporting, constituting a developed comprehensive risk management organisational structure and system.

"*Full Coverage*" — The Bank's risk management comprehensively covers all of its domestic and overseas branches and businesses, and has been able to identify, measure, monitor and assess its overall risks. The Bank has established the management system for institutions whose financial results will be consolidated with its financial results and enhanced its internal transaction management as well as the risk management evaluation for its overseas branches. The internal rating based ("IRB") approach has been applied to the whole risk management process consisting of marketing, rating, pricing, approval, authorisation, quality categorisation. The Bank has further expanded the coverage of its industry credit policy and risk limit management and constantly improved its credit policy management system.

"*New Standards*" — The Bank has improved the risk management system based on the requirements of Basel II. In addition, the Bank is among the first to develop various advanced measurement methods required by Basel II in the PRC and has maintained a database for approximately ten years. The Bank has basically completed the relevant preparation in relation to the first pillar of Basel II. The Bank has generally met the requirements of the advanced IRB approach for credit risk, the requirements of the internal models approach ("IMA") for market risk, and the requirements of the standardised approach for operational risk. Meanwhile, the Bank has proactively carried out the preparation for the second pillar of Basel II.

"*New Technology*" — The Bank has built a leading risk management information system in the PRC, which is centralised, refined, streamlined, quantitative and with rigidity control. The system conforms to the needs of the Bank's international extension of business and credit management process and reflects the latest measurement technology. The Bank has also established the two-dimensional rating system consisting of customer rating and loan rating. The Bank can calculate the rate of return based on risk adjustment through the customer rating and risk-adjusted return on capital ("RAROC") system, which provides an important basis for its decision making on lending.

The Bank's advanced information technology provides strong support for its business innovation and development.

The Bank believes that it has in place one of the most advanced information technology among all commercial banks in the PRC. Since its initial public offering in 2006, the Bank has focused on transforming operation model and profit-making methods and further implemented its "technology oriented" strategy. The Bank's advanced information technology system has strongly supported it to maintain the leading position in various fields such as customer service, product innovation, risk management, operation process re-engineering, and electronic banking network expansion.

The Bank has a stable information system platform. The Bank completed data centralisation in 2002 and is the first among domestic commercial banks to achieve data centralisation. Also, the Bank is the first large-scale commercial bank in the PRC to adopt a centralised full-function banking system, which enables real-time processing of bank-wide data. Despite significant increase of our business volume, the overall availability rate of information system has been kept at above 99.98%. The Bank has continued to strengthen its information security and protection, improved its disaster recovery system and established the largest 1,000-kilometer-level disaster back-up system in the PRC's banking industry. The Bank has further improved the automation of its operation and the level of its monitoring management, which allows its business to operate in a stable, safe and efficient manner.

The Bank has strong capacity for the independent research and development of banking system. The Bank has independently developed three generations of core banking system. Currently, the Bank is independently developing the "NOVA+", the fourth generation core application system, to further improve its business operation and management capability. Meanwhile, the Bank has developed the "FOVA", a comprehensive business processing system, for its overseas branches and achieved system centralisation and unification among its 27 overseas branches, subsidiaries and controlled institutions, providing strong support to its international operation. Based on its core banking system, the Bank has developed an application system framework, covering customer service, electronic banking, operation management and risk management.

The Bank has established a centralised technology organisation system, formed the information technology management committee and the technology review committee and formulated the most complete and sound information technology management system, technical standards and norms in the PRC's banking industry.

The Bank has steadily implemented its internationalisation and integration strategy for development and enhanced its capability as a comprehensive financial services provider.

The Bank has been steadily implementing strategic transformation, continuously optimised its assets structure and income structure, and gradually achieved a high growth, capital conserving business operation model. Since its initial public offering in 2006, the Bank has seized development opportunities domestically and overseas and steadily implemented its internationalisation and integration strategies, and improved its capability in cross-region, cross-market and cross-product service.

The Bank has accelerated the establishment of its global operation network and enhanced its international service capability by carrying out the following:

- With an emphasis on Asian and emerging markets, the Bank has focused on both emerging and developed markets, expanded its business through both independent application and strategic merger and acquisition, and set up both physical outlets and electronic channels.

- The Bank has strengthened its global service capability for its product lines that already have competitive advantage in the PRC domestic market. During the six months ended 30 June 2011, the Bank has made progress in its overseas investment through the proposed acquisition of BEA(USA), Standard Bank Argentina and certain related companies. See "*Summary — Recent Developments — Recent Investments*" or "*Description of the Bank — Recent Developments — Recent Investments*".

- Following closely the "Going Global" steps of Chinese enterprises, the Bank has continuously promoted the RMB settlement business for cross-border trades and strengthened its integrated ability to serve its global customers.

In addition, the Bank has steadily promoted the diversified operation and continuously strengthened its comprehensive financial service capabilities. Leveraging its advantages with respect to customer, capital and information, the Bank has proactively set up non-bank financial services. Through establishing subsidiaries, the Bank has accelerated the development of licensed non-banking financial businesses such as investment banking, fund management and financial leasing with a view to satisfying its customers' increasingly diversified needs for integrated financial service. ICBC International Holdings Limited ("ICBC International") obtained the license for investment banking business in Hong Kong in 2009, which laid a solid foundation for the accelerated development of its investment banking business. The Bank has also continuously utilised the advantages of ICBC Credit Suisse Asset Management Co., Ltd. ("ICBC Credit Suisse Asset Management") as a platform and improved individualised services and marketing system for high-end customers. The Bank also operates leading financial leasing business in the industry with distinctive advantages in the aerospace, transportation and large-sized equipments fields.

The Bank has a senior management team with extensive experience and vision and they lead the Bank in maintaining its leading position.

The Bank's senior management team has extensive experience and possess leadership qualities in the PRC's commercial banking industry. The Bank's chairman, Mr. Jiang Jianqing, who joined the Bank in 1984, has worked in the banking industry for more than 32 years. The Bank's president, Mr. Yang Kaisheng, who joined the Bank in 1985, has worked in the banking industry for more than 26 years.

The Bank's senior management team has formulated an operation transformation strategy for the Bank with vision. The Bank has therefore established an industry-leading operation model. The Bank has actively responded to changes in the external environment, continued its product development and business innovations, established a powerful information technology system and become the first to establish a comprehensive risk management system. The Bank's senior management team leads the Bank to pursue sound development and to transform from the PRC's largest bank to a leading international bank.

Although the Bank faced adverse economic conditions caused by the global financial crisis as well as increasing competition in the industry, the Bank has continued its prudent operation, accelerated business transformation and maintained smooth and steady development. The Bank believes that its outstanding management team is able to lead it in maintaining its competitive advantage in the future, laying a solid foundation for its long term growth.

The Bank's Strategies

The Bank aims to strengthen its market position in the PRC's banking industry and focus on transforming itself into a world-class financial institution. Its overall goal is to maximise shareholder value and achieve sustainable growth. The Bank led the market in investing in centralised information technology, introducing new products and services, establishing comprehensive risk management systems and developing electronic banking networks. The Bank intends to continue this innovative approach and differentiate itself through the following strategies:

- *Continue to Optimise Asset and Liability Structure* — The Bank aims to optimise its business operation by focusing its credit structure and new growth areas of its business including individual loans, trade finance and loans to small and medium enterprises, high growth industries such as service sectors and household products sectors, to further develop its large, medium and small customers and the traditional and emerging markets. The Bank intends to continue maintaining a prudent lending policy by promoting its businesses to customers in environmentally friendly sectors and reducing its exposure to industries with high energy consumption and over-capacity. With regard to liabilities, the Bank has focused on the sale of wealth management products in order to divert from high-cost term deposits and generate income from transaction fees. It has also focused on low-cost demand deposit and interbank deposit in order to optimise its liability structure and achieve reductions in the cost of capital. In order to optimise its income structure, the Bank aims to continue to focus on low capital consumption intermediary businesses (namely settlement, clearing and cash management, personal wealth management and private banking, investment banking and bank cards, and emerging businesses) in order to diversify its business and achieve a more stable and balanced income structure.

- *Diversify Revenue and Asset Mix by Expanding into Higher Growth Non-Credit Businesses* — The Bank plans to diversify its revenue sources by continuing to develop its non-credit businesses. The Bank believes that many fee- and commission-based products and services will experience strong growth over the next few years as the PRC's economy continues to grow, the financial services sector in the PRC further liberalises and its customers' banking needs become more sophisticated. The Bank plans to increase its support and investment in its asset management and financial leasing businesses and expand into other non-credit businesses such as financial insurance.

  In corporate banking, the Bank plans to focus its team of customer relationship managers on important customers by size, expanding the range of products and service offerings including insurance brokerage, asset custody, cash management, bank cards and payroll services to insurance companies. It will also continue to improve the synergies between its corporate banking and investment banking businesses.

  In personal banking, the Bank plans to further develop personal wealth management and other investment products, standardising services and distribution bank-wide to provide tailored products and services focused on high net worth customers and customer groups with high-growth potential.

  In its treasury business, the Bank plans to enhance its investment and trading capabilities, upgrade its trading systems, improve the quality of investment and trading personnel, develop new products and services, strengthen its liquidity management and increase the return on its non-credit assets.

  In addition, in light of the opportunities presented as a result of the increasing globalization of RMB, the Bank intends to further develop its cross border RMB businesses and improve its RMB settlement system.

  The Bank believes that by offering a broader range of non-credit products and services coupled with prudent risk management, it will not only improve customer satisfaction and attract new customers, but also create attractive new revenue sources and improve its overall profitability.

- *Strategically Expand Traditional Branch Network and Enhance Sales and Marketing Capabilities through Strengthening Electronic Banking Operations* — To further enhance the marketing of its products and services and achieve greater operational efficiencies, the Bank intends to fully leverage its advanced information technology platform and customer relationship management systems. Building on its extensive distribution network, the Bank is selectively expanding its branch network in three economically developed regions, the Yangtze River Delta, Pearl River Delta and Bohai Rim regions. The Bank also intends to enhance its operation in rural areas of the PRC by increasing investment in selected counties, improving its services and product mix in rural areas and adopting more incentives to local employees. In addition, to take advantage of the rapid growth in foreign trade and better serve its multinational clients, the Bank intends to further expand its network by establishing additional overseas branches and outlets. The Bank also intends to utilise its extensive network to actively cross-sell its products and services to its existing customers. The Bank plans to expand its electronic banking operations through the installation of additional ATMs and the upgrading of its technology platforms for telephone and online banking services to deliver more products and services to its customers in a timely, reliable and convenient manner and to further increase revenue derived through its electronic banking platform.

- *Continue to Maintain Investments in Information Technology Infrastructure to Support Its Growing Business* — The Bank continually aims to maintain and develop an effective information technology system in order to maintain high standards and achieve effective customer service, product innovation, risk management, operation process re-engineering and electronic banking network expansion.

- *Continue to Strengthen Risk Management and Internal Control Capabilities* — The Bank believes active risk management is an essential component of its overall business strategy. The Bank plans to continue to align its risk management and internal control capabilities with international best practices. The Bank continues to implement enhanced risk management procedures for all credit exposures, such as improving its risk warning and early identification and prevention capabilities. It is also instituting changes to further strengthen the independence of the internal control functions and improve its bank-wide internal control systems. As a complement to its improved risk management capabilities, the Bank seeks to continue to enhance asset and liability management capabilities and further centralise its risk management.

- *Enhance Employee Performance through Performance-linked Incentive Schemes and Continuous Training and Development* — The Bank will continue to develop its human resources through various initiatives in order to support its business strategies. The Bank has introduced four career tracks into its human resource system, namely, “managerial,” “professional,” “sales and marketing” and “operational”, in order to facilitate employee career development and enhance performance appraisal and remuneration measures. The Bank intends to continue to provide training and development programmes (including those arranged with its overseas strategic investors) for its employees, to enhance their skills and professional development. It also intends to further improve its management and employee incentive system, including adopting an economic value-added (EVA)-based incentive scheme, such that employee income is tied to its employees’ personal performance and the contribution made by their respective work units. The Bank believes that through these initiatives it can attract, retain, motivate and develop a high quality workforce.

Business and Operation

The Bank's principal businesses include corporate banking, personal banking and treasury operations. The following table shows operating income of various business divisions in the period specified.

Unit: In RMB millions, except for percentages

	Six months ended 30 June 2011		Six months ended 30 June 2010		Year ended 31 December 2010		Year ended 31 December 2009		Year ended 31 December 2008	
Items	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
Corporate banking	118,017	51.0	93,933	51.9	204,761	53.8	166,157	53.7	153,068	49.3
Personal banking	80,878	35.0	56,745	31.4	111,620	29.3	93,114	30.1	106,301	34.3
Treasury operations	30,205	13.1	29,317	16.2	61,103	16.0	48,727	15.7	49,927	16.1
Others(1)	2,060	0.9	933	0.5	3,264	0.9	1,413	0.5	899	0.3
Total operating income	231,160	100.0	180,928	100.0	380,748	100.0	309,411	100.0	310,195	100.0

Note:

(1) This represents the income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Corporate Banking Business

- *Customer Base*

The Bank believes that it possesses the broadest corporate customer base in the PRC. The Bank provides a series of corporate banking products and services to state-owned enterprises, privately-owned enterprises, foreign-invested enterprises, government authorities and other entities. As at 30 June 2011, the Bank had 4.36 million corporate customers, of which 116,000 corporate customers maintained a financing balance with it.

- *Operational measures*

The Bank has seized opportunities of economic development, accelerated the operation restructuring and pushed forward the transformation of the corporate banking business. The Bank has improved development mode for credit business, optimised and adjusted credit structure, maintained the stable growth for credit business. The Bank has vigorously developed its investment banking business, including investment and financing consulting, underwriting of debt financing instruments and management of syndicated loan arrangements, promoted emerging businesses such as cash management, asset custody, corporate wealth management and cross-border Renminbi settlement. The Bank has implemented and developed the "Going Global" strategy for its operations. The Bank has also enhanced its diversified marketing strategies to explore customers' business potential and increase the total return on customers. The Bank has promoted the reform of the multi-tiered customer marketing system, enhanced the marketing level for large customers with high quality, enhanced the individualised service capability in relation to different types of customers, and promoted the coordinated development of small, medium and large customers and expanded its customer base. With a people-oriented philosophy, the Bank has made efforts to build up a team of corporate customer managers and improve its employees' marketing and service capability.

- *Market position*

As at 30 June 2011, according to statistics from PBOC, the Bank ranked first in the banking industry in the PRC in terms of corporate loans and corporate deposits, with a market share of 12.1% and 12.9%, respectively.

The Bank has continuously promoted the transformation and development of corporate banking business, improved the product and service system and improved its marketing practice and customer service capability towards corporate customers. These efforts have been widely recognised. In 2010, the Bank was awarded the "Best Corporate Bank in China" by *Financial Times (UK)*.

- *Introduction of products and services*

The Bank's corporate banking products and services include loan business, bill discount business, deposit business together with the intermediary businesses including settlement and clearing, cash management, authorised agency services, foreign exchange services, guarantee services, custodian and investment banking services.

The Bank's corporate banking business has been able to maintain its leading position in the industry, and its business structure underwent continuous optimisation in the following aspects:

- The Bank's corporate loans continue to rank first in the PRC in terms of market share, with steady growth of loan size and continuous optimisation of term structure and product structure;

- The Bank's corporate deposits continue to rank first in the PRC in terms of market share, with growth of deposits balance being slightly higher than that of corporate loans and the split between time deposits and demand deposits being generally maintained at a steady level;

- The Bank is dedicated to developing small and medium enterprise business. The loan balance of the its small and medium enterprise customers has maintained fast growth; and

- The Bank has focused on developing emerging businesses and intermediary businesses, and actively develop institutional banking, settlement and cash management services, investment banking, international settlement and trade finance, as well as various assets management businesses.

Corporate loans

Corporate loans represent the largest portion in the Bank's loan portfolio. For ease of reference, "corporate loans" in this Offering Circular does not include corporate loans made in the Bank's overseas businesses. As at 30 June 2011, the balance of the corporate loans amounted to RMB4,963,135 million, accounting for 67.7% of total loans of the Bank.

According to statistics of PBOC, as at 30 June 2011, the market share of the Bank's corporate loans was 12.1% and continued to rank first in the PRC. In 2010, the Bank was awarded the "Best Corporate Bank in China" by *Financial Times*.

The Bank's corporate loans include short term loans and medium to long term loans.

- Short term loans

The Bank provides short term loans due within one year to corporate customers, which mainly include working capital loans (including trade finance loans), bills prepayment and purchase, factoring and forfeiting. As at 30 June 2011, the balance of the Bank's short term loans amounted to RMB1,511,409 million, accounting for 30.5% of corporate loans.

- Mid-to-long term loans

The term of the Bank's mid-to-long term loans generally ranges from one year to ten years, mainly including project loans, property loans, and syndicated loans.

The Bank has adopted the following measures to promote the stable growth and structural optimisation of mid-to-long term loans:

- In adherence to the national macro-control policy and financial regulation requirements, the Bank has reasonably controlled total credit extension, pace and orientation of its loans, further optimised credit structure and maintained the sound and stable development of credit business;

- Focus has been given to credit demand of key infrastructure projects, key revitalised industries and strategic emerging industries of the PRC;

- The Bank has promoted green credit, strictly controlled the credit extension to industries with high energy consumption, high pollution or excessive capacity. The Bank supported the growth of credit business in areas such as new energy, energy conservation, environmental protection and comprehensive utilisation of resources;

- Nine regional credit policies were issued to promote coordinated regional development in line with implementation of the state's regional development strategy;

- The Bank has accelerated product innovation to accommodate to market needs and introduced an array of new products, including acquisition loans, loans during project operation phase, in an effort to sharpen competitive edges in high-quality credit market; and

- The Bank has seized market opportunities and actively advanced its syndicated loans business.

Corporate Deposits

The Bank provides corporate clients with multiple interest-bearing demand and time deposit services in RMB and major foreign currencies. The corporate deposits constitute a major source of funds for the Bank. As at 30 June 2011, the Bank's domestic branches had a balance of corporate deposits of RMB5,900,607 million, with a market share of 12.9%, and continued to maintain its leading position in the market. Demand deposits accounted for 64.2% of total domestic corporate deposits.

From 31 December 2008 to 31 December 2010, the Bank enjoyed a relatively rapid growth of corporate deposits, which is mainly attributable to the following targeted measures adopted by it to expand corporate deposits:

- The Bank has seized favourable opportunities created by a rapidly-growing macro economy, strengthened marketing efforts and product innovation and expanded resources of the corporate deposit clients;

- The Bank has utilised credit resources, capital strength and settlement advantages and competed for client resources with diversified financial service capability; and

- The Bank has vigorously developed cash management, asset custody, enterprise annuity fund, agency, wealth management and other businesses and explored the clients' deposit potential.

SME Business

The Bank regarded the development of SMEs banking business as an important strategy and it has vigorously boosted the development of SME business, enhanced the specialised operation of small enterprise business, expedited innovation in SME banking products, service channels and business processes and improved the level of its financial services. As at 30 June 2011, the Bank had a total of 75,982 SME customers who had loan balances with it.

The Bank has adopted the following measures to promote SMEs business, accelerate branding, expand its market influence and improve its image in serving SMEs:

- The Bank has established dedicated organisations, including specialised sub-branches for small enterprise financial services and small enterprise service centres. Nearly 1,200 small enterprise banking centres were established across the Bank to improve the SME banking service system and to enhance the level of specialised operation;

- To increase operational efficiency, a special small enterprise credit rating and authorisation policy has been formulated and processes for authorisation, loan review and approval have been consolidated;

- Innovative small enterprise financing guarantee measures have been created to introduce measures such as third-party cooperation and joint guarantee; and

- Small enterprise-characterised products, including the "small enterprise revolving loan" and "Internet loan", have been developed. Small enterprise trade finance has been carried out with a focus placed on industry clusters, specialised markets and supply chains. New businesses such as securitisation of small enterprise collective debentures have been developed to satisfy the capital demand of small enterprises through various channels.

In 2010, the Bank was awarded the "Excellent SME Service Organisation" by the *China Association of Small and Medium Enterprises*.

Institutional Banking

The Bank has expedited efforts to innovate and improve its services, constantly explored market segments, brought into full play its unique competitiveness, and maintained and continuously improved its institutional banking competitiveness, realising a rapid and quality development of its institutional banking business.

Bancassurance business — The Bank has continuously consolidated business cooperation in bancassurance, actively promoted service innovation in bancassurance business, expanded the scope of cooperation in bancassurance business and consolidated the cooperation with insurance companies in various business fields such as deposit, insurance brokerage, asset custody, cash management, and bank cards.

Bank-securities business — The Bank has actively explored the bank-securities business and has achieved relatively rapid growth in third-party depository service. The Bank's base of third party depository customers has expanded continuously and the Bank has maintained its leading position in terms of increase in number of new customers in the banking industry.

Inter-bank business — The Bank has actively expanded the scope of inter-bank cooperation and promoted its inter-bank business platform.

Bank-government business — The Bank has been constantly enhancing the bank-government service system to improve its capacity of serving government agencies clients. The Bank has continuously improved the functions of its systems for agency for centralised payment and agency for non-tax collection. The Bank has initiated "On-line Taxation Service Platform" to provide a one-stop service platform for taxpayers. The Bank has reinforced the business processing capability of its "Bank-Customs Link" system, and promoted the function of guarantee over online payment of taxes. The Bank is the first amongst commercial banks to operate a "Central Budget Entities' Business Card Support System" and launched the integrated social security service system.

Bank-futures business — The Bank has seized the opportunity of the launch of stock index futures to increase the number of margin deposit accounts opened with it by various investors, enhanced the scale of margin deposits, and further strengthened its market position in the bank-futures business.

Discounted Bills

In the Bank's discounted bills business, depending on the nature of the accepting institutions, discounted bills can be divided into commercial acceptance bills and bank acceptance bills. As at 30 June 2011, the balance of the Bank's domestic discounted bills was RMB105,331 million.

In line with macro economic changes, credit extension across the Bank, demand of the credit market and interest trends of the bills market, the Bank has adjusted the scale of the discounted bills business in a timely manner to balance the extension of credit and achieve earnings target.

Settlement and Cash Management Service

The Bank provides its clients with domestic clearing and settlement services, and at the same time provides large companies and their subsidiaries with comprehensive services such as centralised cash management and transfer. During the six months ended 30 June 2011, the amount of settlement for corporate customers amounted to RMB835 trillion, maintaining its largest market share in the PRC.

The Bank has vigorously developed clearing services, settlement and cash management services and continuously strengthen production innovation and branding. The market influence of the Bank has risen notably through the following approaches:

- The Bank has pushed forward the "Capital Verification E-Link" programme and focused on the source of account development to enhance the scale of settlement accounts;

- The Bank has optimised the features of its product such as "Caizhi Account" cards and "Notes Pools". The Bank has incorporated "Caizhi Account" cards into its corporate internet banking services and enriched the content of its products and services;

- The settlement account marketing campaign has been carried out to further promote settlement package services and expand the scale of settlement accounts. Marketing approaches have been optimised with the introduction of settlement bonus point reward services, thereby increasing the volume of settlement transactions;

- To cement its leading position in the market, the Bank has built a product line for liquidity management with the "Fund Pools" as the core product, actively carried out chain marketing to promote new products such as domestic and foreign currency fund pools and cross-border fund pools;

- Leveraging on the global cash management system, the Bank has extended its strengths in domestic cash management services and it is the first bank to launch the global cash management business in this industry within the PRC. Also, the Bank has expanded its network of partnering banks and global cash management customers; and

- The Certified Treasury Professional ("CTP") qualification system has been improved to enhance the professional competency and service capability of the marketing team.

Investment Banking

The Bank's investment banking business mainly includes regular financial advisory service, enterprise credit service, investment and financing advisory service, syndicated loan arrangement and management service, corporate assets and debt restructuring service, corporate acquisition and merger service, asset securitisation or quasi asset securitisation service, service of credit capital transfer and trading, underwriting of corporate debt financing instruments such as commercial paper, medium-term note and financial bonds, direct investment advisory service, financial advisory service for corporate issuance of equities and bonds and service for equity investment funds.

The Bank has actively seized capital market opportunities to accelerate restructuring of investment banking business structure and branding. Considerable achievements have been made in the Bank's investment banking business including:

- The Bank has further built product lines covering restructuring and M&A, equity financing and debt underwriting, optimised the business structure of investment banking, and launched the innovative equity investment fund lead manager services;

- The Bank has investigated and analysed the needs of large clients for overseas M&A and direct investments and improved comprehensive financial services to meet domestic enterprises' "Going Global" strategy;

- The Bank has seized the opportunity of the rise of industrial investment funds in the PRC, promoted advisory services for industrial investment fund, supporting industrial restructuring of local governments and regional economic development; and

- The Bank has improved the capabilities of its research team in investment banking, extended industry coverage of investment banking research, enriched the research product system, and heightened the service level of investment and financing consulting, perennial financial consulting and enterprise information service.

During the three years ended on 31 December 2010 and the six months ended on 30 June 2011, the income from the Bank's investment banking business recorded fast growth and the investment banking business brand has gained more influence.

International Settlement and Trade Finance

International settlement and trade finance business is one of the Bank's key development priorities. The Bank has accelerated the innovation of its international settlement and trade finance business, actively promoted its brand and established its competitive edge among its peers in emerging international business area through the following initiatives:

- The Bank has strengthened product innovation. The Bank has launched order financing, advance payment financing and sea freight financing, and facilitated the domestic and overseas institutions in jointly conducting "Payment, Remittance and Wealth Management Link Service" and the newly launched foreign exchange settlement and trading business, and promoted receivables-based structured finance designed for overseas contractors;

- The Bank has completed international settlement and trade finance centralised processing projects for conglomerates and accelerated the integration of bill processing services; and

- The Bank has promoted cross-border RMB letter of credit and the RMB-denominated factoring transaction. The Bank has promoted non-resident account ("NRA") services persistently and established business relationship with customers from over 70 countries and regions. The Bank is now one of the two banks with electronic ledgers in handling processing trade deposit designated by the General Administration of Customs, corroborating its comparative competitiveness in the emerging international business area.

Asset Management

Asset custody business

The Bank provides an array of custody services to securities investment funds, enterprise annuity, National Council for Social Security Fund, insurance companies, commercial banks, qualified foreign institutional investors ("QFII"), qualified domestic institutional investors ("QDII") and other bank clients, including assets custody, capital clearing, accounting, transaction monitoring, performance appraisal and reporting service etc.

The Bank has seized opportunities in the capital markets, made timely adjustment to its business development strategies, accelerated market expansion and technology innovation and achieved fast growth of its assets custody business through the following approaches:

- The Bank has constantly deepened its cooperation with various institutional investors in custody business such as large fund companies and insurance companies, launched new custody services in due time. The Bank has consistently maintained a leading market position in traditional custody areas such as securities investment fund, insurance capital, and enterprise annuity;

- The Bank has strengthened cooperation with custodians around the world, promoted establishment of global custodian network and orderly development of global custody business. The Bank has ranked first in terms of QFII custody clients among domestic banks in the PRC and led the industry in terms of the scale of QDII asset custody;

- The Bank has vigorously developed the custody services of funds in receiving and payment accounts, and promoted emerging custody services including banking wealth management products, asset management for securities firms and private equity investment funds, enriched its product lines on custody service and continuously optimised the structure of the custody business; and

- The Bank has accelerated research and development of new system of custody business and successfully launched the fourth generation custody business integration system. The Bank was also the first to launch linear automated electronic reconciliation system. A series of new systems such as receiving and payment account custody, XBRL (extensible Business Report Language) electronic information disclosure system and trade monitoring system have all been put in operation successively. Scientific and technological innovation has supported fast growth of business.

Pension Services

The Bank is among the first batch to be qualified as bookrunner and custodian for enterprise annuity since 2005, and as entrusted legal person for enterprise annuity in 2007. In recent years, while the Bank was developing its enterprise annuity business, it actively provided services to personal account of basic pension fund and other pension funds. As at 30 June 2011, the Bank had provided pension services to 26,444 enterprises, managed RMB28.6 billion of various pension funds, 8.65 million personal pension accounts and pension fund with custody amounting to RMB144.5 billion.

The Bank has utilised the advantages of having a full set of business qualifications, full-fledged service network and advanced IT system, to promote the rapid and steady development of all of its pension businesses, specifically:

- The Bank has strengthened its marketing efforts towards large and medium enterprise customers. Standardised enterprise annuity scheme products were used as vehicle to expand the market for SME customers. The Bank has vigorously developed the annuity fund management business and actively expanded basic pension insurance, occupational annuity and other pension management services;

- The Bank has expanded its pension product offering. The "Ruyi Pension" enterprise annuity scheme series for which the Bank acted as trustee was launched. The Bank has optimised its functional products such as the on-line banking annuity services, telephone banking annuity services, and Peony Annuity Card to enrich and improve its pension services; and

- The Bank has continuously adjusted and optimised business management and operations, and promoted business system upgrade, optimised business handling process, enhanced business processing capability and client service ability. Customer experience initiatives have been organised to increase customer satisfaction.

Precious Metal Business

The Bank has operated four product lines of precious metal business: physical bullion, trading, precious metals linked financing and wealth management. The Bank has continuously improved its product innovation ability and service capacity. During the six months ended 30 June 2011, the volume of precious metal transactions reached 85,500 tonnes, of which precious metal transactions under accounts reached 46,900 tonnes. In 2011, the Bank has cleared RMB101.5 billion on behalf of the Shanghai Gold Exchange.

The Bank has seized market opportunities and actively pursued product innovation.

- The Bank has promoted the stockpile business of "Ruyi Gold", launched the precious metal linked wealth management products and gold leasing business as well as several new branded gold products, such as "Ruyi Money", "Ruyi Seal", and "Ruyi Ingot"; The Bank has optimised its sales system of branded gold and increased the clients' choices;

- The Bank has conducted personal gold spot transaction with delayed delivery business on behalf of Shanghai Gold Exchange and provided individual investors with two-way market margin trading; and

- The Bank has introduced "Ruyi Silver" series products, launched silver spot transaction with delayed delivery business and tentatively launched individual account silver services to enrich the types of precious metal transaction.

Corporate Wealth Management

During the six months ended 30 June 2011, sales of the Bank's corporate wealth management products reached RMB1,095.9 billion in aggregate. In the appraisal activity "2007 List of China's Best Bank Wealth Management Products" organised by *Money Week*, five of the Bank's wealth management products were included on the list. The Bank was consecutively awarded the "Best Asset Management Team" by *21st Century Business Herald* in 2009 and 2010.

The Bank has adjusted product investment direction in response to changes in market needs and regulatory requirements, enhanced innovation in wealth management products, improved investment management capability and strengthened its leading position in the banking industry. Also, leveraging its strong research and development ability, the Bank has intensified efforts in product innovation, improved its ultra-short-term product line, and introduced a number of non-fixed-term and fixed-term (7 days, 14 days and 28 days) rolling ultra-short-term products. The Bank has also introduced an array of wealth management products including stock investment cash options and preferred beneficiary rights in real estate investment fund trust scheme. Marketing efforts have been intensified to increase the brand influence of "ICBC Wealth Management". Leveraging its advantages in physical outlets and electronic banking network, the Bank has implemented multi-business-line interactive marketing to drive the rapid growth in sales of wealth management products.

Personal Banking

Client Base

The Bank has a solid personal client base in the PRC. As at 30 June 2011, the Bank had 269 million personal clients.

Operational Measures

Focusing on the overall target of "Building the No. 1 Retail Bank in China", the Bank has improved its customer-oriented operation management system, implemented process reengineering for personal banking service, optimised the business processing procedures, increased the level of specialisation and accelerated transformation of personal banking operation and management system. In particular:

- The Bank has promoted coordinated marketing of personal banking and corporate banking to enhance cross-selling and to increase its products penetration;

- The Bank has strengthened the construction, transformation and optimisation of its outlets, improved multitiered client service system, implemented refined service management, expanded client base and increased the proportion of mid-to-high end customers;

- The Bank has accelerated innovation and promotion of personal finance services, wealth management products and bank cards, increased brand influence and promoted the coordinated development of personal banking business; and

- The Bank has intensified the efforts in the recruitment and training of its personal banking service personnel.

Market Position and Awards

According to statistics from PBOC, as at 30 June 2011, the Bank was ranked first in the PRC in terms of the balance of personal loans and personal deposits, with a market share of 14.2% and 16.9% respectively. The Bank has also maintained a leading position among its peers in other personal banking businesses.

The Bank is well recognised in the market for its excellent personal banking services and has been awarded "Best Retail Bank in China", "Best Large-scale Retail Bank in China" by *The Asian Banker*. In 2010, the Bank also won the "Best Retail Bank" by *Money Week* and the "Best Retail Bank" by *Financial Money*.

Introduction of Products and Services

The Bank's personal banking products and services include personal loans, personal deposits, bank cards, personal wealth management and others. The Bank's personal banking has continued to maintain its leading position in the PRC banking industry, and its market influence continues to increase. For example:

- Personal loans business ranks first in terms of market share;
- Personal deposits business ranks first in terms of market share;
- Credit cards business ranks first in terms of market share; and
- The Bank's wealth management business has a leading position in the industry. "Elite Club Account", wealth management, private banking, and other wealth management business targeting mid to high end clients have achieved rapid growth and increasing market influence.

Personal Loans

Loans provided by the Bank to personal customers include personal housing loans, personal consumption loans, personal business loans, and credit card overdrafts. For ease of reference, the "personal loans" in this Offering Circular does not include loans made in the Bank's overseas business. As at 30 June 2011, balance of the Bank's domestic personal loans amounted to RMB1,810,777 million.

Personal housing loans are an important component of the Bank's personal loan portfolio. As at 30 June 2011, the balance of the Bank's domestic personal housing loans amounted to RMB1,133,346 million, accounting for 62.6% of the balance of personal loans.

Personal consumption loans of the Bank include personal auto loans, personal comprehensive consumption loans, personal student loans, personal pledged loans, and personal unsecured loans. As at 30 June 2011, the balance of the Bank's domestic personal consumption loans amounted to RMB322,653 million, accounting for 17.8% of balance of personal loans.

As at 30 June 2011, the balance of the Bank's personal business loans and credit card overdrafts amounted to RMB224,873 million and RMB129,905 million, accounting for 12.4% and 7.2% of the balance of the Bank's personal loans respectively.

Personal loans are the major development direction for the personal banking business of the Bank. The Bank has seized the opportunities arising from the State's efforts to stimulate consumption by residents and expanded domestic demand, and increased its capacity to meet demands for personal loans. The Bank has continued to improve marketing and product innovation as well as promoted the development of personal loans, including:

- The Bank has adopted the differentiated credit policy and supported reasonable demands for personal housing loans according to the national macro-control policy;

- The Bank has vigorously boosted the development of personal consumption loans business to comply with the implementation of the State's policy of stimulating personal consumption;

- Targeting self-employed businessmen and small-size private business owners, the Bank has promoted personal small credit business to drive the development of personal business loans;

- The Bank has continued to promote product innovation, launched personal housing loans secured by mortgages, personal commercial vehicle loans, personal revolving loans, personal revolving loans "Card-Based Loan Express", personal internet revolving loans, pledge loans for personal wealth management products and personal gold products and other new business, and enhanced personal credit product system; and

- The Bank has optimised business process, promoted "direct loan" service mode, implemented standardised and electronic approval process to improve business process efficiency and service standard.

Personal Deposits

The Bank provides demand deposits and term deposits in RMB and foreign currencies. As at 30 June 2011, the balance of the Bank's domestic personal deposits amounted to RMB5,679,055 million, in which demand deposits accounted for 43.2%.

The Bank has adopted various measures to promote development of personal deposits business and expand fund sources of the Bank, including:

- Relying on the Bank's corporate customer resources and utilising the interactive marketing mechanism, the Bank has attracted new personal customers on a wholesale basis to expand the source of savings deposits and improve the development mechanism for savings deposits business;

- In response to the changes in the market and customer needs, the Bank has provided guidance to its customers to establish diversified investment portfolios, thereby capturing additional funds from settlement and investment transactions;

- The Bank has made use of the advantages in wealth management services to attract the funds of high-quality customers. In addition, the Bank has optimised the structure of personal deposits, and promoted the coordinated development of personal deposits and wealth management by diverting savings deposits to high-quality wealth management products; and

- The Bank has made great efforts to draw the funds of settlement transactions and investment funds of customers to raise the proportion of demand savings deposits.

Bank Cards Business

The Bank offers a full range of bank card products and services to personal customers, including single currency and dual currency credit cards and single currency and dual currency debit cards. The brand "Peony Card" adopted by the Bank is among the most well-known bank card brands in the PRC. As at 30 June 2011, the Bank had issued approximately 390 million bank cards. During the six months ended 30 June 2011, income from bank card business reached RMB8.058 billion. During the three years ended on 31 December 2010, 2009 and 2008 and the six months ended on 30 June 2011, major statistics of bank cards of the Bank are as follows:

	As at 30 June 2011	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008
Number of bank cards issued (millions)	388.95	354.70	289.10	238.32
Debit cards (millions)	318.16	291.04	237.09	199.27
Credit cards (millions)	70.79	63.66	52.01	39.05

	January – June 2011	2010	2009	2008
Consumption value (in RMB billions)	1,484.0	2,239.5	1,497.9	796.4
Income from bank card business (in RMB billions)	8.1	13.7	9.4	7.2

The Bank is one of the founding members of China UnionPay (a bank card organisation headquartered in the PRC). Bank cards of the Bank are generally accepted by the Bank's own domestic network as well as China UnionPay networks in the PRC and a number of other countries. The Bank's dual currency credit cards and dual currency debit cards can also be accepted by networks of American Express, MasterCard, and Visa. Meanwhile the Bank has extensively developed its own service network, including 24-hour call centre, branch outlet, electronic banking network, and mobile banking services, which has also supported its bank card service.

Credit Card

The Bank maintained the strategy of "scale, upgrade, globalisation, and specialisation" for the development of its credit card business, and adopted various measures to maintain its leading position in credit card business. Specifically:

- The Bank has broadened the channels of card issuance and was among the first domestic banks to launch card application business through Internet, rendering around-the-clock and one-stop convenient services to customers; the Bank has expedited the issuance of credit cards by its overseas institutions and promoted its globalised credit card business;

- The Bank has strengthened cooperation with merchants including supermarkets, department stores, hotels, restaurants, household appliances stores, transportation and tourism operators, enhanced the promotion of its company related cards and transportation cards, and carried out consumption promotion campaigns;

- The Bank has advanced the operating pattern of "credit cards + credit products", released new specialised credit consumption products and expanded credit card instalment payment service; and

- The Bank has completed the "3-card consolidation" project for international credit cards, debit cards and quasi-debit cards to realise the consolidation of product functions and process re-engineering and expanded the credit card services in telephone banking, internet banking in order to further improve its service standard and capability.

The Bank enjoys a leading position among its peers in terms of number of credit cards issued and consumption amount. As at 30 June 2011, 70.79 million credit cards were issued, with RMB129.905 billion in overdraft balance of domestic credit cards.

Debit Card

The Bank has issued RMB debit cards and dual currency debit cards, such as RMB-USD debit cards, to its customers. As at 30 June 2011, 318.16 million debit cards had been issued.

The Bank has further enhanced its competitive edges in debit card business through the following various measures:

- The Bank has utilised high-quality customer resources of various industries and fields to expand the customer base;
- The Bank has actively explored co-brand card market by introducing a variety of national and regional Co-brand Moneylink Cards and released a variety of co-brand cards together with securities firms, fund companies and insurance companies to extend the product line of Moneylink Cards;
- The Bank has launched chip debit cards in accordance with the PBOC 2.0 standard of PBOC to improve bank card safety and customer service standard;
- The Bank has established a personal banking service model based on the platform of debit card to provide standardised and multi-tiered service; and
- The Bank has continued to improve the function of "Comprehensive Transaction Account" of Peony Moneylink Cards to combine the sale of Moneylink Cards with salary payment agency, remittance settlement, wealth management products, internet banking, and other financial products.

Personal Wealth Management Business

The Bank offers a series of personal wealth management products and services, including financial advisory services, investment management products, bancassurance services as well as entrusted agency services.

The Bank has timely adjusted its product strategy in line with market changes, and has strengthened innovation in products and services according to the focus of the market and needs, continuously amplified its leading edge in personal wealth management market. Specifically:

- The Bank has advanced the combined marketing of bank wealth management products and its fund and insurance agency business. The Bank has also improved the functions of the "Bank-Insurance Link" system, launched the "Bank-Insurance Link" through internet banking services, and released a large number of packaged products with embedded insurance feature. The Bank has actively promoted bonds or notes related wealth management products with low risk and stable return and developed a large number of wealth management products tailored for mid-to-high end clients;
- The Bank has improved its wealth management products system with scaled earning level, complementary risk degrees and embedded liquidity, and improved its service capability in wealth management; and
- The Bank has marketed its personal banking products as a portfolio, promoted the coordinated development of its personal wealth management business and other personal banking business.

Elite Club Account

Elite Club Account is a personal banking brand designed by the Bank for mid to high end customers and has shown stable improvement in its coverage and market influence.

The Bank has adopted several measures to drive the rapid growth of its Elite Club Account business:

- The Bank has continued to promote the innovation of Elite Club Account products and services. The Bank has offered an array of Elite Club Account wealth management products, accelerated the establishment of exclusive service channels for VIP customers, enriched service contents for VIP customer, and increased its customer service level;

- The Bank has launched Elite Club Account chip cards to increase the security of clients' transactions; and

- The Bank has paid great attention to business training of its service personnel in order to build a high-quality manager team for individual customers.

In 2009, the Bank's Elite Club Account was awarded "The Best Brand for Retail Finance of the Year" by *China Business News*.

Wealth Management Business

The Bank has promoted its wealth management business and provided personalised expert financial wealth management services, such as wealth management consulting and asset management, to wealthy clients with personal financial assets from RMB1 million to RMB8 million.

The Bank has continuously developed service channels specifically designed for wealth management customers. The Bank has already established wealth management centres, accelerated products development and innovation, launched several wealth management products under the brand "ICBC Wealth", and cooperated with fund companies to launch "one-to-multiple" fund accounts for wealth management customers, and focused on branding. The Brand "ICBC Wealth" has achieved considerable market influence.

Private Banking Business

The Bank provides high net worth clients (with personal financial assets of more than RMB8 million) with private banking services focusing on asset management and consulting services and with four major functions of "creating wealth, managing wealth, protecting wealth and passing on wealth".

The Bank has taken several measures to accelerate the development of private banking business:

- The Bank set up and optimised its service network. The Bank has set up private banking branches in Beijing, Shanghai, Guangzhou, Shenzhen, Taiyuan, Nanjing, Hangzhou, Jinan, Zhengzhou and Chengdu, and extended the coverage of its service network to major developed cities and areas;

- The Bank has accelerated product development and innovation, implemented "core-satellite" assets management development strategy, enriched the special wealth management products and services for private banking clients, launched several special wealth management products and services for private banking clients, and preliminarily established a diverse product base integrating commercial banking, fund, securities, insurance and trust to enhance asset management capability; and

- The Bank has made further efforts to recruit and train the talents, promoted refined management of service processes and standards, and increased professional service capability.

As at 30 June 2011, the number of the Bank's private banking clients was approximately 22,000. In 2010, the Bank was awarded by *Euromoney* "Best Bank for Private Banking — Fixed-Income Products Related Asset Management in China".

Treasury Operations

Operational Activities

The Bank takes strategic priority in developing treasury operations to advance operational transformation and build up competitiveness in the future. The Bank accelerates the development of various financial tools and explores business potential, in order to enhance its operation capability in both domestic and foreign currencies across domestic and overseas financial markets.

The international financial market was heavily impacted by the global financial crisis. The Chinese government has adopted a proactive fiscal policy and moderately loose monetary policy, which successfully promoted the recovery of the PRC's economy. The financial market environment for the Bank's treasury operations is complicated and subject to constant changes. In the new economic and financial environment, the Bank vigorously studied and analysed market changes and economic trends, proactively conducted product innovation and prudent evaluation. The Bank has also sought for proper allocation of returns and risks of treasury operations, made timely adjustment of its investment and trading strategies, further strengthened treasury operation and prevented business risks in order to achieve a balanced growth of asset scale and returns.

Market Position and Awards

The Bank's treasury operations have a leading position in the domestic banking industry. The Bank was awarded "Top 100 Entity for Trading Volume in Interbank Market", "Most Influential Market Participant", "Excellent Dealing Member", "Most Influential Market Maker of the Year", "Most Influential Market Maker of the Year for Derivatives" by the National Interbank Funding Centre and China Foreign Exchange Trade System; The Bank was awarded "Excellent Settlement Member of Proprietary Bond Trading", "Excellent Settlement Member of Bond Settlement Agency Business" and "Excellent Undertaker of Bond Counter Business" by China Government Securities Depository Trust & Clearing Co. Ltd..

Introduction of Products and Services

The Bank's Treasury Operations include money market trading, investment portfolio management and agency treasury operation for the Bank's clients.

Money Market Trading

The Bank's money market trading activities include: (i) short-term borrowing and lending; and (ii) bond repurchase and purchasing. During the six months ended 30 June 2011, the transaction volume of the Bank's domestic RMB money market financing totalled RMB7,192.8 billion and the foreign currency transaction volume in the money market reached USD209.7 billion.

The Bank has taken several operational measures in order to achieve stable development of money market trading business:

- The Bank has actively loaned its fund position surplus through RMB and foreign currency money markets, improved the efficiency of fund operation, and maintained a reasonable level of debt coverage ratio;

- According to the funding requirements and level, the Bank has borrowed funds timely to ensure the security of its liquidity;

- The Bank has engaged in two-way fund trading at an opportune time, maintained its capacity as market maker in money market, and enhanced its market share in trading market and increased the return on financing; and

- With respect to foreign currency-dominated treasury operations, the Bank has devised a reasonable maturity structure for funds, refined its transaction process and closely monitored market trends to prevent the credit risk of counterparties and ensure the security of funds.

Investment Portfolio Management

Trading Account

The Bank's trading accounts are used to recognise and settle its proprietary trades, including trading of bonds and bills which are issued by the Chinese government, PBOC and foreign governments as well as derivatives, foreign exchange and foreign/local currency dominated bonds transactions. The Bank is one of the largest market makers in domestic interbank market. Furthermore, the Bank avoids investment risks by using derivative instruments.

