ICBC

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

2011 Annual Report

Company Profile

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

Through its continuous endeavor and stable development, the Bank has developed into the top large listed bank in the world in terms of market capitalization, customer deposits and profitability, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank provides comprehensive financial products and services to 4.11 million corporate banking customers and 282 million personal banking customers by virtue of the distribution network consisting of 16,648 domestic institutions, 239 overseas institutions and over 1,669 correspondent banks worldwide, as well as through its E-banking network comprising a range of internet and telephone banking services and self-service banking centers, basically forming an internationalized trans-market operating structure focusing on commercial banking business and maintaining a leading position in the domestic market in commercial banking areas. Upholding the management tenet of "focusing on customers and creating value through services", the Bank constantly improves its financial services to enrich brand connotation. With the brand image of "By Your Side and as Your Trust" being widely recognized, the Bank has been the banking brand of first choice for Chinese customers and the most valuable financial brand around the globe.

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

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

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Important Notice

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

The 2011 Annual Report of the Bank and the results announcement have been considered and approved at the meeting of the Board of Directors of the Bank held on 29 March 2012. There were 16 directors eligible for attending the meeting, of whom 15 directors attended the meeting in person and one director by proxy. Mr. Li Xiaopeng appointed Ms. Wang Lili to attend the meeting and exercise the voting right on his behalf.

The 2011 financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been audited by Ernst & Young Hua Ming and Ernst & Young in accordance with Chinese and International Standards on Audit respectively, with standard unqualified auditors' reports being issued.

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

29 March 2012

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

Our Mission

Excellence for You

Excellent services to clients, Maximum returns to shareholders

Real success for our people, Great contribution to society

Our Vision

A global leading bank with the best profitability, performance and prestige

Our Value

Integrity Leads to Prosperity

Integrity, Humanity, Prudence, Innovation and Excellence

Corporate Information

Legal name in Chinese

中國工商銀行股份有限公司（“中國工商銀行”）

Legal name in English

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

Legal representative

Jiang Jianqing

Registered address and office address

No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Postal code: 100140
Website: www.icbc.com.cn, www.icbc-ltd.com

Principal place of business in Hong Kong

ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorized representatives

Yang Kaisheng, Hu Hao

Board Secretary and Company Secretary

Hu Hao
Address: No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Telephone: 86-10-66108608
Facsimile: 86-10-66107571
E-mail: ir@icbc.com.cn

Selected newspapers for information disclosure

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

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

www.sse.com.cn

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

www.hkexnews.hk

Legal advisors

Mainland China

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

Jun He Law Offices
20/F, China Resources Building, 8 Jianguomen North Street, Dongcheng District, Beijing, PRC

Hong Kong, China

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

Share Registrars

A share

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

H Share

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

Location where copies of this annual report are kept

Office of the Board of Directors of the Bank

Place where shares and convertible bonds are listed, and their names and codes

A Share

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

H Share

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

A Share Convertible Corporate Bonds

Shanghai Stock Exchange
Bond name: 工行轉債
Bond code: 113002

Other relevant information of the Bank

Date of change of registration: 13 April 2011
Registration authority: State Administration for Industry and Commerce, PRC
Corporate business license number: 100000000003965
Financial license institution number: B0001H111000001
Tax registration certificate number: Jing Shui Zheng Zi 110102100003962
Organizational code: 10000396-2

Name and address of auditors

Domestic auditors

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

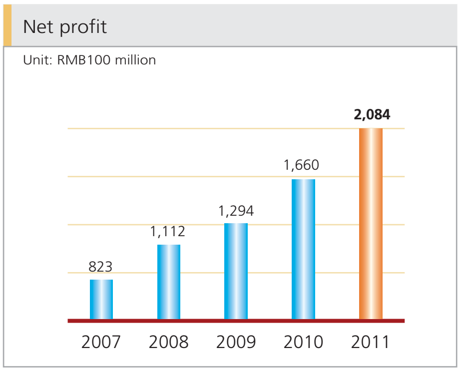
International auditors

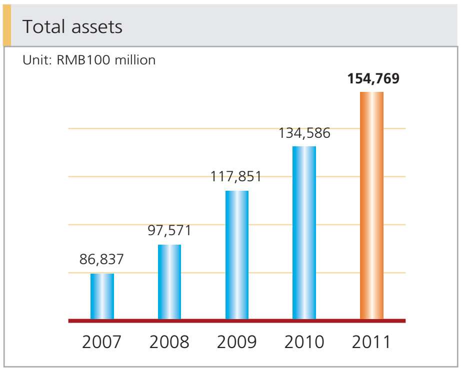
Ernst & Young
22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

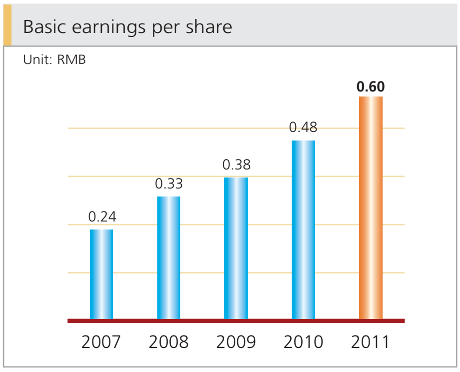
This report is prepared in both Chinese and English languages; in case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

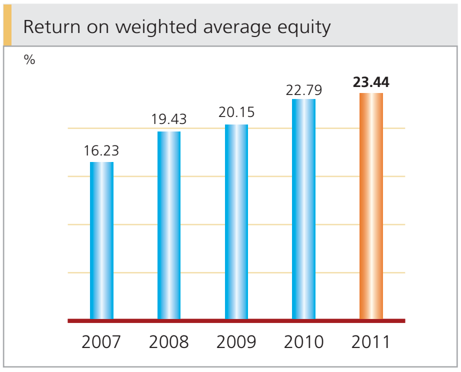
Financial Highlights

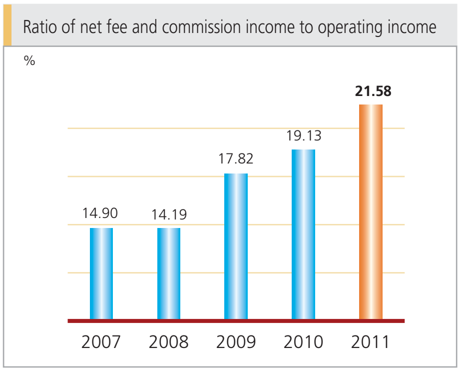
(Financial data and indicators in this Annual Report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

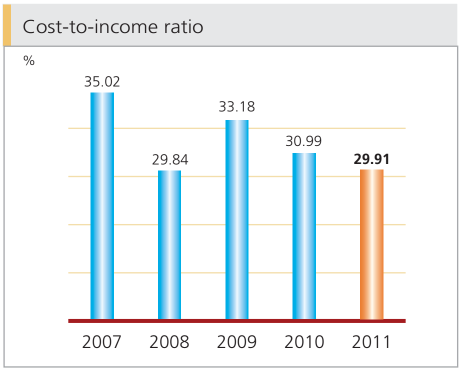


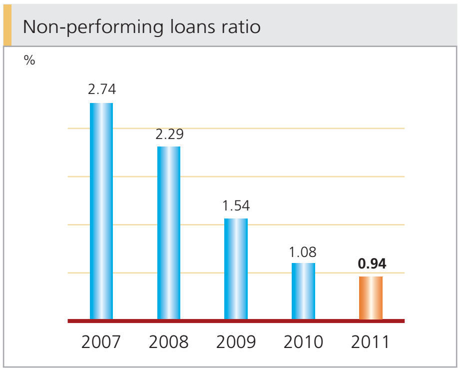


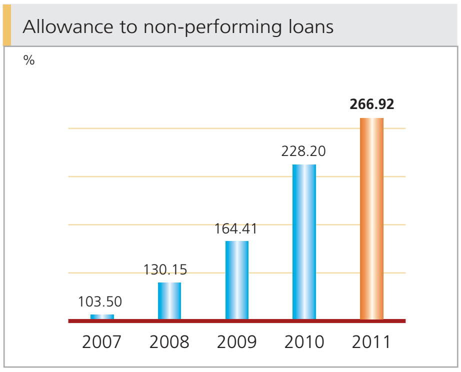












Financial Data

	2011	2010	2009	2008	2007
Annual operating results (in RMB millions)					
Net interest income	362,764	303,749	245,821	263,037	224,465
Net fee and commission income	101,550	72,840	55,147	44,002	38,359
Operating income	470,601	380,748	309,411	310,195	257,428
Operating expenses	169,613	139,480	120,819	111,335	104,660
Impairment losses	31,121	27,988	23,285	55,462	37,406
Operating profit	269,867	213,280	165,307	143,398	115,362
Profit before tax	272,311	215,426	167,294	145,376	115,378
Net profit	208,445	166,025	129,396	111,226	82,254
Net profit attributable to equity holders of the parent company	208,265	165,156	128,645	110,841	81,520
Net cash flows from operating activities	348,123	278,176	403,862	370,913	296,129
As at the end of reporting period (in RMB millions)					
Total assets	15,476,868	13,458,622	11,785,053	9,757,146	8,683,712
Total loans and advances to customers	7,788,897	6,790,506	5,728,626	4,571,994	4,073,229
Allowance for impairment losses on loans	194,878	167,134	145,452	135,983	115,687
Net investment	3,915,902	3,732,268	3,599,173	3,048,310	3,107,328
Total liabilities	14,519,045	12,636,965	11,106,119	9,150,516	8,140,036
Due to customers	12,261,219	11,145,557	9,771,277	8,223,446	6,898,413
Due to banks and other financial institutions	1,341,290	1,048,002	1,001,634	646,254	805,174
Equity attributable to equity holders of the parent company	956,742	820,430	673,893	602,675	538,371
Share capital	349,084	349,019	334,019	334,019	334,019
Net capital base	1,112,463	872,373	731,956	620,033	576,741
Net core capital base	850,355	709,193	586,431	510,549	484,085
Supplementary capital	271,830	174,505	172,994	121,998	94,648
Risk-weighted assets(1)	8,447,263	7,112,357	5,921,330	4,748,893	4,405,345
Per share data (in RMB yuan)					
Net asset value per share(2)	2.74	2.35	2.02	1.80	1.61
Basic earnings per share(3)	0.60	0.48	0.38	0.33	0.24
Diluted earnings per share(3)	0.59	0.48	0.38	0.33	0.24
Net cash flows per share from operating activities	1.00	0.80	1.21	1.11	0.89
Credit rating					
S&P(4)	A/Stable	A/Stable	A-/Positive	A-/Positive	A-/Positive
Moody's(4)	A1/Stable	A1/Stable	A1/Positive	A1/Stable	A1/Stable

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

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

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

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

Financial Indicators

	2011	2010	2009	2008	2007
Profitability (%)					
Return on average total assets(1)	1.44	1.32	1.20	1.21	1.02
Return on weighted average equity(2)	23.44	22.79	20.15	19.43	16.23
Net interest spread(3)	2.49	2.35	2.16	2.80	2.67
Net interest margin(4)	2.61	2.44	2.26	2.95	2.80
Return on risk-weighted assets(5)	2.68	2.55	2.43	2.43	2.01
Ratio of net fee and commission income to operating income	21.58	19.13	17.82	14.19	14.90
Cost-to-income ratio(6)	29.91	30.99	33.18	29.84	35.02
Asset quality (%)					
Non-performing loans ("NPL") ratio(7)	0.94	1.08	1.54	2.29	2.74
Allowance to NPL(8)	266.92	228.20	164.41	130.15	103.50
Allowance to total loans ratio(9)	2.50	2.46	2.54	2.97	2.84
Capital adequacy (%)					
Core capital adequacy ratio(10)	10.07	9.97	9.90	10.75	10.99
Capital adequacy ratio(10)	13.17	12.27	12.36	13.06	13.09
Total equity to total assets ratio	6.19	6.11	5.76	6.22	6.26
Risk-weighted assets to total assets ratio	54.58	52.85	50.24	48.67	50.73

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 net profit attributable to equity holders of the parent company by the weighted average balance of equity attributable to equity holders of the parent company, which is calculated in accordance with the "Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)" issued by CSRC.

(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of interest-generating assets.

(5) Calculated by dividing net profit by the average balance of risk-weighted assets and market risk capital adjustment at the beginning and at the end of the reporting period.

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

(7) Calculated by dividing the balance of NPL by total balance of loans and advances to customers.

(8) Calculated by dividing allowance for impairment losses on loans and advances by total balance of NPL.

(9) Calculated by dividing allowance for impairment losses on loans and advances by total balance of loans and advances to customers.

(10) Please refer to the section headed "Discussion and Analysis — Capital Management".

Chairman's Statement

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

In 2011, the European sovereign debt crisis continued to deteriorate and the global economic recovery struggled onward with difficulties. In China, economic growth shifted orderly from policy stimulus to a self-sustaining mode, yet its economic development was still faced with pronounced contradictions and problems with its unbalanced, uncoordinated and unsustainable elements. Proactively responding to the difficulties and challenges brought about by these complex and serious situations, the Bank maintained the momentum of healthy and steady development and successfully accomplished the second three-year development plan following its joint-stock reform. It achieved new milestones and advances in many fields, and remained to be the world’s top listed bank measured by many indicators such as market capitalization and customer deposits.

These achievements benefit from our continued efforts to support and serve the real economy. Economic soundness underpins financial soundness, while industrial prosperity underlies financial prosperity. A stable, healthy development of the economy is paramount for a bank’s development, and the sound development of a bank cannot take place when it is not serving a healthy, growing real economy. We actively adapted to changes in macro environment and financial regulatory requirements, and kept improving credit policies. We optimized strategies based on the economic features and geological advantages of the service area to make the credit service and even the entire business strategy conducive to promoting the development of local real economy and the industry upgrading. Since the beginning of 2011, we provided more loans to the advanced manufacturing, modern services, cultural industries and strategic emerging sectors to facilitate strategic economic restructuring. We have stepped up financing support for small and micro businesses and areas bound up with the people’s livelihood, with new lending to small and micro businesses reaching a record high in the year, playing a significant role in promoting employment and technological innovation. We fulfilled the responsibility of “Green Bank” by strictly controlling loans to industries with high energy consumption, high pollution and over-capacity. It is in the process of effectively serving the development of the real economy that we expand new markets, reduce loan concentration risk, improve credit operation quality and efficiency and realize our own sound and sustainable development.

These achievements benefit from our persistent pursuit of excellence in financial services. Service is in the nature of banking, and also reflects a bank’s sustainable competitiveness. Only when a competitive edge is established in our services can we move farther and longer. Staying committed to the goal of delivering excellent banking services, we have made continuous improvements in services through relay-style service enhancement activities. We have focused our capital spending on upgrading nearly one thousand outlets and improving our electronic banking service features, including Internet Banking, Mobile Banking and SMS Banking — more than two thirds of our services are delivered by electronic means, shaping a more complete and convenient network of services. Business processes were upgraded or optimized on a customer experience-oriented basis towards the objective of increased efficiency, which greatly enhanced our collective operation capability and back-office support capacity. The Bank has heard opinions and demands of financial services consumers, and improved the consumer interest protection mechanism, effectively safeguarding the legitimate rights and interests of its financial services consumers. The continuously improving services have significantly increased customer satisfaction and market reputation, with the most outlets among the Chinese banks, the Bank won the “100 Model Entities with Civilized and Normative Service of the Chinese Banking Industry in 2011” award.

These achievements benefit from our continuous commitment to business restructuring and development mode transformation. Business transformation is long-term and progressive. In the face of the new market environment and stricter regulatory capital requirements, we have accelerated the implementation of our strategic transformation from capital-intensive to capital-efficient activities, from a traditional financial intermediary to a universal financial service provider, and from a local traditional commercial bank to a large global financial group. The Bank has thereby created a path of appropriate expansion of assets but steady and sustained increase of profit. In 2011, the Bank saw rapid growth in fee-based and emerging businesses; in particular, the scale of financial asset services driven by strong customer demand grew rapidly, driving the Bank’s net fee and commission income as a percentage of its overall operating income up by 2.45 percentage points to 21.58%. Capital-efficient operations are increasingly becoming a major source of profit, showing an increasingly coordinated and sustainable tendency of development.

Economic globalization is accompanied by financial globalization. Keeping pace with China’s economic globalization, the Bank steadily expanded its international presence by incorporating new institutions in 11 countries and regions. Now the Bank has 239 overseas institutions across 33 countries and regions, providing a global network of services covering main international financial centers and regions with close economic and trade ties with China. Also, the Bank extended its onshore technological platforms and cutting-edge product lines to overseas markets to significantly enhance the overseas institutions’ capability to localize their operation and development. In 2011, all overseas institutions of the Bank except for those newly established recorded a profit. ICBC Credit Suisse Asset Management, ICBC Leasing, ICBC International and other subsidiaries grew continuously. The preparatory work for ICBC-AXA Assurance Co., Ltd. achieved new progress. A cross-market and diverse financial service platform has been taking shape.

These achievements benefit from our persistent efforts in reform and innovation. Reform and innovation are the driver and headspring of financial development. Against the backdrop of the global financial crisis, we have placed more emphasis on reform and innovation. In 2011, new progress was achieved to deepening the reform and innovation. In line with the Group-wide development, we improved the top-level design for the Group's management framework, pushed forward the development of Group-wide IT systems and business management systems, and enhanced "One ICBC" integrated management and operating capability. The Bank has extended the profit center reform to six product lines to enhance the vigor and profitability of key product lines. The reform of provincial branches' banking office management system was completed to sharpen the Bank's competitive edge in medium and large cities. The Bank has furthered the reform of county-based sub-branches, with key county-based sub-branches manifesting growth rates of main business indicators significantly higher than the Bank's average. The Bank has increasingly boosted its financial service capacity in key counties and economically developed towns.

We adhere to building our strengths in financial innovation using leading technologies. After three years of efforts, the Bank has put in place proprietary new-generation technology application systems that are advanced by international standards. Meanwhile, the Bank pays additional attention to applying new technologies to business activities. In recent years, the Bank kept up to an annual growth rate of above 10% in the number of innovative products. At present, with over 3,200 financial products rolled out, the Bank is one of the banks with the most complete system and the richest type of financial products in China.

These achievements benefit from our persistent efforts to improve corporate governance and risk management. Sound corporate governance and risk management are central to the robust development of a bank. We have defined risk management as a core element of corporate governance, pushed forward preparatory work for New Capital Accord implementation, strengthened consolidated risk management, country risk management and off-balance-sheet risk management, applied ourselves to improve our technical capacity for the management of credit, market, liquidity and operational risks, and have kept our asset quality stable and risks under control against a backdrop of a complicated, difficult environment. We carried out the performance appraisal of directors, supervisors and senior management, set up a special body in the Head Office charged with appointing, managing and assessing directors and supervisors seconded to the subsidiaries and brought discipline to their business activities, which has effectively raised the Group's overall standard of governance.

In 2011, Ms. Li Chunxiang, Mr. Gao Jianhong, Mr. Li Xiwen and Mr. Wei Fusheng completed their tenure as directors. The Board of Directors extended its sincere gratitude to them for their hard work. Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Wang Xiaolan and Mr. Yao Zhongli were appointed non-executive directors. I believe they will play a positive role in continuously improving the work of the Board of Directors.

These achievements benefit from our emphasis on talent and culture fostering. People are the foundation for every success. We have actively fostered and attracted competent people, further strengthened the training of all staff and launched the international talent program. Starting from the beginning of 2011, the Bank has each year sent 200 young ICBC talents to study overseas and receive trainings at the world's top universities and financial institutions, aiming at building and fostering over a 10-year period a large pool of internationalised talents. Culture is an invisible competitive edge. We pay due attention to corporate cultural development and foster an ICBC-specific corporate culture embodying the best elements of the Chinese culture. Ten cultural campaigns have been launched, exemplary global employees were selected and rewarded and the inclusiveness, cohesion and influence of the Bank's corporate culture have been boosted in the course of cultural integration.

Looking at present, despite uncertainties hanging over the world economy and business environment, the global economic recovery has shown some encouraging signs, and ICBC has launched the new round of three-year strategic planning. We believe that, as long as we adhere to the right development strategy, size up the situations and forge ahead determinedly with unshakable confidence, 2012 is bound to be a year full of hopes and harvests.

Chairman: Jiang Jianqing

29 March 2012

President's Statement

President **Yang Kaisheng**

The economic and financial situations at home and abroad were severe and complicated in 2011. Facing a variety of challenges, the Bank successfully maintained healthy and steady growth through mode transformation, structural adjustment, emphasis on innovation, strengthened management and improved services under the operating philosophy of prudence and stability. In the reporting period, the Bank's business development showed five distinct features.

Firstly, our profit growth relied more on transformation, innovation and management. In 2011, along with the reasonable growth of profit, the Bank generated RMB208,445 million in net profit, an increase of 25.6% over the previous year; return on weighted average equity increased to 23.44% by 0.65 percentage points; basic earnings per share stood at RMB0.60, up RMB0.12 over last year. These results not only derived from the faster growth of interest-generating assets, but also from the accelerated transformation of our development mode, ongoing business restructuring, persistent business innovation and effective risk management. What is more, they reflect the steady and rapid growth of the Chinese economy. Thanks to the Bank's further optimized structure of assets and liabilities and enhanced capital management, net interest margin grew by 17 basis points to 2.61% and net interest income increased by 19.4% over last year. Income growth rates exceeded 60% in emerging businesses, including precious metals, asset custody, pension and private banking. As a result, net fee and commission income grew steadily to account for 21.58% of our operating income, an increase of 2.45 percentage points. The Bank further pushed forward an internationalized and diversified operation, markedly increased cross-border and cross-market profitability and saw a rising level of profit contribution from subsidiaries and overseas branches. In particular, due to the continuous improvements in asset quality and continuous improvement of business management, the Bank's cost-to-income ratio dropped from 36.32% in 2006 gradually to 29.91% in 2011, representing a major contributor to profit growth.

Secondly, our credit business was more aimed at effectively serving the real economy and increasing the sustainability of development. In 2011, new RMB loans of domestic branches amounted to RMB811,664 million, up 13.1%, mirroring the prudent credit policy the Bank always adheres to, and effectively supporting the reasonable funds demand of the development of real economy. In response to the trend of economic restructuring and the regulatory requirements for enhanced capital constraint, the Bank accelerated credit restructuring in such a manner that more credit resources were extended to sectors that were encouraged by industry-specific policies, consumed less capital, and matched risks with return. In particular, active support was provided to advanced manufacturing, modern services, cultural industries, strategic emerging sectors as well as energy-efficient and environment-friendly sectors; stronger support was rendered to small and medium enterprises (SME), evidenced by the number of SME borrowers increasing by 37.4% and new SME loans accounting for 71.3% of corporate loan growth; trade finance expanded by 49.2%, with the expansion taking up 46.7% of new corporate loans; personal loans accounted for 35.9% of total loan increase. Also, the Bank strictly controlled lending to industries with high energy consumption, high pollution and over-capacity and vetoed any proposed lending to projects and companies that were not environmentally compliant. It also steadily adjusted loans to industries and customers with large amount of outstanding loans, with loans having long repayment terms and with intensive capital utilization. Outstanding loans to local government financing vehicles and property loans declined compared to the beginning of the year. The Bank further improved the sustainable development of its credit business.

Thirdly, our competitive development relied more on business innovation. The Bank fully unleashed the strengths in its technology, channels and brand to meet customer needs, implemented business innovation, further cemented its leading position in deposits, loans, settlement and other traditional banking areas and also maintained the competitive edge in the vast majority of emerging businesses. In 2011, RMB deposits increased by RMB1.04 trillion, exceeding RMB1 trillion for the fourth consecutive year. New businesses with low capital utilization grew relatively faster. Total financial assets of personal customers increased to RMB7.7 trillion from RMB7 trillion at the beginning of the year, of which financial assets of medium to high-end personal customers accounted for 84.7%. Balance of and income from wealth management products both topped the industry. The number of credit cards issued exceeded 70 million, the first in the industry; credit card-based consumption volume, financing and income ranked first industry-wide. The Bank took the first place by debt financing instruments underwritten for five years in a row. Precious metal transactions amount was 4.1 times over the previous year, far ahead of other banks. International settlement volume of domestic institutions exceeded USD1 trillion, ranking us among the world's leading international settlement banks. Rapid growth was maintained in both size and return of asset custody, pension, settlement and cash management, and private banking.

Fourthly, more emphasis was placed on fundamental management and risk prevention. The Bank improved the enterprise risk management system and strengthened consolidated account risk management, country risk management and off-balance-sheet risk management. Preparatory work for New Capital Accord implementation was pushed forward in a coordinated manner, outputs of programs for the internal ratings-based approach and the advanced measurement approach to operational risk were applied faster, the global market risk management system was developed and put into operation, and market risk measurement and control met internationally leading standards. RMB88.0 billion of subordinated bonds were successfully issued in the inter-bank bond market. Capital adequacy ratio and core capital adequacy ratio reached 13.17% and 10.07%, respectively, reflecting a stronger capital base. Also, economic capital, economic value added (EVA), risk-adjusted return on capital (RAROC) and other capital management tools were further applied in all business areas to control the expansion of risk assets, and to strengthen the rigid capital-based constraints over business expansion. In response to changes in the external business environment, the Bank continuously improved risk prevention measures, strengthened its fundamental credit management, refined the system of industry-specific credit policies and focused preventive and controlling efforts on the credit risk in local government financing vehicles and the real estate industry. The outstanding non-performing loans and NPL ratio declined for the 12th consecutive year. The Bank further integrated its supervisory resources, improved the new supervision system based on data analysis, using supervision models as risk identification tool, and made full use of advanced technologies to strengthen risk monitoring. Internal risk exposures were lowered continuously, with main internal control indicators maintaining a leading position in the industry.

Fifthly, our services were more oriented to improving customer experience. With a view to delivering excellent banking services, the Bank fostered a service culture oriented to customers and creating value for customers. Measures with great breadth and depth were taken. The satisfaction and reputation enhancement campaign was carried out. The Bank reengineered or optimized business processes on a customer experience-oriented basis, promoted the workshop-like, specialized and centralized mode of business processing, and made measurable improvements in service efficiency and operating efficiency of outlets. The Bank successfully put in place the fourth-generation technology application system (NOVA+) adapted to global, integrated and Group-wide development. The Bank launched a wide array of basic platforms and leading products, including SMS service platform and Mobile Banking, forming advantages in technological development and innovative applications. The coordinated development of service delivery channels was boosted. Physical outlets continued to be upgraded and their network was optimized; self-service banking development and self-service equipment installation were accelerated; innovative E-banking applications were introduced to adapt to new technologies, new markets and new service channels. The service capacity of all channels was markedly expanded and numerous new service facilities were offered, with the volume of services delivered through electronic channels reaching 70.1%. The Bank is committed to establishing healthy and harmonious financial consumer relations by enhancing the protection of consumer interests, further improving marketing and service management and sharing with customers the benefits of technological advancement and financial innovation.

At present, the international financial crisis continues to have ripple effect. In the face of the severe and complex business environment, we will further increase the pertinence, farsightedness and effectiveness of our work, overcome difficulties and move forward with steady steps, endeavor to achieve new milestones in competition, restructuring, reform and innovation, and build an even more solid foundation for the sustainable development of the Bank.

President: Yang Kaisheng

29 March 2012

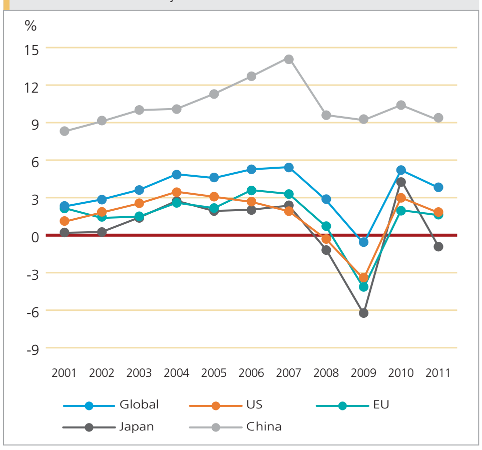
Chairman of the Board of Supervisors **Zhao Lin**

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

International Economic, Financial and Regulatory Environments

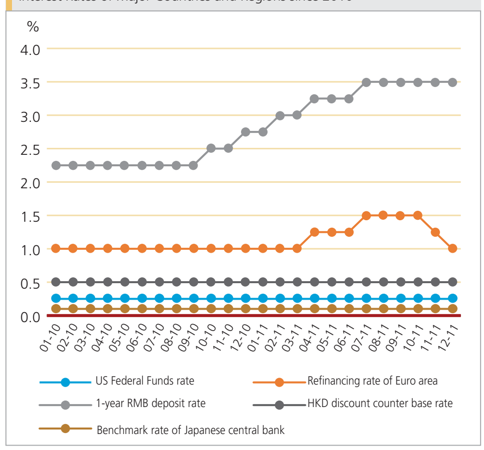
In 2011, the recovery of global economy slowed down, the sovereign debt crisis in Europe escalated and spread, and the downside risk of economy was increasingly prominent. According to the Global Economy Outlook published by the International Monetary Fund (IMF) on 24 January 2012, the global economic growth rate was 3.8% in 2011, which was lower than the growth rate of 5.2% in 2010. In relation to the situation of various areas, the US economic growth rate momentum had a rebound with improving inflation and employment situations; due to sovereign debt crisis, the recovery of economy in the Euro zone was weak with further differentiation in economic growth rates of various countries and the growth prospect was not promising; the economy of Japan was once in recession under the influence of earthquake and tsunami disasters, but it rebounded slightly under the boost of post-disaster reconstruction in the second half of the year; against the challenges in steady growth, inflation control and prevention from significant fluctuations of short-term cross-border capital flow, the economic growth rates of major emerging economies slowed down in general. In terms of macro-policy, tightened fiscal policies and relaxed monetary policies became an inevitable choice for developed economies, especially those countries in the Euro zone that were heavily indebted, to alleviate the influence of sovereign debt crisis to the recovery of economy. European Central Bank launched a new round of long-term refinancing operations (LTROs) to provide liquidity to the banking system. Against the pressure from slowed down economy and inflation simultaneously, the monetary policies of major emerging economies differentiated to a certain extent, but were relaxed as the external environment worsen. In terms of exchange rate policy, various countries enhanced their intervention with currency exchange rate to avoid adverse impact of strong currency on the poor economy.

GDP Growth Rates of Major Economies since 2001



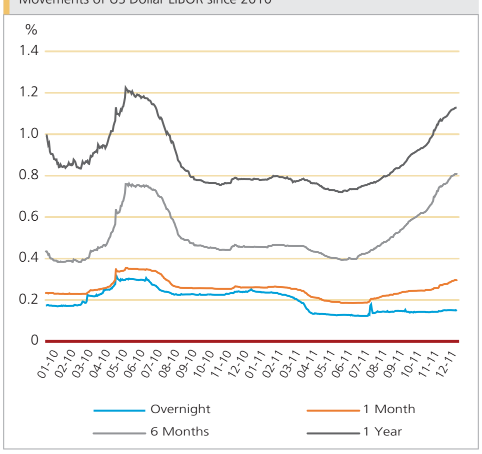
Data source: IMF, National Bureau of Statistics of China.

Interest Rates of Major Countries and Regions since 2010



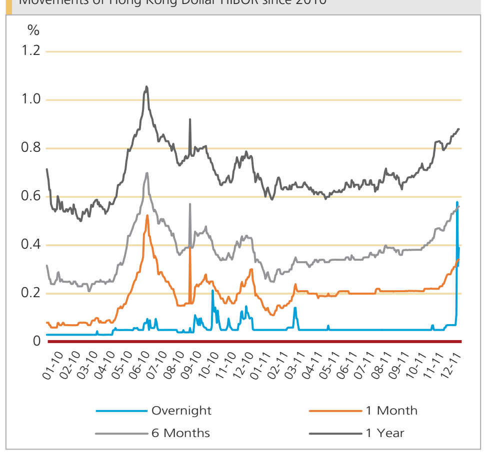
Data source: Bloomberg.

Movements of US Dollar LIBOR since 2010



Data source: Bloomberg.

Movements of Hong Kong Dollar HIBOR since 2010



Data source: Bloomberg.

Against factors such as slowed down economic recovery, evolution of sovereign debt crisis in Europe, frequent vital disasters and emergencies, and constant geopolitical tensions, the international financial market suffered a huge volatility. Firstly, significant fluctuation emerged on the global equity market. The performance of American equity market was slightly better than the equity markets in other countries. Dow Jones Index had an annual increase of 5.5%, S&P 500 Index maintained stable during the year and NASDAQ decreased by 1.8%. Major stock markets in Europe, Japan and emerging countries, etc. showed a decrease at different levels, in which MSCI BRIC Index decreased by nearly 25% during the year. The global market capitalization decreased from the end of the previous year by USD6.08 trillion to USD45.91 trillion. Secondly, the exchange rates of major international currencies fluctuated significantly. The exchange rate of US dollar increased after a period of decline and remained largely and repeatedly volatile in spite of little change during the year. At the end of 2011, the US Dollar Index closed at 80.178 points, representing an increase of 1.5% compared with the end of the previous year. The exchange rate of Euro against US dollar decreased after rising, depreciated by 3.2% during the year and the exchange rate of currencies in most emerging markets against US dollar showed similar trends. The exchange rate of Japanese Yen against US dollar increased by 5.5%. Thirdly, the international oil price remained high and volatile and the gold price decreased after reaching its high. The WTI on the NYMEX closed at USD98.83/barrel at the end of 2011, representing an increase of 8.2%. New York Spot Gold price closed at USD1,563.7 per ounce, representing a decrease of 17.7% as compared with the highest closing price during the year. Fourthly, the global liquidity was tightened and major financial market rates showed an upward trend. At the end of 2011, the one-year US dollar LIBOR raised from 0.7809% at the end of the previous year to 1.1281% and the one-year HK dollar HIBOR increased from 0.7007% at the end of the previous year to 0.8800%.

Economic, Financial and Regulatory Environments in China

In 2011, in response to the complex international situation and new circumstances and challenges emerging in the domestic economic movement, China insisted to adopt proactive fiscal policy and prudent monetary policy, constantly strengthened and improved its macro control efforts, and the national economy maintained steady and rapid development.

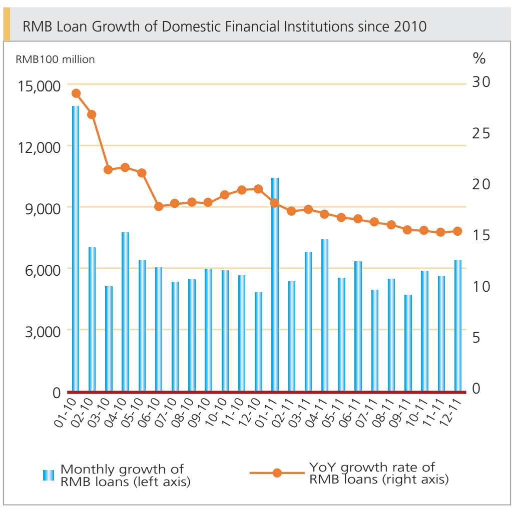
Preliminary estimate shows that China's gross domestic products (GDP) amounted to RMB47.16 trillion in 2011, representing a year-on-year increase of 9.2%, 1.1 percentage points lower than that of 2010. China's GDP grew by 9.7%, 9.5%, 9.1% and 8.9%, respectively, in each of the first to fourth quarters. Capital formation, final consumption and net export contributed 4.99, 4.75 and -0.54 percentage points, respectively, to the GDP growth. Industrial output expanded steadily and rapidly, and enterprises' profits continued to increase. Industrial added value of above-scale enterprises grew by 13.9%, representing a decrease of 1.8 percentage points as compared to the growth rate in the previous year, but still considered to be within a rapid growth interval. Fixed asset investment maintained a relatively rapid expansion. The fixed asset investment (excluding peasant household) for the year amounted to RMB30.19 trillion, representing a growth of 23.8%, which was the same with the growth rate of 2010, of which property development investment for the year increased by 27.9% to RMB6.17 trillion, yet showing a falling trend with the growth rate decreasing by 5.3 percentage points. Consumption maintained a steady pace of increase. Total retail sales of consumer goods amounted to RMB18.12 trillion, representing an increase of 17.1%. The soaring trend of commodity prices was preliminarily curbed. The consumer price index (CPI) and the producer price index (PPI) recorded an increase of 5.4% and 6.0%, respectively. Total imports and exports maintained a rapid growth pace with the foreign trade surplus continued narrowing down. Total imports and exports increased by 22.5% to USD3.64 trillion, while trade surplus declined by 14.5% to USD155.1 billion.

The government adopted a prudent instead of moderately relaxed monetary policy. In the first three quarters, PBOC raised the reserve requirement ratio (RRR) on RMB deposits of deposit-taking financial institutions six times, each time by 0.5 percentage points, raising the reserve requirement ratio cumulatively by three percentage points. In addition, PBOC increased the benchmark rates of RMB deposits and RMB loans of financial institutions three times, in which the benchmark rate of one-year deposits was increased from 2.75% to 3.50% and the benchmark rate of one-year loans was increased from 5.81% to 6.56%, representing a cumulative increase of 0.75 percentage points for both rates. In the fourth quarter, PBOC reduced the RRR on RMB deposits by 0.5 percentage points on 5 December due to the changing situation.

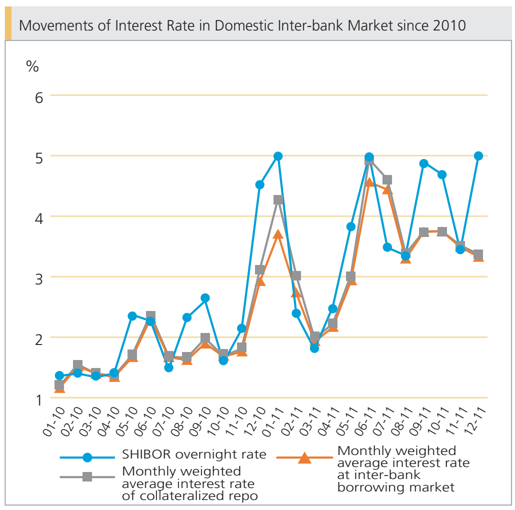
The growth of money supply for the year showed a falling trend, while the monetary credit returned to a normal level. At the end of 2011, the M2 balance was RMB85.16 trillion, representing an increase of 13.6% from the end of 2010, with the growth rate decreased by 6.1 percentage points. The M1 balance was RMB28.98 trillion, representing an increase of 7.9%, 13.3 percentage points lower than the previous year. The outstanding RMB and foreign currency-denominated loans of financial institutions reached RMB58.19 trillion, representing an increase of 15.7%. The balance of RMB loans was RMB54.79 trillion, representing an increase of 15.8%, 4.1 percentage points lower than the previous year. The balance of foreign currency loans was USD538.7 billion, representing an increase of 19.6%. The total balance of deposits denominated in RMB and foreign currency of financial institutions increased by 13.5% to RMB82.67 trillion. The balance of RMB deposits increased by 13.5% to RMB80.94 trillion, with the growth rate decreased by 6.7 percentage points. The balance of foreign currency deposits raised by 19.0% to USD275.1 billion.

The social financing scale maintained reasonable. According to the preliminary statistics, the social financing scale for 2011 was RMB12.83 trillion, representing a decrease of RMB1.11 trillion compared with 2010. RMB loans increased by RMB7.47 trillion, with the growth amount falling by RMB390.1 billion. Foreign currency-denominated loans increased by RMB571.2 billion with the growth amount rising by RMB85.7 billion. Entrusted loans increased by RMB1.30 trillion with the growth amount rising by RMB420.5 billion. Trust loans rose by RMB201.3 billion with the growth amount falling by RMB185.2 billion. Undiscounted bank's acceptance bills increased by RMB1.03 trillion, with the growth amount falling by RMB1.31 trillion. The net financing amount of enterprise bonds rose by RMB259.5 billion to RMB1.37 trillion, while domestic equity financing amount of non-financial enterprises decreased by RMB140.9 billion to RMB437.7 billion.

At the end of 2011, the total assets of banking financial institutions (corporate) were RMB113.29 trillion, representing an increase of 18.9% compared with the end of 2010. Commercial banks maintained a decrease in the balance of non-performing loans (NPLs) with a further increase in the allowance to NPL. The balance of NPLs decreased by RMB5.7 billion to RMB427.9 billion, while the NPL ratio dropped by 0.1 percentage points to 1.0% and the allowance to NPL increased by 60.4 percentage points to 278.1%. The capital adequacy ratio rose by 0.5 percentage points to 12.7%, while the core capital adequacy ratio increased by 0.1 percentage points to 10.2%.



Data source: PBOC.



Data source: PBOC.

The financial regulatory reform was promoted. The Basel III established a new mode for financial regulation with micro and macro prudence, thereby significantly enhancing the regulatory requirements on the capital of commercial banks. The Financial Stability Board (FSB) released the first list of 29 systematically important financial institutions (G-SIFI) in the world, putting forward additional capital requirements. According to the strengthening of international banking regulation, CBRC issued the Guiding Opinions on the Implementation of New Regulatory Standards for China's Banking Industry, the Management Measures on the Leverage Ratio of Commercial Banks and the Management Measures on the Capital Management of Commercial Banks (Exposure Draft) in succession in 2011, proposing regulatory requirements in terms of capital adequacy ratio, leverage ratio, allowance to total loans ratio, liquidity ratio, regulation on and implementation schedule for systematically important banks, etc. The implementation of new regulatory standards can help facilitate banks to improve their self-control capabilities, enhance the risk management of banks and exert external regulatory pressure on bank's acceleration of their transformation of development mode.

In 2011, PBOC further improved the reform of the RMB exchange rate regime. The RMB exchange rate moves in both directions were more obvious and the elasticity of exchange rate was further enhanced. At the end of 2011, the central parity of RMB against the US dollar was RMB6.3009/USD, representing an appreciation of 5.1% from the end of 2010 and an accumulative appreciation of 31.4% since the exchange rate reform in 2005. The balance of foreign exchange reserves of China grew by 11.7% to USD3.18 trillion.

Operation of the financial market has remained generally stable. Trades on the monetary market remained active where the market rate fell after increasing, but still above that in 2010. The cumulative RMB trades on the inter-bank market for the year amounted to RMB196.54 trillion, representing an average daily turnover of RMB786.1 billion and an increase of 9.5%. In December, the monthly weighted average interest rate at the inter-bank borrowing market was 3.33%, representing a year-on-year increase of 0.41 percentage points, whereas the monthly weighted average interest rate of collateralized repo was 3.37%, representing a year-on-year increase of 0.25 percentage points. The scale of bond issuance steadily expanded, where a cumulative total of RMB6.41 trillion worth of RMB bonds (excluding central bank notes) were issued on the bond market, representing an increase of 23.4%. The bond market index also rose among the volatility, and the bond yield curve moved down on the whole.

The stock market indices dropped amidst fluctuations and the market turnover decreased. Combined turnover on the Shanghai and Shenzhen stock exchanges was RMB42.16 trillion, representing a year-on-year decrease of RMB12.40 trillion, whereas the average daily turnover was RMB172,806 million, representing a year-on-year decrease of RMB52,662 million. At the end of the year, capitalization of the free float stocks on the Shanghai and Shenzhen stock markets amounted to RMB16.49 trillion, representing a decrease of 14.6% from the end of 2010. The Shanghai Composite Index and the Shenzhen Component Index closed at 2199.42 points and 8918.82 points, representing a drop by 21.7% and 28.4%, respectively. Funds raised in the equity market decreased, where enterprises and financial institutions accumulatively raised RMB579.9 billion through public offerings, additional issues and allotment of shares on the domestic and foreign equity markets, representing a decrease of RMB552.0 billion. The number of securities investment funds grew by 30.0% from the end of 2010 to 915.

Outlook for 2012

Looking into the year 2012, the global economic recovery is full of challenges and uncertainties and will maintain a slow recovery pace. The inflation is expected to decline. The monetary policies all over the world tend to be looser to stimulate the economic recovery. The global economic and financial operation will be confronted with the following risks: firstly, the sovereign debt crisis in Europe is spreading in the whole Euro zone and it will lead to a new round of systematic risk for the global economy once it is out of control; secondly, major developed economies are still lacking credible financial overhaul plans, which will possibly affect the recovery in the medium and long term; thirdly, the escalating global banking risk and increasingly severe deleveraging situation might exert impact on the real economy; fourthly, the emerging economies will witness a further slowing growth, and as a result faced with inflation and capital flows reversal risks, the macro control efforts will face more difficulties; fifthly, the trade protectionism is on the rise. According to the Global Economy Outlook published by the IMF on 24 January 2012, the global economic activity is expected to decelerate and downside risks will further aggravate in 2012. It also forecast that the global economic growth rate would fall to 3.3%, in which those of developed economies as well as emerging and developing economies would be 1.2% and 5.4%, respectively.

In 2012, opportunities and challenges coexist in China. With respect to challenges, the global economic recovery is still threatened by many insecure, unstable and uncertain factors. China's economy is developing amidst unbalanced, inharmonious and unsustainable contradiction and problems, and the macro control efforts will be confronted with many challenges such as pressure of downside economic growth and inflation pressure, production and management difficulties of some enterprises and severe situation of energy-saving and emission-reduction. With respect to opportunities, fundamental growth momentum of China's economy remains unchanged. The industrialization, urbanization and agricultural modernization advance with a rapid speed, thereby continuing to provide growth momentum to China's economy. Looking into 2012, affected by factors including constant active policies such as economic transformation, resources conditions, environment conditions, and supply and demand of labor force, the downside risk of China's economy is expected to escalate, but still can be controlled within a certain scope to achieve a stable and rapid economic growth.

In 2012, China will continue to implement proactive fiscal policy and prudent monetary policy to maintain constant and steady macroeconomic policies, adopt more pertinent, flexible and forward-looking regulation and control, continue to properly deal with the relationship between maintaining the steady and rapid economic development, adjusting the economic structure and managing inflation expectation, and accelerate the transformation of economic development mode and adjustment of economic structure. Meanwhile, China will also maintain the steady and rapid economic development and basically stable consumer prices by putting forth efforts to expand domestic demand, enhance independent innovation and energy-saving and emission-reduction, intensify the reform, and ensure the well-being of the people and improve their lifestyle. The fiscal policy will focus on improving the structural tax reduction policy, devoting more efforts in the people's livelihood, proactively advancing the adjustment of economic structure, strictly managing State revenues and expenditures and reinforce the management of local government debt. The monetary policy will be moderately preset and finely tuned based on the actual economic operation. Various tools of monetary policy will be used to keep a reasonable growth of total monetary credit, optimize the credit structure and bring the positive role of capital market into play, thereby effectively safeguarding and timely mitigating potential financial risks. Both fiscal policy and credit policy will focus on enhancing their coordination with industrial policy, fully reflect classified guidance to support development in some areas while limiting growth in others, continue to input more efforts in "Sannong" (agriculture, rural areas and farmers), indemnificatory housing and social undertakings, and continue to support the projects under the construction and continued projects in underdeveloped areas, technological innovation, energy saving and environmental protection, emerging strategic industries and the State's major infrastructure construction, and technological transformation of enterprises, etc.

FINANCIAL STATEMENTS ANALYSIS

Income Statement Analysis

In 2011, China's economy continued to maintain steady and rapid growth. In accordance with changes in macroeconomic environment and financial regulatory requirements, the Bank accelerated the transformation of development mode and operation based on serving the real economy and satisfying customers' financial needs. Relying on the advantage of leading technology, the Bank intensified product innovation, promoted customer service level, consolidated and strengthened the customer base and steadily expanded various business scales. Moreover, the Bank strictly managed and controlled cost, improved risk management and asset quality, perfected corporate governance and reinforced capital constraints, continuously maintaining a sound and steady development momentum against the complicated operating environment and increasingly keen competitions among peers. The Bank realized a net profit of RMB208,445 million during the year, representing an increase of RMB42,420 million or 25.6%, return on average total assets increased by 0.12 percentage points to 1.44%, and return on weighted average equity increased by 0.65 percentage points to 23.44%. Operating income amounted to RMB470,601 million, representing an increase of 23.6%. Net interest income was RMB362,764 million, representing an increase of 19.4%. Non-interest income reached RMB107,837 million, representing an increase of 40.0%, of which net fee and commission income increased by 39.4%. Operating expenses amounted to RMB169,613 million, representing an increase of 21.6%, and the cost-to-income ratio decreased by 1.08 percentage points to 29.91%, maintaining at a lower level. Allowance for impairment losses was RMB31,121 million, representing an increase of 11.2%. Income tax expense increased by RMB14,465 million or 29.3% to RMB63,866 million.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	2011	2010	Increase/ (decrease)	Growth rate (%)
Net interest income	362,764	303,749	59,015	19.4
Non-interest income	107,837	76,999	30,838	40.0
Operating income	470,601	380,748	89,853	23.6
Less: Operating expenses	169,613	139,480	30,133	21.6
Less: Allowance for impairment losses	31,121	27,988	3,133	11.2
Operating profit	269,867	213,280	56,587	26.5
Share of profits of associates and jointly-controlled entities	2,444	2,146	298	13.9
Profit before tax	272,311	215,426	56,885	26.4
Less: Income tax expense	63,866	49,401	14,465	29.3
Net profit	208,445	166,025	42,420	25.6
Attributable to: Equity holders of the parent company	208,265	165,156	43,109	26.1
Non-controlling interests	180	869	(689)	(79.3)

Net Interest Income

The Bank continued to strengthen asset and liability management, managed the aggregate amount and pace of its lending appropriately, and proactively adjusted its credit structure. The Bank also followed the market trend closely, adjusted its investment strategies timely and optimized its investment portfolio structure. Additionally, the Bank enhanced the capital operating level and raised the capital returns while satisfying the liquidity needs. The size of asset and liability grew, and asset quality continued to improve, driving a steady growth in net interest income. In 2011, net interest income increased by RMB59,015 million or 19.4% to RMB362,764 million, accounting for 77.1% of the Bank's operating income. Interest income increased by RMB126,818 million or 27.4% to RMB589,580 million, and interest expenses increased by RMB67,803 million or 42.6% to RMB226,816 million.

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

In RMB millions, except for percentages

Item	2011			2010		
	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Assets						
Loans and advances to customers	7,329,882	416,388	5.68	6,337,266	316,126	4.99
Investment	3,673,043	121,077	3.30	3,652,316	106,611	2.92
Investment in bonds not related to restructuring	3,272,997	112,086	3.42	3,032,674	93,197	3.07
Investment in bonds related to restructuring(2)	400,046	8,991	2.25	619,642	13,414	2.16
Due from central banks	2,402,963	38,332	1.60	1,839,062	28,718	1.56
Due from banks and other financial institutions(3)	475,867	13,783	2.90	603,227	11,307	1.87
Total interest-generating assets	**13,881,755**	**589,580**	**4.25**	**12,431,871**	**462,762**	**3.72**
Non-interest-generating assets	675,753			509,132		
Allowance for impairment losses	(185,263)			(161,292)		
Total assets	**14,372,245**			**12,779,711**		
Liabilities						
Deposits	11,364,657	188,650	1.66	10,385,487	140,518	1.35
Due to banks and other financial institutions(3)	1,389,833	32,809	2.36	1,129,238	15,503	1.37
Debt securities issued	150,578	5,357	3.56	86,375	2,992	3.46
Total interest-bearing liabilities	**12,905,068**	**226,816**	**1.76**	**11,601,100**	**159,013**	**1.37**
Non-interest-bearing liabilities	574,991			406,471		
Total liabilities	**13,480,059**			**12,007,571**		
Net interest income		**362,764**			**303,749**	
Net interest spread			**2.49**			**2.35**
Net interest margin			**2.61**			**2.44**

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

(2) Investment in bonds related to restructuring includes Huarong bonds, special government bonds and special PBOC bills during the reporting period. Please see "Note 27.(a) to the Financial Statements: Receivables" for details.

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

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

In RMB millions

Item	Comparison between 2011 and 2010		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	56,535	43,727	100,262
Investment	3,294	11,172	14,466
Investment in bonds not related to restructuring	8,275	10,614	18,889
Investment in bonds related to restructuring	(4,981)	558	(4,423)
Due from central banks	8,878	736	9,614
Due from banks and other financial institutions	(3,737)	6,213	2,476
Changes in interest income	**64,970**	**61,848**	**126,818**
Liabilities			
Deposits	15,937	32,195	48,132
Due to banks and other financial institutions	6,127	11,179	17,306
Debt securities issued	2,279	86	2,365
Changes in interest expenses	**24,343**	**43,460**	**67,803**
Changes in net interest income	**40,627**	**18,388**	**59,015**

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

◆ *Net Interest Spread and Net Interest Margin*

Net interest spread and net interest margin were 2.49% and 2.61%, increasing by 14 basis points and 17 basis points respectively as compared to the previous year.

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

Percentages

Item	2011	2010	Increase/ (decrease) (basis points)
Yield of interest-generating assets	4.25	3.72	53
Cost of interest-bearing liabilities	1.76	1.37	39
Net interest spread	2.49	2.35	14
Net interest margin	2.61	2.44	17

Interest Income

◆ *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB416,388 million, representing an increase of RMB100,262 million or 31.7% as compared to the previous year, of which, increase due to the growth in scale was RMB56,535 million, accounting for 56.4% of the total increase, and increase due to rise of average yield was RMB43,727 million, accounting for 43.6% of the total increase. The rise of 69 basis points in average yield was mainly because PBOC raised the benchmark rates on RMB deposits and RMB loans for five times in the second half of 2010 and the first three quarters of 2011, of which the rate of one-year RMB loans increased by 125 basis points cumulatively, and the effective rate level of new loans granted in 2011 and repriced stock loans was higher than the previous year. In addition, the Bank continuously carried forward credit structure adjustment, resulting in improvement of interest rate management level.

In terms of maturity structure, the average balance of short-term loans was RMB2,079,961 million, interest income derived therefrom was RMB115,149 million, and the average yield was 5.54%. The average balance of medium to long-term loans was RMB5,249,921 million, interest income arising therefrom was RMB301,239 million, and the average yield was 5.74%.

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

In RMB millions, except for percentages

	2011			2010		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	4,964,056	294,291	5.93	4,377,715	230,183	5.26
Discounted bills	110,906	10,302	9.29	200,812	7,451	3.71
Personal loans	1,823,392	96,736	5.31	1,452,709	69,229	4.77
Overseas and others	431,528	15,059	3.49	306,030	9,263	3.03
Total loans and advances to customers	**7,329,882**	**416,388**	**5.68**	**6,337,266**	**316,126**	**4.99**

In terms of business line, interest income on corporate loans amounted to RMB294,291 million, representing an increase of RMB64,108 million or 27.9% and accounting for 70.7% of total interest income on loans and advances to customers, of which, increase due to the growth in scale was RMB34,777 million, accounting for 54.2% of the total increase, and increase due to rise of average yield was RMB29,331 million, accounting for 45.8% of the total increase. Average yield of corporate loans increased by 67 basis points, mainly because the PBOC raised the interest rate and the Bank enhanced the interest rate management level.

Interest income on discounted bills was RMB10,302 million, representing an increase of RMB2,851 million or 38.3%, mainly due to a rise of average yield by 558 basis points. In 2011, as the SHIBOR-based market interest rate applied to discounted bills significantly increased, the Bank enhanced the operation of bill purchase and sales based on market supply and demand, and realized a significant growth in average yield of discounted bills. Average balance dropped by 44.8%, mainly because the Bank appropriately controlled its total lending volume and actively adjusted the size of discounted bills to support other credit business.

Interest income on personal loans was RMB96,736 million, representing an increase of RMB27,507 million or 39.7%, of which, increase due to the growth in scale was RMB19,662 million, accounting for 71.5% of the total increase, and increase due to rise of average yield was RMB7,845 million, accounting for 28.5% of the total increase. The Bank achieved a relatively fast growth in the size of personal loans based on residents' rational credit demands, and the average balance of personal loans increased by 25.5%. As the Bank continued to optimize the structure of personal loans, the percentages of personal consumption loans and personal business loans with higher average yields increased. Meanwhile, subject to the interest rate increased by PBOC, the average yield of personal loans increased by 54 basis points.

Interest income on overseas and other loans was RMB15,059 million, representing an increase of RMB5,796 million or 62.6%, mainly due to the continuous advancement of the Bank's internationalized and integrated development, as well as the rapid growth in the size of loans from the overseas branches and the domestic and overseas subsidiaries.

- *Interest Income on Investment*

Interest income on investment was RMB121,077 million, representing an increase of RMB14,466 million or 13.6%, of which, interest income on investment in bonds not related to restructuring was RMB112,086 million, representing an increase of 20.3%, mainly because the average yield increased by 35 basis points. In line with the market trend, the Bank increased investment when overall yield curve shifted up, and followed the market movement to enhance the portfolio yield.

Interest income on investment in bonds related to restructuring decreased by RMB4,423 million or 33.0% to RMB8,991 million, mainly because non-negotiable special PBOC bills with face value of RMB430,465 million had matured and were repaid in 2010, resulting in a decrease of 35.4% in average balance.

- *Interest Income on Due From Central Banks*

Due from central banks mainly includes the mandatory reserves with central banks and the surplus reserves with central banks. Interest income on due from central banks was RMB38,332 million, representing an increase of RMB9,614 million or 33.5%. During the reporting period, PBOC raised the reserve requirement ratio by 2.5 percentage points cumulatively and the size of customer deposits of the Bank also increased steadily, resulting in a rapid growth in the size of the mandatory reserves.

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

Interest income on due from banks and other financial institutions was RMB13,783 million, representing an increase of RMB2,476 million or 21.9%, mainly because the Bank proactively seized the favorable market opportunity that the average level of domestic money market interest rate increased largely in 2011, and enhanced its capital operations, resulting in the increase of 103 basis points in the average yield of due from banks and other financial institutions.

Interest Expense

- *Interest Expense on Deposits*

Interest expense on deposits amounted to RMB188,650 million, representing an increase of RMB48,132 million or 34.3%, and accounted for 83.2% of total interest expense, of which, increase due to the growth in average cost was RMB32,195 million, accounting for 66.9% of the total increase, and increase due to the growth in scale was RMB15,937 million, accounting for 33.1% of the total increase. In the second half of 2010 and the first three quarters of 2011, PBOC raised the benchmark rates on RMB deposits and RMB loans for five times, of which the benchmark rate of one-year RMB deposits increased by 125 basis points cumulatively and the interest rate on demand deposits increased by 14 basis points cumulatively, driving the growth of average cost by 31 basis points.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	2011			2010		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	2,071,114	56,395	2.72	1,869,683	40,330	2.16
Demand deposits (1)	3,636,027	29,318	0.81	3,403,001	21,595	0.63
Subtotal	**5,707,141**	**85,713**	**1.50**	**5,272,684**	**61,925**	**1.17**
Personal deposits						
Time deposits	3,188,296	88,753	2.78	2,952,284	69,430	2.35
Demand deposits	2,194,871	10,663	0.49	1,943,350	7,210	0.37
Subtotal	**5,383,167**	**99,416**	**1.85**	**4,895,634**	**76,640**	**1.57**
Overseas and others	**274,349**	**3,521**	**1.28**	**217,169**	**1,953**	**0.90**
Total deposits	**11,364,657**	**188,650**	**1.66**	**10,385,487**	**140,518**	**1.35**

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

◆ *Interest Expense on Due to Banks and Other Financial Institutions*

Interest expense on due to banks and other financial institutions was RMB32,809 million, representing an increase of RMB17,306 million or 111.6%, of which, increase due to the rise of average cost was RMB11,179 million, accounting for 64.6% of the total increase, and increase due to the growth in scale was RMB6,127 million, accounting for 35.4% of the total increase. Average cost increased by 99 basis points, mainly due to a large increase in the average level of domestic money market interest rate in 2011, and drop in the percentage of due to banks and other financial institutions with relatively lower average cost resulted from downward trend of stock market index, shrunk transaction volume and large reduction in funds raised.

◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB5,357 million, representing an increase of RMB2,365 million or 79.0%, mainly attributable to the Bank's issuance of RMB25.0 billion A share convertible bonds and RMB38.0 billion subordinated bonds in August 2010 and June 2011, respectively. Please refer to "Note 38. to the Financial Statements: Debt Securities Issued" for details of the A share convertible bonds and the subordinated bonds issued by the Bank.

Non-interest Income

In 2011, non-interest income increased by RMB30,838 million or 40.0% from the previous year to RMB107,837 million, accounting for 22.9% of total operating income, rising by 2.7 percentage points, and the yield structure was further optimized.

NON-INTEREST INCOME

In RMB millions, except for percentages

Item	2011	2010	Increase/ (decrease)	Growth rate (%)
Fee and commission income	109,077	78,008	31,069	39.8
Less: Fee and commission expense	7,527	5,168	2,359	45.6
Net fee and commission income	101,550	72,840	28,710	39.4
Other non-interest related gain	6,287	4,159	2,128	51.2
Total	**107,837**	**76,999**	**30,838**	**40.0**

Faced with the changes in the market environment and the keen competition among peers and based on the changes in the customers' demands, the Bank continued to promote the yield structure adjustment, committed to develop the financial asset service for customers, intensified product innovation by relying on its technological advantages, and increased input in channel construction. Moreover, the Bank continuously improved the service technological means and service level, expanded customer base steadily, provided valuable service for the customers, and maintained sound and rapid development of the fee-based business. Net fee and commission income of the Bank was RMB101,550 million, representing an increase of RMB28,710 million or 39.4% as compared to the previous year. During the reporting period, income from wealth management services amounted to RMB10,669 million and income from various agency services amounted to RMB7,035 million.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	2011	2010	Increase/ (decrease)	Growth rate (%)
Settlement, clearing business and cash management	25,410	19,160	6,250	32.6
Investment banking business	22,592	15,506	7,086	45.7
Personal wealth management and private banking services	21,264	14,858	6,406	43.1
Bank card business	17,268	13,687	3,581	26.2
Corporate wealth management services	9,269	6,886	2,383	34.6
Asset custody business	5,892	3,385	2,507	74.1
Guarantee and commitment business	5,101	3,029	2,072	68.4
Trust and agency services	1,376	979	397	40.6
Others	905	518	387	74.7
Fee and commission income	**109,077**	**78,008**	**31,069**	**39.8**
Less: Fee and commission expense	**7,527**	**5,168**	**2,359**	**45.6**
Net fee and commission income	**101,550**	**72,840**	**28,710**	**39.4**

Income from settlement, clearing business and cash management was RMB25,410 million, representing an increase of RMB6,250 million or 32.6% as compared to the previous year, mainly due to the rapid growth in letter of credit and trade finance etc. as well as the continuously steady growth in RMB settlement and commissioned exchange settlement and sales business.

Income from investment banking business increased by RMB7,086 million or 45.7% to RMB22,592 million, mainly attributable to continuous growth in investment and financing advisory services, corporate information service, regular financial advisory and other services while realizing rapid growth in brand investment banking businesses including restructuring and merger and equity financing.

Income from personal wealth management and private banking services was RMB21,264 million, representing an increase of RMB6,406 million or 43.1%. This was mainly due to the rapid growth in personal loans, personal precious metal business, personal wealth management products and private banking business.

Income from bank card business increased by RMB3,581 million or 26.2% to RMB17,268 million, mainly due to the increase in the consumption commission income and settlement fee driven by the growth in bank card issuance and consumption.

Income from corporate wealth management services amounted to RMB9,269 million, representing an increase of RMB2,383 million or 34.6%, which was mainly driven by the increase in corporate wealth management business.

Income from asset custody business increased by RMB2,507 million or 74.1% to RMB5,892 million, mainly attributable to rapid growth in income from custody business resulted from the increase in the size of trust assets.

OTHER NON-INTEREST RELATED GAIN

In RMB millions, except for percentages

Item	2011	2010	Increase/ (decrease)	Growth rate (%)
Net trading income/(expense)	444	(476)	920	N/A
Net loss on financial assets and liabilities designated at fair value through profit or loss	(271)	(217)	(54)	N/A
Net gain on financial investments	219	1,009	(790)	(78.3)
Other operating income, net	5,895	3,843	2,052	53.4
Total	**6,287**	**4,159**	**2,128**	**51.2**

Other non-interest income was RMB6,287 million, representing an increase of RMB2,128 million or 51.2% as compared to the previous year, of which, net of other operating income was RMB5,895 million, representing an increase of RMB2,052 million, mainly resulting from an increase of RMB1,113 million in leasing income and an increase of RMB665 million in net gain from foreign exchange and foreign exchange products.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	2011	2010	Increase/ (decrease)	Growth rate (%)
Staff costs (including accrued early retirement benefits)	87,881	70,988	16,893	23.8
Including: Salaries and bonuses (comparables)	52,186	45,310	6,876	15.2
Salaries and bonuses (including five welfare items adjustments)	57,943	49,651	8,292	16.7
Premises and equipment expenses	21,121	18,849	2,272	12.1
Business tax and surcharges	28,875	21,484	7,391	34.4
Amortization	1,426	1,314	112	8.5
Others	30,310	26,845	3,465	12.9
Total	**169,613**	**139,480**	**30,133**	**21.6**

Operating expenses were RMB169,613 million, representing an increase of RMB30,133 million or 21.6% as compared to the previous year. According to MOF rules, the five welfare items originally under other items shall be adjusted to under the accounting and management item "Salaries and bonuses". Disregarding such adjustment, staff costs, salaries and bonuses stood at RMB52,186 million, an increase of 15.2%. After adjustment, staff costs, salaries and bonuses stood at RMB57,943 million, an increase of 16.7%. Staff costs include RMB5.9 billion (RMB1,231 million in 2010) additionally withdrew this year for internally retired employees. Disregarding such factor, staff costs went up by 17.5%. If such factor is taken into account, staff costs were RMB87,881 million, representing an increase of 23.8%. Business tax and surcharges increased by 34.4% to RMB28,875 million, mainly resulting from the increase in taxable interest income and fee and commission income. Other operating expenses increased by 12.9% to RMB30,310 million. The Bank implemented strict cost management and control, and cost-to-income ratio was 29.91%, maintaining at a lower level.

Impairment Losses

Impairment losses on assets increased by RMB3,133 million or 11.2% to RMB31,121 million, of which, impairment losses on loans and advances to customers increased by RMB3,944 million or 14.1% to RMB31,832 million. The Bank strengthened risk prevention and control to guarantee steady and continuous improvement in loan quality, and adhered to sound provisioning policy to continue to enhance its capability of resisting risks at the same time. Individually assessed impairment losses were reversed by RMB2,174 million, and net collectively assessed impairment losses of RMB34,006 million were set aside, representing an increase of RMB7,925 million. Other impairment losses on assets were reversed by RMB711 million, mainly due to the reversal of impairment losses on bonds by RMB886 million as a result of the Bank's increase in the disposal of impaired foreign currency-denominated bonds and the normal repayment of some impaired foreign currency-denominated bonds. Please refer to "Note 26. to the Financial Statements: Loans and Advances to Customers" and "Note 15. to the Financial Statements: Impairment Losses on Assets Other than Loans and Advances to Customers" for details.

Income Tax Expense

Income tax expense increased by RMB14,465 million or 29.3% from the previous year to RMB63,866 million. The effective tax rate was 23.5%. The effective tax rate was lower than the statutory tax rate mainly because the interest income arising from PRC government bonds held by the Bank is exempt from income tax under the tax law. Please see "Note 16. to the Financial Statements: Income Tax Expense" for the reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax rate.

Segment Information

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

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2011 Amount	2011 Percentage (%)	2010 Amount	2010 Percentage (%)
Corporate banking	249,684	53.1	204,761	53.8
Personal banking	143,794	30.5	111,620	29.3
Treasury operations	72,281	15.4	61,103	16.0
Others	4,842	1.0	3,264	0.9
Total operating income	**470,601**	**100.0**	**380,748**	**100.0**

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

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2011 Amount	2011 Percentage (%)	2010 Amount	2010 Percentage (%)
Head Office	34,176	7.3	15,817	4.2
Yangtze River Delta	99,137	21.1	85,168	22.4
Pearl River Delta	65,021	13.8	54,918	14.4
Bohai Rim	95,896	20.4	80,036	21.0
Central China	61,987	13.2	51,557	13.5
Western China	72,686	15.4	58,728	15.4
Northeastern China	27,482	5.8	23,154	6.1
Overseas and others	14,216	3.0	11,370	3.0
Total operating income	**470,601**	**100.0**	**380,748**	**100.0**

Note: Please see "Note 50. to the Financial Statements: Segment Information" for the Bank's classification of geographic regions.

Balance Sheet Analysis

In 2011, faced with the grim and complicated operating environment and increasingly fierce competition among its peers, the Bank reasonably managed the relationship between total volume growth and structural optimization of total assets and liabilities and continued to push forward the business transformation while balancing risk control and income increase, in accordance with changes in macroeconomic environment and regulatory requirements. It strictly adhered to a prudent credit development strategy, reasonably controlled the aggregate amount, structure, orientation and pace of lending, adjusted the loan structure and steadily enhanced the quality of loans according to the development needs of the real economy. The Bank flexibly arranged its investment schedule and priorities and optimized its investment portfolio by closely monitoring the trends of the domestic and international financial markets. It actively adopted measures to optimize the liability structure. While maintaining steady growth in due to customers, the Bank expanded other liabilities, thereby ensuring a stable and sustainable growth of funding sources.

Assets Deployment

As at the end of 2011, total assets of the Bank was RMB15,476,868 million, representing an increase of RMB2,018,246 million or 15.0% from the end of the previous year, of which total loans and advances to customers (collectively referred to as "loans") increased by RMB998,391 million or 14.7%, net investment increased by RMB183,634 million or 4.9%, and cash and balances with central banks increased by RMB479,157 million or 21.0%. In terms of structure, net loans accounted for 49.1% of total assets, representing a decrease of 0.1 percentage points from the end of the previous year; net investment accounted for 25.3%, representing a decrease of 2.4 percentage points; and cash and balances with central banks accounted for 17.8%, representing an increase of 0.8 percentage points.

ASSETS DEPLOYMENT

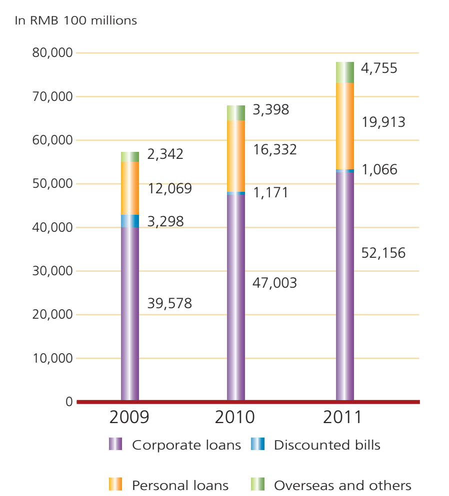
In RMB millions, except for percentages

Item	At 31 December 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	7,788,897	—	6,790,506	—
Less: Allowance for impairment losses on loans	194,878	—	167,134	—
Loans and advances to customers, net	7,594,019	49.1	6,623,372	49.2
Net investment	3,915,902	25.3	3,732,268	27.7
Cash and balances with central banks	2,762,156	17.8	2,282,999	17.0
Due from banks and other financial institutions, net	478,002	3.1	248,860	1.8
Reverse repurchase agreements	349,437	2.3	262,227	2.0
Others	377,352	2.4	308,896	2.3
Total assets	**15,476,868**	**100.0**	**13,458,622**	**100.0**

Loans

In 2011, the Bank reasonably controlled the aggregate amount and pace of lending, thoroughly adjusted credit structure, optimized credit resource allocation and promoted coordinated development of regional credit in accordance with changes in macroeconomic environment and financial regulatory requirements as well as development needs of real economy. The Bank actively bolstered the development of strategic emerging sectors, advanced manufacturing, modern services and cultural industries, and strengthened credit support to SMEs, trade finance and the reasonable demand of residents' consumption. The Bank maintained a stable and appropriate level of lending and preliminarily benefited from the adjustment of credit structure. As at the end of 2011, loans amounted to RMB7,788,897 million, representing an increase of RMB998,391 million or 14.7% from the end of the previous year, of which, RMB-denominated loans of domestic operations increased by RMB811,664 million or 13.1%, and the growth rate fell by 3.8 percentage points as compared to the previous year.

Composition of Loans



DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans of domestic operations	**7,313,436**	**93.9**	**6,450,670**	**95.0**
Corporate loans	5,215,605	66.9	4,700,343	69.2
Discounted bills	106,560	1.4	117,135	1.7
Personal loans	1,991,271	25.6	1,633,192	24.1
Overseas and others	**475,461**	**6.1**	**339,836**	**5.0**
Total	**7,788,897**	**100.0**	**6,790,506**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

Item	At 31 December 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	1,764,558	33.8	1,350,106	28.7
Medium to long-term corporate loans	3,451,047	66.2	3,350,237	71.3
Total	**5,215,605**	**100.0**	**4,700,343**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 31 December 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Working capital loans	2,000,392	38.4	1,514,918	32.2
Of which: Trade finance	729,407	14.0	488,730	10.4
Project loans	2,696,187	51.7	2,659,093	56.6
Property loans	519,026	9.9	526,332	11.2
Total	**5,215,605**	**100.0**	**4,700,343**	**100.0**

Corporate loans increased by RMB515,262 million or 11.0%, with the loan structure further optimized. In terms of maturity, short-term corporate loans increased by RMB414,452 million or 30.7%, accounting for 80.4% of the total increase in all corporate loans; medium to long-term corporate loans increased by RMB100,810 million or 3.0%, accounting for 19.6% of the total increase. In terms of product type, working capital loans increased by RMB485,474 million or 32.0%, of which, trade finance increased by RMB240,677 million or 49.2%, mainly because the Bank continued to support the credit demands of enterprises in the production and circulation areas; project loans increased by RMB37,094 million or 1.4%, mainly attributable to support provided to national key projects under construction and continuing projects; and property loans decreased by RMB7,306 million or 1.4%, mainly because the Bank actively reduced the size of property loans in line with the changes in the real estate market.

Discounted bills decreased by RMB10,575 million or 9.0%, mainly because the Bank actively adjusted the scale of discounted bill business in accordance with the need of asset and liability portfolio management and the status of lending of the Bank, in order to realize the balanced disbursement of loans.

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 31 December 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Personal housing loans	1,176,564	59.1	1,090,095	66.7
Personal consumption loans	373,368	18.8	267,565	16.4
Personal business loans	263,539	13.2	183,971	11.3
Credit card overdrafts	177,800	8.9	91,561	5.6
Total	**1,991,271**	**100.0**	**1,633,192**	**100.0**

Personal loans increased by RMB358,079 million or 21.9%, and accounted for 25.6% of the loans, representing an increase of 1.5 percentage points from the end of the previous year. This is mainly because the Bank improved the personal credit policy, timely adjusted personal credit resource allocation in adherence to the national macroeconomic policy. The Bank supported the development of personal consumption loans and business loans and promoted continuous optimization of personal loan structure. Personal housing loans increased by RMB86,469 million or 7.9%, accounting for 59.1% of personal loans, down 7.6 percentage points from the end of the previous year; personal consumption loans increased by RMB105,803 million or 39.5%, mainly because the Bank accelerated the innovation of personal credit products and actively supported the reasonable personal consumption demand; personal business loans increased by RMB79,568 million or 43.3%, mainly attributable to the Bank's increased efforts in marketing and servicing to promote the rapid development of relevant businesses; and credit card overdrafts increased by RMB86,239 million or 94.2%, mainly due to the rapid development of credit card installment repayment business as well as the continual rapid growth of credit card issuance and consumption volume.

DISTRIBUTION OF LOANS BY CURRENCY

RMB-denominated loans increased by RMB914,434 million or 14.6% and accounting for 91.6% of the total increment in loans. Foreign currencies-denominated loans increased by RMB83,957 million or 15.9% and accounting for 8.4% of the total increment in loans.

DISTRIBUTION OF LOANS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 31 December 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Impaired or overdue	86,172	1.1	81,015	1.2
Less than 1 year	3,168,485	40.7	2,335,124	34.4
1–5 years	1,848,131	23.7	1,923,254	28.3
Over 5 years	2,686,109	34.5	2,451,113	36.1
Total	**7,788,897**	**100.0**	**6,790,506**	**100.0**

Note: The overdue loans refer to the loans of which principal or interest has become overdue. For loans repaid on an installment basis, only the amount which is not repaid upon maturity is deemed overdue. Please see "Note 51.(a) to the Financial Statements: Credit risk" for definition of impaired loans.

As at the end of 2011, loans with a remaining maturity of more than 1 year amounted to RMB4,534,240 million, accounting for 58.2% of the loans; loans with a remaining maturity of less than 1 year amounted to RMB3,168,485 million, accounting for 40.7% of the loans; and impaired or overdue loans amounted to RMB86,172 million, accounting for 1.1% of the loans.

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

Investment

In 2011, faced with the ever-changing and complicated macroeconomic and financial environment at home and abroad, the Bank seized opportunities in the market, flexibly organized its investment schedule and focus, and actively optimized the investment structure in strict adherence to the trends in financial markets. As at the end of 2011, net investment amounted to RMB3,915,902 million, representing an increase of RMB183,634 million or 4.9% as compared to the end of the previous year.

INVESTMENT

In RMB millions, except for percentages

	At 31 December 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	**3,911,633**	**99.9**	**3,727,086**	**99.9**
Investment in bonds not related to restructuring	3,402,795	86.9	3,322,915	89.0
Investment in bonds related to restructuring	397,996	10.2	402,321	10.8
Other debt instruments	110,842	2.8	1,850	0.1
Equity instruments	**4,269**	**0.1**	**5,182**	**0.1**
Total	**3,915,902**	**100.0**	**3,732,268**	**100.0**

Bonds not related to restructuring amounted to RMB3,402,795 million, representing an increase of RMB79,880 million or 2.4% as compared to the end of last year. In terms of distribution by issuers, investment in government bonds increased by RMB129,795 million or 17.8%; investment in bonds issued by the central bank decreased by RMB502,041 million or 42.4%; investment in bonds issued by policy banks increased by RMB340,679 million or 34.8%; and other bonds increased by RMB111,447 million or 25.8%, mainly because the central bank bills matured during the reporting period and the Bank moderately increased investment in policy bank bonds, government bonds and high-quality credit bonds. In terms of distribution by remaining maturity, bonds not related to restructuring with a term of less than 1 year decreased by RMB482,577 million or 44.8% and their percentage fell by 15.0 percentage points; bonds not related to restructuring with a term of 1 to 5 years increased by RMB415,444 million or 28.6%, and their percentage increased by 11.2 percentage points; and bonds not related to restructuring with a term of over 5 years increased by RMB147,013 million or 18.6% and their percentage increased by 3.8 percentage points, mainly because the Bank seized the investment opportunity brought by the changes in bonds yield curve, timely adjusted investment strategy and appropriately increased the investment in medium to long-term bonds on the premise that the desired liquidity is ensured. In terms of distribution by currency, RMB bonds grew by RMB101,066 million or 3.1%, mainly because the Bank closely followed the trend of RMB-denominated debt securities market and kept moderate increase of the investment in RMB bonds; the RMB equivalent of investment in USD bonds decreased by RMB16,039 million or 23.5%; and the RMB equivalent of investment in other foreign currency bonds decreased by RMB5,147 million or 19.3%, mainly due to the Bank's timely reduction in holding of some foreign currency bonds.

Investment in bonds related to restructuring amounted to RMB397,996 million, representing a decrease of RMB4,325 million as compared to the end of the previous year, because non-negotiable special PBOC bills with face value of RMB4,325 million had matured and were repaid in June 2011. For details of the investment in bonds related to restructuring, please refer to "Note 27.(a) to the Financial Statements: Receivables".

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY ISSUERS

In RMB millions, except for percentages

	At 31 December 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	858,194	25.2	728,399	21.9
Central bank bills	682,676	20.1	1,184,717	35.7
Policy bank bonds	1,318,582	38.7	977,903	29.4
Other bonds	543,343	16.0	431,896	13.0
Total	**3,402,795**	**100.0**	**3,322,915**	**100.0**

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

In RMB millions, except for percentages

	At 31 December 2011		At 31 December 2010	
Remaining maturity	Amount	Percentage (%)	Amount	Percentage (%)
Undated[1]	391	0.0	6,884	0.2
Less than 3 months	96,420	2.8	351,405	10.6
3–12 months	498,240	14.6	719,339	21.6
1–5 years	1,868,781	55.0	1,453,337	43.8
Over 5 years	938,963	27.6	791,950	23.8
Total	**3,402,795**	**100.0**	**3,322,915**	**100.0**

Note: (1) Refers to impaired bonds.

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY CURRENCY

In RMB millions, except for percentages

	At 31 December 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
RMB	3,329,079	97.8	3,228,013	97.1
USD	52,213	1.6	68,252	2.1
Other foreign currencies	21,503	0.6	26,650	0.8
Total	**3,402,795**	**100.0**	**3,322,915**	**100.0**

DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

In RMB millions, except for percentages

Item	At 31 December 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	152,208	3.9	12,986	0.4
Available-for-sale financial assets	840,105	21.5	904,795	24.2
Held-to-maturity investments	2,424,785	61.9	2,312,781	62.0
Receivables	498,804	12.7	501,706	13.4
Total	**3,915,902**	**100.0**	**3,732,268**	**100.0**

As at the end of 2011, the Group held RMB1,442,094 million of financial bonds[1], including RMB1,318,582 million of policy bank bonds and RMB123,512 million of bonds issued by banks and non-bank financial institutions, accounting for 91.4% and 8.6% of financial bonds, respectively.

TOP 10 FINANCIAL BONDS HELD BY THE GROUP

In RMB millions, except for percentages

Debt securities	Nominal value	Annual interest rate	Maturity date	Impairment loss
Policy bank bonds 2006	20,000	3.26%	7 December 2013	—
Policy bank bonds 2010	17,310	3.60%	3 February 2015	—
Policy bank bonds 2008	16,700	4.83%	4 March 2015	—
Policy bank bonds 2007	16,320	5.07%	29 November 2017	—
Policy bank bonds 2009	12,900	2.95%	18 November 2012	—
Policy bank bonds 2008	11,190	4.95%	11 March 2018	—
Policy bank bonds 2010	11,050	3.51%	27 July 2020	—
Policy bank bonds 2007	10,800	4.94%	20 December 2014	—
Policy bank bonds 2011	10,670	4.68%	26 September 2016	—
Policy bank bonds 2011	10,510	3.70%	18 January 2014	—

Net of Due from Banks and Other Financial Institutions

Net of due from banks and other financial institutions was RMB478,002 million, representing an increase of RMB229,142 million or 92.1% from the end of the previous year. The significant increase in due from banks and other financial institutions was mainly because the Bank strengthened the effort in fund operation to enhance the fund use efficiency.

Liabilities

As at the end of 2011, total liabilities of the Bank amounted to RMB14,519,045 million, representing an increase of RMB1,882,080 million or 14.9% from the end of the previous year.

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

LIABILITIES

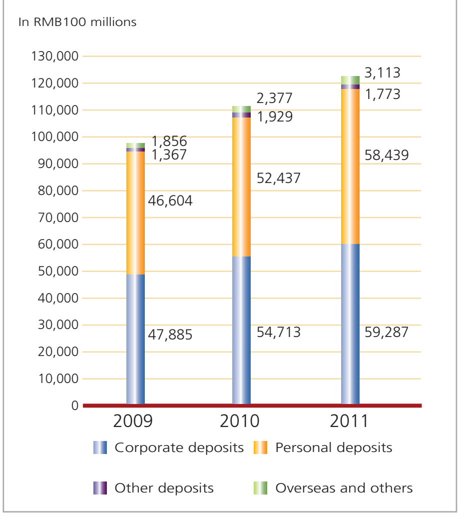
In RMB millions, except for percentages

Item	At 31 December 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	12,261,219	84.5	11,145,557	88.2
Due to banks and other financial institutions	1,341,290	9.2	1,048,002	8.3
Repurchase agreements	206,254	1.4	84,888	0.7
Debt securities issued	204,161	1.4	102,264	0.8
Others	506,121	3.5	256,254	2.0
Total liabilities	**14,519,045**	**100.0**	**12,636,965**	**100.0**

Due to Customers

Customer deposits are the Bank's main source of fund. In 2011, China implemented a proactive fiscal policy and a prudent monetary policy, residents' income rose steadily and competition was intense in the deposit market. The Bank expanded sources of deposits by exploring new markets and new customers, and enhanced the deposit market competitiveness by strengthening overall cooperation and coordination, in order to promote a continuous and steady growth in deposits business. As at the end of 2011, the balance of due to customers was RMB12,261,219 million, representing an increase of RMB1,115,662 million or 10.0% when compared to the end of the previous year. In terms of customer structure, the balance of corporate deposits increased by RMB457,440 million or 8.4%; and personal deposits increased by RMB600,202 million or 11.4%. In terms of maturity structure, the balance of time deposits increased by RMB548,724 million or 11.2%, while the balance of demand deposits increased by RMB508,918 million or 8.8%.

Composition of Due to Customers



DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits of domestic operations	**11,949,927**	**97.5**	**10,907,842**	**97.9**
Corporate deposits	5,928,749	48.4	5,471,309	49.1
Time deposits	2,169,089	17.7	1,925,605	17.3
Demand deposits	3,759,660	30.7	3,545,704	31.8
Personal deposits	5,843,859	47.7	5,243,657	47.0
Time deposits	3,296,185	26.9	2,990,945	26.8
Demand deposits	2,547,674	20.8	2,252,712	20.2
Other deposits(1)	177,319	1.4	192,876	1.8
Overseas and others	**311,292**	**2.5**	**237,715**	**2.1**
Total	**12,261,219**	**100.0**	**11,145,557**	**100.0**

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

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2011 Amount	At 31 December 2011 Percentage (%)	At 31 December 2010 Amount	At 31 December 2010 Percentage (%)
Head Office	144,770	1.2	135,352	1.2
Yangtze River Delta	2,614,237	21.3	2,373,874	21.3
Pearl River Delta	1,609,536	13.1	1,471,751	13.2
Bohai Rim	3,085,768	25.2	2,877,659	25.8
Central China	1,727,284	14.1	1,559,480	14.0
Western China	1,981,823	16.2	1,757,818	15.8
Northeastern China	786,509	6.4	731,908	6.6
Overseas and others	311,292	2.5	237,715	2.1
Total	**12,261,219**	**100.0**	**11,145,557**	**100.0**

DISTRIBUTION OF DUE TO CUSTOMERS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 31 December 2011 Amount	At 31 December 2011 Percentage (%)	At 31 December 2010 Amount	At 31 December 2010 Percentage (%)
Demand(1)	6,660,720	54.4	6,134,482	55.1
Less than 3 months	1,896,819	15.5	1,697,494	15.2
3–12 months	2,615,102	21.3	2,527,394	22.7
1–5 years	1,071,244	8.7	772,418	6.9
Over 5 years	17,334	0.1	13,769	0.1
Total	**12,261,219**	**100.0**	**11,145,557**	**100.0**

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

In terms of the currency structure, the balance of RMB deposits amounted to RMB11,829,251 million, which accounted for 96.5% of the total balance of due to customers, representing an increase of RMB1,037,766 million or 9.6% as compared to the end of the previous year. The balance of foreign currency deposits was equivalent to RMB431,968 million, representing an increase of RMB77,896 million or 22.0%.

Due to Banks and Other Financial Institutions

The balance of due to banks and other financial institutions was RMB1,341,290 million, representing an increase of RMB293,288 million or 28.0% as compared to the end of the previous year. Due to the tightening liquidity in the domestic money market in 2011, the Bank proactively took measures to finance from the money market and absorb short-term inter-bank deposits, thereby effectively supporting the development of each asset business.

Debt Securities Issued

The balance of debt securities issued amounted to RMB204,161 million, representing an increase of RMB101,897 million or 99.6% from the end of the previous year. This was mainly because the Bank and ICBC (Asia) issued RMB-denominated subordinated bonds with an aggregate amount of RMB89.5 billion in 2011. For particulars of subordinated bonds issued by the Bank and its subsidiaries, please refer to "Note 38. to the Financial Statements: Debt Securities Issued".

Shareholders' Equity

As at the end of 2011, shareholders' equity amounted to RMB957,823 million in aggregate, representing an increase of RMB136,166 million or 16.6% as compared to the end of the previous year. Equity attributable to equity holders of the parent company amounted to RMB956,742 million, representing an increase of RMB136,312 million or 16.6%. Please refer to the "Financial Statements: Consolidated Statement of Changes in Equity" for details.

SHAREHOLDERS' EQUITY

In RMB millions

Item	At 31 December 2011	At 31 December 2010
Share capital	349,084	349,019
Equity component of convertible bonds	2,954	2,985
Reserves	291,370	267,269
Retained profits	313,334	201,157
Equity attributable to equity holders of the parent company	**956,742**	**820,430**
Non-controlling interests	**1,081**	**1,227**
Total shareholders' equity	**957,823**	**821,657**

For details of off-balance-sheet items, please refer to "Note 45. to the Financial Statements: Commitments and Contingent Liabilities".

Other Financial Information Disclosed Pursuant to Regulatory Requirements

Major Regulatory Indicators

Item		Regulatory criteria	2011	2010	2009
Liquidity ratio (%)	RMB	>=25.0	27.6	31.8	30.7
	Foreign currency	>=25.0	90.6	53.4	61.1
Loan-to-deposit ratio (%)	RMB and foreign currency	<=75.0	63.5	62.0	59.5
Percentage of loans to single largest customer (%)		<=10.0	3.6	3.5	2.8
Percentage of loans to top 10 customers (%)			19.3	22.8	20.9
Loan migration ratio (%)	Pass		2.0	2.6	3.5
	Special mention		7.3	4.8	9.9
	Substandard		32.8	43.4	31.3
	Doubtful		4.9	10.9	18.1

Note: The regulatory indicators in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the corresponding period. The comparative figures are not restated.

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

Financial Instruments Measured at Fair Value

MOVEMENT OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

In RMB millions

Item	Balance at the beginning of the year	Balance at the end of the year	Changes in current year	Effects on profit for the year
Financial assets at fair value through profit or loss	12,986	152,208	139,222	53
Available-for-sale financial assets	902,736	838,942	(63,794)	469
Derivative financial assets	13,332	17,460	4,128	3,843
Total financial assets	**929,054**	**1,008,610**	**79,556**	**4,365**
Financial liabilities at fair value through profit or loss	(6,670)	(171,973)	(165,303)	(100)
Derivative financial liabilities	(10,564)	(12,617)	(2,053)	(1,932)
Total financial liabilities	**(17,234)**	**(184,590)**	**(167,356)**	**(2,032)**

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

In terms of the internal control related to the determination of fair value, the Bank has set up comprehensive regulations and internal control mechanism. According to the currently applicable accounting standards and the regulatory requirements and by referring to the International Financial Reporting Standards 13 — Fair Value Measurement, the Bank formulated the Basic Rules for the Management of Fair Value Measurement of Financial Instruments of Industrial and Commercial Bank of China, which was reviewed and approved at the meeting of the Board of Directors of the Bank. The rules specify the measurement objects, market selection, orderly transactions, quotation determination, valuation technique, input parameter, calibration and adjustment, measurement level, information disclosure and internal control in relation to fair value measurement of financial instruments. During the fair value measurement as per accounting standards, the Bank established a duty segregation mechanism under which front-office business departments are responsible for the routine transaction management of measurement objects, finance and accounting departments lead the development of accounting policies for measurement and valuation techniques and the system realization, and risk management departments take charge of the verification of transaction information and valuation models as well as the control of parameter calibration.

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

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit for the year attributable to equity holders of the parent company for the year ended 31 December 2011 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

BUSINESS OVERVIEW

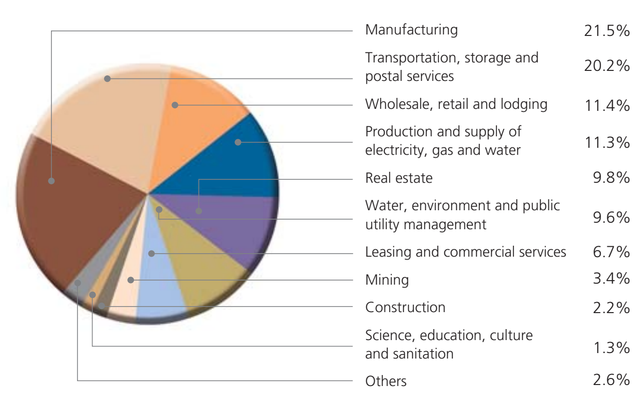
Corporate Banking

In 2011, the Bank advanced the transformation of corporate banking and optimized the business structure so as to respond to changes in the macroeconomic environment. The Bank pushed forward the reform of tiered marketing system, provided differentiated services to customers at different tiers, and enhanced its marketing and service level for key customers. These measures helped to expand its SME customers and customer base. The Bank intensified the business innovation and marketing for all products, and propelled the development of synergy between commercial banking and investment banking, hence satisfying the comprehensive financial service demands of customers. It expanded its financial assets services for customers by centering on asset management, account transactions, assets-supporting services and financing agency services. Relying on the global service network and the integrated technology platform of domestic and overseas institutions, the Bank supported the "Going Global" projects of Chinese enterprises, accelerated the development of global cash management and cross-border RMB business, enhancing its global service capability. The Bank was awarded "Best Domestic Corporate Bank in China" by *Global Finance*. At the end of 2011, the Bank had 4.11 million corporate customers, among which 127 thousands customers had loan balances with the Bank, representing an increase of 25 thousands customers from the end of the previous year. According to statistics from PBOC, as at the end of 2011, the Bank ranked first in the banking industry in terms of both corporate loans and corporate deposits, with a market share of 12.0% and 12.7% respectively.

Corporate Deposits and Loans

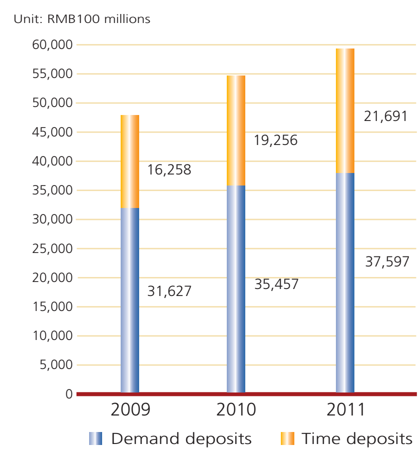
In accordance with changes in macroeconomic environment and regulatory requirements, and catering to the needs of the development of the real economy, the Bank reasonably controlled the total volume of lending and the pace of lending growth, adjusted the loan orientation and intensified its credit structure adjustment to bring about a stable and healthy development of credit business. In line with the national industry planning and regional planning, the Bank allocated more of its financial resources to key industries and quality customers so as to support key national projects under construction, and vigorously expanded its businesses in the four new markets of advanced manufacturing, strategic emerging industries, modern service industry and cultural industry financing. The Bank strictly controlled lending to local government financing vehicles (LGFVs), the real estate sector and industries with

Breakdown of Corporate Loans by Industry



Note: Domestic operations data

Growth of Corporate Deposits



Note: Domestic operations data

high energy consumption, high pollution and over-capacity. The Bank input more efforts to boost credit expansion and realized the balanced development of large, medium and small customers. It also enhanced product innovation and accelerated the development of high-profit and capital-saving loan products. The Bank promoted financing to the supply chain of enterprises to drive the development of trade finance and SMEs credit business. The Bank actively engaged into syndicated loan business and was awarded the "Best Performance Award" and "Best Trading Award" by China Banking Association. At the end of 2011, the balance of domestic corporate loans stood at RMB5,215,605 million, representing an increase of RMB515,262 million or 11.0% from the end of the previous year.

The Bank leveraged on its advantages in customer resources and network to strengthen marketing efforts towards supply chain customers, customer bases in urban circles and special customers and to absorb and accumulate customers' funds. The Bank leveraged on its advantages in integrated financial services such as corporate wealth management, cash management, E-banking and assets custody to raise its market competitiveness in corporate deposits business. At the end of 2011, the balance of domestic corporate deposits amounted to RMB5,928,749 million, representing an increase of RMB457,440 million or 8.4% from the end of the previous year.