The stable development of the Bank's proprietary trading is the result of the following measures that the Bank has taken:

- Based on the assessment of the overall trend of RMB bond price index, the Bank has effectively mitigated market risks of asset portfolios by adjusting positions and durations. The Bank has proactively carried out trading in RMB interest rate derivatives, strengthened range trading, and made timely adjustment to risk exposure with respect to different maturities;

- The Bank has studied the trend in market interest rate, increased market making and hedging transactions in interbank market to increase the transaction returns;

- The Bank has achieved electronic-based and systematic management for RMB interest rate derivative transactions, and increased the varieties of credit bond and long-term bond pricing, narrowed the pricing differences and accelerated the frequency of pricing updates to enhance the market position of the Bank in its capacity as a market maker;

- The Bank has strengthened team building of its research team, improved its ability in forecasting market interest rate trend; and

- With respect to foreign currency, the Bank has closely followed the market trend and seized market fluctuation opportunities to actively engage in transactions to profit from its trading activity.

Banking Accounts

Banking accounts of the Bank are used to calculate its investments which are made for holding purpose. Currently, the Bank's investment portfolio includes RMB-denominated bonds which are issued by the Chinese government, PBOC, policy banks and few other local financial institutions. The Bank also holds short-term commercial paper issued by domestic enterprises. In overseas markets, the Bank also invests in foreign currency bonds issued by foreign governments, financial institutions, corporate and international organisations.

The Bank has taken the following measures to facilitate the stable growth of the investment of its banking accounts:

- The Bank has properly maintained investment in medium and long-term bonds at a mean level or close to mean level and stabilised its portfolio yield; it also avoided interest rate risk by adjusting portfolio durations, paid attention to the credit risks of bond investment, and focused on investment in sovereign bonds and quasi sovereign bonds;

- Taking into account the yield curves of bond markets in different periods, the Bank has made timely adjustment of investment focus, reallocating the proportion of government bonds, financial bonds and PBOC bills; in keeping up with the fast developing trend of the direct financing market, the Bank has increased investment in high-quality credit bonds with controllable risks and higher returns; and

- In respect of foreign currencies, by closely monitoring market trends, the Bank has reduced the position of low-yield bonds in a timely manner, further diversified its investment currencies and actively adjusted the structure of investment portfolio.

Agency Treasury Operations

The Bank offers a wide range of treasury operation services to enterprises and individual clients. The Bank provides spot foreign exchange settlement and sale, forward foreign exchange trading, RMB and foreign exchange swap and RMB interest rate swap services. Also, the Bank acts as the agent of its clients in treasury operations including 24-hour foreign exchange purchase and sale, precious metal purchase and sale under account, forward currency contracts, interest rate swap, currency swap, options and other financial derivatives trading services. During the six months ended 30 June 2011, business volume of the Bank's foreign exchange settlement and sale and foreign exchange trading on behalf of clients amounted to USD273.2 billion. The Bank has established innovative structured deposit products, enriched their varieties, and enlarged business scale. Trading volume of agency structured derivatives achieved USD49 billion during the six months ended 30 June 2011.

The Bank has taken several operational measures to facilitate development of its bank's agency treasury operations:

- The Bank has actively responded to fluctuations of global financial markets and enhanced its level of management, product pricing and service skills for agency treasury operations. The Bank has promoted the development of its global network of treasury operation, and enhanced its treasury operation capability;

- The Bank has enhanced products innovation, launched new foreign exchange settlement and sale product — "Optional Remittance" (匯擇通), individual small-scale foreign exchange settlement business through internet banking and settlement and sale of New Taiwan Dollar notes for personal customers, and developed low-risk structured deposit products;

- The Bank has facilitated the standardisation of business flows of basic derivative products, including USD interest rate swap and foreign exchange forward, to make the application of products more convenient;

- The Bank has offered a variety of solutions to financial risk management according to market environment and individualised demands of customers; enhanced information disclosure to ensure clients' rights and interests are protected;

- The Bank has strengthened technology innovation, launched business processing systems, such as automatic statement generation system for foreign exchange settlement and sale and integrated price enquiry and trading system, and improved the automation in processing its foreign exchange settlement and sale business, and enhanced risk prevention capability; and

- The Bank has proactively promoted customised application of RMB interest rate derivatives, fostered demand for agency transaction, improved its risk hedging skills, and facilitated development of agency RMB interest rate swap business.

Internationalised Business Development

The Bank has seized the opportunities arising from the reform and reorganisation of global financial markets to actively and properly implement the internationalised operation strategy, which aimed at building a large global financial group with full functions.

As at 30 June 2011, the Bank had established 220 operational branches in 29 countries and regions and established correspondent bank relationships with 1,516 overseas banks in 134 countries and regions. The network layout was continuously optimised, and Bank's internationalised operation platform has been further improved.

Furthermore, the scale of the Bank's overseas assets has been increasing year by year, and the Bank has managed these assets well. As at 30 June 2011, the scale of the Bank's overseas operating assets increased to USD103,869 million. During the six months ended 30 June 2011, profit before tax of the Bank's overseas branches was USD735 million, representing an increase of 43.0% compared to the same period of last year.

In order to facilitate the development of international business, the Bank has adopted following major strategies and measures:

- Following closely the "Going Global" steps of Chinese enterprises and in order to improve its integrated capability to serve global clients, the Bank has actively seized opportunities from international financial markets, and accelerated the establishment of its global operation network through balanced development in both emerging and mature markets and through the establishment of its own offices and strategic mergers and acquisitions;

- Leveraging the advantages of foreign integrated business license as well as the strong product supporting ability of the FOVA system, the Bank has made great efforts to build up nine global product lines, including retail, capital clearing, trade financing, global cash management, professional financing, investment banking, bank card, internet-banking and asset management, and promoted the enhancement of its global service capability in its domestically advantaged product lines; and

- The Bank has built up a distinctive development mode for its overseas institutions, created an integrated scientific and technological platform for domestic and overseas operations, continuously expanded internationalised talent teams to enhance its global comprehensive service capacity.

Development of Integrated Business

In recent years, as the PRC's legal and policy conditions for integrated financial operation are being increasingly liberated, the Bank has seized the opportunity to develop a pilot programme of integrated financial operation. The Bank has made efforts to establish a diversified finance service platform, accelerated the development of investment banking, asset management, financial leasing business, on the basis of its advantages in terms of client base, capital and information. The integrated operation strategy of the Bank is mainly carried out by specialised holding companies, including:

Investment Banking

ICBC International, the Bank's wholly-owned subsidiary with full licence in investment banking business in Hong Kong, engages in various investment banking businesses, including sponsoring and underwriting, equity financing, debt financing, direct investment, securities brokerage, and asset management, through its wholly owned subsidiaries. It plays key roles in important IPOs globally. Net profits in 2010 were USD69.04 million.

Management of Securities Investment Funds

ICBC Credit Suisse Asset Management, 55% owned by the Bank, mainly engages in the management of securities investment funds. It is the largest bank-affiliated asset management company in the PRC.

Insurance

The Bank has entered into strategic partnership with France's AXA and intends to leverage ICBC's customer base and distribution channels to rapidly expand its domestic insurance business, which will further strengthen the comprehensive service capabilities of the Bank.

Financial Leasing

See "Description of the Bank's Leasing Business".

DISTRIBUTION CHANNELS

The Bank delivers its products and services through a variety of distribution channels. The Bank has continued to focus on adjusting allocation of the regional branches, upgrading and improving the outlets, building up service channels with tiered and classified functions and systems, and improving service quality.

With respect to traditional branches and outlets, the Bank keeps cultivating and improving the core competence of its branches by coordinating the construction of various channels, optimising regional layout of outlets and facilitating the transition of the outlets' operation, so as to solidify the advantages of its service channels. Meanwhile, the Bank has continued integrated operation between its electronic banking network and its traditional branches. In terms of transaction volume, the Bank's electronic banking services (including ATMs, self-service banking, internet banking, telephone banking and mobile banking) rank first among all commercial banks in the PRC.

In recent years, the Bank has been awarded "Global Best Integrated Corporate Banking Website", "Best Integrated Personal Banking Website in Asia", "Best Mobile Banking", "Best Marketing", "Best Electronic Banking", "Outstanding Contribution Award of Internet Banking", "Mobile Banking — Best Wealth Management Application Award", "Best User Experience Award" and "Electronic Banking Brand of Greatest Customer Satisfaction" by *Global Finance*, *Securities Times*, *Hexun.com* and other institutions.

Domestic branches

The Bank has a nationwide network of branches. As at 30 June 2011, the Bank had 16,267 domestic institutions, including the Head Office, 31 tier-1 branches, 5 branches under direct management of the Bank, 26 banking offices of tier-1 branches, 397 tier-2 branches, 3,060 tier-1 sub-branches, 12,709 outlets, 34 institutions directly controlled by the Head Office and their branches and 4 major holding companies.

While maintaining a generally stable total number of physical outlets, the Bank has continued to promote the adjustment of its structure of outlets and optimisation of distribution of outlets to enhance the service function of outlets through the following approaches:

- Based on different target customers as well as different modes of operation management of the outlets, the Bank has actively explored and established new modes of operation management that meet individualised needs of customers and have the characteristics of the Bank for its wealth management centres, VIP service centres, wealth management outlets and financial convenience stores;
- The Bank has strengthened the training of customer managers, financial advisors and other outlet staff, and improved the staff's competence and the customer service capability of its outlets;
- The Bank has allocated more outlet resources to provincial capital, key large and medium-sized cities and developed counties in an appropriate manner, continuously upgraded and transformed the low-end outlets, pushed forward the transition of the outlet operation and implemented the optimisation and strategically transformation of outlet layouts; and
- The Bank has participated in pilot project of new rural financial institutions, and further covered the rural financial markets with its service network by setting up the ICBC Zhejiang Pinghu Rural Bank and ICBC Chongqing Bishan Rural Bank.

Overseas branches

As at 30 June 2011, the Bank had set up tier-1 operational branches in countries and regions such as Hong Kong, Macau, Korea, Japan, Vietnam, Singapore, Indonesia, Malaysia, Thailand, United Arab Emirates, Qatar, Kazakhstan, United Kingdom, Germany, Luxembourg, Moscow, Australia, United States and Canada. The total number of the Bank's overseas branches increased to 220. The Bank has established correspondent bank relationships with 1,516 overseas banks in 134 countries and regions. The branch network has been continuously optimised, and the internationalised and integrated operation platform is further improved. The Bank acquired 70% of shares in the Bank of East Asia (Canada), and a controlling stake in Thailand's ACL Bank Public Company Limited. The Bank's Macau branch merged with Seng Heng Bank Limited and became ICBC (Macau). The Bank has opened Industrial and Commercial Bank of China (Malaysia) Berhad and its Hanoi branch. The Bank's Abu Dhabi branch also commenced business. ICBC Macau, Seoul branch and PT. Bank ICBC Indonesia further extended their service coverage and functions. The Bank's overseas branch network is also attaining scale.

Electronic banking

The Bank has, based on the needs of customers, optimised the original products, accelerated product innovation, extended functions of its products, satisfied the needs of differentiated and individualised service and continued building its electronic banking channel through the following approaches:

- The Bank has emphasised on branding, built up several nationwide recognised professional electronic banking brands, including "Banking@Home" as its core electronic banking brand in electronic banking service and "ICBC 95588" for telephone banking services;
- The Bank has carried out marketing programmes for electronic commerce and mobile banking (WAP) to increase brand awareness and reputation, and to push forward the continuous growth of its customer base and business volume;
- The Bank has pushed forward the transformation of electronic banking to an integrated and comprehensive business platform that combines trading, marketing and services and consolidated its leading edge over its peers; and
- The Bank has promoted the internet banking system in overseas institutions to extend the service coverage of electronic banking.

Internet banking

The Bank provides internet banking services through its official website: www.icbc.com.cn for a wide range of customers. The Bank also provides large corporation, government and financial institution customers with specialised products and services through its "Bank-Enterprise Link". As at 30 June 2011, the number of the Bank's corporate Internet banking customers reached 2.73 million, representing an increase of 14.2% over the end of last year. The number of the Bank's personal Internet banking customers exceeded 100 million and reached 107 million, representing an increase of 11.4%. In 2010, the Bank was awarded the "Best Internet Banking in China" by *The Asian Banker*.

The Bank has launched the online large enterprise interbank fund management system for large scale group customers and online financial software in corporate internet banking service targeted at SME customers, improving its internet banking services for corporate customers. Meanwhile, the Bank has introduced new products such as cross-border foreign exchange remittance and new-generation global cash management and added new features to international settlement within corporate internet banking service. The Bank is the industry pioneer in introducing online financial supermarket, small foreign exchange settlement and sales, remittance to overseas Visa cards and other innovative products, have launched a range of new functions including remittance to E-mail account and mobile phone number, inter-bank account management and online application for credit cards, providing abundant and convenient internet banking services for individual customers. The Bank has opened VIP personal internet banking service, and provided high-quality customers with exclusive service channel, service area, financial products and promotions. The Bank has introduced customer experience mechanisms, and refined the product functions of personal internet banking, corporate internet banking and other products, strengthening the leading position of its internet banking business.

The Bank's internet banking services are widely recognised. The Bank was awarded "Best Internet Banking in China" by *The Asian Banker*, "Best Integrated Corporate Bank Website — Global", "Best Internet Banking in Deposit Service — Global", "Best Personal Internet Banking of Asia" and "Best Personal Internet Banking of China" by the Global Finance for several times.

Telephone banking

The Bank provides telephone banking service 24 hours per day and 365 days per year through "95588", accessible in all areas of the PRC, and "21895588", accessible in Hong Kong.

The Bank has completed the engineering construction of integrated telephone banking, achieved the centralised management of all the call centres by the general control system as well as the sharing and integration of bank-wide system resources, enhanced the ability of telephone banking system in making contingency response and disaster recovery management. The Bank has accelerated the construction of electronic banking centres in Shijiazhuang and Hefei and switched the telephone manual service systems at a large number of branches and enhanced their integrated and efficient operation. In addition, the Bank has introduced telephone banking with VIP service hotline, one-number-link payment service, telephone banking reservation and customised menu set-up functions, launched interbank remittance, agency sales of insurance products, foreign currency funds and other new products, and optimised the functions of funds purchasing and bill payment and the public voice menu of telephone banking, providing extensive and convenient telephone banking services for customers. The telephone banking services of the Bank have been widely accepted.

Mobile banking

The Bank has launched a new service of accessing the mobile banking system through Wireless Application Protocol ("WAP"), broadened the channels and the functions of electronic banking services and satisfied WAP customers' needs in account management, money transfer and remittance, agency bill payment, investment and wealth management, consumption payment and other financial services. The newly-launched mobile banking (WAP) 3G experience version could provide more convenient and efficient banking services like account enquiry, bank transfer and bill payment. In cooperation with telecommunication operators, the Bank has lowered entry barrier for customers to use mobile banking service and enhanced the security of mobile banking (WAP). The Bank has added a rapid logon function to mobile banking (WAP), improved the attractiveness of the trading interface and enhanced the user experience, to make the mobile banking (WAP) easier to use and more user-friendly. The Bank's mobile banking business has witnessed rapid increase in the number of clients and the volume of transactions, taking a leading position in the industry in the PRC.

Self-service banking

The Bank provides self-service banking through ATMs and other self-service terminals. As at 30 June 2011, the Bank had 11,867 self-service banking centres, representing an increase of 4.0% from 31 December 2010, and 46,181 ATM.

The Bank has continued to increase the number of ATMs, multi-media self-service terminals, Internet banking self service equipments and other self-service terminals, optimised service network of self-service equipment and facilitated the construction of electronic banking service zones. The Bank has introduced the simple-function and easy-to-use self-service terminals for customers to handle inquiry, bank transfer, remittance, bill payment and other simple transactions. The Bank has optimised business operation process, and improved transaction efficiency and convenience. The Bank has actively developed new payment channels and accelerated the setup of telephone transfer terminals. The Bank has strengthened the marketing for its self-service terminal business, optimised the operation procedures for self-service banking service and increased the utilisation efficiency of its self-service terminals, and effectively attracted business.

MAJOR LOAN CUSTOMERS

As at 30 June 2011, the aggregate amount of loans offered by the Bank to its single largest client constituted 3.4% of the net capital base of the Bank and aggregate amount of loans to its top ten single customers constituted 20.6% of the net capital base of the Bank. As at 30 June 2011, the aggregate amount of loans to the top ten single clients reached approximately RMB206.1 billion and constituted 2.8% of the Bank's total amount of loans.

INFORMATION TECHNOLOGY

After many years of development, the Bank has gradually established an IT system and technical platform compatible with its position as a large international bank, providing strong support for its business development and innovation and operation management reform.

The Bank's safe and stable information system supports its stable operation

The Bank has attached great importance to the security management of information system, and has kept on optimising management system of the production process so as to ensure safe and stable operation of the information system. In recent years, in line with diversification of products and services provided by the Bank and the constant expansion of the Bank's business volume, the average daily transaction volume in the Bank's data centre has increased significantly, supporting stable operation of its business and providing safe, stable, high-quality and highly efficient services to its clients.

1. The disaster backup system of the Bank has been continuously improved and has reached an advanced international level. The bank has established a disaster backup system at a level of thousand kilometre, reaching Grade 6 according to the international standards for disaster backup system with the highest grade being Grade 7. The Bank has prepared graded standard for disaster backup and completed disaster-backup protection strategy applicable to all of its application systems. The Bank has started the "two localities and three centres" construction. In addition to the existing Shanghai Data Centre and Beijing Backup Centre, a Shanghai Backup Centre will be built to further improve the operation ability of the Bank's information system and its business.

2. The Bank has further improved the levels of automation, supervision and management of its process and operation and effectively minimised its operational risks. The Bank has gradually increased the level of automation in batch processing in system operation so as to minimise the risks caused by manual operation. The Bank has set up a centralised and unified monitoring management platform (ECC) and achieved the ability to monitor various business systems according to channel and business nature, and improved the system's ability of monitoring and responses.

3. The Bank has made great achievements in information security and protection. The Bank has established an information security management system, facilitated implementation of the security management system at client's end, strengthened the security management of the computers used by employees to prevent risks of computer virus encroachment and information leak-out. The Bank has strengthened the security protection of its electronic banking, enhanced the security of "U-Shield", adopted various security methods such as real time notification of balance through SMS and established a specialised team to protect the security of information to ensure the security of its customer information as well as other systems such as internet banking.

The Bank's technology system supports its business operation

Insisting on the principle of independent research and development, the Bank has set up a series of application products covering a wide range of business, categories and functions. The advanced IT platform provides strong support and driving force for the Bank to innovate its products, improve its services, promote process reengineering, build a global service platform, achieve transformation of its operation model and improve its risk management ability.

- ***The Bank's technology system supports constant improvement of its product innovation and service capability***

(1) To provide its clients with rich financial products, the Bank has developed a wide variety of advantageous products such as bank account, wealth management in domestic and foreign

currencies, global cash management, international settlement, private banking, wealth management, foreign currency remittance, express global remittance, and precious metal trading;

(2) To support rapid development of electronic banking services, the Bank has established electronic service channels with the PRC's leading technology and large variety of products and extensive functions, including online corporate banking, online personal banking, telephone banking and mobile banking (WAP) and multi-media self-service terminals. The Bank launched the first mobile banking service supporting the 3G technology in domestic market; and

(3) To improve competitiveness of bank card business, the Bank is the first to issue credit cards in compliance with the EMV2000 international standards and credit cards satisfying the PBOC 2.0 requirements. The Bank has achieved the capability to integrate fund processing system of banking, transportation, education, medical care and insurance into one chip card (i.e., citizen IC card).

- ***The Bank's technology system provides support for its international development strategy***

(1) The Bank has independently developed its own FOVA system and continuously improved its function. As at 30 June 2011, all of the Bank's overseas branches were generally covered by the FOVA system. The Bank has put in place an integrated global scientific and technological platform, so as to provide vigorous support to the management of its overseas business;

(2) The Bank has extended its application systems to foreign countries, such as the internet banking, asset custody, credit management, operation statistic and therefore improved customer service, risk management and business management of its overseas operation, promoting the domestic/foreign interaction; and

(3) The Bank has continuously pushed forward the research & development and promotion of its overseas bank card project and became the first bank in the world to issue standard UnionPay card in Europe.

- ***The Bank's technology system provides technical support to the transformation of its business operation model***

(1) The Bank has implemented centralisation of information to support client management. The Bank sets up a data warehouse platform for the transformation from data centralisation to information centralisation. The Bank constantly strengthened data mining and analysis, optimised the Customer Relationship Management System ("CCRM"), Comprehensive Statistic System (CS2002), Performance Evaluation Management System ("PVMS") and other analytic application system. The Bank sets up a centralised platform for customer relationship analysis and marketing management to achieve customer classification and differentiated marketing through analysis of customer information and their use of the Bank's financial products; and

(2) The Bank has implemented centralisation of its financial information. The Bank has developed an integrated financial management system so that financial information across the Bank can be centralised at tier-1 branches. Through accounting report management system, the Bank achieved automatic generation of information to be disclosed to the public.

- ***The Bank's technology system provides safeguard for its continuous improvement in risk control***

(1) Credit risk

The Bank has continued optimising corporate/individual credit management system (CM2002/PCM2003) to improve its ability to prevent credit risks. The Bank has set up an internal rating score card system for credit risks which provides a solid base for implementing the advanced Internal Ratings Based Approach.

(2) Market risk

The Bank has developed a core system of market risk management and has in place a unified and centralised platform to measure, monitor, control and manage market risks. The Bank has optimised interest rate management system to provide comprehensive information for the Bank's market risks management.

(3) Operational risk

The Bank has set up a centralised, full-fledged and shared platform for the management of business operational risks to improve operational risk management. The Bank has optimised its real-time settlement system, and system functions such as the centralised parameters management, the centralised reconciliation system, to strengthen its operational risk management.

The Bank has the most advanced IT platform within the PRC banking industry and has made great achievements in the IT field, which is well recognised by domestic and overseas markets and institutions. In 2010, the Bank was awarded "Top 10 Financial Institutions in IT Innovation" by *Securities Times*.

EMPLOYEES

As at 30 June 2011, the Bank had 394,801 employees worldwide (excluding labour dispatched for services totalling 36,168 persons).

LEGAL AND REGULATORY PROCEEDINGS

The Bank is involved in certain legal or regulatory proceedings in the ordinary course of its business. Most of these proceedings involve enforcement claims initiated by the Bank to recover payments on its NPL. The legal proceedings against the Bank include actions relating to customer disputes and claims brought by its counterparties on contracts related to its banking operations.

As at the date of this Offering Circular, the Bank is not involved in any litigation, arbitration or administrative proceedings, and the Issuer is not aware of any such litigation, arbitration or administrative proceedings, whether pending or threatened, which are or might be material in the context of the issuance of the Notes.

The Bank is required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in the PRC, Hong Kong, Singapore and other jurisdictions where it has operations. These laws and regulations require it, among other things, to adopt and enforce "know-your-customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. The Bank has strictly complied with applicable anti-money laundering laws and other relevant regulations. The Bank has taken steps to improve its anti-money laundering process mechanism, actively fulfilled applicable anti-money laundering regulatory requirements and comprehensively improved the management standard of its anti-money laundering compliance. As at 30 June 2011, the Bank was not aware of any money laundering or other major illegal or improper activities engaged by or involving any employee of its domestic or overseas branches or subsidiaries.

DESCRIPTION OF THE BANK'S LEASING BUSINESS

Certain financial information of ICBC Leasing for the years ended 31 December 2008, 2009 and 2010 as set out in this Offering Circular were prepared and presented in accordance with IFRS but have not been audited. ICBC Leasing prepares its financial statements in accordance with the PRC GAAP, which differs in certain respects from the IFRS. For the purposes of consolidation with the financial statements of the Bank, ICBC Leasing prepares management accounts in accordance with IFRS but these financial statements prepared in accordance with the IFRS are not audited or reviewed.

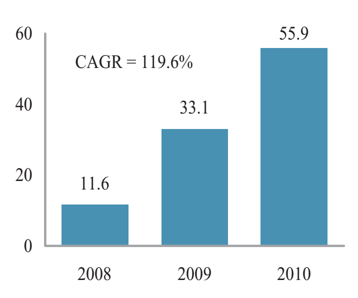
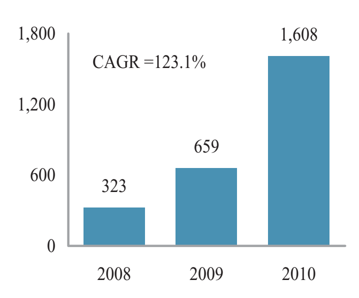
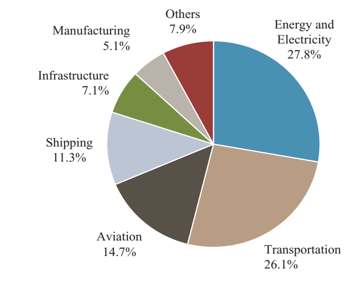
Overview

The Bank's leasing operations consist of both domestic and offshore businesses. The Bank's domestic leasing businesses are mainly carried out through ICBC Leasing, while its international leasing businesses are mainly conducted through the platform of ICBC International Leasing Company Limited, a company incorporated in Ireland in 2010 ("**Irish Leasing**").

ICBC Leasing was established in November 2007 in Tianjin as a wholly-owned subsidiary of the Bank and was the first bank-affiliated financial leasing company in the PRC approved by the CBRC. The Bank established ICBC Leasing as a key component in implementing its comprehensive operating strategy and products offering, and has provided the subsidiary with full support in its development. The Bank injected an initial capital of RMB2 billion into ICBC Leasing in 2007, and an additional RMB3 billion in 2009, making ICBC Leasing one of the best capitalised financial leasing companies in the PRC. Moreover, the Bank lends the strength of its extensive customer base, brand recognition, and risk management system to ICBC Leasing.

With favourable government policy support, strong backing by the Bank and an innovative operating platform, in less than four years since its inception, ICBC Leasing has quickly grown to become the largest financial leasing company in the PRC in terms of total assets, operating income and net profits as at 31 December 2010. The synergies with the Bank have led to significant operating efficiency. During this period, while ICBC Leasing's business amounted to 17.7% of the total assets and 18.1% of the total operating income of the domestic financial leasing industry, it only employed 9.6% of the domestic industry's workers and accounted for only 10.8% of the industry's capital. Between 2008 and 2010, ICBC Leasing's total assets increased from RMB11.6 billion in 2008 to RMB55.9 billion in 2010, representing a compound annual growth rate of 119.6%. During this same period, operating income increased from RMB323 million in 2008 to RMB1,608 million in 2010, representing a compound annual growth rate of 123.1%, whereas the operating profit grew from RMB253 million in 2008 to RMB779 million in 2010, representing a compound annual growth rate of 75.6%. With a focus on "big-ticket leases, large customers and large markets", ICBC Leasing had approximately 144 customers and 164 projects as at 30 June 2011.

Through the international platform, Irish Leasing, the Bank has engaged in financing of purchase of commercial airplanes by customers worldwide. The Bank has developed cooperative relationships with leading international airline companies, including British Airways, Singapore Airlines, Cathay Pacific Airways and Emirates. The Bank has also entered into strategic cooperation agreements with various international aviation manufacturers including Airbus, Boeing, and Commercial Aircraft Corporation of China.

<table>
<tr><th>Total assets (RMB bn)</th><th>Operating income (RMB mn)</th><th>Sector breakdown</th></tr>
<tr><td>
</td><td>
</td><td>
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<tr><td>Note: ICBC Leasing</td><td>Note: ICBC Leasing</td><td>Note: ICBC Leasing & Irish Leasing</td></tr>
</table>

The strategy, product innovation and customisation of the Bank's leasing business and support from and synergies with the Bank have led to numerous achievements, including: in aviation sector, the first operating lease among bank-affiliated leasing businesses in the PRC with British Airways, the first financial lease based on tax efficient Chinese special purpose vehicle structure with China Southern Airlines as well as the first Hong Kong tax lease among the PRC leasing companies with Cathay Pacific Airways. The success of these transactions was attributed to the increasingly favourable regulatory environment and support by the government, as well as product innovation by the Bank; in addition, it represents the Bank's ability to effectively compete in leasing industry against domestic as well as foreign players. In shipping sector, the cargo ships leasing agreement with China Huaneng Group amounting to RMB5.3 billion, representing the largest Chinese ship leasing program in 2008 and the first for PRC domestic banks, as well as the first cross-border innovative leasing program for the world's largest container ship in collaboration with SEASPAN, the world's largest ship leasing company, and COSCO Container Lines Co. Ltd, the PRC's largest shipping company. In 2011, the Bank's leasing business conducted the first cross-border leasing project settled in RMB. These transactions demonstrate the Bank's ability to win business from and customize leasing products for some of the largest shipping clients worldwide. The Bank's leasing business has achieved industry-wide recognition and received numerous awards including *Euromoney*'s "Best Asia-Pacific Aviation Lease Transaction Award" for two consecutive years (2008 and 2009) and "Best Airport Leasing Project Transaction Award" in 2010; *Chinese Financial Leasing Association's* "Outstanding Development Strategy Award" at its annual conference in 2009 and "Most Influential Financial Leasing Company Award" in 2010; "Best Financial Leasing Company" awards in 2009 and 2010 from the *Chinese Financial Institution Gold Medal List*; *China Business Network's* 2009 "Best Industry Promotion" and 2010 "Best Contribution to the Financial Leasing Industry" value list awards; and the *2010 Beijing 6th Annual International Finance Conference's* "Best Corporate Image" Award. The Bank's leasing business continues to pioneer the industry. In March 2011, ICBC Leasing entered into a memorandum of understanding with Bombardier Aerospace and Airbus to develop long-term strategic cooperation, under which ICBC Leasing becomes the first financial leasing company in the PRC that was approved by the regulatory authority to directly purchase aircrafts from international aircraft manufacturers. While the leasing companies previously faced regulatory constraints on direct purchase from international aircraft manufacturers and the use of foreign debt to finance such purchase, these transactions represents another milestone for the Bank to compete in the aviation leasing business more directly and effectively going forward.

Leasing Industry Overview

Global Recovery

During the six months ended 31 December 2010, the international financial leasing industry began to show signs of recovery as the number of new leasing projects increased, the amount of bad debt declined from its peak, and profits stabilised. According to the American Equipment Leasing and Finance Association, the equipment leasing market has further picked up in 2011. The sentiment in the aircraft leasing industry has improved as asset valuations have recovered and airline companies have returned to profitability. In the shipping industry, the supply of container ships remains stable while the volume of dry bulk carriers and oil tankers have experienced substantial volume increase. The industry associations in Germany, England and France have exhibited a similar upward trend.

Growth in the PRC

The PRC's economic growth and consumer demand for leasing products have been key drivers for growth in the financial leasing industry. Amount of financial leasing contracts outstanding in the PRC has grown rapidly from approximately RMB155 billion in 2008 to reach approximately RMB700 billion in 2010, representing a CAGR of 112.5%. Despite being the world's 4th largest leasing market in 2009, the leasing penetration rate in the PRC remains far lower than that of many developed nations. For instance, the leasing penetration rates in the United Kingdom, the United States, and Germany were 17.6%, 17.1%, and 13.9% in 2009 respectively, whereas the PRC's penetration rate was only 3.1%, indicating significant room for growth in China. In the medium term, increased demand is expected in the PRC financial leasing industry as the government adopts an increasingly contractionary monetary policy which tightens credit lending. Going forward in the long run, the financial leasing industry is also expected to benefit from the continued growth and development of the Chinese economy. According to the PRC's "Twelfth Five-Year Plan", the PRC's GDP is expected to maintain rapid growth over the next five years. As urbanisation and industrialisation continues, improvements in infrastructure and investment in airports, railroad and other transportation-related projects are expected to present significant growth potentials for the financial leasing industry going forward.

Business Description

ICBC Bank's leasing operations consist of both domestic and offshore businesses. The Bank conducts the domestic leasing business through ICBC Leasing, and carries out international leasing business through Irish Leasing. ICBC Leasing acts as manager for the Bank's overall leasing businesses and provides Irish Leasing with consulting and other advisory services.

ICBC Leasing's development has been supported by favourable government policy and initiatives. CBRC started to approve the establishment of bank-affiliated financial leasing companies in 2007, in order to address the tremendous financing needs for new aircrafts and large-scale projects, and to allow banks to deploy capital in such fast growing markets. As the first bank-affiliated financial leasing company to be approved by CBRC, ICBC Leasing was able to take advantage of the preferential tax treatment in Tianjin tax-free zone and gain the first mover advantage among the bank-affiliated leasing companies. The PRC government has promoted the use of financial leasing by domestic airline companies for aircraft purchases and continued to improve tax-efficiency of aircraft leasing arrangements, which allows lessors specialised in the aviation industry like ICBC Leasing to further grow. With the government support, ICBC Leasing has quickly developed large-scale strategic cooperation agreements with global leading aircraft manufacturers, such as Airbus and Bombardier Aerospace.

As a key product component of the Bank's integrated financial services platform, ICBC Leasing's financial leasing services extend the Bank's service scope and complement other product offering to increase the Bank's overall competitiveness. Through the purchases, leasing, management and disposal of the leased assets, ICBC Leasing brings new customers to the commercial banking and investment banking units of the Bank, such as lending, deposits, remittances and factoring business. ICBC Leasing has enhanced the Bank's ability to meet customers' needs for alternative financing and increased overall customer satisfaction.

ICBC Leasing provides a diversified product and service portfolio consisting of leasing services and industry-related services to meet the needs of different customers. ICBC Leasing's leasing products and services include financial leasing of newly purchased equipment, operating leasing, financing sale and leaseback, optimised sale and leaseback, structural tax lease, vendor leasing, equipment export lease and joint lease. ICBC Leasing also provides industry-related services including equipment and asset trading, equipment and asset management, and equipment investment consulting services. Leveraging on the Bank's strong support and customer network, ICBC Leasing primarily focuses on aviation, shipping and big-ticket equipment sectors, such as transportation, telecommunication, electric power and grid, urban infrastructure and manufacturing. ICBC Leasing focuses on large markets and large customers. This strategy allows ICBC Leasing to dedicate its resources to customised leasing products and value-added services to key customers in target industries, and to anticipate and adapt to shifting market conditions. By concentrating on big-ticket leasing businesses, which are influential for the relevant industries, ICBC Leasing is able to achieve economies of scale and market leading position.

In addition to the strong domestic leasing franchise, the Bank has developed an international platform to provide financial leasing services to a wide range of international customers. Through the international platform, Irish Leasing, the Bank has engaged in international financing for the purchase of commercial airplanes by customers worldwide. The Bank, through its subsidiaries, has entered into strategic agreements with various international aviation manufacturers including Airbus, Boeing, and Commercial Aircraft Corporation of China. In 2009, the Bank, acting through its subsidiaries, made its first entrance into the international aircraft leasing market with an agreement with British Airways. In 2010, the Bank accelerated the development of its overseas aviation leasing business by using financial and business consultants to effectively establish business linkages between the Bank's entities in Ireland, Macao, and Doha and distribute its assets across Germany, the United Kingdom, Ireland, the UAE, and Malaysia.

Aviation Financing

The Bank's leasing business provides personalised financial services to large-scale airlines, airports, airplane manufacturers, and aircraft maintenance companies. The Bank's leasing business has the capacity to design and offer customised leasing schemes to meet the different business needs of its customers and has achieved a market-leading position in the domestic industry in terms of the number of leased aircraft and the outstanding balance of the leased assets. The products of ICBC's leasing business cover various types of airplanes and other large equipment used by airports and airplane manufacturers such as engines, simulators, aviation equipment, and equipment used in aircraft manufacturing. The Bank's leasing business serves the leading airline companies in China, including Air China, China Eastern, China Southern, Hainan Airlines and Shenzhen Airlines, as well as renowned international carriers, such as British Airways, Cathay Pacific Airways, Singapore Airlines, Emirates Air Berlin, Virgin Atlantic, China Airlines, and Air Asia.

The Bank's leasing business leads and pioneers the industry. In 2009, the Bank's leasing business conducted the first operating lease among the PRC bank-affiliated leasing businesses for British Airways' two B777 aircrafts as well as the first Hong Kong tax lease for Cathay Pacific Airways' B747-400ERF aircraft. During the same year, in collaboration with China Southern Airlines, the Bank's leasing business pioneered the use of tax efficient Chinese special purpose vehicle structures in its leasing transactions for two B777F aircrafts. In 2010, the Bank's leasing business conducted the first PRC airport financing for Phoenix Airport. The success of these transactions was a direct result of the increasingly favourable regulatory environment and support by the government, as well as product innovation by the Bank. In addition, these deals represent the Bank's ability to effectively compete in leasing industry against domestic as well as foreign players. As a result of the customised and innovative product solutions, ICBC Leasing was awarded *Euromoney*'s "Best Asia-Pacific Aviation Lease Transaction Award" for two consecutive years (2008 and 2009) and "Best Airport Leasing Project Transaction Award" in 2010. With the government support, ICBC Leasing entered into an agreement with Airbus in June 2011 on the purchase of 42 aircrafts in the A320-family and signed a memorandum of understanding with Bombardier Aerospace in March 2011 on the purchase of

Series Q, Series CRJ, and Series C aircrafts, under which ICBC Leasing could provide financing for up to US$8 billion. Following the agreement with Airbus, in June 2011, ICBC Leasing entered into a memorandum of understanding with CFM, a joint-venture between Snecma (SAFRAN Group) of France and GE, for the purchase of 25 CFM56-5B aircraft engines. This was the first instance of a PRC financial leasing company directly purchasing a large-scale order of aircraft engines. In May 2011, ICBC Leasing delivered a brand new Airbus A320 to China Southern Airlines. The aircraft had originally been scheduled for delivery to Air Berlin but was transferred to ICBC Leasing as part of an agreement between the two companies. ICBC Leasing also oversaw the refurbishing of the aircraft in accordance with PRC operational and technical specifications. This was the first instance of a PRC financial leasing company acquiring an aircraft overseas by leveraging the delivery schedule of a strategic partner. ICBC Leasing was the first financial leasing company in the PRC that was approved by the regulatory authority to directly purchase aircrafts from international aircrafts manufacturers. The leasing companies previously faced regulatory barriers on direct purchase from international aircraft manufacturers as well as the raising of foreign debt to finance such purchase. With the regulatory approval received under the Bombardier Aerospace and Airbus deals, the transactions represents another milestone for the Bank to compete in the aviation leasing business more directly and effectively going forward.

As at 31 December 2010, the Bank's leasing business had a total of 58 aircraft (including one simulator) of which 52 were delivered and leased (46 passenger planes and 6 freight aircraft) and 6 were under construction. As at 30 June 2011, the Bank's leasing business had 63 aircrafts.

Shipping Financing

The Bank's leasing business is committed to the development of shipping finance and was one of the first companies to provide financial leasing services to the industry. ICBC's leasing business serves shipping companies, ports, ship manufacturers, and ship builders and provides its customers with specialised ship leasing products covering various types of ships and shipping equipment. The Bank's leasing business has achieved a leading position in terms of market analysis, development, and design of financial leasing products for the shipping industry.

Since establishment, the Bank's leasing business has been providing innovative and customized products and services for its shipping customers. In 2008, ICBC Leasing and the China Huaneng Group signed leasing agreements for new cargo ships for a total value of RMB5.3 billion, the largest Chinese ship leasing programs of the year and a first for Chinese domestic banks. That same year, ICBC Leasing entered into a RMB3 billion leasing program with China Sinotrans Group Co., Ltd, the first time that one of the three largest Chinese shipping companies entered into a strategic arrangement with a Chinese leasing company. In addition, ICBC Leasing provided financing to China Changjiang National Shipping (Group) Corporation for building the first roll on/ roll off ships in China. In 2009, in collaboration with the world's largest ship leasing company, SEASPAN, and the PRC's largest shipping company, COSCO Container Lines Co. Ltd, ICBC Leasing helped develop the first innovative leasing program for the world's largest container ship, which is the financing arrangement for the first mega container ship to be operated domestically. In a 2010 deal with the Hui Fu Group for two ocean-going bulk carriers, ICBC Leasing successfully introduced the first cross-border leasing project settled in RMB. In the same year, the Bank's leasing business provided leasing for a dry bulk carrier through offshore special purpose vehicle arrangement. These transactions demonstrate the Bank's ability to win business from some of the largest shipping clients worldwide, as well as to customize complicated transactions for the clients.

As at 31 December 2010, the Bank's leasing business had a total of 63 bulk carrier ships, including 49 newly constructed vessels. As at 30 June 2011, the Bank's leasing business had 151 ships, 57 of which had already been delivered and 94 of which remained under construction. Of the 151 ships, 144 were bulk carriers, four were cruise ships, two were roll on/ roll off ships, and one was a container ship.

Big-ticket equipment financial leasing

The strong relationships with both the Bank and major equipment manufacturers in the PRC allow the Bank's leasing business to draw upon a deep reservoir of industry knowledge and successful experience that supports its equipment leasing business. ICBC's leasing business serves the equipment manufacturing industry by providing equipment leasing services, satisfying customers' financing and investment needs, optimising customers' financial structures, and promoting technological advancement and replacement of industrial equipment. The big-ticket equipment financial leasing business involves a variety of services including financial leasing, operating leasing, sale-leaseback, and various advisory services. ICBC's leasing business has close relationships with a host of large Chinese customers all across the PRC, including Datang International Power Generation, China National Nuclear Corporation, Yunnan Highway Development & Investment, Sichuan Telecom, and Laigang (leading steel company in Shangdong). ICBC Leasing has assisted these firms in implementing a variety of rail vehicles, energy equipment, engineering machinery, production equipment, and other large leasing projects. As a result of the strong product development capability, ICBC Leasing was awarded *Chinese Financial Leasing Development Forum's* "Leasing Product Innovation Award" in 2008.

By the end of 2010, the Bank's leasing business had approximately 7,455 pieces of equipment assets. As at 30 June 2011, the Bank's leasing business had approximately 15,582 pieces of equipment assets.

The Bank's leasing business only had 130 employees as at 30 June 2011, approximately 95% of whom had a bachelor's degree and above and approximately 60% of whom had a master's degree and above. The professional staff also has experience in aviation, shipping, manufacturing, and other relevant industries.

The Bank's leasing business is led by an experienced management team:

LI Xiaopeng, Executive Director and Senior Executive Vice President of ICBC, Chairman of ICBC Leasing

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. Mr. Li 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 Leasing, 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. Mr. Li 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. Mr. Li graduated from Zhengzhou University and received a Doctorate degree in Economics from Wuhan University.

CONG Lin, President, ICBC Leasing

Mr. Cong joined ICBC Leasing in November 2007 and currently serves as President of ICBC Leasing. Prior to joining ICBC Leasing, From 1998 to 2006, Mr. Cong served as Head Representative of the Beijing Representative Office and Vice President of ICEA Finance Holdings Ltd. From 1990 to 1997, he served in various credit management roles in ICBC's Credit Department, Banking Department and International Business Department. Mr. Cong received a Bachelor's degree in Economics from Renmin University of China, a Master's degree in Economics from the Institute of Finance of the People's Bank of China and an EMBA degree from the Cheung Kong Graduate School of Business.

YAN Jun, Executive Director and Vice President, ICBC Leasing

Mr. Yan joined ICBC Leasing in 2007 and currently serves as Executive Director and Vice President of ICBC Leasing. Prior to joining ICBC Leasing, from 1995 to 2006, he served in a variety of roles in the Credit Department and Banking Department in the Head Office of ICBC, including Vice-Division Head, Division Head and Assistant General Manager of the Banking Department.

JI Fuxing, Vice President, ICBC Leasing

Mr. Ji joined ICBC Leasing in October 2010 and currently serves as Vice President of ICBC Leasing. Prior to joining ICBC Leasing, from 2007 to 2010, he served as a specialist in ICBC's Internal Auditing Department. From 2005 to 2007, he served as General Manager of ICBC Beijing Branch's First Business Department. He also previously served as President and Executive Vice President of ICBC Beijing Xinjiekou Branch and Division Head in ICBC Head Office's Credit Department and Banking Department.

TAO Mei, CFO, ICBC Leasing

Ms. Tao joined ICBC Leasing in December 2007 and currently serves as CFO of ICBC Leasing. Prior to joining ICBC Leasing, from 2005 to 2006, she served as Vice General Manager of ICBC London Branch. From 1989 to 2004, she served as Deputy Head of the Capital Operation Department, Vice General Manager of the Second Corporate Business Department and General Manager of the Banking Department at ICBC Beijing Branch. Ms. Tao received Bachelor's and Master's degrees in Economics from Renmin University of China.

Strengths of the Bank's Leasing Business

Industry leader with a differentiated strategy

ICBC's leasing business has grown rapidly by pursuing a highly focused strategy. Because of the strong capital support it receives from the Bank and the overall ICBC platform, the leasing business has been able to target capital-intensive sectors such as aviation, shipping and big-ticket equipment that are inaccessible to less well-capitalised leasing companies. The nature of big-ticket leasing, in which single transactions generate large amounts of revenue, provides ICBC's leasing business with attractive operating efficiencies and economies of scale.

ICBC's leasing business first developed this model of targeting large customers in big-ticket industries in the Chinese domestic market, where it rapidly established itself as an industry leader. Following this initial success, the leasing business leveraged ICBC's extensive global network to replicate the Bank's domestic success on an international scale. In less than two years since the founding of Irish Leasing, ICBC has successfully established a strong international leasing platform and become an active player in the international leasing market.

Unique capabilities through strong relationship with ICBC

ICBC is the largest commercial bank in China and it has strong brand name recognition both in the PRC and overseas. The leasing business is a core component of ICBC's integrated financial services platform and benefits directly from ICBC's overall franchise value, client base, and capital support.

ICBC's leasing business enjoys numerous advantages over its competitors in terms of developing and retaining customers, particularly those who are looking for an integrated solution to their financial needs both in the PRC and abroad. As a result, through joint marketing with key ICBC branches, the leasing business has helped the Bank develop new relationships with top-tier customers and expanded the Bank's existing relationships with ICBC's large corporate client base. By targeting the Bank's corporate customers with a need for long-term financing and balance sheet optimisation, ICBC's leasing business has developed a large, high-quality customer base in less than four years.

Access to the Bank's networks and client base also enables the leasing business to provide customers with a wide array of diversified, high value-added services beyond traditional leasing. For example, ICBC's leasing business can leverage the Bank's commercial banking network and capabilities to satisfy customers need for settlement, foreign exchange, deposits and other leasing-related financial services. Recognising the significant opportunities to generate additional revenue and better satisfy customers' needs through cross-selling, ICBC and its leasing business have jointly introduced a number of structured products that combine leasing with other financial services, including settlement, currency solutions, loans, receivables factoring, wealth management products and investment funds. This ability to act as a full-service provider helps distinguish ICBC's leasing business from other domestic and international leasing companies.

ICBC's expanding international network also provides the Bank's leasing business with numerous advantages, including a presence in key global leasing centres and the ability to develop innovative, tax efficient leasing products. The Bank's branches in London, New York and the Middle East put ICBC's leasing business in close proximity to its regional customers, allowing for better responsiveness and a more thorough understanding of local market dynamics. In addition, ICBC's leasing business can take advantage of the unique legal, tax and accounting policies of the various jurisdictions in which the Bank operates to provide customers with innovative products that satisfy their specific needs.

A leading customer base

With access to ICBC's broad platform and service capabilities, ICBC's leasing business has a base of leading customers, many of which have robust balance sheets and are industry champions in their respective fields of operations. For instance, the leasing business has worked with Air China, China Southern Airlines, British Airways, Singapore Airlines and Emirates in the aviation industry; China State Shipbuilding Corporation, COSCO and Sinotrans in the shipping industry; and China Huaneng Group, China Datang Group and China Railway Construction Corporation in the big-ticket equipment industry.

Global distribution channels

ICBC's leasing business is one of the few leasing businesses in the PRC that have truly global distribution channels. In 2010, the Bank established an international leasing platform in Ireland. Since then, the offshore leasing business has entered into memorandums of understanding with leading international aircraft manufacturers, including Airbus and Boeing, to facilitate strategic cooperation. Furthermore, by leveraging ICBC's global distribution channels and working closely with the Bank's entities in Ireland, the UK, Germany, the UAE, and Malaysia, the offshore leasing business has also developed relationships with leading international airlines including British Airways, Singapore Airlines, Cathay Pacific Airways, Emirates, Air Berlin and Air Asia.

ICBC's various business departments also serve as efficient channels for the promotion of the leasing business. For example, through cooperation between the leasing business and ICBC's corporate banking unit, the Bank has successfully introduced a structured lending package that offers loan and leasing to many of its equipment manufacturer customers. Such cooperation has led to substantial synergies across the Bank.

A track record of offering creative solutions for customers and developing new markets

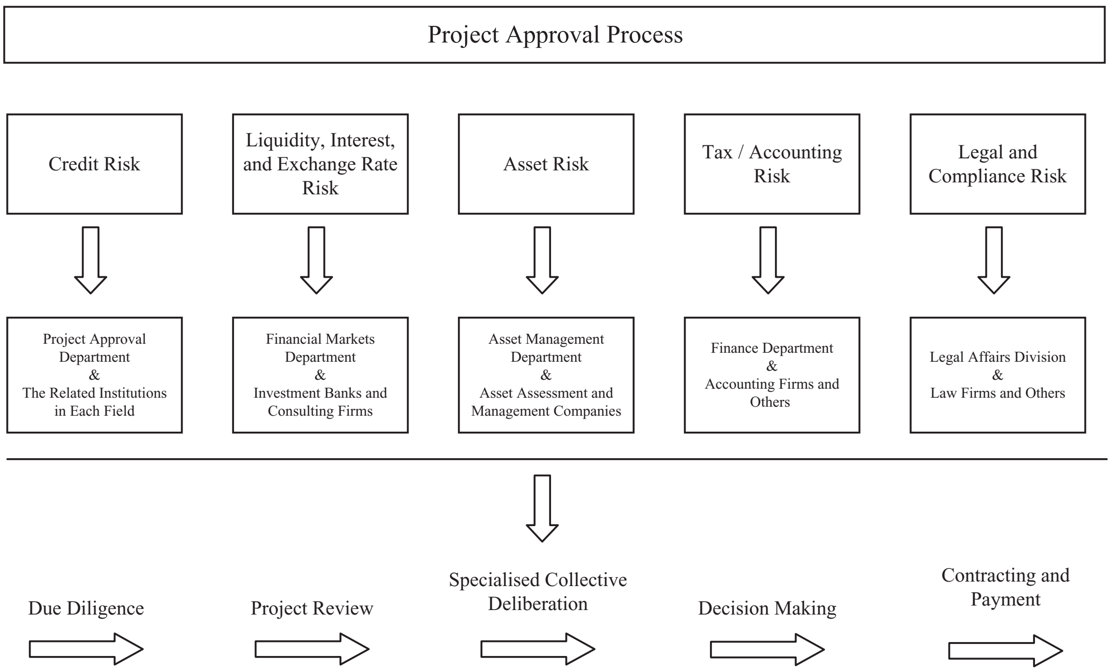
ICBC's leasing business has a track record of actively structuring and offering innovative products and services for customers. For example, by taking advantage of favourable policies in the Tianjin Tax Free Trade Zone, ICBC's leasing business pioneered the use of a tax efficient structure for domestic leasing projects, a technique now known within the leasing industry as the "Chinese tax free zone special purpose vehicle" model. Following this success, ICBC's leasing business developed a number of additional structured leasing products, including a ship warehousing leasing product.

Through its creative business approach, ICBC's leasing business has identified and expanded into new markets. For example, the leasing business is extending its client base to include top-tier companies upstream and downstream in the industrial chain. In addition, by utilising the Bank's customer base and distribution channels, the business has generated leasing revenues from over 100 high quality SMEs in southeastern coastal provinces of the PRC since the second half of 2010, helping to bridge the financing gap faced by these SMEs.

Comprehensive and robust risk management

ICBC's leasing business utilises a comprehensive risk management system designed to proactively minimise credit, market, liquidity, operational and physical asset risks. The risk management system of the leasing business is developed from and fully integrated with the Bank's overall risk management system.

Risk management is fully integrated into the leasing business' project approval process. At each step in the process, from due diligence to project review to contract signing and release of funds, all elements of risk arising from the project, including credit risk, market risk, liquidity risk, asset risk, tax/accounting risk and legal and compliance risk, are carefully and independently assessed by a designated party. These parties, include project teams, other business teams, specialised asset management teams, the finance team, the legal team and various third parties. The Bank's leasing business also has a dedicated asset management department staffed with industry experts to review and oversee risks relating to aircraft and ship leasing projects.



ICBC's leasing business measures and monitors its asset quality through a lease receivables classification system. In accordance with statutory requirements promulgated by the CBRC, the leasing business classifies lease receivables using a five-category classification system. These classification criteria are designed to assess the likelihood of repayment by the lessee and the collectability of principal and interest on the lease receivables. The five categories are normal, special mention, substandard, doubtful and loss as detailed below.

Pass. There is no reason to doubt that the loan principal and interest will not be paid by the lessee in full and/or on a timely basis. There is no reason to suspect that the lease receivables will be impaired.

Special Mention. Even though the lessee has been able to pay the lease payments in a timely manner, there are still factors that could adversely affect its ability to pay, such as if lease payments have been overdue for 30 days or more and the financial position of the lessee has worsened or its net cash flow has become negative, then the lease receivables for this lease contract should be classified as special mention or lower.

Substandard. The lessee's ability to pay is in question as it is unable to make its payments in full with its operating revenues, and the lessor is likely to incur losses notwithstanding the enforcement of any guarantees underlying the lease contract.

Doubtful. The lessee's ability to pay is in question as it is unable to make lease payments in full and/or on a timely basis with its operating revenues and the lessor is likely to incur significant losses notwithstanding the enforcement of any guarantees underlying the lease contract.

Loss. After taking all possible steps or going through all necessary legal procedures, lease payments remain overdue or only a very limited portion has been recovered.

By utilising an industry-leading risk management and project risk control system, the Bank's leasing business has maintained strong asset quality since inception.

An experienced management team

The leasing business' management team is comprised of highly experienced professionals with diverse backgrounds in leasing, banking, investment banking, global capital markets and relevant industry experience. This enables the leasing business to effectively identify and cultivate relationships with leading customers in its target industries. It also allows ICBC's leasing business to develop full-service leasing solutions tailored to meet the needs of its extensive, global network of sophisticated customers. There is overlapping senior executive between the Bank and its leasing business, such as Mr. Li Xiaopeng, who is the Chairman of ICBC Leasing as well as the Executive Director and Senior Executive Vice President of the Bank. The dual roles of senior management help to ensure close cooperation between the Bank and the leasing business to maximize synergies.

Strategies of the Bank's Leasing Business

Maintain specialised industry focus, anticipate and adapt to continuously shifting market conditions and methodically proceed with international expansion

The Bank will enhance its position as a leasing industry innovator by remaining focused on select big-ticket industries and leveraging the expertise of its experienced management team to anticipate the changing needs of customers within these industries. Although the leasing business will continue to focus on the aviation, shipping and big-ticket equipment sectors, it will also devote additional resources to the electricity, railroad, ground shipping and other industries. Moreover, while the Bank expects that the domestic market will continue to account for the majority of its leasing business over the next three years, it plans to devote significant financial and managerial resources to developing its offshore leasing business. By pursuing this strategy, the Bank aims to maintain its leading market position within the PRC and establish itself as a leader in the international leasing market.

Expand the Bank's customer base by targeting industry leaders, key markets and marquee projects

ICBC's leasing business places great emphasis on customer selection and will continue to selectively target large and medium sized state-owned enterprises, leading multinational corporations and other high-quality customers. The leasing business will also focus on customers in strategically important industries and those involved in marquee public and private-sector projects. The leasing business believes that doing so not only reduces the aggregate credit risk of its leasing activities, but also serves as an effective promotional tool for its services and strengthens ICBC's positioning as a leader in the leasing industry.

Promote closer integration between ICBC and the leasing business

ICBC's leasing business is differentiated by its ability to provide value-added services beyond traditional leasing. The Bank's leasing business will continue to fully leverage ICBC's vast customer base, extensive distribution channels, strong brand recognition and integrated financial services platform to develop innovative new leasing products and services and secure additional high-quality customers. It will also coordinate with various ICBC branches to engage in marketing efforts targeted at customers in need of full-service solutions for their financing needs both domestically and internationally.

In order to ensure continued financial and managerial support from ICBC, the leasing business will focus on extending the Bank's portfolio of financial services and enhancing its overall service capabilities. As the leasing industry grows increasingly important, ICBC's ability to provide customers with sophisticated leasing services will increase the Bank's competitiveness and help drive the expansion of a number of other businesses, including clearing, remittance, exchange settlement and trade financing.

Further improve risk management capabilities

In an effort to further enhance its existing risk management processes, ICBC's leasing business has adopted a comprehensive strategy to meet four key objectives over the next three years. First, ICBC's leasing business aims to upgrade its risk management systems to cover risks from "all locations, the entire process, and all personnel". Second, ICBC's leasing business strives to adjust its current project risk assessment framework, which is based on a credit risk-centric approach, to a more comprehensive system encompassing both credit risk and asset investment risk. Third, ICBC's leasing business aims to adopt a more systematic decision making process promoting greater reviewer responsibility through professional consultation. Fourth, ICBC's leasing business plans to adopt a more integrated and compatible risk management model which allows for information sharing and collaboration with the Bank's other entities under the guidance of the centralised risk management system.

ICBC's leasing business plans to take the following steps to further improve risk management. For credit risk management, ICBC's leasing business aims to further adjust the project approval process and optimise its organisational structure, including the addition of a Chief Risk Officer, to promote greater separation of front, middle and back office functions. To optimise its credit profile, ICBC's leasing business also intends to align its lending policy and strategy with that of the Bank in order to avoid over exposure to certain industries. For market risk management, ICBC's leasing business intends to further improve its market risk management procedure by forming company guidelines on market risk management and increasing the frequency with which it evaluates interest risk and foreign currency risk and engages in management reporting. For liquidity risk, ICBC's leasing business plans to increase the limit of its credit lines outstanding and to diversify its counterparty base by establishing business relationships with more banks. By following the detailed implementation plans, the Bank believes it will further strengthen its risk management capabilities and maintain an effective risk management system.

Actively optimise liability structure

ICBC's leasing business strives to actively manage its liability structure in order to obtain the most competitive cost of financing and optimal duration match between assets and liabilities. Traditionally, the domestic loan market has been the primary source of funding for Chinese leasing companies. Since its establishment, ICBC's leasing business has been expanding its funding sources. The leasing business has actively tapped into the domestic interbank lending market to access cost-effective funds. It also engages in lease receivable factoring and transferring to better manage its liquidity condition. In addition, the leasing business distributes leasing trust products by partnering with trust companies. The leasing business intends to further optimise its diversified funding structure by fully leveraging its existing funding channels as well as exploring new sources of funding. This issuance of the Notes represents a significant step toward further improving the leasing business' overall funding mix, maximizing financial flexibility and securing an optimal asset liability match.

FUNDING AND CAPITAL ADEQUACY

FUNDING

The Bank's funding operations are designed to ensure stability of funding, minimise funding costs and effectively manage liquidity. Although customer deposits have always been its main source of funding, the Bank aims to maintain a diversified funding base. The Bank's funding is primarily derived from retail deposits placed with it by its corporate and consumer clients. It also derives funding from shareholders' equity, debt instrument issuance and interbank borrowings. The Bank raises foreign currency from customers' foreign currency deposits and occasionally from borrowings with counterparties. The following table gives a breakdown of the Group's customer deposits classified by product type and business line as at the dates indicated:

Unit: In RMB millions, except for percentages

	As at 30 June				As at 31 December					
	2011		2010		2010		2009		2008	
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
Corporate deposits										
Time deposits	2,112,556	17.5	1,914,605	17.7	1,925,605	17.3	1,625,829	16.6	1,380,907	16.8
Demand deposits	3,788,051	31.5	3,448,278	31.9	3,545,704	31.8	3,162,661	32.4	2,558,060	31.1
Sub-total	5,900,607	49.0	5,362,883	49.6	5,471,309	49.1	4,788,490	49.0	3,938,967	47.9
Personal deposits										
Time deposits	3,225,835	26.8	3,038,107	28.0	2,990,945	26.8	2,852,197	29.2	2,578,265	31.4
Demand deposits	2,453,220	20.3	2,054,883	19.0	2,252,712	20.2	1,808,235	18.5	1,431,983	17.4
Sub-total	5,679,055	47.1	5,092,990	47.0	5,243,657	47.0	4,660,432	47.7	4,010,248	48.8
Overseas and others (1) ...	271,091	2.3	221,591	2.0	237,715	2.1	185,640	1.9	158,222	1.9
Others(2)	196,385	1.6	155,325	1.4	192,876	1.8	136,715	1.4	116,009	1.4
Total	12,047,138	100.0	10,832,789	100.0	11,145,557	100.0	9,771,277	100.0	8,223,446	100.0

Notes:

(1) Includes overseas branches and domestic and overseas subsidiaries

(2) Mainly include outward remittance and remittance payments.

The following table gives a breakdown of the Group's customer deposits (on a consolidated basis) classified by remaining maturity for the periods indicated:

Unit: In RMB millions, except for percentages

	As at 30 June				As at 31 December					
	2011		2010		2010		2009		2008	
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
Demand(1)	6,601,599	54.8	5,809,325	53.6	6,134,482	55.1	5,227,043	53.5	4,177,866	50.8
Less than 3 months	1,755,149	14.6	1,626,280	15.0	1,697,494	15.2	1,519,544	15.6	1,350,735	16.4
3 to 12 months	3,013,502	25.0	2,869,767	26.5	2,527,394	22.7	2,359,489	24.1	2,098,624	25.5
1 to 5 years	667,251	5.5	524,966	4.9	772,418	6.9	655,590	6.7	590,151	7.2
Over 5 years...	9,637	0.1	2,451	0.0	13,769	0.1	9,611	0.1	6,070	0.1
Total	12,047,138	100.0	10,832,789	100.0	11,145,557	100.0	9,771,277	100.0	8,223,446	100.0

Note:

(1) Includes the time deposits payable on demand.

The following table sets forth the Bank's core capital and supplementary capital, risk-weighted assets and capital adequacy ratios (on a standalone basis) computed in accordance with the applicable CBRC guidelines.

Unit: In RMB millions, except for percentages

	As at 30 June		As at 31 December		
Item	**2011**	**2010**	**2010**	**2009**	**2008**
Core capital	834,799	667,384	750,970	622,121	543,642
Share capital	349,020	334,019	349,019	334,019	334,019
Reserves[(1)]	484,555	328,044	400,724	283,061	205,668
Minority interests	1,224	5,321	1,227	5,041	3,955
Supplementary capital	214,418	140,838	174,505	172,994	121,998
General provisions for loan impairment	73,340	63,544	67,905	97,994	82,834
Long-term subordinated bonds	116,211	75,000	78,286	75,000	35,000
Convertible bonds	24,867	-	24,870	-	-
Other supplementary capital	-	2,294	3,444	-	4,164
Total capital base before deductions	1,049,217	808,222	925,475	795,115	665,640
Deductions	49,397	48,431	53,102	63,159	45,607
Unconsolidated equity investments	21,501	20,398	22,649	19,559	19,499
Goodwill	26,121	25,012	27,369	24,621	20,579
Others	2,315	3,021	3,084	18,979	5,529
Net capital base	999,280	759,791	872,373	731,956	620,033
Net core capital base	795,613	630,662	709,193	586,431	510,549
Risk weighted assets and market risk capital adjustment	8,105,103	6,698,521	7,112,357	5,921,330	4,748,893
Core capital adequacy ratio	9.82%	9.41%	9.97%	9.90%	10.75%
Capital adequacy ratio	12.33%	11.34%	12.27%	12.36%	13.06%

Note:

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

RISK MANAGEMENT

ACHIEVEMENTS IN RISK MANAGEMENT IN RECENT YEARS

Since its initial public offering in 2006, the Bank actively responded to the challenges brought by various uncertain factors and risks by enhancing corporate governance and improving internal control. It has continued to improve its comprehensive risk management system, strengthened the construction of comprehensive risk management policies, developed and completed templates for risk evaluation, gradually established industry-leading risk information system and built up a comprehensive risk management system with the its unique characteristics which will be continuously improved and refined. The Bank further improved the comprehensive risk management framework at the group level by adding concentration risk, reputational risk and strategy risk management into the framework, continuously enhanced the promotion and application of internal rating achievements and successfully completed the preliminary assessment of the implementation of Basel II. The Bank earnestly implemented the requirements of the "Three Measures and One Guideline" of the CBRC and actively promoted the implementation of Basel II. The Bank has accelerated the construction, development and optimisation of quantitative risk measurement system including IRB approach on credit risk, IMA on market risk and advanced measurement approach ("AMA") on operational risk and expanded their applications throughout the risk management process.

In recent years, the Bank achieved a series of satisfactory results in risk management. Its achievement can be summarised as "full process, full coverage, new standards and new technologies". In particular, the Bank has implemented risk management throughout the entire process of risk identification, measurement, control, monitoring, evaluation and reporting. Its risk management covers all of its entities from the group level to all overseas branches and all business operations. The Bank has taken the initiative in the PRC in developing and researching measurement methods of various risks defined in Basel II and maintained a leading position in risk measurement. The Bank has established an industry-leading IT support system with the capability to comprehensively cover the entire risk management process, in order to provide technical support for risk management.

Its ongoing efforts in risk management in recent years have achieved remarkable results. The Bank has continued to improve its assets quality and taken a leading position in this regard in the PRC banking industry.

Further improvement on the Bank's comprehensive risk management system

- The Bank has structured market risk measurement techniques based on its IMA for market risk

  The Bank has engaged in the construction of a market risk management system, improved its market risk measurement and control and achieved centralised management of market risk measurement. Since the second quarter of 2008, the Bank has measured the Value at Risk ("VaR") for the trading accounts at its Head Office (including products such as RMB and foreign currency denominated bonds, settlement and sales of Renminbi, and foreign exchanges trading) by utilising historical simulation data.

  The Bank has launched independent research and development projects for financial market business and risk management, and through these projects it has learned the advanced risk measurement and pricing techniques that are used in the world. The Bank will use fully-priced historical simulation data to measure its VaR and develop its VaR measurement model and a series of other methodologies for risk measurement, including a pricing/valuation model for products in financial market business and sensitivity calculation methods to improve its overall capabilities in relation to market risk measurement.

  The Bank has established its market risk measurement approach and has standardised its market risk measurement methodologies and techniques.

- The Bank's operational risk has basically satisfied the requirements set out in the standardised approach

  The Bank is among the first in the PRC to have adopted the AMA for operational risks. It has improved the timeliness and completeness of data collection, gradually established a unified operational risk data mart through centralised management of operational risk data and improved timeliness and informatisation of its operational risk management. The Bank has also increased its internal verification efforts for loss events caused by operational risk and improved the completeness and accuracy of its loss data statistics.

  Further, the Bank has enriched and improved its operational risk management tools, including operational risk and control self-assessment and key risk indicators analysis and scenario analysis, and consistently expanded the application of these tools in operation management, which has gradually enhanced the sensitivity and reliability of its operational risk management.

  In addition, the Bank has established implementation measures for the measurement of regulatory capital for operational risk and has standardised measurement rules and procedures under the Standardised Approach.

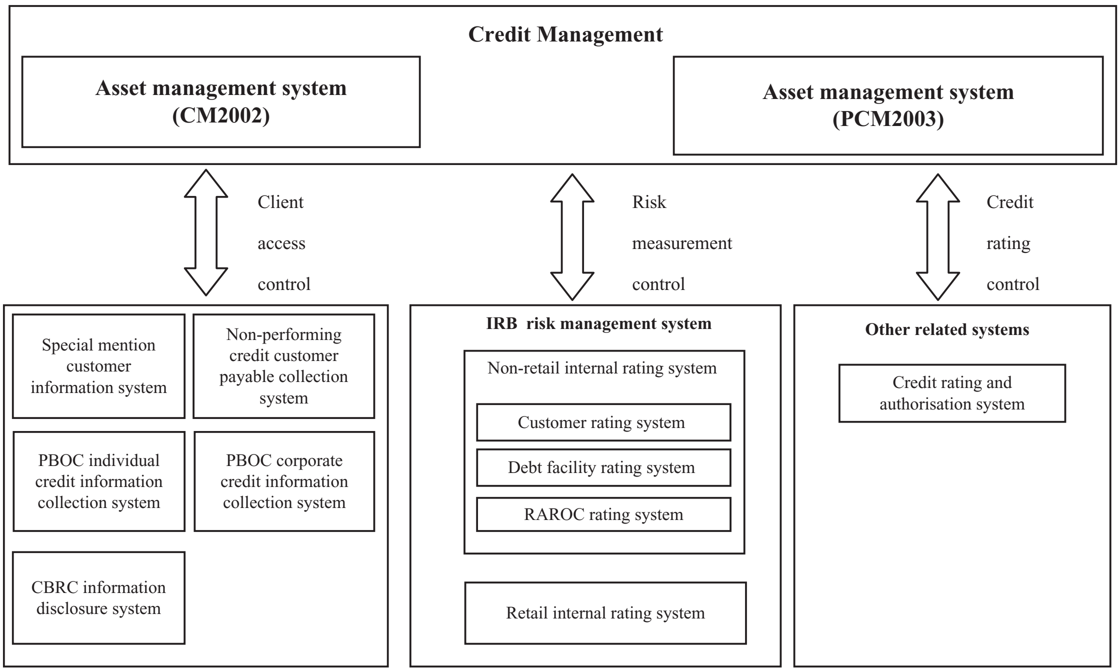
Further improvement of the Bank's IT system which covers the entire risk management process

The Bank has established and improved its IT system which covers the entire risk management process including risk identification and measurement, risk control, monitoring and assessment as well as risk reporting. Its key risk management processes and the corresponding IT system are set out below.

- Credit Risk Management Systems

  The Bank's information systems related to credit risk management include the asset management system (CM2002/PCM2003) and the new generation asset management system (overseas version) which is currently under development.

  The asset management system (CM2002/PCM2003) is a centralised, network-based and large scale data application system that is built on an open platform based on advanced information technology, covering all credit business for the Bank's corporate and individual customers.



Leveraging on the advantage of data centralisation, the Bank has established a new type of credit management system mainly represented by the asset management system (CM2002/PCM2003). This system, supplemented by the special mention customer information system, PBOC personal credit information collection system, credit rating and authorisation system, IRB risk management system and other systems, forms the Bank's comprehensive credit risk management application system. The Bank has achieved full integration and business process reengineering in the credit risk asset business.

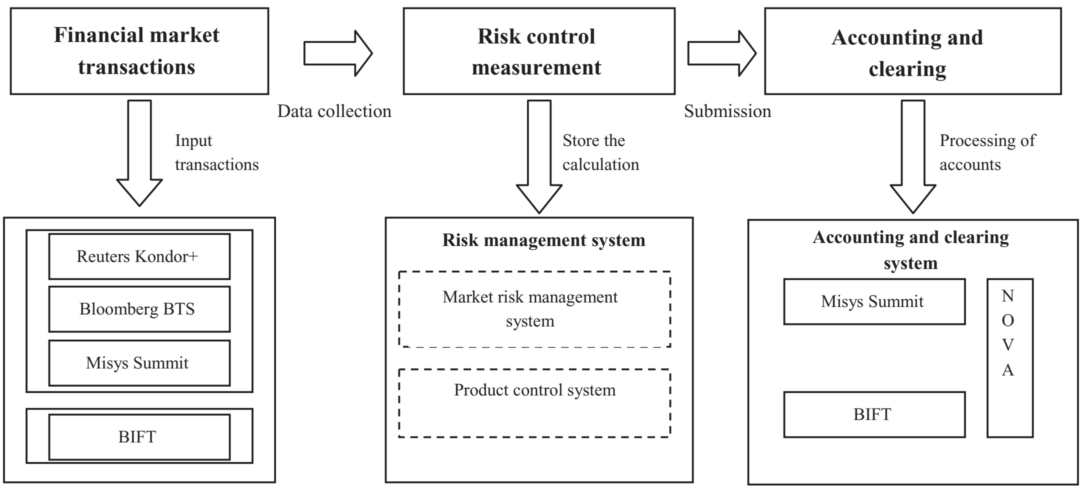
The Bank is among the first in the PRC to establish a unified asset management system (CM2002/PCM2003), covering the entire credit business, for all of its corporate and individual customers. Through centralised data management, it has achieved automation, standardisation and strict control on its credit business process and promoted the reform of, and innovation in, the internal management of its credit business and improved its risk control capabilities.

In terms of customer access control, the Bank has formed a customer credit risk management system cluster with the CIIS system as portal and the CBRC information disclosure system and the PBOC credit information collection system as the key components, achieved the seamless connection with the asset management system (CM2002/PCM2003), and further enhanced credit risk protection against non-performing credit customers, in particular, the ability to control inter-bank credit risk.

In terms of risk measurement and monitoring, the Bank has established a unified bank-wide measurement and management system for non-retail and retail credit risk. Its credit risk management has transformed from a simple function of risk control and monitoring to an integrated risk management process consisting of risk identification, measurement, monitoring and control. The sophistication of the Bank's risk management has been improving. At the same time, the Bank has applied the quantitative results into the risk management process, achieving a linked system with its front office credit system and credit card system.

In terms of credit rating and authorisation, the Bank has achieved unified credit control for loans, bills, cash transactions and other businesses through a unified credit verification and control system that covers the credit calculation and credit line application approval process for all types of customers, effectively enhancing credit and non-credit risk control.

- Market Risk Management System



To integrate all types of fund business in the financial market trading system into a unified market risk management platform and to accurately report risk management information to the Board of

Directors and management in a timely manner, the Bank has established a full process market risk management system framework comprising transaction bookkeeping at the front office, risk measurement control at the middle office and clearing systems at the back office.

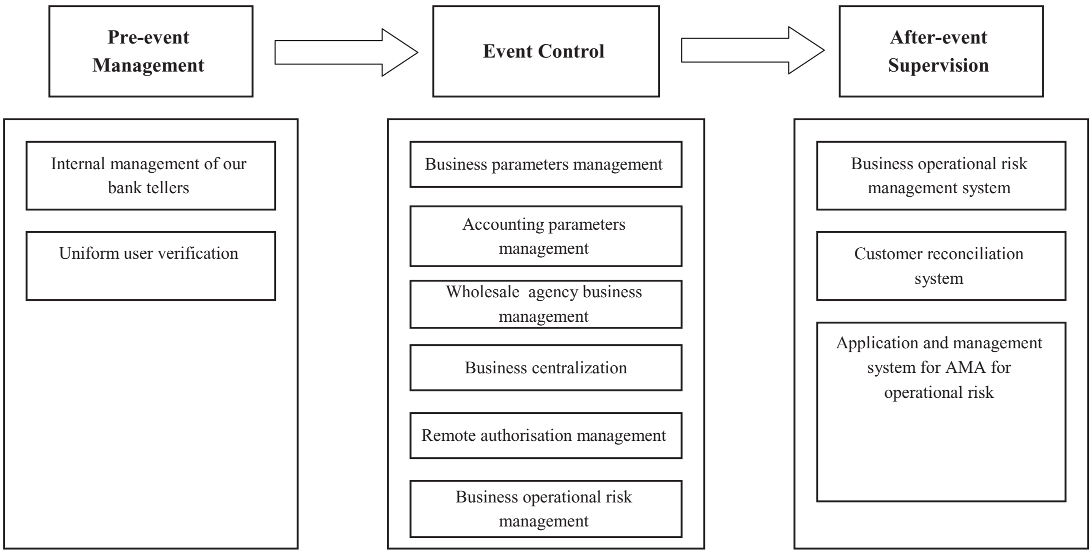
At the front office financial market transaction level, the RMB fixed income and bond businesses are managed through the BIFT system independently developed by the Bank. Foreign currency transactions and foreign money market transactions are managed through the Kondor+ system. The foreign currency fixed income business is managed through the BTS system and foreign currency derivatives are managed through the Summit system.

At the middle office risk control and measurement level, leveraging the Bank's market risk management system, the Bank has achieved the centralisation of market risk data collection, measurement and management, supporting the daily VaR measurement, stress test, backtesting and limit management for market risks in relation to financial market transaction accounts. Meanwhile, through its product control system, the Bank independently conducts verification and analysis of the position, price, value and profit and loss of financial market products to ensure the authenticity and accuracy of the different elements of the financial market transactions, which is an important means to guard against false and erroneous transactions.

At the back office accounting and clearing level, the Bank conducts account clearing through the BIFT system and the Summit system. In addition, it manages accounts clearing and handling by linking the above systems to its core application system, NOVA. At the same time, it has achieved the reconciliation function for its front, middle and back offices.

- Operational Risk Management System

The Bank's operational risk management system runs through the entire process of pre-event management, event control and after-event supervision. The Bank has achieved effective control and prevention of operational risk through the hard control means provided by its system, focused on the further enhancement of the level of centralised risk control and strengthened management in high-risk business areas and key steps. Meanwhile, it is actively promoting the development and application of the AMA for operational risk and enhancing its ability in operational risk management and measurement to meet the requirement of CBRC's advanced approach for Operational Risk.



As regards the internal management of its tellers, the Bank has established strict control over tellers' job functions, as well as their scope of business and business operations by managing several parameters relating to tellers' authority cards and authorised limits. Through its unified authentication system, it has achieved flexible definitions and strict control over the interaction between users of the open platform system and its professional systems, job authority limits and business operations.

Based on the idea of parametric business management, the Bank has achieved full standardisation and control of business processing workflow and accounts processing logic. Based on its management principle of "separating handling from authorising and requiring authorisation in handling", the Bank has achieved rigid control management over the relevant approval processes involved in accounting elements allocation, deposits and withdrawals. Through promoting the segregation of front end and back end in its business processes and establishing a bank-wide centralised system of business processing, the Bank has achieved centralised risk management and enhanced its risk control ability.

The Bank has developed systems for reconciliation between banks and corporations, credit cards reconciliation and personal consolidated account reconciliation, providing its customers with information related to their accounts and transactions through various channels so that they can verify and confirm such reconciliations, and as a result has enhanced customer supervision of its operations.

As at the date of this Offering Circular, the Bank is further promoting the construction and application of AMA for operational risk. Through a quantitative model, the Bank can provide an integrated evaluation of its internal and external loss data on operational risk, the results of scenario analysis and internal risk control and business environment factors. In addition, the Bank has achieved measurement and allocation of its operational risk regulatory capital. These efforts help the Bank to effectively identify, assess, monitor, control and mitigate its operational risks. Through the refinement of the measurement, the Bank has enhanced its risk management and capital utilisation and set up a solid foundation for comprehensive capital adequacy management.

IMPLEMENTATION OF BASEL II

The CBRC issued "The Guidelines on the Implementation of Basel II by China's Banking Sector" in February 2007 and made an official decision to regulate the first batch of commercial banks under Basel II from 2010, and in any case no later than 2013. To strive to be among the first batch of domestic banks to be approved to implement Basel II, the Bank established a project team in 2007 for the implementation of Basel II on top of the existing project team for its IRB project. This project team is responsible for making decisions on important matters in relation to the implementation of Basel II. In August 2011, the CBRC published draft rules of "Regulatory Measures for Capital of Commercial Banks" for public consultation which was intended to reflect the latest regulatory capital requirements established by Basel III.

In recent years, the Bank has actively promoted the implementation of Basel II in accordance with the requirements of the "Plan for the Implementation of Basel II". With its efforts in the past few years, the Bank has essentially completed the preparation for the first pillar of Basel II and has actively started building the second pillar.

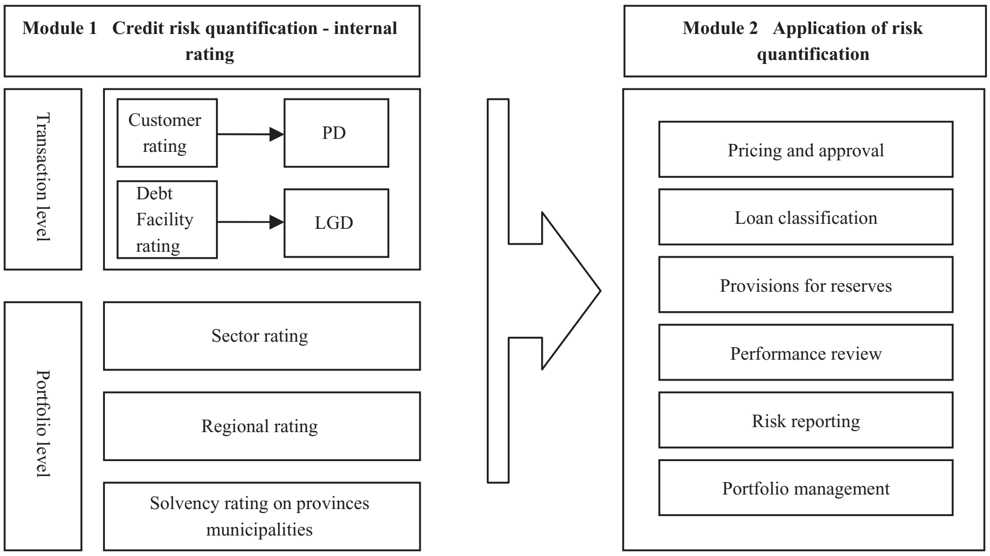
Implementation of the First Pillar

- The Bank's credit risk has generally satisfied the requirements of the IRB approach

  (1) IRB approach for non-retail business

  The Bank's IRB project for non-retail business credit risk was launched in September 2005 and was completed at the end of 2006. On the transaction level, the Bank has established a two-dimensional rating system consisting of customer rating and loan rating, achieved the scientific measurement of the probability of default ("PD") and loss given default ("LGD") indicators; on the portfolio level, it has developed sector rating, regional rating and solvency rating in relation to the provinces and municipalities.

  Based on the results of the IRB project, the Bank has strengthened the application of its IRB system in areas such as loan pricing and approval, loan classification, provisions for reserves, performance review, risk reporting and portfolio management. It has also developed the customer rating optimisation system, debt rating system, customer RAROC system, portfolio rating system and data mart. Since the commencement of operation, these systems have been in stable operation. Measurement results from these systems have gradually been used in the Bank's risk management decision-making process.



(2) IRB approach for retail business

The Bank's IRB project for retail business credit risk was launched in March 2006 and was completed at the end of March 2008. The Bank has preliminarily established a credit rating modelling system which covers the entire lifecycle of retail business and an asset pool dividing system which covers all retail asset risk exposure, and realised the first measurement of its risk parameters.

During the six months ended 30 June 2009, the individual loan and credit card modules of the Bank's individual customer internal rating system were put into operation. At the end of 2009, the Bank launched an individual customer RAROC rating system and achieved the RAROC projection and minimum lending interest rate calculation functions on new loan applications.

At the beginning of 2010, the Bank fully launched its retail internal rating model management platform which combines the implementation and approval functions for model development, verification and application to achieve a streamlined, automated retail internal rating measurement model management. The project is implemented in phases, with the first phase primarily covering the development of the system framework, collection of basic data, model indicator processing, model verification and approval process management. The Bank has completed the research and development of these items and has now progressed into the testing phase. It is expected that the application of the platform will commence soon.

(3) Advanced measurement of credit risk

In 2008, the Bank launched its credit risk advanced measurement project to solve portfolio risk measurement and derivatives EAD measurement and it has established stress test scenarios and methodologies, which has further improved its credit risk management.

(4) Verification of credit risk measurement

Since the second half of 2009, the Bank has launched its credit risk measurement verification project, which enables comprehensive verification of its credit risk measurement methodologies, results, systems, processes and IT systems and improves the stability and reliability of its rating system.

Currently, the Bank's IRB approach for credit risk has been used across the entire risk management process, including customer selection, credit rating, pricing, credit authorisation, credit approval and quality classification, providing risk measurement for risk management in all of its business processes.

- Construction of the Bank's market risk internal model project

  The Bank is striving to construct a market risk internal model to implement Basel II. In 2009, it comprehensively launched independent research and development projects for its financial market business and risk management, targeting the establishment of a market risk internal model. The core tasks are to develop the independent research and development system for market risk management, and to establish and improve the market risk management system and procedures, as well as risk measurement methods and valuation models, to improve the Bank's market risk management in line with the best international standards.

- The Bank's operational risk has basically satisfied the requirement of the standardised approach

  In 2008, the Bank was among the first in the PRC's banking industry to launch the AMA project. Major aspects of the project have now been completed. The AMA application system is able to support electronic-based management of the various tools for operational risk such as the automatic collection of operational risk loss data and self risk assessment, which changes the Bank's previous manual-based management approach and enhances the timeliness and completeness of data collection. The Bank has gradually established a bank-wide standardised operational risk data mart through centralised management of operational risk data, and improved the timelines and effectiveness, as well as the informatisation, of its operational risk management.

- Implementation of the Second Pillar

  In July 2009, the Bank commenced a management consultation project relating to the Internal Capital Adequacy Assessment Process ("ICAAP") in connection with the implementation of the second pillar. The project will provide the Bank with an integrated internal capital adequacy assessment process to fully evaluate various substantial risks faced by it, the quality of its risk management and overall capital adequacy. So far, the Bank has completed the development of templates for risk evaluation, preliminarily established the comprehensive risk evaluation system and achieved certain milestones.

DESCRIPTION OF THE BANK'S ASSETS AND LIABILITIES

The following discussions and analysis should be read in conjunction with the Bank's audited consolidated financial statements at and for the years ended 31 December 2008, 2009 and 2010, and the Bank's unaudited interim condensed consolidated financial statements at and for the six months ended 30 June 2011. The Bank's consolidated financial statements have been prepared in accordance with IFRS. Unless otherwise stated, all financial data discussed in this section are consolidated financial data.

ASSETS

Overview

The Bank follows a strategy of limiting its exposure to particular sectors or borrowers by building a diverse asset portfolio. As at 30 June 2011, the Bank's total assets amounted to RMB14,896,048 million. The steady growth of the Bank's total assets is largely attributable to the stable and sustained growth of funding sources such as customer deposits, contributing to the expansion of the scale of the Bank's businesses such as lending and investment. The following table sets out a breakdown of the Bank's total assets as at the indicated dates.

Item	**30 June 2011**		**31 December 2010**		**31 December 2009**		**31 December 2008**	
	Amount	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
	(RMB m)	*%*	*(RMB m)*	*%*	*(RMB m)*	*%*	*(RMB m)*	*%*
Total loans and advances to customers	7,334,040	-	6,790,506	-	5,728,626	-	4,571,994	-
Less: Allowance for impairment losses on loans	181,453	-	167,134	-	145,452	-	135,983	-
Loans and advances to customers, net	7,152,587	48.0	6,623,372	49.2	5,583,174	47.4	4,436,011	45.5
Investment in securities, net	3,729,597	25.0	3,732,268	27.7	3,599,173	30.5	3,048,310	31.2
Cash and balances with central banks	2,845,902	19.1	2,282,999	17.0	1,693,048	14.4	1,693,024	17.4
Due from banks and other financial institutions, net	461,686	3.1	248,860	1.8	235,301	2.0	168,363	1.7
Reverse repurchase agreements	357,829	2.4	262,227	2.0	408,826	3.5	163,493	1.7
Others	348,447	2.4	308,896	2.3	265,531	2.2	247,945	2.5
Total assets	14,896,048	100.0	13,458,622	100.0	11,785,053	100.0	9,757,146	100.0

In this section, unless otherwise specified, loans and advances to customers or loans to customers represent total loans and advances to customers before deduction of allowance for impairment losses on loans, rather than net loans and advances to customers.

Distribution of Loans by Business Line

The following table sets out the distribution of the Bank's loans to customers by business line as at the indicated dates.

Item	**30 June 2011**		**31 December 2010**		**31 December 2009**		**31 December 2008**	
	Amount	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
	(RMB m)	*%*	*(RMB m)*	*%*	*(RMB m)*	*%*	*(RMB m)*	*%*
Loan of domestic operations	6,879,243	93.8	6,450,670	95.0	5,494,428	95.9	4,387,759	96.0
Corporate loans	4,963,135	67.7	4,700,343	69.2	3,957,786	69.1	3,232,102	70.7
Discounted bills	105,331	1.4	117,135	1.7	329,792	5.7	326,315	7.1
Personal loans	1,810,777	24.7	1,633,192	24.1	1,206,850	21.1	829,342	18.2
Overseas and others[(1)]	454,797	6.2	339,836	5.0	234,198	4.1	184,235	4.0
Total	7,334,040	100.0	6,790,506	100.0	5,728,626	100.0	4,571,994	100.0

Note:

(1) "Overseas and others" includes overseas branches and domestic and overseas subsidiaries.

Distribution of Corporate Loans by Maturity

The following table sets out the distribution of the Bank's corporate loans by maturity as at the indicated dates.

Item	30 June 2011		31 December 2010		31 December 2009		31 December 2008	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB m)	%	*(RMB m)*	%	*(RMB m)*	%	*(RMB m)*	%
Short-term corporate loans	1,511,409	30.5	1,350,106	28.7	1,190,417	30.1	1,133,303	35.1
Medium to long-term corporate loans	3,451,726	69.5	3,350,237	71.3	2,767,369	69.9	2,098,799	64.9
Total	4,963,135	100.0	4,700,343	100.0	3,957,786	100.0	3,232,102	100.0

Distribution of Corporate Loans by Product Line

The following table sets out the distribution of the Bank's corporate loans by product type as at the indicated dates.

Item	30 June 2011		31 December 2010		31 December 2009		31 December 2008	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB m)	%	*(RMB m)*	%	*(RMB m)*	%	*(RMB m)*	%
Working capital loans............	1,726,711	34.8	1,514,918	32.2	1,265,782	32.0	1,208,683	37.4
Of which: Trade finance	592,344	11.9	488,730	10.4	311,354	7.9	122,152	3.8
Project loans	2,702,425	54.4	2,659,093	56.6	2,254,893	57.0	1,681,445	52.0
Property loans	533,999	10.8	526,332	11.2	437,111	11.0	341,974	10.6
Total	4,963,135	100.0	4,700,343	100.0	3,957,786	100.0	3,232,102	100.0

Distribution of Corporate Loans by Industry

The following table sets out the distribution of the Bank's corporate loans by industry as at the indicated dates.

Item	30 June 2011		31 December 2010		31 December 2009		31 December 2008	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB m)	%	*(RMB m)*	%	*(RMB m)*	%	*(RMB m)*	%
Transportation, storage and postal services	1,028,453	20.7	990,916	21.1	800,244	20.2	690,809	21.4
Manufacturing	996,807	20.1	940,641	20.0	793,233	20.0	758,764	23.5
Chemicals	151,493	3.1	141,007	3.0	133,243	3.4	124,981	3.9
Machinery	155,677	3.1	134,355	2.8	106,198	2.7	102,747	3.2
Metal processing	129,818	2.6	114,635	2.4	95,682	2.4	79,876	2.5
Textiles and apparels	104,735	2.1	96,769	2.1	84,590	2.1	78,072	2.4
Iron and steel	95,684	1.9	92,866	2.0	83,816	2.1	87,686	2.7
Transportation equipment	57,118	1.2	49,557	1.0	44,522	1.1	46,888	1.4
Telecommunications equipment, computer and other electronic equipment	46,120	0.9	51,334	1.1	41,067	1.0	40,831	1.3
Petroleum, processing, coking and nuclear fuel	39,576	0.8	69,577	1.5	38,226	1.0	41,709	1.3
Non-metallic mineral	45,775	0.9	40,317	0.9	35,471	0.9	33,591	1.0
Others	170,811	3.5	150,224	3.2	130,418	3.3	122,383	3.8
Production and supply of electricity, gas and water	597,959	12.0	571,072	12.1	531,562	13.4	501,411	15.5
Water, environment and public utility management	528,866	10.7	549,326	11.7	510,721	12.9	275,469	8.5
Real estate	523,414	10.5	512,018	10.9	421,804	10.7	343,895	10.6
Leasing and commercial services	360,176	7.3	357,624	7.6	290,410	7.3	188,120	5.8
Wholesale, retail and lodging	478,076	9.6	388,023	8.3	261,261	6.6	188,831	5.8
Mining	158,070	3.2	129,488	2.8	105,575	2.7	85,054	2.6
Science, education, culture and sanitation	71,980	1.5	68,102	1.4	66,809	1.7	70,148	2.2
Construction	96,530	1.9	84,048	1.8	62,403	1.6	61,006	1.9
Others	122,804	2.5	109,085	2.3	113,764	2.9	68,595	2.2
Total	4,963,135	100.0	4,700,343	100.0	3,957,786	100.0	3,232,102	100.0

Distribution of Personal Loans by Product Line

The table below shows the distribution of the Bank's personal loans by product line as at the indicated dates.

Item	30 June 2011		31 December 2010		31 December 2009		31 December 2008	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB m)	%	*(RMB m)*	%	*(RMB m)*	%	*(RMB m)*	%
Personal housing loans	1,133,346	62.6	1,090,095	66.7	874,244	72.4	597,374	72.0
Personal consumption loans	322,653	17.8	267,565	16.4	157,635	13.1	101,145	12.2
Personal business loans	224,873	12.4	183,971	11.3	138,095	11.4	113,726	13.7
Credit card overdrafts	129,905	7.2	91,561	5.6	36,876	3.1	17,097	2.1
Total	1,810,777	100.0	1,633,192	100.0	1,206,850	100.0	829,342	100.0

Distribution of Loans by Geographic Area

The Bank classifies the loans by geographic area based on the location of the sub-branches that granted the loans. Generally, there is a high correlation between the location of the borrower and that of the lender (with the exception of the loans granted by the Bank's Head Office). The table below shows the distribution of the Bank's total loans granted to customers by geographic area as at the indicated dates.