Small and Medium Enterprise Business

In conformity with the government's support to the development of SMEs, the Bank was devoted to provide professional, efficient and convenient financial services to SME customers. The Bank served SME customers by building an independent system of small enterprise credit policies, process and products, giving priority to resource allocation in this regard and improving the building of franchised institutions. The number of small enterprise franchised institutions providing financial services exceeded 1,400, and 35 thousands persons were qualified by the Bank for engaging in small enterprise credit business. The Bank stepped up efforts in product innovation, and launched exclusive financing products such as small business revolving loans, online revolving loans, standard plant mortgage loans and equipment mortgage loans, to meet diverse financing needs of small enterprise customers. Aside from relying on its product advantages, the Bank developed small enterprise financing via multiple channels and expanded small enterprise customer base. The Bank was awarded the "Excellent Service Organization for SMEs" by China Association of Small and Medium Enterprises, and its online revolving loans were granted the title of "Feature Small Enterprise Financial Services of National Banking Institutions" by CBRC. At the end of 2011, 85,324 small enterprise customers had loan balances with the Bank, representing an increase of 22,243 from the end of the previous year.

Institutional Banking

The Bank intensified efforts in providing comprehensive financial services in the fields of public finance and people's livelihood. Through customized comprehensive financial service schemes, the Bank promoted rapid development in businesses such as agency services in respect of centralized payments, business cards for central budget units, social security cards, co-branded cards for housing allowances and social insurance and centralized distribution of agency social security and social insurance funds. The Bank promoted the cooperation with the securities industry, built the express and secure transfer channels for funds, and provided services of third-party depository, margin trading, wealth management products sales and assets custody, among which the number of customers and volume of funds involved in the third-party depository continued to maintain the leading status. The Bank promoted the inter-bank cooperation, and actively conducted RMB financing, payment and settlement agency, foreign exchange clearing, international settlement and trade finance, and built a platform for agency business cooperation with medium-sized and small banks, making the number of domestic correspondent banks reach 116. In addition, the Bank intensified the cooperation with insurance companies to further develop bancassurance business. Relying on complementary resources of the Bank and its insurance partners, it cooperated with insurance companies in terms of payroll payment agency, assets custody and cash management. The Bank also explored cooperation with financial institutions such as futures companies and trust companies, resulting in constant expansion of its business scale and enhanced its influence in the market.

Settlement and Cash Management

The Bank accelerated the application of the "E Express for Industrial and Commercial Capital Verification" to expand its customer base, and adopted a cluster marketing strategy to retain existing customers and optimize customer structure. The Bank improved the functions of Caizhi Account Cards and corporate self-service devices and machines, and broadened the product application fields, in an effort to enhance the brand influence of "Caizhi Account" and expand the coverage of settlement business. The transaction volume of corporate RMB settlement increased by 55.2% to RMB1,350 trillion in 2011, enabling the Bank to maintain its position as an industry leader.

Leveraging on its global cash management system, the Bank attracted customers of domestic large enterprise groups and transnational corporate customers, expanded the fields of business cooperation, and consolidated its status in the cash management market. The Bank stepped up efforts in product innovation, expanded the coverage of cash management service, and promoted high-end cash management services such as Collection Manager, bill pool and fund pool, raising its competitive edge in the cash management market. The Bank has been awarded the "Best Cash Management Bank in China" by *The Asset* and *FinanceAsia* respectively for five consecutive years, and the "Best Domestic Cash Management Bank in China" by *The Asian Banker*, remarkably enhancing its brand influence. At the end of 2011, the Bank had 661 thousands cash management customers, representing an increase of 30.1% from the end of the previous year.

International Settlement and Trade Finance

The Bank enhanced its financial service ability under import by enriching the financing for payment of foreign exchange, foreign exchange purchase and sales, and portfolio of deposit products, and improved its service capabilities for export enterprises by launching new products such as export financing jointly offered by both domestic and overseas branches and invoice discounting within foreign exchange limit. The Bank boosted the building of an intensive operation system for international settlement documents and trade finance, and completed the application of the documents processing center system in 73 domestic and overseas institutions. The Bank extended the cross-border RMB clearing network, and established a cross-border RMB product system based on international settlement and covering businesses of financing, wealth management and treasury operations, enhancing the brand influence of "ICBC Cross-border Link". In 2011, domestic branches disbursed an aggregate of USD96.0 billion in international trade finance, an increase of 81.5% compared to the previous year. International settlement exceeded a trillion USD threshold and reached USD1,072.8 billion, representing an increase of 37.1%.

Investment Banking

The Bank strengthened the collaborative marketing of investment banking and commercial banking, and accelerated the expansion from credit market to markets of bonds, capital, M&A and private equity. The Bank enhanced its arrangement capabilities for M&A financing through M&A trust, M&A wealth management, M&A loans and cross-border syndication, and established the "financing+ consulting" comprehensive restructuring and M&A service mode. It accelerated the development of equity financing, and had in place an equity financing products system consisting of equity investment funds lead bank, enterprise listing advisor, private equity advisor and arrangement right for available shares, assisting enterprises in raising funds of over RMB20.0 billion. The Bank enriched the investment banking research products system, and broadened channels for electronic services of investment banking. The Bank also expanded its bond underwriting business and underwrote RMB290.1 billion worth of debt financing instruments as a lead arranger in 2011, ranking first in China. Given the ever-increasing awareness of its investment banking brand, the Bank was awarded the "Best Bank in Investment Banking" by the *Securities Times* for three consecutive years. In 2011, investment banking income was RMB22,592 million, representing an increase of 45.7% from the previous year.

Asset Management

- *Asset custody Services*

The Bank intensified marketing for key insurance companies, and the insurance assets under its custody increased rapidly, which consolidated its position as a market leader. Global custody services developed stably; the number of customers using the Bank's QFII custodian services and the scale of QDII assets under the Bank's custody ranked top among all the Chinese banks. Based on the market situations, the Bank focused on the custody of principal guaranteed funds and bond-type funds. Despite the downturn of the capital market in fluctuations and a slight decrease in the net value of security investment funds under the Bank's custody, its leading advantages in the market were consolidated. The Bank promoted emerging custody services such as the schemes on customer asset management for securities firms and the wealth management custody for fund accounts to optimize the custody business structure. The Bank was recognized as the best custodian bank in China by renowned financial journals, including the *Global Custodian, Global Finance* and *The Asset* once again, further improving its brand impact. At the end of 2011, the total net value of assets under the Bank's custody reached RMB3,530.0 billion, representing an increase of 22.8% from the end of the previous year, becoming the only domestic bank with over RMB3 trillion of assets under custody.

- *Pension Services*

The Bank improved its marketing mechanism by leveraging on its comprehensive competitive advantages, conducted differentiated marketing activities and services, and enhanced its marketing efficiency for large customers by developing customized service schemes. The Bank promoted integrated enterprise annuity schemes such as the "Ruyi Pension Management" to expand the enterprise annuity market of SMEs. At the end of 2011, the Bank provided pension management services for 29,424 enterprises, representing an increase of 6,634 from the end of the previous year; the pension funds under the Bank's trusteeship amounted to RMB44.6 billion; the Bank managed 9.90 million individual pension accounts, and the pension funds under the Bank's custody totaled RMB184.6 billion. The Bank led the market in terms of the scale of enterprise annuity funds under the Bank's trusteeship, individual enterprise annuity accounts and enterprise annuity funds under the Bank's custody.

- *Precious Metal Business*

In 2011, the precious metal business remained fast development. In response to the market demand, the Bank launched a series of branded precious metal products to meet the collection and investment demands of customers. The Bank expanded the precious metal business to cover gold, silver, platinum and palladium, securing its advantages in the market. The Bank upgraded the accumulation product trading system by adding new functions such as online gold withdrawal reservation, inter-city gold withdrawal, accumulation SMS reminder, and automatic quotation, remaining as the leader among peers. The gold leasing business developed rapidly, with the business volume ranking first in the market. The Bank accelerated the establishment of exclusive service area for precious metal business, and improved the channel distribution, driving the substantial increase in the business volume. In 2011, the total amount of precious metal business reached RMB1.78 trillion which was 3.1 times higher than the previous year. The Bank cleared RMB184.6 billion on behalf of Shanghai Gold Exchange, maintaining the leading position among peers.

- *Corporate Wealth Management*

The Bank intensified efforts in product innovation and improved its investment transaction ability and risk management capacity, thereby further consolidating its leading position in the banking industry. The Bank launched several "Win-Win" series of fixed-return wealth management products and "Weekly Dividend" seven-day wealth management products to raise the product competitiveness and satisfy the wealth management demands for diverse terms of customers. The Bank introduced alternative wealth management products investing in artwork and alcohol, extending the investment fields of wealth management funds. It promoted the E-banking sales of wealth management products, and hence broadened the channels of product sales. The Bank won the title of the "Best Banking Wealth Management Brand" from the *21st Century Business Herald* and the "Award of Best Bond-type Wealth Management Product" from *Shanghai Securities News*. In 2011, cumulative sales of the Bank's corporate wealth management products reached RMB1,986.1 billion, representing an increase of 39.9% as compared with the previous year.

Personal Banking

In 2011, the Bank continued to transform the personal banking operation and implemented the "strong personal banking" strategy. Targeting at new markets and new customers, the Bank strengthened the coordinated marketing between public and private departments and built a batch customer development mechanism to expand customer base. The Bank promoted the establishment of ICBC Business Friendship Club and Celebrity Wealth Management Club, built new marketing channels, and established new bank-commerce cooperation mechanism. The Bank accelerated the product innovation and promotion, and enhanced the competitive edge of personal banking business, securing its leading position among peers in terms of savings deposits, personal loans, banking wealth management and credit card. The Bank also stepped up efforts in the building of a marketing service team, improved the star assessment service system for personal customers, and hence enhanced the quality of customers. The Bank was awarded the "Best Retail Bank in China" by *The Asian Banker* once again. At the end of 2011, the Bank had 282 million personal customers, including 7.39 million personal loan customers, representing an increase of 22.90 million and 540 thousands from the end of the previous year, respectively. According to statistics from PBOC, as at the end of 2011, the Bank ranked first in the industry both in terms of the size of savings deposits and personal loans, with a market share of 16.7% and 14.5% respectively.

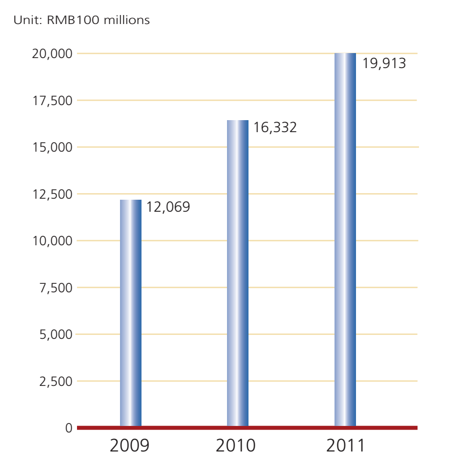
Savings Deposits

The Bank carried out the "wide coordination and large-scale marketing" campaign to intensify the coordinated marketing between public and private departments. Focusing on payroll payment agency service and commodity markets business, the Bank expanded source markets, expanded the size of customers, optimized customer structure, and consolidated the basis for savings deposits growth. The Bank accelerated the construction of new outlets in key counties and broadened the service coverage to absorb more savings deposits. The Bank also leveraged on its advantages of wealth management business, attracted and retained customers with quality wealth management products, and promoted the orderly circulation of customer funds in the Bank's system, realizing the coordinated development of savings deposits and wealth management business. At the end of 2011, the balance of the Bank's domestic savings deposits amounted to RMB5,843,859 million, representing an increase of RMB600,202 million or 11.4% from the end of the previous year, of which demand savings deposits increased by 13.1% and time savings deposits increased by 10.2%.

Personal Loans

The Bank actively supported the reasonable credit demands of customers, realized the rapid development of personal consumption loans and personal business loans, and boosted the constant optimization of the personal loan structure. The Bank accelerated the expansion of emerging consumption markets of culture, education and tourism, and raised the speed in innovating personal loan products and services. It launched new personal loan products and services such as the personal remote asset mortgage (pledge) loans, personal petty credit loans, personal construction machinery loans and agriculture-related petty loans, and optimized the functions of products such as personal business loans, "Card-Based Loan Express", online revolving loans and "Deposit-Based Loan Express", enriching and extending personal loan business. The Bank also implemented the differentiated housing credit policy to ensure the sound growth of personal housing loans. At the end of 2011, domestic personal loans amounted to RMB1,991,271 million, representing an increase of RMB358,079 million or 21.9% from the end of the previous year, of which, personal consumption loans increased by RMB105,803 million or 39.5%, and personal business loans increased by RMB79,568 million or 43.3%.

Growth of Personal Loans



Note: Domestic operations data

Personal Wealth Management

Adhering to the customer-centered principle, the Bank pushed forward the transformation of wealth management business to maintain its leading position in the market. Centering on three types of urban high-end customers, customers in emerging markets and county customers, the Bank carried out differentiated marketing and attracted customers with competitive products. The Bank optimized exclusive wealth management products and the customized wealth management product mechanism to enhance its customer service level. The Bank also expanded the product line of agency fund sales, provided preferential fees for fund acquisition via E-banking channels, and distributed RMB422.3 billion worth of open-ended funds, leading its peers in the banking industry. The Bank also enriched insurance product types, innovated sales mode, and sold RMB73.5 billion worth of personal insurance products on an agency basis during the year. The Bank distributed RMB80.9 billion worth of treasury bonds, remaining its top position in the banking industry. In 2011, sales of various personal wealth management products amounted to RMB4,135.2 billion, representing an increase of 74.2% compared with the previous year, of which sales of personal banking wealth management products increased by 91.6% to RMB3,558.5 billion.

The Bank actively explored various emerging markets to expand the quality customer basis. By bringing into play the leading technological advantages of chip card business, the Bank promoted the chip cards of Elite Club Accounts to make the usage of bank card more secure and convenient. The Bank introduced the ICBC Messaging service exclusively for wealthy customers, and promoted the ICBC wealth advisory business to enhance its service level for wealthy customers. The Bank also built a high quality service team and enhanced its service capability. The number of employees with certificates of Associate Financial Planner (AFP) and Certified Financial Planner (CFP) was 17,199 and 3,285 respectively, sustaining the leading position in the banking industry. At the end of 2011, the number of Elite Club Account customers and wealth management customers stood at 15.03 million and 3.83 million respectively, representing an increase of 53.2% and 50.8% compared with the end of the previous year respectively.

Private Banking

The Bank provided high-net-worth customers having RMB8 million or more personal financial assets with private banking services including financial management, asset management, consulting, private wealth accumulation and cross-border financing. In 2011, apart from the ten private banking branches, the Bank established such private banking centers in Hubei and Ningbo, making the business gradually cover all national markets of high-end customers. The Bank built the service platform for globalized asset allocation by establishing the Private Banking Center (Hong Kong). In addition, it innovated the financial assets service system and integrated quality resources across the Bank to enrich the exclusive product line of private banking, providing private banking customers with financial services integrating investment and financing in public and private sectors at home and abroad. The Bank was awarded the title of the best private bank in China by *Euromoney* and *FinanceAsia,* respectively. At the end of 2011, the Bank had over 22 thousands private banking customers and managed RMB434.5 billion worth assets.

Bank Card Business

In 2011, the Bank boosted its market expansion measures, accelerated product innovation and service upgrading in terms of its bank card business and further consolidated its leading position in the banking industry. At the end of 2011, the Bank had issued approximately 410 million bank cards, an increase of 57.86 million cards from the end of the previous year. Annual consumption volume of bank cards stood at RMB3,203.4 billion, representing an increase of 43.0% from the previous year. Income from bank card business amounted to RMB17,268 million, representing an increase of 26.2%.

◆ *Credit Card Business*

The Bank increased the number of credit cards issued and enhanced the service quality by strengthening the cooperation of credit card projects with popular enterprise customers, hence driving the rapid growth of the consumption volume. The Bank conducted list-based quality acquiring merchants-targeted marketing campaigns, and expanded the scale of large acquiring merchants such as hotels, department stores, supermarkets and household electrical appliance retailers as well as small acquiring merchants such as chain convenience stores and fast-food restaurants, improving the acceptance environment for credit cards. The Bank promoted credit card payment by installment payment services for large stores of cars, household electrical appliances and house ornamentation, and launched the first domestic credit card dedicated to installment payment "Easy Loan Credit Card", facilitating the consumption of residents. The Bank also introduced SMS customer service, pushed forward the construction of VIP service centers, and provided various exclusive service schemes for group customers, enriching the differentiated services for high-end customers. The Bank was recognized as the "Trusted Brand — Credit Card Issuing Bank: Gold (China)" by *Reader's Digest* of the United States once again and honored with the title of the "Platinum Card Excellence Performance Award" from Visa Inc.. At the end of 2011, 70.65 million credit cards were issued, representing an increase of 6.99 million from the end of the previous year; annual consumption volume stood at RMB976.5 billion, representing an increase of 53.0% from the previous year; the balance of domestic credit card overdrafts amounted to RMB177,800 million, representing an increase of RMB86,239 million or 94.2%, evidencing the leading edge of the Bank in terms of volume of cards issued, consumption volume and overdrafts.

◆ *Debit Card Business*

Focusing on co-branded debit cards, the Bank intensified industry cooperation and joint marketing to attract new customers and compete for new markets. It accelerated the promotion of chip cards to be adopted in Elite Club Account Cards, ICBC Moneylink Card and ICBC Elite Club Account Cards, further consolidating its leading status in the market. The Bank promoted customized services such as changing debit card while retaining the card number, online card application and transaction, enhancing the service experience for the application and use of debit cards. The Bank also carried out various card-based consumption promotional activities to increase consumption volume. At the end of 2011, 340 million debit cards were issued, representing an increase of 50.87 million from the end of the previous year, with an annual consumption volume totaling RMB2,226.9 billion, representing an increase of 39.1%.

Item	At 31 December 2011	At 31 December 2010	Growth rate (%)
Issued bank cards (Unit: 10,000)	41,256	35,470	16.3
Debit cards	34,191	29,104	17.5
Credit cards	7,065	6,366	11.0
	2011	**2010**	**Growth rate (%)**
Annual consumption volume (In RMB100 million)	32,034	22,395	43.0
Average consumption volume per card(1) (In RMB Yuan)	8,240	6,926	19.0

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

Treasury Operations

In 2011, the Bank, facing complex and volatile market conditions, enhanced its profitability and achieved sound development of asset size and performance through active product innovation, timely adjustment of investment and trading strategies, optimization of capital operation, improvement of management level and prevention of business risks.

Money Market Activities

In 2011, interest rate in the money market first increased and then declined, yet with an overall level higher than that in the previous year. Leveraging on its dominant position in the money market and advantages in customer resources, the Bank strengthened capital operation and improved capital efficiency. When the liquidity was tight, the Bank optimized financing strategies and arranged reasonable financing terms based on prediction on the market trends, hence ensuring the maintenance of liquidity and supporting the development of assets operation. The Bank adopted flexible positions in the market and seized opportunities to lend funds, so as to improve the lending yield. In 2011, domestic operations of the Bank traded RMB16.63 trillion, of which lending amounted to RMB8.20 trillion, taking first place in the market in terms of trading amount.

In respect of foreign currencies, there had been a continuing shortage of foreign exchange funds at home and abroad. The Bank strengthened the position management for foreign exchange funds, arranged term structure rationally to ensure the sufficient supply of foreign exchange payment and improve the yield of such funds. The Bank closely observed market developments and selected counterparties prudently to mitigate credit risk. In 2011, the Bank's foreign currency transaction volume in money markets amounted to USD409.2 billion.

Trading Book Business

In 2011, indicators in the RMB bond market witnessed an upturn among fluctuations. Under the strategies of duration control and flexible positions, and based on trends in the interest rate market, the Bank adjusted positions flexibly, controlled the duration of bond portfolio, and adopted day-time interest arbitrage to increase the trading return. The Bank actively performed its duties as a market maker, enhanced the pricing level and effectively controlled market risk, consolidating its market standing. The Bank expanded channels for bond transactions, increased transaction types, and successfully entered into the exchange bond market. In the year, the transaction volume of RMB bonds in trading book was RMB569.2 billion and the transaction volume on counter-based book-entry treasury bonds stood at RMB1.5 billion.

In respect of foreign currencies, the yields on government bonds of major developed economies were volatile and dropped substantially. The Bank arranged the positions of all terms and strictly controlled trading risk. It conducted short-term trading of US government bonds, with an aggregate transaction volume amounting to USD5.4 billion.

Banking Book Investment

In 2011, the yield curve of RMB bonds showed remarkable changes in different stages, and represented an overall sharp downturn. The Bank stepped up efforts in interest rate risk prevention and grasped trends in the market to constantly optimize the portfolio structure. It reasonably arranged investment and input more funds when the yield showed an upward trend. Through dynamic control of durations of new investments, the Bank mainly invested in short-term bonds and bonds with floating interest rate in the first half of the year when the interest rate was volatile and gradually increasing, and invested heavily in medium and long-term bonds in the second half of the year when the market interest rate gradually reached its peak. The Bank increased investment in policy financial bonds, local government bonds distributed by MOF on an agency basis and quality commercial papers to increase investment returns.

In respect of foreign currencies, the sovereign debt crisis in Europe gave rise to turbulence and volatility in international financial markets. The Bank kept close track of market developments and adopted flexible positions in the market to improve yield on investment portfolio. It proactively controlled the duration of investment portfolio, and seized good opportunities to dispose of some higher-risk foreign currency bonds to maintain the diversity of investment currencies and to enhance portfolio security.

Franchise Treasury Business

As the London Trading Center of the Bank was put into operation, the trading centers in Beijing, New York and London and the 24-hour global trading system was completed, which contributed to the considerable enhancement of the capabilities for franchise account precious metals and foreign exchange trading. Grasping opportunities brought by more flexible RMB exchange rates, the Bank increased the promotion of foreign exchange purchase and sales and foreign exchange hedging derivatives, and increased currency types of foreign exchange purchase and sales to satisfy the demands for foreign exchange risk hedging of customers. In 2011, the volume of agency foreign exchange purchase and sales and foreign exchange trading amounted to USD565.9 billion, representing an increase of 55.5% compared to the previous year. In addition, the Bank made steady progress in structured deposits in local and foreign currencies, and increased the promotion of standard hedging exchange rate and interest rate risk management products, hence enriching the product line and expanding the customer scale. The transaction volume of structured derivatives for customers reached USD106.7 billion during the year, representing an increase of 49.2% from the end of the previous year.

Distribution Channels

Domestic Branch Network

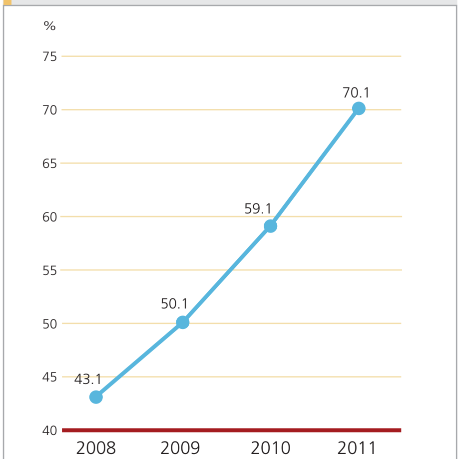
In 2011, the Bank pushed forward the optimization project for institution network to optimize the network layout and adjust the functions of business outlets. It expanded channels and network in fast developing new urban areas and counties. About 60% of the newly constructed outlets were located in counties, and 39 sub-branches were set up in counties where the Bank had no branches. The Bank stepped up the reconstruction of outlets with small business area, few employees and low performance, and adjusted 634 outlets with low efficiency, thereby effectively improving the service capabilities of outlets. The Bank strengthened the distribution of physical outlets and self-service banking outlets by building 1,292 independent self-service banking outlets, enhancing the service level of self-service channels.

At the end of 2011, the Bank had 16,648 domestic institutions, including the Head Office, 31 tier-1 branches, five branches directly controlled by the Head Office, 26 banking offices of tier-1 branches, 396 tier-2 branches, 3,076 tier-1 sub-branches, 13,075 front line business outlets, 34 institutions directly controlled by the Head Office and their branch offices, and four majority controlling subsidiaries.

E-banking

Centering on the business operation transformation, the Bank intensified the researches on new technologies and new demands of E-banking, expanded new business fields, and enhanced the functions of E-banking as a comprehensive platform integrating trading, marketing and services. The Bank intensified product innovation, introduced over 50 new products, and improved and optimized the functions of nearly 200 existing products in the year, remarkably enhancing its customer service level and consolidating its leading position among peers. The Bank launched several large-scale themed marketing events, promoted the sub-brand of "ICBC Mobile Banking", and constantly enhanced the influence of its E-banking services in the market, which drove the stable growth in its customer base and business volume. In 2011, the transaction volume of E-banking increased by 25.5% when compared to the previous year. The number of E-banking transactions accounted for 70.1% of total transactions of the Bank, representing an increase of 11 percentage points from the previous year, further enhanced the role of E-banking as a transaction channel.

Proportion of E-banking Business



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

◆ *Internet Banking*

The Bank continued its efforts in the innovation and application of internet banking products, launched innovative products such as iPad personal internet banking, personalization of personal internet banking feature version, corporate internet banking industry version and ICBC e-payment, and improved the functions of such products as the corporate internet banking VIP room and ICBC Messaging. The Bank also launched the new version of Internet Banking Assistant to facilitate the installation and use of USB-Shield driver and Security ActiveX by customers. The Bank delivered all-round internet ticketing service scheme to the Ministry of Railways, made online ticket sales and payment via ICBC internet banking possible.

At the end of 2011, the number of the Bank's corporate and personal internet banking customers increased by 18.8% and 22.8% from the end of the previous year, respectively. The annual volume of corporate and personal internet banking transactions increased by 26.6% and 25.6%, respectively. The Bank was awarded the "Best Internet Banking in China" by *The Asian Banker*.

◆ *Telephone Banking*

The Bank introduced the functions of automatic voice identification for telephone banking to make the operation more convenient and enhanced the business efficiency and customer satisfaction. The Bank standardized the telephone banking service procedures, improved the solution and feedback mechanism for problems frequently complained by customers, and enhanced the service level of telephone banking. The Bank expanded SMS customer service and online customer service to broaden its service channels. As the E-banking Center (Guangzhou) was open for operation, a service support pattern consisting of four E-banking centers in Chengdu, Hefei, Shijiazhuang and Guangzhou was put in place, further enhancing the service capabilities of telephone banking.

◆ *Mobile Banking*

The Bank accelerated the innovation of mobile financial products, and built the "ICBC Mobile Banking" sub-brand for mobile financial products of WAP Mobile Banking, iPhone Mobile Banking, Android Mobile Banking, SMS Mobile Banking and iPad Personal Internet Banking, offering diverse mobile financial services for customers including account enquiry, transfer, bill payment, precious metal trading, wealth management products and foreign exchange trading. At the end of 2011, the number and transaction volume of mobile banking customers increased by 63.3% and 261.0%, respectively, from the end of the previous year.

◆ *Self-service Banking*

The Bank accelerated the installation of self-service equipment, and installed more of such equipment in commodity trading markets and key counties. It also optimized the Multimedia Self-service Terminals processing procedures and increased the business functions. The Bank also increased advertising on the functions of self-service equipment as well as the customer diversion and guidance for counter-based businesses to raise the efficiency of self-service equipment. At the end of 2011, the Bank owned 13,772 self-service banking outlets, representing an increase of 20.7% from the end of the previous year, and 59,140 ATMs, up 21.6%. The volume of ATM transactions amounted to RMB4,863.4 billion, up 44.1%.

Year of Process Reform and Service Enhancement

In 2011, the Bank carried out the "Year for Process Reform and Service Enhancement" campaign and pushed forward various services in a coordinated manner, achieving good progress in service enhancement.

Process reengineering and optimization were implemented across departments, institutions, platforms and businesses, resulting in the effective promotion of outlet operating efficiency and service efficiency as well as the reduction of average processing time by 20%. Design and R&D of new procedures for centralized processing of 37 categories totaling 135 varieties were completed, and centralized business processing mode was promoted in an all-around manner, preliminarily establishing a new business operating pattern with complete acceptance at outlets and centralized processing in center. 21 of R&D principal process optimization projects were accomplished to achieve accurate customer identification and layered service. Moreover, 340 problems affecting customer experience and employee experience which were reported as more significant at counters were solved, notably improving customer and teller experience.

Focusing on the improvement of service style, enhancement of service quality and providing solution for significant issues, the Bank took multiple measures to strengthen the atmosphere of striving for best for the outlet services and improve service consciousness, service efficiency, service capability and service style. The Bank also accelerated service standardization, mapped out modern commercial bank service framework in new era, strengthened the promotion of the service standards and guidelines of business outlets, and boosted the service standardization level of the business outlets. 17 outlets of the Bank won the honorary titles of "100 Model Entities with Civilized and Normative Service of the Chinese Banking Industry in 2011" by China Banking Association, ranking top in terms of number of outlets among its peers in the banking industry.

Through construction, relocation and renovation, optimization and adjustment of outlets as well as other methods, the Bank facilitated outlet layout optimization and ameliorated outlet service features, forming a tiered outlet service system with business type classification, customer layering and service divisions. The Bank also expanded the extent and depth of electronic channel application, reinforced the operation and maintenance of self-service equipment and lifted the speed and convenience of self-service. Practicing the State's policy of supporting the development of small and micro enterprises, the Bank constantly improved the financial service for such enterprises and played the role of supporting and boosting the economic and social development. Moreover, the Bank extended the application of innovative results into service area, becoming a bank with the most product types and complete categories. The Bank actively promote the protection of consumer rights and interests and carried out the activity of "Journey for Spreading Financial Knowledge" to popularize modern financial knowledge and cultivate rational financial consumption concept.

Internationalized and Diversified Operation

Implementing internationalized and diversified operation strategy

In 2011, the Bank continued to steadily carry forward the development of its internationalized and diversified operation and basically set up a cross-market operation layout focusing on commercial banks, attributable to its internationalized and diversified operation, synergy and profitability which were able to elevate continuously. Seizing the historic opportunity of RMB internationalization and Chinese enterprises "Going Global" and relying on the integrated development mechanism of the Group's domestic and overseas businesses, applying its overall advantage in scale, technology and institutional license, combined with features of local markets, the Bank implemented the differentiated management of "one policy for one institution" in overseas institutions, drove the progress of localization and entered into the main stream market, gradually building a sustainable development mode for overseas institutions and enhancing their operational management and profitability. The Bank expanded the network layout of overseas institutions in a reasonable manner, extended coverage in overseas operation and proactively advanced the extension of tier-2 network of overseas institutions by continuously insisting on both self-establishment and strategic acquisition (both physical outlets and electronic channels), a global service network has been basically established. The Bank also accelerated the construction of global product lines, extended domestic key product lines to overseas through building a globally integrated technology platform, continuously enriching business area and expanding customer base, and sped up the cross-border RMB business development. Furthermore, the Bank intensified multinational operation and cross-border risk prevention and control and constantly improved the vertical and independent matrix risk management framework. The Bank also reinforced human resources allocation and cultivation and reserve of international talents and promoted the corporate culture cultivation of the Group.

Operating results for the reporting period

At the end of the reporting period, total assets of the Bank's overseas institutions (including overseas branches, overseas subsidiaries and investments in Standard Bank) of the Bank were USD124,729 million, representing an increase of USD49,002 million or 64.7% from the end of the previous year, and they accounted for 5.1% of the Group's total assets, representing an increase of 1.4 percentage points. Total loans amounted to USD65,525 million, representing an increase of USD21,088 million or 47.5%, and total deposits were USD49,134 million, representing an increase of USD13,376 million or 37.4%. Profit before tax during the reporting period was USD1,373 million, representing an increase of 15.9% from the previous year.

MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

	Assets (in USD millions)		Profit before tax (in USD millions)		Number of institutions	
Item	At the end of 2011	At the end of 2010	2011	2010	At the end of 2011	At the end of 2010
Hong Kong and Macau	69,035	48,411	679	658	150	126
Asia-Pacific region (except Hong Kong and Macau)	23,753	13,568	187	117	65	56
Europe	14,324	6,216	86	56	13	12
America	21,976	6,592	46	33	10	9
Africa[(1)]	5,122	5,971	375	321	1	—
Eliminations	(9,481)	(5,031)				
Total	**124,729**	**75,727**	**1,373**	**1,185**	**239**	**203**

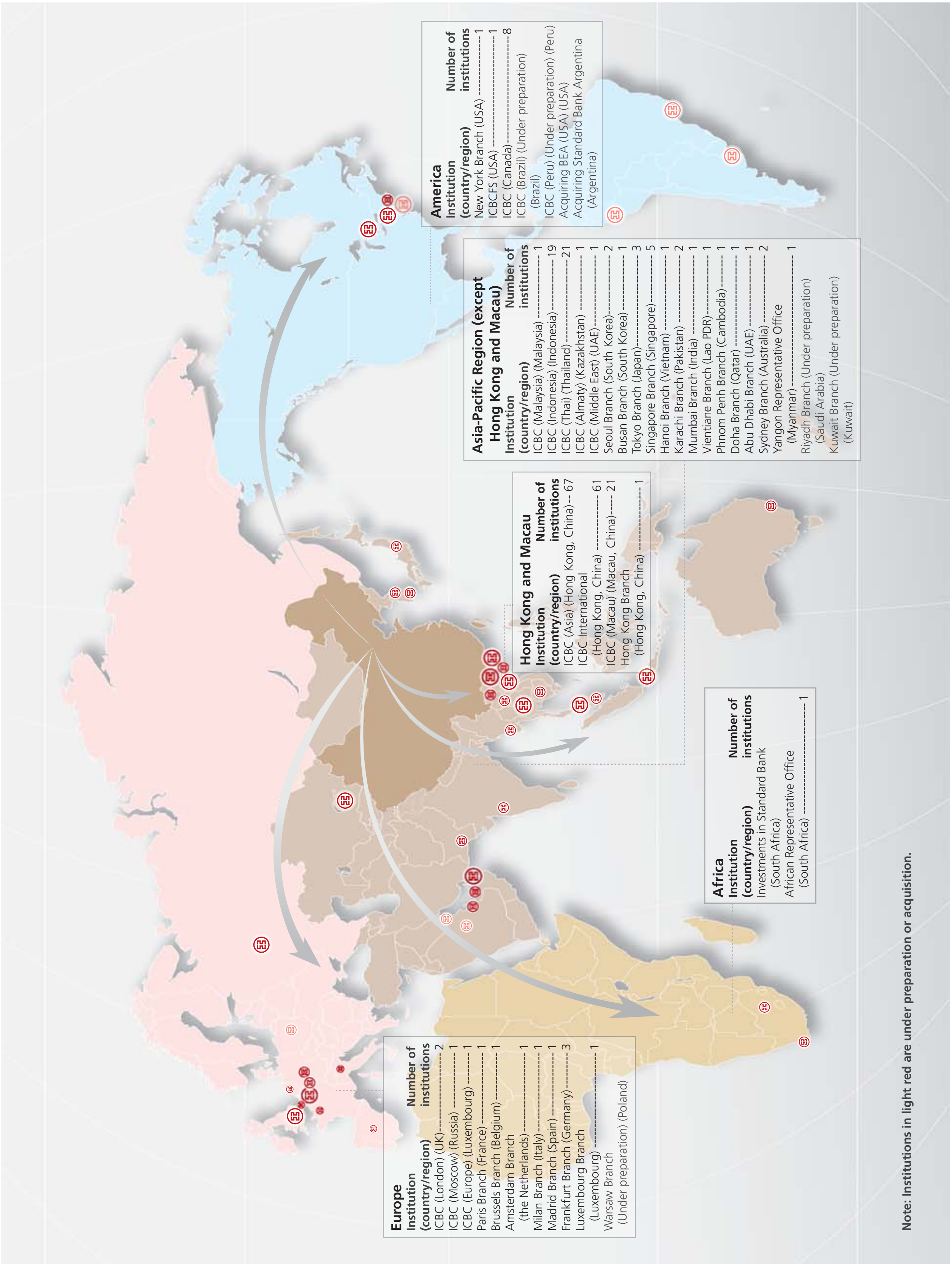
Note: (1) The assets represent the balance of the Bank's investment in Standard Bank and the profit before tax represents the Bank's gain on investment recognized by the Bank during the reporting period.

Network Layout of Overseas Institutions

The pace of establishment and merger & acquisition of overseas institutions was further accelerated. Five institutions under ICBC (Europe), namely Paris Branch, Brussels Branch, Amsterdam Branch, Milan Branch and Madrid Branch, Pakistan institutions (i.e., Karachi Branch and Islamabad Branch), Mumbai Branch, Phnom Penh Branch, Vientiane Branch, Yangon Representative Office and African Representative Office opened for operation. Overseas institutions in Brazil, Peru, Riyadh, Kuwait and Warsaw have been steadily undergoing the approval process. The Bank signed a transaction agreement regarding the acquisition of shares of The Bank of East Asia (U.S.A.) N. A., and signed a memorandum of agreement with respect to the acquisition of shares of Standard Bank Argentina S.A. The two projects have been approved by CBRC, and overseas regulatory approvals are progressing smoothly. The Bank also completed the voluntary delisting tender offer for ICBC (Thai) and the exercise of call option of ICBC (Canada). Tier-2 network construction in countries and regions including Canada, Germany, Macau and Indonesia was also accelerated.

At the end of 2011, the Bank had 239 overseas institutions in 33 countries and regions, and established correspondent banking relationship with 1,553 overseas banking institutions in 136 countries and regions, covering five continents in Asia, Africa, Europe, America and Australia as well as major international financial centers. A global financial service platform with diversified channels, well-defined layout, reasonable positioning and efficient operation has been basically established.

DISTRIBUTION MAP OF OVERSEAS INSTITUTIONS



Europe

Institution (country/region)	Number of institutions
ICBC (London) (UK)	2
ICBC (Moscow) (Russia)	1
ICBC (Europe) (Luxembourg)	1
Paris Branch (France)	1
Brussels Branch (Belgium)	1
Amsterdam Branch (the Netherlands)	1
Milan Branch (Italy)	1
Madrid Branch (Spain)	1
Frankfurt Branch (Germany)	3
Luxembourg Branch (Luxembourg)	1
Warsaw Branch (Under preparation) (Poland)	

Africa

Institution (country/region)	Number of institutions
Investments in Standard Bank (South Africa)	
African Representative Office (South Africa)	1

Hong Kong and Macau

Institution (country/region)	Number of institutions
ICBC (Asia) (Hong Kong, China)	67
ICBC International (Hong Kong, China)	61
ICBC (Macau) (Macau, China)	21
Hong Kong Branch (Hong Kong, China)	1

Asia-Pacific Region (except Hong Kong and Macau)

Institution (country/region)	Number of institutions
ICBC (Malaysia) (Malaysia)	1
ICBC (Indonesia) (Indonesia)	19
ICBC (Thai) (Thailand)	21
ICBC (Almaty) (Kazakhstan)	1
ICBC (Middle East) (UAE)	1
Seoul Branch (South Korea)	2
Busan Branch (South Korea)	1
Tokyo Branch (Japan)	3
Singapore Branch (Singapore)	5
Hanoi Branch (Vietnam)	1
Karachi Branch (Pakistan)	2
Mumbai Branch (India)	1
Vientiane Branch (Lao PDR)	1
Phnom Penh Branch (Cambodia)	1
Doha Branch (Qatar)	1
Abu Dhabi Branch (UAE)	1
Sydney Branch (Australia)	2
Yangon Representative Office (Myanmar)	1
Riyadh Branch (Under preparation) (Saudi Arabia)	
Kuwait Branch (Under preparation) (Kuwait)	

America

Institution (country/region)	Number of institutions
New York Branch (USA)	1
ICBCFS (USA)	1
ICBC (Canada)	8
ICBC (Brazil) (Under preparation) (Brazil)	
ICBC (Peru) (Under preparation) (Peru)	
Acquiring BEA (USA) (USA)	
Acquiring Standard Bank Argentina (Argentina)	

Note: Institutions in light red are under preparation or acquisition.

Business Overview of Global Key Product Lines

While continuously expanded the network layout of overseas institutions, the Bank relied on the advantages of its comprehensive business processing system of foreign institutions (FOVA) and multi-licensed overseas institutions, and proactively carried forward overseas product innovation accommodating to the needs of enterprises "Going Global". The Bank was committed to building global key product lines including retail banking, bank cards, E-banking, clearing, specialized financing, global cash management, investment banking, asset management, trade finance and cross-border RMB business. It reinforced product innovation, continuously broadened various business areas, consolidated and enlarged customer base, and preliminarily formed a globalized and full-functional service chain which followed cross-border customers.

◆ *Retail Banking*

The Bank initially set up a cross-border personal financial service platform to strengthen the coordination between domestic and overseas institutions, to emphasize the business development of cross-border customers such as dispatched employees from Chinese-funded enterprises, and to intensify the combined sales of linked products, rendering a package of financial services including ICBC exchange, witnessing for overseas account opening and provision of loans for overseas study for customers. At the end of 2011, overseas institutions had a total of 555 thousands personal customers, representing an increase of 233 thousands personal customers as compared with last year.

◆ *Bank Cards*

The Bank issued overseas ICBC UnionPay Dual Currency Credit Card and ICBC UnionPay Quick Pass Card, which further enriched its overseas bank card mix; founded the telephone service center for its overseas bank cards; accepted overseas installment payment for domestic credit card in Hong Kong and Macau; extended acquiring service for UnionPay Quick Pass card in Macau; boosted the qualification requirement with respect to application of international card membership for overseas institutions; and deepened the global network cooperation with China UnionPay. At the end of 2011, the Bank issued 240 thousands credit cards abroad, representing an increase of 61 thousands cards over the end of last year; the Bank issued 143 thousands debit cards overseas, representing an increase of 47 thousands cards over the end of last year; and the annual consumption amount of bank cards amounted to USD290 million.

◆ *E-banking*

The Bank carried forward E-banking channel building, launched the Interactive Voice Response (IVR) system for overseas telephone banking and established the E-banking Center (Guangzhou) to receive business enquiries from overseas customers on a centralized basis. Additionally, the Bank enriched the language versions for its internet banking and improved product functions of its overseas personal internet banking and corporate internet banking. At the end of 2011, 22 overseas institutions launched the Bank's internet banking service, 11 overseas institutions launched the Bank's telephone banking service, personal internet banking customers of overseas institutions increased by 51.5% as compared with the end of the previous year and corporate customers increased by 30.5% as compared with the end of last year.

◆ *Clearing*

The Bank set up the cross-border USD, EUR and JPY clearing centers, resulting in the steady growth of overseas clearing business. Head Office clearing center was launched to act as agent for USD clearing business of the New York Branch, enhancing the handling efficiency of USD clearing business. A global capital transaction system was constructed on the basis of overseas clearing centers. In addition, the Bank boosted the centralized management reform of financial market business in overseas institutions, raised capital operating efficiency and effectiveness and reinforced risk prevention and control capability of the financial market business.

◆ *Specialized Financing*

Through various business modes innovation, the Bank proactively supported the "Going Global" efforts of Chinese-funded enterprises, and signed memorandums of understanding for "Going Global" projects such as China-Indonesia industrial cooperation and buyer's credit financing for Ukrainian animal husbandry production base project. By virtue of the integrated financial service combining overseas project loans and acquisition financial consultation, the Bank successfully won the bid in relation to the merger of Weichai Group and Italy Ferretti Group, the acquisition of Energias de Portugal by Three Gorges Corporation and other projects. By the end of 2011, the Bank's loans supporting projects of Chinese-funded enterprises "Going Global" exceeded USD10.0 billion.

◆ *Global Cash Management*

By means of establishing the Asia-Pacific cash management center and the China-Africa cash management framework, the Bank has set up a three-tier service system consisting of the Head Office, regional centers and overseas institutions to comprehensively elevate the business development and supporting capability in the Asia-Pacific and African markets. The Bank also accelerated the network construction of overseas partner banks to effectively expand its service radius. As at the end of 2011, the Bank's global cash management business expanded to over 40 countries and regions, and its customers reached up to 2,232, representing an increase of 1,190 customers or 114.2% as compared to last year.

◆ *Investment Banking*

A pattern of coordinated development of investment banking businesses has been formed to primarily carry out cross-border acquisition business. By means of domestic guarantee for overseas loans, acquisition of loans, cross-border syndications and other instruments, the Bank lifted the merger financing arrangement capability, completed major cross-border merger projects including the acquisition of domestic power plant by Golden Concord Holdings Limited and the merger and acquisition by Shanxi TZ Coal Mine Whole-set Equipment Co., Ltd. in Australia, acted as the global coordinator, merger financial adviser and syndicated loan lead manager for the significant overseas merger project of Jinjiang International (Group) Co., Ltd.. ICBC International proactively explored the debt financing market in Hong Kong, and the offshore RMB bond issue that it participated in ranked top in many aspects in the market, which assisted customers in raising funds of RMB11.0 billion and USD3.5 billion.

◆ *Asset Management*

To satisfy the customer demand for global asset allocation, the Bank strengthened the coordination between domestic and overseas institutions, continuously enhanced the management innovation ability and investment level of overseas assets, and launched a series of innovative products including the first type of overseas unlisted equity involving convertible oriented wealth management products, the enhanced equity index fund (QDII) products invested in global market, the overseas IPO special wealth management products and the offshore RMB funds, promoting the international financial service level. Moreover, the Bank realized the overseas sales of physical precious metal products and launched the agency gold contract transaction business of Hong Kong Mercantile Exchange. As at the end of 2011, the balance of wealth management products issued by overseas institutions were USD715 million and the amount of precious metals sold were 458 kilos.

- *Trade Finance*

Through joint product innovation by domestic and overseas institutions, the Bank established a trade finance service system covering upstream and downstream industry chain and transaction chain of cross-border customers. The Bank achieved the complete centralization of document business of overseas institutions by international document center, which further improved the business centralization level. In 2011, overseas institutions handled international settlement of USD457,968 million, representing an increase of USD175,874 million or 62.3%, as compared to the previous year.

- *Cross-border RMB business*

Seizing the opportunity of RMB internationalization and depending on the domestic RMB business and the FOVA advantage, the Bank established a RMB product system and business operating system with full-coverage and cross-border linkage, and the business scope covered settlement, financing, treasury operations, debenture underwriting agency and other areas. Besides, the Bank completed the first cross-border RMB lease and the underwriting and issue of the first Taiwan-funded enterprise RMB bonds in Hong Kong. The Bank's Singapore Branch has set up a RMB business center, the only one in the local area, and the "China-ASEAN RMB Cross-border Clearing (Settlement) Center (Nanning)" of the Guangxi Branch was officially established and the pilot scheme of Renminbi against Vietnamese dong listed for trading has officially started. In 2011, cross-border RMB business amounted to nearly RMB1 trillion, accumulating 276 cross-border RMB inter-bank current accounts, and the clearing network spread to 55 countries and regions around the world.

Risk Management

The Bank strived to establish a globally unified corporate risk management system to promote the coordination and balance between the Group's business development and risk control. In 2011, the Bank further perfected the consolidated management of the Group's credit risk, intensified authorization control, improved credit approval process of overseas institutions, implemented global credit line system, and reinforced the exchange and direction for overseas business credit approval, established a unified internal rating system at home and abroad. The Bank further reinforced the consolidated management of market risk and consolidated accounts, enhanced the Group's market risk report and limit management system, exploited global market risk management (GMRM) system on its own and successfully launched the first overseas extended version. By comprehensively applying methods such as capital increase and self-financing, the Bank was able to enhance the capital strength of overseas institutions and expand its capital resources. The operational risk monitoring, significant reporting and collection of loss data on operational risk events have already extended to all overseas institutions. In addition, the Bank further improved the country risk management system, and realized the centralized risk management at the group level. The Bank also strictly prevented against merger risk, set up a strategic merger risk control system based on the corporate governance framework of "the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management" and capital management, and formed the approval mechanism for the purchase and exit of equity holding.

Information Technology

The Bank is committed to carry forward FOVA construction and promotion, the number of overseas institutions which have FOVA amounted to 34, they continued to optimize system framework and functions, enrich product system and elevate service capability. The Bank achieved FOVA classification management and put into operation by area, built feature business platform of overseas institutions, and accelerated the localized innovation of overseas institutions while providing standardized service. Relying on FOVA, specialized platforms including Global Credit Management System (GCMS), global cash management system, overseas document system, financial market business management platform, integrated anti-money laundering system at home and abroad, overseas statement system, overseas credit card and E-banking were boosted in an all-around manner, and the building of an integrated global technology platform gained a new leap.

Human Resources

The Bank strengthened the comprehensive management on controlled institutions, set up offices of the Board of Directors and the Board of Supervisors in subsidiaries as directed by the Group to improve the management system of specially dispatched directors and supervisors. The Bank established a complete remuneration management mechanism of overseas institutions and controlled companies to drive the remuneration management system building of the overseas institutions. The Bank enriched the selection approach for dispatched staff and reinforced the international talent allocation. The Bank also strengthened the international talent cultivation and reserves, started the internationalized talent training project comprehensively, and adopted the method of theoretical study combining with work practice. The Bank selected and sent 200 persons each year to attend systematic training for one year at international famous colleges, financial institutions and transnational enterprises, reserving a batch of high quality talents for international development. Additionally, the Bank proactively promoted training, communication and cultural fusion of domestic and overseas employees, held the selection and awarding activity for honored global employees for the first time and domestic training classes for global employees, and carried forward the integrated progress of domestic and overseas talent cultivation and business development.

Controlled Subsidiaries and Major Equity Participating Company

- *Overseas Subsidiaries*

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

ICBC (Asia) is a wholly owned Hong Kong registered bank by ICBC, and has an issued share capital of HKD3,463 million. It renders comprehensive commercial banking services, which covers commercial credit, trade finance, investment service, retail banking, E-banking, custody, credit card and receiving bank services for IPOs and dividend distribution. At the end of 2011, ICBC (Asia) recorded total assets of USD52,113 million, and net assets of USD3,731 million. It generated a net profit of USD406 million during the year.

ICBC INTERNATIONAL HOLDINGS LIMITED

ICBC International, a wholly-owned subsidiary of the Bank as well as a full-licensed investment bank in Hong Kong, has a paid-up capital of HKD4,839 million. ICBC International renders a variety of investment banking services, including listing sponsor and underwriting, equity financing, bond financing, direct investment, securities brokerage and fund management. At the end of 2011, it recorded total assets of USD868 million and net assets of USD747 million. It generated a net profit of USD13.70 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MACAU) LIMITED

ICBC (Macau) is the largest local legal banking entity and the second largest commercial bank in Macau. It has a registered capital of MOP461 million, in which the Bank holds an 89.33% stake. ICBC (Macau) mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. At the end of 2011, it recorded total assets of USD11,081 million and net assets of USD909 million. It generated a net profit of USD111 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD

ICBC (Malaysia) is a wholly-owned subsidiary of the Bank established in Malaysia. With a registered capital of MYR331 million, it is able to provide a full range of commercial banking services. At the end of 2011, ICBC (Malaysia) recorded total assets of USD541 million and net assets of USD108 million. It generated a net profit of USD3.66 million during the year.

PT. BANK ICBC INDONESIA

ICBC (Indonesia) is a full-licensed commercial banking subsidiary registered in Indonesia, with paid-up capital of IDR1.5 trillion, in which ICBC holds a 97.5% stake. ICBC (Indonesia) mainly provides financial services such as deposit, loan and trade finance, settlement, agency services, inter-bank borrowing and lending and foreign exchange. At the end of 2011, ICBC (Indonesia) recorded total assets of USD1,853 million and net assets of USD182 million. It generated a net profit of USD7.98 million during the year.

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

ICBC (Thai), a subsidiary of the Bank, has a registered capital of THB15,905 million, in which the Bank holds a 97.7% stake. ICBC (Thai) holds a comprehensive banking license and provides various services including deposit, loan, trade finance, remittance, settlement, leasing and consulting. At the end of 2011, ICBC (Thai) recorded total assets of USD2,843 million and net assets of USD437 million. It generated a net profit of USD19.13 million during the year.

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

ICBC (Almaty), a wholly-owned subsidiary of the Bank, was incorporated in Kazakhstan with a registered capital of KZT8,933 million. It principally engages in commercial banking services such as deposit, loan, international settlement, trade finance, foreign currency exchange, guarantee and account management. At the end of 2011, ICBC (Almaty) recorded total assets of USD205 million and net assets of USD73.81 million. It generated a net profit of USD2.55 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MIDDLE EAST) LIMITED

ICBC (Middle East), a wholly-owned subsidiary of the Bank, was incorporated in United Arab Emirates with a registered capital of USD50.00 million. Its scope of business covers investment banking and commercial banking businesses. At the end of 2011, ICBC (Middle East) recorded total assets of USD288 million and net assets of USD61.27 million. It generated a net profit of USD5.27 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA, (LONDON) LIMITED

ICBC (London), a wholly-owned subsidiary of the Bank, was incorporated in the United Kingdom with a registered capital of USD200 million. It provides a full spectrum of banking services such as exchange and remittance, loan, trade finance, international settlement, funds clearing, agency and custody. At the end of 2011, ICBC (London) recorded total assets of USD2,510 million and net assets of USD240 million. It generated a net profit of USD17.14 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A.

ICBC (Europe), a wholly-owned subsidiary of the Bank, was incorporated in Luxembourg with a registered capital of EUR115 million. Paris Branch, Amsterdam Branch, Brussels Branch, Milan Branch and Madrid Branch are structured under ICBC (Europe), which mainly offers commercial banking services such as retail banking, franchise wealth management, treasury operations and credits. At the end of 2011, ICBC (Europe) recorded total assets of USD3,265 million and net assets of USD157 million. It generated a net profit of USD14.05 million during the year.

ZAO INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MOSCOW)

ICBC (Moscow), a wholly-owned subsidiary of the Bank, was incorporated in Russia with a registered capital of RUB1,000 million. It principally provides a full spectrum of corporate banking services, which mainly include loan, settlement, trade finance, deposit, foreign currency exchange, franchise treasury business, global cash management and corporate financial consulting as well as remittance for natural persons without account. ICBC (Moscow) is ruble clearing bank for RMB trading against ruble on China Foreign Exchange Trade System, important market maker and RMB clearing bank for RMB trading against ruble on MICEX-RTS. At the end of 2011, ICBC (Moscow) recorded total assets of USD251 million and net assets of USD33.56 million. It generated a net profit of USD1.96 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

ICBC (Canada) is a subsidiary of the Bank in Canada with a registered capital of CAD83.00 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license, ICBC (Canada) provides various corporate and retail banking services such as deposit, loan, settlement remittance, trade finance, foreign exchange trading, funds clearing, RMB cross-border settlement, RMB currency notes, cash management, E-banking, bank card service and investment and financing information consulting. At the end of 2011, ICBC (Canada) recorded total assets of USD634 million and net assets of USD93.85 million. It generated a net profit of USD2.65 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC

ICBCFS, as a wholly-owned subsidiary of the Bank in America, has a registered capital of USD50.00 million. It mainly engages in securities clearing business in Europe and America, and offers professional banking services including securities clearing, settlement and financing, accounting and transaction statement in European and American markets for institutional customers. At the end of 2011, ICBCFS recorded total assets of USD19,198 million and net assets of USD60.92 million. It generated a net profit of USD4.35 million during the year.

◆ *Domestic Subsidiaries*

ICBC CREDIT SUISSE ASSET MANAGEMENT CO., LTD.

ICBC Credit Suisse Asset Management, a subsidiary of the Bank, has a registered capital of RMB200 million, in which the Bank holds an 80% stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by CSRC, and owns many business qualifications including mutual fund, QDII, enterprise annuity, specific asset management and domestic investment manager of social security fund. In 2011, ICBC Credit Suisse Asset Management successfully set up Hong Kong subsidiary to proactively expand its international business. It won the "Gold Fund – Corporate Award for Return from Bond Investment" by *Shanghai Securities News*. At the end of 2011, it managed a total of 21 mutual funds, and the size of the assets under management amounted to approximately RMB69.0 billion. ICBC Credit Suisse Asset Management recorded total assets of RMB861 million and net assets of RMB694 million, and generated a net profit of RMB179 million during the year.

ICBC FINANCIAL LEASING CO., LTD.

ICBC Leasing, a wholly-owned subsidiary of the Bank, was incorporated in Binhai New Area of Tianjin with a registered capital of RMB5.0 billion. It is the first financial leasing company established by a commercial bank in China approved by CBRC, mainly engages in financial leasing in the fields of aviation, shipping and large-scale equipment and various leasing products, and provides a variety of financial and industrial services including rental assignment, investment funds, securitization of investment assets, assets transactions and management. In 2011, ICBC Leasing won various awards including the "2011 Excellent Competitive Financial Leasing Company" by *China Business*. At the end of 2011, it recorded total assets of RMB83,969 million and net assets of RMB6,840 million, and generated a net profit of RMB865 million during the year.

◆ *Major Equity Participation Company*

STANDARD BANK GROUP LIMITED

Standard Bank is the largest commercial bank in Africa. The Bank holds 20.05% ordinary shares of Standard Bank. The Bank has initiated more than 110 cooperative projects with Standard Bank in terms of corporate business, asset custody, settlement and cash management, information technology and risk management, among which, the total value of the agreements entered between the two banks in relation to financing to Africa amounted to approximately USD7.6 billion. To expand the service channel for economic trades between China and Africa and to deepen the overall strategic cooperation with Standard Bank, the Bank established the African Representative Office in Cape Town, South Africa, which was responsible for onsite coordination and promotion of strategic cooperation as well as development of business opportunities in the African market. At the end of 2011, it recorded total assets of ZAR1,492,829 million and net assets of ZAR117,533 million, and generated a net profit of ZAR15,784 million during the year.

Information Technology and Product Innovation

The Bank always abided by the "technology driven" development strategy, insisted on the principle of independent innovation, vigorously pushed forward the building and application of the system platform, increased product innovation force and reinforced value-creation capability. The Bank continuously improved the level of its IT management and innovation management and provided powerful support for enhancing the Bank's service level, accelerating its operating reform, boosting internationalization process and consolidating risk management. In 2011, the Bank won the award of "Best Data Center Initiative in China" from *The Asian Banker*.

Vigorous Propulsion of System Application Building

The Bank smoothly carried forward the building of generation IV application system (NOVA+), further solidifying its leading strength in technology among domestic peers. In terms of customer service, financial market, bank cards, E-banking and risk management, the Bank launched a large number of basic service platforms and products, and the system functions including bank-wide personal and corporate customer unified evaluation and unified marketing management were further improved. The Bank was one of the first to launch the SMS customer service platform and the interactive platform between telephone banking and customer manager to continuously increase customer service capacity. The Bank also developed risk management systems including internal models approach for measurement of market risk, internal capital adequacy assessment and risk-weighted asset measurement, and continued to boost the promotion, application and framework optimization of FOVA. As a result, the Bank completed the launch of FOVA in nine overseas institutions including ICBC (Canada), and the number of overseas institutions which had launched FOVA reached 34. Moreover, the Bank completed implementation of the application of financial market transaction management platform which, was developed by the Bank independently, in trading centers of New York Branch and ICBC (London), and finished the establishment of a global unified transaction management system for 24-hour continuous treasury operations, exposure management and quotation monitoring. The Bank comprehensively promoted the performance appraisal management system (MOVA), which gradually showed its functions in terms of appraisal evaluation and resource allocation. In 2011, 48 patents of the Bank were authorized by the State Intellectual Property Office, and the total number of patents owned by the Bank increased to 163.

Continuous Deepening in Product and Service Innovation

Focusing on bank-wide transformation, the Bank advanced product innovation in depth, and researched and launched a batch of competitive key products, including warehouse warrant pledge financing of commodity transaction, easy financing, interest rate linked wealth management, oriented investment and dual-directed transaction of Paper Precious Metals, Easy Loan Credit Card, American Express Platinum Card, RMB foreign exchange options, iPhone mobile banking, iPad internet banking, ICBC merchant combination set, physical precious metal and foreign exchange trading by inter-bank cooperation agency and overseas UnionPay dual-currency card. The Bank proactively pushed forward business process comprehensive transformation and product & service mode innovation, which effectively satisfied and guided customers' needs, facilitated the bank-wide adjustment in credit structure, liability structure, income structure, channel structure, customer structure and regional structure, elevated service level and increased competitive development capacity. As at the end of 2011, the Bank had a total of 3,243 products, representing an increase of 15.2% over last year.

Continuous Improvement in Information Technology Management and Innovation Management Level

The Bank's information system generally maintained stable operation throughout 2011, its production operation level and service capability were further lifted, the bank-wide disaster-preparation system and infrastructure construction were further improved, and the information security protection capacity was further intensified. Under the context of continuous growth in the business volume, the bank-wide information system maintained safe and steady operation, the extended area of the Data Center (Shanghai) was officially put into use and the host mode of core system performing in two districts was successfully deployed, for which the Bank was the first among domestic financial peers to achieve the switch and business takeovers among districts without system shut-down. The Bank completed the construction of disaster-preparation machine rooms in 33 tier-1 branches, implemented cross-center multi-location arrangement for personal internet banking. The bank-wide development of a highly available cross-center system and long-distance disaster preparation system has stepped into a new stage. The Bank completed the field disaster switch drill in relation to various business operations in its centralized business operation centers including asset custody, financial market and E-banking, enhancing the continuing operation level of bank-wide relevant business. Furthermore, the Bank formulated the information technology development plan, laying a foundation for building an international first-class IT bank. The Bank set up the risk management strategy of information technology and established the risk monitoring indicator system for information technology. It revised its information technology management regulations and improved technological management system and appraisal management system. The Bank also put into effect all the administrative measures and optimized its technological management process. Technological management was constantly strengthened, and it is further standardized and regularised.

The Bank reinforced market survey, deepened its exploration in customer needs, and boosted pertinent product innovation. It concentrated further on the forward-looking study of product innovation, constantly intensified innovation reserves and promoted its self-dependent innovation and sustainable innovation capability. It also pushed forward standardized management of product design, developed customer experience activity in depth and continuously improved the innovation and R&D quality. The Bank implemented product system optimization and reengineering, increased its product innovation efficiency and provision of service capability through combination and allocation of product elements, rapid launch of new products and custom-tailored products. The Bank also developed product effectiveness evaluation, deepened the assessment on product competitiveness and pushed forward the refinement of product management. It took multiple measures in vigorously intensifying new product promotion, continued to enhance product market performance and increase creativity of product innovation value. The Bank broadly developed a variety of activities for publicity and communication in relation to product innovation, and deepened cooperation of production, study and research to create a good atmosphere for bank-wide joint and opened innovation.

Human Resources Management

Adhering to the concept of people-oriented, service collaboration and scientific management, the Bank continued to deepen its cadre system reform and institutional competitiveness enhancement reform, and place comprehensive reinforcement of employees' work as the focus in order to carry forward leadership building, talent cultivation, remuneration welfare and self development in a collective manner. The Bank has taken new steps in constructing a domestically leading and internationally famous human resources management system with ICBC features. The Bank has also strengthened its corporate culture management, as a result of which, its corporate cultural influence was continuously improved.

Human Resources Management and Incentive and Disciplinary Measures

The Bank organized and convened the bank-wide employees' working conference, set up the concept of "Joint Improvement and Development of ICBC and All ICBC Employees", built employee working policy system in new era and constantly facilitated in-depth development of employee work. The Bank also prepared and implemented the program planning for talent development in the next ten years and the cadre system reform in the next five years and incorporated talent team building and cadre system reform into overall layout of bank-wide strategic development. Focusing on the allocation of expert employees, the Bank sped up the building of hi-end talent teams, implemented general procedures for selection and engagement of senior managers and experienced managers and encouraged employees to establish careers based on their posts. The Bank steadily carried forward the transfer of employment with respect to customer service positions, and a total of 141 thousands employees were transferred to customer service posts, and this has effectively expanded the career development opportunity for front-line employees. Allocation and cultivation reserves for internationalized talent were strengthened to meet the rapid development of overseas institutions on talents. Accommodating to the group-based, internationalized and integrated development needs and regulatory trends at home and abroad, the Bank established the Group's remuneration governance framework, and established and perfected the remuneration management mechanism of overseas and controlled companies. The Bank promoted the in-depth formulation of wage promotion development mechanism for employees, and continuously improved the corporate compensation allocation system centered on job value, capabilities and performance.

Management and Development of Human Resources

Focusing on the consolidation of resource base and taking innovative training method as the starting point and the improvement of training quality as the principal line, the Bank preliminarily established a training system with ICBC features connected to its bank-wide development strategy, adapting to business development and based on job performance. Centering on the training of management personnel, professionals and business personnel and with focus on the training of internationalized talents, professional qualification certification training and on-the-job training of mid-aged employees, the Bank continued to deepen all staff training. During the year, the Bank carried out various trainings, covering 38 thousands sessions for 2.23 million man times, with an average of 8.2 days of training per person. The Bank comprehensively carried forward the building of databases on bases, teachers, teaching materials, cases, test questions and archives, and optimized the training infrastructure and product supply capacity. The Bank upgraded the training channels, lifted the intensity and information-based level of education and training, promoted the development of online university new platform and the examination system, deepened the building of an online imitated bank, and strived to improve the professional and sophisticated level of employee training.

Reform of Head Office and Branches

The Bank set up the executive offices of the Board of Directors and the Board of Supervisors in subsidiaries as directed by the Group to further improve corporate governance structure, strengthen the management on dispatched directors and supervisors and intensify the control force on holding companies. The Bank continued to expand profit center reform scope, and implement profit center reform upon the Corporate Banking Department II (Banking Department) and the Pension Business Department. Hence, the profit centers were increased to six, which generated a profit before tax of RMB47,541 million in 2011. The Bank accelerated the reform of competitiveness system of banking offices of provincial or autonomous regional branches, deeply implemented the reform in county sub-branches, appropriately strengthened resource support force and spurred the operation and development vigor of banking offices of provincial branches and county institutions. The Bank pushed forward the reform on vertical and integrated management system for credit review and approval, and therefore 22 tier-1 branches (directly controlled by the Head Office) realized the vertical and integrated management system for credit review and approval. The Bank established the Asia-Pacific Cash Management Center and the Private Banking Center (Hong Kong) to speed up the development of global cash management, overseas RMB business and overseas private banking business. Additionally, the Bank set up the E-banking Center (Guangzhou) to better render financial service for overseas customers.

Corporate Culture Management

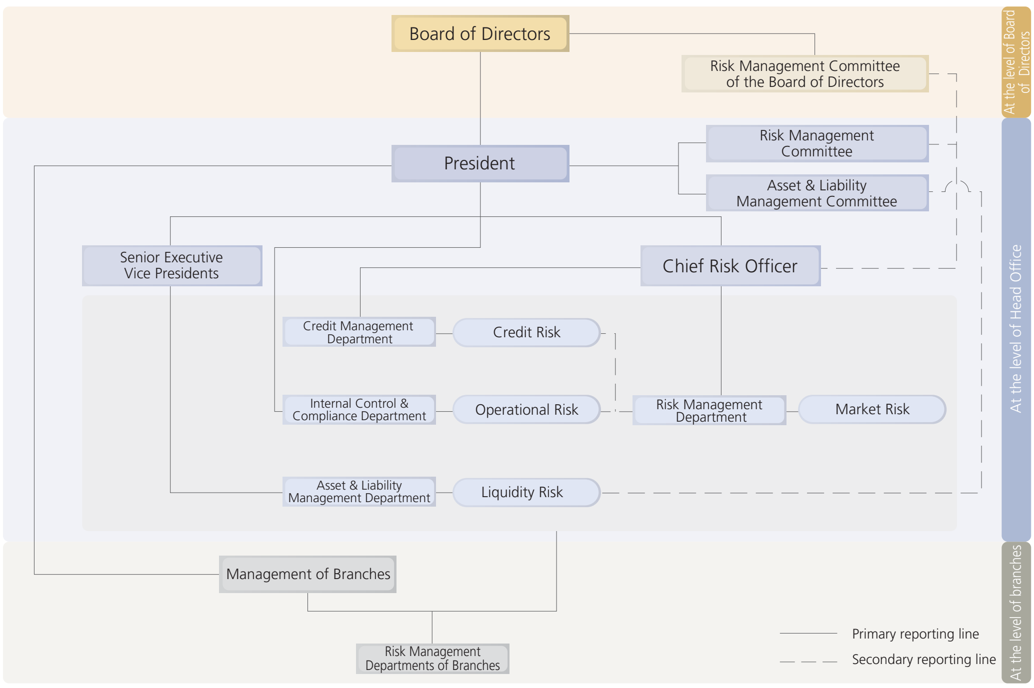
Centering on the bank-wide operation and development, the Bank proactively strengthened the intra-bank spread of corporate culture and instructed employees to establish correct culture orientation and values. Consequently, the Bank's corporate culture cultivation achieved apparent results and the corporate culture influence was constantly enhanced. Through activities such as convening special meetings, launching theme education activities, soliciting corporate culture stories and preparing the Corporate Culture Manual, the Bank accelerated the in-depth dissemination of corporate culture and continuously reinforced cohesion and penetration. The Bank focused on specialized culture and featured culture fostering and elevated the integration of culture and operational management. It established interactive communication platforms for employees, and strengthened humanistic concern and stress release for all employees. It also held "Touching ICBC" Employees (Second) Award Ceremony, set up online study column to guide employees to express their emotions by poetry, prose, cartoon and other ways, and formed strong atmosphere of advance learning, keeping up with typical models and striving to become role models who cherished their work and were devoted to it, turning emotions into practice. In addition, the Bank promoted cultural progress to create a harmonious atmosphere for reform and development, and publicized the ICBC corporate culture by means of media to enhance brand influence. In 2011, ICBC was selected to be the "Top Ten Model Organizations in 30-year Practices of Corporate Culture" by *China Corporate Culture Institute*.

RISK MANAGEMENT

Enterprise Risk Management System

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

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



Note: Substantial risks such as reputational risk have been incorporated into the enterprise risk management framework.

In 2011, the Bank proactively improved the enterprise risk management system, made more effort in the formulation of enterprise risk management regulations, and stepped up the pace in strengthening the risk management capability at the group level. It enhanced the dissemination and execution of risk appetite, regularly inspected and reported the execution of risk appetite, improved a reporting system covering various risks of the Group and established the assessment methods and coverage for major risks. It also defined the governance framework and management flow for internal capital adequacy assessment and regularized the system operation mechanism and reporting mechanism for internal capital adequacy assessment process (ICAAP). Furthermore, the Bank enhanced the country risk management, and improved the country risk system building; strengthened the concentration risk management system, standardized the management flow for concentration risk and achieved the concentration risk management at the group level. Accordingly, the Bank further improved the overall level of its enterprise risk management.

Preparations for the Implementation of the New Capital Accord

Pursuant to the overall planning of CBRC for the implementation of the New Capital Accord and the three pillars of Basel II (minimum capital requirements, supervisory review process and information disclosure) requirement, the Bank continuously strengthened enterprise risk management, kept improving credit risk management, and accelerated the implementation of market risk management. The Bank kept a leading level in operational risk management among peers, implemented prudent liquidity risk management, and steadily pressed ahead with the preparatory work for the implementation of the New Capital Accord with a view to becoming one of the first commercial banks that implement New Capital Accord in China. By the end of 2011, the Bank had basically completed relevant projects under Pillar 1 and Pillar 2 of the New Capital Accord, and started on the active preparation to implement Pillar 3.

◆ *Pillar 1*

In respect of credit risk, the Bank further improved the internal rating system, and kept deepening the application of quantitative results of internal rating to different areas of risk management. The Bank also carried out the measurement validation and optimized the internal rating model in an all-round way to make rating results reflect risk characteristics of credit assets more accurately. Furthermore, the Bank steadily promoted the development and upgrade of related systems, and optimized the rating of the systemized management of the entire process involving the front, middle and back offices; promoted the application of internal rating results and carried out rigid controls of risk-adjusted return on invested capital of each credit business to continuously improve the operating result of the credit business.

In respect of market risk, the Bank continued to promote the establishment of internal model approach (IMA), and has basically built a market risk management system based on IMA implementation. The Bank also improved the internal model measurement method, and set up a market risk limit management system and risk reporting system centering on Value at Risk (VaR) and combing with multiple indicators. Moreover, the Bank used the self-developed global market risk management system (GMRM) to comprehensively enhance the measurement approach and management level of market risk.

In respect of operational risk, the Bank continued to push forward the building of the advanced measurement approach (AMA) for operational risk, and established the AMA system. The Bank completed the development of the AMA model, and set up the AMA information system for operational risk and the data market for operational risk covering all business lines. Besides, the Bank actively boosted the application of project outcomes under AMA, and performed operational risk and control self-assessment (RCSA) and scenario analysis (SA), thus further enhancing the risk forewarning capability of the Bank.

◆ *Pillar 2*

During the reporting period, the Bank completed the internal capital adequacy assessment process (ICAAP), built the assessment system for substantive risks and the integrated stress testing system, and set out risk appetite management system. The Bank also formulated the forecasting methodology compatible with the actual capital adequacy ratio of the Bank, regularized the operating mechanism and reporting mechanism for ICAAP, and realized the comprehensive assessment of all substantive risks of the Bank.

◆ *Pillar 3*

The Bank closely followed the progress of regulatory requirements of CBRC on information disclosure in the New Capital Accord, and made an active effort to prepare for information disclosure under Pillar 3 by referring to the disclosure practices of its international peers.

Credit Risk

Credit Risk Management

The Bank is exposed principally to credit risk. Credit risk is the risk that loss is caused to banking business when the borrower or counterparty fails to meet its contractual obligations. The Bank's credit risks mainly originate from loans, treasury operations (including due from banks, due to banks, reverse repurchase agreements, corporate bonds and financial bonds investment), receivables, off-balance-sheet credit business (including guarantees, commitments and financial derivatives trading), and businesses with capital raising or financing and investment functions which, although do not expose the Bank directly to investment risk or credit risk, and therefore are not categorized as on and off-balance-sheet credit business on the balance sheet, may expose the Bank to passive credit risk in the future. These businesses include wealth management, leading bank, agent trust schemes and other services as well as innovative products with the above characteristics.

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

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

In 2011, in response to the changes in the overall economic environment and financial regulatory requirements, the Bank studied the macroeconomic policy adjustments and market changes in depth, actively satisfied the credit demand of the real economy, adjusted and improved various credit policies in a timely manner, and continued the building of the credit system. The Bank improved the credit policy system, strengthened the adjustment of credit structure, strictly controlled the credit risks of key areas, reinforced credit risk management of institutional customers and off-balance-sheet businesses, improved the consolidated statement management, and accelerated the building of the overseas credit risk management system. The Bank also promoted stringent credit operations flow and compliance management of credit business, strengthened the mechanism for post-lending management, continued to strengthen credit risk monitoring and analysis, and constantly advanced collection and disposal of NPLs, thereby fully enhancing credit risk management.

◆ *Credit Risk Management of Corporate Loans*

- The Bank continued to advance the development of the credit system and further optimized the credit policy system. The Bank formulated and implemented regional credit policies pursuant to the national strategic planning for key regions, in a move to actively support the credit demand arising out of regional development. Subject to regulatory requirements, the Bank continued to intensify the management of "actual lending, actual payment" and "consignment payment", improved the loan payment management system and enhanced the supervision and management of loan payment. The Bank continued to push forward the building of the global credit management system (GCMS) and optimized the functions of the information system.

- The Bank improved industry credit policies and enhanced industry-specific risk management. Subject to the macroeconomic policy and the orientation of the government's industry policy, the Bank timely formulated and adjusted the credit policy for certain industries, further expanded the coverage of industrial credit policies, and enhanced industry classification and limit management. The Bank focused on the adjustment of the credit scale for certain industries with relatively high concentration risk, and actively supported the development of strategic emerging sectors, advanced manufacturing, modern service and cultural industries as well as green industries which support energy saving and environmental protection. The Bank continued to promote the construction of a "green credit" system, strictly controlled lending to industries with high energy consumption, high pollution and over-capacity, and increased its credit support for SMEs.
- The Bank strengthened risk management of loans to local government financial vehicles (LGFVs). The Bank closely followed the relevant regulatory requirements, further clarified the standardization of extending loans to LGFVs, withdrew the approval authority on loans to LGFVs, and strictly controlled new loans to LGFVs. The Bank strengthened the management of the existing LGFVs, checked repayment sources of each customer and each loan, and improved the cash flow coverage level of loans to LGFVs. The Bank also carried out special inspection, took a variety of risk mitigation measures including having effective collaterals and pledges to reduce the risk of loans, increased the effort in loan recovery and transformation upon maturity, and strived to safeguard the credit assets.
- The Bank strengthened risk management of the real estate industry. In response to changes in relevant policies of the government and the real estate market, the Bank adjusted the credit policy for the real estate industry in a timely fashion, further improved the property loan system and enhanced the risk prevention and control capability on property loans. Moreover, the Bank implemented stringent industry limit management and reduced the size of property loans. The Bank strengthened the list-based management of real estate developer, raised entry standards and project conditions for property loan customers, and optimized the credit structure in terms of varieties and regions. The Bank intensified the monitoring and control of existing property loan projects, strictly implemented closed management of property loans, and adopted pertinent measures to mitigate project risks without delay. The Bank also reinforced mortgage management, prudently assessed the value of collaterals, strictly controlled the mortgage ratio, and re-assessed the value of collaterals for existing property loans on a regular basis, in order to safeguard against the risk of loan guarantees.
- The Bank strengthened risk management in relation to trade finance. The Bank appropriately adjusted credit policies and entry criteria for certain businesses and strengthened the dynamic management of core enterprises to prevent fraudulent transactions. The Bank also strengthened its risk monitoring and alert mechanism and gradually improved its data mining and analysis system specific to the characteristics of trade finance business. The Bank also strengthened post-lending management in accordance with the risk characteristics of trade finance business. In addition, the Bank optimized the functions of related business platform systems to strengthen the system-based management of trade finance, further improving the management standard in trade finance business.
- The Bank enhanced risk management of small enterprise loans. The Bank further optimized its credit policies and management mechanism for small enterprise loans, enhanced the management of small enterprise loans with related parties, integrated different models of small enterprise loans, and reinforced its standardized management of credit business. The Bank enhanced its effort on monitoring and analysis of small enterprise loans, closely tracked the risk status of small enterprise credit business and conducted key monitoring and onsite inspections on certain areas where small enterprise loans are concentrated. The

Bank amended its measures for the monitoring and management of small enterprise credit business, and carried out risk checks on small enterprise loans across the Bank. Moreover, the Bank promoted electronic management of small enterprise credit business, implemented standardization of the entire operating process of the small enterprise credit business, and strengthened the rigid control function of the small enterprise credit business system.

- In addition, the Bank continued to improve the level of IT-based credit management. The Bank accelerated the promotion and application of the global credit management system (GCMS), enhanced various system functions, optimized the electronic review process of its credit business, enhanced the credit management system to cover new products and new businesses, strengthened the management of consigned loan payment and standardized the operation and management of the system.

◆ *Credit Risk Management of Personal Loans*

- The Bank strengthened risk management of personal loans. The Bank launched comprehensive credit management for personal customers, avoided risks from over-financing for a single customer, and safeguarded the Bank against customers applying for financing from many banks at the same time. The Bank implemented strict supervision on the use of credit and payment management, continuously improved the percentage of consigned payment for personal loans, strengthened the management of the use of funds from personal loans, and intensified efforts to prevent and control fraudulent loans. The Bank also further regulated and optimized the operation process for credit business.
- The Bank actively adjusted the structure of personal credit products and optimized the allocation of personal credit resources. The Bank strictly controlled the entry criteria for borrowers and continued to implement differentiated housing credit policies for personal housing loans. The Bank strengthened pre-lending investigation and review efforts, enhanced the management of collection of overdue personal loans, and implemented sophisticated post-lending management. The Bank intensified daily management of collaterals for personal loans and enhanced fair value management and other ground work, and focused on the management of personal housing mortgage loans.
- The Bank further standardized and improved the operation process for credit business and continued to improve the level of IT-based personal credit management. The Bank also further optimized system functions, standardized system operation management, and simplified and improved the business operation.

◆ *Credit Risk Management of Credit Card Business*

The Bank continued to strengthen the quality management and risk control of credit card overdrafts. The Bank improved the credit card limit management system, strengthened risk exposure management, and implemented integrated customer credit management. The Bank further promoted accurate credit management, increased the application of internal ratings and star rating results, perfected the approval function of the credit card system, and improved automatic risk identification and rigid control. The Bank also reinforced the building of the credit card risk monitoring system to further improve the capability for identifying risk events, and upgraded relevant rules and procedures on asset disposal to further enhance the efficiency of post-lending asset recovery.

◆ *Credit Risk Management of Treasury Operations*

The Bank's treasury business is exposed to credit risk mainly as a result of bonds investment and trading and inter-bank offering. The RMB bond investment portfolio mainly included bonds issued by the Chinese government and other domestic issuers. The foreign currency debt securities investment portfolio mainly included investment-level bonds. The Bank set limits for each inter-bank offering and adopted the principle of management for both credit and authorization. Credit risk management measures adopted by the Bank in relation to treasury operations mainly comprised defining customers' entry criteria, controlling credit limit, controlling investment limit (scale), controlling margin proportion, rating management and controlling authorization limit for single transactions.

◆ *Credit Asset Quality Management*

According to the regulatory requirement on loan risk classification, the Bank implemented five-tier classification management in relation to loan quality and classified loans into five categories: pass, special mention, substandard, doubtful and loss, based on the possibility of collecting the principal and interest of loans. In order to implement sophisticated management of credit asset quality and improve risk management, the Bank implemented the twelve-tier internal classification system for corporate loans. The Bank applied five-tier classification management to personal credit assets and ascertained the class of the loans based on the number of months for which the lender is in default, anticipated loss rate, credit rating, collaterals and other quantitative and qualitative factors.

In 2011, the Bank revised its credit assets quality management measures for corporate customers, upgraded its credit assets quality classification management system and strengthened the application of internal rating results. The Bank improved its non-performing loans management mechanism for personal customers, adjusted the classification standards for credit card non-performing loans, amended implementation rules for writing off bad debts of bank cards, and further standardized non-performing loans management for personal customers as well as the overdraft and write-off of bank card business. The Bank continued to devote effort on the collection and disposal of non-performing loans, regularly inspected and encouraged NPL disposals, promoted the development of IT-based NPL management, and enhanced sophisticated management of NPLs and assets under cancelled and suspended accounts. Moreover, the Bank focused on improving the efficiency for the collection and disposal of NPLs, increased cash recovery efforts, and strived to increase the proportion of cash repayment and the rate of collection, disposal and recovery.

Credit Risk Analysis

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

In RMB millions

Item	At 31 December 2011	At 31 December 2010
Balances with central banks	2,702,011	2,234,075
Due from banks and other financial institutions	478,002	248,860
Financial assets held for trading	30,675	10,051
Financial assets designated at fair value through profit or loss	121,386	2,798
Derivative financial assets	17,460	13,332
Reverse repurchase agreements	349,437	262,227
Loans and advances to customers	7,594,019	6,623,372
Financial investments	3,759,572	3,714,237
Receivables	498,804	501,706
Held-to-maturity investments	2,424,785	2,312,781
Available-for-sale financial assets	835,983	899,750
Others	114,909	86,256
Subtotal	**15,167,471**	**13,195,208**
Credit commitments	**1,976,592**	**1,649,157**
Maximum credit risk exposure	**17,144,063**	**14,844,365**

DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

In RMB millions, except for percentages

Item	At 31 December 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	7,484,060	96.09	6,489,450	95.57
Special mention	231,826	2.97	227,815	3.35
Non-performing loans	73,011	0.94	73,241	1.08
Substandard	24,092	0.31	18,932	0.28
Doubtful	38,712	0.50	41,765	0.62
Loss	10,207	0.13	12,544	0.18
Total	**7,788,897**	**100.00**	**6,790,506**	**100.00**

Loan quality continued to improve. As at the end of 2011, according to the five-tier classification, pass loans amounted to RMB7,484,060 million, representing an increase of RMB994,610 million from the end of the previous year and accounting for 96.09% of total loans, up 0.52 percentage points. Special mention loans stood at RMB231,826 million, representing an increase of RMB4,011 million and accounting for 2.97% of total loans, down 0.38 percentage points. Outstanding NPLs amounted to RMB73,011 million, down RMB230 million, and NPL ratio was 0.94%, down 0.14 percentage points, continuing on the downtrend in both NPL balance and NPL ratio. This is mainly attributable to the Bank's intensified and continuous efforts in strengthening the monitoring and the withdrawal of loans with potential risk factors, as well as accelerating NPL collection and disposal through cash recovery, bad debts write-off, repossession of assets and renegotiation.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2011				At 31 December 2010			
	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Corporate loans	5,215,605	66.9	59,816	1.15	4,700,343	69.2	61,610	1.31
Discounted bills	106,560	1.4	—	—	117,135	1.7	—	—
Personal loans	1,991,271	25.6	10,686	0.54	1,633,192	24.1	9,656	0.59
Overseas and others	475,461	6.1	2,509	0.53	339,836	5.0	1,975	0.58
Total	**7,788,897**	**100.0**	**73,011**	**0.94**	**6,790,506**	**100.0**	**73,241**	**1.08**

The balance of non-performing corporate loans stood at RMB59,816 million, down RMB1,794 million from the end of the previous year, and NPL ratio was 1.15%, down 0.16 percentage points. The balance of non-performing personal loans stood at RMB10,686 million, up RMB1,030 million, and NPL ratio was 0.54%, down 0.05 percentage points.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

	At 31 December 2011				At 31 December 2010			
Item	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Head Office	248,044	3.2	2,105	0.85	163,606	2.4	1,039	0.64
Yangtze River Delta	1,743,851	22.4	11,367	0.65	1,583,758	23.3	11,978	0.76
Pearl River Delta	1,090,247	14.0	10,802	0.99	979,399	14.4	8,901	0.91
Bohai Rim	1,409,314	18.1	12,826	0.91	1,253,538	18.5	14,907	1.19
Central China	1,047,939	13.5	13,564	1.29	919,738	13.6	12,079	1.31
Western China	1,311,132	16.8	14,622	1.12	1,142,027	16.8	15,011	1.31
Northeastern China	462,909	5.9	5,216	1.13	408,604	6.0	7,351	1.80
Overseas and others	475,461	6.1	2,509	0.53	339,836	5.0	1,975	0.58
Total	**7,788,897**	**100.0**	**73,011**	**0.94**	**6,790,506**	**100.0**	**73,241**	**1.08**

The Bank continuously optimized the geographic credit mix and promoted a balanced allocation of credit resources for different geographic areas, maintaining the stability of credit quality. The Bank continued to support the growth of the credit business in Yangtze River Delta, Pearl River Delta and Bohai Rim, where new loans amounted to RMB426,717 million, accounting for 42.7% of total new loans. The Bank also actively supported the development of the western region, the rise of the central region and the revitalization of the northeastern region, and granted RMB351,611 million loans to the three areas, accounting for 35.2% of the increment in total loan. Overseas and other loans increased by RMB135,625 million, up 39.9%, mainly as a result of the continued progression in the internationalized and diversified operations and the rapid development of overseas institutions.

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

In RMB millions, except for percentages

	At 31 December 2011				At 31 December 2010			
Item	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Manufacturing	1,121,413	21.5	23,432	2.09	940,641	20.0	26,844	2.85
Machinery	180,605	3.5	2,328	1.29	134,355	2.8	3,004	2.24
Chemicals	174,423	3.3	3,506	2.01	141,007	3.0	4,816	3.42
Metal processing	143,597	2.8	1,698	1.18	114,635	2.4	1,319	1.15
Textiles and apparels	114,382	2.2	3,365	2.94	96,769	2.1	4,488	4.64
Iron and steel	106,396	2.0	1,946	1.83	92,866	2.0	973	1.05
Transportation equipment	63,189	1.2	1,469	2.32	49,557	1.0	1,513	3.05
Telecommunications equipment, computer and other electronic equipment	56,920	1.1	1,721	3.02	51,334	1.1	2,017	3.93
Non-metallic mineral	52,047	1.0	1,726	3.32	40,317	0.9	2,000	4.96
Petroleum processing, coking and nuclear fuel	41,687	0.8	301	0.72	69,577	1.5	299	0.43
Others	188,167	3.6	5,372	2.85	150,224	3.2	6,415	4.27
Transportation, storage and postal services	1,052,529	20.2	12,173	1.16	990,916	21.1	9,075	0.92
Wholesale, retail and lodging	596,119	11.4	9,119	1.53	388,023	8.3	10,117	2.61
Production and supply of electricity, gas and water	587,723	11.3	5,099	0.87	571,072	12.1	5,275	0.92
Real estate	512,178	9.8	4,775	0.93	512,018	10.9	5,355	1.05
Water, environment and public utility management	499,196	9.6	1,102	0.22	549,326	11.7	208	0.04
Leasing and commercial services	349,508	6.7	747	0.21	357,624	7.6	1,105	0.31
Mining	179,474	3.4	524	0.29	129,488	2.8	297	0.23
Construction	115,047	2.2	1,054	0.92	84,048	1.8	1,168	1.39
Science, education, culture and sanitation	67,673	1.3	693	1.02	68,102	1.4	845	1.24
Others	134,745	2.6	1,098	0.81	109,085	2.3	1,321	1.21
Total	**5,215,605**	**100.0**	**59,816**	**1.15**	**4,700,343**	**100.0**	**61,610**	**1.31**

In 2011, the Bank granted relatively more loans to the wholesale, retail and lodging as well as manufacturing industries, in which the increment in the loans to the two industries accounted for 75.5% of the total increment in corporate loans, of which loans to the wholesale, retail and lodging industry increased by RMB208,096 million or 53.6%, principally driven by the Bank's support to the development of modern service industry and the growth of small enterprises loan business; loans to the manufacturing industry increased by RMB180,772 million or 19.2%, mainly benefiting from the Bank's active effort to support the credit demand of the advanced manufacturing industry. The loans granted to water, environment and public utility management decreased by RMB50,130 million, mainly as a result of the control of lending to urban construction in accordance with the changes in macroeconomic environment and the requirements of adjustments in the Bank's credit structure.

There was a significant decrease in the NPL balance in the manufacturing, wholesale, retail and lodging as well as real estate industries of RMB3,412 million, RMB998 million and RMB580 million, respectively. The NPL balance in relation to the transportation, storage and postal services grew by RMB3,098 million, mainly as a result of the difficulties in repayment by some highway enterprises; the NPL balance in relation to the iron and steel industry went up by RMB973 million, mainly as a result of the difficulties in production and operation of certain enterprises due to multiple factors; the NPL balance in relation to water, environment and public utility management industries increased by RMB894 million, mainly because certain enterprises were included in NPL management as a result of their default with other banks.

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
At the beginning of the year	**41,300**	**125,834**	**167,134**
Charge for the year	(2,174)	34,006	31,832
Including: Impairment allowances charged	9,310	85,970	95,280
Impairment allowances transferred	375	(375)	—
Reversal of impairment allowances	(11,859)	(51,589)	(63,448)
Accreted interest on impaired loans	(602)	—	(602)
Write-offs	(4,057)	(489)	(4,546)
Recoveries of loans and advances previously written off	942	118	1,060
At the end of the year	**35,409**	**159,469**	**194,878**

As at the end of 2011, the allowance for impairment losses on loans stood at RMB194,878 million, a year-on-year increase of RMB27,744 million. Allowance to NPL was 266.92%, up 38.72 percentage points, further strengthened its capability of resisting risks; and allowance to total loans was 2.50%.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

	At 31 December 2011		At 31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	3,234,332	41.5	2,780,346	40.9
Including: Personal housing loans[1]	1,176,564	15.1	1,090,095	16.1
Pledged loans	792,016	10.2	665,641	9.8
Including: Discounted bills[1]	106,560	1.4	117,135	1.7
Guaranteed loans	1,201,184	15.4	1,070,211	15.8
Unsecured loans	2,561,365	32.9	2,274,308	33.5
Total	**7,788,897**	**100.0**	**6,790,506**	**100.0**

Note: (1) Data of domestic branches.

Loans secured by mortgages stood at RMB3,234,332 million, representing an increase of RMB453,986 million or 16.3% from the end of the previous year. Unsecured loans amounted to RMB2,561,365 million, representing an increase of RMB287,057 million or 12.6% from the end of the previous year.

OVERDUE LOANS

In RMB millions, except for percentages

	At 31 December 2011		At 31 December 2010	
Overdue periods	Amount	% of total	Amount	% of total
3 to 6 months	4,475	0.06	3,264	0.05
6 to 12 months	6,539	0.08	5,248	0.08
Over 12 months	47,001	0.60	55,836	0.82
Total	**58,015**	**0.74**	**64,348**	**0.95**

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

RENEGOTIATED LOANS

Renegotiated loans and advances amounted to RMB8,312 million, representing a decrease of RMB2,404 million or 22.4% as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB5,724 million, a decrease of RMB1,878 million.

EXTENDED LOANS

The balance of extended loans amounted to RMB17,217 million, representing an increase of RMB1,936 million from the end of the previous year, of which the NPL balance was RMB4,007 million, a decrease of RMB86 million.

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 3.6% and 19.3% of the Bank's net capital. The total amount of loans granted to the top ten single customers was RMB214,681 million, accounting for 2.8% of the total loans. The table below shows the details of the loans granted to the top ten single borrowers of the Bank as at the end of 2011.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total
Borrower A	Transportation, storage and postal services	40,507	0.5
Borrower B	Transportation, storage and postal services	23,248	0.3
Borrower C	Transportation, storage and postal services	22,287	0.3
Borrower D	Transportation, storage and postal services	22,185	0.3
Borrower E	Transportation, storage and postal services	21,408	0.3
Borrower F	Mining	19,000	0.3
Borrower G	Production and supply of electricity, gas and water	18,458	0.2
Borrower H	Transportation, storage and postal services	18,125	0.2
Borrower I	Transportation, storage and postal services	15,579	0.2
Borrower J	Transportation, storage and postal services	13,884	0.2
Total		**214,681**	**2.8**

Market Risk

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

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

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

In 2011, the Bank further strengthened the construction of its market risk management system and enhanced the market risk management standard at the Group's level. The Bank accelerated the preparation for the implementation of IMA for market risk to build a market risk management system based on the IMA, and established a self-developed pricing valuation model and market risk measurement methodology. Moreover, the Bank fully launched the construction of the global market risk management system (GMRM) to establish an integrated and unified data management platform and risk measurement management platform, and implemented the measurement and monitoring of interest rate risk, exchange rate risk and commodity risk of the trading book under the IMA. The Bank also proactively advanced the expansion of overseas institutions and gradually carried out verification work for financial products valuation models, thereby laying a foundation for the application and implementation of the market risk internal model approach of the New Capital Accord.

Banking Book and Trading Book

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

Market Risk Management of the Banking Book

- *Interest Rate Risk Management*

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

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

In 2011, the Bank actively improved its consolidated management of interest rate risk, promoted the accuracy and timeliness of the banking book interest rate risk reports at the Group's level and enhanced the analysis and application of the reports at the Group's level to improve the monitoring and analysis of interest rate risk. The Bank further upgraded its self-developed interest rate risk management system, improved the accuracy of system measurement and measurement tools to lay a technical foundation for the sophisticated management of interest rate risk.

- *Exchange Rate Risk Management*

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

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

Market Risk Management of the Trading Book

The Bank adopted multiple methods including value at risk (VaR), sensitivity analysis and exposure analysis to measure and manage products in the trading book. The Bank improved its limit management policy, set up its market risk limit management system based on trading portfolios which covered the Head Office, branches and domestic and overseas institutions and included various types of financial market businesses, built its limit indicator system centering on the VaR, and applied its global market risk management (GMRM) system to carry out market risk measurement and monitoring of the trading book.

The Bank applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of one day and historical data of 250 days) to measure the VaR of the interest rate risk, foreign exchange rate risk, and commodity risk of fundamental commodity products and standard derivative products of the trading books of the Head Office and two overseas branches.

VALUE AT RISK (VAR) OF THE TRADING BOOK

In RMB millions

	2011				2010			
Item	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
Interest rate risk	39	44	103	23	13	16	43	4
Foreign exchange rate risk	15	14	81	3	291	116	305	47
Commodity risk	1	4	63	1	—	—	—	—
Total portfolio VaR	**41**	**46**	**101**	**24**	**292**	**118**	**299**	**47**

Note: The Bank adopted the global market risk management (GMRM) system for measuring VaR in 2011, with the measurement range expanded over the previous year. The comparative figures are not adjusted retrospectively. Please refer to "Note 51.(c)(i) to the Financial Statements: VaR".

Market Risk Analysis

◆ *Interest Rate Risk Analysis*

In 2011, the PBOC raised the benchmark interest rates on deposits and loans three times in the first 7 months to reinforce the management of inflation expectations, and consumer prices have steadily decreased since the third quarter. In response to changes in the macro environment, the Bank actively took effective measures to strengthen the management of the medium and long-term fixed interest loans, brought reasonable control on the scale of medium and long-term fixed interest loans, enhanced the guidelines on the pricing for loan interest rates, rationally determined the repricing period of loan interest rates and reduced the interest rate repricing risk.