Item	30 June 2011		31 December 2010		31 December 2009		31 December 2008	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB m)	%	*(RMB m)*	%	*(RMB m)*	%	*(RMB m)*	%
Head Office	197,339	2.7	163,606	2.4	104,203	1.8	124,156	2.7
Yangtze River Delta	1,655,263	22.6	1,583,758	23.3	1,388,853	24.2	1,137,693	24.9
Pearl River Delta	1,036,437	14.1	979,399	14.4	844,690	14.8	667,171	14.6
Bohai Rim	1,339,115	18.3	1,253,538	18.5	1,076,820	18.8	838,494	18.3
Central China	985,300	13.4	919,738	13.6	777,925	13.6	606,368	13.3
Western China	1,230,282	16.8	1,142,027	16.8	952,011	16.6	732,625	16.0
Northeastern China	435,507	5.9	408,604	6.0	349,926	6.1	281,252	6.2
Overseas and others[(1)]	454,797	6.2	339,836	5.0	234,198	4.1	184,235	4.0
Total	7,334,040	100.0	6,790,506	100.0	5,728,626	100.0	4,571,994	100.0

Note:

(1) "Overseas and others" includes overseas branches and domestic and overseas subsidiaries.

Distribution of Loans by Collateral

The table below shows the distribution of the Bank's loan portfolio by collateral as at the indicated dates.

Item	30 June 2011		31 December 2010		31 December 2009		31 December 2008	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB m)	%	*(RMB m)*	%	*(RMB m)*	%	*(RMB m)*	%
Loans secured by mortgages	3,007,260	41.0	2,780,346	40.9	2,191,909	38.3	1,688,435	36.9
Including: Personal housing loans[(1)]	1,133,346	15.5	1,090,095	16.1	874,244	15.3	597,374	13.1
Pledged loans	719,951	9.8	665,641	9.8	786,739	13.7	676,129	14.8
Including: Discounted bills[(1)]	105,331	1.4	117,135	1.7	329,792	5.8	326,315	7.1
Guaranteed loans	1,166,709	15.9	1,070,211	15.8	933,853	16.3	866,129	18.9
Unsecured loans	2,440,120	33.3	2,274,308	33.5	1,816,125	31.7	1,341,301	29.4
Total	7,334,040	100.0	6,790,506	100.0	5,728,626	100.0	4,571,994	100.0

Note:

(1) Data for domestic branches.

Borrower Concentration

Pursuant to the "Core Indicators of the Risk Management of Commercial Banks (for Trial Implementation)" promulgated by the CBRC, the maximum loan granted by the Bank to any single borrower is limited to 10% of the Bank's net capital. The following table sets out, as at 30 June 2011, the Bank's loan exposure in terms of outstanding loan balances to the Bank's top ten single borrowers, all of which were classified as performing loans.

	30 June 2011			
Item	**Industry**	**Amount**	**% of total loans**	**% of net capital[(1)]**
		(RMB m)		
Borrower A	Transportation, storage and postal services	33,700	0.5	3.4
Borrower B	Transportation, storage and postal services	24,396	0.3	2.4
Borrower C	Transportation, storage and postal services	22,915	0.3	2.3
Borrower D	Transportation, storage and postal services	21,588	0.3	2.2
Borrower E	Transportation, storage and postal services	21,094	0.3	2.1
Borrower F	Mining	19,000	0.3	1.9
Borrower G	Production and supply of electricity, gas and water	18,813	0.2	1.9
Borrower H	Transportation, storage and postal services	17,160	0.2	1.7
Borrower I	Manufacturing	14,217	0.2	1.4
Borrower J	Transportation, storage and postal services	13,192	0.2	1.3
Total		206,075	2.8	20.6

Note:

(1) The percentage of loan amount with respect to the Bank's net capital base (core capital plus supplementary capital less deductions) was calculated according to CBRC's statutory requirements. No proposed dividend distribution was deducted from the net capital base.

Distribution of Loans by Remaining Maturity

Item	**30 June 2011**		**31 December 2010**		**31 December 2009**		**31 December 2008**	
	Amount	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
	(RMB m)	*%*	*(RMB m)*	*%*	*(RMB m)*	*%*	*(RMB m)*	*%*
Impaired or overdue[(1)]	78,049	1.1	81,015	1.2	95,442	1.7	115,742	2.5
Less than 1 year	2,775,035	37.8	2,335,124	34.4	2,089,594	36.5	1,916,991	42.0
1-5 years	1,884,968	25.7	1,923,254	28.3	1,633,587	28.5	1,202,882	26.3
Over 5 years	2,595,988	35.4	2,451,113	36.1	1,910,003	33.3	1,336,379	29.2
Total	7,334,040	100.0	6,790,506	100.0	5,728,626	100.0	4,571,994	100.0

Note:

(1) The overdue loans refer to the loans of which principal or interest has become overdue. For loans repaid on an instalment basis, only the amount which is not repaid upon maturity date is deemed overdue.

During the reporting period, there has been a continuous increase in loans granted by the Bank with a term of 1-5 years and above 5 years. Meanwhile, the proportion of loans with terms of less than 1 year decreased, mainly due to the increase in the medium to long term as well as personal housing loans granted by the Bank.

The Asset Quality of the Bank's Loan Portfolio

Five-tier classification of assets

The Bank's loans and other assets are classified in compliance with CBRC and PBOC guidelines. The table below sets out the five-tier classification laid down in the PBOC guidelines.

Tier	Summary Description
Pass	Borrowers can honour the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.
Special Mention	Borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.
Substandard	Account under which the principal and/or interest is overdue for more than 3 months; or for which there is evidence indicating that there are difficulties in recovering the debt; or an overdraft to a debtor without credit line or the facility has been revoked or exceeded or the limit or period of the facility has been exceeded with no crediting of funding for repayment within 3 months.
Doubtful	Borrowers cannot pay back principal and interest of loans in full and significant losses will incur even when guarantees are executed.
Loss	Principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures.

Assets classified as Substandard, Doubtful or Loss are considered non-performing assets ("NPAs"). NPAs include loans and receivables, securities and other assets held by the Bank that meet such classifications. NPLs are a subset of NPAs.

The table below shows the distribution of the loans granted by the Bank as at the indicated dates.

Item	30 June 2011		31 December 2010		31 December 2009		31 December 2008	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB m)	*%*	*(RMB m)*	*%*	*(RMB m)*	*%*	*(RMB m)*	*%*
Pass	7,042,146	96.02	6,489,450	95.57	5,411,226	94.46	4,229,609	92.51
Special mention	222,408	3.03	227,815	3.35	228,933	4.00	237,903	5.20
Non-performing loans (NPL)	69,486	0.95	73,241	1.08	88,467	1.54	104,482	2.29
Substandard	18,884	0.26	18,932	0.28	31,842	0.55	37,694	0.83
Doubtful	40,362	0.55	41,765	0.62	43,413	0.76	55,641	1.22
Loss	10,240	0.14	12,544	0.18	13,212	0.23	11,147	0.24
Total	7,334,040	100.00	6,790,506	100.00	5,728,626	100.00	4,571,994	100.00
NPL ratio(1)		0.95%		1.08%		1.54%		2.29%

Note:

(1) Calculated by dividing the balance of NPL by total balance of loans.

The table below shows the distribution of NPLs by business line.

Item	At 30 June 2011		At 31 December 2010		At 31 December 2009		At 31 December 2008	
		NPL ratio		NPL ratio		NPL ratio		NPL ratio
	NPL	(%)	NPL	(%)	NPL	(%)	NPL	(%)
	(In RMB millions, except for percentages)							
Corporate loans	57,367	1.16	61,610	1.31	76,792	1.94	93,747	2.90
Discounted bills	-	-	-	-	-	-	-	-
Personal loans	9,592	0.53	9,656	0.59	10,029	0.83	9,593	1.16
Overseas and others	2,527	0.56	1,975	0.58	1,646	0.70	1,142	0.62
Total	69,486	0.95	73,241	1.08	88,467	1.54	104,482	2.29

Overdue Loans

The table below indicates the status of overdue loans of the Bank as at the dates below.

Item	30 June 2011		31 December 2010		31 December 2009		31 December 2008	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB m)	*%*	*(RMB m)*	*%*	*(RMB m)*	*%*	*(RMB m)*	*%*
3 to 6 months	4,401	0.1	3,264	0.0	4,175	0.1	9,231	0.2
6 to 12 months	4,156	0.0	5,248	0.1	11,090	0.2	8,487	0.2
Over 12 months	50,807	0.7	55,836	0.8	61,823	1.1	70,162	1.5
Total	59,364	0.8	64,348	0.9	77,088	1.4	87,880	1.9

Note:

(1) Loans to customers are deemed overdue when either the principal or interest is overdue.

Allowance for Impairment Losses on Loans

The following table summarises the changes in the Bank's impairment allowances on loans and advances for the years specified:

	January to June 2011			2010			2009			2008		
	Individually Assessed	**Collectively Assessed**	**Total**	**Individually Assessed**	**Collectively Assessed**	**Total**	**Individually Assessed**	**Collectively Assessed**	**Total**	**Individually Assessed**	**Collectively Assessed**	**Total**
						(RMB m)						
At the beginning of the period/ year	41,300	125,834	167,134	45,500	99,952	145,452	54,059	81,924	135,983	58,944	56,743	115,687
Charge for the period/year	(2,647)	19,441	16,794	1,807	26,081	27,888	3,179	18,503	21,682	10,955	25,557	36,512
Including:												
Impairment allowances charged	3,856	53,632	57,488	13,481	69,971	83,452	20,056	61,557	81,613	25,045	54,683	79,728
Impairment allowances transferred	207	(207)	-	12	(12)	-	242	(242)	-	443	(443)	-
Reversal of impairment allowances	(6,710)	(33,984)	(40,694)	(11,686)	(43,878)	(55,564)	(17,119)	(42,812)	(59,931)	(14,533)	(28,683)	(43,216)
Accreted interest on impaired loans	(240)	-	(240)	(754)	-	(754)	(1,021)	-	(1,021)	(1,538)	-	(1,538)
Write-offs	(2,479)	(261)	(2,740)	(6,394)	(510)	(6,904)	(11,259)	(607)	(11,866)	(11,917)	(456)	(12,373)
Recoveries of loans previously written off	461	44	505	913	176	1,089	774	142	916	83	146	229
Others/ Transfer out	-	-	-	228	135	363	(232)	(10)	(242)	(2,468)	(66)	(2,534)
At the end of the period/ year	36,395	145,058	181,453	41,300	125,834	167,134	45,500	99,952	145,452	54,059	81,924	135,983

Investment in Securities

The investment portfolio of the Bank consists of listed and unlisted Renminbi and foreign currency denominated securities and other financial assets. The securities held by the Bank are classified into (1) securities not related to restructuring; (2) securities related to restructuring; and (3) equity instruments. During the reporting period, the Bank has paid close attention to the financial market trends domestically and abroad in order to rationally arrange the investment schedule, timely adjust the investment strategy and actively optimise the investment structure. Unless the context otherwise requires, the amount of investment referred to in this section represents net investment amount after deduction of the provision for impairment loss for the investment.

As at 30 June 2011, the total amount of investment in securities of the Bank was RMB3,729,597 million.

Other Components of the Bank's Assets

Other components of the Bank's assets mainly include: (1) cash and balances with the Central bank; (2) due from banks and other financial institutions; (3) reverse repurchase agreements; and (4) interest receivables.

Liabilities and Sources of Funds

As at 30 June 2011, the total liabilities of the Bank were RMB14,036,433 million, representing an increase of 11.1% compared to 31 December 2010. The total amount of liabilities of the Bank as at 31 December 2010, 31 December 2009, 31 December 2008 were RMB12,636,965 million, RMB11,106,119 million, RMB9,150,516 million respectively; representing an increase of 13.8% from 31 December 2009 to 31 December 2010 and an increase of 21.4% from 31 December 2008 to 31 December 2009; and the CAGR from 2008 to 2010 was 17.52%.

The table below indicates the structure of liabilities of the Bank as at the dates below.

Item	**30 June 2011**		**31 December 2010**		**31 December 2009**		**31 December 2008**	
	Amount	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
	(RMB m)	*%*	*(RMB m)*	*%*	*(RMB m)*	*%*	*(RMB m)*	*%*
Due to customers	12,047,138	85.8	11,145,557	88.2	9,771,277	88.0	8,223,446	89.9
Due to banks and other financial institutions	1,284,008	9.2	1,048,002	8.3	1,001,634	9.0	646,254	7.0
Repurchase agreements	61,901	0.4	84,888	0.7	36,060	0.3	4,648	0.1
Debt securities issued	145,248	1.0	102,264	0.8	75,000	0.7	35,000	0.4
Others	498,138	3.6	256,254	2.0	222,148	2.0	241,168	2.6
Total liabilities	14,036,433	100.0	12,636,965	100.0	11,106,119	100.0	9,150,516	100.0

Particulars of Shareholding of the Top 10 Shareholders of the Bank

Unit: Share

Total number of shareholders	1,042,947 (number of holders of A shares and H shares on the register of shareholders as at 30 June 2011)

Particulars of shareholding of the top 10 shareholders
(The following data are based on the register of shareholders as at 30 June 2011)

Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restrictions 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	85,340,276,931	0	Unknown
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.4	1,382,510,286	0	None
ICBC Credit Suisse Asset Management Co., Ltd. — Asset management for specific customers	Other domestic entities	A shares	0.3	1,053,190,083	0	None
American Express	Foreign legal person	H shares	0.2	638,061,117	0	None
Anbang Property & Casualty Insurance Company Ltd. — Traditional insurance products	Other domestic entities	A shares	0.1	502,499,792	0	None
China Huarong Asset Management Corporation	Other domestic entities	A shares	0.1	472,889,000	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
Ping An Life Insurance Company of China, Ltd. — Traditional — High interest rate policy products	Other domestic entities	A shares	0.1	414,841,549	0	None

Note:

(1) The Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

(2) Particulars of shareholding of H share holders were based on the number of shares set out in the Bank's register of shareholders maintained at the H share registrar.

Particulars of Directors, Supervisors and Senior Management

Name	Business Address	Nationality
Executive Directors		
Mr. JIANG Jianqing	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. YANG Kaisheng	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Ms. WANG Lili	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. LI Xiaopeng	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Non-executive Directors		
Mr. HUAN Huiwu	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. GAO Jianhong	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Ms. LI Chunxiang	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. LI Jun	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. LI Xiwen	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. WEI Fusheng	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Independent Non-executive Directors		
Mr. LEUNG Kam Chung, Antony	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. QIAN Yingyi	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. XU Shanda	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. WONG Kwong Shing, Frank	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Singaporean
Sir Malcolm Christopher McCARTHY	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	British
Mr. Kenneth Patrick CHUNG	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	British
Members of the Board of Supervisors		
Mr. ZHAO Lin	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Ms. WANG Chixi	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Ms. DONG Juan	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. MENG Yan	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. ZHANG Wei	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. ZHU Lifei	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese

Name	Business Address	Nationality
Other Senior Management Members		
Mr. LUO Xi	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. LIU Lixian	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. YI Huiman	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. ZHANG Hongli	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. WANG Xiquan	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. WEI Guoxiong	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. LIN Xiaoxuan	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. HU Hao	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese

Biographies of Directors, Supervisors and Senior Management

Jiang Jianqing, Chairman of the Board of Directors, 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 PBOC, 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 the PRC'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 PBOC 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 PBOC 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 and General Manager of the Human Resources Department

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 and Company 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.

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

As at 30 June 2011, the following supervisor is regarded to posses the interests as defined in Part XV of the Securities and Futures Ordinance of Hong Kong for the shares held by his spouse:

Name of supervisor	Capacity	Amount 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 interests	18,000	Long position	0.000007	0.000005

Save as disclosed above, as at 30 June 2011, 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 The Stock Exchange of Hong Kong Limited ("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.

EXCHANGE RATES

Since 1 January 1994, PBOC has set and published daily a base exchange rate with reference primarily to the supply and demand of Renminbi against the US$ in the market during the prior day. On 21 July 2005, PBOC announced a reform of its exchange rate system and revalued the Renminbi to RMB8.11 to US$1.00. Under the reform, the Renminbi is no longer effectively linked to the US$ but instead is allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, according to market demand and supply conditions. PBOC announces the Renminbi's closing price each day, and that rate serves as the midpoint of the next day's trading band. On 18 May 2007, PBOC announced that, effective from 21 May 2007, it would widen the daily trading band of the Renminbi against the US$ from 0.3% to 0.5%. As a result, the Renminbi is now permitted to rise or fall 0.5% each day from the midpoint set each morning. The PRC government may make further adjustments to the exchange rate system in the future.

The following table sets forth information concerning exchange rates between the RMB and the US$ for the periods indicated.

	Exchange Rate			
Period	**Low**	**Average**	**High**	**Period End**
	(RMB per US$1.00)			
2008	6.8009	6.9451	7.2996	6.8346
2009	6.8201	6.8310	6.8399	6.8282
2010	6.6227	6.7695	6.8284	6.6227
2011	6.3781	6.5000	6.6350	6.3930
1st quarter	6.5483	6.5830	6.6350	6.5483
2nd quarter	6.4634	6.4995	6.5477	6.4639
July	6.4370	6.4581	6.4721	6.4370
August	6.3781	6.4044	6.4407	6.3781
September	6.3815	6.3902	6.4040	6.3933
October (from 1 October to 28 October)	6.3580	6.3757	6.3825	6.3823

Source: The Federal Reserve Board

TAXATION

The following summary of certain British Virgin Islands and Hong Kong tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of potential purchasers, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

Potential purchasers should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

British Virgin Islands

As the Issuer is incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands, (i) payment of principal and premium (if any) in respect of the Notes will not be subject to taxation in the British Virgin Islands, (ii) no withholding tax will be required to be deducted by the Issuer on such payments to any holder of a Note and (iii) the Notes will not be liable to stamp duty in the British Virgin Islands. Gains derived from the sale of Notes by persons who are not otherwise liable to British Virgin Islands income tax will not be subject to British Virgin Islands income tax. The British Virgin Islands currently has no capital gains tax, estate duty, inheritance tax or gift tax.

Hong Kong

Withholding tax

No withholding tax in Hong Kong is payable on payments of principal or interest in respect of the Notes.

Profits tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

(a) a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong;

(b) a corporation carrying on a trade, profession or business in Hong Kong by way of interest derived from Hong Kong; or

(c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong by way of interest derived from Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

Estate duty

No Hong Kong estate duty is payable in respect of the Notes.

EU Directive on the Taxation of Savings Income

The European Union has adopted a directive regarding the taxation of savings income (the "Directive"). The Directive requires member states to provide to the tax authorities of other member states details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another member state, except that Austria and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise. The British Virgin Islands has implemented the Directive by way of a series of bilateral arrangements with each of the Member States together with amendments to the Mutual Legal Assistance (Tax Matters) (Amendment) Act, 2005 which provide for European Union resident individuals to have the choice between (i) application of a withholding tax on applicable interest payments, or (ii) the automatic exchange of information between the British Virgin Islands tax authorities and the tax authorities in their home state.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

The PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, potential purchasers should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the New Enterprise Income Tax Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the New Enterprise Income Tax Law and they shall pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside the PRC. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25% for its income sourced from both within and outside PRC. As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law. On that basis, holders of the Notes will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations in the future. Pursuant to the New Enterprise Income Tax Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or its income has no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10% on the incomes sourced inside the

PRC, and such income tax shall be withheld at source by the PRC entity making payment, who shall be obliged to withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer shall withhold income tax from the payments of interest in respect of the Notes for any non-PRC enterprise Noteholder. However, notwithstanding the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

In addition, in the event that the Guarantor is required to discharge its obligations under the Guarantee, the Guarantor will not be obliged to withhold PRC enterprise income tax at the rate up to 10% on the payments of interest made by it under the Guarantee to non-PRC resident enterprise Noteholders as such payments of interest will not be regarded as being derived from sources within the PRC. However, this is subject to the interpretation by the PRC tax authorities. If the PRC tax authorities take an interpretation that the interest on the Notes payable by the Guarantor under the Guarantee is considered income sourced from the PRC, a withholding tax may be imposed on such interest and the Guarantor will pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes. If the Bank has to perform the obligation under the Guarantee in the event and only when the Guarantor cannot perform its obligations under the Guarantee, the Bank will be obliged to withhold PRC enterprise income tax at the rate up to 10% on the payments of interest on the Notes made by it under the Guarantee to non-PRC resident enterprise Noteholders as such payments of interest will be regarded as being derived from sources within the PRC.

Non-PRC Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside mainland China between non-PRC Noteholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations in the future, any gain realized by the non-PRC enterprise Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10% of PRC withholding tax.

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with UBS AG, Hong Kong Branch, Barclays Bank PLC, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and ICBC International Securities Limited (the "Joint Lead Managers") dated 30 November 2011 (the "Subscription Agreement"), pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Notes indicated in the following table:

Joint Lead Managers	**Subscription for the Principal Amount of US$750,000,000**
	(US$)
UBS AG, Hong Kong Branch	300,000,000
Barclays Bank PLC	150,000,000
ICBC International Securities Limited	150,000,000
The Hongkong and Shanghai Banking Corporation Limited	75,000,000
Standard Chartered Bank	75,000,000
	US$750,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

Stabilisation

In connection with the issue of the Notes, to the extent permitted by, and in accordance with, applicable laws and regulations, Barclays Bank PLC (the "Stabilising Manager") (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. None of the Issuer, the Guarantor, the Stabilising Manager and any of the Joint Lead Managers or their respective affiliates makes any representation that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action or that such transactions, once commenced, will not be discontinued without notice or makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. None of the Joint Lead Managers is authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes, other than as contained in, or which is consistent with this Offering Circular or any amendment or supplement to it.

The Joint Lead Managers and certain of their subsidiaries or affiliates may have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with the Issuer, the Bank and/or their respective subsidiaries and affiliates, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer, the Bank and/or their respective subsidiaries and affiliates in the ordinary course of their business.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act or any state securities law and may not be offered, sold or delivered within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Notes within the United States, in any circumstances which would require the registration of any Notes under the Securities Act and, in particular, that:

(a) neither it nor any of its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes; and

(b) it and its affiliates have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "Relevant Member State"), each of the Joint Lead Managers has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Lead Manager(s) nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer, the Bank or such Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

The PRC

Each of the Joint Lead Managers has represented, warranted and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and agreed that (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under that Ordinance or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance and (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

Each of the Joint Lead Managers has acknowledged that each Offering Circular has not been and will not be registered with Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and undertaken that each Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"); (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA);

(b) a relevant person (as defined in Section 275 (2) of the SFA); or

(c) any person pursuant to an offer referred to in Section 275 (1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor (under Section 274 of the SFA), or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions specified in Section 275 of the SFA;

(b) (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

(c) where no consideration is or will be given for the transfer;

(d) where the transfer is by operation of law; or

(e) as specified in Section 276(7) of the SFA.

British Virgin Islands

The Notes may not be offered to members of the public in the British Virgin Islands.

GENERAL INFORMATION

1. **Clearing Systems**: The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code number 070214075 and the International Securities Identification Number for the Notes is XS0702140756.

2. **Listing of Notes**: Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes. It is expected that dealing in, and listing of, the Notes on the Hong Kong Stock Exchange will commence on or about 8 December 2011. Listing of the Notes on the Hong Kong Stock Exchange is conditional upon satisfaction of the requirements of such exchange, including execution of the Fiscal Agency Agreement.

3. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolutions of the board of directors of the Issuer dated 27 October 2011. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee.

4. **No Material Adverse Change**: There has been no material adverse change in the financial or trading position or prospects of the Bank since 30 June 2011.

5. **Litigation**: Neither the Issuer, the Bank nor any of their subsidiaries is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Notes nor is the Issuer aware that any such proceedings are pending or threatened.

6. **Available Documents**: Copies of the Bank's annual reports for the years ended 31 December 2008, 31 December 2009 and 31 December 2010, may be obtained free of charge, and copies of the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee will be available for inspection from the Issue Date, at the registered office of ICBC (HK) at 33/F., ICBC Tower, 3 Garden Road, Central, Hong Kong during normal business hours, so long as any of the Notes is outstanding. The Bank publishes unaudited condensed interim financial statements every year for the six months ended 30 June.

7. **Audited Financial Statements**: Ernst & Young, Certified Public Accountants, the Bank's independent auditors has (i) audited, and rendered unqualified audit reports on, the consolidated financial statements of the Bank for each of the years ended 31 December 2008, 2009 and 2010; and (ii) reviewed the consolidated financial statements of the Bank for each of the six months ended 30 June 2010 and 2011.

   Ernst & Young has given and not withdrawn their written consent to the reproduction of their audit reports dated 25 March 2010 and 30 March 2011 on the published audited consolidated financial statements of the Bank for the years ended 31 December 2009 and 31 December 2010 and their review report dated 25 August 2011 on the published unaudited consolidated financial statements of the Bank for the six months ended 30 June 2011 in this Offering Circular and with references to Ernst & Young in the form and context in which they appear. Their consent should not be construed as in any way updating or refreshing the aforementioned audit reports.

INDEX TO FINANCIAL STATEMENTS

[1] The Independent Auditor's Report on the consolidated financial statements of the Bank set out herein is reproduced from the Bank's Annual Report for the year ended 31 December 2009, and page references included in the Independent Auditor's Report refer to pages set out in such annual report.

[2] The Independent Auditor's Report on the consolidated financial statements of the Bank set out herein is reproduced from the Bank's Annual Report for the year ended 31 December 2010, and page references included in the Independent Auditor's Report refer to pages set out in such annual report.

Independent Auditors' Report

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 financial statements of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 142 to 263, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 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 financial statements give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2009, and of the Group's financial performance and its 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.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2010

Consolidated Income Statement

Year ended 31 December 2009
(In RMB millions, unless otherwise stated)

	Notes	2009	2008
Interest income	6	405,878	440,574
Interest expense	6	(160,057)	(177,537)
NET INTEREST INCOME	6	245,821	263,037
Fee and commission income	7	59,042	46,711
Fee and commission expense	7	(3,895)	(2,709)
NET FEE AND COMMISSION INCOME	7	55,147	44,002
Net trading income/(expense)	8	(75)	1,883
Net loss on financial assets and liabilities designated at fair value through profit or loss	9	(129)	(699)
Net gain/(loss) on financial investments	10	7,339	(367)
Other operating income, net	11	1,308	2,339
OPERATING INCOME		309,411	310,195
Operating expenses	12	(120,819)	(111,335)
Impairment losses on:			
Loans and advances to customers	26	(21,682)	(36,512)
Others	15	(1,603)	(18,950)
OPERATING PROFIT		165,307	143,398
Share of profits and losses of associates and a jointly-controlled entity		1,987	1,978
PROFIT BEFORE TAX		167,294	145,376
Income tax expense	16	(37,898)	(34,150)
PROFIT FOR THE YEAR		129,396	111,226
Attributable to:			
Equity holders of the parent company		128,645	110,841
Non-controlling interests		751	385
		129,396	111,226
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
– Basic and diluted (RMB yuan)	19	0.39	0.33

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 2009
(In RMB millions, unless otherwise stated)

	Note	2009	2008
Profit for the year		129,396	111,226
Other comprehensive income/(loss) (after-tax, net):			
Net gain/(loss) on available-for-sale financial assets	41	(8,890)	9,191
Net loss on cash flow hedges	41	(9)	(4,073)
Share of other comprehensive income/(loss) of associates and a jointly-controlled entity	41	(1,155)	500
Foreign currency translation differences	41	7,531	(8,604)
Subtotal of other comprehensive loss for the year		(2,523)	(2,986)
Total comprehensive income for the year		126,873	108,240
Total comprehensive income attributable to:			
Equity holders of the parent company		125,682	108,729
Non-controlling interests		1,191	(489)
		126,873	108,240

Consolidated Statement of Financial Position

31 December 2009
(In RMB millions, unless otherwise stated)

	Notes	2009	2008
ASSETS			
Cash and balances with central banks	20	1,693,048	1,693,024
Due from banks and other financial institutions	21	235,301	168,363
Financial assets held for trading	22	18,976	32,182
Financial assets designated at fair value through profit or loss	23	1,171	1,459
Derivative financial assets	24	5,758	15,721
Reverse repurchase agreements	25	408,826	163,493
Loans and advances to customers	26	5,583,174	4,436,011
Financial investments	27	3,579,026	3,014,669
Investments in associates and a jointly-controlled entity	29	36,278	28,421
Property and equipment	30	95,684	86,800
Deferred income tax assets	31	18,696	10,746
Other assets	32	109,115	106,257
TOTAL ASSETS		**11,785,053**	**9,757,146**
LIABILITIES			
Financial liabilities held for trading		-	4,268
Financial liabilities designated at fair value through profit or loss	33	15,831	7,566
Derivative financial liabilities	24	7,773	13,612
Due to banks and other financial institutions	34	1,001,634	646,254
Repurchase agreements	35	36,060	4,648
Certificates of deposit and notes payable		1,472	726
Due to customers	36	9,771,277	8,223,446
Income tax payable		22,231	37,862
Deferred income tax liabilities	31	178	16
Subordinated bonds	37	75,000	35,000
Other liabilities	38	174,663	177,118
TOTAL LIABILITIES		**11,106,119**	**9,150,516**
EQUITY			
Equity attributable to equity holders of the parent company			
Issued share capital	39	334,019	334,019
Reserves	40	221,114	195,727
Retained profits	40	118,760	72,929
		673,893	602,675
Non-controlling interests		5,041	3,955
TOTAL EQUITY		**678,934**	**606,630**
TOTAL EQUITY AND LIABILITIES		**11,785,053**	**9,757,146**

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 2009
(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/(loss)	-	-	-	-	(9,330)	7,529	(7)	(1,155)	(2,963)	-	(2,963)	440	(2,523)
Total comprehensive income/(loss)	-	-	-	-	(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)	-	-	-
Change in shareholdings in subsidiaries	-	99	-	-	-	-	-	-	99	-	99	(99)	-
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	80	80
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 amount of RMB29 million and RMB30 million, respectively.
(ii) Includes the appropriation made by subsidiaries in the amount of RMB54 million.

Consolidated Statement of Changes in Equity *(Contd.)*

Year ended 31 December 2009
(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 2008	334,019	106,312	13,536	40,834	(1,389)	(1,089)	-	-	158,204	46,148	538,371	5,305	543,676
Profit for the year	-	-	-	-	-	-	-	-	-	110,841	110,841	385	111,226
Other comprehensive income/(loss)	-	-	-	-	9,822	(8,359)	(4,075)	500	(2,112)	-	(2,112)	(874)	(2,986)
Total comprehensive income/(loss)	-	-	-	-	9,822	(8,359)	(4,075)	500	(2,112)	110,841	108,729	(489)	108,240
Dividend – 2007 final (note 18)	-	-	-	-	-	-	-	-	-	(44,425)	(44,425)	-	(44,425)
Appropriation to surplus reserves(i)	-	-	11,114	-	-	-	-	-	11,114	(11,114)	-	-	-
Appropriation to general reserve(ii)	-	-	-	28,521	-	-	-	-	28,521	(28,521)	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	368	368
Change in shareholdings in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(854)	(854)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(375)	(375)
Balance as at 31 December 2008	**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**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amount of RMB9 million and RMB53 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB147 million.

Consolidated Statement of Cash Flows

Year ended 31 December 2009
(In RMB millions, unless otherwise stated)

	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		167,294	145,376
Adjustments for:			
Share of profits and losses of associates and a jointly-controlled entity		(1,987)	(1,978)
Depreciation	12	9,639	8,190
Amortisation	12	1,361	1,300
Amortisation of financial investments		(3,566)	(4,345)
Impairment losses on loans and advances to customers	26	21,682	36,512
Impairment losses on assets other than loans and advances to customers	15	1,603	18,950
Unrealised foreign exchange difference		4,297	30,390
Interest expense on subordinated bonds	6	1,790	1,241
Accreted interest on impaired loans	6	(1,021)	(1,538)
(Gain)/loss on disposal of available-for-sale financial assets, net	10	(7,238)	449
Net trading (gain)/loss on equity investments	8	(26)	14
Net loss on financial assets and liabilities designated at fair value through profit or loss		129	57
Net gain on disposal of property and equipment and other assets (other than repossessed assets)		(575)	(518)
Dividend income	10	(101)	(82)
		193,281	234,018
Net decrease/(increase) in operating assets:			
Due from central banks		(284,127)	(262,312)
Due from banks and other financial institutions		(72,561)	13,801
Financial assets held for trading		13,005	6,580
Financial assets designated at fair value through profit or loss		396	1,182
Reverse repurchase agreements		(153,500)	(56,115)
Loans and advances to customers		(1,169,891)	(541,025)
Other assets		(1,826)	(7,133)
		(1,668,504)	(845,022)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated at fair value through profit or loss		4,065	(6,759)
Due to banks and other financial institutions		355,470	(148,259)
Repurchase agreements		31,412	(188,835)
Certificates of deposit		(747)	(252)
Due to customers		1,548,192	1,337,886
Other liabilities		(369)	26,681
		1,938,023	1,020,462
Net cash inflow from operating activities before tax		462,800	409,458
Income tax paid		(58,938)	(38,545)
Net cash inflow from operating activities		403,862	370,913

Consolidated Statement of Cash Flows *(Contd.)*

Year ended 31 December 2009
(In RMB millions, unless otherwise stated)

	Note	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(20,285)	(15,554)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		1,407	520
Purchases of financial investments		(1,559,376)	(1,086,048)
Proceeds from sale and redemption of investments		992,406	1,127,448
Invest in a jointly-controlled entity		(5)	-
Acquisition of a subsidiary		-	2,261
Acquisition of non-controlling interests		-	(1,783)
Acquisition of an associate		-	(37,420)
Proceeds from disposal of an associate		25	-
Dividends received		544	652
Net cash outflow from investing activities		(585,284)	(9,924)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by non-controlling shareholders		80	66
Proceeds from debts issued		40,000	-
Interest paid on subordinated bonds		(1,168)	(1,240)
Dividends paid on ordinary shares		(55,113)	(44,425)
Dividends paid to non-controlling shareholders		(86)	(325)
Net cash outflow from financing activities		(16,287)	(45,924)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(197,709)	315,065
Cash and cash equivalents at beginning of the year		607,291	301,687
Effect of exchange rate changes on cash and cash equivalents		(188)	(9,461)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	42	409,394	607,291
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES INCLUDES:			
Interest received		399,115	425,143
Interest paid		(162,920)	(148,789)

Statement of Financial Position

Year ended 31 December 2009
(In RMB millions, unless otherwise stated)

	Notes	2009	2008
ASSETS			
Cash and balances with central banks	20	1,686,074	1,691,466
Due from banks and other financial institutions	21	238,562	154,357
Financial assets held for trading	22	14,241	25,362
Financial assets designated at fair value through profit or loss	23	148	144
Derivative financial assets	24	4,781	13,991
Reverse repurchase agreements	25	408,601	162,192
Loans and advances to customers	26	5,392,525	4,289,955
Financial investments	27	3,551,558	3,002,451
Investments in subsidiaries	28	26,110	19,999
Investments in associates	29	33,576	33,160
Property and equipment	30	93,678	86,220
Deferred income tax assets	31	18,635	10,607
Other assets	32	96,663	96,261
TOTAL ASSETS		**11,565,152**	**9,586,165**
LIABILITIES			
Financial liabilities held for trading		-	4,268
Financial liabilities designated at fair value through profit or loss	33	14,581	2,285
Derivative financial liabilities	24	6,689	11,003
Due to banks and other financial institutions	34	981,762	632,760
Repurchase agreements	35	34,280	4,246
Certificates of deposit and notes payable		1,156	-
Due to customers	36	9,590,769	8,077,732
Income tax payable		20,686	37,894
Subordinated bonds	37	75,000	35,000
Other liabilities	38	171,131	173,494
TOTAL LIABILITIES		**10,896,054**	**8,978,682**
EQUITY			
Issued share capital	39	334,019	334,019
Reserves	40	220,938	203,231
Retained profits	40	114,141	70,233
TOTAL EQUITY		**669,098**	**607,483**
TOTAL EQUITY AND LIABILITIES		**11,565,152**	**9,586,165**

Jiang Jianqing	**Yang Kaisheng**	**Shen Rujun**
Chairman	Vice Chairman and President	General Manager of Finance and Accounting Department

Notes to Financial Statements

31 December 2009
(In RMB millions, unless otherwise stated)

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 ("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 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. The financial statements of subsidiaries, for the purpose of preparation of these consolidated financial statements, are prepared for the same reporting period as the Bank, using consistent accounting policies.

(i) Subsidiaries

Subsidiaries are fully 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. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where there is a loss of control in a subsidiary, the consolidated income statement includes the results of that subsidiary for the part of the reporting period during which the Bank has control. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

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 OR EARLY ADOPTED IN 2009 AND RELEVANT TO THE GROUP

The IASB has issued the following new and revised IFRSs (including International Accounting Standards ("IASs")) and IFRIC interpretations that are effective or early adopted in 2009 and relevant to the Group's operation.

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 3 (Revised)	Business Combinations
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IAS 1 (Revised)	Presentation of Financial Statements
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC 9 and IAS 39 Amendments	Amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

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

The amendment to IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. The adoption of the amendments has had no significant impact on the financial position or results of operations of the Group. As the Group is not a first-time adopter of IFRSs, the IFRS 1 Amendment is not applicable to the Group.

The Group has early adopted IFRS 3 *Business Combination (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Revised)* as of 1 January 2009. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that impacts the amount of goodwill recognised, the reported result in the period that an acquisition occurs and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. The Group amended its accounting policy accordingly and did not result in any effect on the financial position and operating results of these financial statements.

The amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 50. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 49(b).

IFRS 8 *Operating Segments* requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in note 48, including revised comparative information.

IAS 1 *Presentation of Financial Statements (Revised)* separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, it introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement or in two linked statements. The Group has elected to present two statements.

The amendments to IAS 32 *Financial Instruments: Presentation* provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfill a number of specified features. Amendments to IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

The amendment to IFRIC 9 *Reassessment of Embedded Derivatives r*equires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no significant impact on the financial position or results of operations of the Group.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. The adoption of the interpretation has had no significant impact on the financial position or results of operations of the Group.

Apart from the above, in May 2008 the IASB has issued *Improvements to IFRSs** which set out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendments to IFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard. As a consequence of the early adoption of IFRS 3 (Revised) and IAS 27 (Revised), the Group also early adopted the amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 of *Improvements to IFRSs* issued in April 2009 by the IASB. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group.

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* Improvements to *IFRSs (2008)* contain amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.

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 entity.

The Group's investments in jointly-controlled entities are accounted for under the equity method of accounting. Under the equity method, an investment in a jointly-controlled entity 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 jointly-controlled entity, less any impairment losses. Goodwill relating to a jointly-controlled entity 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 jointly-controlled entity. The consolidated income statement reflects the share of the results of operations of the jointly-controlled entity. Where there has been a change recognised directly in the equity of the jointly-controlled entity, 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.

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated 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.

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 includes debt securities, equity investments and derivatives that are not designated as effective hedging instruments. Financial liabilities held for trading mainly includes short positions in securities.

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(9).

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, and is so designated by management.

(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. Financial liabilities designated at fair value through profit or loss mainly include structured deposits, notes payable and certificates of deposits. These assets and liabilities are measured at fair value after initial recognition. Realised or 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 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.

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 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 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 method and are taken to the income statement as interest income or expense. 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 costs using the effective interest 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.

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 collaterals. 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. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If there is objective evidence that the 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.

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 assets have expired; or
- The Group has transferred its rights to receive cash flows from the assets; or has retained its rights to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and

- 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 assets 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 the profit or loss.

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) 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. 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.

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 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.

(10) 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.

(11) 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.

(12) 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 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 method.

(13) 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 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.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant 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, plant and equipment 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		

Where parts of an item of property, plant 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 derecognized.

(14) 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.

(15) Repossessed assets

Collateral assets for loans and advances are repossessed by the Group when the borrowers are unable to honour their repayments, and would be realised in settlement of the related outstanding debts. Repossessed assets are initially recognised at the carrying amount of the related loan principal and interest receivable, net of allowance for impairment losses. The Group's repossessed assets are reviewed at the end of each reporting period by management to assess whether they are recorded in excess of their recoverable amount, and if their carrying value exceeds the recoverable amount, the assets are written down. Any impairment loss, being the difference between the estimated net recoverable amount and the carrying value, is charged to the income statement.

(16) Business combination and goodwill

Business combinations from 1 January 2009

Business combinations are accounted for using the acquisition method. Goodwill arising from a business combination is initially measured at cost, being the excess of the aggregate of i) the consideration transferred, measured at acquisition-date fair value, ii) the amount of any non-controlling interest in the acquiree, and iii) in a business combination achieved in stages, the acquisition-date fair value of the Group's previously held equity interest in the acquiree over the net fair value of the acquired identifiable assets, assumed liabilities and contingent liabilities as at the date of acquisition. 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-related costs incurred are expensed.

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 a financial asset or liability, are recognised in accordance with IAS 39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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. Each unit or group of units to which the goodwill is allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on the Group's reporting format determined in accordance with IFRS 8 *Operating Segments.*

Where goodwill forms part of a CGU (or groups 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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the income statement.

Business combinations prior to 31 December 2008

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. Additional acquired share of interest, if any, 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 affected goodwill.

(17) Impairment of non-financial assets other than goodwill and deferred tax assets

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. Impairment losses of continuing operations are recognised in the income statement.

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 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.

(18) 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, and amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

(19) 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 method.

Operating leases

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

(20) 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.

(21) 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 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 expired.

Dividend income

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

(22) 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.

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 interests in 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 difference 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 interests in 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.

(23) 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.

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 Bank (the "Annuity Plan"). The Bank 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 Bank 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.

(24) 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.

(25) 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.

(26) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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.

Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision is presented in the income statement net of any reimbursement.

(27) 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.

(28) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meeting 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.

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 and IFRIC interpretations that have been issued but are not yet effective, in these financial statements.

IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards[1]
IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters[2]
IFRS 2 Amendments	Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions[2]
IFRS 9	Financial Instruments[6]
IAS 24 (Revised)	Related Party Disclosures[5]
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues[3]
IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[1]
IFRIC 14 Amendments	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement[5]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[4]

Apart from the above, in April 2009 the IASB has issued *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 current year. The amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013
* Improvements to IFRSs contains amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16.

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 significantly affect the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories in accordance with IAS 39, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt IAS 24 (Revised) from 1 January 2011.

6. NET INTEREST INCOME

	2009	2008
Interest income on:		
Loans and advances to customers(i)		
– Corporate loans and advances	217,954	234,696
– Personal loans	48,551	56,869
– Discounted bills	10,634	15,538
Financial investments(ii)	96,230	102,688
Due from central banks	23,361	22,634
Due from banks and other financial institutions	9,148	8,149
	405,878	440,574
Interest expense on:		
Due to customers	(145,246)	(160,253)
Due to banks and other financial institutions	(13,021)	(16,043)
Subordinated bonds	(1,790)	(1,241)
	(160,057)	(177,537)
Net interest income	245,821	263,037

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 RMB1,021 million (2008: RMB1,538 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 RMB896 million (2008: RMB1,062 million) with respect to interest income on impaired debt securities.

7. NET FEE AND COMMISSION INCOME

	2009	2008
Settlement, clearing business and cash management	14,587	13,002
Investment banking business	12,539	8,028
Personal wealth management and private banking services(i)	12,059	10,327
Bank card business	9,408	7,199
Corporate wealth management services(i)	4,442	2,788
Guarantee and commitment business	2,396	1,849
Assets fiduciary business(i)	2,212	2,066
Trust and agency services(i)	882	756
Others	517	696
Fee and commission income	59,042	46,711
Fee and commission expense	(3,895)	(2,709)
Net fee and commission income	55,147	44,002

(i) Included in personal wealth management and private banking services, corporate wealth management services, assets fiduciary business and trust and agency services above is an amount of RMB6,184 million (2008: RMB5,097 million) with respect to trust and other fiduciary activities.

8. NET TRADING INCOME/(EXPENSE)

	2009	2008
Debt securities	349	1,943
Equity investments	26	(14)
Derivatives	(450)	(46)
	(75)	1,883

The above amounts include gains and losses arising from the buying and selling, 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

	2009	2008
Financial assets	171	(55)
Financial liabilities	(300)	(644)
	(129)	(699)

The above amounts represent gains and losses arising from the buying and selling, 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/(LOSS) ON FINANCIAL INVESTMENTS

	2009	2008
Dividend income from unlisted investments	96	69
Dividend income from listed investments	5	13
Dividend income	101	82
Gain/(loss) on disposal of available-for-sale financial assets, net	7,238	(449)
	7,339	(367)

11. OTHER OPERATING INCOME, NET

	2009	2008
Loss from foreign exchange and foreign exchange products, net	(1,246)	(851)
Net gain on disposal of property and equipment, repossessed assets and others	1,122	1,563
Sundry bank charge income	244	251
Others	1,188	1,376
	1,308	2,339

12. OPERATING EXPENSES

	2009	2008
Staff costs:		
Salaries and bonuses	38,769	35,169
Staff benefits	11,187	10,846
Contributions to defined contribution schemes(i)	6,334	5,237
Early retirement benefits	4,200	2,000
	60,490	53,252
Premises and equipment expenses:		
Depreciation (note 30)	9,639	8,190
Minimum lease payments under operating leases in respect of land and buildings	2,977	2,469
Repairs and maintenance charges	2,301	2,686
Utility expenses	1,843	1,672
	16,760	15,017
Amortisation	1,361	1,300
Other administrative expenses(ii)	18,076	17,243
Business tax and surcharges	18,157	18,765
Others	5,975	5,758
	120,819	111,335

(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 RMB170 million for the year (2008: RMB181 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 2009			
Name	**Position**	**Remuneration paid (before tax)**	**Contributions to defined contribution schemes**	**Fees**	**Total emoluments before tax(i)**
		RMB'000 (1)	*RMB'000* (2)	*RMB'000* (3)	*RMB'000* (4)=(1)+(2)+(3)
Jiang Jianqing	Chairman of the Board of Directors, Executive Director	810	101	-	911
Yang Kaisheng	Vice Chairman of the Board of Directors, Executive Director, President	770	101	-	871
Zhao Lin	Chairman of the Board of Supervisors	725	101	-	826
Zhang Furong	Executive Director, Vice President	666	96	-	762
Niu Ximing(ii)	Former Executive Director and Vice President	673	95	-	768
Huan Huiwu(iii)	Non-executive Director	-	-	-	-
Gao Jianhong	Non-executive Director	-	-	-	-
Li Chunxiang(iii)	Non-executive Director	-	-	-	-
Li Jun	Non-executive Director	-	-	-	-
Li Xiwen	Non-executive Director	-	-	-	-
Wei Fusheng(iii)	Non-executive Director	-	-	-	-
Fu Zhongjun(ii)	Former Non-executive Director	-	-	-	-
Kang Xuejun(ii)	Former Non-executive Director	-	-	-	-
Song Zhigang(ii)	Former Non-executive Director	-	-	-	-
Christopher A. Cole(ii)	Former Non-executive Director	-	-	-	-
Leung Kam Chung, Antony	Independent Non-executive Director	-	-	498	498
Qian Yingyi	Independent Non-executive Director	-	-	485	485
Xu Shanda	Independent Non-executive Director	-	-	-	-
Wong Kwong Shing, Fran(iv)	Independent Non-executive Director	-	-	428	428
M.C. McCarthy(iv)	Independent Non-executive Director	-	-	25	25
Kenneth Patrick Chung(iv)	Independent Non-executive Director	-	-	25	25
Wang Chixi	Shareholder Supervisor	680	89	-	769
Dong Juan(v)	External Supervisor	-	-	175	175
Meng Yan(v)	External Supervisor	-	-	165	165
Wang Daocheng(vi)	Former External Supervisor	-	-	-	-
Miao Gengshu(vi)	Former External Supervisor	-	-	-	-
Zhang Wei(vii)	Employee Supervisor	-	-	50	50
Chang Ruiming(vii)	Employee Supervisor	-	-	17	17
		4,324	583	1,868	6,775

(i) 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 2009 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 2009 financial statements. The total compensation packages will be further disclosed when determined.