As at the end of 2011, the Bank had a cumulative interest rate sensitivity negative exposure within one year of RMB910,851 million, representing an increase of RMB78,121 million from the end of the previous year, mainly because the Bank has actively adjusted its term structure for bonds, reduced the scale of short-term bond investment and increased medium and long-term bond investment in line with the market interest rate trend. The total interest-bearing liabilities with the term within one year grew faster than the interest-generating assets. The structure of the Bank's interest rate risk exposure according to the contractual repricing date or maturity date (whichever is earlier) is shown in the following table:

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
31 December 2011	(1,887,041)	976,190	584,145	1,189,959
31 December 2010	(4,004,468)	3,171,738	513,833	1,091,312

Note: Please refer to "Note 51.(c)(iii) to the Financial Statements: Interest rate risk".

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

INTEREST RATE SENSITIVITY ANALYSIS

In RMB millions

	At 31 December 2011		At 31 December 2010	
Changes of interest rate in basis points	Changes in net interest income	Changes in equity	Changes in net interest income	Changes in equity
Increase by 100 basis points	(12,509)	(19,151)	(23,156)	(18,848)
Decrease by 100 basis points	12,509	20,417	23,156	20,130

Note: Please refer to "Note 51.(c)(iii) to the Financial Statements: Interest rate risk"

◆ *Exchange Rate Risk Analysis*

In 2011, the reform of the Renminbi exchange rate formation mechanism continued to progress. Renminbi was appreciated slightly with obvious characteristics of two-way fluctuations, exchange rate elasticity was significantly enhanced, and the exchange rate of Renminbi against US dollar appreciated 5.1% during the year. The Bank closely watched the changes in external market, actively took a combination of measures such as price leverage to adjust and optimize the aggregate amount and structure of foreign exchange assets and liabilities, and controlled the exchange rate risk of the Bank while maintaining a coordinated development of foreign exchange deposit and loan businesses.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

	At 31 December 2011		At 31 December 2010	
Item	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	265,290	42,104	231,896	35,015
Exposure of off-balance sheet foreign exchange items, net	(183,307)	(29,092)	(163,326)	(24,662)
Total foreign exchange exposure, net	**81,983**	**13,012**	**68,570**	**10,353**

Please refer to "Note 51.(c)(ii) to the Financial Statements: Currency risk" for the exchange rate sensitivity analysis.

Liquidity Risk

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

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

Liquidity Risk Management

In 2011, according to the macroeconomic environment and the changes to financial regulatory policies, the Bank further strengthened the development of its liquidity risk management system and the management of liquidity risk. In accordance with relevant requirements of the Guideline on Liquidity Risk Management of Commercial Banks issued by CBRC, the Bank streamlined offline transaction business processes and emergency payment processes, promoted its liquidity risk management capability and emergency response capability. The Bank also improved its liquidity management techniques, continuously perfected its liquidity risk limit indicator system and liquidity risk management information system, accomplished cash flow monitoring and management system upgrade, further developed its internal fund transfer and pricing mechanism, and enhanced the flexibility and pertinence of its transfer price for internal funds.

◆ *Liquidity Risk Management System and Governance Structure*

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

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

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

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

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

◆ *Liquidity Risk Management Mode*

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

◆ *Stress Testing*

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

Liquidity Risk Analysis

In 2011, PBOC adjusted the reserve requirement ratio seven times and raised the benchmark interest rates on deposits and loans three times to strengthen the liquidity management in the banking system. There were periodical shortages in market funds and the inter-bank market interest rates fluctuated significantly. The Bank paid close attention to the situation of market funds, and dynamically adjusted its liquidity management strategy and fund operation tempo in accordance with the Bank's assets and liabilities, business development and liquidity status. The Bank also established multi-level liquidity reserves, effectively reduced the use of low-efficiency funds while ensuring bank-wide liquidity security, raised its fund use efficiency and practically improved its ability to deal with liquidity risk.

In respect of foreign currencies, the Bank closely observed the changes in market interest rates and funds, adjusted foreign currency liquidity management strategy and internal and external fund prices in a flexible manner, coordinated the balanced development of foreign currency assets and liabilities business while ensuring a safe liquidity level.

In 2011, the deposit and loan businesses of the Bank achieved coordinated development, the asset and liability structure was further optimized, liquidity risk management level was further strengthened and the liquidity risk remained controllable. Relevant indicators reflecting the Bank's liquidity status all met the regulatory requirements. See the table below for details:

Item		Regulatory Criteria	31 December 2011	31 December 2010	31 December 2009
Liquidity ratio (%)	RMB	>=25.0	27.6	31.8	30.7
	Foreign currency	>=25.0	90.6	53.4	61.1
Loan-to-deposit ratio (%)	RMB and Foreign currency	<=75.0	63.5	62.0	59.5

Note: The regulatory indicators in this table are calculated in accordance with the regulatory requirements and accounting standards applicable to the relevant period. The comparative figures are not restated.

The Bank also assessed the liquidity risk status by using liquidity exposure analysis. As at the end of 2011, relatively big changes in the liquidity exposure of the Bank mainly occurred for the following terms: less than 1 month, 1 to 3 months and over 5 years. The increase in due to and due from banks and other financial institutions expanded the negative exposure for the less than 1 month category; the increase in customer deposits enlarged the negative exposure for the 1 to 3 months category; the increase of bonds and loans due with terms of over 5 years led to the expansion of the positive exposure for the over 5 years category. Demand deposits of the Bank continued to grow because of a high deposition rate, and at the same time, the Bank made heavy investment in central bank bills, treasury bonds and other high-liquidity assets, together with sufficient liquidity reserves, which have driven the cumulative positive liquidity exposure to further increase compared to the end of last year. Therefore, the overall liquidity of the Bank was safe. The liquidity exposure analysis of the Bank as at the end of 2011 is shown in the table below:

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
31 December 2011	(6,707,099)	(459,158)	(618,315)	(311,001)	2,613,952	3,815,715	2,623,729	957,823
31 December 2010	(6,585,303)	(162,433)	(301,119)	(383,368)	2,537,639	3,515,949	2,200,292	821,657

Note: Please refer to "Note 51.(b) to the Financial Statements: Liquidity risk".

Operational Risk

Operational Risk Management

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

The Bank strictly followed the requirements of the Guidance to the Operational Risk Management of Commercial Banks issued by CBRC. Under the leadership of the Board of Directors and the Senior Management, in accordance with the New Capital Accord, the Bank set up the operational risk governance structure on the basis of the principle of "three lines of defense". The Board of Directors undertakes the final responsibility for the effectiveness of the operational risk management, and the Senior Management is responsible for implementing the strategy, overall policy and system for operational risk management approved by the Board of the Directors. The Operational Risk Management Committee under the Senior Management, as the organizer and coordinator of operational risk management of the Bank, is responsible for reviewing and approving significant matters related to operational risk management and working under the Working Regulations for the Operational Risk Management Committee. Marketing and product departments at various levels form the first line of defense of operational risk management, which assume direct responsibility for operational risk management in each business line and are responsible for operational risk identification, assessment, monitoring and control in their departments and business lines; internal control and compliance departments at various levels form the second line of defense of operational risk management, which are responsible for the overall arrangement and organization for the establishment and implementation of operational risk management system at each level and for ensuring the consistency and effectiveness of operational risk management within their institutions; internal audit departments form the third line of defense of operational risk management, which are responsible for auditing and evaluating the effectiveness of the Bank's operational risk management framework on a regular basis according to external regulatory requirements and the annual audit plan approved by the Board of Directors.

In 2011, in accordance with latest regulatory requirements concerning operational risk and the trends of operational risk, the Bank continued to improve the operational risk governance structure, actively promoted the implementation of the advanced measurement approach (AMA), and further optimized the operational risk management system, thus continuously enhancing the operational risk management level. The Bank was the first among domestic peers to accept the CBRC's pre-assessment on the Bank's AMA. The Bank completed the operational risk and control self-assessment (RCSA) and scenario analysis (SA), and also completed the credit card application anti-fraud project and its implementation in operation. The Bank formulated administrative measures on internal loss events arising from operational risk, established the major operational risk event reporting system, implemented new operational risk monitoring indicators, and improved the sensitivity and accuracy of operational risk monitoring. The Bank realized centralized management of credit approval and centralized processing of international business documents to ensure operational risk control in terms of management mechanisms, further strengthened the IT operational risk management by enhancing the production and operation management, controlling application and development risks and formulating more stringent information security measures. In addition, the Bank continued to deepen the business centralized processing, expanded the coverage of remote authorization, and continuously improved business operation risk monitoring and identification examination.

Legal Risk

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

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

In 2011, the Bank further strengthened and continuously improved the legal risk management system and developed relevant rules, further build up the consolidated legal risk management system at the group level and improve the work mechanism and process of consolidated management of legal risk. The Bank continuously regulated the management of related party transactions, pushed ahead with the establishment of related party transactions management system and gradually introduced such system to overseas institutions. The Bank further regulated the contract management and legal review process and used legal means to actively support the internationalized and diversified operations as well as the development and innovation of various businesses. In addition, it enhanced the statistics analysis and monitoring report of customer complaints, reinforced the monitoring and management of legal proceedings, in particular where the Bank was the defendant, strengthened the management of trademark and the protection of relevant intellectual properties.

Anti-money Laundering

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

In 2011, the Bank timely formulated and revised various internal anti-money laundering management rules and implemented anti-money laundering regulatory requirements in all business areas and management processes, in accordance with the latest anti-money laundering regulatory requirements and the internationalized development process of the Bank. The Bank held its first anti-money laundering working conference and determined the development strategy and working mechanism of "centralization, professionalism, systematization". The Bank strengthened manual analysis and reporting for suspicious transactions, effectively improved the anti-money laundering efficiency and reporting quality, carried out customer identification and information update, and took a variety of measures to improve the quality of customer information. The Bank continued to promote the building of an integrated domestic and overseas anti-money laundering monitoring system, launched the global special controlling lists processing system, and optimized the functions of the anti-money laundering monitoring system. The Bank issued the guidance opinion on strengthening anti-money laundering for overseas institutions to increase the effort in anti-money laundering compliance management of overseas institutions, enhanced the control of the Group's anti-money laundering and counter-terrorist financing risks, and established a comprehensive anti-money laundering incentive system by organizing awards selection activities for institutions and individuals performing well in anti-money laundering. The Bank introduced the internationally-recognized certification of Certified Anti-money Laundering Specialists, and carried out anti-money laundering promotion and training activities in a well-planned, tiered and diversified manner to develop the team of anti-money laundering experts. In conclusion, the Bank actively cooperated the work of anti-money laundering management according to regulatory requirements in China and the countries (regions) where overseas institutions were located.

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

Reputational risk

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

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

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

In 2011, the Bank continuously strengthened the reputational risk management, actively advanced the establishment of the reputational risk management system and working mechanism, carried out the identification, assessment, monitoring, control, mitigation and evaluation of reputational risk in depth, and intensified the consolidated management of reputational risk, thereby leading to the bank-wide reputational risk remaining controllable.

Country risk

Country risk is the risk incurred to a bank arising from the inability or refusal by the borrower or debtor to repay bank debt, losses suffered by the bank or its commercial presence in such country or region and other losses due to economic, political, social changes and events in a country or a region. Country risk may be triggered by deterioration of economic conditions, political and social turmoil, asset nationalization or expropriation, government's refusal to pay external debt, foreign exchange control or currency depreciation in a country or region.

The Bank strictly observes the Guidelines on the Management of Country Risk by Banking Financial Institutions and other regulatory requirements of CBRC, implemented a management model where responsibilities of each department or business line are clearly defined under the leadership of the Board of Directors and the Senior Management. The Board of Directors assumes the ultimate responsibility for the effectiveness of country risk management. The Senior Management is responsible to execute the country risk management policies approved by the Board of Directors. The Credit Risk Management Committee of the Head Office is responsible to review matters regarding credit risk management. The Bank manages and controls country risk through a series of management tools, including country risk assessment and rating, country risk limits for the entire group and continuous statistics, analysis and monitoring of country risk exposure, as well as country risk assessment using stress tests. The Bank reviews the country risk rating and limits at least annually and makes adjustments when necessary.

In 2011, the Bank strengthened country risk management, and improved the country risk management system. The Bank formulated the statistical measure system for country risk exposure to provide data foundation for effective country risk identification, measurement, monitoring and control, reinforced the approval, monitoring, allocation and adjustment of country limits, and carried out annual country risk rating and risk classification, as well as tracking, monitoring and reporting of country risk to further improve the level of country risk management.

CAPITAL MANAGEMENT

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

In 2011, the Bank promoted comprehensive capital management and improved the capital management system with a focus on establishing a long-acting capital replenishment and constraint mechanism. The Bank strengthened the overall management of capital replenishment and utilization, and adopted economic capital management means to effectively constraint the expansion of risk assets, maintaining the stability of the capital adequacy ratio.

Allocation and Management of Economic Capital

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

In 2011, the Bank applied the risk quantification results such as probability of default (PD) and loss given default (LGD) of non-retail internal rating approaches, and amended the economic capital measurement standards, enhancing the timeliness and accuracy of economic capital measurement. The Bank implemented the capital regulatory policies by calculating economic capital of LGFV loans, and boosted the adjustment of credit structure by improving the economic capital measurement standards for loans to some industries, medium and long-term loans and small enterprise loans. By executing the limit management of economic capital allocation and performance evaluation measures, the Bank strengthened the capital constraint and incentive mechanism, promoted optimal capital allocation and enhanced the capital utilization efficiency.

Capital Adequacy Ratio

The Bank calculates capital adequacy ratio and core capital adequacy ratio in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC, and sets out the objective of capital adequacy ratio management based on the development strategy and risk appetite of the Bank.

As at the end of 2011, the Bank's capital adequacy ratio and core capital adequacy ratio were 13.17% and 10.07%, respectively, both meeting regulatory requirements. The capital adequacy ratio and the core capital adequacy ratio increased by 0.90 percentage points and 0.10 percentage points from the end of last year, respectively, mainly because (1) the profitability of the Bank increased, and by internal method such as replenishing of core capital via profit retention, the ability of the Bank to balance capital supply and demand was further enhanced; (2) during the reporting period, the Bank and its subsidiaries issued an aggregate RMB89.5 billion worth of RMB subordinated bonds, which, after deduction of issuance costs, were all used for the replenishment of supplementary capital.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 31 December 2011	At 31 December 2010
Core capital	**882,300**	**750,970**
Share capital	349,084	349,019
Reserves(2)	532,135	400,724
Minority interests	1,081	1,227
Supplementary capital	**271,830**	**174,505**
General provisions for loan impairment	77,889	67,905
Long term subordinated bonds	167,655	78,286
Convertible bonds	24,615	24,870
Other supplementary capital	1,671	3,444
Total capital base before deductions	**1,154,130**	**925,475**
Deductions	**41,667**	**53,102**
Goodwill	22,223	27,369
Unconsolidated equity investments	18,957	22,649
Others	487	3,084
Net capital base	**1,112,463**	**872,373**
Net core capital base	**850,355**	**709,193**
Risk weighted assets and market risk capital adjustment	**8,447,263**	**7,112,357**
Core capital adequacy ratio	**10.07%**	**9.97%**
Capital adequacy ratio	**13.17%**	**12.27%**

Notes: (1) Please refer to "Note 51.(d) to the Financial Statements: Capital management".

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

Capital Financing Management

According to Basel III of the Basel Committee and relevant documents, the criterion of acceptability for some capital instruments will be raised. To guarantee the continuous, stable and sound development of businesses, and to further enhance its comprehensive competitiveness, risk resistance ability and sustainable profitability capabilities, the Bank publicly issued in the national inter-bank bond market RMB38.0 billion and RMB50.0 billion worth of RMB subordinated bonds on 29 June and 29 December, respectively, and the Bank's subsidiary ICBC (Asia) issued RMB1.5 billion worth of RMB subordinated bonds in Hong Kong.

For details of relevant fundraising activities, please refer to "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Details of Securities Issuance and Listing".

OUTLOOK

In 2012, the Chinese economy is expected to sustain the stable and rapid development momentum, and significant progress will be achieved in the economic restructuring and financial system reform. The Chinese banking industry will embrace considerable strategic opportunities, but will also face many uncertainties during its development. 2012 marks the beginning of the third three-year strategic development planning period of the Bank after the joint-stock reform. In this crucial year, the Bank will grasp opportunities, address challenges and push forward the strategic transformation based on the direction of the national economic and financial reform and development.

The Bank will embrace various opportunities in 2012. Firstly, there will remain a huge opportunity for the growth of the overall domestic economy. Particularly, the progress of the reform in taxation, finance, income distribution and external facing economy will drive the economic growth, which will bring opportunities for the business development of banks. Secondly, the adjustment of economic structure and the transformation of economic development mode will give birth to new opportunities of business layout optimization. On the one hand, the vigorous support from the government to advanced manufacturing, strategic emerging industries and modern service industry will bring important opportunities for the optimization of credit structure and the innovation of service methods of the Bank; on the other hand, the deepening of the national regional development strategy, the construction of economic circles and economic zones, and the coordinated development of rural and urban areas will help the Bank to realize the coordination in businesses and products and the integration of marketing management between different regions. Thirdly, the Bank will embrace many opportunities in cross-border operation along with the acceleration of the "Going Global" and "productivity export" of domestic enterprises as well as the increasing influence of RMB in cross-border trade and investment. Fourthly, the prosperous development of emerging markets such as consumer goods, new rural areas, small and micro enterprise and personal finance during the economic transformation period will provide new "blue ocean" for the business expansion of the Bank.

In 2012, the Bank will also face many challenges in its operation and development. This is realized: firstly, the continuous deterioration of the debt crisis in Europe and the European economic downturn will slow down the global economic recovery. The global economic slowdown and fluctuations in the international market may exert an impact on import and export trade, international capital movements and the expansion of overseas business of Chinese-funded enterprises. The Bank will formulate a more scientific and reasonable plan to advance the internationalization strategy, further enhance the management of country risk, foreign exchange risk and liquidity risk. Secondly, more stringent financial regulatory standards place greater pressure on the capital and liquidity management of commercial banks. Regulators are formulating new measures for the capital management of commercial banks. Although this will not have big impact on the Bank's operation in the near future, the Bank shall further enhance its capital and liquidity management in the long run. Thirdly, under the influence of the fluctuation of the global financial markets and the further macroeconomic control of the domestic market, there are uncertainties in the price of domestic and overseas financial assets, which requires the Bank to constantly improve its researches on market trends and intensify investment management, so as to sustain the stable growth in its performance.

In 2012, the Bank will research into and follow the 12th Five-year Plan and industry policies of the government, and implement its strategic development arrangements. Under the uniform framework, the Bank will push forward the transformation of development model and operation, solve fundamental problems that hinder its long-term development, and address changes in economic and market environment to maintain the stable growth of performance and make progress in its operation. Specifically, the Bank will emphasize the following aspects in 2012: Firstly, enhancing its capabilities of capital management and risk management. Under the operational principle of harmony between scale and capital as well as balance between benefits and risks, the Bank will accelerate the adjustment of business development, enhance the capital management efficiency, push forward the building of the Group's risk management framework, and improve the comprehensive risk management system. Secondly, making greater efforts in business structure adjustment. The Bank will intensify efforts in the development of non-credit business, expand new areas for financial asset services, and gradually improve the synergy between product lines and improve asset profitability. It will speed up the withdrawal of loans to industries with high energy consumption, high pollution and over-capacity, and strive to develop green credit market and the credit markets of advanced manufacturing and strategic emerging industries. Besides, focusing on financing services for cultural industries, the Bank will provide more credit support to the modern service industry and allocate credit resources in an efficient and reasonable manner. Thirdly, enhancing service level and improving service quality. The Bank will put in more efforts to develop electronic service platform, continuously enriching and optimizing service channels, and give more resources to emerging industry zones and other regions with potential. Stressing the customer-centric philosophy, the Bank will propel product innovation and simplify and improve business process to enhance customer experience. Fourthly, pushing forward the diversified business strategy and internationalization strategy. The Bank will accelerate the expansion of diversified operations, and enhance its integrated service capability and cross-market profitability. Besides, the Bank will speed up the global network distribution and product line development, and develop an integrated application platform covering domestic and overseas operations, delivering the excellent experience of "One ICBC" for global customers.

According to the business plan of the Bank for 2012, total assets and total liabilities shall increase by approximately RMB1,700.0 billion and RMB1,500.0 billion, respectively; and the NPL ratio as at the end of 2012 shall be maintained below 1.20%.

Social Responsibility

Closely centering on the core value of "Integrity Leads to Prosperity", ICBC has continuously improved its social responsibility system consisting of "Value Creator, Green Bank, Charity Bank, Harmonious Bank, Creditworthy Bank and Brand Builder". During the reporting period, the Bank obtained widespread recognition on its performance of corporate social responsibility from all social circles, and was honored with many awards in this regard, such as "People's Award for Social Responsibility", "Best Social Responsibility Institution Award", "Best Social Responsibility Bank of the Year" and "Best Green Finance Award", and was selected as a constituent stock of Hang Seng Corporate Sustainability Index Series.

Economic Performance

During the reporting period, facing the severe and complex operating climates at home and abroad, the Bank actively served the national economic development, performed the due responsibilities of a large bank to support the sound and sustainable development of the real economy, and created remarkable values for the shareholders, customers, employees and other stakeholders.

Upholding the concept of serving the development of the real economy with finance, the Bank has always developed innovative thoughts to support the economic restructuring and the weak areas in the socioeconomic development, in a move to enhance the quality and level of assisting the real economy. The Bank played an active part in the development of the western region, the rise of the central region and the revitalization of the northeastern region by providing the aforesaid regions with prime resources and policy supports in respect of credit access and resources allocation, to boost the regional economic development with comprehensive financial services. It kept a close eye on and tracked the developments of strategic emerging industries, formulated relevant credit policies, and actively pushed forward the financial services for strategic emerging industries. It strived to build a professional SME service system and continuously stepped up financial support for SMEs. Besides, the Bank fully promoted the reform of sub-branches in counties, and reinforced the financial support for agriculture, agriculture, rural areas and farmers. It also strictly executed the real estate regulation policy of the government, supported the credit demand of residents to buy houses for their own residence, and actively provided credit support and financial services for government-subsidized housing projects across the country.

Environmental Performance

In the reporting period, the Bank formulated the Outline for the Implementation of Green Credit to continuously establish the green credit regulations, further clarified the direction for the development of a green credit system, optimized the green credit classification criteria, and intensified the environmental protection risk monitoring. Adhering to the overall credit principle of "supporting the good while restricting the bad; having both protection and limitation" in the industry credit policy, the Bank strictly controlled the credit access for industries with high energy consumption, high pollution and over-capacity and placed a priority on environmental protection, energy saving and comprehensive resource utilization projects. Besides, it strengthened the innovation of green credit products, promoted the upgrade and optimization of industrial structure in the direction of green and low carbon, and vigorously supported the transformation of China's economic development mode. At the end of 2011, the quantity of environment-friendly and environment-compliant customers of the Bank and their proportion in the total loan balance of the Bank both maintained at above 99.9%.

Leveraging the advantages of E-banking in that it is paperless and of low consumption and high efficiency, the Bank has continuously launched innovative products and services, conserved large amount of human and material resources, and improved business efficiency. The Bank has actively practiced green office to reduce energy saving and consumption reduction, paid much attention to fostering the employees' awareness of energy saving and environmental protection, and advocated employees behave themselves to create a good cultural atmosphere of stressing energy saving and highlighting environmental protection across the Bank, in an effort to become an environment-friendly "green bank".

Social Performance

Under the "rooted in society, rewarding society and serving society" principle, the Bank actively took part in a range of public welfare activities in terms of "public welfare" and "universal livelihood".

Disaster Relief. The Bank paid much attention to the earthquake in Yunnan and the drought in Guizhou, and launched an emergency plan to transfer disaster relief funds, actively donate money and goods and send the disaster relief goods to the affected areas to help the victims rebuild their home and safeguard the normal order of production and life of local people.

Charity Activities. The Bank further intensified the financial support for targeted poverty alleviation areas, including Nanjiang County, Tongjiang County and Wanyuan City of Sichuan Province, and donated RMB1.34 million for the biogas green energy development in Nanjiang County, Sichuan Province, building 200 biogas facilities, which helped improve sanitary conditions in new countryside. It donated RMB660,000 to the edible tree fungus cultivation project in Chenhe Township, Tongjiang County, so as to promote local poverty alleviation. It also donated RMB210,000 for the purchase of an ambulance for the maternal and child care center in Wanyuan City, making timely medical treatment available for more pregnant and lying-in women in emergency from surrounding areas. The Bank also donated RMB600,000 to implement the "Safety for Mothers and Babies 120" campaign in the maternal and child care service center in Nanjiang County, Tongjiang County and Wanyuan City of Sichuan Province, providing 1,000 eligible pregnant and lying-in women in danger and in poverty with hospital delivery subsidy. It donated RMB1.8 million to launch the "Little Kitchens of Love" project, setting up kitchens with complete auxiliary dining facilities for 48 schools in poverty-stricken areas, benefiting over 40,000 students. The Bank donated RMB2.7 million to Lifeline Express, setting up the first public-good micro-ophthalmic surgery training center in Inner Mongolia. Besides, the Bank donated RMB2 million to conduct the "Lifeline Express — ICBC Brings Eyesight to Chuxiong" activities, in which it provided local patients who were in poverty with cataract surgery free of charge in Chuxiong Yi Autonomous Prefecture, Yunnan Province, and improved local medical service environment.

Aid to Education and Sports. The Bank and the University of International Business and Economics jointly held the second "ICBC Cup" National Competition in Innovative Design of Banking Products by College Students, setting up a platform for college students to participate in social practice, relate theories with realities and exhibit their own social value. The Bank actively served the International Horticultural Exposition 2011 Xi'an, providing event vendors with financial support and services, delivering personal foreign exchange service for tourists, and promoting the concept of "harmonious coexistence of city and nature" with its own action. The Bank provided financial services for the 26th Universiade, and spread the spirit of volunteers by a number of service activities. In cooperation with Zhang Jun Kunqu Opera Art Fund, the Bank issued China's first public welfare bankcard with intangible cultural heritage as its theme, which created a new channel and new model for public welfare culture fund operation.

Community services. To fulfill the commitment of "a reliable bank that's always by your side", the Bank constantly enhanced financial services in communities, disseminated financial knowledge and carried out wealth management training activities. The Bank kept extending service channels, providing payroll service, utility bill collection and other financial services. It issued social security cards embedded with financial functions to meet public demand for financial services. In the reporting period, the Bank made 1,785 charity actions that involved 60,000 person-times and donated a total of RMB7.49 million to over 170,000 direct beneficiaries.

Caring for employees. Adhering to the "people-oriented" principle, the Bank optimized post responsibilities, and set up a highly efficient and orderly working mechanism. It enhanced staff training, gradually established the competency-based training system that instills a working culture of career development among employees. In the reporting period, the Bank held a total of 38,000 training sessions for 2.23 million people, which amounted to an average of 8.2 days of training per person. In addition, the Bank attached great importance to the protection of employees' rights and interests, paid attention to the health of employees, cared for female and retired employees and reinforced the assistance mechanism for employees in difficulties.

Operating in Good Faith. The Bank adhered to the service principle of "suitable products for specific customers", and fully disclosed financial risks to customers when introducing wealth management products based on the principle of "cost calculable, risk controllable and full information disclosure". The Bank invented a new anti-money laundering model of "practicing with concentration by experts and via systems", and organized publicity and training activities in a well-planned, tiered and diversified manner. Adhering to the principles of "striking at the root of problems as well as its harmful effect, taking precautious measures while imposing punishment", the Bank promoted the harmony and stability of the operational environment, and hence has built up a social image of good faith, honesty and compliance. As at the end of the reporting period, the Bank organized 1,677 inspections on the governance of commercial bribery and formulated 1,245 measures that regulate transaction conducts and drive the establishment of a market credibility system for the banking industry. The Bank altogether carried out 15,406 trainings on combating corruption and promoting honest conduct of business.

Improving Service Quality. The Bank strengthened network construction, set up operations in some counties and townships where financial services were unavailable, further improving the service capability and expanding the service scope. It accelerated the global service network distribution, enhanced localized operating level and preliminarily set up a global comprehensive service network. The Bank actively carried out the reengineering and optimization of processes across departments, institutions, platforms and business lines. As a result, the business and process operating efficiency of outlets were effectively improved. 17 outlets of the Bank were given the honor of "100 Model Entities with Civilized and Normative Service of the Chinese Banking Industry in 2011" by China Banking Association, more than any other bank.

Please refer to the 2011 Corporate Social Responsibility Report of Industrial and Commercial Bank of China Limited for more information on social responsibilities of the Bank.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Share Capital

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

		At 31 December 2010		Increase/decrease during the reporting period (+, -)	At 31 December 2011	
		Number of shares	Percentage (%)	Conversion of convertible bonds	Number of shares	Percentage (%)
I.	**Shares subject to restrictions on sales**	0	0.0	0	0	0.0
II.	**Shares not subject to restrictions on sales**	349,018,545,827	100.0	64,706,964	349,083,252,791	100.0
	1. RMB-denominated ordinary shares	262,224,501,277	75.1	64,706,964	262,289,208,241	75.1
	2. Foreign shares listed overseas	86,794,044,550	24.9	0	86,794,044,550	24.9
III.	**Total number of shares**	349,018,545,827	100.0	64,706,964	349,083,252,791	100.0

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

Details of Securities Issuance and Listing

Details of securities issuance in the three years before the end of the reporting period of the Bank are as follows:

◆ *Rights Issue of A Shares and H Shares*

In November 2010, the Bank implemented the rights issue of A shares and H shares as approved under the written approval (Zheng Jian Xu Ke [2010] No. 1579 and Zheng Jian Xu Ke [2010] No. 1583, respectively) issued by CSRC. The Bank issued a total of 11,262,153,213 A shares and 3,737,542,588 H shares with a nominal value of RMB1.00 per share, raising gross proceeds of RMB33,674 million and HKD13,044 million under the A share rights issue and H share rights issue, respectively. The net proceeds (after deducting all expenses incidental to the rights issue) of approximately RMB44,620 million were used to strengthen the capital base of the Bank. For details of the rights issue, please refer to relevant announcements previously disclosed and the 2010 Annual Report.

◆ *Issuance of A Share Convertible Bonds*

In August 2010, the Bank issued A share convertible bonds with an aggregate nominal value of RMB25.0 billion as approved under the written approval (Zheng Jian Fa Xing Zi [2010] No. 1155) issued by CSRC and had them listed on SSE. The Bank issued a total of 250,000,000 A share convertible bonds with a nominal value of RMB100.00 each and with a term of six years commencing from the date of issuance, being from 31 August 2010 to 31 August 2016. For details of the issuance, please refer to relevant announcements previously disclosed and the 2010 Annual Report.

◆ *Issuance of Subordinated Bonds*

The Bank issued subordinated bonds in an amount of RMB38.0 billion and RMB50.0 billion in the inter-bank bond market in June 2011 and December 2011 respectively to replenish the supplementary capital of the Bank. The Bank issued subordinated bonds in an amount of RMB40.0 billion in the inter-bank bond market in July 2009, and issued subordinated bonds in an amount of RMB22.0 billion on a revolving basis in the inter-bank bond market in September 2010 to substitute for the redeemed portion of the subordinated bonds issued in 2005, so as to replenish the supplementary capital of the Bank.

In November 2010 and November 2011, ICBC (Asia), a subsidiary of the Bank, issued the subordinated notes with nominal value of USD500 million and RMB1.5 billion respectively.

For information on the issuance of subordinated bonds by the Bank and its subsidiaries, please refer to "Note 38. to the Financial Statements: Debt Securities Issued" for details.

◆ *Employee Shares*

The Bank did not have any employee shares.

Particulars of Shareholders

Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 997,402 shareholders, including 153,712 holders of H shares and 843,690 holders of A shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 SHAREHOLDERS OF THE BANK

Unit: Share

Total number of shareholders at the end of 2011	997,402 (number of holders of A shares and H shares on the register of shareholders as at 31 December 2011)
Total number of shareholders at the end of the month prior to the release date of this annual report	980,475 (number of holders of A shares and H shares on the register of shareholders as at 29 February 2012)

Particulars of shareholding of the top 10 shareholders
(The following data are based on the register of shareholders as at 31 December 2011)

Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restriction on sales	Number of pledged or locked-up shares
Huijin	State-owned	A shares	35.4	123,694,126,154	0	None
MOF	State-owned	A shares	35.3	123,316,451,864	0	None
HKSCC Nominees Limited	Foreign legal person	H shares	24.6	86,005,560,941	0	Unknown
Ping An Insurance (Group) Company of China, Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.6	1,999,857,212	0	None
ICBC Credit Suisse Asset Management Co., Ltd. — Assets management for specific customers	Other domestic entities	A shares	0.3	1,053,190,083	0	None
Anbang Property & Casualty Insurance Co., Ltd. — Traditional insurance products	Other domestic entities	A shares	0.1	516,921,488	0	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic entities	A shares	0.1	454,538,874	0	None
Sino Life Insurance Co., Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.1	386,771,556	0	None
Ping An Insurance (Group) Company of China, Ltd. — Traditional — High-interest rate policy products	Other domestic entities	A shares	0.1	386,629,846	0	None
China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu	Other domestic entities	A shares	0.1	348,592,580	0	None

Notes: (1) Shareholding of holders of H shares was based on the number of shares in the list of shareholders of the Bank at H-share registry.

(2) Both "Ping An Insurance (Group) Company of China, Ltd. — Traditional — Ordinary insurance products" and "Ping An Insurance (Group) Company of China, Ltd. — Traditional — High-interest rate policy products" are managed by Ping An Insurance (Group) Company of China, Ltd. Both "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" and "China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu" are products of China Life Insurance Company Limited. Apart from these, the Bank is not aware of any connected relations or concerted action among the afore-mentioned shareholders.

Particulars of Substantial Shareholders

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

- *Controlling Shareholders*

The largest single shareholder of the Bank is Huijin, which held approximately 35.4% of the shares of the Bank as at 31 December 2011. Huijin has increased its shareholding in the Bank through on-market purchase on SSE since 10 October 2011. In 2011, Huijin increased its holding by 53,053,290 A shares of the Bank accumulatively, accounting for 0.015% of the total shares issued by the Bank as at 31 December 2011.

Huijin is a wholly State-owned company incorporated on 16 December 2003 under the Company Law. Huijin had a registered capital of RMB828,209 million, and its legal representative is Mr. Lou Jiwei. Huijin, which is the wholly-owned subsidiary of China Investment Corporation, makes equity investment in State-owned key financial institutions as authorized by the State, and exercises the contributor's rights and obligations in such financial institutions up to its contribution on behalf of the State to achieve preservation and appreciation of State-owned financial assets. Huijin does not engage in any other commercial activities nor does it intervene in daily operation of those financial institutions.

The second largest single shareholder of the Bank is MOF, which held approximately 35.3% of the shares of the Bank as at 31 December 2011. MOF is a constituent part of the State Council, and is responsible for overseeing the State's fiscal revenue and expenditure, formulating the financial and taxation policies, and supervising State finance at a macro level.

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

None.

- *Particulars of the De Facto Controller*

None.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

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

As at 31 December 2011, the Bank had received notices from the following persons stating that they had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
MOF[1]	Beneficial owner	118,006,174,032	Long position	44.99	33.80
Huijin[2]	Beneficial owner	118,006,174,032	Long position	44.99	33.80

Notes: (1) According to the register of shareholders as at 31 December 2011, MOF held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders as at 31 December 2011, Huijin held 123,694,126,154 shares in the Bank.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
SSF	Beneficial owner	13,847,980,524	Long position	15.95	3.97
Goldman Sachs	Beneficial owner	7,944,462,536	Long position	9.15	2.27
	Interest of controlled corporations	833,372,557	Long position	0.96	0.24
	Total	8,777,835,093		10.11	2.51
Nomura Holdings, Inc.	Interest of controlled corporations	4,909,233,950	Long position	5.66	1.41
	Interest of controlled corporations	3,862,033,001	Short position	4.45	1.11
JPMorgan Chase & Co.	Beneficial owner	588,115,969	Long position	0.68	0.17
	Investment manager	722,751,670	Long position	0.83	0.21
	Custodian corporation/ approved lending agent	3,049,022,178	Long position	3.51	0.87
	Total	4,359,889,817		5.02	1.25
	Beneficial owner	332,705,309	Short position	0.38	0.10

Particulars of A Share Convertible Bonds

PARTICULARS OF HOLDING OF THE TOP 10 HOLDERS OF THE A SHARE CONVERTIBLE BONDS

Unit: RMB

Name of bondholder	Amount held
Bosera Enhanced Convertible Bond-type Securities Investment Fund	682,318,000
China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu	619,977,000
Sunshine Life Insurance Co., Ltd. — Participating insurance products	610,581,000
Anbang Property & Casualty Insurance Co., Ltd. — Traditional insurance products	603,110,000
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	549,101,000
CITIC Securities Co., Ltd.	506,000,000
Fullgoal Convertible Bond-type Securities Investment Fund	501,000,000
China Credit Trust Co., Ltd. — Single trust for fixed income of Bank of Communications	455,623,000
Harvest Prudential Open-end Securities Investment Fund	437,790,000
China AMC Return Securities Investment Fund	382,932,000

Note: The above data are based on the register of holders of A share convertible bonds as at 31 December 2011.

◆ *Particulars of Guarantors of Convertible Bonds*

The Bank had no guarantor of convertible bonds.

◆ *Adjustment of Conversion Price of Convertible Bonds*

The initial conversion price of the ICBC Convertible Bonds was RMB4.20 per share.

In 2010, with the approval of domestic and overseas regulators, the Bank issued a total of 11,262,153,213 A shares to A share holders and 3,737,542,588 H shares to H-share holders. Following the A share rights issue, the conversion price of the ICBC Convertible Bonds has been adjusted from RMB4.20 per share to RMB4.16 per share since 26 November 2010. Following the H-share rights issue, the conversion price of the ICBC Convertible Bonds has been adjusted from RMB4.16 per share to RMB4.15 per share since 27 December 2010.

On 31 May 2011, the Annual General Meeting for the Year 2010 reviewed and approved the profit distribution plan for 2010, and determined to distribute cash dividends of RMB1.84 per ten shares (pre-tax) to A share holders and H share holders whose name appeared on the share register after the close of market on 14 June 2011. In accordance with the Prospectus on Issuance of the A Share Convertible Corporate Bonds of Industrial and Commercial Bank of China Limited and relevant laws and regulations, the conversion price of the ICBC Convertible Bonds has been adjusted from RMB4.15 per share to RMB3.97 per share since 15 June 2011.

◆ *Conversion of Convertible Bonds*

The conversion period of ICBC Convertible Bonds started on 1 March 2011. As at 31 December 2011, a total of 2,570,380 bonds were converted into A shares of the Bank, making the accumulated converted shares reach the number of 64,706,964. After the conversion, the Bank owned 247,429,620 convertible bonds trading on the market, accounting for 98.97% of the total ICBC Convertible Bonds issued by the Bank.

◆ *Credit Rating of Convertible Bonds*

China Chengxin Securities Appraisal Co., Ltd. traced and analyzed the credit standing of the convertible corporate bonds issued by the Bank in 2010 and issued a credit rating report (Xin Ping Wei Han Zi [2011] Gen Zong No. 012). The Bank was rated AAA with a stable prospect, and the credit rating for the bonds of the current period was AAA.

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

Name	Position	Gender	Age	Tenure[(2)]	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Reasons for changes
Jiang Jianqing	Chairman of the Board of Directors, Executive Director	Male	58	November 2011–November 2014	0	0	—
Yang Kaisheng	Vice Chairman, Executive Director, President	Male	62	November 2011–November 2014	0	0	—
Zhao Lin	Chairman of the Board of Supervisors	Male	57	May 2011–May 2014	0	0	—
Wang Lili	Executive Director, Senior Executive Vice President	Female	60	April 2010–April 2013	0	0	—
Li Xiaopeng	Executive Director, Senior Executive Vice President	Male	52	October 2010–October 2013	0	0	—
Huan Huiwu	Non-executive Director	Male	58	November 2011–November 2014	0	0	—
Wang Xiaoya	Non-executive Director	Female	47	January 2012–January 2015	0	0	—
Ge Rongrong	Non-executive Director	Female	43	January 2012–January 2015	0	0	—
Li Jun	Non-executive Director	Male	52	November 2011–November 2014	0	0	—
Wang Xiaolan	Non-executive Director	Male	56	January 2012–January 2015	0	0	—
Yao Zhongli	Non-executive Director	Male	57	January 2012–January 2015	0	0	—
Leung Kam Chung, Antony[(3)]	Independent Non-executive Director	Male	59	October 2008–October 2011	0	0	—
Qian Yingyi[(3)]	Independent Non-executive Director	Male	55	October 2008–October 2011	0	0	—
Xu Shanda	Independent Non-executive Director	Male	64	September 2010–September 2013	0	0	—
Wong Kwong Shing, Frank	Independent Non-executive Director	Male	63	January 2012–January 2015	0	0	—
Malcolm Christopher McCarthy	Independent Non-executive Director	Male	67	December 2009–December 2012	0	0	—
Kenneth Patrick Chung	Independent Non-executive Director	Male	54	December 2009–December 2012	0	0	—
Wang Chixi	Shareholder Supervisor	Female	56	November 2011–November 2014	0	0	—
Dong Juan	External Supervisor	Female	59	May 2009–May 2012	0	0	—
Meng Yan	External Supervisor	Male	56	May 2009–May 2012	0	0	—
Zhang Wei	Employee Supervisor	Male	49	August 2009–August 2012	0	0	—
Zhu Lifei	Employee Supervisor	Male	57	September 2010–September 2013	0	0	—
Luo Xi	Senior Executive Vice President	Male	51	December 2009–	0	0	—
Liu Lixian	Secretary of Party Discipline Committee	Male	57	October 2005–	0	0	—
Yi Huiman	Senior Executive Vice President	Male	47	July 2008–	0	0	—
Zhang Hongli	Senior Executive Vice President	Male	46	May 2010–	0	0	—
Wang Xiquan	Senior Management member	Male	51	April 2010–	0	0	—
Wei Guoxiong	Chief Risk Officer	Male	56	August 2006–	0	0	—
Lin Xiaoxuan	Chief Information Officer	Male	46	November 2011–	0	0	—
Hu Hao	Board Secretary	Male	49	December 2010–	0	0	—

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

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

(3) The terms of Mr. Leung Kam Chung, Antony and Mr. Qian Yingyi expired in October 2011. According to the Articles of Association of the Bank, Mr. Leung Kam Chung, Antony and Mr. Qian Yingyi shall continue to act as directors before the re-elected directors take office.

Biographies of Directors, Supervisors and Senior Management

Jiang Jianqing, Chairman, Executive Director

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

Yang Kaisheng, Vice Chairman, Executive Director, President

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

Zhao Lin, Chairman of the Board of Supervisors

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

Wang Lili, Executive Director, Senior Executive Vice President

Ms. Wang has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since October 2005, and Executive Director since April 2010. She was appointed as Senior Executive Vice President upon joining ICBC in November 2000. She previously served in several positions including General Manager of the Credit Management Department, General Manager of the Risk Management Department, and Assistant to President of Bank of China. She once also served as Chairperson of Bank of China (Canada) and Yien Yieh Commercial Bank Ltd. (Hong Kong), respectively. Currently she is China's representative of APEC Business Advisory Council, a member of APEC Women Leaders' Network, a board member of International Swaps and Derivatives Association, Vice Chairperson of China Chamber of International Commerce, 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 Vice Chairperson of the Board of Directors 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 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.

Wang Xiaoya, Non-executive Director

Ms. Wang has served as Non-executive Director of Industrial and Commercial Bank of China Limited since January 2012. She previously taught at Central China Normal University where she served as Assistant Lecturer and Lecturer. She joined the Research Bureau of the People's Bank of China in 1997 where she served as Deputy Chief of division, Chief of division and Deputy Director and served as Deputy Mayor of Tongliao City in Inner Mongolia Autonomous Region at the same time. Ms. Wang graduated from the Graduate School of Chinese Academy of Social Sciences and received a Doctorate degree in Economics. Ms. Wang also received a Bachelor of Law degree and a Master of Economics degree from the Political and Education Faculty and Economics Faculty of Central China Normal University. Ms. Wang Xiaoya is a researcher and is currently a Member of the Post-Doctoral Academic Committee and a Post-Doctoral Co-mentor at the People's Bank of China Research Institute of Finance.

Ge Rongrong, Non-executive Director

Ms. Ge has served as Non-executive Director of Industrial and Commercial Bank of China Limited since January 2012. She has worked at Huijin since 2005 and had served as Deputy Officer and Officer of the Construction Bank Share Management Division of the Banking Department at Huijin and an Employee Supervisor of Huijin. Ms. Ge previously served as Lecturer at the Economics Management College of Beijing University of Industry in 1994, and subsequently served as Assistant Researcher at China Eagle Securities Company and staff member of the Department of Public Offering and Supervision at China Securities Regulatory Commission. Ms. Ge graduated from China University of Technology and received a Doctorate degree in Management. Ms. Ge also received a Bachelor's degree in Engineering from Zhejiang University and a Master's degree in Economics from Beijing Normal University. She is a senior economist.

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 joined Central Huijin Investment Ltd. in 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. He graduated from University of Madrid in Spain and received a Doctorate degree in Business Management.

Wang Xiaolan, Non-executive Director

Mr. Wang has served as Non-executive Director of Industrial and Commercial Bank of China Limited since January 2012. He joined the Department of Industry and Transportation of the Ministry of Finance in 1982. He served as Deputy Chief and Deputy Director-General of the State-owned Assets Administration Commission from 1989. Mr. Wang served as Chief, Assistant Commissioner and Deputy Supervision Commissioner of the General Office in the Financial Supervision Commissioner Office of the Ministry of Finance in Beijing from 1997. Mr. Wang served as Deputy Supervision Commissioner and Supervision Commissioner (at the rank of Director-General) of the Financial Supervision Commissioner Office of the Ministry of Finance in Chongqing City from 2004. Mr. Wang graduated from Central University of Finance and received a Bachelor’s degree in Economics. Mr. Wang Xiaolan is a senior economist, a certified public accountant and is qualified to practise as a registered asset appraiser.

Yao Zhongli, Non-executive Director

Mr. Yao has served as Non-executive Director of Industrial and Commercial Bank of China Limited since January 2012. He joined the Ministry of Finance in 1991 and served as Deputy Officer and Officer at the Theory Department of China Financial and Economic News of the Ministry of Finance and Deputy Chief Editor (at the rank of Deputy Director-General) and Chief Editor (at the rank of Director-General) of China Financial and Economic News of the Ministry of Finance. He graduated from the Economics Faculty of Peking University and received a Doctorate degree in Economics. Mr. Yao also received a Bachelor’s degree in Economics and a Master’s degree in Economics from the Economics Faculty of Sichuan University and the Economics Faculty of Peking University, respectively. Mr. Yao Zhongli is a senior editorial specialist.

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, University of Maryland

and University of California, Berkeley, and served as Independent Non-executive Director of China Netcom Group Corporation (Hong Kong) Limited. He is Dean of the School of Economics and Management of Tsinghua University, and is concurrently 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, 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, an independent non-executive director of Intercontinental Exchange, a non-executive director of NIBC Holding N.V, NIBC Bank N.V., OneSavings Bank plc and Castle Trust Capital plc, 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 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, Director-General of the Enterprise Affairs Department of the State Administration of State-owned Assets, Director-General of the Evaluation Department of the MOF, and independent director of Shanghai Qiangsheng Holding Co., Ltd., Baocheng Investment Co., Ltd. and The Ming An (Holdings) Company Limited. At present, Ms. Dong concurrently serves as an independent director of Sinotex Investment & Development 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, China Merchants Property Development Company and Beijing Bashi Media Co., Ltd. At present, he concurrently serves as an independent supervisor of China COSCO Holdings Company Limited, and an independent director of Yantai Wanhua Polyurethane 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 had 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 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 and General Manager of ABC International Department. He is concurrently the Chairman of ZAO Industrial and Commercial Bank of China (Moscow) and Industrial and Commercial Bank of China (Canada), Vice Chairman of China Society of International Finance and Director of Consumer Protection Committee of China Banking Association. He graduated from the Graduate School of the People's Bank of China and received a Master's degree in Economics.

Liu Lixian, Secretary of Party Discipline Committee

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

Yi Huiman, Senior Executive Vice President

Mr. Yi has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since July 2008. He joined ICBC in 1985, and was appointed as member of the Senior Management in October 2005. He served in several positions at ICBC including Deputy Head of Zhejiang Branch, Deputy Head and Head of Jiangsu Branch, and Head of Beijing Branch. He is concurrently the Chairman of Industrial and Commercial Bank of China (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, and a Doctorate degree in Management Science and Engineering from the Chinese Academy of Social Sciences.

Wang Xiquan, Senior Management member

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

Wei Guoxiong, Chief Risk Officer

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

Lin Xiaoxuan, Chief Information Officer

Mr. Lin has served as Chief Information Officer of Industrial and Commercial Bank of China Limited since November 2010. Mr. Lin joined ICBC in 1989, and has served as General Manager of Information and Technology Department of ICBC from 2001, and Chief Officer of Information and Technology, and concurrently General Manager of Information and Technology Department, of ICBC since July 2009. He also served as Chief of Technology Protection Section and Head of Software Development and Operation Centre of ICBC Fujian Branch, Deputy General Manager of Technology

Protection Department of the Head Office and later General Manager of Information and Technology Department of ICBC, and for a certain period of time concurrently served as General Manager of Data Centre of ICBC. Currently, Mr. Lin is also the President of Financial Computer of China Magazine. He graduated from East China Normal University and received a Master's degree in Engineering. He is a research fellow.

Hu Hao, Board Secretary

Mr. Hu has served as Board Secretary of Industrial and Commercial Bank of China Limited since December 2010. Mr. Hu joined ICBC in 1984, serving successively as the Deputy General Manager of the Industrial and Commercial Credit Department, the Deputy General Manager of the Credit Management Department, the General Manager of the Institution Operations Department and the General Manager of the International Banking 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 of the Head Office of ICBC, and a Director of Xiamen International Bank and Taiping General Insurance Company Limited. Mr. Hu graduated from Hunan University, and received a Doctorate degree in Economics from the Graduate School of the Chinese Academy of Social Sciences. He is a senior economist.

Mr. Huan Huiwu, Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Li Jun, Mr. Wang Xiaolan and Mr. Yao Zhongli were nominated by Huijin to serve as Non-executive Directors of the Bank. Huijin holds interests in shares of the Bank. Please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Interests and Short Positions Held by Substantial Shareholders and Other Persons" for further details.

Appointment and Removal

◆ *Directors*

At the First Extraordinary General Meeting of 2011 held on 29 November 2011, Mr. Jiang Jianqing and Mr. Yang Kaisheng were re-appointed as Executive Directors of the Bank; Mr. Wong Kwong Shing, Frank was re-appointed as Independent Non-executive Director of the Bank; Mr. Huan Huiwu and Mr. Li Jun were re-appointed as Non-executive Directors of the Bank; Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Wang Xiaolan and Mr. Yao Zhongli were elected as Non-executive Directors of the Bank. The appointment of Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Wang Xiaolan and Mr. Yao Zhongli was approved by CBRC on 9 January 2012.

Mr. Gao Jianhong, Ms. Li Chunxiang, Mr. Li Xiwen and Mr. Wei Fusheng ceased to act as Directors of the Bank with effect from 9 January 2012.

◆ *Supervisors*

After the review and approval by the Annual General Meeting for the Year 2010 held on 31 May 2011, Mr. Zhao Lin was re-appointed as a Shareholder Supervisor of the Bank, and the appointment took effect from the date of approval by the meeting.

After the review and approval by the First Extraordinary General Meeting of 2011 held on 29 November 2011, Ms. Wang Chixi was re-appointed as a Shareholder Supervisor of the Bank, and the appointment took effect from the date of approval by the meeting.

◆ *Senior Management*

During the reporting period, there was no change in senior management members of the Bank.

Annual Remuneration

Unit: RMB10,000

Name	Remuneration paid (before tax) (1)	Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances (2)	Part-time fee (3)	Total remuneration before tax (4)=(1)+(2)+(3)	Whether or not the remuneration is paid by the shareholder entities or other connected entities
Jiang Jianqing	87.6	24.1	—	111.7	No
Yang Kaisheng	80.8	22.0	—	102.8	No
Zhao Lin	78.6	21.8	—	100.4	No
Wang Lili	75.0	21.2	—	96.2	No
Li Xiaopeng	75.0	21.2	—	96.2	No
Huan Huiwu	—	—	—	—	Yes
Wang Xiaoya	—	—	—	—	Yes
Ge Rongrong	—	—	—	—	Yes
Li Jun	—	—	—	—	Yes
Wang Xiaolan	—	—	—	—	Yes
Yao Zhongli	—	—	—	—	Yes
Leung Kam Chung, Antony	—	—	50.0	50.0	No
Qian Yingyi	—	—	49.0	49.0	No
Xu Shanda	—	—	—	—	No
Wong Kwong Shing, Frank	—	—	47.0	47.0	No
Malcolm Christopher McCarthy	—	—	40.0	40.0	No
Kenneth Patrick Chung	—	—	39.0	39.0	No
Wang Chixi	70.3	16.7	—	87.0	No
Dong Juan	—	—	30.0	30.0	No
Meng Yan	—	—	28.0	28.0	No
Zhang Wei	—	—	5.0	5.0	No
Zhu Lifei	—	—	5.0	5.0	No
Luo Xi	75.0	21.2	—	96.2	No
Liu Lixian	75.0	21.2	—	96.2	No
Yi Huiman	75.0	21.2	—	96.2	No
Zhang Hongli	75.0	16.4	—	91.4	No
Wang Xiquan	73.1	19.3	—	92.4	No
Wei Guoxiong	72.5	20.6	—	93.1	No
Lin Xiaoxuan	72.5	19.2	—	91.7	No
Hu Hao	72.5	17.7	—	90.2	No

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

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

Basic Information on Employees and Institutions

As at the end of 2011, the Bank had 408,859 employees[1], representing an increase of 11,520 persons compared with the end of the previous year, of whom 373 were employees in major domestic subsidiaries and 5,135 were local employees in overseas institutions. In 2011, the Bank adjusted the criteria for categorizing employees based on specialization. Among the employees in domestic institutions, 41,638 were engaged in the corporate banking segment, 178,145 in personal banking segment, 72,294 in the segment of finance, accounting, treasury operations and operational management, 25,716 in the segment of risk and compliance management, and 85,931 in other specializations; in terms of academic achievements, 12,753 employees received master's degree or above, accounting for 3.2% of all employees; 167,593 employees received bachelor's degree, accounting for 41.5%; 151,960 employees received associate degree, accounting for 37.6% of all employees, and 71,418 employees had qualifications below associate degree, accounting for 17.7%.

The Bank had 16,648 domestic operation and 239 overseas institutions, totaling 16,887, representing an increase of 457 as compared with the end of the previous year.

GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES

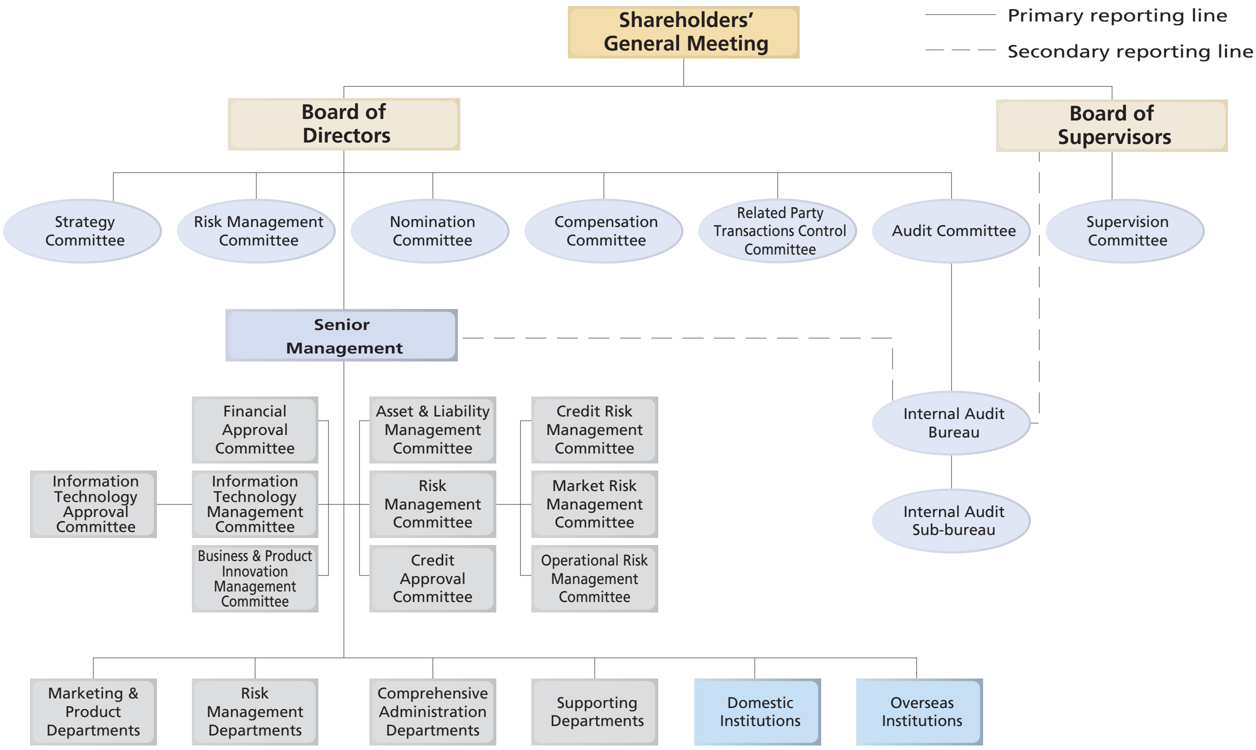
	At 31 December 2011					
Item	Assets (in RMB millions)	Percentage (%)	Institutions	Percentage (%)	Employees	Percentage (%)
Head Office	7,363,929	34.0	35	0.2	13,361	3.3
Yangtze River Delta	2,960,832	13.7	2,547	15.1	52,755	12.9
Pearl River Delta	2,037,404	9.4	2,081	12.3	45,435	11.1
Bohai Rim	3,499,724	16.2	2,742	16.2	64,984	15.9
Central China	1,865,008	8.6	3,568	21.1	87,119	21.3
Western China	2,150,030	9.9	3,908	23.2	89,516	21.9
Northeastern China	845,818	3.9	1,763	10.5	50,181	12.3
Overseas and others	926,709	4.3	243	1.4	5,508	1.3
Total	**21,649,454**	**100.0**	**16,887**	**100.0**	**408,859**	**100.0**

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

(2) Total excludes eliminated and undistributed assets.

1 Does not include labor dispatched for services totaling 33,669 persons.

Corporate Governance Framework



Note: The above is the corporate governance framework chart as of the end of 2011.

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

Responsibilities of the Shareholders' General Meeting

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

Responsibilities of the Board of Directors

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

Responsibilities of the Board of Supervisors

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

Responsibilities of the Senior Management

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

Overview of Corporate Governance

Sound corporate governance is the key to stable operation of the banking sector and even the entire financial system, and is also one of the most important determinants of a bank's development. During the reporting period, the Bank strictly complied with laws, regulations and relevant regulatory rules of the locality of its operations and of the locality where shares of the Bank are listed, and adhered to treating the improvement of corporate governance as a key move of strengthening the development. Additionally the Bank constantly promoted the corporate governance, effectively boosted its reform and development strategy, enhanced the operation management efficiency and strengthened the core competitiveness by centering on the vision of "becoming a global leading bank with the best profitability, performance and prestige". The Bank actively conducted the performance assessment on the Board of Directors, the Senior Management and their members, advanced the selection and appointment of directors and supervisors, improved the performance construction of the Board of Directors, its special committees and their members, revised the Articles of Association of the Bank and formulated relevant governance rules, strengthened comprehensive risk management and connected transaction management, thus further completing the information disclosure and enhancing the transparency of the Bank. In 2011, the Bank received 32 domestic and overseas corporate governance awards, including the Chinese securities "Golden Bauhinia-Most Popular Listed Company among Mainland and Hong Kong Investors" granted by Hong Kong *Ta Kung Pao*, the "Corporate Governance Asia Recognition Awards" by the *Corporate Governance Asia*, the "Best Corporate Governance Disclosure Awards 2011: H-Share Category Platinum Award" by the Hong Kong Institute of Certified Public Accountants and the "Citation for Corporate Governance Disclosure" by the Hong Kong Management Association.

Construction of the Organizational Framework of Corporate Governance

The Bank advanced succession of directors and supervisors to ensure the Board of Directors and the Board of Supervisors operate in compliance with laws and regulations. The tenures of 11 directors and one supervisor of the Bank expired successively starting from the second half of 2011. In accordance with appointment procedures, the Bank selected and appointed directors with strong policy and theoretical knowledge and extensive experience in management after broad-based searching, strict screening and thorough consideration and completed succession of directors and supervisor to ensure scientific decision-making by the Board of Directors as well as effective supervision by the Board of Supervisors.

The Bank strengthened management of full-time directors and supervisors seconded to subsidiaries to accommodate development needs of the Group. In order to give full play to the roles of directors and supervisors seconded to subsidiaries in corporate governance and step up efforts in control over subsidiaries, the Bank set up an office of directors and supervisors seconded to subsidiaries during the reporting period. The office oversees duty performance management of seconded full-time directors and supervisors. During the reporting period, the Bank continued to improve the appointment, dismissal, assessment and reporting mechanisms for seconded full-time directors and supervisors, enhance the duty performance capability of seconded full-time directors and supervisors, ensure that subsidiaries follow the Group's strategic intent and safeguard the legitimate rights and interest of the Bank.

The Bank further implemented vertical business management and centralized risk management to increase efficiency of management and response to market. The Bank launched the profit center reform and managed to increasingly strengthen the value-creating capacity of major business lines; basically completed the management system reform at provincial and regional branches to enhance competitiveness and development capacity of branches in large and medium cities; further implemented the county sub-branch reform to stimulate business vitality of county-area outlets; continued to comprehensively carry out operational reforms in remote authorization, supervisory system and centralized business processing and push forward construction of back-office centers including E-banking center, telephone center and document center, which significantly improved operational quality and service efficiency.

Construction of the Corporate Governance Mechanism

The Bank gave play to the strategic decision-making role of the Board of Directors and its special committees. The Board of Directors and its special committees strengthened discussions, studies and scientific decision-making on medium- and long-term major strategic issues and actively facilitated strategic transformation, restructuring and implementation of the internationalized and diversified development strategy. The Bank held strategy workshops of the Board of Directors to discuss strategic issues on medium- and long-term development. The Bank authorized the Management to issue additional RMB-denominated subordinated bonds to replenish the Bank's capital base. The Bank embraced opportunities in international financial markets to accelerate the construction of the global business network. The Bank strengthened comprehensive risk management and consolidated statement management pursuant to regulatory requirements of CBRC to facilitate the implementation of the New Capital Accord.

The Bank gave play to the supervisory function of the Board of Supervisors. The Bank developed and improved working policies and procedures of the Board of Supervisors, continuously deepened duty performance supervision and assessment of the Board of Directors, the Senior Management and their members, duly carried out supervision over financial activities, risk management and internal control and promoted compliance and sustained healthy development of each business of the Bank.

With regard to comprehensive risk management, the Bank actively improved the comprehensive risk management system and enhanced the Group's concentration risk and country risk management system. The Bank completed the internal capital adequacy assessment process (ICAAP) program, fully carried out construction of the New Capital Accord implementation system, continued to improve the consolidated statement management framework, systems and mechanisms necessary for Group development and strengthened the Group's consolidated statement management system, focusing on financial consolidation, risk consolidation and capital consolidation, which further strengthened the Group's consolidated statement management capacity.

With regard to the internal audit system, on a risk-oriented basis, the Bank paid particular attention to mechanism risk, systematic risk and compliance risk during operation and development, attached great importance to cross-discipline, cross-regional and cross-regulatory business consolidation risk, strategic risk as well as operating efficiency and effectiveness within the Group. The Bank accelerated construction of the audit IT platform to further strengthen off-site audit methods and techniques. The Bank expanded and improved the system of auditing practices and standards, strengthened professionalization of the internal audit team and further enhanced the duty performance capacity of internal auditors and effectiveness of internal audits.

With regard to the internal control system, the Bank followed the theme of advancing construction of the Bank's internal control system to optimize internal control assessment procedures, fully amended the Basic Provisions on Internal Control, carried out key compliance inspections and improved the Internal Trading Regulations under the overall requirements of "regulated behavior, reasonable authorization, windowed monitoring, strong inspection and effective control", which effectively enhanced control of internal trading.

With regard to the incentive and disciplinary mechanism, the Bank adhered to caring for people and market-driven allocation, established mechanism innovation as safeguard, deepened personnel system reform, implemented the talent-driven development strategy, gradually created a new market-based mechanism for selection and appointment, continuously improved the incentive and disciplinary mechanism, launched the Group's steady salary management, stimulated business vitality of institutions at all levels, motivated employees of the Bank without compromising risk control and promoted sustainable development of business of the Bank.

The Bank endeavored to establish a compatible, efficient and individualized equity management platform, continued to improve the equity management system, monitored shareholding changes of strategic and important investors in a timely manner, strengthened equity investment management, properly dealt with matters regarding dividend distribution and fully innovated investor relations management.

The Bank continuously increased the level of transparency. The Bank continuously increased the depth and breadth of proactive information disclosure under the principles of "authenticity, accuracy, completeness, timeliness and fairness" for information disclosure and by making references to the needs of investors. The Bank formulated the Accountability System of Material Information Disclosure Errors in Annual Reports, clearly assigned responsibilities and improved quality of the annual report. The Bank strictly implemented the Administrative Measures for Insider Information and Insiders to prevent insider transactions and fully protect the interests of shareholders.

The Bank carried out social responsibility management under the corporate development strategy, preliminarily established a system of social responsibility reporting and external verification that meets international standards and increased creditability and influence of the social responsibility report. The Bank established the corporate culture with "integrity, humanity, prudence, innovation and excellence" as the basic value orientation and enhanced cohesion and enthusiasm of employees.

Development of Corporate Governance Regulations

During the reporting period, the Bank amended the Articles of Association and changed the registered capital in accordance with laws and regulations including the Company Law, results of issuance of A-share convertible bonds in 2010 and A-and H-share rights issue. The Bank formulated the Operating Rules on the Distribution of Cash Dividends, and also formulated or the revised relevant rules regarding risk management including the Management Measures on the Internal Rating of Credit Risk and the Management Plan on the Country Risk Limit in 2011 (Trial). The Bank further standardized the rules for the assessment of the performance of directors and supervisors, formulated the Rules on the Assessment of the Performance of Duties of Directors by the Board of Directors (Trial), the Rules on the Assessment of the Performance of Duties of the Board of Directors, the Senior Management and their Members by the Board of Supervisors (Trial) and the Rules on the Assessment of the Performance of Duties of the Supervisors by the Board of Supervisors (Trial) to clarify the assessment standards and procedures and promote the assessment in a thorough manner. The Bank also formulated the Accountability System of Material Information Disclosure Errors in Annual Reports to explicate responsibilities of various information disclosures and improve the disclosure of annual reports.

There is neither material divergence between actual corporate governance of the Bank and applicable regulations and requirements of regulatory authorities including CSRC, nor any problem identified by regulatory authorities but remain unresolved in respect of corporate governance.

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

Compliance with the Code on Corporate Governance Practices

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

Board of Directors and Special Committees

Composition of the Board of Directors

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

Meetings of the Board of Directors

During the reporting period, the Board of Directors of the Bank held 10 meetings, considered 59 proposals and listened to 24 reports. The main proposals and reports are set out below:

- Proposal on the Budget for Fixed Assets Investment for 2011
- Proposal on the Special Report in respect of the Savings and Actual Usage of the Proceeds from A Share Fundraising in 2010 of Industrial and Commercial Bank of China Limited
- Proposal on the Capital Injection in ICBC (Asia)
- Proposal on the Capital Injection in ICBC International Holdings Limited
- Proposal on the 2011 Liquidity Risk Management Strategy of Industrial and Commercial Bank of China Limited
- Proposal on the Work Summary of Consolidated Statement Management in 2010 and Key Work for 2011
- Proposal on the Implementation Plan of the Internal Control Standards of Industrial and Commercial Bank of China Limited
- Proposal on the 2010 Internal Control Assessment Report of Industrial and Commercial Bank of China Limited
- Proposal on the Engagement of Auditors for 2011
- Proposal on the Rules on the Assessment of Performance of Duties of Directors by the Board of Directors of Industrial and Commercial Bank of China Limited (Trial)
- Proposal on the 2010 Annual Report and its Abstract
- Proposal on the 2010 Audited Accounts
- Proposal on the 2010 Profit Distribution Plan
- Proposal on the Purchase of Office Premises by Shanghai Branch
- Proposal on the 2010 Work Report of the Board of Directors of Industrial and Commercial Bank of China Limited
- Proposal on the 2010 Corporate Social Responsibility Report of Industrial and Commercial Bank of China Limited
- Proposal on Convening the 2010 Annual General Meeting
- Proposal on the First Quarterly Report of 2011
- Proposal on the Provisional Measures for the Group's Prudent Administration of Remuneration of Industrial and Commercial Bank of China
- Proposal on the Management Measures on the Internal Rating of Credit Risk of Industrial and Commercial Bank of China Limited

- Proposal on the Accountability System for Material Errors in Information Disclosure in Annual Report of Industrial and Commercial Bank of China
- Proposal on the "12th Five-Year" Information Technology Development Plan of Industrial and Commercial Bank of China
- Proposal on the Payment of Remuneration to Senior Management Members for 2010
- Proposal in respect of the Senior Management Performance Evaluation Plan for 2011
- Proposal on the Payment of Remuneration to Directors and Supervisors for 2010
- Proposal on the Purchase of Shares of Standard Bank Argentina S.A.
- Proposal on the Management Plan of Industrial and Commercial Bank of China for Country Risk Limit in 2011 (Trial)
- Proposal on the 2011 Interim Report and Its Abstract
- Proposal on the Purchase of Xinsheng Building by the Head Office
- Proposal on the Renewal of Liability Insurance Policy for Directors, Supervisors and Senior Management
- Proposal on the Issue of Subordinated Bonds of Not Exceeding RMB70 billion
- Proposal on the Nomination of Mr. Jiang Jianqing as A Candidate for the Post of Executive Director of Industrial and Commercial Bank of China Limited
- Proposal on the Nomination of Mr. Yang Kaisheng as A Candidate for the Post of Executive Director of Industrial and Commercial Bank of China Limited
- Proposal on the Nomination of Mr. Wong Kwong Shing, Frank as A Candidate for the Post of Independent Director of Industrial and Commercial Bank of China Limited
- Proposal on the Nomination of Mr. Tian Guoqiang as A Candidate for the Post of Independent Director of Industrial and Commercial Bank of China Limited
- Proposal on the Convening of the First 2011 Extraordinary General Meeting
- Proposal on the Third Quarterly Report of 2011
- Proposal on Basic Rules for the Management of Fair Value Measurement of Financial Instruments of Industrial and Commercial Bank of China
- Proposal on Postponing the Convening of the 1st Extraordinary General Meeting for 2011
- Proposal on the Budget for Fixed Assets Investment for 2012
- Proposal on the Capital Injection in ICBC Financial Leasing Co., Ltd.
- Proposal on the Employment Plan for 2012
- Proposal on the Nomination of Mr. Or Ching Fai as A Candidate for the Post of Independent Director of Industrial and Commercial Bank of China Limited
- Proposal on Convening the First 2012 Extraordinary General Meeting
- Report on the 2010 Internal Audit Report
- Report on the 2010 Assessment Report on the Performance of Duties of the Directors by the Board of Directors
- Report on the Risk Management of Industrial and Commercial Bank of China for 2010
- Report on the General Report on the Application for the New Capital Accord Implementation by Industrial and Commercial Bank of China
- Report on the IT Risk Management of Industrial and Commercial Bank of China for 2010
- Report on the Implementation of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors in 2010 of Industrial and Commercial Bank of China Limited
- Report on the Implementation of the Plan on Authorization of the Board of Directors to the President of Industrial and Commercial Bank of China Limited in 2010
- Report on the Identification of Related Parties of ICBC in 2010
- Report on the Management of Country Risk
- Report on the Management Report about the Inside Transactions of Industrial and Commercial Bank of China Limited in 2010

- Report on the 2011 Half-year Risk Management of Industrial and Commercial Bank of China Limited
- Report on the Interim Internal Audit Report for 2011
- Report on the Work Assessment of Ernst & Yong as the External Auditor of ICBC
- Report on the Work Plan of the Board of Directors for 2012

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

Attendances/Number of meetings requiring attendance

Directors	Board of Directors	Special committees of the Board of Directors					
		Strategy Committee	Audit Committee	Risk Management Committee	Nomination Committee	Compensation Committee	Related Party Transactions Control Committee
Executive Directors							
Jiang Jianqing	10/10	6/6					
Yang Kaisheng	10/10	6/6			2/2	3/3	
Wang Lili	10/10			5/5			
Li Xiaopeng	10/10						6/6
Non-executive Directors							
Huan Huiwu	10/10	6/6				3/3	
Gao Jianhong	10/10	6/6				3/3	
Li Chunxiang	10/10			5/5	2/2		
Li Jun	10/10		6/6	5/5			
Li Xiwen	10/10			5/5	2/2		
Wei Fusheng	10/10	6/6	6/6	5/5			
Independent Non-executive Directors							
Leung Kam Chung, Antony	10/10	6/6	6/6	5/5	2/2	3/3	6/6
Qian Yingyi	10/10	6/6	6/6	5/5	2/2	3/3	
Xu Shanda	10/10	6/6	6/6		2/2	3/3	6/6
Wong Kwong Shing, Frank	10/10		6/6	5/5	2/2	3/3	6/6
Malcolm Christopher McCarthy	10/10	6/6		5/5	2/2		
Kenneth Patrick Chung	10/10		6/6			3/3	6/6

Notes: (1) The number of attendances covers those of attendances in person and attendances by proxy.

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

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

The Board of Directors earnestly and fully implemented resolutions considered and passed at the Shareholders' General Meeting during the reporting period. For details of the proposals and reports considered at the Shareholders' General Meeting, please refer to the section headed "Summary of the Shareholders' General Meeting".

Implementation of Matters Authorized by the Shareholders' General Meeting

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

Responsibilities of Directors in respect of Financial Statements

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

Independence and Performance of Duties of Independent Non-executive Directors

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

During the reporting period, the Bank's Independent Non-executive Directors earnestly attended the meetings of the Board of Directors and special committees, with an attendance rate of 100%. At the meetings of the Board of Directors and special committees, Independent Non-executive Directors of the Bank gave independent opinions diligently, and provided valuable recommendations on areas such as business development and significant decision-making of the Bank. During the adjournment, Independent Non-executive Directors of the Bank conducted on-site investigations in terms of operation transformation, structure adjustment, risk management, internal control and employees' compensation system, etc. Additionally, they also exchanged opinions with the Management during special-topic discussions. During the reporting period, the Bank's Independent Non-executive Directors raised no objection as to the matters resolved by the Board of Directors or special committees.

Special Committees of the Board of Directors

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

- *Strategy Committee*

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

During the reporting period, the Strategy Committee of the Board of Directors held six meetings, considered nine proposals in respect of the budget for fixed assets investment for 2011 and final accounts plan for 2010, and listened to the report on the follow-up of potential M&A opportunity of Standard Bank Argentina. The Strategy Committee provided support to the scientific decision-making of the Board of Directors in the formulation and implementation of the three-year strategic development plan and the steady progression of internationalized and diversified operation.

◆ *Audit Committee*

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

Summary Report on the Performance of Duties by the Audit Committee

During the reporting period, the Audit Committee of the Board of Directors held six meetings, considered 10 proposals including the 2010 Annual Report, the 2010 Self Assessment on Internal Control Report, the Implementation Plan of the Internal Control Standards of the Bank and the engagement of auditors, and heard 12 reports including the regular work report of the Internal Audit Bureau. The Audit Committee reviewed financial statements of the Bank on a regular basis, and had reviewed and approved the annual report, interim report and quarterly reports of the Bank; organized and conducted the internal control assessment for 2010 of the Group and engaged external auditors to conduct on-site verification and assessment on the assessment report and procedures of the Bank; attached importance to the supervision of external auditors and heard several reports of external auditors concerning annual audit results, management proposal and audit plan.

During the preparation and audit of the 2011 financial statements, the Audit Committee set out related matters such as audit schedule and arrangement through negotiation with external auditors, followed the status of external auditing and conducted supervisions over relevant works at appropriate time by means of listening to reports and holding informal discussion, and reviewed the unaudited and preliminarily audited annual financial statements respectively. The Audit Committee held a meeting on 27 March 2012, and considered that the annual financial statements truly and completely reflected the financial status of the Bank. The Audit Committee also reviewed the summary of audit work performed by external auditors during the year, made an overall and objective assessment on the performance and quality of practice of the external auditors, agreed to reengage Ernst & Young Hua Ming and Ernst & Young to serve as the domestic and international auditors of the Bank respectively in 2012 and to engage Ernst & Young Hua Ming to serve as the internal auditor of the Bank in 2012, and decided to present this proposal to the Board of Directors for consideration.

◆ *Risk Management Committee*

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

During the reporting period, the Risk Management Committee of the Board of Directors held five meetings, discussed and considered four proposals including the Bank's liquidity risk management strategy, heard seven reports including the 2010 annual and 2011 interim risk management reports. By establishing risk management objectives and considering significant risk management regulations, the Risk Management Committee of the Board of Directors supervised and guided the operation of the risk management system, explored risk management tactics in response to the latest development of the market, thereby promoting efficient operation of the risk management system.

◆ *Nomination Committee*

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

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

Summary Report on the Performance of Duties by the Nomination Committee

During the reporting period, the Nomination Committee of the Board of Directors held two meetings, considered six proposals in respect of the nomination of Mr. Jiang Jianqing and Mr. Yang Kaisheng as candidates for the post of Executive Director and the nomination of Mr. Wong Kwong Shing, Frank, Mr. Tian Guoqiang and Mr. Raymond Or as candidates for the post of Independent Director. The committee fully offered its support to the decision-making of the Board of Directors.

◆ *Compensation Committee*

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

Summary Report on the Performance of Duties by the Compensation Committee

During the reporting period, the Compensation Committee of the Board of Directors held three meetings. In accordance with applicable regulations of the government as well as the strategic development plan and annual business plan of the Bank, the committee considered and approved five proposals in respect of the payment of remuneration to Directors, Supervisors and Senior Management members for 2010, performance evaluation plan for 2011 and Provisional Measures for the Group's Prudent Administration of Remuneration of Industrial and Commercial Bank of China, etc. The Compensation Committee of the Board of Directors put forth a proposal on the remuneration of the Senior Management members based on the performance evaluation for 2011, and presented such proposal to the Board of Directors for consideration and approval. The Bank deferred the payment of part of the performance based remuneration to Chairman of the Board of Directors, Chairman of the Board of Supervisors and other Senior Management members. The deferred amount was accrued in the Bank's account, and will be paid in three years having regard to the operating performance and status, and the proportion payable each year will be one-third of the amount. According to applicable regulations including the Measures on the Assessment of Performance of Duties of Directors in Commercial Banks (Trial) issued by CBRC and the Articles of Association of the Bank, the Compensation Committee formulated the Rules on the Assessment of Performance of Duties of Directors by the Board of Directors (Trail) and organized the performance assessment of directors.

◆ *Related Party Transactions Control Committee*

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

During the reporting period, the Related Party Transactions Control Committee held six meetings, considered nine proposals in respect of, among others, the identification of related parties of the Bank, heard two reports on the identification of related parties of the Bank in 2010, received related party transaction statistics and reporting information on a regular basis, and promoted the development of related party transaction management system.

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

The Office of the Board of Directors led relevant departments of the Bank and set up working groups of special committees of the Board of Directors under special committees of the Board of Directors in accordance with the working regulations for special committees, as service and supporting groups to facilitate special committees to effectively fulfill their responsibilities. The working groups of special committees of the Board of Directors are mainly responsible for, among others, assisting on the formulation of annual work plans of the Board of Directors and special committees; preparing for regular meetings of special committees of the Board of Directors; assisting special committee members to draft their research plans and carry out related researches; assisting the special committees to communicate with Senior Management and relevant departments of the Bank; and providing assistance in daily operation of special committees.

During the reporting period, the work groups of the special committees provided various services and supports to the performance of duties by special committees, including researching and discussing many activities to support and complement the work of the special committees, arranging special reports and seminars, and assisting directors to carry our forward-looking researches.

◆ *Investigation and Survey of Directors*

During the reporting period, Directors selected some typical business departments of the Head Office and subsidiaries both domestically and abroad and conducted special investigation and survey in terms of the market competitiveness of deposit, loans to SMEs, development of asset management, promotion and application of internal rating system, human resources management of subsidiaries and development of overseas institutions, etc. on such departments, according to the requests of the Board of Directors, economic and financial development trend and focus of the Bank regarding operation management. As a result, Directors were able to understand more about the external economic and financial environment as well as the Bank's operation management and provide a lot of significant and constructive opinions and recommendations, thereby enhancing the pertinence and efficiency of the work of the Board of Directors.

During the reporting period, Directors of the Bank proactively participated in the training programs to improve their ability to better perform their duties, including annual training programs for directors of listed companies in Beijing and information on session prevention from inside trading held by CSRC Beijing Bureau. They also actively took part in the directors training programs held by professional institutions both in China and abroad. Through these training programs, Directors of the Bank improved their understanding of the supervision and standardized operation of listed companies, competition with peers and related party transactions and internal control system construction of listed companies, etc., thereby effectively improving their performance of duties.

Board of Supervisors and Special Committee

Composition of the Board of Supervisors

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

Operation of the Board of Supervisors

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

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

Supervision Committee

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

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

Internal Control

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

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

The internal control environment has been optimized continuously. The Bank implemented the Development Plan of the Internal Control System for 2009-2011 in a deep-going manner, formulated the Development Plan of the Internal Control System for 2012-1014, actively carried out the succession procedures for directors, completed the first duty performance assessment of directors and further improved the corporate governance framework. The Strategic Development Plan of Industrial and Commercial Bank of China Limited for 2012-2014 was developed to further clarify the direction of development and priorities in the coming three years. The Commercial Banking Compliance Management Handbook was compiled and issued to increase the compliance awareness across the Bank. The Bank furthered the profit center reform and the management system reform of branches in large and medium cities and key county sub-branches to inspire vitality in its bank-wide operations. The Bank fully strengthened team building efforts and endeavored to create a sound atmosphere of all employees growing together with the Bank. The Bank further promoted broad-based dissemination of the corporate culture with the core values of "Integrity Leads to Prosperity" and sought uninterrupted progress in the Bank's corporate culture.

The comprehensive risk management system has been continuously improved. The Bank issued some important regulations including the Management Rules on Risk Appetite (Trial), the Administrative Measures for Risk and Capital Adequacy Assessment, the Risk Reporting Rules (Revised), the Enterprise Risk Management Framework (Revised) and the Management Rules on Risk Concentration of the Group, further improving the system of comprehensive risk management regulations. The Bank also issued some measures including the Administrative Measures for Country Risk Management, the Measures on the Rating of Country Risk, the Statistics Rules on Country Risk Exposure and the Administrative Measures for Country Risk Limits to establish a system of policies and procedures appropriate for the Bank's size and complexity of country exposures. The Bank actively assisted CBRC in the New Capital Accord compliance assessment, continued to accelerate application of the internal rating-based approach (IRB) for credit risk, the internal model approach (IMA) for market risk and the advanced measurement approach (AMA) for operational risk. The Bank actively promoted and applied risk quantification results to the entire operational management process including decision-making, capital allocation, product pricing and performance assessment, effectively improving risk management and internal control of the Bank.

Control measures on various business operations have been intensified. The Bank strengthened comprehensive budget management, further improved budgeting methods of domestic branches and further intensified monitoring, supervision and guidance of budget execution. The Bank fine-tuned operating performance and business development assessment procedures of domestic and overseas institutions and preliminarily developed a multi-tiered, inclusive and multi-functional bank-wide performance assessment platform. The Bank further optimized the accounting management system and the financial management system, continuously improved the quality of the preparation of financial statements. The Bank strictly applied authorization control, improved the collective decision-making and approval processes and improved decision-making capacity as well as risk prevention and control ability. The Bank vigorously advanced the integrated business process upgrading and optimization program and markedly increased business processing efficiency of the Bank. The Bank further deepened reform of the operational risk supervision system, fully implemented handover of the examination function and segregated operational risk monitoring from the examination function. The Bank improved the anti-money laundering (AML) system, stepped up efforts in building an integrated AML monitoring system for domestic and overseas operations and further improved AML monitoring, analysis and reporting. The Bank further refined the mechanism for related party transaction management, steadily pushed forward with building the related party transaction system and continuously enhanced management capacity. The Bank improved the major risk warning mechanism and the emergency response mechanism, standardized crisis disposition procedures and made continuous improvements in internal controls across the Bank.

The information communication channel has been further smoothed. The Bank continuously improved features of the global information platform and delivered measurable results in applying research findings. The Bank improved relevant statistical policies and procedures in accordance with regulators' requirements on statistical adjustments, added and modified part of the basic statistical indicators, made remarkable achievements in statements centralization reform and significantly increased the transmission efficiency of financial and regulatory statements. The Bank's information systems stayed secure and stable, significant results were achieved in infrastructure construction, great progress was made in information security and advantages over competitors were further cemented, laying a strong technological foundation for the Bank providing more efficient and higher-quality financial services. The Bank further improved case management system, issued the Working Regulations on Case Investigation and Punishment, strengthened the complaint handling process, continued to step up direct handling of significant complaints and further enhanced the anti-fraud mechanism.

Supervision and inspection have been further strengthened. The Bank's internal audit is oriented to risk, focused on control, targeted at governance and implemented for the purpose of value adding. Priority areas of internal audit included financial benefits, credit business, business innovation, information technology, Group risk, overseas institutions and regular audits. Internal audit basically covered all risk areas the Bank need pay particular attention and attach extra importance to in its prevention and control activities. In accordance with the Basic Standard for Enterprise Internal Control and its supporting guidelines promulgated by five ministries, the Bank carried out internal control assessment in 2011, and conducted a comprehensive evaluation on the establishment and implementation of internal control at the company, procedure and IT levels. The assessment covered all the key control areas including the internal control of financial report and non-financial report, and the annual internal control self-assessment report was prepared on this basis. The Bank engaged Ernst & Young Hua Ming to audit and give independent audit opinions on internal controls of the Bank.

Declaration of the Board of Directors on Internal Control Responsibility

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

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

The Board of Directors of the Bank conducted a self-assessment on the effectiveness of the Bank's internal control during the reporting period in accordance with the Basic Standard for Enterprise Internal Control and its supporting guidelines promulgated by five ministries, the Guidelines for Internal Control of Listed Companies issued by SSE and relevant supervisory requirements of CBRC. No material or significant deficiencies were detected in the Bank's internal control system during the assessment. Risks that may arise from ordinary deficiencies are controllable and corrective actions have been or are being taken, which have no material impact on the quality of operating activities and fulfillment of financial reporting objectives of the Bank. The self-assessment results suggest that the Bank's internal control system was sound and effectively implemented during the reporting period.

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

In 2012, the Bank will continue to implement relevant rules and regulations in a thorough manner, formally carry out the third internal control system plan (for 2012-2014) of the Bank by closely centering on the Bank's development strategic objectives and drive the bank-wide internal controls to a new level:

- Continuously improve the corporate governance framework and system, fully implement the third three-year plan for the construction of internal control (for 2012-2014) and facilitate continuous improvement of the Bank's internal control system.
- Improve the risk prevention and control system, push forward the full implementation of the New Capital Accord in a coordinated manner, accelerate the improvement of the comprehensive risk management framework that meets development needs of the Group and enhance the comprehensive risk management capacity.
- Improve the internal control management mechanism, comprehensively strengthen business operation review and further improve policies, procedures and operating mechanisms for compliance management to ensure sound business development.
- Create a globalized, integrated, intelligent and virtual application system platform that accommodates the Group's overall development needs, cement the Bank's leading position in the core banking system and enhance the internal control capacity of information systems.
- Accommodate the Bank's needs regarding development mode transformation, business restructuring, intensifying mechanism and system reform and business development, strengthen the audit and supervision over key risk areas and continuously improve the internal supervision system.
- Further improve the internal control assessment methods and processes, enhance the quality of internal control assessment and strengthen the positive role of internal control assessment in improving the Bank's internal control.

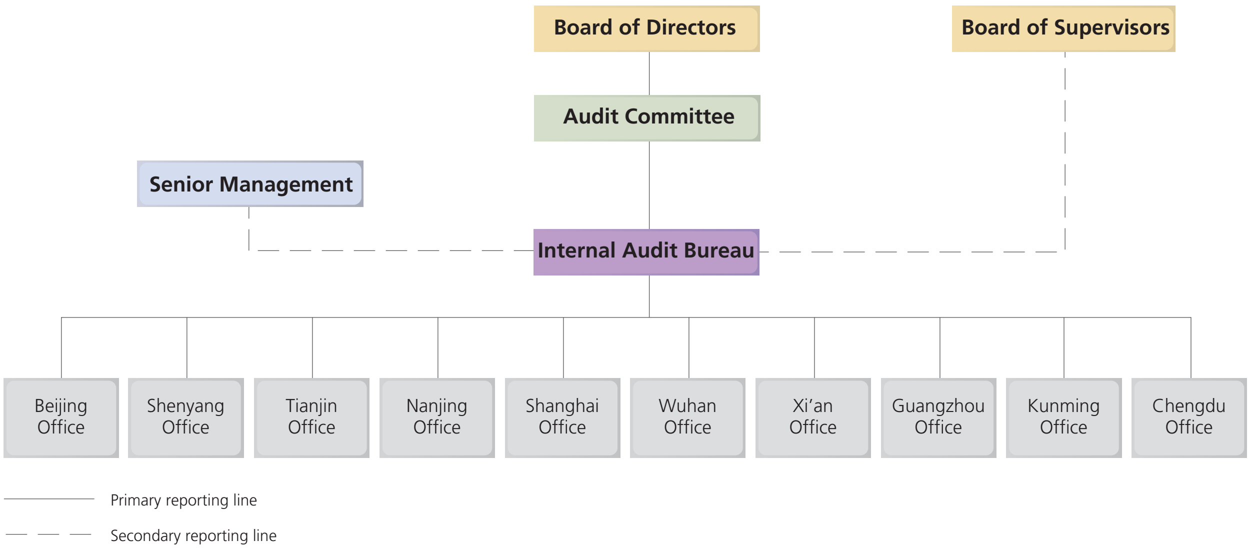
Establishment and Implementation of the Accountability System for Material Errors in Information Disclosure in Annual Report

In 2011, the Bank developed and implemented the Accountability System for Material Errors in Information Disclosure in Annual Report, further increased the quality and transparency of annual report disclosures and enhanced the sense of responsibility in annual report preparation and disclosure entities. During the reporting period, no correction of significant accounting errors, remediation of material omissions or modification of results preview took place at the Bank.

Internal Audit

The Bank adopted the independent internal audit management system responsible to the Board of Directors, developed risk-oriented internal audit activities and carried out independent and objective audit activities according to regulatory requirements, business objectives and risk management.

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



During the reporting period, internal auditors fully accomplished the annual audit plan. Internal auditors conducted special audits over credit business, financial management, wealth management services, bankcards, e-banking, information system security, internationalization strategy implementation, Group risk management, related party transactions, operational reforms as well as audits on retiring or resigning Senior Management members of domestic and international institutions, with focus being placed on mechanism risk, systematic risk and compliance risk in operation and development of the Bank. Internal control assessment was conducted to assess adequacy and effectiveness of risk management and internal controls across the Bank in terms of governance, strategy, mechanisms, processes and operating efficiency. The operation and development strategy audit was conducted, with focus being placed on cross-discipline, cross-regional and cross-regulatory business consolidation risk, strategic risk as well as operating efficiency and effectiveness within the Group. Audit results were given great emphasis and were utilized fully and played a positive role in enhancing risk management, internal control and corporate governance of the Bank.

During the reporting period, the Bank continuously implemented measures to enhance the quality and effectiveness of auditing, further consolidated internal audit policies and procedures, improved the management mechanisms, working modes and resources allocation methods for auditing and improved the capability of audit implementation and reporting. The Bank accelerated IT-driven, specialized and standardized development of internal audit, established the audit IT system covering domestic and overseas institutions, promoted application of off-site audit methods and techniques, improved the audit practices and standards, stepped up professionalization of the internal audit team and further enhanced the capacity and effectiveness of internal audit.

Chairman and President

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

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

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

Powers and Functions of the Senior Management

The powers of the Board of Directors and the Senior Management are separated in strict compliance with the Articles of Association and other corporate governance documents of the Bank. During the reporting period, the Bank made an inspection on the implementation of the plan on authorization of the Board of Directors to the President, and no matter was found to be beyond the approval authority of the President.

Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the aforesaid code of conduct during the year ended 31 December 2011.

Term of Directors

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

Engagement of Auditors

The Annual General Meeting for the Year 2010 adopted the Proposal on the Engagement of Auditors for 2011, and approved the re-appointment of Ernst & Young Hua Ming as domestic auditors and Ernst & Young as international auditors of the Bank for 2011, and approved the related audit fees. The Bank has engaged the above two accounting firms to provide audit services for six consecutive years since its IPO, and there was no change in auditors during the past three years.

During the reporting period, the Group paid Ernst & Young and its member institutions a total fee of RMB176 million for the audit of financial statements (including the audit of financial statements of subsidiaries and overseas branches), of which, RMB160 million was paid by the Bank.

During the reporting period, Ernst & Young and its member institutions provided the Group with non-audit services such as services for applying for the establishment of overseas institutions, tax advisory services and due diligence for acquisition transactions, and received RMB14 million for such professional non-audit services.

Insider Information Management

In 2011, in accordance with the Administrative Measures of Industrial and Commercial Bank of China for Insider Information and Insiders, the Bank strengthened insider information management, and strictly implemented the registration and reporting system in respect of insiders. After self examination, none of the insider of the Bank was found to be involved in dealings in shares of the Bank which has taken advantage of insider information before the disclosure of material price sensitive information of the Bank in 2011.

Shareholders' Rights

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

The Bank enhanced the transparency to ensure shareholders' right of information and recommendation. Adhering to the principles of "authenticity, accuracy, completeness, timeliness and fairness", the Bank has strictly complied with regulatory requirements on information disclosure in Hong Kong and Shanghai where the shares of the Bank are listed, strengthened the management of information disclosure, performed the obligation of information disclosure honestly and diligently, and strived to ensure information disclosure was in compliance with laws and regulations. In line with the needs of investors and the rights of its customers, the Bank properly enhanced voluntary information disclosure, made great efforts of enhance the transparency and fully guaranteed shareholders' right of information. In 2011, the Bank was granted many awards including the "Best Bank of Global Information Disclosure Management for 2010" by the Hong Kong Commercial Daily and Global Commercial Newspapers Union. Meanwhile, by holding performance promotions and road shows, continuously optimizing the investor relations websites, bringing the role of e-platform such as investor hotline and investor email into full play, the Bank conducted initiative and all-around communication with investors to collect their opinions on the Bank's performance, major concerns and recommendations on the business development of the Bank, and replied shareholders' inquiries in a timely manner.

The Bank ensured that the shareholders could exercise their rights of participation in meetings, rights to vote and rights of inquiry. During the reporting period, the date, content, delivery method and the mode of announcement of notices of Shareholders' General Meetings of the Bank, and procedures for submitting shareholders' proposals have strictly complied with relevant provisions of the Company Law and the Articles of Association of the Bank, ensuring that shareholders could exercise their right of participation smoothly. Since it went public, to equally treat A and H minority shareholders, the Bank has insisted on holding the Annual General Meeting in Beijing and Hong Kong concurrently by satellite, set up registration offices of A and H shareholders both in Beijing and Hong Kong. The shareholders in Beijing or Hong Kong all have voting rights. In 2010, the number of shareholders who participated in voting amounted to 1,325, representing an increase of 14% compared with the previous year. The rules of procedures for the Shareholders' General Meeting provide that cumulative voting system can be adopted in electing Directors and Supervisors. The Bank allows shareholders holding individually or jointly over 1% of the shares of the Bank to nominate the candidate for independent director. In respect of inquiries from shareholders, the chairman of the meeting shall instruct the Board of Directors, the Board of Supervisors or relevant Senior Management members to respond or explain to the inquiries and recommendation raised by the shareholders, except for those involving trade secrets of the Bank which cannot be made public in the Shareholders' General Meeting.