(ii) Mr. Fu Zhongjun, Mr. Kang Xuejun and Mr. Song Zhigang ceased to act as Directors of the Bank, effective from 17 February 2009 upon completion of their term; Mr. Christopher A. Cole ceased to act as Director of the Bank, effective from 1 June 2009 upon completion of his term; Mr. Niu Ximing ceased to act as Executive Director and Vice President of the Bank, effective from 29 December 2009 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 Vice President of the Bank from January 2009 to December 2009.

(iii) The appointments of three Non-executive Directors, namely Mr. Huan Huiwu, Ms. Li Chunxiang and Mr. Wei Fusheng, were approved by the CBRC on 17 February 2009.

(iv) The appointment of Mr. Wong Kwong Shing, Frank as Independent Non-executive Director of the Bank, was approved by the CBRC on 9 January 2009. At the Second Extraordinary General Meeting for the Year 2009 held on 27 November 2009, Mr. Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung were appointed as Independent Non-executive Directors of the Bank. The appointments of them were approved by the CBRC on 14 December 2009.

(v) At the Annual General Meeting for the Year 2008 of the Bank held on 25 May 2009, Ms. Dong Juan and Mr. Meng Yan were elected as Supervisors of the Bank, effective from the date of approval at that Annual General Meeting.

(vi) According to relevant requirements, Mr. Wang Daocheng and Mr. Miao Gengshu ceased to act as Supervisors of the Bank effective from 25 May 2009 upon completion of their term, and ceased to hold the position as chief member and member of the Supervision Committee of the Board of Supervisors of the Bank, respectively.

(vii) At the enlarged meeting of the Bank's Trade Union Working Committee held on 4 August 2009, Mr. Zhang Wei and Mr. Chang Ruiming were elected as Employee Supervisors of the Bank, and their appointment took effect from the date of election. Mr. Zhang Wei was re-elected and re-appointed. The amounts only included fees for their services as supervisors.

		Year ended 31 December 2008				
Name	**Position**	**Salaries and allowances**	**Discretionary bonuses**	**Contributions to defined contribution schemes**	**Fees**	**Total emoluments before tax**
		RMB'000 *(1)*	*RMB'000* *(2)*	*RMB'000* *(3)*	*RMB'000* *(4)*	*RMB'000* *(5)=(1)+(2)+(3) +(4)*
Jiang Jianqing	Chairman of the Board of Directors, Executive Director	800	658	152	-	1,610
Yang Kaisheng	Vice Chairman of the Board of Directors, Executive Director, President	760	643	132	-	1,535
Zhao Lin	Chairman of the Board of Supervisors	420	345	78	-	843
Wang Weiqiang	Former Chairman of the Board of Supervisors	360	297	65	-	722
Zhang Furong	Executive Director, Vice President	680	579	122	-	1,381
Niu Ximing	Executive Director, Vice President	680	579	122	-	1,381
Fu Zhongjun	Non-executive Director	-	-	-	-	-
Kang Xuejun	Non-executive Director	-	-	-	-	-
Song Zhigang	Non-executive Director	-	-	-	-	-
Gao Jianhong	Non-executive Director	-	-	-	-	-
Li Jun	Non-executive Director	-	-	-	-	-
Li Xiwen	Non-executive Director	-	-	-	-	-
Christopher A. Cole	Non-executive Director	-	-	-	-	-
Wang Wenyan	Former Non-executive Director	-	-	-	-	-
Zhao Haiying	Former Non-executive Director	-	-	-	-	-
Zhong Jian'an	Former Non-executive Director	-	-	-	-	-
Leung Kam Chung, Antony	Independent Non-executive Director	-	-	-	490	490
Qian Yingyi	Independent Non-executive Director	-	-	-	470	470
Xu Shanda	Independent Non-executive Director	-	-	-	205	205
John L. Thornton	Former Independent Non-executive Director	-	-	-	398	398
Wang Chixi	Shareholder Supervisor	500	390	110	-	1,000
Wang Daocheng	External Supervisor	-	-	-	150	150
Miao Gengshu	External Supervisor	-	-	-	140	140
Zhang Wei	Employee Supervisor	407	471	114	50	1,042
		4,607	3,962	895	1,903	11,367

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.

One of the Bank's executive directors, who is also a director of a subsidiary of the Bank, waived emoluments amounting to RMB0.17 million for the year ended 31 December 2009 (2008: 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 2009.

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 (2008: 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 or 47(e) to the financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	Group	
	2009	**2008**
	RMB'000	***RMB'000***
Salaries and allowances	14,650	14,957
Discretionary bonuses	5,898	4,146
Contributions to defined contribution schemes	897	5,318
	21,445	24,421

The number of these individuals whose emoluments fell within the following bands is set out below.

	Number of employees	
	2009	**2008**
RMB2,500,001 to RMB3,000,000	-	1
RMB3,000,001 to RMB3,500,000	1	-
RMB3,500,001 to RMB4,000,000	-	1
RMB4,000,001 to RMB4,500,000	2	1
RMB4,500,001 to RMB5,000,000	1	1
RMB5,000,001 to RMB5,500,000	1	-
RMB5,500,001 to RMB6,000,000	-	-
RMB6,000,001 to RMB6,500,000	-	-
RMB8,500,001 to RMB9,000,000	-	1
RMB10,000,001 to RMB10,500,000	-	-
	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 (2008: Nil).

15. IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

	Notes	2009	2008
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	21	(3)	(121)
Financial investments:			
Held-to-maturity investments	27(d)	136	1,616
Available-for-sale financial assets	27(c)(i),(d)	781	16,485
Property and equipment		-	16
Other assets		689	954
		1,603	18,950

16. INCOME TAX EXPENSE

(a) Income Tax

	2009	2008
Current income tax expense:		
PRC		
– Mainland China	37,663	42,054
– Hong Kong and Macau	599	142
Overseas	143	93
	38,405	42,289
Adjustments in respect of current income tax of prior years(i)	3,765	400
	42,170	42,689
Deferred income tax credit	(4,272)	(8,539)
	37,898	34,150

(i) As tax bureau announced a set of regulations in 2009, some of which took into effect from 1 January 2008 retrospectively, the Group adjusted the income tax payment for 2008 accordingly.

(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:

	2009	2008
Profit before tax	167,294	145,376
Tax at the PRC statutory income tax rate	41,824	36,344
Effects of different applicable rates of tax prevailing in other countries/regions	(161)	(112)
Non-deductible expenses(i)	3,307	2,049
Non-taxable income(ii)	(5,271)	(4,335)
Profits and losses attributable to associates and a jointly-controlled entity	(497)	(494)
Adjustments in respect of current and deferred income tax of prior years	(1,716)	400
Others	412	298
Tax expense at the Group's effective income tax rate	37,898	34,150

(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 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 2009 includes a profit of RMB126,638 million (2008: RMB108,959 million) which has been dealt with in the financial statements of the Bank (note 40).

18. DIVIDENDS

	2009	2008
Dividends on ordinary shares declared and paid:		
Final dividend for 2008: RMB0.165 per share (2007: RMB0.133 per share)	55,113	44,425

	2009	2008
Dividends on ordinary shares proposed for approval (not recognised as at 31 December): Final dividend for 2009: RMB0.17 per share (2008: RMB0.165 per share)	56,783	55,113

19. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

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

	2009	2008
Earnings:		
Profit for the year attributable to equity holders of the parent company	128,645	110,841
Shares:		
Weighted average number of ordinary shares in issue (million)	334,019	334,019
Basic and diluted earnings per share (RMB yuan)	0.39	0.33

Basic earnings per share was calculated as profit for the year attributable to ordinary shareholders of the Bank divided by the weighted average number of ordinary shares in issue. There were no dilutive events during the years ended 31 December 2009 and 31 December 2008.

20. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2009	2008	2009	2008
Cash and unrestricted balances with central banks				
Cash on hand	38,842	40,025	37,993	39,439
Surplus reserves with the PBOC(i)	85,720	372,544	85,162	372,383
Unrestricted balances with central banks of overseas countries or regions	5,167	1,263	1,085	1,167
	129,729	413,832	124,240	412,989
Restricted balances with central banks				
Mandatory reserves with the PBOC(ii)	1,441,940	1,190,896	1,441,449	1,190,602
Fiscal deposits with the PBOC	119,753	87,637	119,753	87,637
Mandatory reserves with central banks of overseas countries or regions(ii)	1,543	576	549	155
Other restricted balances with the PBOC(ii)	83	83	83	83
	1,563,319	1,279,192	1,561,834	1,278,477
	1,693,048	1,693,024	1,686,074	1,691,466

(i) Surplus reserves with the PBOC including 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 2009, the required mandatory deposit reserve ratios set by the PBOC in respect of customer deposits denominated in RMB and foreign currencies were 15.5% (2008: 15.5%) and 5% (2008: 5%), respectively. 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	
	2009	**2008**	**2009**	**2008**
Nostro accounts:				
Banks operating in Mainland China	135,736	11,092	134,073	10,089
Other financial institutions operating in Mainland China	1,177	1,004	858	1,004
Banks operating outside Mainland China	20,516	29,509	18,764	22,201
	157,429	41,605	153,695	33,294
Allowance for impairment losses	(34)	(34)	(33)	(34)
	157,395	41,571	153,662	33,260
Placements with banks and other financial institutions:				
Banks operating in Mainland China	17,508	10,899	19,254	12,528
Other financial institutions operating in Mainland China	10,174	6,499	10,174	6,440
Banks operating outside Mainland China	50,252	109,429	55,500	102,162
	77,934	126,827	84,928	121,130
Allowance for impairment losses	(28)	(35)	(28)	(33)
	77,906	126,792	84,900	121,097
	235,301	168,363	238,562	154,357

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 2008	34	156	190
Charge for the year	-	2	2
Reversal for the year	-	(123)	(123)
At 31 December 2008 and 1 January 2009	34	35	69
Reversal for the year	-	(3)	(3)
Write-offs	-	(4)	(4)
At 31 December 2009	34	28	62

Bank	**Nostro accounts**	**Placements with banks and other financial institutions**	**Total**
At 1 January 2008	34	156	190
Reversal for the year	-	(123)	(123)
At 31 December 2008 and 1 January 2009	34	33	67
Reversal for the year	(1)	(3)	(4)
Write-offs	-	(2)	(2)
At 31 December 2009	33	28	61

22. FINANCIAL ASSETS HELD FOR TRADING

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Debt securities	18,847	32,163	14,241	25,362
Equity investments	129	19	-	-
	18,976	32,182	14,241	25,362
Debt securities analysed into:				
Listed in Hong Kong	81	203	73	68
Listed outside Hong Kong	1,152	1,689	168	186
Unlisted	17,614	30,271	14,000	25,108
	18,847	32,163	14,241	25,362

23. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Debt securities	1,171	1,459	148	144
Debt securities analysed into:				
Listed in Hong Kong	333	301	-	-
Listed outside Hong Kong	675	1,005	148	144
Unlisted	163	153	-	-
	1,171	1,459	148	144

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 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 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)

Group:

	31 December 2008						
	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	242,378	191,333	16,327	11,769	461,807	8,749	(5,721)
Option contracts purchased	2,985	4,437	10	-	7,432	227	(78)
Option contracts written	2,868	4,406	10	-	7,284	78	(227)
	248,231	200,176	16,347	11,769	476,523	9,054	(6,026)
Interest rate contracts:							
Swap contracts	5,094	22,711	103,525	51,392	182,722	6,543	(7,462)
Forward contracts	3,964	3,759	21,803	1,504	31,030	118	(118)
Option contracts purchased	-	-	264	-	264	5	-
Option contracts written	-	-	264	-	264	-	(5)
	9,058	26,470	125,856	52,896	214,280	6,666	(7,585)
Other derivative contracts	27	96	-	-	123	1	(1)
	257,316	226,742	142,203	64,665	690,926	15,721	(13,612)

Bank:

	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)

Bank:

	31 December 2008						
	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	226,490	157,180	13,403	11,769	408,842	7,490	(3,877)
Option contracts purchased	481	1,442	-	-	1,923	172	-
Option contracts written	481	1,443	-	-	1,924	-	(172)
	227,452	160,065	13,403	11,769	412,689	7,662	(4,049)
Interest rate contracts:							
Swap contracts	4,689	17,857	94,166	48,113	164,825	6,211	(6,836)
Forward contracts	3,964	3,759	21,802	1,504	31,029	118	(118)
	8,653	21,616	115,968	49,617	195,854	6,329	(6,954)
Other derivative contracts	-	96	-	-	96	-	-
	236,105	181,777	129,371	61,386	608,639	13,991	(11,003)

Cash flow hedges

The Group's cash flow hedge consists of interest rate swap contracts and currency 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. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, and will be recycled into the profit or loss when the forecast cash flows affect the income statement. The ineffective portion is immediately recognised in the income statement.

Among the above derivative financial instruments, those designated as hedging instruments in the Group's cash flow hedge are set out below.

	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)

	31 December 2008						
	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	-	444	-	-	444	-	(33)

There is no ineffectiveness recognised in the income statement that arises from cash flow hedges for the current year (2008: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and financial liabilities 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:

	2009	2008
Gain/(loss) arising from fair value hedges, net:		
– Hedging instruments	159	(529)
– Hedged items attributable to the hedged risk	(168)	496
	(9)	(33)

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

Group:

	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)

	31 December 2008						
	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	-	-	124	-	124	-	(23)
Interest rate swap contracts....................	312	1,721	9,681	1,191	12,905	3	(796)
	312	1,721	9,805	1,191	13,029	3	(819)

Bank:

	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)

	31 December 2008						
	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....................	311	1,041	7,693	707	9,752	3	(546)
	311	1,041	7,747	707	9,806	3	(566)

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	
	2009	2008	2009	2008
Currency derivatives	4,722	5,900	3,077	4,758
Interest rate derivatives	2,544	6,141	2,050	5,804
Other derivatives	169	8	-	6
	7,435	12,049	5,127	10,568

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 credit worthiness 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	
	2009	**2008**	**2009**	**2008**
Analysed by counterparty:				
Banks	356,172	130,061	356,172	130,061
Other financial institutions	52,654	33,432	52,429	32,131
	408,826	163,493	408,601	162,192
Analysed by collateral:				
Securities	348,325	111,466	348,325	111,466
Bills	53,266	42,685	53,266	42,685
Loans	7,235	9,342	7,010	8,041
	408,826	163,493	408,601	162,192

There was no collateral received under certain reverse repurchase agreements by the Group and the Bank which are permitted to be sold or repledged in the absence of default by the owners of the collateral as at 31 December 2009 and 31 December 2008.

26. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Corporate loans and advances	4,169,259	3,396,633	4,000,066	3,269,141
Personal loans	1,229,569	849,045	1,206,850	829,824
Discounted bills	329,798	326,316	329,792	326,315
	5,728,626	4,571,994	5,536,708	4,425,280
Allowance for impairment losses	(145,452)	(135,983)	(144,183)	(135,325)
	5,583,174	4,436,011	5,392,525	4,289,955

Movements of allowance for impairment losses are as follows:

Group

	Individually assessed	Collectively assessed	Total
At 1 January 2008	58,944	56,743	115,687
Impairment loss:	10,955	25,557	36,512
– impairment allowances charged	25,045	54,683	79,728
– impairment allowances transferred	443	(443)	-
– reversal of impairment allowances	(14,533)	(28,683)	(43,216)
Accreted interest on impaired loans (note 6)	(1,538)	-	(1,538)
Write-offs	(11,917)	(456)	(12,373)
Recoveries of loans and advances previously written off	83	146	229
Transfer out	(2,468)	(66)	(2,534)
At 31 December 2008 and 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	45,500	99,952	145,452

Transfer out mainly represents impairment allowances of loans transferred into repossessed assets.

Bank

	Individually assessed	Collectively assessed	Total
At 1 January 2008	58,797	56,534	115,331
Impairment loss:	10,710	25,424	36,134
– impairment allowances charged	24,782	54,417	79,199
– impairment allowances transferred	443	(443)	-
– reversal of impairment allowances	(14,515)	(28,550)	(43,065)
Accreted interest on impaired loans	(1,524)	-	(1,524)
Write-offs	(11,858)	(446)	(12,304)
Recoveries of loans and advances previously written off	76	143	219
Transfer out	(2,443)	(88)	(2,531)
At 31 December 2008 and 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	44,945	99,238	144,183

Movements of allowance for impairment losses during the year analysed into those attributable to corporate loans and advances and discounted bills and personal loans and advances are as follows:

Group

	Corporate loans and discounted bills	Personal loans	Total
At 1 January 2008	102,734	12,953	115,687
Impairment loss:	30,639	5,873	36,512
– impairment allowances charged	69,723	10,005	79,728
– reversal of impairment allowances	(39,084)	(4,132)	(43,216)
Accreted interest on impaired loans (note 6)	(1,538)	-	(1,538)
Write-offs	(11,917)	(456)	(12,373)
Recoveries of loans and advances previously written off	83	146	229
Transfer out	(2,468)	(66)	(2,534)
At 31 December 2008 and 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	120,793	24,659	145,452

Bank

	Corporate loans and discounted bills	Personal loans	Total
At 1 January 2008	102,405	12,926	115,331
Impairment loss:	30,283	5,851	36,134
– impairment allowances charged	69,221	9,978	79,199
– reversal of impairment allowances	(38,938)	(4,127)	(43,065)
Accreted interest on impaired loans	(1,524)	-	(1,524)
Write-offs	(11,858)	(446)	(12,304)
Recoveries of loans and advances previously written off	76	143	219
Transfer out	(2,443)	(88)	(2,531)
At 31 December 2008 and 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	119,593	24,590	144,183

	Group		Bank	
	2009	2008	2009	2008
Loans and advances for which allowance for impairment losses are:				
Individually assessed	78,377	94,811	77,056	93,936
Collectively assessed	5,650,249	4,477,183	5,459,652	4,331,344
	5,728,626	4,571,994	5,536,708	4,425,280
Allowance for impairment losses:				
Individually assessed	45,500	54,059	44,945	53,758
Collectively assessed	99,952	81,924	99,238	81,567
	145,452	135,983	144,183	135,325
Net loans and advances for which allowance for impairment losses are:				
Individually assessed	32,877	40,752	32,111	40,178
Collectively assessed	5,550,297	4,395,259	5,360,414	4,249,777
	5,583,174	4,436,011	5,392,525	4,289,955
Identified impaired loans and advances	88,467	104,482	87,085	103,529
Percentage of impaired loans and advances	1.54%	2.29%	1.57%	2.34%

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 2009, loans with an original carrying amount of RMB12,032 million (2008: 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 2009, the amount of assets that the Group continues to recognise was RMB519 million (2008: RMB519 million), and the assets were classified as available-for-sale financial assets.

27. FINANCIAL INVESTMENTS

		Group		Bank	
	Notes	**2009**	**2008**	**2009**	**2008**
Receivables	(a)	1,132,379	1,162,769	1,132,379	1,162,769
Held-to-maturity investments	(b)	1,496,738	1,314,320	1,501,067	1,319,106
Available-for-sale financial assets	(c)	949,909	537,580	918,112	520,576
		3,579,026	3,014,669	3,551,558	3,002,451

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

		Group and Bank	
	Notes	**2009**	**2008**
Huarong bonds	(i)	312,996	312,996
Special government bond	(ii)	85,000	85,000
MOF receivable	(iii)	62,520	142,773
Special PBOC bills	(iv)	434,790	434,790
Other bills and bonds	(v)	237,073	187,210
		1,132,379	1,162,769

Notes:

(i) 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 bond were used to purchase impaired assets 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. The Ministry of Finance ("MOF") will provide support for the repayment of the principal of the Huarong bonds if necessary. With effect from 1 July 2005, should Huarong be unable to make full payment of the bond interest, the MOF will provide funding in support of the payment.

(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) MOF receivable represents the receivable arising from the disposal of certain impaired assets to Huarong in 2005. The amount is repayable before the end of June 2010 and bears interest at a fixed rate of 3% per annum.

(iv) Special PBOC bills consist of:

- a non-transferable bill with a nominal value of RMB430,465 million issued by the PBOC in June 2005, which will mature in June 2010 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; and
- 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.

(v) Other bills and bonds include PBOC bills as well as government and financial bonds. The balance represents non-transferable debt securities with fixed or determinable payments, which will mature in March 2010 to September 2019 and bears interest rates of 1.76% 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	
	2009	2008	2009	2008
Debt securities	1,498,584	1,316,033	1,502,797	1,320,701
Allowance for impairment losses	(1,846)	(1,713)	(1,730)	(1,595)
	1,496,738	1,314,320	1,501,067	1,319,106

	Group		Bank	
	2009	2008	2009	2008
Analysed into:				
Listed in Hong Kong	450	517	133	448
Listed outside Hong Kong	333,552	221,998	331,633	220,832
Unlisted	1,162,736	1,091,805	1,169,301	1,097,826
	1,496,738	1,314,320	1,501,067	1,319,106
Market value of listed debt securities	334,554	234,224	332,377	232,983

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	Group		Bank	
	2009	2008	2009	2008
Debt securities, at fair value(i)	945,425	528,829	915,641	513,238
Equity investments:				
At fair value(i)	2,595	6,861	954	5,541
At cost(ii):				
Debt for equity swaps	2,015	2,249	2,015	2,249
Others	836	412	315	295
Less: Allowance for impairment losses of equity investments	(962)	(771)	(813)	(747)
	1,889	1,890	1,517	1,797
Subtotal for equity investments	4,484	8,751	2,471	7,338
	949,909	537,580	918,112	520,576
Debt securities analysed into:				
Listed in Hong Kong	4,380	3,924	2,074	2,075
Listed outside Hong Kong	121,340	94,479	105,866	85,693
Unlisted	819,705	430,426	807,701	425,470
	945,425	528,829	915,641	513,238
Equity investments analysed into:				
Listed in Hong Kong	1,323	1,058	-	-
Listed outside Hong Kong	271	213	271	213
Unlisted	2,890	7,480	2,200	7,125
	4,484	8,751	2,471	7,338
Market value of listed securities:				
Debt securities	125,720	98,403	107,940	87,768
Equity investments	1,594	1,271	271	213
	127,314	99,674	108,211	87,981

(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 2009, the available-for-sale financial assets measured at fair value include debt securities and equity investments which are individually assessed to be impaired whose carrying amount is RMB6,280 million (2008: RMB24,565 million) and nil (2008: RMB49 million) respectively, with impairment loss recognised in the income statement for the year of RMB590 million (2008: RMB16,162 million).

(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 RMB300 million (2008: RMB881 million). There was no gain or loss recognised for such disposal during the year (2008: Nil).

(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 2008	149	448	597	146	431	577
Charge for the year	1,616	323	1,939	1,500	316	1,816
Disposals	(52)	-	(52)	(51)	-	(51)
At 31 December 2008 and 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	1,846	962	2,808	1,730	813	2,543

28. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2009	2008
Unlisted investments, at cost	15,104	9,808
Shares listed in Hong Kong, at cost	11,006	10,191
	26,110	19,999
Market value of the Bank's investment in a subsidiary whose shares are listed in Hong Kong	14,204	6,777

Particulars of the Bank's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest directly attributable to the Bank		Nominal value of issued share/ paid-up capital	Place of incorporation/ registration and operations	Principal activities
	2009	2008			
	%	%			
Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)")(i)	72.40	72.04	HK$2,637 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited	100	100	HK$280 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	US$26.68 million	Almaty, Kazakhstan	Commercial banking
Industrial and Commercial East Asia Finance Holdings Limited ("ICEA")	75	75	US$20 million	British Virgin Islands and Hong Kong	Investment banking
Industrial and Commercial Bank of China, (London) Limited	100	100	US$200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd.*	55	55	RMB200 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China Luxembourg S.A.	100	100	US$18.50 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia	97.83	97.83	IDR460,000 million	Indonesia	Commercial banking
ZAO Industrial and Commercial Bank of China (Moscow)	100	100	RUB1,000 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd.*(ii)	100	100	RMB5,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited(iii)	89.33	79.93	MOP282 million	Macau, the PRC	Commercial banking
Industrial and Commercial Bank of China (Middle East) Limited	100	100	US$50 million	Dubai, United Arab Emirates	Commercial banking and investment banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd.*(iv)	60	–	RMB200 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd.*(v)	100	–	RMB100 million	Chongqing, the PRC	Commercial banking

* These subsidiaries incorporated in Mainland China are all limited liability companies.

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) During the year, the Bank was allotted 28,612,487 ordinary shares of ICBC (Asia) in lieu of cash pursuant to the scrip dividend schemes of ICBC (Asia). Subsequent to the above, the equity interests held by the Bank in ICBC (Asia) increased to 72.40%.

(ii) On 23 September 2009, the Bank made an additional capital injection of RMB3,000 million into ICBC Financial Leasing Co., Ltd. and the total registered and paid-in capital increased to RMB5,000 million.

(iii) Pursuant to the Executive Order No. 30/2009 issued by Chief Executive of the Macau Special Administrative Region of PRC on 2 July 2009, the merger of Seng Heng Bank Limited and Macau branch of the Bank has been approved and became effective on 11 July 2009. Subsequent to the merger, Seng Heng Bank Limited undertook all the rights and obligations of Macau branch's business operations, and the subsidiary was renamed as "Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")" thereafter. The equity interests held by the Bank in ICBC Macau increased to 89.33%.

(iv) Zhejiang Pinghu ICBC Rural Bank Co., Ltd. was established in December 2009, with a registered capital amounting to RMB200 million. The percentage of the equity interests held by the Bank was 60%.

(v) Chongqing Bishan ICBC Rural Bank Co. Ltd. was established as a wholly-owned subsidiary by the Bank in December 2009, with a registered capital amounting to RMB100 million.

Apart from the above, the Bank has consolidated SPEs which are controlled by the Bank.

29. INVESTMENTS IN ASSOCIATES AND A JOINTLY-CONTROLLED ENTITY

	Group	
	2009	**2008**
Share of net assets	17,007	13,191
Goodwill	19,271	15,230
	36,278	28,421

	Bank	
	2009	**2008**
Shares listed outside Hong Kong, at cost	33,576	33,160

The following table illustrates the summarised financial information of the Group's associates and jointly-controlled entity:

	2009	**2008**
Assets	1,237,895	1,097,073
Liabilities	(1,145,930)	(1,024,138)
Net assets	91,965	72,935
Revenue	98,212	61,799
Profit for the year	11,117	12,202

The financial information above was extracted from the financial statements of the associates and jointly-controlled entity.

Particulars of the Group's associates and jointly-controlled entity at the end of the reporting period are as follows:

Name	Percentage of equity interest attributable to the Group 2009	2008	Place of incorporation/ registration	Principal activities
	%	%		
Associates:				
Listed investment directly held:				
Standard Bank Group Limited ("StandardBank")(i)	20.09	20.07	Johannesburg, Republic of South Africa	Commercial banking
Unlisted investment indirectly held:				
China Ping An Insurance (Hong Kong) Company Limited(ii)	-	18.01	Hong Kong the PRC	General insurance
IEC Investments Limited(iii) ...	28.96	28.82	Hong Kong the PRC	Investment company
Jointly-controlled entity:				
Unlisted investment indirectly held:				
Jiangxi Poyanghu Industry Investment Management Company Limited(iv)........	50.00	-	Jiangxi, the PRC	Investment management company

(i) On 3 April 2009, the Bank was allotted 7,984,815 ordinary shares of Standard Bank pursuant to the scrip dividend schemes of Standard Bank. As at 31 December 2009, the equity interests held by the Bank in Standard Bank increased to 20.09%.

(ii) The shareholding of a 25% equity interest in this associate was held through a non-wholly-owned subsidiary, ICBC (Asia). The percentage of ownership interest disclosed represents the effective percentage held by the Group. The equity investment in this associate was disposed of in December 2009.

(iii) The shareholding of a 40% equity interest in this associate is held through a non-wholly-owned subsidiary, ICBC (Asia). The percentage of equity interest disclosed represents the effective percentage of equity held by the Group.

(iv) Jiangxi Poyanghu Industry Investment Management Company Limited is a jointly-controlled entity of ICBCI Investment Management (Jiangxi) Limited, a wholly-owned subsidiary of ICBC International. The percentage of ownership interest disclosed represents the effective percentage held by the Group.

	2009	2008
Market value of listed investment	29,486	18,460

30. PROPERTY AND EQUIPMENT

Group

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and computers	Motor vehicles	Total
Cost:						
1 January 2008	74,645	2,667	1,794	21,936	1,760	102,802
Additions	2,990	5,101	1,090	5,457	227	14,865
Acquisition of a subsidiary	183	-	-	34	1	218
Transfers	1,759	(2,372)	24	603	9	23
Disposals	(510)	(65)	(20)	(704)	(377)	(1,676)
At 31 December 2008 and 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
Transfers	3,276	(3,755)	11	516	3	51
Disposals	(582)	(120)	(112)	(1,346)	(248)	(2,408)
At 31 December 2009	84,728	8,801	3,928	32,584	3,020	133,061
Accumulated depreciation and impairment:						
At 1 January 2008	8,709	149	674	11,757	1,247	22,536
Depreciation charge for the year (note 12)	3,531	-	375	4,075	209	8,190
Impairment losses	16	-	-	-	-	16
Disposals	(252)	(7)	(13)	(684)	(354)	(1,310)
At 31 December 2008 and 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	15,945	108	1,563	18,741	1,020	37,377
Net carrying amount:						
At 31 December 2008	67,063	5,189	1,852	12,178	518	86,800
At 31 December 2009	68,783	8,693	2,365	13,843	2,000	95,684

Bank

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and computers	Motor vehicles	Total
Cost:						
1 January 2008	74,548	2,667	1,604	21,789	1,747	102,355
Additions	2,946	5,101	1,034	5,387	220	14,688
Transfers	1,759	(2,372)	24	603	9	23
Disposals	(501)	(65)	-	(634)	(371)	(1,571)
At 31 December 2008 and 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
Transfers	3,276	(3,755)	11	516	3	51
Disposals	(582)	(120)	(99)	(1,307)	(245)	(2,353)
At 31 December 2009	84,334	8,801	3,643	32,364	1,685	130,827
Accumulated depreciation and impairment:						
At 1 January 2008	8,704	149	575	11,702	1,239	22,369
Depreciation charge for the year	3,516	-	352	4,034	206	8,108
Impairment losses	16	-	-	-	-	16
Disposals	(245)	(7)	-	(618)	(348)	(1,218)
At 31 December 2008 and 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	15,914	108	1,425	18,689	1,013	37,149
Net carrying amount:						
At 31 December 2008	66,761	5,189	1,735	12,027	508	86,220
At 31 December 2009	68,420	8,693	2,218	13,675	672	93,678

The Group's and the Bank's properties and buildings are held under the following lease terms:

	Group		Bank	
	2009	2008	2009	2008
Long term leases (over 50 years)				
Held in the PRC (other than Hong Kong)	5,893	6,186	5,893	6,186
Held in Hong Kong	189	185	178	185
Held overseas	11	11	-	-
	6,093	6,382	6,071	6,371
Medium term leases (10 to 50 years)				
Held in the PRC (other than Hong Kong)	59,295	58,216	59,152	58,135
Held in Hong Kong	95	97	44	46
Held overseas	101	85	40	41
	59,491	58,398	59,236	58,222
Short term leases (less than 10 years)				
Held in the PRC (other than Hong Kong)	3,124	2,270	3,113	2,168
Held in Hong Kong	75	13	-	-
	3,199	2,283	3,113	2,168
	68,783	67,063	68,420	66,761

As at 31 December 2009, the process of obtaining the titleship for the Group's properties and buildings with an aggregate net carrying value of RMB6,350 million (2008: RMB5,601 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

(a) Analysed by nature

Group

	At 31 December 2009		At 31 December 2008	
	Deductible temporary differences	Deferred income tax assets	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	49,253	12,290	47,709	11,903
Changes in fair value of available-for-sale financial assets	3,020	776	(11,668)	(2,925)
Changes in fair value of financial instruments at fair value through profit or loss	1,472	368	(4,096)	(991)
Accrued staff costs	20,510	5,127	10,355	2,589
Others	573	135	755	170
	74,828	18,696	43,055	10,746

	At 31 December 2009		At 31 December 2008	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable temporary differences	Deferred income tax liabilities
Deferred income tax liabilities:				
Allowance for impairment losses	(266)	(43)	-	-
Changes in fair value of available-for-sale financial assets	1,121	185	-	-
Changes in fair value of financial instruments at fair value through profit or loss	220	36	-	-
Others	3	-	136	16
	1,078	178	136	16

Bank

	At 31 December 2009		At 31 December 2008	
	Deductible temporary differences	Deferred income tax assets	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	49,072	12,267	47,443	11,859
Changes in fair value of available-for-sale financial assets	3,020	776	(12,183)	(3,027)
Changes in fair value of financial instruments at fair value through profit or loss	1,472	368	(3,963)	(991)
Accrued staff costs	20,510	5,127	10,355	2,589
Others	386	97	708	177
	74,460	18,635	42,360	10,607

(b) Movements of deferred income tax

Group

Deferred income tax assets

	At 1 January 2009	Credited/ (debited) to income statement	Credited to other comprehensive income	At 31 December 2009
Allowance for impairment losses	11,903	387	-	12,290
Changes in fair value of available-for-sale financial assets	(2,925)	-	3,701	776
Changes 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 2008	Credited/ (debited) to income statement	Debited to other comprehensive income	At 31 December 2008
Allowance for impairment losses	4,671	7,232	-	11,903
Changes in fair value of available-for-sale financial assets	695	-	(3,620)	(2,925)
Changes in fair value of financial instruments at fair value through profit or loss	(3,179)	2,188	-	(991)
Accrued staff costs	3,125	(536)	-	2,589
Others	521	(351)	-	170
	5,833	8,533	(3,620)	10,746

Deferred income tax liabilities

	At 1 January 2009	Debited/ (credited) to income statement	Debited to other comprehensive income	At 31 December 2009
Allowance for impairment losses	-	(43)	-	(43)
Changes in fair value of available-for-sale financial assets	-	-	185	185
Changes in fair value of financial instruments at fair value through profit or loss	-	36	-	36
Others	16	(16)	-	-
	16	(23)	185	178

	At 1 January 2008	Debited/ (credited) to income statement	Credited to other comprehensive income	At 31 December 2008
Allowance for impairment losses	(13)	13	-	-
Changes in fair value of available-for-sale financial assets	315	-	(315)	-
Others	35	(19)	-	16
	337	(6)	(315)	16

Bank

Deferred income tax assets

	At 1 January 2009	Credited/ (debited) to income statement	Credited to other comprehensive income	At 31 December 2009
Allowance for impairment losses	11,859	408	-	12,267
Changes in fair value of available-for-sale financial assets	(3,027)	-	3,803	776
Changes 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

	At 1 January 2008	Credited/ (debited) to income statement	Debited to other comprehensive income	At 31 December 2008
Allowance for impairment losses	4,671	7,188	-	11,859
Changes in fair value of available-for-sale financial assets	695	-	(3,722)	(3,027)
Changes in fair value of financial instruments at fair value through profit or loss	(3,179)	2,188	-	(991)
Accrued staff costs	3,125	(536)	-	2,589
Others	499	(322)	-	177
	5,811	8,518	(3,722)	10,607

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	
	2009	2008	2009	2008
Interest receivable	55,124	52,584	54,441	51,232
Land use rights	22,672	23,037	22,672	23,037
Settlement accounts	6,030	8,202	5,039	6,201
Goodwill(i)	5,350	4,891	-	-
Precious metal	2,699	2,819	2,699	2,819
Repossessed assets	1,954	2,206	1,952	2,204
Others	15,286	12,518	9,860	10,768
	109,115	106,257	96,663	96,261

(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 year period. Cash flows beyond the three to five year 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 test, 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	2009	2008	2009	2008
Structured deposits	(i)	14,581	2,551	14,581	2,285
Notes payable	(ii)	-	2,629	-	-
Certificates of deposit	(iii)	1,250	2,386	-	-
		15,831	7,566	14,581	2,285

Notes:

(i) The fair value of structured deposits as at 31 December 2009 was RMB1.63 million which was less than the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity (2008: RMB5.79 million below).

(ii) All the notes issued in September 2004 by ICBCA (C.I.) Limited, an indirectly-held subsidiary of the Bank, at a coupon rate of 4.125% per annum matured on 16 September 2009.

(iii) The certificates of deposit are all issued by ICBC (Asia) to financial institutions and retail customers at fixed or floating rates and are 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 2009 was RMB12.30 million (2008: RMB33.17 million above).

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 2009 and 31 December 2008. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

Certain structured deposits, notes payable and certificates of deposit 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.

34. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2009	2008	2009	2008
Deposits				
Banks and other financial institutions operating in Mainland China	920,315	591,930	920,911	590,841
Banks and other financial institutions operating outside Mainland China	10,695	677	10,254	1,258
	931,010	592,607	931,165	592,099
Money market takings				
Banks and other financial institutions operating in Mainland China	35,544	40,209	14,488	21,153
Banks and other financial institutions operating outside Mainland China	35,080	13,438	36,109	19,508
	70,624	53,647	50,597	40,661
	1,001,634	646,254	981,762	632,760

35. REPURCHASE AGREEMENTS

	Group		Bank	
	2009	2008	2009	2008
Analysed by counterparty:				
Banks	36,060	4,648	34,280	4,246
Analysed by collateral:				
Securities	34,280	200	34,280	200
Bills	-	3,841	-	3,841
Loans	1,780	607	-	205
	36,060	4,648	34,280	4,246

36. DUE TO CUSTOMERS

	Group		Bank	
	2009	2008	2009	2008
Demand deposits:				
Corporate customers	3,195,842	2,575,763	3,164,652	2,558,776
Personal customers	1,827,851	1,444,430	1,808,352	1,432,430
Time deposits:				
Corporate customers	1,736,118	1,482,438	1,628,355	1,390,127
Personal customers	2,874,646	2,604,785	2,852,632	2,580,372
Others	136,820	116,030	136,778	116,027
	9,771,277	8,223,446	9,590,769	8,077,732

37. SUBORDINATED BONDS

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds with total amount of RMB75,000 million through open market bidding in 2005 and 2009 respectively, 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 (2008: None). The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue price	Coupon rate	Value date	Maturity date	Circulation date	Issue amount	Notes
05 ICBC 01 Bond	19 August 2005	RMB100	3.11%	29 August 2005	29 August 2015	30 September 2005	RMB13,000 million	(i)
05 ICBC 02 Bond	19 August 2005	RMB100	3.77%	6 September 2005	6 September 2020	11 October 2005	RMB13,000 million	(ii)
05 ICBC 03 Bond	19 August 2005	RMB100	Base rate +1.05%	14 September 2005	14 September 2015	11 October 2005	RMB9,000 million	(iii)
09 ICBC 01 Bond	16 July 2009	RMB100	3.28%	20 July 2009	20 July 2019	20 August 2009	RMB10,500 million	(iv)
09 ICBC 02 Bond	16 July 2009	RMB100	4.00%	20 July 2009	20 July 2024	20 August 2009	RMB24,000 million	(v)
09 ICBC 03 Bond	16 July 2009	RMB100	Base rate +0.58%	20 July 2009	20 July 2019	20 August 2009	RMB5,500 million	(vi)

Notes:

(i) The Bank has the option to redeem all or part of the bonds at face value on 29 August 2010. 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 6 September 2015. If the Bank does not exercise this option, the annual coupon rate will increase by 300 bps thereafter.

(iii) The base rate is determined based on the weighted average of the PRC inter-bank money market 7-day repo rates in the last 10 trading days prior to its coupon payment date. The Bank has the option to redeem all or part of the bonds at face value on 14 September 2010. If the Bank does not exercise this option, the interest rate of the bonds will increase by 100 bps thereafter.

(iv) 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.

(v) 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.

(vi) 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.

38. OTHER LIABILITIES

	Group		Bank	
	2009	2008	2009	2008
Interest payable	86,221	90,252	85,740	89,606
Settlement accounts	38,856	37,295	37,895	35,476
Early retirement benefits	10,229	10,355	10,229	10,355
Salaries, bonuses, allowances and subsidies payables(i)	9,976	8,252	9,743	8,110
Sundry tax payables	6,395	7,117	6,344	7,093
Bank drafts	4,242	4,415	3,990	4,392
Others	18,744	19,432	17,190	18,462
	174,663	177,118	171,131	173,494

(i) Salaries, bonuses, allowances and subsidies payables were scheduled to be paid before 30 June 2010.

39. SHARE CAPITAL

	31 December 2009		31 December 2008	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Registered, issued and fully paid:				
H shares of RMB1 each	83,057	83,057	83,057	83,057
A shares of RMB1 each	250,962	250,962	250,962	250,962
	334,019	334,019	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.

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.

40. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year determined under generally accepted accounting principles in the PRC ("PRC GAAP") 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 25 March 2010, an appropriation of 10% of the profit for the year determined under PRC GAAP to the statutory surplus reserve, in the amount of RMB12,775 million (2008: RMB11,052 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.

(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 25 March 2010, an appropriation to the general reserve amounting to RMB14,813 million (2008:RMB28,374 million) was approved. The general reserve balance of the Bank as at 31 December 2009 amounted to RMB83,988 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 portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and a jointly-controlled entity other than the items listed above.

(h) Distributable profits

The Bank's distributable profit is 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.

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 2008	105,019	13,533	40,801	(2,406)	(81)	-	156,866	45,134
Profit for the year	-	-	-	-	-	-	-	108,959
Net change in fair value of available-for-sale financial assets	-	-	-	8,644	-	-	8,644	-
Reserve realised on disposal/ impairment of available-for-sale financial assets	-	-	-	2,612	-	-	2,612	-
Net loss on cash flow hedges	-	-	-	-	-	(4,080)	(4,080)	-
Foreign currency translation	-	-	-	-	(246)	-	(246)	-
Dividend – 2007 final (note 18)	-	-	-	-	-	-	-	(44,425)
Appropriation to surplus reserves (note)	-	11,061	-	-	-	-	11,061	(11,061)
Appropriation to general reserve	-	-	28,374	-	-	-	28,374	(28,374)
Balance as at 31 December 2008 and 1 January 2009	**105,019**	**24,594**	**69,175**	**8,850**	**(327)**	**(4,080)**	**203,231**	**70,233**
Profit for the year	-	-	-	-	-	-	-	126,638
Net change in fair value of available-for-sale financial assets	-	-	-	(9,170)	-	-	(9,170)	-
Reserve realised on disposal/ impairment of available-for-sale financial assets	-	-	-	(1,382)	-	-	(1,382)	-
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	**105,569**	**37,398**	**83,988**	**(1,702)**	**(235)**	**(4,080)**	**220,938**	**114,141**

Note: Includes the appropriation made by overseas branches in the amount of RMB29 million (2008: RMB9 million).

41. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2009	**2008**
Available-for-sale financial assets:	(10,461)	9,067
Changes in fair value recorded in other comprehensive income/(loss)		
Less: Income tax effect	3,516	(3,305)
Transfer to income statement arising from disposal/impairment	(1,945)	3,429
	(8,890)	9,191
Cash flow hedges:		
Losses arising during the year	(2)	(4,073)
Less: Income tax effect	-	-
Transfer to income statement	(7)	-
	(9)	(4,073)
Share of other comprehensive income/(loss) of associates and a jointly-controlled entity	(1,155)	500
Less: Income tax effect	-	-
Transfer to income statement	-	-
	(1,155)	500
Foreign currency translation differences	7,531	(8,604)
Less: Transfer to income statement	-	-
	7,531	(8,604)
	(2,523)	(2,986)

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents are as follows:

	Note	2009	2008
Cash on hand	20	38,842	40,025
Balances with central banks other than restricted deposits	20	90,887	373,807
Nostro accounts with banks and other financial institutions with original maturity of three months or less		89,878	36,906
Placements with banks and other financial institutions with original maturity of three months or less		56,985	115,584
Reverse repurchase agreements with original maturity of three months or less		132,802	40,969
		409,394	607,291

43. 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	
	2009	2008	2009	2008
Authorised, but not contracted for	4,177	1,687	4,177	1,687
Contracted, but not provided for	6,125	1,658	5,135	1,644
	10,302	3,345	9,312	3,331

As at 31 December 2009, the Bank had commitments in relation to the transfer and acquisition of shares for the purpose of acquiring subsidiaries amounted to RMB4,262 million approximately, amongst which RMB3,025 million and RMB1,237 million approximately were included in the amounts of authorised, but not contracted for and contracted, but not provided for commitments as shown above respectively. Please refer to note 51(a) and note 51(b) for details.

(b) Operating lease commitments

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

	Group		Bank	
	2009	2008	2009	2008
Within one year	2,570	2,146	2,274	1,858
After one year but not more than five years	6,022	5,178	5,382	4,415
After five years	1,616	1,658	1,604	1,599
	10,208	8,982	9,260	7,872

(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	
	2009	2008	2009	2008
Bank acceptances	209,967	206,632	209,514	206,236
Guarantees issued	210,243	217,071	205,899	210,408
Financing letters of guarantees	78,643	87,176	77,348	86,297
Non-financing letters of guarantees	131,600	129,895	128,551	124,111
Usance letters of credit	113,416	73,374	111,761	71,316
Sight letters of credit	50,019	39,879	48,201	38,926
Loan commitments	457,956	238,687	368,486	163,710
With original maturity of not more than one year	216,253	144,585	149,770	109,512
With original maturity of more than one year	241,703	94,102	218,716	54,198
Undrawn credit card limit	198,086	160,830	197,696	160,500
	1,239,687	936,473	1,141,557	851,096

	Group		Bank	
	2009	2008	2009	2008
Credit risk weighted amount of credit commitments	507,149	385,049	494,460	373,720

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

There were a number of legal proceedings outstanding against the Bank and/or its subsidiaries as at the end of the reporting period.

	Group and Bank	
	2009	2008
Claimed amounts	2,131	3,292

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.

(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 2009, the Bank had underwritten and sold bonds with an accumulated amount of RMB149,506 million

(2008: RMB151,345 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

At the end of the reporting period, the amount of unexpired securities underwriting obligations was as follows:

	Group and Bank	
	2009	**2008**
Underwriting obligations	1,800	1,000

44. DESIGNATED FUNDS AND LOANS

	Group and Bank	
	2009	**2008**
Designated funds	280,805	237,432
Designated loans	280,080	236,755

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.

45. 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 2009, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB36,111 million (2008: RMB4,648 million).

46. FIDUCIARY ACTIVITIES

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in "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.

47. 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 2009, the MOF directly owned approximately 35.33% (2008: 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:

	2009	2008
Balances at end of the year:		
The PRC government bonds and the special government bond	618,717	482,614
MOF receivable (note 27(a)(iii))	62,520	142,773

	2009	2008
Transactions during the year:		
Subscription of PRC government bonds	220,538	67,603
Redemption of PRC government bonds	87,126	83,863
Interest income on PRC government bonds	17,569	17,233
Repayment of MOF receivable (note 27(a)(iii))	80,253	51,208
Interest income on MOF receivable	3,764	5,294

Interest rate range during the year is as follows:

	2009	2008
	%	%
MOF receivable	3	3
Bond investments	0.9 to 6.8	1.3 to 7.3

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, joint control or significant influence of the MOF are not considered as related parties of the Group.

(ii) Huijin

As at 31 December 2009, Central Huijin Investment Limited ("Huijin") directly owned approximately 35.42% (2008: approximately 35.41%) of the issued share capital of the Bank. Huijin was incorporated as a wholly-state-owned investment company with the approval of the State Council. It was established to hold certain equity investments on behalf of the State Council, and to represent the Government in exercising its investor's rights and obligations in certain banks and financial institutions.

The Group also entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at market rates. Details of the material transactions are as follows:

	2009	2008
Balances at end of the year:		
Deposits	1,524	35,089
Interest payable	15	103

	2009	2008
Transactions during the year:		
Interest expense on deposits	423	1,634

	2009	2008
	%	%
Interest rate range during the year is as follows:		
Deposits	0.01 to 4.1	0.3 to 4.3

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 2009 are as follows:

	2009	2008
Balances at end of the year:		
Debt securities purchased	555,687	441,321
Due from these banks and financial institutions	33,723	38,894
Derivative financial assets	367	564
Due to these banks and financial institutions	61,270	41,508
Derivative financial liabilities	371	400

	2009	2008
Transactions during the year:		
Interest income on debt securities purchased	16,115	1,146
Interest income on amounts due from these banks and financial institutions	304	371
Interest expense on amounts due to these banks and financial institutions	1,103	785

	2009	2008
	%	%
Interest rate ranges during the year are as follows:		
Debt securities purchased	1.0 to 5.5	2.0 to 8.3
Due from these banks and financial institutions	0.0001 to 11.1	0.0001 to 7.3
Due to these banks and financial institutions	0.0001 to 5.7	0.0001 to 6.5

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.

(iii) National Council for Social Security Fund and Goldman Sachs Group Inc.

As at 31 December 2009, the Bank's shares held by National Council for Social Security Fund (the "SSF") and Goldman Sachs Group Inc. have been persistently lower than 5% during the past 12 months. Therefore, the Group ceased to regard the SSF and Goldman Sachs Group Inc. as the related parties of the Group.

(b) Subsidiaries

	2009	2008
Balance at end of the year:		
Debt securities purchased	9,932	8,372
Due from banks and financial institutions	26,064	12,577
Derivative financial assets	179	120
Due to banks and financial institutions	7,710	3,205
Derivative financial liabilities	111	157

	2009	2008
Transactions during the year:		
Interest income on debt securities purchased	151	300
Interest income on amounts due from banks and financial institutions	204	625
Interest expense on amounts due to banks and financial institutions	167	859
Net trading expense	17	35
Commission income	182	14

	2009	2008
	%	%
Interest rate ranges during the year are as follows:		
Debt securities purchased	0.5 to 5.4	2.7 to 5.4
Due from banks and financial institutions	0 to 5.7	0 to 5.7
Due to banks and financial institutions	0 to 5.7	0.01 to 5.4

(c) Associates

	2009	2008
Balances at end of the year:		
Due from associates	1,065	453
Loans to an associate	2,922	-
Due to associates	7	24

	2009	2008
Transactions during the year:		
Interest income on amounts due from associates	28	45
Interest income on loans to an associate	26	-

	2009	2008
	%	%
Interest rates during the year are as follows:		
Due from associates	14.5	14.5
Loans to an associate	2.25	-

The major transactions between the Group and its associates mainly comprised due from banks and other financial institutions, loans and deposits and the corresponding interest income. In the opinion of management, the transactions between the Group and its associates were conducted under normal commercial terms and conditions.

(d) Jointly-controlled entity

No transactions were conducted between the Group and its jointly-controlled entity during the year.

(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:

	2009	2008
	RMB'000	*RMB'000*
Short term employment benefits	4,036	8,926
Post-employment benefits	339	638
	4,375	9,564

The total compensation packages for certain senior management of the Bank for the year ended 31 December 2009 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 2009 financial statements. The total compensation packages will be further disclosed when determined.

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 or significant influence, are also considered as related parties of the Group.

The transactions between the Group and the aforementioned parties for the year are as follows:

	2009	2008
Loans	274	-

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted on terms and conditions similar to those offered to other unrelated customers.

(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 (2008: 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 organisations (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.

48. 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 its business units separately for the purpose of making decisions about resource 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". Interest income and expense relating to third parties are referred to as "external net interest income/expense".

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

	Corporate banking	**Personal banking**	**Treasury operations**	**Others**	**Total**
Year ended 31 December 2009					
External net interest income/(expense)	168,772	(37,973)	115,022	-	245,821
Internal net interest income/(expense)	(35,965)	108,571	(72,606)	-	-
Net fee and commission income(i)	32,486	22,499	162	-	55,147
Other income, net	864	17	6,149	1,413	8,443
Operating income	166,157	93,114	48,727	1,413	309,411
Operating expenses	(58,707)	(45,080)	(14,229)	(2,803)	(120,819)
Impairment losses on:					
Loans and advances to customers	(14,998)	(6,684)	-	-	(21,682)
Others	(421)	-	(914)	(268)	(1,603)
Operating profit/(loss)	92,031	41,350	33,584	(1,658)	165,307
Share of profits and losses of associates and a jointly-controlled entity	-	-	-	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 a jointly-controlled entity	-	-	-	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) All from external customers.
(ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2008					
External net interest income/(expense)	181,782	(36,122)	117,377	-	263,037
Internal net interest income/(expense)	(56,035)	123,456	(67,421)	-	-
Net fee and commission income(i)	24,907	18,953	142	-	44,002
Other income/(expense), net	2,414	14	(171)	899	3,156
Operating income	153,068	106,301	49,927	899	310,195
Operating expenses	(54,683)	(36,716)	(13,452)	(6,484)	(111,335)
Impairment losses on:					
Loans and advances to customers	(30,639)	(5,873)	-	-	(36,512)
Others	(554)	(6)	(17,985)	(405)	(18,950)
Operating profit/(loss)	67,192	63,706	18,490	(5,990)	143,398
Share of profits and losses of associates	-	-	-	1,978	1,978
Profit/(loss) before tax	67,192	63,706	18,490	(4,012)	145,376
Income tax expense					(34,150)
Profit for the year					111,226
Other segment information:					
Depreciation	3,663	2,470	1,579	478	8,190
Amortisation	640	360	269	31	1,300
Capital expenditure	7,334	4,883	3,147	900	16,264
As at 31 December 2008					
Segment assets	3,706,953	878,988	5,105,568	65,637	9,757,146
Including: Investments in associates	-	-	-	28,421	28,421
Property and equipment	36,532	24,739	15,652	9,877	86,800
Other non-current assets(ii)	14,674	6,669	5,280	5,865	32,488
Segment liabilities	4,280,441	4,147,162	715,448	7,465	9,150,516
Other segment information:					
Credit commitments	775,643	160,830	-	-	936,473

(i) All from external customers.
(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 in Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Busan, Tokyo, London, Almaty, Indonesia, Moscow, Doha, Dubai, Sydney and New York.

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

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

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

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

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

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

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

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

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

	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**
Year ended 31 December 2009										
External net interest income	117,085	38,412	22,417	11,912	18,500	27,864	4,116	5,515	-	245,821
Internal net interest income/(expense)	(102,800)	16,835	11,988	41,162	13,879	12,541	6,611	(216)	-	-
Net fee and commission income(i)	1,552	14,133	9,234	10,934	6,988	7,291	2,751	2,264	-	55,147
Other income/(expense), net	9,066	(934)	(88)	(440)	(305)	(91)	76	1,159	-	8,443
Operating income	24,903	68,446	43,551	63,568	39,062	47,605	13,554	8,722	-	309,411
Operating expenses	(7,548)	(21,760)	(15,644)	(21,808)	(19,464)	(22,294)	(9,552)	(2,749)	-	(120,819)
Impairment losses on:										
Loans and advances to customers	(50)	(3,665)	(3,507)	(6,172)	(4,191)	(2,872)	(391)	(834)	-	(21,682)
Others	(652)	(41)	(36)	(85)	(54)	(96)	(380)	(259)	-	(1,603)
Operating profit	16,653	42,980	24,364	35,503	15,353	22,343	3,231	4,880	-	165,307
Share of profits and losses of associates and a jointly-controlled entity	-	-	-	-	-	-	-	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) All from external customers.

	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 a jointly-controlled entity	-	-	-	-	-	-	-	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.

	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
Year ended 31 December 2008										
External net interest income	118,029	47,738	26,021	14,805	19,704	26,457	4,533	5,750	-	263,037
Internal net interest income/(expense)	(84,690)	13,690	10,497	32,580	11,618	10,461	6,561	(717)	-	-
Net fee and commission income (i)	2,245	10,687	7,217	8,437	5,522	5,723	2,282	1,889	-	44,002
Other income/(expense), net	(6,842)	2,279	2,344	1,736	1,027	1,719	1,102	(209)	-	3,156
Operating income	28,742	74,394	46,079	57,558	37,871	44,360	14,478	6,713	-	310,195
Operating expenses	(6,743)	(21,081)	(14,496)	(19,298)	(17,829)	(20,249)	(9,213)	(2,426)	-	(111,335)
Impairment losses on:										
Loans and advances to customers	(409)	(10,102)	(5,632)	(7,861)	(5,012)	(5,442)	(1,375)	(679)	-	(36,512)
Others	(16,768)	(225)	92	(136)	(329)	(123)	(439)	(1,022)	-	(18,950)
Operating profit	4,822	42,986	26,043	30,263	14,701	18,546	3,451	2,586	-	143,398
Share of profits and losses of associates	-	-	-	-	-	-	-	1,978	-	1,978
Profit before tax	4,822	42,986	26,043	30,263	14,701	18,546	3,451	4,564	-	145,376
Income tax expense										(34,150)
Profit for the year										111,226
Other segment information:										
Depreciation	872	1,356	1,004	1,361	1,341	1,405	760	91	-	8,190
Amortisation	446	193	79	117	185	176	58	46	-	1,300
Capital expenditure	2,541	2,863	1,785	2,334	2,480	3,148	892	221	-	16,264

(i) All from external customers.

	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 2008										
Assets by geographical areas	5,229,411	2,003,485	1,174,627	2,402,081	1,245,770	1,342,482	609,063	302,138	(4,562,657)	9,746,400
Including: Investments in associates	-	-	-	-	-	-	-	28,421	-	28,421
Property and equipment	7,599	16,930	10,114	14,848	12,791	15,151	8,670	697	-	86,800
Other non-current assets(i)	5,816	6,056	2,470	4,371	5,468	5,040	2,278	989	-	32,488
Unallocated assets										10,746
Total assets										9,757,146
Liabilities by geographical areas	4,825,553	1,952,978	1,145,838	2,365,629	1,226,264	1,318,006	604,331	236,696	(4,562,657)	9,112,638
Unallocated liabilities										37,878
Total liabilities										9,150,516
Other segment information:										
Credit commitments	185,105	215,313	93,180	199,581	54,933	47,067	18,232	123,062	-	936,473

(i) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

49. 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.

(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.

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.

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	
	31 December 2009	**31 December 2008**	**31 December 2009**	**31 December 2008**
Balances with central banks	1,654,206	1,652,999	1,648,081	1,652,027
Due from banks and other financial institutions	235,301	168,363	238,562	154,357
Financial assets held for trading	18,847	32,163	14,241	25,362
Financial assets designated at fair value through profit or loss	1,171	1,459	148	144
Derivative financial assets	5,758	15,721	4,781	13,991
Reverse repurchase agreements	408,826	163,493	408,601	162,192
Loans and advances to customers	5,583,174	4,436,011	5,392,525	4,289,955
Financial investments				
– Receivables	1,132,379	1,162,769	1,132,379	1,162,769
– Held-to-maturity investments	1,496,738	1,314,320	1,501,067	1,319,106
– Available-for-sale financial assets	945,425	528,829	915,641	513,238
Others	73,932	70,780	66,986	65,813
	11,555,757	9,546,907	11,323,012	9,358,954
Credit commitments	1,239,687	936,473	1,141,557	851,096
Total maximum credit risk exposure	12,795,444	10,483,380	12,464,569	10,210,050

(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 break down 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 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 48(b).

31 December 2008

	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	1,517,097	32,926	20,262	43,874	10,957	19,250	6,339	2,294	1,652,999
Due from banks and other financial institutions	112,429	13,411	1,855	6,078	2,658	469	130	31,333	168,363
Financial assets held for trading	23,358	-	-	2,004	-	-	-	6,801	32,163
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	1,459	1,459
Derivative financial assets	6,640	2,078	1,296	1,529	974	875	460	1,869	15,721
Reverse repurchase agreements	136,157	8,599	5,910	10,200	1,326	-	-	1,301	163,493
Loans and advances to customers	122,181	1,109,346	647,505	812,171	586,756	708,141	266,799	183,112	4,436,011
Financial investments									
– Receivables	1,156,769	-	-	-	-	-	6,000	-	1,162,769
– Held-to-maturity investments	1,143,359	38,665	22,815	99,658	373	441	4,280	4,729	1,314,320
– Available-for-sale financial assets	389,763	32,990	15,336	30,581	7,898	9,981	11,273	31,007	528,829
Others	40,303	5,312	2,946	6,324	3,904	4,960	1,143	5,888	70,780
	4,648,056	1,243,327	717,925	1,012,419	614,846	744,117	296,424	269,793	9,546,907
Credit commitments	185,105	215,313	93,180	199,581	54,933	47,067	18,232	123,062	936,473
Total maximum credit risk exposure	4,833,161	1,458,640	811,105	1,212,000	669,779	791,184	314,656	392,855	10,483,380

The compositions of each geographical distribution above are set out in note 48(b).

Bank

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 48(b).

31 December 2008

	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	1,517,097	32,926	20,262	43,874	10,957	19,250	6,339	1,322	1,652,027
Due from banks and other financial institutions	119,599	13,483	2,675	6,555	2,677	484	137	8,747	154,357
Financial assets held for trading	23,358	-	-	2,004	-	-	-	-	25,362
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	144	144
Derivative financial assets	6,707	2,078	1,296	1,529	974	875	460	72	13,991
Reverse repurchase agreements	136,157	8,599	5,910	10,200	1,326	-	-	-	162,192
Loans and advances to customers	122,181	1,109,346	647,505	812,171	586,756	708,141	266,799	37,056	4,289,955
Financial investments									
– Receivables	1,156,769	-	-	-	-	-	6,000	-	1,162,769
– Held-to-maturity Investments	1,150,392	38,665	22,815	99,658	373	441	4,280	2,482	1,319,106
– Available-for-sale financial assets	389,763	32,990	15,336	30,581	7,898	9,981	11,273	15,416	513,238
Others	40,368	5,312	2,948	6,324	3,904	4,960	1,143	854	65,813
	4,662,391	1,243,399	718,747	1,012,896	614,865	744,132	296,431	66,093	9,358,954
Credit commitments	185,105	215,313	93,180	199,581	54,933	47,067	18,232	37,685	851,096
Total maximum credit risk exposure	4,847,496	1,458,712	811,927	1,212,477	669,798	791,199	314,663	103,778	10,210,050

The compositions of each geographical distribution above are set out in note 48(b).

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 49(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	
	2009	2008	2009	2008
Transportation, storage and postal services	826,557	707,482	807,041	694,075
Manufacturing	826,066	777,249	799,058	762,593
Production and supply of electricity, gas and water	548,541	516,771	536,394	511,454
Water, environment and public utility management	510,942	275,649	510,762	275,469
Real estate	474,710	386,141	426,475	348,822
Leasing and commercial services	305,233	203,977	293,410	190,032
Wholesale, retail and lodging	283,974	204,272	265,714	192,618
Mining	108,139	87,894	106,798	85,382
Science, education, culture and sanitation	67,520	71,036	66,896	70,441
Construction	65,280	61,843	62,419	61,080
Others	152,297	104,319	125,099	77,175
Subtotal for corporate loans and advances	4,169,259	3,396,633	4,000,066	3,269,141
Personal mortgage and business loans	1,027,032	729,611	1,012,339	711,561
Others	202,537	119,434	194,511	118,263
Subtotal for personal loans and advances	1,229,569	849,045	1,206,850	829,824
Discounted bills	329,798	326,316	329,792	326,315
Total for loans and advances to customers	5,728,626	4,571,994	5,536,708	4,425,280

(iii) *Loans and advances to customers*

The total credit risk exposures of loans and advances to customers are summarised as follows:

	Group		Bank	
	2009	2008	2009	2008
Neither past due nor impaired	5,604,897	4,413,241	5,415,593	4,268,654
Past due but not impaired	35,262	54,271	34,030	53,097
Impaired	88,467	104,482	87,085	103,529
	5,728,626	4,571,994	5,536,708	4,425,280
Allowance for impairment losses	(145,452)	(135,983)	(144,183)	(135,325)
	5,583,174	4,436,011	5,392,525	4,289,955

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

	31 December 2009			31 December 2008		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	1,762,827	45,901	1,808,728	1,294,007	38,479	1,332,486
Guaranteed loans	850,179	53,633	903,812	765,169	60,053	825,222
Loans secured by mortgages	2,032,806	83,363	2,116,169	1,514,766	74,788	1,589,554
Pledged loans	747,741	28,447	776,188	638,410	27,569	665,979
	5,393,553	211,344	5,604,897	4,212,352	200,889	4,413,241

Bank

	31 December 2009			31 December 2008		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	1,707,588	43,074	1,750,662	1,241,896	37,262	1,279,158
Guaranteed loans	818,892	53,114	872,006	748,900	59,291	808,191
Loans secured by mortgages	1,946,176	76,519	2,022,695	1,447,243	71,322	1,518,565
Pledged loans	741,788	28,442	770,230	635,171	27,569	662,740
	5,214,444	201,149	5,415,593	4,073,210	195,444	4,268,654

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

	Corporate loans and advances		Personal loans and advances		Total	
	2009	2008	2009	2008	2009	2008
Past due for:						
Less than one month	2,813	7,740	23,720	34,229	26,533	41,969
One to two months	15	95	4,826	6,421	4,841	6,516
Two to three months	1	313	3,194	5,144	3,195	5,457
Over three months	22	18	671	311	693	329
	2,851	8,166	32,411	46,105	35,262	54,271
Fair value of collateral held	4,772	11,101	74,637	99,619	79,409	110,720

Bank

	Corporate loans and advances		Personal loans and advances		Total	
	2009	2008	2009	2008	2009	2008
Past due for:						
Less than one month	1,998	7,274	23,381	33,974	25,379	41,248
One to two months	-	-	4,792	6,408	4,792	6,408
Two to three months	-	-	3,191	5,132	3,191	5,132
Over three months	-	-	668	309	668	309
	1,998	7,274	32,032	45,823	34,030	53,097
Fair value of collateral held	3,715	9,455	74,048	99,095	77,763	108,550

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 value of collateral that the Group and the Bank hold relating to loans individually determined to be impaired as at 31 December 2009 amounted to RMB22,021 million (2008: RMB25,833 million) and RMB21,412 million (2008: RMB25,645 million). The collateral mainly consists of land and properties, equipment and also others.

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	
	2009	2008	2009	2008
Renegotiated loans and advances to customers	15,611	25,246	15,504	25,079
Impaired loans and advances to customers included in above	13,199	22,020	13,096	21,857

Collateral repossessed

During the year, the Group took possession of collateral held as security with a carrying amount of RMB1,411 million (2008: RMB4,823 million). Such collateral mainly comprises land and properties 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 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

31 December 2008

	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	800,563	756,824	319,156	5,447	182	1,882,172
Policy banks	47,000	468,680	81,514	3,933	-	601,127
Public sector entities......	-	23,117	15,485	1,832	176	40,610
Banks and other financial institutions .	315,206	43,936	42,592	6,132	548	408,414
Corporate entities......	-	14,854	45,517	14,819	553	75,743
	1,162,769	1,307,411	504,264	32,163	1,459	3,008,066
Impaired(i)						
Public sector entities......	-	3,964	9,489	-	-	13,453
Banks and other financial institutions .	-	4,621	14,946	-	-	19,567
Corporate entities......	-	37	130	-	-	167
	-	8,622	24,565	-	-	33,187
Less: Allowance for impairment losses for held-to-maturity investments	-	(1,713)	-	-	-	(1,713)
	-	6,909	24,565	-	-	31,474
	1,162,769	1,314,320	528,829	32,163	1,459	3,039,540

Bank

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

31 December 2008

	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	800,563	755,105	317,893	4,627	-	1,878,188
Policy banks............	47,000	468,659	81,256	3,928	-	600,843
Public sector entities ...	-	22,953	15,098	1,831	-	39,882
Banks and other financial institutions...........	315,206	50,796	33,275	254	144	399,675
Corporate entities	-	14,689	41,199	14,722	-	70,610
	1,162,769	1,312,202	488,721	25,362	144	2,989,198
Impaired(i)						
Public sector entities ...	-	3,964	9,489	-	-	13,453
Banks and other financial institutions...........	-	4,497	14,899	-	-	19,396
Corporate entities	-	38	129	-	-	167
	-	8,499	24,517	-	-	33,016
Less: Allowance for impairment losses for held-to-maturity investments	-	(1,595)	-	-	-	(1,595)
	-	6,904	24,517	-	-	31,421
	1,162,769	1,319,106	513,238	25,362	144	3,020,619

(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 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.

(b) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. 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.

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 Group's assets and liabilities is set out below:

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
Investments								
– Receivables	-	-	21,000	949,806	65,763	95,810	-	1,132,379
– Held-to-maturity investments	-	36,415	144,798	281,028	596,309	433,979	4,209	1,496,738
– Available-for-sale financial assets	-	27,685	82,314	351,450	346,081	131,615	10,764	949,909
– Investments in associates and a jointly-controlled entity	-	-	-	-	-	-	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
Subordinated bonds	-	-	-	-	-	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.

31 December 2008

	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	413,832	-	-	-	-	-	1,279,192	1,693,024
Due from banks and other financial institutions(i)	38,895	203,436	71,588	16,492	1,445	-	-	331,856
Financial assets held for trading	-	2,196	8,271	13,881	6,004	1,811	19	32,182
Financial assets designated at fair value through profit or loss	-	-	-	71	515	873	-	1,459
Derivative financial assets	4	1,197	4,852	2,505	3,489	3,674	-	15,721
Loans and advances to customers	9,624	195,162	388,501	1,300,790	1,182,466	1,313,697	45,771	4,436,011
Investments								
– Receivables	-	-	-	-	1,068,559	94,210	-	1,162,769
– Held-to-maturity investments	-	21,229	39,652	152,574	769,870	324,086	6,909	1,314,320
– Available-for-sale financial assets	-	35,439	47,052	133,293	226,172	62,308	33,316	537,580
– Investments in associates	-	-	-	-	-	-	28,421	28,421
Property and equipment	-	-	-	-	-	-	86,800	86,800
Others	28,327	8,477	2,889	5,063	33,179	8,829	30,239	117,003
Total assets	490,682	467,136	562,805	1,624,669	3,291,699	1,809,488	1,510,667	9,757,146
Liabilities:								
Financial liabilities held for trading	-	4,268	-	-	-	-	-	4,268
Financial liabilities designated at fair value through profit or loss	-	537	860	5,351	682	136	-	7,566
Derivative financial liabilities	-	1,885	1,152	2,572	4,055	3,948	-	13,612
Due to banks and other financial institutions(ii)	529,713	44,244	32,299	41,593	3,053	-	-	650,902
Due to customers	4,177,866	608,284	742,451	2,098,624	590,151	6,070	-	8,223,446
Subordinated bonds	-	-	-	-	-	35,000	-	35,000
Certificates of deposit	-	-	309	417	-	-	-	726
Others	106,684	6,761	17,844	62,658	14,680	6,369	-	214,996
Total liabilities	4,814,263	665,979	794,915	2,211,215	612,621	51,523	-	9,150,516
Net liquidity gap	(4,323,581)	(198,843)	(232,110)	(586,546)	2,679,078	1,757,965	1,510,667	606,630

(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.

(i) Analysis of the remaining maturity of the Bank's assets and liabilities is set out below (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
Investments								
– Receivables	-	-	21,000	949,806	65,763	95,810	-	1,132,379
– Held-to-maturity investments	-	35,710	144,680	279,025	598,298	439,151	4,203	1,501,067
– Available-for-sale financial assets	-	27,386	79,416	346,446	326,391	129,728	8,745	918,112
– 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
Subordinated bonds	-	-	-	-	-	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.

31 December 2008

	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	412,988	-	-	-	-	-	1,278,478	1,691,466
Due from banks and other financial institutions(i)	26,954	199,880	72,513	15,757	1,445	-	-	316,549
Financial assets held for trading	-	917	4,536	13,032	5,173	1,704	-	25,362
Financial assets designated at fair value through profit or loss	-	-	-	-	144	-	-	144
Derivative financial assets	-	785	4,587	2,057	3,015	3,547	-	13,991
Loans and advances to customers	8,910	184,884	373,905	1,278,415	1,131,726	1,267,449	44,666	4,289,955
Investments								
– Receivables	-	-	-	-	1,068,559	94,210	-	1,162,769
– Held-to-maturity investments	-	20,666	39,150	151,688	770,739	329,959	6,904	1,319,106
– Available-for-sale financial assets	-	35,439	46,937	130,897	215,618	59,830	31,855	520,576
– Investments in subsidiaries and an associate	-	-	-	-	-	-	53,159	53,159
Property and equipment	-	-	-	-	-	-	86,220	86,220
Others	23,758	8,485	2,684	4,955	32,985	8,789	25,212	106,868
Total assets	472,610	451,056	544,312	1,596,801	3,229,404	1,765,488	1,526,494	9,586,165
Liabilities:								
Financial liabilities held for trading	-	4,268	-	-	-	-	-	4,268
Financial liabilities designated at fair value through profit or loss	-	537	454	1,102	56	136	-	2,285
Derivative financial liabilities	-	1,665	984	1,281	3,399	3,674	-	11,003
Due to banks and other financial institutions(ii)	530,195	47,341	23,974	35,043	453	-	-	637,006
Due to customers	4,148,861	524,982	719,445	2,088,425	589,975	6,044	-	8,077,732
Subordinated bonds	-	-	-	-	-	35,000	-	35,000
Others	104,121	5,949	17,343	62,875	14,735	6,365	-	211,388
Total liabilities	4,783,177	584,742	762,200	2,188,726	608,618	51,219	-	8,978,682
Net liquidity gap	(4,310,567)	(133,686)	(217,888)	(591,925)	2,620,786	1,714,269	1,526,494	607,483

(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.

(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 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	69,927	4,033,391
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	1,591,264	14,111,578

(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
Subordinated bonds	-	-	119	2,473	7,801	80,290	-	90,683
Certificates of deposit and notes payable.............	-	437	870	-	178	-	-	1,485
Others	64,449	303	7,059	25,092	8,000	5,770	-	110,673
	6,150,107	761,670	930,822	2,500,601	735,424	96,610	-	11,175,234
Derivative cash flows:								
Derivative financial instruments settled on net basis	(2)	6	(27)	(237)	(1,249)	(424)	-	(1,933)
Derivative financial instruments settled on gross basis:								
Total cash inflow	202	101,117	113,071	246,631	19,520	6,053	-	486,594
Total 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.

31 December 2008

	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...........	413,832	-	-	-	-	-	1,279,192	1,693,024
Due from banks and other financial institutions (i)..........	38,895	203,756	71,968	17,101	1,499	-	-	333,219
Financial assets held for trading..................	-	2,242	8,544	14,585	6,727	2,029	19	34,146
Financial assets designated at fair value through profit or loss	-	7	13	138	764	1,860	-	2,782
Loans and advances to customers (ii)	13,407	235,546	446,130	1,488,713	1,690,615	2,075,869	87,111	6,037,391
Investments	-	60,301	99,391	353,923	2,271,101	589,478	122,043	3,496,237
Others	21,686	-	-	-	-	-	-	21,686
	487,820	501,852	626,046	1,874,460	3,970,706	2,669,236	1,488,365	11,618,485

(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 2008

	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 held for trading	-	4,314	-	-	-	-	-	4,314
Financial liabilities designated at fair valuethrough profit or loss	-	548	926	5,464	724	139	-	7,801
Due to banks and other financial institutions(i)	529,713	44,560	32,619	42,606	3,194	-	-	652,692
Due to customers	4,177,866	622,010	763,446	2,172,552	641,780	6,863	-	8,384,517
Subordinated bonds	-	-	184	1,078	5,046	39,975	-	46,283
Certificates of deposit	-	-	309	425	17	-	-	751
Others	62,203	274	7,699	40,269	7,982	6,301	-	124,728
	4,769,782	671,706	805,183	2,262,394	658,743	53,278	-	9,221,086
Derivative cash flows:								
Derivative financial instruments settledon net basis	-	(2)	55	17	(618)	(274)	-	(822)
Derivative financial instruments settledon gross basis:								
Total cash inflow	56	101,649	136,745	187,782	15,719	11,769	-	453,720
Total cash outflow	(52)	(102,610)	(132,966)	(188,053)	(15,787)	(11,769)	-	(451,237)
	4	(961)	3,779	(271)	(68)	-	-	2,483

(i) Includes repurchase agreements.

Bank

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
Investments	-	67,119	259,920	1,653,158	1,154,201	801,616	90,947	4,026,961
Others	16,514	-	-	-	-	-	-	16,514
	292,157	703,637	911,038	3,277,694	3,420,372	3,658,591	1,609,287	13,872,776

(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
Subordinated bonds	-	-	119	2,473	7,801	80,290	-	90,683
Certificates of deposit and notes payable	-	379	788	-	-	-	-	1,167
Others	61,449	303	7,009	23,546	8,000	5,770	-	106,077
	6,096,895	693,732	891,039	2,454,366	733,617	96,183	-	10,965,832
Derivative cash flows:								
Derivative financial instruments settled on net basis	-	(12)	(9)	(38)	(430)	(186)	-	(675)
Derivative financial instruments settled on gross basis:								
Total cash inflow	-	89,698	112,548	210,856	16,839	8,070	-	438,011
Total cash outflow	-	(89,567)	(112,403)	(210,798)	(16,799)	(8,096)	-	(437,663)
	-	131	145	58	40	(26)	-	348

(i) Includes repurchase agreements.

31 December 2008

	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	412,988	-	-	-	-	-	1,278,478	1,691,466
Due from banks and other financial institutions(i)	26,954	200,201	72,839	16,361	1,499	-	-	317,854
Financial assets held for trading	-	956	4,799	13,634	5,827	1,918	-	27,134
Financial assets designated at fair value through profit or loss	-	-	6	6	181	-	-	193
Loans and advances to customers(ii)	12,929	224,603	429,846	1,462,808	1,626,244	2,018,702	85,839	5,860,971
Investments	-	59,795	98,666	349,279	2,257,937	586,550	142,275	3,494,502
Others	18,032	-	-	-	-	-	-	18,032
	470,903	485,555	606,156	1,842,088	3,891,688	2,607,170	1,506,592	11,410,152

(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 2008

	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 held for trading	-	4,314	-	-	-	-	-	4,314
Financial liabilities designated at fair value through profit or loss	-	538	455	1,105	56	136	-	2,290
Due to banks and other financial institutions(i)	530,195	47,531	24,160	35,839	489	-	-	638,214
Due to customers	4,148,861	537,132	739,925	2,163,158	641,893	6,833	-	8,237,802
Subordinated bonds	-	-	184	1,078	5,046	39,975	-	46,283
Others	59,274	274	7,676	40,301	7,958	6,301	-	121,784
	4,738,330	589,789	772,400	2,241,481	655,442	53,245	-	9,050,687
Derivative cash flows:								
Derivative financial instruments settled on net basis	-	(3)	(8)	(46)	(439)	(128)	-	(624)
Derivative financial instruments settled on gross basis:								
Total cash inflow	-	96,779	130,634	159,391	13,093	11,769	-	411,666
Total cash outflow	-	(97,482)	(126,795)	(158,535)	(13,158)	(11,769)	-	(407,739)
	-	(703)	3,839	856	(65)	-	-	3,927

(i) Includes repurchase agreements.

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of 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 2009							
Credit commitments	313,709	77,958	183,322	330,810	204,853	129,035	1,239,687
31 December 2008							
Credit commitments	580,601	49,585	110,948	146,304	19,124	29,911	936,473

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 2009							
Credit commitments	305,171	64,443	169,009	291,783	183,604	127,547	1,141,557
31 December 2008							
Credit commitments	500,241	48,640	109,930	144,207	18,167	29,911	851,096

(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 business.

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.

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:

	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

	Second quarter to fourth quarter of 2008			
	31 December 2008	**Average**	**Highest**	**Lowest**
Interest rate risk	86	58	102	30
Foreign exchange risk	76	43	83	15
Total portfolio VaR	111	75	123	41

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 US$, HK$ 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 US$ is managed under a floating exchange rate system. The HK$ exchange rate has been pegged to the US$ and therefore the exchange rate of RMB to HK$ has fluctuated in line with the changes in the exchange rate of RMB to US$.

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.

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 the 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**	**2009**	**2008**	**31 December 2009**	**31 December 2008**
US$ ………………….	-1%	59	(85)	(25)	(20)
HK$ ………………….	-1%	30	115	(193)	(199)

Bank

		Effect on profit before tax		**Effect on equity**	
Currency	**Change in currency rate**	**2009**	**2008**	**31 December 2009**	**31 December 2008**
US$ ………………….	-1%	143	(62)	(4)	1
HK$ ………………….	-1%	(35)	59	(1)	(47)

While the table above indicates the effect on profit before tax and equity of 1% depreciation of US$ and HK$, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

A breakdown of the assets and liabilities analysed by currency is as follows:

Group

31 December 2009

	RMB	US$ (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
Investments	3,478,184	73,449	4,701	58,970	3,615,304
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
Subordinated bonds	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.

31 December 2008

	RMB	US$ (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	1,658,951	28,603	2,482	2,988	1,693,024
Due from banks and other financial institutions(i)	186,957	114,093	8,369	22,437	331,856
Financial assets held for trading	25,321	2,764	3,570	527	32,182
Financial assets designated at fair value though profit or loss	-	1,191	265	3	1,459
Derivative financial assets	9,870	4,010	83	1,758	15,721
Loans and advances to customers	4,160,103	154,282	98,545	23,081	4,436,011
Investments	2,888,888	84,997	8,471	60,734	3,043,090
Property and equipment	86,089	289	138	284	86,800
Others	99,679	9,488	6,735	1,101	117,003
Total assets	9,115,858	399,717	128,658	112,913	9,757,146
Liabilities:					
Financial liabilities held for trading	-	4,268	-	-	4,268
Financial liabilities designated at fair value through profit or loss	17	5,740	1,220	589	7,566
Derivative financial liabilities	6,527	5,845	166	1,074	13,612
Due to banks and other financial institutions(ii)	562,264	69,828	6,470	12,340	650,902
Due to customers	7,913,378	176,924	99,135	34,009	8,223,446
Subordinated bonds	35,000	-	-	-	35,000
Certificates of deposit	-	-	726	-	726
Others	200,225	6,781	2,192	5,798	214,996
Total liabilities	8,717,411	269,386	109,909	53,810	9,150,516
Net position	398,447	130,331	18,749	59,103	606,630
Credit commitments	651,059	186,979	58,800	39,635	936,473

(i) Includes reverse repurchase agreements.
(ii) Includes repurchase agreements.

Bank

31 December 2009

	RMB	US$ (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
Investments	3,483,038	56,699	13,988	57,519	3,611,244
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
Subordinated bonds	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.

31 December 2008

	RMB	US$ (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	1,658,512	28,534	2,014	2,406	1,691,466
Due from banks and other financial institutions(i)	185,506	110,152	8,178	12,713	316,549
Financial assets held for trading	25,294	68	-	-	25,362
Financial assets designated at fair value though profit or loss	-	144	-	-	144
Derivative financial assets	9,849	2,828	43	1,271	13,991
Loans and advances to customers	4,144,998	112,541	17,056	15,360	4,289,955
Investments	2,890,650	82,149	16,306	66,505	3,055,610
Property and equipment	85,929	196	10	85	86,220
Others	98,128	7,841	109	790	106,868
Total assets	9,098,866	344,453	43,716	99,130	9,586,165
Liabilities:					
Financial liabilities held for trading	-	4,268	-	-	4,268
Financial liabilities designated at fair value through profit or loss	17	1,468	211	589	2,285
Derivative financial liabilities	6,045	3,869	113	976	11,003
Due to banks and other financial institutions(ii)	553,000	65,825	6,991	11,190	637,006
Due to customers	7,909,087	117,864	27,424	23,357	8,077,732
Subordinated bonds	35,000	-	-	-	35,000
Others	199,333	5,996	500	5,559	211,388
Total liabilities	8,702,482	199,290	35,239	41,671	8,978,682
Net position	396,384	145,163	8,477	57,459	607,483
Credit commitments	647,068	163,786	1,959	38,283	851,096

(i) Includes reverse repurchase agreements.
(ii) Includes repurchase agreements.

(iii) Interest rate risk

The Group's interest rate risk 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 benchmark interest rates 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 maturities and repricing 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.

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 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	**2009**	**2008**	**31 December 2009**	**31 December 2008**
+100 basis points	(17,273)	(16,116)	(16,505)	(9,143)
-100 basis points	17,273	16,116	17,385	9,536

Bank

	Sensitivity of net interest income		**Sensitivity of equity**	
Change in basis points	**2009**	**2008**	**31 December 2009**	**31 December 2008**
+100 basis points	(16,667)	(15,688)	(16,353)	(8,915)
-100 basis points	16,667	15,688	17,234	9,308

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 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.

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's assets and liabilities:

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
Investments	397,263	1,751,016	869,172	557,091	40,762	3,615,304
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
Subordinated bonds	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.

31 December 2008

	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	1,557,854	-	-	-	135,170	1,693,024
Due from banks and other financial institutions(i)	313,776	15,873	1,445	-	762	331,856
Financial assets held for trading	12,100	14,930	3,975	1,158	19	32,182
Financial assets designated at fair value through profit or loss	414	662	144	239	-	1,459
Derivative financial assets	-	-	-	-	15,721	15,721
Loans and advances to customers	1,505,061	2,930,950	-	-	-	4,436,011
Investments	236,136	462,106	1,892,257	415,419	37,172	3,043,090
Property and equipment	-	-	-	-	86,800	86,800
Others	-	-	-	-	117,003	117,003
Total assets	3,625,341	3,424,521	1,897,821	416,816	392,647	9,757,146
Liabilities:						
Financial liabilities held for trading	4,268	-	-	-	-	4,268
Financial liabilities designated at fair value through profit or loss	2,537	5,024	5	-	-	7,566
Derivative financial liabilities	-	-	-	-	13,612	13,612
Due to banks and other financial institution(ii)	606,258	43,593	453	-	598	650,902
Due to customers	5,381,543	2,098,647	590,151	6,070	147,035	8,223,446
Subordinated bonds	9,000	-	13,000	13,000	-	35,000
Certificates of deposit	726	-	-	-	-	726
Others	-	-	-	-	214,996	214,996
Total liabilities	6,004,332	2,147,264	603,609	19,070	376,241	9,150,516
Interest rate mismatch	(2,378,991)	1,277,257	1,294,212	397,746	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Bank's assets and liabilities:

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
Investments	391,466	1,746,998	855,581	555,042	62,157	3,611,244
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
Subordinated bonds	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.

31 December 2008

	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	1,556,884	-	-	-	134,582	1,691,466
Due from banks and other financial institutions(i)	299,041	15,936	1,445	-	127	316,549
Financial assets held for trading	5,887	14,363	3,954	1,158	-	25,362
Financial assets designated at fair value through profit or loss	-	-	144	-	-	144
Derivative financial assets	-	-	-	-	13,991	13,991
Loans and advances to customers	1,478,684	2,811,271	-	-	-	4,289,955
Investments	231,831	456,871	1,891,436	414,975	60,497	3,055,610
Property and equipment	-	-	-	-	86,220	86,220
Others	-	-	-	-	106,868	106,868
Total assets	3,572,327	3,298,441	1,896,979	416,133	402,285	9,586,165
Liabilities:						
Financial liabilities held for trading	4,268	-	-	-	-	4,268
Financial liabilities designated at fair value through profit or loss	1,150	1,130	5	-	-	2,285
Derivative financial liabilities	-	-	-	-	11,003	11,003
Due to banks and other financial institutions (ii)	601,506	35,043	453	-	4	637,006
Due to customers	5,246,257	2,088,425	589,975	6,044	147,031	8,077,732
Subordinated bonds	9,000	-	13,000	13,000	-	35,000
Others	-	-	-	-	211,388	211,388
Total liabilities	5,862,181	2,124,598	603,433	19,044	369,426	8,978,682
Interest rate mismatch	(2,289,854)	1,173,843	1,293,546	397,089	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.

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 biannually 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 the "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 the PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

	2009	2008
Core capital adequacy ratio	**9.90%**	**10.75%**
Capital adequacy ratio	**12.36%**	**13.06%**
Components of capital base		
Core capital:		
Share capital	334,019	334,019
Reserves(i)	283,061	205,668
Minority interests	5,041	3,955
Total core capital	622,121	543,642
Supplementary capital:		
General provisions for loan impairment	97,994	82,834
Subordinated bonds	75,000	35,000
Other supplementary capital	-	4,164
Total supplementary capital	172,994	121,998
Total capital base before deductions	795,115	665,640
Deductions:		
Goodwill	(24,621)	(20,579)
Unconsolidated equity investments(ii)	(19,559)	(19,499)
Others(iii)	(18,979)	(5,529)
Net capital base	731,956	620,033
Net core capital base	586,431	510,549
Risk weighted assets and market risk capital adjustment	5,921,330	4,748,893

(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 undistributed profits, surplus reserve and general provision.

(ii) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, 100% or 50% of unconsolidated equity investments were deducted when calculating the net capital base and net core capital base respectively.

(iii) Included in the amount were asset securitisation risk exposure deducted according to relevant regulations issued by the CBRC, and 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.

50. 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.

(a) Financial instruments recorded at fair value

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group

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

Bank

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 determination of fair value for financial instruments which are recorded at fair value 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 the securities using valuation models which use discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest; 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.

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 traded over the counter and 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 amount of level 3 financial assets and liabilities which are recorded at fair value:

Group

	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 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)

Losses on level 3 financial instruments included in the profit or loss for the year comprise:

	2009					
	Group			Bank		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total losses in the profit or loss for the year	120	370	490	120	360	480

(c) Transfers between level 1 and 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 subordinated bonds for which their fair values have not been presented or disclosed above:

	Group		Bank	
	Carrying value	Fair value	Carrying value	Fair value
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
31 December 2008:				
Receivables	1,162,769	1,169,135	1,162,769	1,169,135
Held-to-maturity investments	1,314,320	1,361,027	1,319,106	1,365,809
Subordinated bonds	35,000	35,166	35,000	35,166

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 subordinated bonds 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'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	

51. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of shares in The Bank of East Asia (Canada) and disposal of shares in ICEA

On 4 June 2009, the Bank entered into two agreements with The Bank of East Asia, Limited ("BEA") on acquiring equity interest in The Bank of East Asia (Canada) from BEA, and on disposing equity interest in ICEA to BEA ("acquiring and disposing"), separately. According to the agreements, the Bank would dispose 15 million issued ordinary shares, representing a 75% equity interest in ICEA to BEA, for a consideration of HK$372 million (equivalent to approximately RMB328 million at the exchange rate on 31 December 2009). At the same time, the Bank would acquire a 70% issued ordinary shares in The Bank of East Asia (Canada) from BEA, at a consideration of CA$80.25 million (equivalent to approximately RMB519 million at the exchange rate on 31 December 2009). One year after the completion of the acquisition, the Bank will have an option to acquire an additional 10% equity interest in The Bank of East Asia (Canada) from BEA, and BEA will have an option to require the Bank to purchase all the remaining shares of The Bank of East Asia (Canada) held by BEA. The above transactions are inter-conditional. The completion of the above transactions took place on 28 January 2010. As at the date of approval of these financial statements, the Bank holds 70% of the issued and outstanding common shares of The Bank of East Asia (Canada) and the Bank have disposed of all its shareholding in ICEA.

(b) The acquisition of ACL Bank Public Company Limited

On 27 November 2009, the second extraordinary general meeting of the Bank approved the implementation of the voluntary tender offer for all the outstanding ordinary shares and preferred shares (if applicable) of Thailand's ACL Bank Public Company Limited ("ACL Bank") and the delisting offer for the shares of ACL Bank by the Bank. As at 2 March 2010, this acquisition project has obtained all the necessary regulatory approval in relation to the voluntary tender offer. As at the date of the approval of these financial statements, the Bank has submitted a voluntary tender offer for all the shares of ACL Bank, and the offer period has not yet concluded. The estimated maximum amount of consideration in relation to this acquisition was THB18,290 million approximately (equivalent to RMB3,746 million approximately at the exchange rate on 31 December 2009).

(c) The profit distribution plan

A final dividend of RMB0.17 per share, equivalent to approximately RMB56,783 million, was approved after the appropriation of statutory surplus reserve and general reserve at the board of directors' meeting held on 25 March 2010, and is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting. The dividend payable was not recognised as a liability as at 31 December 2009.