Distribution of dividends of relatively high proportion to investors. Since it has gone public, the Bank has continuously distributed cash dividends at a relatively high proportion each year and at the same time improving the profitability of the Bank to facilitate shareholders to share the reform and development achievements of the Bank.

Strengthening related party transactions management. The Bank has developed a comprehensive related party transaction system centering on the Basic Standards on the Related Party Transactions Management, including the Management Measures on the Recording of Related Party Transactions (Trial), the Statistics System for Related Party Transactions (2010) and the Measures on Management of Related Parties, etc., and established a related party transactions management system to improve the informatization management. The Bank reviewed and approved, made statistics of, filed and disclosed its related party transactions in accordance with above regulations, and conducted compliance examination on the regulation implementation. During the reporting period, the Bank carried out self examination activities on the fairness of related party transactions and relevant transactions were conducted in an honest and fair manner and in compliance with the commercial principles. No acts that infringed upon the interest of the Bank and minority shareholders were found.

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

A share:	China Securities Depository and Clearing Corporation Limited, Shanghai Branch
	36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New Area, Shanghai, PRC
	Telephone: 86-21-58708888
	Facsimile: 86-21-58899400
H Share:	Computershare Hong Kong Investor Services Limited
	17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong
	Telephone: 852-28628555
	Facsimile: 852-28650990

Investor Relations

Overview of Investor Relations Activities in 2011

In 2011, the Bank continuously improved investor relations services following the principle of serving investors in an efficient, proactive and active manner, safeguarding investors' legitimate rights and interests, while promoting continuous improvement of corporate value and generating good return to shareholders.

The Bank comprehensively strengthened its communication with investors through organizing domestic and overseas non-listing road shows, press conferences in relation to periodic results, press conferences with large institutions, reverse road shows and daily reception. The Bank also continued to optimize the investor communication e-platform including investor relations website, investor hotlines and investor email to maintain close connection with global investors in a timely and convenient fashion. The Bank further improved investor relations information collection and market information feedback transmission mechanism, captured the latest operating results of the Bank, information on operations of domestic and international peers, trends of capital markets, viewpoints of analysts and macroeconomic data in a timely manner by establishing a trans-department and trans-institution internal coordination mechanism for communication with institution customers and business development, thereby providing sound data support for enhancing the quality of communication with investors. In terms of communicating with capital market, the Bank actively solicited and listened to the views of the investors and capital market on the Bank, collected and organized the recommendations from investors concerning operational development of the Bank with an aim to push forward the continuous enhancement of corporate governance and inherent value of the Bank. The Bank also closely monitored and timely analyzed changes in shareholding structure of the Bank, explored the reasons for fluctuations of share price, strengthened its communication with shareholders, properly handled special shareholding matters and dividend distribution preparation work to advance sophisticated and personalized shareholding services. In 2011, the Bank won the "Best Investor Relations in China" granted by the *FinanceAsia*.

In 2012, the Bank will further deepen the communication and exchange with investors to enhance the investors' understanding of the Bank, and at the same time expect to arouse more support from, and attention of, the investors.

Investor Enquiries

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

Telephone: 86-10-66108608

Facsimile: 86-10-66107571

E-mail: ir@icbc.com.cn

Address: Corporate Strategy and Investor Relations Department, Industrial and Commercial Bank of China Limited, 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC

Postal code: 100140

Strategic Investor Cooperation

In 2011, the Bank continued to deepen the strategic cooperation with Goldman Sachs, achieving remarkable results in terms of credit card anti-fraud and internal model approach to market risk, etc. The Bank established the cooperation with the subsidiary of Allianz Group: Allianz China Life Insurance Co., Ltd. (hereinafter referred to as "Allianz China") in terms of agency insurance, assets custody and deposit business. In 2011, the volume of bancassurance products distributed by the Bank for and on behalf of Allianz China amounted RMB38.00 million. As at the end of 2011, the assets of Allianz China under custody of the Bank was RMB2.235 billion. The Bank and American Express deepened the cooperation in aspects of card issuance, marketing, risk management and customer services. In 2011, the volume of issuance of Peony American Express Card exceeded 1.67 million with annual consumption volume of approximately RMB33.8 billion.

Other Information

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

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

Summary of the Shareholders' General Meeting

During the reporting period, the Bank convened one annual general meeting and one extraordinary general meeting, which considered and approved a total of 21 proposals, and three reports were heard. Each meeting was convened in compliance with relevant legal procedures which assured shareholders' participation and exercise of rights. The Bank engaged lawyers to witness these meetings and issue legal opinions. Details of the meetings are as follows.

Annual General Meeting

The Annual General Meeting for the Year 2010 was held on 31 May 2011 in Beijing and Hong Kong concurrently by video conference. The Proposal on the 2010 Work Report of the Board of Directors of Industrial and Commercial Bank of China Limited, the Proposal on the 2010 Work Report of the Board of Supervisors of Industrial and Commercial Bank of China Limited, the Proposal on the 2010 Audited Accounts, the Proposal on the 2010 Profit Distribution Plan, the Proposal on the purchase of office premises by the Shanghai Branch, the Proposal on the Fixed Assets Investment Budget for 2011, the Proposal on the Engagement of Auditors for 2011, the Proposal on the Nomination of Mr. Zhao Lin as a Shareholder Supervisor of Industrial and Commercial Bank of China Limited, the Proposal on the Payment of Remuneration to Directors and Supervisors of Industrial and Commercial Bank of China Limited for 2010 were being considered and approved at the meeting. The meeting also listened to the 2010 Work Report of Independent Directors of Industrial and Commercial Bank of China Limited, the Report on the Implementation of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors in 2010 of Industrial and Commercial Bank of China Limited and the 2010 Assessment Report on the Performance of Duties of the Directors of Industrial and Commercial Bank of China Limited. The announcement of the poll results of the annual general meeting was published on the website of SEHK on 31 May 2011, and in the newspapers designated for information disclosure and on the website of SSE on 1 June 2011.

Extraordinary General Meetings

The First Extraordinary General Meeting of 2011 of the Bank was held in Beijing on 29 November 2011. The Proposal on the New Issue of Subordinated Bonds of Not Exceeding RMB70 billion, the Proposal on Electing Mr. Jiang Jianqing as Executive Director of Industrial and Commercial Bank of China Limited, the Proposal on Electing Mr. Yang Kaisheng as Executive Director of Industrial and Commercial Bank of China Limited, the Proposal on Electing Mr. Wong Kwong Shing, Frank as Independent Director of Industrial and Commercial Bank of China Limited, the Proposal on Electing Mr. Tian Guoqiang as Independent Director of Industrial and Commercial Bank of China Limited, the Proposal on Electing Ms. Wang Chixi as Shareholder Supervisor of Industrial and Commercial Bank of China Limited, the Proposal on Electing Mr. Huan Huiwu as Non-executive Director of Industrial and Commercial Bank of China Limited, the Proposal on Electing Ms. Wang Xiaoya as Non-executive Director of Industrial and Commercial Bank of China Limited, the Proposal on Electing Ms. Ge Rongrong as Non-executive Director of Industrial and Commercial Bank of China Limited, the Proposal on Electing Mr. Li Jun as Non-executive Director of Industrial and Commercial Bank of China Limited, the Proposal on Electing Mr. Wang Xiaolan as Non-executive Director of Industrial and Commercial Bank of China Limited and the Proposal on Electing Mr. Yao Zhongli as Non-executive Director of Industrial and Commercial Bank of China Limited were being considered and approved at the meeting. The announcement of the poll results of the extraordinary general meeting was published on the website of SEHK on 29 November 2011, and in the newspapers designated for information disclosure and on the website of SSE on 30 November 2011.

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

Principal Business

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

Profits and Dividends Distribution

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

Upon the approval at the Annual General Meeting for the Year 2010 held on 31 May 2011, the Bank has distributed cash dividends of RMB64,220 million, or RMB1.84 per ten shares (pre-tax), for the period from 1 January 2010 to 31 December 2010 to the shareholders whose names appeared on the share register after the closing of market on 14 June 2011.

The Board of Directors of the Bank proposed a cash dividend of RMB2.03 per ten shares (pre-tax) for the year ended 31 December 2011. As the conversion period of the A share convertible bonds issued by the Bank commenced from 1 March 2011 and shall end on 31 August 2016, it is yet difficult to determine the total share capital of the Bank as at the A share record date. Accordingly, the total amount of dividends to be distributed cannot be determined at the moment. As estimated based on the Bank's total share capital as at 31 December 2011, the total amount of dividends to be distributed shall be approximately RMB70,864 million, representing an increase of 10.35% compared to 2010. The Bank proposed to distribute the dividends on the basis of the total share capital as at the close of trading on the record date for dividend distribution. Such proposed dividend distribution is subject to the approval at the forthcoming Annual General Meeting for the Year 2011.

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

In RMB millions, except for percentages

Item	2010	2009	2008
Cash dividends (pre-tax)	64,220	56,783	55,113
Percentage of cash dividends[1] (%)	39	44	50

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

The formulation and implementation of the Bank's cash dividend policy, which has been reviewed and approved by the Independent Non-executive Directors, accords with the provisions stipulated in the Articles of Association of the Bank and the requirements provided in the resolutions of the Shareholders' General Meeting, the dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals by ways of participating in the Shareholders' General Meetings and exercising their voting rights, and proposing suggestions or enquiries on operating activities, to completely safeguard their legal rights.

Reserves

Changes in the reserves as at the end of 2011 are set out in the "Financial Statements: Consolidated Statement of Changes in Equity".

Distributable Reserves

Details of the distributable reserves of the Bank as at 31 December 2011 are set out in "Note 41. to the Financial Statements: Reserves" of this Annual Report.

Financial Summary

The summary of results, assets and liabilities for the five years ended 31 December 2011 is set out in the section headed "Financial Highlights" of this Annual Report.

Donations

During the reporting period, the Group made external donations of RMB39,203,800.

Property and Equipment

Changes in property and equipment for the year ended 31 December 2011 are set out in "Note 30. to the Financial Statements: Property and Equipment" in this Annual Report.

Subsidiaries

Particulars of the Bank's principal subsidiaries as at 31 December 2011 are set out in the sections of "Discussion and Analysis — Business Overview — Internationalized and Diversified Operation" and "Note 28. to the Financial Statements: Investments in Subsidiaries" in this Annual Report.

Share Capital and Public Float

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

As at the latest practicable date before the publication of this Annual Report, the Bank has maintained the minimum public float of 23.45%, based on the publicly available information and to the best knowledge of the Board of Directors of the Bank.

Purchase, Sale or Redemption of Shares

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

Details of Issue of Shares and Bonds

For details regarding the bonds issue of the Bank, please refer to "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Details of Securities Issuance and Listing". Save as disclosed above and in this Annual Report, during the reporting period, neither the Bank nor any of its subsidiaries were involved in any issue, repurchase or grant of convertible securities, options, warrants or other similar rights.

Pre-emptive Rights

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

Major Customers

In 2011, the aggregate interest income and other operating income from top five customers of the Bank did not exceed 30% of the interest income and other operating income of the Bank during the year.

Use of Proceeds from Fundraising Activities

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

Directors' and Supervisors' Interests in Contracts of Significance

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

Directors' Interests in Competing Business

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

Directors' and Supervisors' Rights to Acquire Shares or Debentures

As at 31 December 2011, the Bank did not grant any rights to acquire shares or debentures to any of its Directors or Supervisors, nor were any such rights exercised by any of the Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the Directors or Supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

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

As at 31 December 2011, the following Supervisor of the Bank is regarded to possess the interests as defined in Part XV of the Securities and Futures Ordinance of Hong Kong for the shares held by his spouse:

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

Save as disclosed above, as at 31 December 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 SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. For information on interests and short positions held by substantial shareholders and other persons of the Bank, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders".

Connected Transactions

In 2011, pursuant to the domestic and overseas regulatory requirements, the Bank continuously improved the mechanism for connected transaction management, vigorously promoted the IT application in related party and connected transaction management, constantly consolidated the fairness examination on connected transactions and actively developed trainings on connected transaction management, further strengthening the connected transaction management. In 2011, the Bank's connected transaction management system (phase II) was launched and put into operation. As a result, an IT-based management platform of connected transactions integrating information collection, statistics, filing and disclosure reminder was taken shape, providing grounds for the Bank's further achievements in delicacy management and effective identification of connected transactions, and prevention and control of connected transaction risks. During the reporting period, the connected transactions of the Bank were conducted in compliance with applicable laws and regulations, and no connected transaction that impaired the interest of the Bank and minority shareholders was found.

Connected Transactions Defined under the Hong Kong Listing Rules

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

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

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

In respect of such inter-bank transactions, the conditions for application of the exemption under Rule 14A.31(9) and Rule 14A.33(4) of the Hong Kong Listing Rules have been met for the 2011 financial year. Therefore, the inter-bank transactions with the BEA Group and the Credit Suisse Group are exempted from all the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The exemption under Rule 14A.31(9) and Rule 14A.33(4) of the Hong Kong Listing Rules will continue to apply to the above inter-bank transactions with the BEA Group and the Credit Suisse Group so long as such transactions continuously satisfy the relevant conditions for application of the exemption under the Hong Kong Listing Rules.

Please refer to "Note 49. to the Financial Statements: Related Party Disclosures" for particulars on the related party transactions defined under the accounting standards.

Relations among Directors, Supervisors and Senior Management

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

Remuneration Policy for Directors, Supervisors and Senior Management

The Bank has clearly documented the remuneration policy for Directors, Supervisors and Senior Management members, and has continuously improved performance assessment system and incentive restriction mechanism. From the perspectives of economic benefit, risk cost control and social responsibilities, the Bank adopted a system composed of balanced scorecard-based indicators for management and duties allocation based indicators for individuals. Payment of part of the performance-based annual remuneration of the Bank's Chairman of the Board of Directors, President, Chairman of the Board of Supervisors and other Senior Management members is deferred and shall be paid in three years, and the proportion payable each year will be one-third of the amount. The deferred payment is accrued in the Bank's accounts, and shall be made having regard to the operating performance and status for the said years. The Bank has contributed to statutory retirement programs organized by Chinese governmental organizations at different levels for directors, supervisors and senior management members concurrently as the employees of the Bank. Upon obtaining all applicable approvals, the Bank will implement a long-term incentive program. As at 31 December 2011, the Bank had not granted any share appreciation rights to any Director, Supervisor, Senior Management member, or other core business personnel designated by the Board of Directors.

Material Environmental Protection Issues or Other Material Social Security Issues

During the reporting period, the Bank had no material environmental protection issues or other material social security issues. Particulars on the Bank's fulfillment of social responsibilities are stated in the 2011 Corporate Social Responsibility Report of the Bank.

Auditors

The 2011 Financial Statements of the Bank prepared in accordance with PRC GAAP were audited by Ernst & Young Hua Ming, and the financial statements prepared in accordance with the IFRSs were audited by Ernst & Young.

Members of the Board of Directors

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

Non-executive Directors: Mr. Huan Huiwu, Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Li Jun, Mr. Wang Xiaolan, and Mr. Yao Zhongli;

Independent Non-executive Directors: Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi, Mr. Xu Shanda, Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung.

By order of the Board of Directors

Jiang Jianqing
Chairman

Meetings of the Board of Supervisors and its Special Committee

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors held seven meetings, reviewed and approved 18 proposals and heard 18 reports, of which the major ones are listed as follows:

- Proposal on the 2010 Work Report of the Board of Supervisors of Industrial and Commercial Bank of China Limited
- Proposal on the 2011 Annual Work Plan of the Board of Supervisors of Industrial and Commercial Bank of China Limited
- Proposal on the 2010 Annual Report and its Abstract
- Proposal on the 2010 Audited Accounts
- Proposal on the 2010 Profit Distribution Plan
- Proposal on the Special Report in respect of the Savings and Actual Usage of the Proceeds from A Share Fundraising in 2010 of Industrial and Commercial Bank of China Limited
- Proposal on the 2010 Internal Control Assessment Report of Industrial and Commercial Bank of China Limited
- Proposal on the 2010 Corporate Social Responsibility Report of Industrial and Commercial Bank of China Limited
- Proposal on the Engagement of Auditors for 2011
- Proposal on the Rules on the Assessment of the Performance of Duties of the Supervisors by the Board of Supervisors of Industrial and Commercial Bank of China Limited (Trial)
- Proposal on the Rules on the Assessment of the Performance of Duties of the Board of Directors, the Senior Management and their Members by the Board of Supervisors of Industrial and Commercial Bank of China Limited (Trial)
- Proposal on the 2010 Supervision Report of the Board of Supervisors of Industrial and Commercial Bank of China Limited
- Proposal on the 2010 Assessment Report on the Performance of Duties of the Supervisors of Industrial and Commercial Bank of China Limited
- Proposal on the 2010 Assessment Report on the Performance of Duties of the Directors of Industrial and Commercial Bank of China Limited
- Proposal on the First Quarterly Report of 2011
- Proposal on the 2011 Interim Report and its Abstract
- Proposal on the Nomination of Ms. Wang Chixi as a Candidate for the Post of Shareholder Supervisor of Industrial and Commercial Bank of China Limited
- Proposal on the Third Quarterly Report of 2011
- Report on the Implementation Plan of Industrial and Commercial Bank of China Limited on the 2010 Assessment of the Performance of Duties of Supervisors
- Report on the Implementation Plan of Industrial and Commercial Bank of China Limited on the Supervision and Evaluation by the Board of Supervisors on the Performance of Duties of the Board of Directors, the Senior Management and Their Members for 2010
- Report on the 2010 Assessment on the Performance of Duties of the Board of Directors, the Senior Management and Their Members
- Report on the 2010 Assessment on the Performance of Duties of the Members of the Board of Supervisors
- Report on the Supervision for the First Quarter of 2011

- Report on the Implementation of Resolutions Adopted at the Meeting of the Board of Supervisors on 6 April 2011
- Report on the Supervision for the First Half Year of 2011
- Report on the 2011 Interim Internal Audit Work Report
- Report on the Implementation of CBRC's Inspection Opinions for the Performance of Duties of Special Committees of the Board of Directors of the Bank
- Report on the Implementation of Resolutions Adopted at the Meeting of the Board of Supervisors on 25 August 2011
- Report on the Management and Accounting of Overseas Refinance Services
- Report on the Credit Management
- Report on the Implementation Plan of Industrial and Commercial Bank of China Limited on the 2011 Assessment on the Performance of Duties of the Board of Directors, the Special Committees of the Board of Directors, the Senior Management and Their Members by the Board of Supervisors
- Report on the Implementation Plan of Industrial and Commercial Bank of China Limited on the 2011 Assessment on the Performance of Duties of Supervisors by the Board of Supervisors
- Report on Submitting the Rectification Plan for the Problems Identified in the Credit Compliance Inspection to CBRC

Meetings of the Supervision Committee

During the reporting period, the Supervision Committee held five meetings, reviewed and approved nine proposals including the 2010 Supervision Report of the Board of Supervisors and the Implementation Plan on Supervision and Inspection of the Board of Supervisors for 2011, and heard five reports.

The table below sets out the attendance of Supervisors in meetings of the Board of Superiors and the meetings of the Supervision Committee in 2011.

Attendances/Number of meetings requiring attendance

Supervisor	Board of Supervisors	Supervision Committee
Zhao Lin	7/7	
Wang Chixi	7/7	5/5
Dong Juan	7/7	5/5
Meng Yan	7/7	5/5
Zhang Wei	7/7	5/5
Zhu Lifei	7/7	

Note: The number of attendances covers those of attendances in person and attendances by proxy.

Work of the Board of Supervisors

In 2011, the Board of Supervisors insisted on forging ahead with a pragmatic attitude and effectively performing supervisory duties guided by scientific outlook on development pursuant to relevant laws and regulations of the State, Articles of Association of the Bank and the regulatory requirements of regulatory authorities. As a result, it further improved the corporate governance, strengthened the risk control and promoted the operation transformation, thereby playing an important role in achieving sustainable and sound development of the Bank.

Deepening performance supervision and appraisal and promoting the corporate governance

In 2011, the Board of Supervisors carried out in-depth supervision on the performance of duties with a focus on the compliance of the Board of Directors, the Senior Management and their members with laws and regulations as well as the Articles of Association of the Bank, fulfillment of their functions and duties, their continuous improvement of the corporate governance, implementation of the strategic management, capital management, risk management and internal control, decision-making procedures of significant issues and related party transactions management, and heard the report on the performance supervision on a regular basis.

According to new regulatory requirements, the Board of Supervisors mapped out and improved relevant supervision appraisal regulations, identifying the content, standards and procedures of performance appraisal and specifying the appraisal factors, which provided regulations for its fulfillment of performance supervision. For the better performance appraisal, the Board of Supervisors formulated detailed implementation plans, interviewed members of the Board of Directors and the Senior Management one by one, reviewed reports of Directors and members of the Senior Management on the performance of duties as well as the performance appraisal reports for Directors by the Board of Directors and accordingly formed supervision appraisal opinions upon the appraisal and discussion of the Board of Supervisors. The Board of Supervisors submitted reports on the performance appraisal for Directors and Senior Management members to the Shareholders' General Meeting and CBRC.

The Board of Supervisors attached importance to and strengthened the communication during the supervision and application of supervision results. Chairman of the Board of Supervisors reported the supervision and performance appraisal results for 2010 in the meeting of the Board of Directors. It circulated the meeting content, opinions and suggestions to the Board of Directors and the Senior Management in writing for three times. The Head Office earnestly carried out the supervision opinions and suggestions provided by the Board of Supervisors on the improvement of operation mechanism of the Board of Directors, financial management, group management, operation of overseas funds, country risk and assessment and incentive mechanism, rectified problems in earnest, thereby achieving satisfactory results.

Constantly enhancing the financial supervision and promoting the financial management

In 2011, the Board of Supervisors earnestly reviewed regular reports and major financial decisions, laid stress on the supervision on the material financial revenues and expenditures and accounting as well as the development and implementation of regulations. While supervising the compliance of financial activities, the Board of Supervisors attached more importance to the accurate application of accounting policies, rationality of accounting valuation method, appropriateness of fair value measurement, etc., thereby constantly deepening the financial supervision.

The Board of Directors heard reports on the operation, regular reports and their formulation, audit plans on the financial reports and audit findings, etc., and required external auditors intensifying their audit on local government financing vehicles (LGFVs), property loans, cooperation between banks and trust companies, wealth management products and bonds investment to expand the coverage of audit and substantive testing. The Board of Supervisors deeply understood changes of significant financial data and their reasons, risk rating standards and fee-based business income accounting of the Bank. It also fully focus on the impact of risk condition of various assets and asset allocation on the capital adequacy ratio, impact of fair value measurement method of financial instruments on the financial reports and impact of market risk on overseas assets, and reinforced its supervision on the quality of external audit.

The Board of Supervisors seriously carried out the daily supervision and inspection and special investigation by conducting regular monitoring on bank-wide financial data for 2011 and special examination on selected financial revenues and expenditures. It paid attention to the establishment and implementation of financial and accounting regulations for new business and new institutions and conducted special investigations on the overseas refinance service management of domestic and overseas branches and overseas assets. The Board of Supervisors earnestly studied reports on the examination and investigation, required the Supervisory Board Office exchanging problems found in the examination with functional departments of the Head Office, branches involved and auditors, and timely tracked the rectification, thus improving the overall financial supervision.

Strengthening the risk management and internal control supervision and facilitate the enhancement of risk management level

In 2011, against complex economic and financial situations, the Board of Supervisors highly valued the bank-wide strategic management, capital management, consolidated statement management, risk management and internal control, and intensified the supervision, thus facilitating the enhancement of risk management level.

The Board of Supervisors analyzed new changes of national macroeconomic and financial policies and regulatory requirements and their effects on a regular basis, kept a watchful eye on the efficiency and effect of risk control during the advancement of bank-wide development strategies, studied bank-wide significant operation management and risk management, and heard reports on bank-wide operation, system reform, risk management and internal and external examination to promptly understand the existing key problems.

The Board of Supervisors conducted in-depth supervision and debriefed the report on the consolidated statement management. Its members carried out investigations on 23 domestic and overseas institutions to deeply understand capital management, group risk management and control, prevention of overseas investment risk, audit of overseas institutions and automation construction of consolidated statement management information system, accordingly proposed opinions to further focus on country risk and overseas asset risk management, value credit risk and legal risk management of overseas institutions, improve the management mode of overseas institutions, accelerate internationalized talents cultivation and culture integration and speed up the automation construction of consolidated statement management information system, especially construction of information management system of overseas institutions.

The Board of Supervisors has always given priority to the supervision on the risk and internal control of major businesses by focusing on the implementation of "Three Measures and One Guideline" and the improvement and effectiveness of bank-wide risk and internal control management system, and the LGFVs, property loans, off-balance-sheet business, loans to small enterprises, secured loans of guarantee companies and private sector borrowing in relevant areas. It held the work symposium of the Board of Supervisors, listening to reports of heads from eight branches on relevant matters, and set forward opinions to improve the management mechanism and effectively prevent various risks.

The Board of Supervisors constantly supervised the related party transactions management with a focus on the identification of counterparties of related party transactions, identification of transaction prices, examination and approval procedures, and seriously reviewed related party transactions reports.

The Board of Supervisors conducted an investigation and survey on the implementation of the Basic Standard for Enterprise Internal Control and its supporting regulatory guidelines, fully understanding the procedures and rules of internal control assessment, and heard external auditors' reports on the internal control audit. It also reviewed the internal control assessment report of the Bank. The Board of Supervisors highly valued the guidance to the internal audit by debriefing reports of departments such as the Internal Audit Bureau for several times, thereby offering its opinions on the internal audit.

Constantly strengthening team building and improving the performance of duties

In 2011, the Board of Supervisors formulated the rules on the performance appraisal for Supervisors by the Board of Supervisors, setting up standards and requirements on the compliance of Supervisors with laws and regulations, their fulfillment of duties of loyalty and duties of diligence, etc., and organized and implemented the performance appraisal for Supervisors. It conducted the replacement and election of two shareholder supervisors as required by the Articles of Association of the Bank and made timely declaration and information disclosure based on the listing rules.

The members of the Board of Supervisors fulfilled their duties with due diligence by earnestly taking part in learning and business training programs and they participated in the joint meeting of chairmen of the board of supervisors of large listed banks held by the regulatory authorities and work symposium of board of supervisors of large banks, communicating and sharing experiences with visiting members of board of supervisors of many financial institutions, thereby constantly improving their performance of duties.

Independent Opinions of the Board of Supervisors on Relevant Issues

Compliant Operation

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

Authenticity of Financial Statements

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

Use of Proceeds from Fundraising Activities

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

Purchase and Sale of Assets

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

Connected Transactions

During the reporting period, the connected transactions of the Bank were conducted on normal commercial terms. The Board of Supervisors did not find any act that infringed upon the interests of the Bank. The approval, voting, disclosure and implementation of connected transactions complied with applicable laws and regulations and the Articles of Association of the Bank.

Implementation of Resolutions Passed at the Shareholders' General Meeting

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

Internal Control Assessment Report of the Board of Directors

The Board of Supervisors reviewed the 2011 Internal Control Assessment Report of the Board of Directors and had no objection to the report.

Implementation of Information Disclosure Management Rules

During the reporting period, the Bank performed its duty of information disclosure in strict compliance with the regulatory polices, implemented the information disclosure management rules in earnest, and disclosed information in a timely and fair manner. Information disclosed during the reporting period was authentic, accurate and complete.

Material Legal Proceedings and Arbitration

The Bank was involved in several legal proceedings in the ordinary course of business. Most of these legal proceedings were initiated by the Bank for recovering non-performing loans. In addition, some legal proceedings arose from customer disputes. As at 31 December 2011, the amount of pending proceedings which the Bank and/or its subsidiaries acted as defendant totaled RMB1,978 million. The Bank does not expect any material adverse effect from the abovementioned pending legal proceedings on the Bank's business, financial position or operating results.

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

SECURITIES INVESTMENT

S/N	Type	Stock code	Stock name	Initial investment cost (RMB Yuan)	Number of shares held (10,000 shares/ units)	Book value at the end of the period (RMB Yuan)	Percentage of total securities investment at the end of the period (%)	Gain/(loss) during the reporting period (RMB Yuan)
1	Stock	1299 (Hong Kong, China)	AIA	92,556,985	540	105,949,007	72.2	5,945,232
2	Stock	2388 (Hong Kong, China)	BOCHK	34,399,224	190	28,354,374	19.3	(4,592,434)
3	Stock	3988 (Hong Kong, China)	BOC	15,396,976	540	12,525,886	8.5	(4,641,288)
Other securities investment held as at the end of the reporting period					—			
Gain/(loss) from sale of securities investment during the reporting period				—	—	—	—	876,901
Total				**142,353,185**	**—**	**146,829,267**	**100.0**	**(2,411,589)**

Note: The stocks specified above are recognized as financial assets held for trading. The Bank held shares in AIA, Bank of China (Hong Kong) and Bank of China through its controlling subsidiary, ICBC (Asia).

SHARES IN OTHER LISTED COMPANIES

Stock code	Stock name	Initial investment cost (RMB Yuan)	Percentage of the investee's total equities (%)	Book value at the end of the period (RMB Yuan)	Gain/(loss) during the period[2] (RMB Yuan)	Change in owner's equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
SBK (South Africa)	Standard Bank Group	33,834,079,292	20.05	31,925,094,613	2,015,528,959	(8,443,399,095)	Long-term equity investment	Investment with self-owned capital
966 (Hong Kong, China)	CHINA TAIPING	95,490,974	1.58	313,127,343	—	(233,164,569)	Available-for-sale financial assets	Purchase from market
MY (U.S.)	Mingyang Wind Power	341,450,000	8.79	152,971,630	—	(682,232,908)	Available-for-sale financial assets	Investment with self-owned capital
601998	CNCB	167,223,692	0.07	125,378,976	1,706,892	(27,620,616)	Available-for-sale financial assets	Purchase from market
1115 (Hong Kong, China)	TIBET 5100	55,502,511	1.83	79,556,102	—	24,053,591	Available-for-sale financial assets	Investment with self-owned capital
FSS (Thailand)	FSS	62,855,801	24.39	66,850,757	4,019,158	—	Long-term equity investment	Investment with self-owned capital
871 (Hong Kong, China)	XIANGYU DREDG	121,752,858	5.74	68,866,065	—	(52,886,793)	Available-for-sale financial assets	Debt-equity swap
1688 (Hong Kong, China)	ALIBABA	131,782,620	0.20	64,984,495	1,789,310	(54,281,936)	Available-for-sale financial assets	Purchase from market
2468 (Hong Kong, China)	TRONY SOLAR	102,130,671	4.05	38,999,561	1,788,971	(173,276,273)	Available-for-sale financial assets	Investment with self-owned capital
2099 (Hong Kong, China)	CHINA GOLD INTL	66,674,242	0.44	25,605,995	—	(36,443,527)	Available-for-sale financial assets	Investment with self-owned capital
001740 (Korea)	Sk Networks	10,063,627	0.10	13,209,418	196,179	(5,374,245)	Available-for-sale financial assets	Debt-equity swap
M-CHAI-CS (Thailand)	M-CHAI-CS	4,963,064	4.87	8,702,655	324,899	2,193,701	Available-for-sale financial assets	Purchase from market
BKI-CS (Thailand)	BKI-CS	3,413,359	0.24	5,256,218	288,012	(1,280,544)	Available-for-sale financial assets	Purchase from market
307 (Hong Kong, China)	UP ENERGY DEV	5,305,212	0.14	1,640,939	—	(3,664,273)	Available-for-sale financial assets	Debt-equity swap
003620 (Korea)	Ssangyong Motor	2,423,366	0.08	762,318	—	(579,885)	Available-for-sale financial assets	Debt-equity swap
OERL (Switzerland)	OERL.SW	151,646	<0.01	193,322	—	(6,763)	Available-for-sale financial assets	Debt-equity swap
4642 (Malaysia)	YHS	500,091	0.02	91,387	4,540	15,621	Available-for-sale financial assets	Purchase from market
532 (Singapore)	EQUATION CORP LTD	152,816	<0.01	3,633	—	(9,227)	Available-for-sale financial assets	Purchase from market
Total		**35,005,915,842**	—	**32,891,295,427**	**2,025,646,920**	**(9,687,957,741)**	—	—

Notes: (1) The shares in CHINA TAIPING and ALIBABA were held by ICBC (Asia), a controlling subsidiary of the Bank; shares in Mingyang Wind Power, TIBET 5100, XIANGYU DREDG, TRONY SOLAR, China Gold INTL and UP ENERGY DEV were held by ICBC International, a controlling subsidiary of the Bank; shares in FSS, M-CHAI-CS and BKI-CS were held by ICBC (Thai), a controlling subsidiary of the Bank; shares in Sk Networks and Ssangyong Motor were held by Seoul Branch of the Bank; shares in OERL.SW were held by ICBC (London) PLC, a controlling subsidiary of the Bank; and shares in YHS and EQUATION CORP LTD were held by Singapore Branch of the Bank.

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

SHARES IN UNLISTED FINANCIAL INSTITUTIONS

Company	Initial investment cost (RMB Yuan)	Number of shares held (10,000 shares)	Shareholding percentage (%)	Book value at the end of the period (RMB Yuan)	Gain/(loss) during the Period[2] (RMB Yuan)	Change in owner's equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
China UnionPay Co., Ltd	146,250,000	11,250.00	3.84	146,250,000	3,150,000	—	Available-for-sale financial assets	Investment with self-owned capital
Xiamen International Bank	102,301,500	N/A	18.75	102,301,500	—	—	Available-for-sale financial assets	Investment with self-owned capital
Guangdong Development Bank	56,522,225	2,722.29	0.18	56,522,225	—	—	Available-for-sale financial assets	Investment with self-owned capital
Joint Electronic Teller Services Limited	8,208,370	0.0024	0.03	7,328,796	1,216,283	—	Available-for-sale financial assets	Investment with self-owned capital
Bangkok BTMU Ltd.	4,272,984	20.00	10.00	4,046,888	396,957	—	Available-for-sale financial assets	Investment with self-owned capital
Huarong Xiangjiang Bank	3,500,000	353.64	0.09	3,617,582	—	—	Available-for-sale financial assets	Investment with self-owned capital
Luen Fung Hang Insurance Co., Ltd.	1,518,440	2.40	6.00	1,365,153	283,268	—	Available-for-sale financial assets	Investment with self-owned capital
Bank of Guilin	420,000	136.81	0.15	1,289,934	177,649	—	Available-for-sale financial assets	Investment with self-owned capital
Bank of Nanchang	300,000	39.00	0.03	522,646	66,300	—	Available-for-sale financial assets	Investment with self-owned capital
Taiping General Insurance Co., Ltd.	243,550,678	N/A	9.44	—	—	—	Available-for-sale financial assets	Investment with self-owned capital
Total	**566,844,197**	—	—	**323,244,724**	**5,290,457**	—	—	—

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

(2) Refers to dividend income.

PURCHASE AND SALE OF SHARES IN OTHER LISTED COMPANIES

	Stock name	Shares held at the beginning of the period (share)	Shares bought/ sold during the reporting period (share)	Shares held at the end of the period (share)	Fund utilized (RMB Yuan)	Investment income generated (RMB Yuan)
Buy	—	—	94,392,455	94,392,455	182,560,580	—
Sell	—	—	—	—	—	—

Material Asset Acquisition, Sale and Merger

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

On 21 January 2011, the Bank, BEA and East Asia Holding Company, Inc. (a wholly-owned subsidiary of BEA in the United States, through which BEA held 100% equity interest in The Bank of East Asia (U.S.A.) National Association) entered into a share sale agreement on the acquisition of 80% of the shares of The Bank of East Asia (U.S.A.) National Association. The transaction was approved by CBRC in March 2011, and its completion was still subject to the overseas regulatory approvals.

Delisting of ICBC (Thai)

On 8 March 2011, the Bank completed the voluntary delisting tender offer for the shares of ICBC (Thai). 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 voluntary delisting tender offer. Upon completion of the voluntary delisting tender offer, the Bank held approximately 97.70% of the total issued shares of ICBC (Thai). The shares of ICBC (Thai) were listed and traded on The Stock Exchange of Thailand until 18 March 2011.

Acquisition of Shares in Standard Bank Argentina S.A.

On 5 August 2011, the Bank, Standard Bank London Holdings Plc (referred to as "Standard Bank London"), Holding W-S De Inversiones S.A. (together with Standard Bank London referred to as the "sellers") and the sellers' guarantors Standard Bank, Sielecki family members and Werthein family members entered into a memorandum of agreement on the acquisition of 80% of the shares of each of Standard Bank Argentina S.A., Standard Investments S.A. Sociedad Gerente de Fondos Comunes de Inversión and Inversora Diagonal Sociedad Anónima. The transaction has been approved by CBRC in September 2011, and completion of the transaction is subject to the approvals of relevant overseas regulatory authorities.

Exercise of the Call Option of ICBC (Canada)

On 28 January 2010, the Bank purchased from BEA 70% of the outstanding ordinary shares of The Bank of East Asia (Canada) (referred to as "BEA Canada"). Then, BEA Canada was renamed "ICBC (Canada)". According to the shareholders agreement, the Bank served a notice on BEA on 31 March 2011 to exercise its option to acquire an additional 10% of the shares in ICBC (Canada) from BEA. The transaction was completed on 26 August 2011. As at the end of the reporting period, the Bank's shareholding percentage in ICBC (Canada) was increased from 70% to 80%.

Investment in AXA-Minmetals Assurance Co., Ltd.

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

Implementation of Share Incentive Plan

The Fourth Extraordinary General Meeting of 2006 of the Bank held on 31 July 2006 approved the share appreciation rights plan. As at the end of the reporting period, the Bank did not grant any share appreciation right. Please refer to "Note 44. to the Financial Statements: Share Appreciation Rights Plan" for details.

Material Related Party Transactions

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

Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-contract and Lease

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

Material Guarantees

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

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

In accordance with the Circular Concerning Several Issues on Regulating Fund Transfers between Listed Companies and Their Related Parties and External Guarantee of Listed Companies (Zheng Jian Fa [2003] No. 56) issued by China Securities Regulatory Commission and relevant provisions of Shanghai Stock Exchange, we, in the capacity of Independent Non-executive Directors of the Bank, reviewed external guarantees of the Bank on the principle of fairness, impartiality and objectivity, and hereby give our specific explanation and opinions as follows: upon review, external guarantees provided by the Bank mainly focus on issuance of letters of guarantee, which is part of the ordinary banking services within the business scope of the Bank as approved by the People's Bank of China and China Banking Regulatory Commission. As at 31 December 2011, the balance of letters of guarantee offered by the Bank totaled RMB225,738 million.

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

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

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

Malcolm Christopher McCarthy, Kenneth Patrick Chung

Material Events Concerning Entrusting Other Persons for Cash Management

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

Occupation of Fund by Controlling Shareholders and Other Related Parties

None of the controlling shareholders or related parties of the Bank occupied any fund of the Bank. The auditors have issued the Special Explanation on the Occupation of Fund by Controlling Shareholders and Other Related Parties of Industrial and Commercial Bank of China Limited in 2011.

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

During the reporting period, the Bank and the shareholders holding 5% shares or above did not make any new commitments. As at 31 December 2011, all of the continuing commitments made by the shareholders were properly fulfilled, and were listed as follows:

Shareholder	Type	Time and term	From which legal document	Commitment	Fulfillment of commitment
Huijin	Commitment of non-competition	October 2006/ No specific term	Prospectus of Industrial and Commercial Bank of China Limited on Initial Public Offering (A Shares)	Provided that Huijin continues to hold any shares of the Bank or is deemed as the controlling shareholder of the Bank or the related party of the controlling shareholder of the Bank according to the laws or listing rules of China or the listing place of the Bank, Huijin will not engage in or participate in any competitive commercial banking business, including but not limited to granting loans, attracting deposits and providing settlement, fund custody, bank card and money exchange services. However, Huijin can engage in or participate in some competitive business by investing in other commercial banks. In this regard, Huijin has committed that it will (1) fairly treat the investments in commercial banks and will not make any decision or judgment that will have adverse impact on the Bank or be beneficial to other commercial banks by taking advantage of the status of a shareholder of the Bank or information obtained by taking advantage of the status of a shareholder of the Bank; and (2) perform the shareholders' rights for the maximum interests of the Bank.	Properly fulfilled according to the commitment
		November 2010/ No specific term	Prospectus on A Share Rights Issue of Industrial and Commercial Bank of China Limited		
		August 2010/ No specific term	Prospectus on Issuance of the A Share Convertible Corporate Bonds of Industrial and Commercial Bank of China Limited		

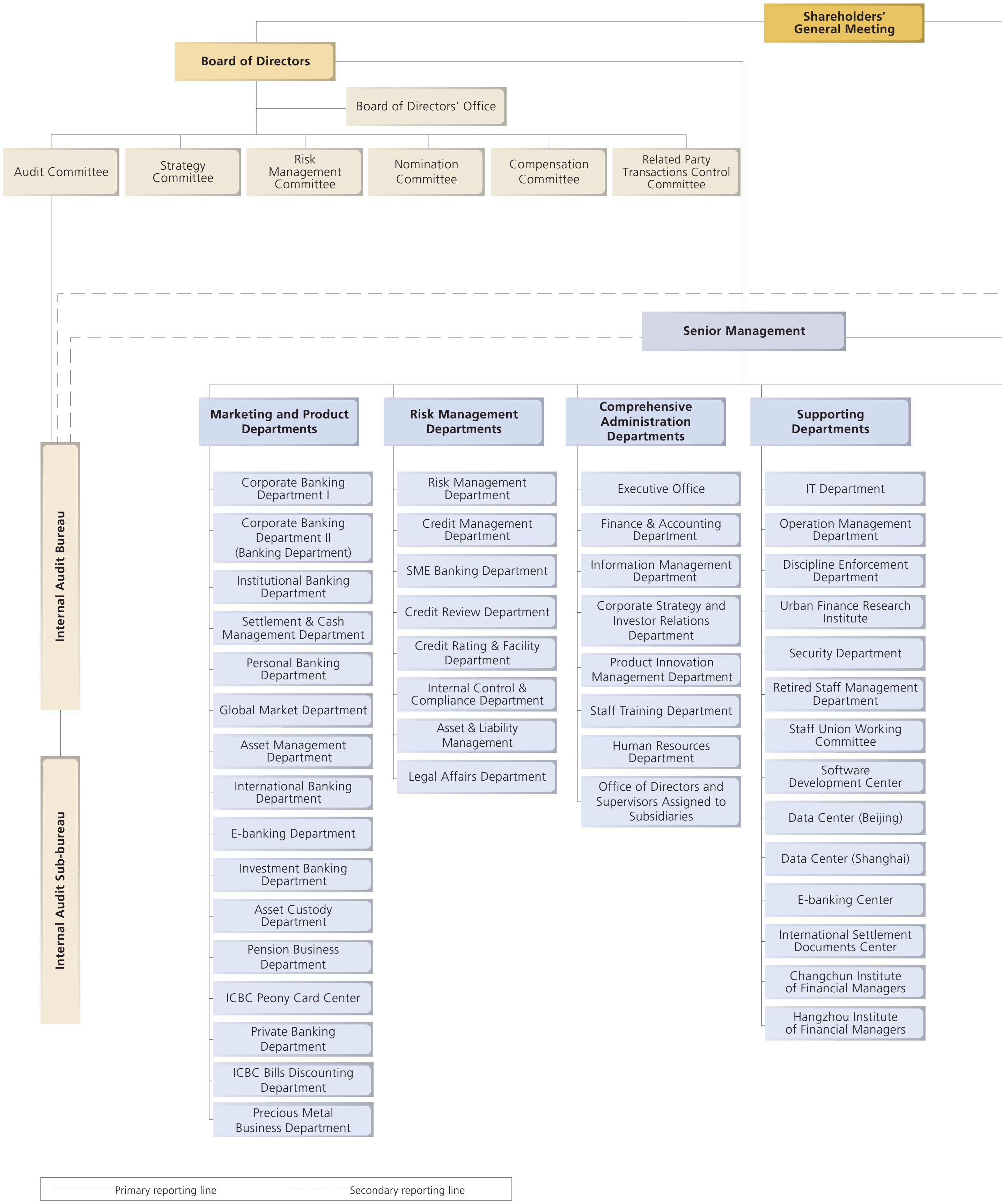
Additional Commitments on Restrictions on Sale of Shares Made by the Shareholders Holding 5% Shares or Above During the Reporting Period

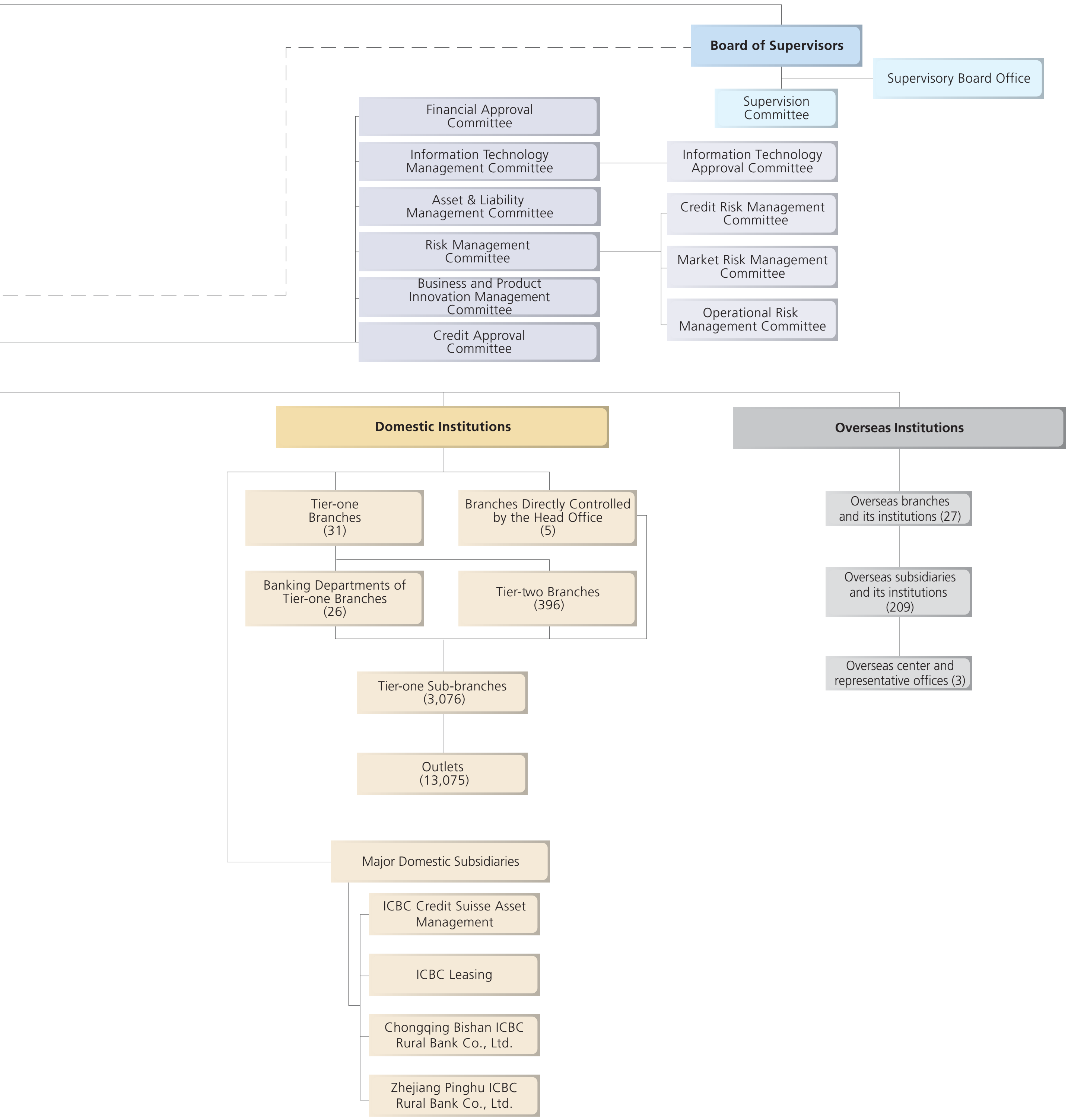
None.