52. COMPARATIVE AMOUNTS

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

53. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2010.

Independent Auditors' Report

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	**Yang Kaisheng**	**Shen Rujun**
Chairman	Vice Chairman and President	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.

Consolidated Statement of Changes in Equity *(Contd.)*

Year ended 31 December 2010
(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

Consolidated Statement of Cash Flows *(Contd.)*

Year ended 31 December 2010
(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	**Yang Kaisheng**	**Shen Rujun**
Chairman	Vice Chairman and President	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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

(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.

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.

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.

(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.

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.

(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.

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.

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.

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

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.

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.

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

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)**	**Contributions to defined contribution schemes**	**Fees**	**Total emoluments before tax**
		RMB'000(1)	*RMB'000(2)*	*RMB'000(3)*	*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.

Name	Position	Year ended 31 December 2009						
		Fees	Remuneration paid	Discretionary bonuses	Contributions to defined contribution schemes	Total emoluments before tax	Of which: deferred payment	Actual amount of remuneration paid (pre-tax) for 2009
		RMB'000(1)	*RMB'000(2)*	*RMB'000(3)*	*RMB'000(4)*	*RMB'000 (5)=(1)+(2)+(3)+(4)*	*RMB'0000(6)*	*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.

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	**2009**
	RMB'000	***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).

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.

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

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

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)

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.

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)

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)

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

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

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

	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

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

	Notes	Group and Bank 2010	Group and Bank 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 2010	Group 2009	Bank 2010	Bank 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 2010	Group 2009	Bank 2010	Bank 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

(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).

(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

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.

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

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

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.

(v) 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.

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

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

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

	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

	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

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

(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.

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.

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.

(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.

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.

(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.

(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.

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)

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)

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)

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

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

(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
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.

(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.

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
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.

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
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
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
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.

(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	-
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	-
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.

(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	2009
	RMB'000	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".

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.

	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).

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).

	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).

	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.

(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 programmes 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.

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.

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

(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).

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.

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

(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

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.

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

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

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.

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.

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.

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.

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.

(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.

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.

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.

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.

(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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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 biannually 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

(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.

(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

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

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

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.

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)

	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)

	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

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.

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.

Report on Review of Interim Financial Information

ERNST & YOUNG

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

To the board of directors of Industrial and Commercial Bank of China Limited

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

Introduction

We have reviewed the accompanying interim financial information set out on pages 81 to 161, which comprises the consolidated statement of financial position of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries as at 30 June 2011 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
25 August 2011

Unaudited Interim Consolidated Income Statement

For the six months ended 30 June 2011
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2011 *(unaudited)*	Six months ended 30 June 2010 *(unaudited)*
Interest income	3	272,719	219,865
Interest expense	3	(98,215)	(76,553)
NET INTEREST INCOME	3	174,504	143,312
Fee and commission income	4	56,844	39,055
Fee and commission expense	4	(3,053)	(2,166)
NET FEE AND COMMISSION INCOME	4	53,791	36,889
Net trading expense	5	(21)	(322)
Net loss on financial assets and liabilities designated at fair value through profit or loss	6	(224)	(124)
Net gain on financial investments	7	309	89
Other operating income, net	8	2,801	1,084
OPERATING INCOME		231,160	180,928
Operating expenses	9	(73,255)	(61,869)
Impairment losses on:			
Loans and advances to customers	20	(16,794)	(9,743)
Others	10	(87)	50
OPERATING PROFIT		141,024	109,366
Share of profits and losses of associates and jointly-controlled entities		1,321	1,250
PROFIT BEFORE TAX		142,345	110,616
Income tax expense	11	(32,770)	(25,651)
PROFIT FOR THE PERIOD		109,575	84,965
Attributable to:			
Equity holders of the parent company		109,481	84,603
Non-controlling interests		94	362
		109,575	84,965
EARNINGS PER SHARE			
– Basic (RMB yuan)	13	0.31	0.25
– Diluted (RMB yuan)	13	0.31	0.25

Details of the dividends declared and paid are disclosed in note 12 to the financial statements.

Unaudited Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011
(In RMB millions, unless otherwise stated)

	Note	Six months ended 30 June	
		2011	2010
		(unaudited)	*(unaudited)*
Profit for the period		109,575	84,965
Other comprehensive income (after-tax, net):			
Net gain/(loss) on available-for-sale financial assets	35	(4,752)	4,491
Net gain/(loss) on cash flow hedges	35	102	(70)
Share of other comprehensive income of associates and jointly-controlled entities	35	138	(94)
Foreign currency translation differences	35	(2,812)	(1,757)
Others	35	11	-
Subtotal of other comprehensive income for the period		(7,313)	2,570
Total comprehensive income for the period		102,262	87,535
Total comprehensive income attributable to:			
Equity holders of the parent company		102,182	87,188
Non-controlling interests		80	347
		102,262	87,535

Unaudited Interim Consolidated Statement of Financial Position

30 June 2011
(In RMB millions, unless otherwise stated)

	Notes	30 June 2011	31 December 2010
		(unaudited)	*(audited)*
ASSETS			
Cash and balances with central banks	14	2,845,902	2,282,999
Due from banks and other financial institutions	15	461,686	248,860
Financial assets held for trading	16	34,317	10,188
Financial assets designated at fair value through profit or loss	17	97,179	2,798
Derivative financial assets	18	13,803	13,332
Reverse repurchase agreements	19	357,829	262,227
Loans and advances to customers	20	7,152,587	6,623,372
Financial investments	21	3,598,101	3,719,282
Investments in associates and jointly-controlled entities	22	38,530	40,325
Property and equipment	23	103,719	103,412
Deferred income tax assets	24	20,949	21,712
Other assets	25	171,446	130,115
TOTAL ASSETS		**14,896,048**	**13,458,622**
LIABILITIES			
Due to central banks		100	51
Financial liabilities designated at fair value through profit or loss	26	130,876	6,670
Derivative financial liabilities	18	11,025	10,564
Due to banks and other financial institutions	27	1,284,008	1,048,002
Repurchase agreements	28	61,901	84,888
Certificates of deposit	29	27,645	9,314
Due to customers	30	12,047,138	11,145,557
Income tax payable		21,684	33,759
Deferred income tax liabilities	24	231	318
Debt securities issued	31	145,248	102,264
Other liabilities	32	306,577	195,578
TOTAL LIABILITIES		**14,036,433**	**12,636,965**
EQUITY			
Equity attributable to equity holders of the parent company			
Issued share capital	33	349,020	349,019
Equity component of convertible bonds	31	2,985	2,985
Reserves	34	260,216	267,269
Retained profits		246,170	201,157
		858,391	820,430
Non-controlling interests		1,224	1,227
TOTAL EQUITY		**859,615**	**821,657**
TOTAL EQUITY AND LIABILITIES		**14,896,048**	**13,458,622**

Jiang Jianqing
Chairman

Yang Kaisheng
Vice Chairman and President

Shen Rujun
General Manager of Finance and Accounting Department

Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011
(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 reserves	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 2011	349,019	2,985	131,923	53,782	93,071	(6,303)	581	(4,248)	(1,537)	267,269	201,157	820,430	1,227	821,657
Profit for the period	-	-	-	-	-	-	-	-	-	-	109,481	109,481	94	109,575
Other comprehensive income	-	-	11	-	-	(4,752)	(2,798)	102	138	(7,299)	-	(7,299)	(14)	(7,313)
Change in fair value of available-for-sale investments, net of tax	-	-	-	-	-	(4,752)	-	-	-	(4,752)	-	(4,752)	-	(4,752)
Cash flow hedges, net of tax	-	-	-	-	-	-	-	102	-	102	-	102	-	102
Share of other comprehensive income of associates and jointly-controlled entities	-	-	-	-	-	-	-	-	138	138	-	138	-	138
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,798)	-	-	(2,798)	-	(2,798)	(14)	(2,812)
Others	-	-	11	-	-	-	-	-	-	11	-	11	-	11
Total comprehensive income	-	-	11	-	-	(4,752)	(2,798)	102	138	(7,299)	109,481	102,182	80	102,262
Dividend – 2010 final (note 12)	-	-	-	-	-	-	-	-	-	-	(64,220)	(64,220)	-	(64,220)
Appropriation to surplus reserves(i)	-	-	-	111	-	-	-	-	-	111	(111)	-	-	-
Appropriation to general reserves(ii)	-	-	-	-	137	-	-	-	-	137	(137)	-	-	-
Conversion of convertible bonds (notes 31 and 33)	1	-	3	-	-	-	-	-	-	3	-	4	-	4
Change in shareholdings in subsidiaries	-	-	(5)	-	-	-	-	-	-	(5)	-	(5)	(14)	(19)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(69)	(69)
Balance as at 30 June 2011 (unaudited)	**349,020**	**2,985**	**131,932**	**53,893**	**93,208**	**(11,055)**	**(2,217)**	**(4,146)**	**(1,399)**	**260,216**	**246,170**	**858,391**	**1,224**	**859,615**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB17 million and RMB94 million, respectively.

(ii) Represents the appropriation to general reserves made by subsidiaries.

Unaudited Interim Consolidated Statement of Changes in Equity *(Contd.)*

For the six months ended 30 June 2011
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company												
		Reserves											
	Issued share capital	Capital reserve	Surplus reserves	General reserves	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	107,790	37,484	84,222	(897)	(1,919)	(4,082)	(655)	221,943	117,931	673,893	5,041	678,934
Profit for the period	-	-	-	-	-	-	-	-	-	84,603	84,603	362	84,965
Other comprehensive income	-	-	-	-	4,503	(1,762)	(62)	(94)	2,585	-	2,585	(15)	2,570
Change in fair value of available-for-sale investments, net of tax	-	-	-	-	4,503	-	-	-	4,503	-	4,503	(12)	4,491
Cash flow hedges, net of tax	-	-	-	-	-	-	(62)	-	(62)	-	(62)	(8)	(70)
Share of other comprehensive income of associates and jointly-controlled entities	-	-	-	-	-	-	-	(94)	(94)	-	(94)	-	(94)
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,762)	-	-	(1,762)	-	(1,762)	5	(1,757)
Total comprehensive income	-	-	-	-	4,503	(1,762)	(62)	(94)	2,585	84,603	87,188	347	87,535
Dividend – 2009 final (note 12)	-	-	-	-	-	-	-	-	-	(56,783)	(56,783)	-	(56,783)
Appropriation to surplus reserves(i)	-	-	43	-	-	-	-	-	43	(43)	-	-	-
Appropriation to general reserves(ii)	-	-	-	57	-	-	-	-	57	(57)	-	-	-
Change in shareholdings in a subsidiary	-	(19)	-	-	-	-	-	-	(19)	-	(19)	21	2
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	108	108
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(196)	(196)
Balance as at 30 June 2010 (unaudited)	334,019	107,771	37,527	84,279	3,606	(3,681)	(4,144)	(749)	224,609	145,651	704,279	5,321	709,600

(i) Represents the appropriation to surplus reserves made by subsidiaries.
(ii) Represents the appropriation to general reserves made by subsidiaries.

Unaudited Interim Consolidated Statement of Changes in Equity *(Contd.)*

For the six months ended 30 June 2011
(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 reserves	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	-	107,790	37,484	84,222	(897)	(1,919)	(4,082)	(655)	221,943	117,931	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 12)	-	-	-	-	-	-	-	-	-	-	(56,783)	(56,783)	-	(56,783)
Appropriation to surplus reserves(i)	-	-	-	16,298	-	-	-	-	-	16,298	(16,298)	-	-	-
Appropriation to general reserves(ii)	-	-	-	-	8,849	-	-	-	-	8,849	(8,849)	-	-	-
Rights issue	15,000	-	29,621	-	-	-	-	-	-	29,621	-	44,621	-	44,621
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	230	230
Change in shareholdings in subsidiaries	-	-	(5,602)	-	-	-	-	-	-	(5,602)	-	(5,602)	(4,373)	(9,975)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(308)	(308)
Issue of convertible bonds	-	2,985	-	-	-	-	-	-	-	-	-	2,985	-	2,985
Balance as at 31 December 2010 (audited)	349,019	2,985	131,923	53,782	93,071	(6,303)	581	(4,248)	(1,537)	267,269	201,157	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.

Unaudited Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2011
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2011	2010
		(unaudited)	*(unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		142,345	110,616
Adjustments for:			
Share of profits of associates and jointly-controlled entities		(1,321)	(1,250)
Depreciation	9	5,983	5,396
Amortisation	9	687	652
Amortisation of financial investments		(4,384)	(4,080)
Impairment losses on loans and advances to customers	20	16,794	9,743
Impairment losses on assets other than loans and advances to customers	10	87	(50)
Unrealised foreign exchange loss		4,013	823
Interest expense on bonds issued		1,935	1,289
Accreted interest on impaired loans	3	(240)	(506)
Gain on disposal of available-for-sale financial assets, net	7	(277)	(56)
Net trading (gain)/loss on equity investments	5	(23)	5
Net loss on financial assets and liabilities designated at fair value through profit or loss	6	224	124
Net gain on disposal of property and equipment and other assets (other than repossessed assets)		(350)	(82)
Dividend income	7	(32)	(33)
		165,441	122,591
Net decrease/(increase) in operating assets:			
Due from central banks		(392,913)	(314,443)
Due from banks and other financial institutions		(68,726)	9,754
Financial assets held for trading		(23,499)	4,367
Financial assets designated at fair value through profit or loss		(94,641)	221
Reverse repurchase agreements		2,116	196,622
Loans and advances to customers		(562,595)	(620,246)
Other assets		(25,897)	(19,877)
		(1,166,155)	(743,602)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated at fair value through profit or loss		124,328	(8,621)
Due to central banks		49	-
Due to banks and other financial institutions		240,071	98,859
Repurchase agreements		(22,987)	(26,960)
Certificates of deposit		18,638	(3,033)
Due to customers		909,994	1,053,044
Other liabilities		10,892	22,362
		1,280,985	1,135,651
Net cash flows from operating activities before tax		280,271	514,640
Income tax paid		(42,780)	(31,163)
Net cash flows from operating activities		237,491	483,477

Unaudited Interim Consolidated Statement of Cash Flows *(Contd.)*

For the six months ended 30 June 2011
(In RMB millions, unless otherwise stated)

	Note	Six months ended 30 June	
		2011	2010
		(unaudited)	*(unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(3,871)	(4,468)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		1,080	502
Purchases of financial investments		(808,119)	(1,244,773)
Proceeds from sale and redemption of financial investments		947,076	1,122,604
Investments in associates and jointly-controlled entities		(3)	(823)
Acquisition of subsidiaries		-	(2,929)
Proceeds from disposal of a subsidiary		-	(528)
Dividends received		809	607
Net cash flows from investing activities		136,972	(129,808)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of subordinated bonds		38,000	-
Proceeds from issuance of other bonds		2,926	-
Interest paid on subordinated bonds		(83)	(119)
Acquisition of non-controlling interests		(18)	-
Dividends paid on ordinary shares		(1,323)	(56,783)
Dividends paid to non-controlling shareholders		(34)	(135)
Net cash flows from financing activities		39,468	(57,037)
NET INCREASE IN CASH AND CASH EQUIVALENTS		413,931	296,632
Cash and cash equivalents at beginning of the period		528,971	409,394
Effect of exchange rate changes on cash and cash equivalents		(2,111)	(1,334)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	36	940,791	704,692
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDES:			
Interest received		259,733	212,693
Interest paid		(87,897)	(67,880)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

30 June 2011
(In RMB millions, unless otherwise stated)

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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

Accounting judgements and estimates

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2010.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of subsidiaries, for the purpose of preparation of these consolidated financial statements, 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.

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 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.

Particulars of the Bank's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest directly attributable to the Bank		Nominal value of issued share/ paid-up capital	Place of incorporation/ registration and operations	Principal activities
	30 June 2011	31 December 2010			
	%	%			
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia")	100	100	HK$2,704 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	HK$939 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company(i)	100	100	USD60.89 million	Almaty, Kazakhstan	Commercial banking
ICBC (London) PLC(ii)	100	100	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd.*	55	55	RMB200 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China (Europe) S.A.	100	100	EUR115 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia	97.50	97.50	IDR1,500 billion	Jakarta, Indonesia	Commercial banking
ZAO Industrial and Commercial Bank of China (Moscow)	100	100	RUB1,000 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd.*	100	100	RMB5,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited	89.33	89.33	MOP461 million	Macau, the PRC	Commercial banking
Industrial and Commercial Bank of China (Middle East) Limited	100	100	USD50 million	Dubai, United Arab Emirates	Commercial and investment banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd.*	60	60	RMB200 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd.*	100	100	RMB100 million	Chongqing, the PRC	Commercial banking
Industrial and Commercial Bank of China (Canada)	70	70	CA$58 million	Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	MYR331 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai")(iii)	97.70	97.24	THB15,905 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	USD50 million	Delaware and New York, United States	Broker dealer

* These subsidiaries incorporated in Mainland China are all limited liability companies.

(i) On 8 June 2011, the Bank made an additional capital injection of USD34.20 million into Industrial and Commercial Bank of China (Almaty) Joint Stock Company and its total registered and paid-in capital increased to USD60.89 million.

(ii) On 26 May 2011, Industrial and Commercial Bank of China, (London) Limited officially changed its name to ICBC (London) PLC.

(iii) On 8 March 2011, the Bank completed the voluntary delisting tender offer, which was made for ICBC Thai on 27 December 2010. The Bank held approximately 97.70% of the total issued shares of ICBC Thai.

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. Apart from the above, the Bank has consolidated SPEs which are controlled by the Bank.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs")) and IFRIC interpretations as of 1 January 2011. The principal effects of adopting these new and revised IFRSs and IFRIC interpretations are as follows:

IAS 24 *Related Party Disclosures* clarified the definition of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group. The Group reevaluates the disclosures, both qualitatively and quantitatively, for transactions entered into between government related entities that are individually significant or collectively significant but individually not. The level of detail of disclosures is determined by considering the closeness of related parties and assessing the level of significance of these transactions based on whether these transactions are 1) significant in terms of size, 2) carried out on non-market terms, 3) outside normal day-to-day operations, 4) disclosed to regulatory authorities, 5) reported to senior management, and 6) subject to shareholders' approval. Please refer to note 41 for related party disclosures.

IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* has been amended to amend 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. The amendment had no effect on the financial position nor performance of the Group.

IFRIC 14 *Prepayments of a Minimum Funding Requirement* has been amended to 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 interpretation had no effect on the financial position nor performance of the Group.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* 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. The interpretation had no effect on the financial position nor performance of the Group.

Apart from the above, in May 2010, the IASB has issued its third 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 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 were applied from 1 January 2011 by the Group. Except the change in accounting policy described below resulted by the adoption of the amendment of IFRS 1, none of other amendments had impact on the financial position or performance of the Group.

IFRS 1 improvement in the special event such as privatisation or initial public offering, an entity may use fair value measurements at the valuation date as deemed cost to determine the book value of assets. For entity which has adopted IFRS can conduct a retroactive adjustment. The Group changed the accounting policies related to assets revaluation and deemed cost applied on stock reform in 2005 and made the related adjustment retroactively in accordance with the amendment. As the result, the balance of reserves as at 31 December 2010 increased by RMB829 million, while the balance of retained profits decreased by RMB829 million. The amendment had no impact on the income statement for the six months ended 30 June 2010.

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

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

3. NET INTEREST INCOME

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Interest income on:		
Loans and advances to customers(i)		
– Corporate loans and advances	141,720	113,660
– Personal loans	44,927	32,114
– Discounted bills	4,236	3,948
Financial investments(ii)	56,751	51,114
Due from central banks	17,927	13,494
Due from banks and other financial institutions	7,158	5,535
	272,719	219,865
Interest expense on:		
Due to customers	(84,222)	(67,982)
Due to banks and other financial institutions	(11,957)	(7,282)
Debt securities issued	(2,036)	(1,289)
	(98,215)	(76,553)
Net interest income	174,504	143,312

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 period is an amount of RMB240 million (six months ended 30 June 2010: RMB506 million) with respect to the accreted interest on impaired loans.

(ii) Included in interest income on financial investments for the period is an amount of RMB54 million (six months ended 30 June 2010: RMB178 million) with respect to interest income on impaired debt securities.

4. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Settlement, clearing business and cash management	13,582	9,546
Investment banking business	13,155	8,666
Personal wealth management and private banking services(i)	10,552	7,166
Bank card business	8,058	6,186
Corporate wealth management services(i)	4,394	3,436
Assets custody business(i)	3,007	1,499
Guarantee and commitment business	2,925	1,518
Trust and agency services(i)	746	524
Others	425	514
Fee and commission income	56,844	39,055
Fee and commission expense	(3,053)	(2,166)
Net fee and commission income	53,791	36,889

(i) Included in personal wealth management and private banking services, corporate wealth management services, assets custody business and trust and agency services above is an amount of RMB5,424 million (six months ended 30 June 2010: RMB3,857 million) with respect to trust and other fiduciary activities.

5. NET TRADING EXPENSE

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Debt securities	384	540
Equity investments	23	(5)
Derivatives	(428)	(857)
	(21)	(322)

The above amounts mainly 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.

6. NET LOSS ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Financial assets	998	36
Financial liabilities	(1,222)	(160)
	(224)	(124)

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.

7. NET GAIN ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Dividend income from unlisted investments	29	32
Dividend income from listed investments	3	1
Dividend income	32	33
Gain on disposal of available-for-sale investments, net	277	56
	309	89

8. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Gain from foreign exchange and foreign exchange products, net	849	119
Net gain on disposal of property and equipment, repossessed assets and others	644	238
Sundry bank charge income	91	79
Leasing income	641	129
Others	576	519
	2,801	1,084

9. OPERATING EXPENSES

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Staff costs:		
Salaries and bonuses	25,168	20,834
Staff benefits	7,463	5,927
Contributions to defined contribution schemes	4,338	4,023
	36,969	30,784
Premises and equipment expenses:		
Depreciation	5,983	5,396
Minimum lease payments under operating leases in respect of land and buildings	2,211	1,833
Repairs and maintenance charges	766	743
Utility expenses	999	924
	9,959	8,896
Amortisation	687	652
Other administrative expenses	9,273	8,261
Business tax and surcharges	13,574	10,350
Others	2,793	2,926
	73,255	61,869

10. IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

		Six months ended 30 June	
	Notes	2011	2010
		(unaudited)	*(unaudited)*
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	15	12	1
Financial investments:			
Held-to-maturity investments	21(d)	(20)	(86)
Available-for-sale financial assets		(422)	(115)
Investments in associates and jointly-controlled entities	22	348	-
Other assets		169	150
		87	(50)

11. INCOME TAX EXPENSE

(a) Income tax

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Current income tax expense:		
Mainland China	32,743	24,922
Hong Kong and Macau	399	245
Overseas	235	125
	33,377	25,292
Adjustment in respect of current income tax of prior years	(2,672)	474
	30,705	25,766
Deferred income tax expense	2,065	(115)
	32,770	25,651

(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 period. 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:

	Six months ended 30 June	
	2011	**2010**
	(unaudited)	*(unaudited)*
Profit before tax	142,345	110,616
Tax at the PRC statutory income tax rate	35,586	27,654
Effects of different applicable rates of tax prevailing in other countries/regions	(119)	(50)
Non-deductible expenses(i)	644	320
Non-taxable income(ii)	(3,271)	(2,593)
Profits and losses attributable to associates and jointly-controlled entities	(328)	(313)
Adjustment in respect of current and deferred income tax of prior years	164	474
Others	94	159
Tax expense at the Group's effective income tax rate	32,770	25,651

(i) The non-deductible expenses mainly represent non-deductible impairment provision and write-off.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bonds, which is exempted from income tax.

12. DIVIDENDS

	Six months ended 30 June	
	2011	**2010**
	(unaudited)	*(unaudited)*
Dividends on ordinary shares declared and paid:		
Final dividend for 2010: RMB0.184 per share (2009: RMB0.17 per share)	64,220	56,783

13. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	**2010**
	(unaudited)	*(unaudited)*
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	109,481	84,603
Shares:		
Weighted average number of ordinary shares in issue (in million shares)(i)	349,020	340,028
Basic earnings per share (RMB yuan)	0.31	0.25

Basic earnings per share was calculated as the profit for the period attributable to ordinary equity holders of the Bank divided by the weighted average number of ordinary shares in issue.

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

	Six months ended 30 June	
	2011	**2010**
	(unaudited)	*(unaudited)*
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	109,481	84,603
Add: Interest expense on convertible bonds (net of tax)	320	-
Profit used to determine diluted earnings per share	109,801	84,603
Shares:		
Weighted average number of ordinary shares in issue (in million shares)(i)	349,020	340,028
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	6,296	-
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	355,316	340,028
Diluted earnings per share (RMB yuan)	0.31	0.25

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 period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

(i) The weighted average number of ordinary shares in issue during the six months ended 30 June 2010 were adjusted to reflect the effect of the rights issue in 2010.

14. CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2011	**31 December 2010**
	(unaudited)	*(audited)*
Cash and unrestricted balances with central banks:		
Cash on hand	57,788	48,924
Surplus reserves with central banks(i)	230,486	69,222
Unrestricted balances with central banks of overseas countries or regions	6,685	6,823
	294,959	124,969
Restricted balances with central banks:		
Mandatory reserves with central banks(ii)	2,320,433	1,982,575
Fiscal deposits with the PBOC	228,889	173,843
Mandatory reserves with central banks of overseas countries or regions(ii)	1,529	1,520
Other restricted balances with PBOC(ii)	92	92
	2,550,943	2,158,030
	2,845,902	2,282,999

(i) Surplus reserves include a deposit in the PBOC 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 30 June 2011, 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.

15. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2011	**31 December 2010**
	(unaudited)	*(audited)*
Nostro accounts:		
Banks operating in Mainland China	265,343	139,915
Other financial institutions operating in Mainland China	8,645	2,036
Banks and other financial institutions operating outside Mainland China	64,951	42,025
	338,939	183,976
Less: Allowance for impairment losses	(35)	(34)
	338,904	183,942
Placements with banks and other financial institutions:		
Banks operating in Mainland China	47,754	11,775
Other financial institutions operating in Mainland China	49,274	24,066
Banks and other financial institutions operating outside Mainland China	25,796	29,108
	122,824	64,949
Less: Allowance for impairment losses	(42)	(31)
	122,782	64,918
	461,686	248,860

Movements of the allowance for impairment losses during the period/year are as follows:

	Nostro accounts	**Placements with banks and other financial institutions**	**Total**
At 1 January 2010	34	28	62
Charge for the year	-	3	3
At 31 December 2010 and 1 January 2011 (audited)	34	31	65
Charge for the period	1	11	12
At 30 June 2011 (unaudited)	35	42	77

16. FINANCIAL ASSETS HELD FOR TRADING

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Debt securities	34,151	10,051
Equity investments	166	137
	34,317	10,188
Debt securities analysed into:		
Listed in Hong Kong	77	72
Listed outside Hong Kong	1,559	1,958
Unlisted	32,515	8,021
	34,151	10,051

17. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Debt securities	25,534	948
Other debt instruments		
Banks and other financial institutions	45,450	-
Corporate entities	26,195	1,850
	97,179	2,798
Analysed into:		
Listed in Hong Kong	69	-
Listed outside Hong Kong	812	138
Unlisted	96,298	2,660
	97,179	2,798

18. 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 underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

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

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

	30 June 2011						
	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
			(unaudited)				
Exchange rate contracts:							
Forward and swap contracts	567,097	513,901	29,851	6,064	1,116,913	9,871	(6,767)
Option contracts purchased	3,935	14,838	1,745	-	20,518	232	-
Option contracts written	3,472	2,554	1,745	-	7,771	-	(50)
	574,504	531,293	33,341	6,064	1,145,202	10,103	(6,817)
Interest rate contracts:							
Swap contracts	29,643	148,681	257,699	30,455	466,478	2,885	(4,040)
Forward contracts	2,718	2,459	7,468	-	12,645	167	(167)
	32,361	151,140	265,167	30,455	479,123	3,052	(4,207)
Other derivative contracts	162	1,672	127	-	1,961	648	(1)
	607,027	684,105	298,635	36,519	1,626,286	13,803	(11,025)

	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
			(audited)				
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)

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 period/year.

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

	30 June 2011 *(unaudited)*						
	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	-	337	-	-	337	1	-
Interest rate swap contracts	-	762	3,949	3,430	8,141	18	(160)
	-	1,099	3,949	3,430	8,478	19	(160)

	31 December 2010 *(audited)*						
	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)

There is no ineffectiveness recognised in the income statement that arises from the cash flow hedges for the current period (six months ended 30 June 2010: 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 the 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 period is presented as follows:

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Gain/(loss) arising from fair value hedges, net:		
– Hedging instruments	111	(350)
– Hedged items attributable to the hedged risk	(109)	352
	2	2

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

	30 June 2011 ***(unaudited)***						
	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	186	612	-	851	-	(124)
Interest rate swap contracts....................	797	2,039	9,271	1,338	13,445	-	(620)
	850	2,225	9,883	1,338	14,296	-	(744)

	31 December 2010 ***(audited)***						
	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)

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

	30 June 2011	**31 December 2010**
	(unaudited)	*(audited)*
Currency derivatives	10,268	8,267
Interest rate derivatives	2,178	2,066
Other derivatives	749	858
	13,195	11,191

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.

19. REVERSE REPURCHASE AGREEMENTS

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Analysed by counterparty:		
Banks	123,255	117,045
Other financial institutions	234,574	145,182
	357,829	262,227
Analysed by collateral:		
Securities	297,955	199,443
Bills	52,702	54,346
Loans	7,172	8,438
	357,829	262,227

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 30 June 2011, the Group had received securities with a fair value of approximately RMB122,976 million on such terms (31 December 2010: RMB82,076 million). Of these, securities with a fair value of approximately RMB80,559 million have been repledged under repurchase agreements (31 December 2010: RMB81,204 million). 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.

20. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Corporate loans and advances	5,393,739	5,017,281
Personal loans	1,834,360	1,655,719
Discounted bills	105,941	117,506
	7,334,040	6,790,506
Less: Allowance for impairment losses	(181,453)	(167,134)
	7,152,587	6,623,372

Movements of allowance for impairment losses during the period/year are as follows:

	Individually assessed	Collectively assessed	Total
At 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	(754)	-	(754)
Write-off	(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 and 1 January 2011 (audited)	41,300	125,834	167,134
Impairment loss:	(2,647)	19,441	16,794
– impairment allowances charged	3,856	53,632	57,488
– impairment allowances transferred	207	(207)	-
– reversal of impairment allowances	(6,710)	(33,984)	(40,694)
Accreted interest on impaired loans (note 3)	(240)	-	(240)
Write-off	(2,479)	(261)	(2,740)
Recoveries of loans and advances previously written off	461	44	505
At 30 June 2011 (unaudited)	36,395	145,058	181,453

Movements of allowance for impairment losses during the period/year analysed into those attributable to corporate loans and advances and discounted bills, and personal loans are as follows:

	Corporate loans and advances and discounted bills	Personal loans	Total
At 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	(754)	-	(754)
Write-off	(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 and 1 January 2011 (audited)	132,565	34,569	167,134
Impairment loss:	9,235	7,559	16,794
– impairment allowances charged	43,199	14,289	57,488
– reversal of impairment allowances	(33,964)	(6,730)	(40,694)
Accreted interest on impaired loans (note 3)	(240)	-	(240)
Write-off	(2,479)	(261)	(2,740)
Recoveries of loans and advances previously written off	461	44	505
At 30 June 2011 (unaudited)	139,542	41,911	181,453

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Loans and advances for which allowance for impairment losses are:		
Individually assessed	59,815	63,500
Collectively assessed	7,274,225	6,727,006
	7,334,040	6,790,506
Less: Allowance for impairment losses:		
Individually assessed	36,395	41,300
Collectively assessed	145,058	125,834
	181,453	167,134
Net loans and advances for which allowance for impairment losses are:		
Individually assessed	23,420	22,200
Collectively assessed	7,129,167	6,601,172
	7,152,587	6,623,372
Identified impaired loans and advances	69,486	73,241
Percentage of impaired loans and advances	0.95%	1.08%

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 30 June 2011, loans with an original carrying amount of RMB8,011 million (31 December 2010: RMB12,032 million) have been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets. As at 30 June 2011, the amount of assets that the Group continues to recognise was RMB383 million (31 December 2010: RMB395 million), and the assets were classified as available-for-sale financial assets.

21. FINANCIAL INVESTMENTS

	Notes	30 June 2011	31 December 2010
		(unaudited)	*(audited)*
Receivables	(a)	493,341	501,706
Held-to-maturity investments	(b)	2,274,928	2,312,781
Available-for-sale financial assets	(c)	829,832	904,795
		3,598,101	3,719,282

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

	Notes	30 June 2011	31 December 2010
		(unaudited)	*(audited)*
Huarong bonds	(i)	312,996	312,996
Special government bond	(ii)	85,000	85,000
Special PBOC bill	(iii)	-	4,325
Other bills and bonds	(iv)	95,345	99,385
		493,341	501,706

Notes:

(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. In 2010, 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) Special PBOC bill is a non-transferable bill issued by the PBOC with a nominal value of RMB4,325 million as at 31 December 2010, which matured in the first half year of 2011.

(iv) Other bills and bonds include the PBOC bills, government, financial and corporate bonds. The balance represents non- transferable debt securities with fixed or determinable payments, which will mature in August 2011 to June 2021 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:

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Debt securities	2,276,350	2,314,255
Less: Allowance for impairment losses	(1,422)	(1,474)
	2,274,928	2,312,781

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Analysed into:		
Listed in Hong Kong	390	432
Listed outside Hong Kong	583,135	379,760
Unlisted	1,691,403	1,932,589
	2,274,928	2,312,781
Market value of listed debt securities	569,538	372,725

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Debt securities, at fair value(i)	825,205	899,750
Equity investments:		
At fair value(i)	2,603	2,986
At cost(ii):		
Debt for equity swaps	1,627	1,627
Others	1,359	1,468
Less: Allowance for impairment losses on equity investments	(962)	(1,036)
	2,024	2,059
Subtotal for equity investments	4,627	5,045
	829,832	904,795
Debt securities analysed into:		
Listed in Hong Kong	4,431	3,645
Listed outside Hong Kong	106,062	99,845
Unlisted	714,712	796,260
	825,205	899,750
Equity investments analysed into:		
Listed in Hong Kong	900	940
Listed outside Hong Kong	598	1,004
Unlisted	3,129	3,101
	4,627	5,045
Market value of listed securities:		
Debt securities	110,493	103,490
Equity investments	1,498	1,944
	111,991	105,434

(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 30 June 2011, the available-for-sale financial assets measured at fair value include debt securities which are individually assessed to be impaired whose carrying amount is RMB670 million (31 December 2010: RMB4,296 million), with the reversal of impairment loss recognised in the income statement for the period of RMB537 million (six months ended 30 June 2010: the reversal of impairment loss recognised for the period of RMB115 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 six months ended 30 June 2011, the Group disposed of part of these equity investments with a carrying value of RMB69 million (six months ended 30 June 2010: RMB389 million). There was no gain or loss recognised for such a disposal during the period (six months ended 30 June 2010: Nil).

(d) Movements of allowance for impairment losses of held-to-maturity investments and available-for-sale investments during the period/year are as follows:

	Held-to-maturity debt securities	**Available-for-sale investments**	**Total**
At 1 January 2010	1,846	962	2,808
Charge for the year	4	7	11
Reversal for the year	(207)	-	(207)
Others	48	84	132
Disposals	(217)	(17)	(234)
At 31 December 2010 and 1 January 2011 (audited)	1,474	1,036	2,510
Charge for the period	44	-	44
Reversal for the period	(64)	-	(64)
Disposals	(32)	(74)	(106)
At 30 June 2011 (unaudited)	1,422	962	2,384

22. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

	30 June 2011	**31 December 2010**
	(unaudited)	***(audited)***
Share of net assets	19,067	19,417
Goodwill	19,811	20,908
	38,878	40,325
Less: Allowance for impairment losses	(348)	-
	38,530	40,325

The following table illustrates the summarised financial information of the Group's associates and jointly-controlled entities:

	30 June 2011	**31 December 2010**
	(unaudited)	***(audited)***
Assets	1,307,593	1,341,448
Liabilities	(1,203,505)	(1,235,634)
Net assets	104,088	105,814

	Six months ended 30 June	
	2011	**2010**
	(unaudited)	***(unaudited)***
Revenue	47,286	39,215
Profit for the period	7,488	6,135

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:

	30 June 2011	**31 December 2010**
	(unaudited)	***(audited)***
Market value of listed investments	29,875	28,503

Particulars of the Group's principal associates and jointly-controlled entities are as follows:

Name	Percentage of equity interest		Voting rights	Place of incorporation/ registration	Principal activities
	30 June 2011	31 December 2010	30 June 2011		
	%	%	%		
Associates:					
Listed investment directly held:					
Standard Bank Group Limited ("Standard Bank")	20.05	20.06	20.05	Johannesburg, Republic of South Africa	Commercial banking
Listed investment indirectly held:					
Finansia Syrus Securities Public Company Limited(i)	23.95	23.83	24.51	Bangkok, Thailand	Securities
Unlisted investments indirectly held:					
IEC Investments Limited(ii)	40.00	40.00	40.00	Hong Kong, the PRC	Investment
All Winwin Holdings Limited(iii)	20.00	20.00	20.00	British Virgin Islands	Investment
Tianjin ICBCI IHG Equity Investment Fund Management Limited ("ICBCI IHG")(iv)	30.00	-	30.00	Tianjin, the PRC	Fund management
Jointly-controlled entities:					
Unlisted investments 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	45.00	Note 1	Cayman Islands	Investment management
Harmony China Real Estate Fund L.P.(vii)	27.91	27.91	Note 2	Cayman Islands	Fund
ICBCI HNA (Tianjin) Equity Investment Fund Management Limited ("ICBCI HNA")(viii)	50.00	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) 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.

(ii) 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.

(iii) 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.

(iv) The shareholding of a 30% 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) ICBCI 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.

23. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and computers	Aircraft and motor vehicles	Total
Cost:						
At 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 and 1 January 2011 (audited)	91,483	10,324	4,846	37,799	5,794	150,246
Additions	381	1,570	151	720	4,248	7,070
CIP transfer in/(out)	1,138	(1,495)	-	357	-	-
Disposals	(113)	(118)	(56)	(550)	(641)	(1,478)
At 30 June 2011 (unaudited)	92,889	10,281	4,941	38,326	9,401	155,838
Accumulated depreciation and impairment:						
At 1 January 2010	15,945	108	1,563	18,741	1,020	37,377
Depreciation charge for the year	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 and 1 January 2011 (audited)	20,386	54	2,273	22,877	1,244	46,834
Depreciation charge for the period (note 9)	2,429	-	403	2,856	295	5,983
Impairment allowance charge for the period	-	4	-	-	-	4
Disposals	(54)	-	(46)	(536)	(66)	(702)
At 30 June 2011 (unaudited)	22,761	58	2,630	25,197	1,473	52,119
Net carrying amount:						
At 31 December 2010 (audited)	71,097	10,270	2,573	14,922	4,550	103,412
At 30 June 2011 (unaudited)	70,128	10,223	2,311	13,129	7,928	103,719

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:

	At 30 June 2011	At 31 December 2010
	(unaudited)	*(audited)*
Cost	7,495	3,861
Accumulated depreciation	(196)	(112)
Impairment	(59)	(61)
Net carrying amount	7,240	3,688

As at 30 June 2011, the process of obtaining the titleship for the Group's properties and buildings with an aggregate net carrying value of RMB6,182 million (31 December 2010: RMB6,520 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 operations of the Group.

24. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

	At 30 June 2011		At 31 December 2010	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
	(unaudited)		*(audited)*	
Deferred income tax assets:				
Allowance for impairment losses	64,387	16,073	57,279	14,297
Change in fair value of available-for-sale financial assets	16,736	4,195	11,489	2,885
Change in fair value of financial instruments at fair value through profit or loss	(2,735)	(684)	(2,979)	(745)
Accrued staff costs	19,734	4,934	19,709	4,927
Others	(14,269)	(3,569)	1,366	348
	83,853	20,949	86,864	21,712

	At 30 June 2011		At 31 December 2010	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)
	(unaudited)		*(audited)*	
Deferred income tax liabilities:				
Allowance for impairment losses	(280)	(46)	(338)	(56)
Change in fair value of available-for-sale financial assets	1,288	213	1,872	309
Change in fair value of financial instruments at fair value through profit or loss	161	27	227	37
Others	123	37	40	28
	1,292	231	1,801	318

(b) Movements of deferred income tax

	At 1 January 2011	Credited/ (debited) to the income statement	Credited to other comprehensive income	At 30 June 2011
				(unaudited)
Deferred income tax assets:				
Allowance for impairment losses	14,297	1,776	-	16,073
Change in fair value of available-for-sale financial assets	2,885	-	1,310	4,195
Change in fair value of financial instruments at fair value through profit or loss	(745)	61	-	(684)
Accrued staff costs	4,927	7	-	4,934
Others	348	(3,917)	-	(3,569)
	21,712	(2,073)	1,310	20,949

	At 1 January 2010	Credited/ (debited) to the income statement	Credited to other comprehensive income	At 31 December 2010
				(audited)
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

	At 1 January 2011	Debited/ (credited) to the income statement	Debited/ (credited) to other comprehensive income	At 30 June 2011
				(unaudited)
Deferred income tax liabilities:				
Allowance for impairment losses	(56)	10	-	(46)
Change in fair value of available-for-sale financial assets	309	-	(96)	213
Change in fair value of financial instruments at fair value through profit or loss	37	(10)	-	27
Others	28	(8)	17	37
	318	(8)	(79)	231

	At 1 January 2010	Debited/ (credited) to the income statement	Debited/ (credited) to other comprehensive income	At 31 December 2010
				(audited)
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

The Group did not have significant unrecognised deferred income tax assets and liabilities as at the end of the reporting period.

25. OTHER ASSETS

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Interest receivable	66,924	58,616
Settlement accounts	26,970	11,037
Land use rights	21,787	22,090
Precious metal	17,927	10,226
Advance payments	16,250	8,720
Goodwill	6,310	6,461
Repossessed assets	2,326	2,317
Others	12,952	10,648
	171,446	130,115

26. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June 2011	31 December 2010
		(unaudited)	*(audited)*
Structured deposits	(i)	27,398	3,961
Wealth management products	(ii)	102,747	1,862
Certificates of deposit	(iii)	731	754
Notes payable		-	93
		130,876	6,670

Notes:

(i) The fair value of structured deposits as at 30 June 2011 was RMB32.24 million less than the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity as at 30 June 2011 (31 December 2010: RMB6.6 million above).

(ii) The principal guaranteed wealth management products 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. As at 30 June 2011, the fair value of the wealth management products was RMB79.48 million (31 December 2010: similar) less than the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity.

(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 30 June 2011 was RMB2.07 million (31 December 2010: RMB6.01 million above).

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 period/year presented and cumulatively as at 30 June 2011 and 31 December 2010. 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.

27. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Deposits:		
Banks and other financial institutions operating in Mainland China	1,061,400	907,686
Banks and other financial institutions operating outside Mainland China	11,983	14,683
	1,073,383	922,369
Money market takings:		
Banks and other financial institutions operating in Mainland China	76,408	55,211
Banks and other financial institutions operating outside Mainland China	134,217	70,422
	210,625	125,633
	1,284,008	1,048,002

28. REPURCHASE AGREEMENTS

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Analysed by counterparty:		
Banks	11,544	52,495
Other financial institutions	50,357	32,393
	61,901	84,888
Analysed by collateral:		
Securities	56,413	83,163
Bills	468	-
Loans	5,020	1,725
	61,901	84,888

29. CERTIFICATES OF DEPOSIT

Certificates of deposit were mainly issued by Hong Kong Branch, Sydney Branch, New York Branch of the Bank, ICBC Asia and ICBC Macau, and were recognised at amortised cost.

30. DUE TO CUSTOMERS

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Demand deposits:		
Corporate customers	3,830,588	3,582,149
Personal customers	2,472,520	2,273,322
Time deposits:		
Corporate customers	2,284,857	2,070,994
Personal customers	3,262,443	3,026,122
Others	196,730	192,970
	12,047,138	11,145,557

31. DEBT SECURITIES ISSUED

	Notes	30 June 2011	31 December 2010
		(unaudited)	*(audited)*
Subordinated bonds issued by:			
The Bank	(1)(a)	113,000	75,000
A subsidiary	(1)(b)	3,211	3,286
		116,211	78,286
Convertible bonds	(2)	22,485	22,124
Other debt securities issued	(3)	6,552	1,854
		145,248	102,264

(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, 2010 and 2011. 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 period (six months ended 30 June 2010: None). The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue price	Coupon rate	Value date	Maturity date	Circulation date	Issue amount	Notes
		(RMB)					*(RMB)*	
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)
11 ICBC 01 Bond	2011-6-29	100	5.56%	2011-6-30	2031-6-30	To be determined	38,000 million	(vii)

(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.

(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.

(vii) The Bank has the option to redeem all of the bonds at face value on 30 June 2026 upon the approval of the relevant regulatory authorities. The application for the Circulation of the Bond Transactions of 11 ICBC 01 Bond has been approved by the PBOC, and the circulation date is to be determined.

(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 period.

(2) Convertible bonds

As approved by the CBRC and the China Securities Regulatory Commission ("CSRC"), 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	RMB25 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). RMB3.79 million convertible bonds have been converted into shares from 1 March 2011 to 30 June 2011.

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, and issuance of new shares, rights issue or distribution of cash dividend. Upon the occurrence of the abovementioned events, the conversion price was RMB3.97 per share on 30 June 2011.

The convertible bonds issued during the period 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
Accretion of interest	239	-	239
Balance as at 31 December 2010 (audited)	22,124	2,985	25,109
Conversion	(4)	-	(4)
Accretion of interest	365	-	365
Balance as at 30 June 2011 (unaudited)	22,485	2,985	25,470

(3) Other debt securities issued

Other debt securities issued mainly include notes payable issued by Sydney branch, Singapore branch and ICBC Asia and were recognised at amortised cost.

32. OTHER LIABILITIES

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Interest payable	104,972	95,103
Settlement accounts	63,221	47,884
Dividend payable(i)	62,932	-
Payables for bonds purchased	21,837	77
Salaries, bonuses, allowances and subsidies payables	13,282	12,572
Sundry tax payables	7,419	7,158
Early retirement benefits	5,610	7,462
Bank drafts	2,311	3,180
Others	24,993	22,142
	306,577	195,578

(i) The dividend payable has been settled in July 2011.

33. SHARE CAPITAL

	30 June 2011		31 December 2010	
	Number of shares	Nominal value	Number of shares	Nominal value
	(million) *(unaudited)*	*(unaudited)*	*(million)* *(audited)*	*(audited)*
Issued and fully paid:				
H shares of RMB1 each	86,795	86,795	86,795	86,795
A shares of RMB1 each(i)	262,225	262,225	262,224	262,224
	349,020	349,020	349,019	349,019

Except for the dividends for H shares which are payable in HK$, all of the H shares and A shares rank pari passu with each other in respect of dividends.

(i) According to the "Announcement in relation to the Conversion of ICBC Convertible Bonds", the 250 million A share convertible bonds (with a nominal value of RMB100 each, amounting to RMB25 billion in aggregate), which were issued by the Bank on 31 August 2010, can be converted into the Bank's A Shares commencing from 1 March 2011. As at 30 June 2011, a total of 37,930 convertible bonds were converted into A shares of the Bank, resulting in an increase of 917,353 A shares. The number of the Bank's A shares was 262,225,418,630 at the end of the reporting period.

34. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(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 of association 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.

(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 meetings. 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.

(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.

(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 a 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.

35. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	**2010**
	(unaudited)	***(unaudited)***
Available-for-sale financial assets:		
Changes in fair value recorded in other comprehensive income	(6,079)	6,026
Less: Transfer to the income statement arising from disposal/ impairment	(79)	8
Income tax effect	1,406	(1,543)
	(4,752)	4,491
Cash flow hedges:		
Gain/(loss) during the period	117	(78)
Less: Transfer to the income statement	-	2
Income tax effect	(15)	6
	102	(70)
Share of other comprehensive income of associates and jointly-controlled entities	138	(94)
Less: Transfer to the income statement	-	-
Income tax effect	-	-
	138	(94)
Foreign currency translation differences	(2,812)	(1,757)
Less: Transfer to the income statement	-	-
	(2,812)	(1,757)
Other	13	-
Less: Income tax effect	(2)	-
	11	-
	(7,313)	2,570

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of balances of cash and cash equivalents

	30 June 2011	**30 June 2010**
	(unaudited)	***(unaudited)***
Cash on hand	57,788	49,040
Balances with central banks other than restricted deposits	237,171	184,887
Nostro accounts with banks and other financial institutions with original maturity of three months or less	249,249	121,083
Placements with banks and other financial institutions with original maturity of three months or less	54,471	149,950
Reverse repurchase agreements with original maturity of three months or less	342,112	199,732
	940,791	704,692

37. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Authorised, but not contracted for	2,104	1,507
Contracted, but not provided for	6,602	6,730
	8,706	8,237

(b) Operating lease commitments

At the end of the reporting period, the Group leases 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:

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Within one year	2,903	2,859
After one year but not more than five years	6,697	6,606
After five years	1,885	1,700
	11,485	11,165

(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.

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Bank acceptances	330,679	249,522
Guarantees issued		
Financing letters of guarantees	82,845	67,035
Non-financing letters of guarantees	186,811	172,179
Sight letters of credit	90,945	60,513
Usance letters of credit and other commitments	265,895	207,117
Loan commitments		
With original maturity of not more than one year	220,404	179,087
With original maturity of more than one year	534,649	469,675
Undrawn credit card limit	322,683	244,029
	2,034,911	1,649,157

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Credit risk weighted amounts of credit commitments	785,593	677,500

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 30 June 2011, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB2,041 million (31 December 2010: RMB2,048 million).

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

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 June 2011, the Bank had underwritten and sold bonds with an accumulated amount of RMB149,585 million (31 December 2010: RMB167,744 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 30 June 2011, the Group had unexpired securities underwriting obligations of RMB2,640 million (31 December 2010: Nil).

38. DESIGNATED FUNDS AND LOANS

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Designated funds	541,833	395,216
Designated loans	541,214	394,407

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.

39. 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 30 June 2011, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB13,800 million (31 December 2010: RMB54,240 million).

40. 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 4 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

41. 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 period:

(a) Shareholders with significant influence

(i) The MOF

The MOF is a ministry under the State Council, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 30 June 2011, the MOF directly owned approximately 35.33% (31 December 2010: 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:

	30 June 2011	**31 December 2010**
	(unaudited)	***(audited)***
Balances at end of the period/year:		
The PRC government bonds and the special government bond	788,463	735,716

	Six months ended 30 June	
	2011	**2010**
	(unaudited)	***(unaudited)***
Transactions during the period:		
Subscription of the PRC government bonds	93,929	102,260
Redemption of the PRC government bonds	38,969	57,310
Interest income on the PRC government bonds	12,930	10,009
Repayment of the MOF receivable	-	62,520
Interest income on the MOF receivable	-	153

	%	%
Interest rate ranges during the period are as follows:		
MOF receivable	N/A	3.00
Bond investments	1.00 to 6.34	1.06 to 6.80

The related parties transactions between enterprises under the control or joint control of the MOF and the Group are disclosed in note 41(g) "Transactions with state-owned entities in the PRC".

(ii) Huijin

As at 30 June 2011, Central Huijin Investment Ltd ("Huijin") directly owned approximately 35.43% (31 December 2010: approximately 35.43%) 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.

As at 30 June 2011, the Huijin Bonds held by the Bank are of an aggregate face value of RMB21.63 billion (31 December 2010: RMB21.43 billion), with terms ranging from 5 to 30 years and coupon rates ranging from 3.14% to 4.20% 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 market rates. Details of the material transactions are as follows:

	30 June 2011	**31 December 2010**
	(unaudited)	*(audited)*
Balances at end of the period/year:		
Debt securities purchased	19,863	20,407
Interest receivable	618	238
Deposits	1,002	3,642
Interest payable	-	1

	Six months ended 30 June	
	2011	**2010**
	(unaudited)	*(unaudited)*
Transactions during the period:		
Interest income on debt securities purchased	384	N/A
Interest expense on deposits	16	19
	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	3.14 to 4.20	N/A
Deposits	0.36 to 1.49	0.02 to 1.98

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 period conducted with these banks and financial institutions, and the corresponding balances as at 30 June 2011 are as follows:

	30 June 2011	**31 December 2010**
	(unaudited)	*(audited)*
Balances at end of the period/year:		
Debt securities purchased	783,111	659,589
Due from these banks and financial institutions	59,779	18,955
Derivative financial assets	1,332	1,213
Due to these banks and financial institutions	110,372	76,955
Derivative financial liabilities	1,140	1,101

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Transactions during the period:		
Interest income on debt securities purchased	12,497	9,920
Interest income on amounts due from these banks and financial institutions	194	154
Interest expense on amounts due to these banks and financial institutions	398	362
	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	0 to 8.25	0.7 to 5.5
Due from these banks and financial institutions	0.0001 to 7.6	0.0001 to 4.0
Due to these banks and financial institutions	0.0001 to 8.0	0.0001 to 3.9

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

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Balance at end of the period/year:		
Debt securities purchased	16,013	9,765
Due from banks and other financial institutions	90,830	36,682
Derivative financial assets	22	153
Due to banks and other financial institutions	36,172	16,824
Derivative financial liabilities	71	65
Commitments	104,289	62,189

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Transactions during the period:		
Interest income on debt securities purchased	54	47
Interest income on amounts due from banks and other financial institutions	285	106
Interest expense on amounts due to banks and other financial institutions	88	61
Net trading income	37	4
Fee and commission income	112	70
	%	%
Interest rate ranges during the period are as follows:		
Debt securities purchased	0.35 to 0.76	0.5 to 1.85
Due from banks and other financial institutions	0 to 8.72	0 to 4.2
Due to banks and other financial institutions	0 to 8.74	0 to 5.6

The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.

(c) Associates and affiliates

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Balances at end of the period/year:		
Due from banks	495	404
Loan to an associate	1,416	1,467
Other receivables	526	552
Due to banks	2,203	927
Deposits	20	6

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Transactions during the period:		
Interest income on amounts due from banks	1	7
Interest income on loans to an associate	17	58
Interest expense on amounts due to banks	6	3

	%	%
Interest rate ranges during the period are as follows:		
Due from banks	9.5	14.5
Loan to an associate	2.29 to 6.77	2.87 to 6.77
Due to banks	0.75 to 1.35	0 to 1.35
Deposits	0 to 0.45	0 to 0.51

The major transactions between the Group and the associates and their affiliates mainly comprised taking and placing interbank balances, lending and deposit taking and the corresponding interest income and interest expense. In the opinion of 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

	30 June 2011	31 December 2010
	(unaudited)	*(audited)*
Balances at end of the period/year:		
Deposits	149	212

In the opinion of 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.

(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 period is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000 (unaudited)	*RMB'000 (unaudited)*
Short term employment benefits	7,345	5,398
Post-employment benefits	492	416
	7,837	5,814

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 transaction balances between the Group and the aforementioned parties for the period/year are as follows:

	30 June 2011	**31 December 2010**
	(unaudited)	***(audited)***
Loans	100	114
Deposits	-	395

In the opinion of 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 period (six months ended 30 June 2010: Nil).

(g) Transactions with 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 organisations (collectively the "State-owned Entities"). During the period, the Group enters into extensive banking transactions with these State-owned Entities including, but not limited to, lending and deposit taking, taking and placing of interbank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by state-owned entities, and the sale, purchase, and leasing of properties and other assets.

Management considers that transactions with 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.

42. SEGMENT INFORMATION

(a) Operating segments

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

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

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

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

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

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

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2011 (unaudited)					
External net interest income/(expense)	107,178	(782)	68,108	-	174,504
Internal net interest income/(expense)	(24,264)	62,591	(38,327)	-	-
Net fee and commission income	34,538	19,068	185	-	53,791
Other income, net(i)	565	1	239	2,060	2,865
Operating income	118,017	80,878	30,205	2,060	231,160
Operating expenses	(34,196)	(29,425)	(6,765)	(2,869)	(73,255)
Impairment losses on:					
Loans and advances to customers	(9,235)	(7,559)	-	-	(16,794)
Others	(99)	-	430	(418)	(87)
Operating profit/(loss)	74,487	43,894	23,870	(1,227)	141,024
Share of profits and losses of associates and jointly-controlled entities	-	-	-	1,321	1,321
Profit before tax	74,487	43,894	23,870	94	142,345
Income tax expense					(32,770)
Profit for the period					109,575
Other segment information:					
Depreciation	2,814	2,396	634	139	5,983
Amortisation	345	223	105	14	687
Capital expenditure	3,532	2,971	809	174	7,486
As at 30 June 2011 (unaudited)					
Segment assets	5,486,061	1,870,943	7,433,549	105,495	14,896,048
Including: Investments in associates and jointly-controlled entities	-	-	-	38,530	38,530
Property and equipment	43,959	37,456	9,892	12,412	103,719
Other non-current assets(ii)	14,320	7,539	3,777	6,999	32,635
Segment liabilities	6,487,235	5,832,233	1,643,781	73,184	14,036,433
Other segment information:					
Credit commitments	1,712,228	322,683	-	-	2,034,911

(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.

	Corporate banking	Personal banking	Treasury operations	Others	Total
Six months ended 30 June 2010 (unaudited)					
External net interest income/(expense)	87,758	(6,590)	62,144	-	143,312
Internal net interest income/(expense)	(16,830)	49,269	(32,439)	-	-
Net fee and commission income	22,674	14,065	150	-	36,889
Other income/(expense), net(i)	331	1	(538)	933	727
Operating income	93,933	56,745	29,317	933	180,928
Operating expenses	(28,942)	(26,300)	(4,510)	(2,117)	(61,869)
Impairment losses on:					
Loans and advances to customers	(5,189)	(4,554)	-	-	(9,743)
Others	(179)	-	200	29	50
Operating profit/(loss)	59,623	25,891	25,007	(1,155)	109,366
Share of profits and losses of associates and jointly-controlled entities	-	-	-	1,250	1,250
Profit before tax	59,623	25,891	25,007	95	110,616
Income tax expense					(25,651)
Profit for the period					84,965
Other segment information:					
Depreciation	2,253	2,284	667	192	5,396
Amortisation	270	229	102	51	652
Capital expenditure	2,001	1,619	906	84	4,610
As at 31 December 2010 (audited)					
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.

(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, New York, Karachi and Islamabad).

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**
Six months ended 30 June 2011 (unaudited)										
External net interest income	67,392	27,348	16,642	14,913	15,238	21,300	7,151	4,520	-	174,504
Internal net interest income/(expense)	(53,693)	8,532	6,276	21,699	7,506	6,010	3,723	(53)	-	-
Net fee and commission income	1,499	13,532	9,526	9,769	7,869	7,348	2,593	1,728	(73)	53,791
Other income/(expense), net(i)	2,114	(79)	(244)	76	95	135	114	654	-	2,865
Operating income	17,312	49,333	32,200	46,457	30,708	34,793	13,581	6,849	(73)	231,160
Operating expenses	(5,343)	(13,427)	(9,370)	(13,528)	(11,636)	(12,634)	(5,174)	(2,216)	73	(73,255)
Impairment losses on:										
Loans and advances to customers	(1,560)	(2,946)	(2,586)	(3,252)	(2,657)	(3,174)	(286)	(333)	-	(16,794)
Others	89	(17)	(1)	(35)	47	(5)	(76)	(89)	-	(87)
Operating profit	10,498	32,943	20,243	29,642	16,462	18,980	8,045	4,211	-	141,024
Share of profits and losses of associates and jointly-controlled entities	-	-	-	-	-	-	-	1,321	-	1,321
Profit before tax	10,498	32,943	20,243	29,642	16,462	18,980	8,045	5,532	-	142,345
Income tax expense										(32,770)
Profit for the period										109,575
Other segment information:										
Depreciation	644	968	670	872	987	1,089	480	273	-	5,983
Amortisation	240	100	48	59	99	97	28	16	-	687
Capital expenditure	610	480	367	397	444	655	146	4,387	-	7,486

(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).

	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 30 June 2011 (unaudited)										
Assets by geographical area	7,197,432	2,846,036	1,954,216	3,459,115	1,862,863	2,049,693	842,776	821,488	(6,158,520)	14,875,099
Including: Investments in associates and jointly-controlled entities	-	-	-	-	-	-	-	38,530	-	38,530
Property and equipment	8,815	18,580	10,818	15,539	15,606	16,966	8,821	8,574	-	103,719
Other non-current assets(i)	7,605	6,228	2,203	4,048	5,077	4,262	1,910	1,302	-	32,635
Unallocated assets										20,949
Total assets										14,896,048
Liabilities by geographical area	6,540,986	2,812,653	1,935,627	3,430,441	1,848,434	2,032,753	834,693	737,451	(6,158,520)	14,014,518
Unallocated liabilities										21,915
Total liabilities										14,036,433
Other segment information:										
Credit commitments	329,029	458,590	383,976	368,704	135,202	148,806	53,917	156,687	-	2,034,911

(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
Six months ended 30 June 2010 (unaudited)										
External net interest income	60,388	22,711	13,145	10,872	11,873	16,621	4,378	3,324	-	143,312
Internal net interest income/(expense)	(55,547)	8,729	7,021	20,929	8,057	6,488	4,403	(80)	-	-
Net fee and commission income	1,396	9,274	6,287	6,910	5,127	4,876	1,758	1,331	(70)	36,889
Other income/(expense), net(i)	(3,422)	647	488	763	243	466	1,345	197	-	727
Operating income	2,815	41,361	26,941	39,474	25,300	28,451	11,884	4,772	(70)	180,928
Operating expenses	(5,047)	(11,617)	(7,560)	(11,412)	(9,898)	(10,498)	(4,328)	(1,579)	70	(61,869)
Impairment losses on:										
Loans and advances to customers	(164)	(2,075)	(672)	(2,459)	(1,778)	(1,907)	(334)	(354)	-	(9,743)
Others	201	2	(9)	(75)	(45)	(1)	(24)	1	-	50
Operating profit/(loss)	(2,195)	27,671	18,700	25,528	13,579	16,045	7,198	2,840	-	109,366
Share of profits and losses of associates and jointly-controlled entities	-	-	-	-	-	-	-	1,250	-	1,250
Profit/(loss) before tax	(2,195)	27,671	18,700	25,528	13,579	16,045	7,198	4,090	-	110,616
Income tax expense										(25,651)
Profit for the period										84,965
Other segment information:										
Depreciation	601	917	625	810	873	992	467	111	-	5,396
Amortisation	199	123	47	56	96	92	27	12	-	652
Capital expenditure	729	378	295	381	432	311	87	1,997	-	4,610

(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).

	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 (audited)										
Assets by geographical area	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 area	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.

43. 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.

(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 may 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 loans 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 programmes 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 Interbank Market Financial Derivatives Master Agreement ("NAFMII master agreement") or a China Interbank RMB-FX Derivatives Master Agreement ("CFETS master agreement") with its counterparties for documenting over-the-counter derivative activities. Each of these master agreements provides the contractual framework within which derivative 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.

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 sometime 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.

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 without taking account of any collateral and other credit enhancements is set out below:

	30 June 2011	**31 December 2010**
	(unaudited)	***(audited)***
Balances with central banks	2,788,114	2,234,075
Due from banks and other financial institutions	461,686	248,860
Financial assets held for trading	34,151	10,051
Financial assets designated at fair value through profit or loss	97,179	2,798
Derivative financial assets	13,803	13,332
Reverse repurchase agreements	357,829	262,227
Loans and advances to customers	7,152,587	6,623,372
Financial investments		
– Receivables	493,341	501,706
– Held-to-maturity investments	2,274,928	2,312,781
– Available-for-sale investments	825,205	899,750
Others	120,600	86,256
	14,619,423	13,195,208
Credit commitments	2,034,911	1,649,157
Total maximum credit risk exposure	16,654,334	14,844,365

(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 maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical distribution.

30 June 2011 (unaudited)

	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	2,471,388	62,309	50,772	120,282	20,876	36,726	13,647	12,114	2,788,114
Due from banks and other financial institutions	163,306	38,240	107,747	31,241	37,245	8,697	17,913	57,297	461,686
Financial assets held for trading	33,544	-	-	-	-	-	-	607	34,151
Financial assets designated at fair value through profit or loss	96,445	-	-	-	-	-	-	734	97,179
Derivative financial assets	9,135	439	679	479	59	220	618	2,174	13,803
Reverse repurchase agreements	217,364	18,131	4,259	38,351	9,471	4,122	12,276	53,855	357,829
Loans and advances to customers	192,638	1,615,962	1,010,176	1,304,099	958,182	1,197,293	422,032	452,205	7,152,587
Financial investments									
– Receivables	487,341	-	-	-	-	-	6,000	-	493,341
– Held-to-maturity investments	2,193,166	31,937	27,681	12,828	-	-	1,000	8,316	2,274,928
– Available-for-sale investments	455,336	60,286	27,815	198,138	10,752	11,156	3,488	58,234	825,205
Others	43,287	13,373	7,478	13,220	7,748	9,179	3,023	23,292	120,600
	6,362,950	1,840,677	1,236,607	1,718,638	1,044,333	1,267,393	479,997	668,828	14,619,423
Credit commitments	329,029	458,590	383,976	368,704	135,202	148,806	53,917	156,687	2,034,911
Total maximum credit risk exposure	6,691,979	2,299,267	1,620,583	2,087,342	1,179,535	1,416,199	533,914	825,515	16,654,334

The compositions of each geographical distribution above are set out in note 42(b).

31 December 2010 (audited)

	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 investments	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 42(b).

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 43(a)(iv) to the financial statements. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	30 June 2011	**31 December 2010**
	(unaudited)	***(audited)***
Transportation, storage and postal services	1,082,165	1,039,929
Manufacturing	1,032,488	970,184
Real estate	625,306	586,654
Production and supply of electricity, gas and water	622,249	597,189
Wholesale, retail and lodging	559,151	430,954
Water, environment and public utility management	532,726	552,886
Leasing and commercial services	371,561	378,568
Mining	163,024	133,358
Construction	101,824	89,188
Science, education, culture and sanitation	74,710	69,265
Others	228,535	169,106
Subtotal for corporate loans and advances	5,393,739	5,017,281
Personal mortgage and business loans	1,373,612	1,288,683
Others	460,748	367,036
Subtotal for personal loans	1,834,360	1,655,719
Discounted bills	105,941	117,506
Total for loans and advances to customers	7,334,040	6,790,506

(iii) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	30 June 2011	**31 December 2010**
	(unaudited)	***(audited)***
Neither past due nor impaired	7,218,757	6,680,206
Past due but not impaired	45,797	37,059
Impaired	69,486	73,241
	7,334,040	6,790,506
Less: Allowance for impairment losses	(181,453)	(167,134)
	7,152,587	6,623,372

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:

	30 June 2011 *(unaudited)*			31 December 2010 *(audited)*		
	Pass	**Special mention**	**Total**	**Pass**	**Special mention**	**Total**
Unsecured loans	2,370,186	58,529	2,428,715	2,208,160	58,018	2,266,178
Guaranteed loans	1,084,248	54,472	1,138,720	986,943	54,996	1,041,939
Loans secured by mortgages	2,879,474	58,943	2,938,417	2,647,311	66,646	2,713,957
Pledged loans	690,239	22,666	712,905	633,469	24,663	658,132
	7,024,147	194,610	7,218,757	6,475,883	204,323	6,680,206

Past due but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group that are subject to credit risk which are past due but not impaired as at the end of the reporting period:

	30 June 2011 *(unaudited)*			31 December 2010 *(audited)*		
	Corporate loans and advances	**Personal loans**	**Total**	**Corporate loans and advances**	**Personal loans**	**Total**
Past due for:						
Less than one month	3,458	32,571	36,029	3,365	24,720	28,085
One to two months	516	5,040	5,556	250	4,647	4,897
Two to three months	118	3,653	3,771	95	3,548	3,643
Over three months	439	2	441	426	8	434
Total	4,531	41,266	45,797	4,136	32,923	37,059
Fair value of collateral held	2,626	90,573	93,199	5,263	73,598	78,861

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 value of collateral that the Group holds relating to loans individually determined to be impaired as at 30 June 2011 amounted to RMB14,454 million (31 December 2010: RMB13,408 million). The collateral mainly consists of land and buildings, equipment and also others.

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:

	30 June 2011	**31 December 2010**
	(unaudited)	*(audited)*
Renegotiated loans and advances to customers	9,544	10,716
Impaired loans and advances to customers included in above	8,097	9,047

Collateral repossessed

During the period, the Group took possession of collateral held as security with a carrying amount of RMB584 million (six months ended 30 June 2010: RMB892 million). Such collateral mainly comprises land and buildings, equipment and also others.

(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 type 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 type of issuer and investment:

30 June 2011 (unaudited)

	Receivables	Held-to-maturity investments	Available-for-sale investments	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Government and central banks	122,035	1,299,140	197,798	296	1,287	1,620,556
Policy banks	47,000	913,551	231,817	1,677	13,981	1,208,026
Public sector entities	-	21,757	72,351	574	104	94,786
Banks and other financial institutions	322,256	27,377	75,591	1,102	952	427,278
Corporate entities	2,050	10,964	246,978	30,502	9,210	299,704
Subtotal	493,341	2,272,789	824,535	34,151	25,534	3,650,350
Impaired(i)						
Public sector entities	-	858	283	-	-	1,141
Banks and other financial institutions	-	2,671	339	-	-	3,010
Corporate entities	-	32	48	-	-	80
	-	3,561	670	-	-	4,231
Less: Allowance for impairment losses	-	(1,422)	-	-	-	(1,422)
Subtotal	-	2,139	670	-	-	2,809
Total	493,341	2,274,928	825,205	34,151	25,534	3,653,159

31 December 2010 (audited)

	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
Subtotal	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	-	(1,474)	-	-	-	(1,474)
Subtotal	-	2,588	4,296	-	-	6,884
Total	501,706	2,312,781	899,750	10,051	948	3,725,236

(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.

(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.

The Group'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 Group's assets and liabilities is set out below:

30 June 2011 (unaudited)

	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	523,848	-	-	-	-	-	2,322,054	2,845,902
Due from banks and other financial institutions(i)	76,953	557,505	70,328	47,317	67,412	-	-	819,515
Financial assets held for trading	-	152	2,923	21,162	7,416	2,498	166	34,317
Financial assets designated at fair value through profit or loss	-	36,564	1,258	17,661	37,065	4,631	-	97,179
Derivative financial assets	16	2,663	2,207	4,962	2,511	1,444	-	13,803
Loans and advances to customers	7,430	400,971	553,851	1,767,258	1,848,999	2,546,451	27,627	7,152,587
Financial investments	-	41,716	123,559	481,875	1,668,429	1,275,201	7,321	3,598,101
Investments in associates and jointly-controlled entities	-	-	-	-	-	-	38,530	38,530
Property and equipment	-	-	-	-	-	-	103,719	103,719
Others	71,492	24,468	12,833	26,256	15,681	9,979	31,686	192,395
Total assets	679,739	1,064,039	766,959	2,366,491	3,647,513	3,840,204	2,531,103	14,896,048
Liabilities:								
Due to central banks	-	-	-	100	-	-	-	100
Financial liabilities designated at fair value through profit or loss	-	38,884	47,850	44,142	-	-	-	130,876
Derivative financial liabilities	16	1,269	1,685	2,952	3,162	1,941	-	11,025
Due to banks and other financial institutions(ii)	625,190	495,279	96,832	84,014	44,054	540	-	1,345,909
Certificates of deposit	-	5,342	6,519	6,795	8,989	-	-	27,645
Due to customers	6,601,599	740,524	1,014,625	3,013,502	667,251	9,637	-	12,047,138
Debt securities issued	-	665	1,563	1,394	37,726	103,900	-	145,248
Others	113,688	98,065	16,490	76,512	18,156	5,581	-	328,492
Total liabilities	7,340,493	1,380,028	1,185,564	3,229,411	779,338	121,599	-	14,036,433
Net liquidity gap	(6,660,754)	(315,989)	(418,605)	(862,920)	2,868,175	3,718,605	2,531,103	859,615

(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.

31 December 2010 (audited)

	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
Certificates of deposit	-	894	1,513	1,109	5,798	-	-	9,314
Due to customers	6,134,482	730,545	966,949	2,527,394	772,418	13,769	-	11,145,557
Debt securities issued	-	75	348	1,431	34,800	65,610	-	102,264
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.

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group'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 expected that 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.

30 June 2011 (unaudited)

	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	523,848	-	1,080	-	-	-	2,322,054	2,846,982
Due from banks and other financial institutions(i)	77,110	558,674	71,373	49,121	77,533	-	-	833,811
Financial assets held for trading	-	157	3,060	21,700	8,554	2,890	166	36,527
Financial assets designated at fair value through profit or loss	-	36,808	3,116	18,372	43,100	5,903	-	107,299
Loans and advances to customers(ii)	8,459	484,851	668,571	2,317,734	3,115,751	3,890,823	66,819	10,553,008
Financial investments	-	48,861	142,682	567,320	1,968,458	1,530,927	9,710	4,267,958
Others	66,463	136	419	1,072	4,116	-	-	72,206
	675,880	1,129,487	890,301	2,975,319	5,217,512	5,430,543	2,398,749	18,717,791

(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.

30 June 2011 (unaudited)

	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	-	-	-	103	-	-	-	103
Financial liabilities designated at fair value through profit or loss	-	39,404	48,027	44,277	-	-	-	131,708
Due to banks and other financial institutions(i)	625,207	497,079	97,528	85,961	47,397	737	-	1,353,909
Certificates of deposit	-	5,397	6,554	6,841	9,071	-	-	27,863
Due to customers	6,603,381	753,961	1,042,755	3,094,728	709,165	10,534	-	12,214,524
Debt securities issued	-	667	1,587	6,768	57,370	130,773	-	197,165
Others	101,595	11	13	221	1,254	5,079	-	108,173
	7,330,183	1,296,519	1,196,464	3,238,899	824,257	147,123	-	14,033,445
Derivative cash flows:								
Derivative financial instruments settled on a net basis	(4)	(26)	(118)	772	(713)	(187)	-	(276)
Derivative financial instruments settled on a gross basis:								
– Cash inflow	5,109	328,244	222,502	503,703	30,704	164	-	1,090,426
– Cash outflow	(5,109)	(327,159)	(221,719)	(502,923)	(31,097)	(164)	-	(1,088,171)
	-	1,085	783	780	(393)	-	-	2,255

(i) Includes repurchase agreements.

31 December 2010 (audited)

	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 (audited)

	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
Certificates of deposit	-	894	1,518	1,120	5,968	-	-	9,500
Due to customers	6,136,119	744,212	988,524	2,594,560	818,850	14,948	-	11,297,213
Debt securities issued	-	75	349	3,793	43,476	72,105	-	119,798
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.

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of commitments.

	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
30 June 2011 (unaudited)							
Credit commitments …	502,346	132,505	253,096	522,933	394,650	229,381	2,034,911
31 December 2010 (audited)							
Credit commitments …	406,297	100,223	211,154	378,978	320,778	231,727	1,649,157

(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

The 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 the trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

A summary of the VaR by risk type of the Bank's trading portfolios at the HO level is as follows:

	Six months ended 30 June 2011 *(unaudited)*			
	30 June 2011	Average	Highest	Lowest
Interest rate risk ………………………	29	54	103	27
Foreign exchange risk …………………	45	19	81	4
Commodity risk* ………………………	2	10	63	1
Total portfolio VaR ……………………	63	57	101	26

	Six months ended 30 June 2010 *(unaudited)*			
	30 June 2010	**Average**	**Highest**	**Lowest**
Interest rate risk	8	14	30	7
Foreign exchange risk	47	60	112	47
Total portfolio VaR	47	63	109	47

* The Bank calculated the VaR of commodity risk from April 2011.

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, 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 its 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.

The table below indicates 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 period/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.

		Effect on profit before tax		**Effect on equity**	
Currency	**Change in currency rate**	**30 June 2011**	**31 December 2010**	**30 June 2011**	**31 December 2010**
		(unaudited)	*(audited)*	*(unaudited)*	*(audited)*
USD	-1%	(237)	149	(41)	(42)
HK$	-1%	(116)	(5)	(214)	(212)

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.

A breakdown of the assets and liabilities analysed by currency is as follows:

30 June 2011 (unaudited)

	RMB	**USD (equivalent to RMB)**	**HK$ (equivalent to RMB)**	**Others (equivalent to RMB)**	**Total**
Assets:					
Cash and balances with central banks	2,824,545	9,501	5,353	6,503	2,845,902
Due from banks and other financial institutions(i)	677,856	94,716	3,156	43,787	819,515
Financial assets held for trading	33,506	413	250	148	34,317
Financial assets designated at fair value through profit or loss	96,445	646	88	-	97,179
Derivative financial assets	8,955	2,049	138	2,661	13,803
Loans and advances to customers	6,570,742	422,389	111,690	47,766	7,152,587
Financial investments	3,511,634	61,361	5,271	19,835	3,598,101
Investments in associates and jointly-controlled entities	28	707	170	37,625	38,530
Property and equipment	95,856	7,077	369	417	103,719
Others	156,695	8,701	6,093	20,906	192,395
Total assets	13,976,262	607,560	132,578	179,648	14,896,048
Liabilities:					
Due to central banks	100	-	-	-	100
Financial liabilities designated at fair value through profit or loss	129,376	433	999	68	130,876
Derivative financial liabilities	2,825	6,680	140	1,380	11,025
Due to banks and other financial institutions(ii)	1,087,917	190,194	20,107	47,691	1,345,909
Certificates of deposit	9,173	9,903	4,330	4,239	27,645
Due to customers	11,669,079	176,138	112,392	89,529	12,047,138
Debt securities issued	135,499	7,237	1,355	1,157	145,248
Others	304,405	14,853	2,801	6,433	328,492
Total liabilities	13,338,374	405,438	142,124	150,497	14,036,433
Long/(short) position	637,888	202,122	(9,546)	29,151	859,615
Credit commitments	1,562,830	358,391	75,228	38,462	2,034,911

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

31 December 2010 (audited)

	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 through 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
Certificates of deposit ...	2,172	3,423	3,719	-	9,314
Due to customers ...	10,791,485	166,357	126,104	61,611	11,145,557
Debt securities issued ...	97,124	3,667	1,336	137	102,264
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.

(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.

A principal part of the Group's management of interest rate risk is to analyze 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 table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group'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 period/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 period/year end, including the effect of any associated hedges.

	Sensitivity of net interest income		**Sensitivity of equity**	
Change in basis points	**30 June 2011**	**31 December 2010**	**30 June 2011**	**31 December 2010**
	(unaudited)	***(audited)***	***(unaudited)***	***(audited)***
+ 100 basis points	(21,709)	(23,156)	(18,700)	(18,848)
- 100 basis points	21,709	23,156	19,909	20,130

The interest rate sensitivities set out in the table 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 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.

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's assets and liabilities:

30 June 2011 (unaudited)

	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	2,551,757	-	-	-	294,145	2,845,902
Due from banks and other financial institutions(i)	707,853	96,682	13,719	-	1,261	819,515
Financial assets held for trading	4,229	21,597	6,285	2,040	166	34,317
Financial assets designated at fair value through profit or loss	70,771	9,511	12,516	4,381	-	97,179
Derivative financial assets	-	-	-	-	13,803	13,803
Loans and advances to customers	2,296,796	4,691,101	26,467	103,116	35,107	7,152,587
Financial investments	322,281	627,054	1,497,623	1,146,516	4,627	3,598,101
Investments in associates and jointly-controlled entities	-	-	-	-	38,530	38,530
Property and equipment	-	-	-	-	103,719	103,719
Others	15,000	-	-	-	177,395	192,395
Total assets	5,968,687	5,445,945	1,556,610	1,256,053	668,753	14,896,048
Liabilities:						
Due to central banks	-	100	-	-	-	100
Financial liabilities designated at fair value through profit or loss	86,734	44,142	-	-	-	130,876
Derivative financial liabilities	-	-	-	-	11,025	11,025
Due to banks and other financial institutions(ii)	1,218,036	117,694	7,879	188	2,112	1,345,909
Certificates of deposit	15,408	4,365	7,872	-	-	27,645
Due to customers	8,109,104	3,009,328	667,244	9,637	251,825	12,047,138
Debt securities issued	10,155	1,394	29,799	103,900	-	145,248
Others	-	-	-	-	328,492	328,492
Total liabilities	9,439,437	3,177,023	712,794	113,725	593,454	14,036,433
Interest rate mismatch	(3,470,750)	2,268,922	843,816	1,142,328	N/A	N/A

(i) Includes reverse repurchase agreements.
(ii) Includes repurchase agreements.

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's assets and liabilities (continued):

31 December 2010 (audited)

	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
Certificates of deposit	8,471	546	297	-	-	9,314
Due to customers	7,583,862	2,527,185	772,382	13,769	248,359	11,145,557
Debt securities issued	423	6,931	29,300	65,610	-	102,264
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.

(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.

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 semiyearly 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 the "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 period, the Group has complied in full with all its externally imposed capital requirements.

	30 June 2011	**31 December 2010**
	(unaudited)	***(audited)***
Core capital adequacy ratio	**9.82%**	**9.97%**
Capital adequacy ratio	**12.33%**	**12.27%**
Components of capital base		
Core capital:		
Share capital	349,020	349,019
Reserves(i)	484,555	400,724
Minority interests	1,224	1,227
Total core capital	834,799	750,970
Supplementary capital:		
General provisions for loan impairment(ii)	73,340	67,905
Long term subordinated bonds	116,211	78,286
Convertible bonds(iii)	24,867	24,870
Other supplementary capital	-	3,444
Total supplementary capital	214,418	174,505
Total capital base before deductions	1,049,217	925,475
Deductions:		
Goodwill	(26,121)	(27,369)
Unconsolidated equity investments(iv)	(21,501)	(22,649)
Others(v)	(2,315)	(3,084)
Net capital base	999,280	872,373
Net core capital base	795,613	709,193
Risk weighted assets and market risk capital adjustment	8,105,103	7,112,357

(i) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, reserves include the valid portion of capital reserve and retained profits, surplus reserves 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.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarises the carrying values and the fair values of receivables, held-to-maturity investments, subordinated bonds and convertible bonds whose fair values have not been presented or disclosed above:

	Carrying value	**Fair value**
30 June 2011 (unaudited)		
Receivables	493,341	492,795
Held-to-maturity investments	2,274,928	2,244,068
Subordinated bonds	116,211	109,805
Convertible bonds	22,485	21,146
31 December 2010 (audited)		
Receivables	501,706	501,310
Held-to-maturity investments	2,312,781	2,291,074
Subordinated bonds	78,286	72,721
Convertible bonds	22,124	20,990

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:

(a) 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.

(b) The fair values of held-to-maturity investments, subordinated bonds and convertible bonds 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'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	

45. EVENTS AFTER THE REPORTING PERIOD

Acquisition of equity in Standard Bank Argentina

Approved by the Board of Directors, on 5 August 2011, the Bank entered into the Memorandum of Agreement with Standard Bank London Holdings Plc ("SBL"), Holding W-S De Inversiones S.A. ("Holding W-S") and the sellers' guarantors, Standard Bank and Sielecki and Werthein Family Members, under which the Bank agreed to purchase 80% of the shares of Standard Bank Argentina, Standard Investments and Inversora Diagonal (the "Target Companies") respectively. The consideration for the acquisition is approximately USD600 million (equivalent to approximately RMB3,863.16 million) in aggregate, which will be adjusted after the completion of the acquisition to reflect any increase or decrease in net asset value of the Target Companies between 31 December 2010 and the completion date of the acquisition. Completion of the Acquisition is still subject to the approval from domestic and foreign regulators.

Upon completion of the acquisition, SBL will still hold 20% of the total shares of each of the Target Companies, and have a put option, exercisable at any time during the period between the second anniversary of the closing date of the acquisition and the seventh anniversary of the closing date of the acquisition, to require the Bank to purchase the remaining 20% of the shares held by SBL in each of the Target Companies.

The Bank and SBL propose to make a capital contribution of an aggregate amount of USD100 million (equivalent to approximately RMB643.86 million) in Standard Bank Argentina, by way of share subscription in proportion to their respective shareholding in Standard Bank Argentina, after completion of the acquisition.

46. COMPARATIVE AMOUNTS

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

47. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2011.

Industrial and Commercial Bank of China Limited

Consolidated Income Statement – Prepared in accordance with IFRSs
For the nine months ended 30 September 2011
(In RMB millions, unless otherwise stated)

	Nine months ended 30 September 2011	Nine months ended 30 September 2010
	(unaudited)	*(unaudited)*
Interest income	**426,187**	338,818
Interest expense	**(159,100)**	(117,155)
NET INTEREST INCOME	**267,087**	221,663
Fee and commission income	**83,273**	58,029
Fee and commission expense	**(4,978)**	(3,466)
NET FEE AND COMMISSION INCOME	**78,295**	54,563
Net trading income/(expense)	**(264)**	(566)
Net loss on financial assets and liabilities designated at fair value through profit or loss	**(546)**	(143)
Net gain on financial investments	**422**	120
Other operating income/(expense), net	**3,503**	2,048
OPERATING INCOME	**348,497**	277,685
Operating expenses	**(113,607)**	(95,418)
Impairment losses on:		
– Loans and advances to customers	**(24,428)**	(17,986)
– Others	**45**	166
OPERATING PROFIT	**210,507**	164,447
Share of profits and losses of associates and jointly-controlled entities	**1,852**	1,877
PROFIT BEFORE TAX	**212,359**	166,324
Income tax expense	**(48,381)**	(38,529)
PROFIT FOR THE PERIOD	**163,978**	127,795
Attributable to:		
Equity holders of the parent company	**163,840**	127,216
Non-controlling interests	**138**	579
	163,978	127,795
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY		
– Basic *(RMB yuan)*	**0.47**	0.37
– Diluted *(RMB yuan)*	**0.46**	0.37

Industrial and Commercial Bank of China Limited

Consolidated Statement of Comprehensive Income – Prepared in accordance with IFRSs
For the nine months ended 30 September 2011
(In RMB millions, unless otherwise stated)

	Nine months ended 30 September 2011	**Nine months ended 30 September 2010**
	(unaudited)	***(unaudited)***
Profit for the period	**163,978**	127,795
Other comprehensive income/(loss) (after-tax, net):		
Net gain/(loss) on available-for-sale financial assets	**(10,458)**	5,816
Net gain/(loss) on cash flow hedges	**333**	(129)
Share of other comprehensive income of associates and jointly-controlled entities	**753**	(527)
Foreign currency translation differences	**(10,003)**	1,387
Others	**11**	-
Subtotal of other comprehensive income/(loss) for the period	**(19,364)**	6,547
Total comprehensive income for the period	**144,614**	134,342
Total comprehensive income attributable to:		
Equity holders of the parent company	**144,527**	133,756
Non-controlling interests	**87**	586
	144,614	134,342

Industrial and Commercial Bank of China Limited

Consolidated Statement of Financial Position – Prepared in accordance with IFRSs
As at 30 September 2011
(In RMB millions, unless otherwise stated)

	30 September 2011	31 December 2010
	(unaudited)	*(audited)*
ASSETS		
Cash and balances with central banks	**2,916,591**	2,282,999
Due from banks and other financial institutions	**296,021**	248,860
Financial assets held for trading	**42,129**	10,188
Financial assets designated at fair value through profit or loss	**137,087**	2,798
Derivative financial assets	**15,596**	13,332
Reverse repurchase agreements	**263,273**	262,227
Loans and advances to customers	**7,410,387**	6,623,372
Financial investments	**3,700,965**	3,719,282
Investments in associates and jointly-controlled entities	**33,180**	40,325
Property and equipment	**108,302**	103,412
Deferred income tax assets	**23,386**	21,712
Other assets	**180,085**	130,115
TOTAL ASSETS	**15,127,002**	13,458,622
LIABILITIES		
Due to central banks	**100**	51
Financial liabilities designated at fair value through profit or loss	**174,833**	6,670
Derivative financial liabilities	**13,808**	10,564
Due to banks and other financial institutions	**1,304,410**	1,048,002
Repurchase agreements	**136,069**	84,888
Certificates of deposit	**28,311**	9,314
Due to customers	**12,144,232**	11,145,557
Income tax payable	**35,118**	33,759
Deferred income tax liabilities	**129**	318
Debt securities issued	**149,834**	102,264
Other liabilities	**238,292**	195,578
TOTAL LIABILITIES	**14,225,136**	12,636,965
EQUITY		
Equity attributable to equity holders of the parent company		
Issued share capital	**349,020**	349,019
Equity component of convertible bonds	**2,985**	2,985
Reserves	**248,191**	267,269
Retained profits	**300,486**	201,157
	900,682	820,430
Non-controlling interests	**1,184**	1,227
TOTAL EQUITY	**901,866**	821,657
TOTAL EQUITY AND LIABILITIES	**15,127,002**	13,458,622

Industrial and Commercial Bank of China Limited

Consolidated Statement of Cash Flows – Prepared in accordance with IFRSs
For the nine months ended 30 September 2011
(In RMB millions, unless otherwise stated)

	Nine months ended 30 September 2011	Nine months ended 30 September 2010
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**212,359**	166,324
Adjustments for:		
Share of profits of associates and jointly-controlled entities	**(1,852)**	(1,877)
Depreciation	**9,036**	8,061
Amortisation	**1,059**	950
Amortisation of financial investments	**(6,272)**	(5,813)
Impairment losses on loans and advances to customers	**24,428**	17,986
Impairment losses on assets other than loans and advances to customers	**(45)**	(166)
Unrealised foreign exchange loss	**3,959**	2,238
Interest expense on bonds issued	**3,438**	1,938
Accreted interest on impaired loans	**(285)**	(641)
Gain on disposal of available-for-sale financial assets, net	**(347)**	(76)
Net trading (gain)/loss on equity investments	**12**	(9)
Net loss on financial assets and liabilities designated at fair value through profit or loss	**546**	-
Net gain on disposal of property and equipment and other assets (other than repossessed assets)	**(508)**	(165)
Dividend income	**(75)**	(44)
	245,453	188,706
Net decrease/(increase) in operating assets:		
Due from central banks	**(527,559)**	(399,743)
Due from banks and other financial institutions	**(32,078)**	18,911
Financial assets held for trading	**(32,140)**	2,911
Financial assets designated at fair value through profit or loss	**(134,975)**	232
Reverse repurchase agreements	**14,718**	219,847
Loans and advances to customers	**(833,607)**	(855,646)
Other assets	**(49,669)**	(43,305)
	(1,595,310)	(1,056,793)

Industrial and Commercial Bank of China Limited

Consolidated Statement of Cash Flows – Prepared in accordance with IFRSs *(continued)*
For the nine months ended 30 September 2011
(In RMB millions, unless otherwise stated)

	Nine months ended 30 September 2011	Nine months ended 30 September 2010
	(unaudited)	*(unaudited)*
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated at fair value through profit or loss	**168,589**	(7,491)
Due to central banks	**49**	-
Due to banks and other financial institutions	**258,812**	9,478
Repurchase agreements	**51,181**	(33,061)
Certificates of deposit	**19,365**	6,840
Due to customers	**1,013,087**	1,517,188
Other liabilities	**55,290**	37,868
	1,566,373	1,530,822
Net cash flows from operating activities before tax	**216,516**	662,735
Income tax paid	**(45,835)**	(34,879)
Net cash flows from operating activities	**170,681**	627,856
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	**(10,484)**	(7,759)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	**1,089**	635
Purchases of financial investments	**(1,127,706)**	(1,746,518)
Proceeds from sale and redemption of financial investments	**1,129,355**	1,604,874
Investments in associates and jointly-controlled entities	**(3)**	(823)
Acquisition of subsidiaries	**-**	(2,929)
Proceeds from disposal of a subsidiary	**-**	(528)
Dividends received	**1,233**	999
Net cash flows from investing activities	**(6,516)**	(152,049)

Industrial and Commercial Bank of China Limited

Consolidated Statement of Cash Flows – Prepared in accordance with IFRSs *(continued)*
For the nine months ended 30 September 2011
(In RMB millions, unless otherwise stated)

	Nine months ended 30 September 2011	**Nine months ended 30 September 2010**
	(unaudited)	***(unaudited)***
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of subordinated bonds	**38,000**	22,000
Proceeds from issuance of convertible bonds	**-**	25,000
Proceeds from issuance of other bonds	**9,532**	-
Repayment of debts issued	**-**	(22,000)
Interest paid on bonds	**(3,048)**	(2,597)
Capital injection by non-controlling shareholders	**-**	230
Acquisition of non-controlling interests	**(120)**	-
Dividends paid on ordinary shares	**(65,543)**	(56,783)
Dividends paid to non-controlling shareholders	**(69)**	(196)
Cash paid for other financing activities	**-**	(128)
Net cash flows from financing activities	**(21,248)**	(34,474)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**142,917**	441,333
Cash and cash equivalents at beginning of the period	**528,971**	409,394
Effect of exchange rate changes on cash and cash equivalents	**(6,021)**	(2,850)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**665,867**	847,877
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDES:		
Interest received	**405,884**	327,353
Interest paid	**(142,748)**	(106,394)

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