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

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

Organizational Chart




Board of Supervisors
Supervisory Board Office
Supervision Committee
Financial Approval Committee
Information Technology Management Committee
Asset & Liability Management Committee
Risk Management Committee
Business and Product Innovation Management Committee
Credit Approval Committee
Information Technology Approval Committee
Credit Risk Management Committee
Market Risk Management Committee
Operational Risk Management Committee
Domestic Institutions
Overseas Institutions
Tier-one Branches (31)
Branches Directly Controlled by the Head Office (5)
Banking Departments of Tier-one Branches (26)
Tier-two Branches (396)
Tier-one Sub-branches (3,076)
Outlets (13,075)
Major Domestic Subsidiaries
ICBC Credit Suisse Asset Management
ICBC Leasing
Chongqing Bishan ICBC Rural Bank Co., Ltd.
Zhejiang Pinghu ICBC Rural Bank Co., Ltd.
Overseas branches and its institutions (27)
Overseas subsidiaries and its institutions (209)
Overseas center and representative offices (3)

Independent Auditors' Report and Financial Statements

CONTENTS

Independent Auditors' Report

ERNST & YOUNG

22/F, CITIC Tower
1 TIM Mei Avenue, 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 154 to 285, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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' judgement, 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 2011, 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

29 March 2012

Consolidated Income Statement

Year ended 31 December 2011
(In RMB millions, unless otherwise stated)

	Notes	2011	2010
Interest income	6	589,580	462,762
Interest expense	6	(226,816)	(159,013)
NET INTEREST INCOME	6	362,764	303,749
Fee and commission income	7	109,077	78,008
Fee and commission expense	7	(7,527)	(5,168)
NET FEE AND COMMISSION INCOME	7	101,550	72,840
Net trading income/(expense)	8	444	(476)
Net loss on financial assets and liabilities designated at fair value through profit or loss	9	(271)	(217)
Net gain on financial investments	10	219	1,009
Other operating income, net	11	5,895	3,843
OPERATING INCOME		470,601	380,748
Operating expenses	12	(169,613)	(139,480)
Impairment losses on:			
Loans and advances to customers	26	(31,832)	(27,888)
Others	15	711	(100)
OPERATING PROFIT		269,867	213,280
Share of profits of associates and jointly-controlled entities		2,444	2,146
PROFIT BEFORE TAX		272,311	215,426
Income tax expense	16	(63,866)	(49,401)
PROFIT FOR THE YEAR		208,445	166,025
Attributable to:			
Equity holders of the parent company		208,265	165,156
Non-controlling interests		180	869
		208,445	166,025
EARNINGS PER SHARE			
— Basic (RMB yuan)	19	0.60	0.48
— Diluted (RMB yuan)	19	0.59	0.48

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 2011
(In RMB millions, unless otherwise stated)

	Note	2011	2010
Profit for the year		208,445	166,025
Other comprehensive income (after-tax, net):			
Net gain/(loss) on available-for-sale financial assets	42	2,293	(5,510)
Net gain/(loss) on cash flow hedges	42	355	(211)
Share of other comprehensive income of associates and jointly-controlled entities	42	774	(882)
Foreign currency translation differences	42	(11,416)	2,374
Others	42	43	157
Subtotal of other comprehensive income for the year		(7,951)	(4,072)
Total comprehensive income for the year		200,494	161,953
Total comprehensive income attributable to:			
Equity holders of the parent company		200,368	161,316
Non-controlling interests		126	637
		200,494	161,953

Consolidated Statement of Financial Position

31 December 2011
(In RMB millions, unless otherwise stated)

	Notes	31 December 2011	31 December 2010
ASSETS			
Cash and balances with central banks	20	2,762,156	2,282,999
Due from banks and other financial institutions	21	478,002	248,860
Financial assets held for trading	22	30,822	10,188
Financial assets designated at fair value through profit or loss	23	121,386	2,798
Derivative financial assets	24	17,460	13,332
Reverse repurchase agreements	25	349,437	262,227
Loans and advances to customers	26	7,594,019	6,623,372
Financial investments	27	3,763,694	3,719,282
Investments in associates and jointly-controlled entities	29	32,750	40,325
Property and equipment	30	119,028	103,412
Deferred income tax assets	31	21,938	21,712
Other assets	32	186,176	130,115
TOTAL ASSETS		**15,476,868**	**13,458,622**
LIABILITIES			
Due to central banks		100	51
Financial liabilities designated at fair value through profit or loss	33	171,973	6,670
Derivative financial liabilities	24	12,617	10,564
Due to banks and other financial institutions	34	1,341,290	1,048,002
Repurchase agreements	35	206,254	84,888
Certificates of deposit	36	41,426	9,314
Due to customers	37	12,261,219	11,145,557
Income tax payable		51,535	33,759
Deferred income tax liabilities	31	103	318
Debt securities issued	38	204,161	102,264
Other liabilities	39	228,367	195,578
TOTAL LIABILITIES		**14,519,045**	**12,636,965**
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	40	349,084	349,019
Equity component of convertible bonds	38	2,954	2,985
Reserves		291,370	267,269
Retained profits		313,334	201,157
		956,742	820,430
Non-controlling interests		1,081	1,227
TOTAL EQUITY		**957,823**	**821,657**
TOTAL EQUITY AND LIABILITIES		**15,476,868**	**13,458,622**

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 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 reserve	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 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 year	—	—	—	—	—	—	—	—	—	—	208,265	208,265	180	208,445
Other comprehensive income	—	—	43	—	—	2,304	(11,373)	355	774	(7,897)	—	(7,897)	(54)	(7,951)
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	2,304	—	—	—	2,304	—	2,304	(11)	2,293
— Cash flow hedges, net of tax	—	—	—	—	—	—	—	355	—	355	—	355	—	355
— Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	—	774	774	—	774	—	774
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	(11,373)	—	—	(11,373)	—	(11,373)	(43)	(11,416)
— Others	—	—	43	—	—	—	—	—	—	43	—	43	—	43
Total comprehensive income	—	—	43	—	—	2,304	(11,373)	355	774	(7,897)	208,265	200,368	126	200,494
Dividend — 2010 final (note 18)	—	—	—	—	—	—	—	—	—	—	(64,220)	(64,220)	—	(64,220)
Appropriation to surplus reserve(i)	—	—	—	20,638	—	—	—	—	—	20,638	(20,638)	—	—	—
Appropriation to general reserve(ii)	—	—	—	—	11,230	—	—	—	—	11,230	(11,230)	—	—	—
Conversion of convertible bonds (note 38 and 40)	65	—	200	—	—	—	—	—	—	200	—	265	—	265
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	31	31
Change in shareholdings in subsidiaries	—	—	(70)	—	—	—	—	—	—	(70)	—	(70)	(234)	(304)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(69)	(69)
Conversion of equity component of convertible bonds (note 38)	—	(31)	—	—	—	—	—	—	—	—	—	(31)	—	(31)
Balance as at 31 December 2011	**349,084**	**2,954**	**132,096**	**74,420**	**104,301**	**(3,999)**	**(10,792)**	**(3,893)**	**(763)**	**291,370**	**313,334**	**956,742**	**1,081**	**957,823**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amount of RMB41 million and RMB250 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB227 million.

(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 reserve	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	—	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 18)	—	—	—	—	—	—	—	—	—	—	(56,783)	(56,783)	—	(56,783)
Appropriation to surplus reserve (i)	—	—	—	16,298	—	—	—	—	—	16,298	(16,298)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	8,849	—	—	—	—	8,849	(8,849)	—	—	—
Rights issue	15,000	—	29,621	—	—	—	—	—	—	29,621	—	44,621	—	44,621
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	230	230
Change in shareholdings in subsidiaries	—	—	(5,602)	—	—	—	—	—	—	(5,602)	—	(5,602)	(4,373)	(9,975)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(308)	(308)
Issue of convertible bonds (note 38)	—	2,985	—	—	—	—	—	—	—	—	—	2,985	—	2,985
Balance as at 31 December 2010	**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.

Consolidated Statement of Cash Flows

Year ended 31 December 2011
(In RMB millions, unless otherwise stated)

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		272,311	215,426
Adjustments for:			
Share of profits of associates and jointly-controlled entities		(2,444)	(2,146)
Depreciation	12	12,027	10,844
Amortisation	12	1,426	1,314
Amortisation of financial investments		(7,562)	(9,861)
Impairment losses on loans and advances to customers	26	31,832	27,888
Impairment losses on assets other than loans and advances to customers	15	(711)	100
Unrealised foreign exchange loss		7,497	490
Interest expense on debt securities issued		5,103	2,948
Accreted interest on impaired loans	6	(602)	(754)
Gain on disposal of available-for-sale financial assets, net	10	(178)	(925)
Excess over the costs of equity investments		—	(180)
Net trading gain on equity investments	8	(3)	(21)
Net loss on financial assets and liabilities designated at fair value through profit or loss	9	271	217
Net loss/(gain) on disposal of property and equipment and other assets (other than repossessed assets)		(881)	64
Dividend income	10	(41)	(84)
		318,045	245,320
Net decrease/(increase) in operating assets:			
Due from central banks		(437,857)	(594,655)
Due from banks and other financial institutions		(37,009)	(1,269)
Financial assets held for trading		(20,475)	8,905
Financial assets designated at fair value through profit or loss		(118,555)	(1,606)
Reverse repurchase agreements		(1,344)	258,192
Loans and advances to customers		(1,036,506)	(1,071,538)
Other assets		(27,188)	(19,479)
		(1,678,934)	(1,421,450)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated at fair value through profit or loss		160,203	(9,163)
Due to central banks		49	51
Due to banks and other financial institutions		279,170	49,343
Repurchase agreements		121,366	48,828
Certificates of deposit		33,038	9,874
Due to customers		1,135,086	1,374,387
Other liabilities		27,912	19,760
		1,756,824	1,493,080
Net cash flows from operating activities before tax		395,935	316,950
Income tax paid		(47,812)	(38,774)
Net cash flows from operating activities		348,123	278,176

(In RMB millions, unless otherwise stated)

	Note	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(22,896)	(20,017)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		1,278	666
Purchases of financial investments		(1,385,697)	(1,977,718)
Proceeds from sale and redemption of financial investments		1,349,324	1,840,399
Investments in associates and jointly-controlled entities		(10)	(808)
Acquisition of subsidiaries		—	(2,929)
Proceeds from disposal of a jointly-controlled entity		—	278
Proceeds from disposal of a subsidiary		—	(528)
Dividends received		1,268	1,071
Net cash flows from investing activities		(56,733)	(159,586)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from rights issue		—	44,848
Capital injection by non-controlling shareholders		31	230
Proceeds from issuance of subordinated bonds		89,500	25,286
Proceeds from issuance of convertible bonds		—	25,000
Proceeds from issuance of other debt securities		14,303	—
Repayment of debts issued		—	(22,000)
Interest paid on debt securities		(3,212)	(2,597)
Acquisition of non-controlling interests		(328)	(9,273)
Dividends paid on ordinary shares		(64,220)	(56,783)
Dividends paid to non-controlling shareholders		(69)	(308)
Cash paid for other financing activities		—	(357)
Net cash flows from financing activities		36,005	4,046
NET INCREASE IN CASH AND CASH EQUIVALENTS		327,395	122,636
Cash and cash equivalents at beginning of the year		528,971	409,394
Effect of exchange rate changes on cash and cash equivalents		(8,058)	(3,059)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	43	848,308	528,971
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		565,899	449,667
Interest paid		(204,648)	(147,301)

Statement of Financial Position

Year ended 31 December 2011
(In RMB millions, unless otherwise stated)

	Notes	31 December 2011	31 December 2010
ASSETS			
Cash and balances with central banks	20	2,737,238	2,272,265
Due from banks and other financial institutions	21	474,287	259,638
Financial assets held for trading	22	29,849	6,959
Financial assets designated at fair value through profit or loss	23	120,811	1,988
Derivative financial assets	24	15,476	10,879
Reverse repurchase agreements	25	229,769	228,501
Loans and advances to customers	26	7,246,627	6,355,840
Financial investments	27	3,730,354	3,682,258
Investments in subsidiaries	28	53,907	45,057
Investments in associates	29	33,369	33,717
Property and equipment	30	105,971	98,418
Deferred income tax assets	31	21,796	21,568
Other assets	32	155,965	110,576
TOTAL ASSETS		**14,955,419**	**13,127,664**
LIABILITIES			
Financial liabilities designated at fair value through profit or loss	33	171,945	5,823
Derivative financial liabilities	24	10,845	8,287
Due to banks and other financial institutions	34	1,297,947	1,010,279
Repurchase agreements	35	78,551	52,111
Certificates of deposit	36	14,434	3,471
Due to customers	37	11,963,815	10,913,696
Income tax payable		50,818	33,138
Debt securities issued	38	192,439	98,886
Other liabilities	39	218,216	188,082
TOTAL LIABILITIES		**13,999,010**	**12,313,773**
EQUITY			
Share capital	40	349,084	349,019
Equity component of convertible bonds	38	2,954	2,985
Reserves	41	305,573	269,773
Retained profits	41	298,798	192,114
TOTAL EQUITY		**956,409**	**813,891**
TOTAL EQUITY AND LIABILITIES		**14,955,419**	**13,127,664**

Jiang Jianqing
Chairman

Yang Kaisheng
Vice Chairman and President

Shen Rujun
General Manager of Finance and Accounting Department

1. CORPORATE INFORMATION

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

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

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

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

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of compliance

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

(i) Subsidiaries

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

(In RMB millions, unless otherwise stated)

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

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

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

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

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

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

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

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

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

(ii) Special purpose entities

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

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

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

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

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

2.2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS THAT ARE EFFECTIVE IN 2011 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 2011 and relevant to the Group's operation.

IAS 24 Amendment	Amendments to *Related Party Disclosures*
IAS 32 Amendment	Amendments to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
IFRIC 14 Amendment	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*

2.2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS THAT ARE EFFECTIVE IN 2011 AND RELEVANT TO THE GROUP (CONTINUED)

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

IAS 24 Related Party Transactions (Amendment)

The IAS 24 Amendment clarifies 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. In addition, 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) significance 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. Related party disclosures are shown in note 49.

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

The IAS 32 Amendment alters the definition of a financial liability to enable entities 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 or performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

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 or performance of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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 or performance of the Group.

Apart from the above, in May 2010, the IASB has issued its third omnibus of amendments to its standards*, 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 3, 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 the other amendments had a significant impact on the Group.

* Improvements to IFRSs (2010) contain amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13.

2.2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS THAT ARE EFFECTIVE IN 2011 AND RELEVANT TO THE GROUP (CONTINUED)

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 1 amendment allows an entity to use fair value measurements at the valuation date as deemed cost in the special event such as privatisation or initial public offering to determine the book value of assets. Entities that have adopted IFRS can conduct a retrospective 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 retrospectively in accordance with the amendment. The impact of the retrospective adjustment is shown in note 54 "comparative amounts"

IFRS 7 Financial Instruments — Disclosures

IFRS 7 amendment requires disclosure of financial effect of collateral held as security and other credit enhancements, including the amount that best represents the maximum exposure to credit risk such as a description of the extent to which collateral mitigates credit risk.

From 2011, the Group adopted the amendment to IFRS 7 and provided the description of the extent to which the credit risk is mitigated by the collateral.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 that they are taken directly to other comprehensive income when the monetary items are designated as part of the hedge of the Bank's net investment of a foreign entity, and the aggregate exchange differences are not recognised in the income statement until the disposal of such net investment. 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 as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is 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. The exchange differences are recognised in the income statement or in other comprehensive income, depending on the nature of non-monetary items.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) Foreign currency translation (continued)

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 income 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) Financial instruments (continued)

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 one or more embedded derivatives, unless the embedded derivative(s) 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 other debt instruments. Financial liabilities designated at fair value through profit or loss mainly include wealth management products, structured deposits, notes payable, certificates of deposit, and financial liabilities related to precious metals. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) Financial instruments (continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Impairment of financial assets (continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) Derecognition of financial assets and liabilities (continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) Derivatives and hedge accounting (continued)

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. If the hedged items are derecognised, the unamortised fair value is recorded in the income statement.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 (including securities borrowing and lending)

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.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading and measured at fair value with any gains or losses included in the income statement.

(14) Precious metals

Precious metals comprise gold, silver 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 measured at fair value and subsequent changes in fair value are recorded in income statement.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. The precious metals deposited in the Group are measured at fair value both on initial recognition and in subsequent measurement.

(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.

(In RMB millions, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) Property and equipment (continued)

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 (excluding aircraft and vessels) 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 motor vehicles (excluding aircraft and vessels)	3–6 years	—	16.67%–33.33%
Leasehold improvements	Over the shorter of the economic useful lives and remaining lease terms		

Equipment under operating leases where the Group is the lessor are aircraft, aircraft engines and vessels. The estimated useful lives and depreciation methods are determined according to the real conditions of each individual aircraft and vessels. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(18) Business combination and goodwill

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. Acquisition costs incurred are expensed.

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs.

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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) Employee benefits (continued)

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 asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreement with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) Recognition of income and expense

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

Interest income and expense

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

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

Fee and commission income

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

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

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

(ii) Fee income from providing transaction services

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

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

Dividend income

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

Net trading income

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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:

(a) the party is a person or a close member of that person's family and that person,

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group;
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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.

(In RMB millions, unless otherwise stated)

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	Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendment	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
IFRS 9	*Financial Instruments*[5]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendment	Amendments to IAS1 *Financial Statement Presentation — Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendment	Amendments to IAS 12 *Income Tax — Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendment	Amendments to *Employee Benefits*[4]
IAS 27 (Revised)	*Separate Financial Statements*[4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]

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

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

3 Effective for annual periods beginning on or after 1 July 2012

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

5 Effective for annual periods beginning on or after 1 January 2015

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

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements (Amendment)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

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

IFRS 9 Financial Instruments: Classification and Measurement (Amendment)

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group is currently assessing the impact of this standard on its financial position or performance.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly-Controlled Entities — Non-Monetary Contributions by Ventures*. IFRS 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, jointly-controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact of this standard on its financial position or performance.

IAS 1 Financial Statement Presentation — Presentation of Items of Other Comprehensive Income (Amendment)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The Group is currently assessing the impact of this standard on its financial position or performance.

(In RMB millions, unless otherwise stated)

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

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

The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces 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. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis of the asset. The amendments will have no impact on the financial statements of the Group.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of this standard on its financial position or performance.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly-controlled entities, and associates in separate financial statements.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group is currently assessing the impact of this standard on its financial position or performance.

6. NET INTEREST INCOME

	2011	2010
Interest income on:		
Loans and advances to customers (i)		
— Corporate loans and advances	309,083	239,304
— Personal loans	96,954	69,364
— Discounted bills	10,351	7,458
Financial investments (ii)	121,077	106,611
Due from central banks	38,332	28,718
Due from banks and other financial institutions	13,783	11,307
	589,580	462,762
Interest expense on:		
Due to customers	(188,650)	(140,518)
Due to banks and other financial institutions	(32,809)	(15,503)
Debt securities issued	(5,357)	(2,992)
	(226,816)	(159,013)
Net interest income	362,764	303,749

(In RMB millions, unless otherwise stated)

6. NET INTEREST INCOME (CONTINUED)

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 RMB602 million (2010: RMB754 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 RMB81 million (2010: RMB333 million) with respect to interest income on impaired debt securities.

7. NET FEE AND COMMISSION INCOME

	2011	2010
Settlement, clearing business and cash management	25,410	19,160
Investment banking business	22,592	15,506
Personal wealth management and private banking services (i)	21,264	14,858
Bank card business	17,268	13,687
Corporate wealth management services (i)	9,269	6,886
Asset custody business (i)	5,892	3,385
Guarantee and commitment business	5,101	3,029
Trust and agency services (i)	1,376	979
Others	905	518
Fee and commission income	109,077	78,008
Fee and commission expense	(7,527)	(5,168)
Net fee and commission income	101,550	72,840

(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 RMB10,837 million (2010: RMB8,054 million) with respect to trust and other fiduciary activities.

8. NET TRADING INCOME/(EXPENSE)

	2011	2010
Debt securities	1,236	352
Equity investments	3	21
Derivatives	(795)	(849)
	444	(476)

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.

(In RMB millions, unless otherwise stated)

9. NET LOSS ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
Financial assets	4,442	61
Financial liabilities	(4,713)	(278)
	(271)	(217)

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

	2011	2010
Dividend income from unlisted investments	33	80
Dividend income from listed investments	8	4
Dividend income	41	84
Gain on disposal of available-for-sale financial assets, net	178	925
	219	1,009

11. OTHER OPERATING INCOME, NET

	2011	2010
Gain from foreign exchange and foreign exchange products, net	1,400	735
Leasing income	1,433	320
Net gain on disposal of property and equipment, repossessed assets and others	1,273	784
Sundry bank charge income	368	329
Others	1,421	1,675
	5,895	3,843

(In RMB millions, unless otherwise stated)

12. OPERATING EXPENSES

	2011	2010
Staff costs (i):		
Salaries and bonuses (ii)	57,943	49,651
Staff benefits	21,399	14,005
Contributions to defined contribution schemes (iii)	8,539	7,332
	87,881	70,988
Premises and equipment expenses:		
Depreciation (note 30)	12,027	10,844
Minimum lease payments under operating leases in respect of land and buildings	4,116	3,509
Repairs and maintenance charges	2,715	2,412
Utility expenses	2,263	2,084
	21,121	18,849
Amortisation	1,426	1,314
Other administrative expenses (iv)	23,253	20,236
Business tax and surcharges	28,875	21,484
Others	7,057	6,609
	169,613	139,480

(i) Includes accrued early retirement benefits of RMB5,900 million (2010: RMB1,231 million). The staff costs excluding early retirement benefits increased by 17.5%.

(ii) In accordance with relevant regulations issued by the Ministry of Finance (the "MOF"), five types of allowances previously included in staff benefits and other operating expenses were reclassified to salaries and bonuses. Before this reclassification, the salaries and bonuses increased by 15.2%.

(iii) 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.

(iv) Included in other administrative expenses is auditors' remuneration (including related assurance services for the Group and its subsidiaries and overseas branches) of RMB176 million for the year (2010: RMB178 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 2011			
Name	Position	Remuneration paid (before tax) RMB'000 (1)	Contributions to defined contribution schemes RMB'000 (2)	Fees RMB'000 (3)	Total emoluments before tax RMB'000 (4)=(1)+(2)+(3)
JIANG Jianqing (i)	Chairman of the Board of Directors, Executive Director	876	241	—	1,117
YANG Kaisheng (i)	Vice Chairman of the Board of Directors, Executive Director, President	808	220	—	1,028
ZHAO Lin (iii)	Chairman of the Board of Supervisors	786	218	—	1,004
WANG Lili	Executive Director, Vice President	750	212	—	962
LI Xiaopeng	Executive Director, Vice President	750	212	—	962
HUAN Huiwu (i)	Non-executive Director	—	—	—	—
GAO Jianhong (ii)	Non-executive Director	—	—	—	—
LI Chunxiang (ii)	Non-executive Director	—	—	—	—
LI Jun (i)	Non-executive Director	—	—	—	—
LI Xiwen (ii)	Non-executive Director	—	—	—	—
WEI Fusheng (ii)	Non-executive Director	—	—	—	—
LEUNG Kam Chung, Antony	Independent Non-executive Director	—	—	500	500
QIAN Yingyi	Independent Non-executive Director	—	—	490	490
XU Shanda	Independent Non-executive Director	—	—	—	—
WONG Kwong Shing, Frank (i)	Independent Non-executive Director	—	—	470	470
M.C. McCarthy	Independent Non-executive Director	—	—	400	400
Kenneth Patrick CHUNG	Independent Non-executive Director	—	—	390	390
WANG Chixi (iv)	Shareholder Representative Supervisor	703	167	—	870
DONG Juan	External Supervisor	—	—	300	300
MENG Yan	External Supervisor	—	—	280	280
ZHANG Wei	Employee Representative Supervisor	—	—	50	50
ZHU Lifei	Employee Representative Supervisor	—	—	50	50
		4,673	1,270	2,930	8,873

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 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's and the Bank's 2011 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

(i) At the First Extraordinary General Meeting of 2011 held on 29 November 2011, Mr. Jiang Jianqing and Mr. Yang Kaisheng were re-appointed as Executive Directors of the Bank; Mr. Wong Kwong Shing, Frank was re-appointed as Independent Non-executive Director of the Bank; Mr. Huan Huiwu and Mr. Li Jun were re-appointed as Non-executive Directors of the Bank.

(ii) Mr. Gao Jianhong, Ms. Li Chunxiang, Mr. Li Xiwen and Mr. Wei Fusheng ceased to act as Directors of the Bank with effect from 9 January 2012.

(iii) After the review and approval by the Annual General Meeting for the Year 2010 held on 31 May 2011, Mr. Zhao Lin was re-appointed to be Shareholder Representative Supervisor of the Bank, and the appointment took effect from the date of approval by the meeting.

(iv) After the review and approval by the First Extraordinary General Meeting of 2011 held on 29 November 2011, Ms. Wang Chixi was re-appointed to be Shareholder Representative Supervisor of the Bank, and the appointment took effect from the date of approval by the meeting.

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

		Year ended 31 December 2010						
Name	Position	Fees RMB'000 (1)	Remuneration paid RMB'000 (2)	Discretionary bonuses RMB'000 (3)	Contributions to defined contribution schemes RMB'000 (4)	Total emoluments before tax RMB'000 (5)=(1)+(2)+(3)+(4)	Of which: deferred payment RMB'000 (6)	Actual amount of remuneration paid (pre-tax) for 2010 RMB'000 (7)=(5)-(6)
JIANG Jianqing	Chairman of the Board of Directors, Executive Director	—	428	1,214	319	1,961	608	1,353
YANG Kaisheng	Vice Chairman of the Board of Directors, Executive Director, President	—	385	1,093	416	1,894	548	1,346
ZHAO Lin	Chairman of the Board of Supervisors	—	376	1,068	321	1,765	535	1,230
ZHANG Furong	Former Executive Director and Vice President	—	212	602	139	953	302	651
WANG Lili	Executive Director, Vice President	—	363	1,028	287	1,678	515	1,163
LI Xiaopeng	Executive Director, Vice President	—	363	1,028	287	1,678	515	1,163
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	—	500
QIAN Yingyi	Independent Non-executive Director	490	—	—	—	490	—	490
XU Shanda	Independent Non-executive Director	—	—	—	—	—	—	—
WONG Kwong Shing, Frank	Independent Non-executive Director	470	—	—	—	470	—	470
M.C. McCarthy	Independent Non-executive Director	392	—	—	—	392	—	392
Kenneth Patrick CHUNG	Independent Non-executive Director	383	—	—	—	383	—	383
WANG Chixi	Shareholder Representative Supervisor	—	265	753	209	1,227	—	1,227
DONG Juan	External Supervisor	300	—	—	—	300	—	300
MENG Yan	External Supervisor	280	—	—	—	280	—	280
ZHANG Wei	Employee Representative Supervisor	50	—	—	—	50	—	50
ZHU Lifei	Employee Representative Supervisor	13	—	—	—	13	—	13
CHANG Ruiming	Former Employee Representative Supervisor	38	—	—	—	38	—	38
		2,916	2,392	6,786	1,978	14,072	3,023	11,049

Note 1: The above directors' and supervisors' emoluments for the year ended 31 December 2010 were restated in accordance with the supplemental announcement for the 2010 annual report released by the Bank on 17 May 2011. 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 2010 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 2010 Annual Report.

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

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

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

During the year ended 31 December 2011, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration (2010: three of the Bank's executive directors, who are also directors of a subsidiary of the Bank, waived emoluments amounting to RMB0.77 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 the 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 (2010: Nil).

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank's 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 49(e) to the financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Salaries and allowances	13,558	12,288
Discretionary bonuses	21,752	18,692
Contributions to defined contribution schemes	701	585
	36,011	31,565

The number of these individuals whose emoluments fell within the following bands is set out below.

	Number of employees	
	2011	2010
RMB4,000,001 to RMB4,500,000	—	1
RMB5,000,001 to RMB5,500,000	—	1
RMB5,500,001 to RMB6,000,000	—	1
RMB6,000,001 to RMB6,500,000	—	1
RMB6,500,001 to RMB7,000,000	1	—
RMB7,000,001 to RMB7,500,000	2	—
RMB7,500,001 to RMB8,000,000	1	—
RMB10,000,001 to RMB10,500,000	—	1
RMB10,500,001 to RMB11,000,000	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 (2010: Nil).

(In RMB millions, unless otherwise stated)

15. IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

	Note	2011	2010
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	21	38	3
Financial investments:			
Held-to-maturity investments	27(d)	(417)	(203)
Available-for-sale financial assets	27(c)(i),(d)	(469)	(387)
Investments in associates and jointly-controlled entities		348	—
Other assets		(211)	687
		(711)	100

16. INCOME TAX EXPENSE

(a) Income tax

	2011	2010
Current income tax expense:		
Mainland China	66,829	48,623
Hong Kong and Macau	891	730
Overseas	534	362
	68,254	49,715
Adjustments in respect of current income tax of prior years	(2,666)	571
Deferred income tax expense	(1,722)	(885)
	63,866	49,401

(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:

	2011	2010
Profit before tax	272,311	215,426
Tax at the PRC statutory income tax rate	68,078	53,857
Effects of different applicable rates of tax prevailing in other countries/regions	(10)	(88)
Non-deductible expenses (i)	2,587	1,124
Non-taxable income (ii)	(7,024)	(5,572)
Profits and losses attributable to associates and jointly-controlled entities	(596)	(572)
Adjustment in respect of current and deferred income tax of prior years	670	571
Others	161	81
Tax expense at the Group's effective income tax rate	63,866	49,401

(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 2011 includes a profit of RMB202,295 million (2010: RMB160,490 million) which has been dealt with in the financial statements of the Bank (note 41).

18. DIVIDENDS

	2011	2010
Dividends on ordinary shares declared and paid:		
Final dividend for 2010: RMB0.184 per share (2009: RMB0.17 per share)	64,220	56,783

	2011	2010
Dividends on ordinary shares proposed for approval (not recognised as at 31 December):		
Final dividend for 2011: RMB0.203 per share (2010: RMB0.184 per share)	70,864	64,220

19. EARNINGS PER SHARE

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

	2011	2010
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent company	208,265	165,156
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	349,024	340,599
Basic earnings per share (RMB yuan)	0.60	0.48

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

	2011	2010
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent company	208,265	165,156
Add: Interest expense on convertible bonds (net of tax)	644	210
Profit used to determine diluted earnings per share	208,909	165,366
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	349,024	340,599
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	6,233	2,008
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	355,257	342,607
Diluted earnings per share (RMB yuan)	0.59	0.48

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

(In RMB millions, unless otherwise stated)

20. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2011	2010	2011	2010
Cash and unrestricted balances with central banks:				
Cash on hand	60,145	48,924	58,694	47,748
Surplus reserves with central banks (i)	86,529	69,222	83,417	68,315
Unrestricted balances with central banks of overseas countries or regions	19,595	6,823	4,464	851
	166,269	124,969	146,575	116,914
Restricted balances with central banks:				
Mandatory reserves with central banks (ii)	2,403,325	1,982,575	2,399,041	1,980,686
Fiscal deposits with the PBOC	190,781	173,843	190,781	173,843
Mandatory reserves with central banks of overseas countries or regions (ii)	1,677	1,520	737	730
Other restricted balances with the PBOC (ii)	104	92	104	92
	2,595,887	2,158,030	2,590,663	2,155,351
	2,762,156	2,282,999	2,737,238	2,272,265

(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 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.

21. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2011	2010	2011	2010
Nostro accounts:				
Banks operating in Mainland China	206,342	139,915	201,572	139,113
Other financial institutions operating in Mainland China	1,082	2,036	1,082	2,036
Banks and other financial institutions operating outside Mainland China	110,096	42,025	94,683	38,667
	317,520	183,976	297,337	179,816
Less: Allowance for impairment losses	(34)	(34)	(33)	(33)
	317,486	183,942	297,304	179,783
Placements with banks and other financial institutions:				
Banks operating in Mainland China	46,798	11,775	44,454	12,005
Other financial institutions operating in Mainland China	55,027	24,066	49,771	23,165
Banks and other financial institutions operating outside Mainland China	58,752	29,108	82,812	44,712
	160,577	64,949	177,037	79,882
Less: Allowance for impairment losses	(61)	(31)	(54)	(27)
	160,516	64,918	176,983	79,855
	478,002	248,860	474,287	259,638

(In RMB millions, unless otherwise stated)

21. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Movements of the allowance for impairment losses during the year are as follows:

Group	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2010	34	28	62
Charge for the year	—	3	3
At 31 December 2010 and 1 January 2011	34	31	65
Charge for the year	—	38	38
Write off for the year	—	(8)	(8)
At 31 December 2011	34	61	95

Bank	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2010	33	28	61
Reversal for the year	—	(1)	(1)
At 31 December 2010 and 1 January 2011	33	27	60
Charge for the year	—	34	34
Write off for the year	—	(7)	(7)
At 31 December 2011	33	54	87

22. FINANCIAL ASSETS HELD FOR TRADING

	Group		Bank	
	2011	2010	2011	2010
Debt securities	30,675	10,051	29,849	6,959
Equity investments	147	137	—	—
	30,822	10,188	29,849	6,959
Debt securities analysed into:				
Listed in Hong Kong	96	72	68	72
Listed outside Hong Kong	928	1,958	627	139
Unlisted	29,651	8,021	29,154	6,748
	30,675	10,051	29,849	6,959

(In RMB millions, unless otherwise stated)

23. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	2011	2010	2011	2010
Debt securities	10,544	948	9,969	138
Other debt instruments				
Banks and other financial institutions	59,620	—	59,620	—
Corporate entities	51,222	1,850	51,222	1,850
	121,386	2,798	120,811	1,988
Analysed into:				
Listed in Hong Kong	65	—	—	—
Listed outside Hong Kong	359	138	—	138
Unlisted	120,962	2,660	120,811	1,850
	121,386	2,798	120,811	1,988

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.

(In RMB millions, unless otherwise stated)

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Group

	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
Exchange rate contracts:							
Forward and swap contracts	524,925	363,218	27,207	5,768	921,118	11,968	(6,728)
Option contracts purchased	1,673	18,135	1,182	—	20,990	175	—
Option contracts written	1,787	1,753	1,182	—	4,722	—	(30)
	528,385	383,106	29,571	5,768	946,830	12,143	(6,758)
Interest rate contracts:							
Swap contracts	79,186	153,760	226,366	32,654	491,966	4,635	(5,726)
Forward contracts	2,823	1,714	5,129	—	9,666	131	(131)
	82,009	155,474	231,495	32,654	501,632	4,766	(5,857)
Other derivative contracts	26,800	879	—	—	27,679	551	(2)
	637,194	539,459	261,066	38,422	1,476,141	17,460	(12,617)

	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)

(In RMB millions, unless otherwise stated)

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Bank

	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
Exchange rate contracts:							
Forward and swap contracts	411,760	292,968	21,567	5,768	732,063	11,158	(5,799)
Option contracts purchased	—	16,382	—	—	16,382	143	—
Option contracts written	132	—	—	—	132	—	(4)
	411,892	309,350	21,567	5,768	748,577	11,301	(5,803)
Interest rate contracts:							
Swap contracts	74,794	142,177	200,889	20,642	438,502	4,043	(4,909)
Forward contracts	2,823	1,714	5,129	—	9,666	131	(131)
	77,617	143,891	206,018	20,642	448,168	4,174	(5,040)
Other derivative contracts	26,297	—	—	—	26,297	1	(2)
	515,806	453,241	227,585	26,410	1,223,042	15,476	(10,845)

	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)

Cash flow hedges

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

(In RMB millions, unless otherwise stated)

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges (continued)

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

Group

	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
Currency swap contracts	328	—	—	—	328	—	—
Interest rate swap contracts	734	93	3,716	3,339	7,882	286	(126)
	1,062	93	3,716	3,339	8,210	286	(126)

	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)

Bank (31 December 2011: Nil)

	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 (2010: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect 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.

(In RMB millions, unless otherwise stated)

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hedges (continued)

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	
	2011	2010
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	(86)	(172)
— Hedged items attributable to the hedged risk	89	187
	3	15

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

Group

	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
Currency swap contracts	—	181	596	—	777	4	(61)
Interest rate swap contracts	508	1,700	8,520	4,311	15,039	—	(882)
	508	1,881	9,116	4,311	15,816	4	(943)

	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)

Bank

	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
Interest rate swap contracts	363	1,071	3,857	3,082	8,373	—	(475)

(In RMB millions, unless otherwise stated)

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hedges (continued)

	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)

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	
	2011	2010	2011	2010
Currency derivatives	7,717	8,267	5,681	6,143
Interest rate derivatives	3,406	2,066	2,793	1,757
Other derivatives	938	858	316	33
	12,061	11,191	8,790	7,933

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

Reverse repurchase agreements comprise reverse repurchase of securities, bills, loans, and cash advanced as collateral on securities borrowing.

	Group		Bank	
	2011	2010	2011	2010
Reverse repurchase	335,285	262,227	229,769	228,501
Cash advanced as collateral on securities borrowing	14,152	—	—	—
	349,437	262,227	229,769	228,501
Reverse repurchase analysed by counterparty:				
Banks	49,836	117,045	46,318	116,562
Other financial institutions	285,449	145,182	183,451	111,939
	335,285	262,227	229,769	228,501
Reverse repurchase analysed by collateral:				
Securities	317,686	199,443	213,670	167,632
Bills	15,759	54,346	15,759	54,346
Loans	1,840	8,438	340	6,523
	335,285	262,227	229,769	228,501

(In RMB millions, unless otherwise stated)

25. REVERSE REPURCHASE AGREEMENTS (CONTINUED)

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 2011, the Group had received securities with a fair value of approximately RMB230,633 million on such terms (31 December 2010: RMB82,076 million). Of these, securities with a fair value of approximately RMB229,470 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.

26. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2011	2010	2011	2010
Corporate loans and advances	5,666,511	5,017,281	5,341,017	4,770,696
Personal loans	2,014,926	1,655,719	1,991,272	1,633,192
Discounted bills	107,460	117,506	106,560	117,135
	7,788,897	6,790,506	7,438,849	6,521,023
Less: Allowance for impairment losses	(194,878)	(167,134)	(192,222)	(165,183)
	7,594,019	6,623,372	7,246,627	6,355,840

Movements of allowance for impairment losses during the year are as follows:

Group

	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 (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 and 1 January 2011	41,300	125,834	167,134
Impairment loss:	(2,174)	34,006	31,832
— impairment allowances charged	9,310	85,970	95,280
— impairment allowances transferred	375	(375)	—
— reversal of impairment allowances	(11,859)	(51,589)	(63,448)
Accreted interest on impaired loans (note 6)	(602)	—	(602)
Write-offs	(4,057)	(489)	(4,546)
Recoveries of loans and advances previously written off	942	118	1,060
At 31 December 2011	35,409	159,469	194,878

(In RMB millions, unless otherwise stated)

26. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Bank

	Individually assessed	Collectively assessed	Total
At 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 and 1 January 2011	40,716	124,467	165,183
Impairment loss:	(2,757)	33,706	30,949
— impairment allowances charged	8,661	85,164	93,825
— impairment allowances transferred	370	(370)	—
— reversal of impairment allowances	(11,788)	(51,088)	(62,876)
Accreted interest on impaired loans	(564)	—	(564)
Write-offs	(3,829)	(480)	(4,309)
Recoveries of loans and advances previously written off	845	118	963
At 31 December 2011	34,411	157,811	192,222

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 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 and 1 January 2011	132,565	34,569	167,134
Impairment loss:	18,489	13,343	31,832
— impairment allowances charged	72,015	23,265	95,280
— reversal of impairment allowances	(53,526)	(9,922)	(63,448)
Accreted interest on impaired loans (note 6)	(602)	—	(602)
Write-offs	(4,057)	(489)	(4,546)
Recoveries of loans and advances previously written off	942	118	1,060
At 31 December 2011	147,337	47,541	194,878

(In RMB millions, unless otherwise stated)

26. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Bank

	Corporate loans and advances and discounted bills	Personal loans	Total
At 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 and 1 January 2011	130,694	34,489	165,183
Impairment loss:	17,612	13,337	30,949
— impairment allowances charged	70,711	23,114	93,825
— reversal of impairment allowances	(53,099)	(9,777)	(62,876)
Accreted interest on impaired loans	(564)	—	(564)
Write-offs	(3,829)	(480)	(4,309)
Recoveries of loans and advances previously written off	845	118	963
At 31 December 2011	144,758	47,464	192,222

	Group		Bank	
	2011	2010	2011	2010
Loans and advances for which allowance for impairment losses are:				
Individually assessed	62,263	63,500	59,995	61,858
Collectively assessed	7,726,634	6,727,006	7,378,854	6,459,165
	7,788,897	6,790,506	7,438,849	6,521,023
Less: Allowance for impairment losses:				
Individually assessed	35,409	41,300	34,411	40,716
Collectively assessed	159,469	125,834	157,811	124,467
	194,878	167,134	192,222	165,183
Net loans and advances for which allowance for impairment losses are:				
Individually assessed	26,854	22,200	25,584	21,142
Collectively assessed	7,567,165	6,601,172	7,221,043	6,334,698
	7,594,019	6,623,372	7,246,627	6,355,840
Identified impaired loans and advances	73,011	73,241	70,681	71,514
Percentage of impaired loans and advances	0.94%	1.08%	0.95%	1.10%

(In RMB millions, unless otherwise stated)

26. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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 is exposed to changes in the value of the transferred assets.

As at 31 December 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 31 December 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.

27. FINANCIAL INVESTMENTS

		Group		Bank	
	Notes	2011	2010	2011	2010
Receivables	(a)	498,804	501,706	498,804	501,706
Held-to-maturity investments	(b)	2,424,785	2,312,781	2,434,135	2,316,159
Available-for-sale financial assets	(c)	840,105	904,795	797,415	864,393
		3,763,694	3,719,282	3,730,354	3,682,258

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

		Group and Bank	
	Notes	2011	2010
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)	100,808	99,385
		498,804	501,706

(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-negotiable, 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 year of 2011.

(In RMB millions, unless otherwise stated)

27. FINANCIAL INVESTMENTS (CONTINUED)

(a) Receivables (continued)

(iv) Other bills and bonds include PBOC bills, government financial and corporate bonds. The balance represents non-transferable debt securities with fixed or determinable payments, which will mature from June 2012 to December 2021 and bear interest rates ranging from 3.26% to 6.50% per annum.

(b) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

	Group		Bank	
	2011	2010	2011	2010
Debt securities	2,425,279	2,314,255	2,434,522	2,317,472
Less: Allowance for impairment losses	(494)	(1,474)	(387)	(1,313)
	2,424,785	2,312,781	2,434,135	2,316,159

	Group		Bank	
	2011	2010	2011	2010
Analysed into:				
Listed in Hong Kong	415	432	91	195
Listed outside Hong Kong	679,890	379,760	677,968	377,298
Unlisted	1,744,480	1,932,589	1,756,076	1,938,666
	2,424,785	2,312,781	2,434,135	2,316,159
Market value of listed debt securities	687,521	372,725	685,285	370,009

(In RMB millions, unless otherwise stated)

27. FINANCIAL INVESTMENTS (CONTINUED)

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	Group		Bank	
	2011	2010	2011	2010
Debt securities, at fair value (i)	835,983	899,750	795,380	861,613
Equity investments:				
At fair value (i)	2,959	2,986	910	818
At cost (ii)				
Debt for equity swaps	1,619	1,627	1,619	1,627
Others	502	1,468	319	1,148
Less: Allowance for impairment losses of equity investments	(958)	(1,036)	(813)	(813)
	1,163	2,059	1,125	1,962
Subtotal for equity investments	4,122	5,045	2,035	2,780
	840,105	904,795	797,415	864,393
Debt securities analysed into:				
Listed in Hong Kong	6,520	3,645	2,483	1,536
Listed outside Hong Kong	119,903	99,845	96,408	85,601
Unlisted	709,560	796,260	696,489	774,476
	835,983	899,750	795,380	861,613
Equity investments analysed into:				
Listed in Hong Kong	594	940	—	—
Listed outside Hong Kong	307	1,004	139	156
Unlisted	3,221	3,101	1,896	2,624
	4,122	5,045	2,035	2,780
Market value of listed securities:				
Debt securities	126,423	103,490	98,891	87,137
Equity investments	901	1,944	139	156
	127,324	105,434	99,030	87,293

(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 2011, the available-for-sale financial assets measured at fair value include impaired debt securities whose carrying amount is RMB52 million (31 December 2010: RMB4,296 million), with the reversal of impairment loss recognised in the income statement for the year of RMB469 million (2010: the reversal of impairment loss of RMB394 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 carrying amount of these equity investments decreased by RMB907 million (2010: RMB402 million). There was no gain or loss recognised for such a disposal during the year (2010: RMB2 million gain).

(In RMB millions, unless otherwise stated)

27. FINANCIAL INVESTMENTS (CONTINUED)

(d) Movements of allowance for impairment losses of held-to-maturity investments and available-for-sale equity investments measured at cost during the year are as follows:

	Group			Bank		
	Held-to-maturity investments	Available-for-sale equity investments	Total	Held-to-maturity investments	Available-for-sale equity investments	Total
At 1 January 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 and 1 January 2011	1,474	1,036	2,510	1,313	813	2,126
Charge for the year	44	—	44	44	—	44
Reversal	(461)	—	(461)	(461)	—	(461)
Disposals	(563)	(78)	(641)	(509)	—	(509)
At 31 December 2011	494	958	1,452	387	813	1,200

28. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2011	**2010**
Unlisted investments, at cost	53,907	45,057

(In RMB millions, unless otherwise stated)

28. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the Bank's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest 2011 %	Percentage of equity interest 2010 %	Voting rights 2011 %	Nominal value of issued share/ paid-up capital 2011	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	100	100	HK$3,463 million	HK$28,542 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International") (ii)	100	100	100	HK$4,839 million	HK$4,882 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company (iii)	100	100	100	USD60.89 million	USD60.89 million	Almaty, Kazakhstan	Commercial banking
ICBC (London) PLC ("ICBC London")(iv)	100	100	100	USD200 million	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. * (v)	80	55	80	RMB200 million	RMB433 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China (Europe) S.A.	100	100	100	EUR115 million	EUR115 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia	97.50	97.50	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 ("ICBC Macau")	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) ("ICBC Canada") (vi)	80	70	80	CA$83 million	CA$118.66 million	Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	100	MYR331 million	MYR331 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai") (vii)	97.70	97.24	97.70	THB15,905 million	THB17,871 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	100	USD50 million	USD50.25 million	Delaware and New York, United States	Broker dealer

* These subsidiaries incorporated in Mainland China are all limited liability companies.

(In RMB millions, unless otherwise stated)

28. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

(i) On 1 September 2011, the Bank made an additional capital injection of HK$6.1 billion into ICBC Asia and its total registered and paid-in capital increased to HK$3.463 billion.

(ii) On 25 August 2011, the Bank made an additional capital injection of HK$3.9 billion into ICBC International and its total registered and paid-in capital increased to HK$4.839 billion.

(iii) On 30 June 2011, the Bank completed 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.

(iv) On 26 May 2011, Industrial and Commercial Bank of China, (London) Limited officially changed its name to ICBC (London) PLC.

(v) On 16 November 2011, the Bank acquired 20% and 5% of shares of ICBC Credit Suisse Asset Management Co., Ltd. from China Ocean Shipping (Group) Company and Credit Suisse, for a consideration of RMB258 million and RMB65 million, respectively. Subsequent to the above, the equity interests held by the Bank in ICBC Credit Suisse Asset Management Co., Ltd. increased to 80%.

(vi) Pursuant to the shareholders agreement entered into between the Bank, The Bank of East Asia, Limited and ICBC Canada, the acquisition by the Bank of a further 10% interest in ICBC Canada was completed on 26 August 2011, for a consideration of CAD15.71 million (equivalent to RMB102 million). Subsequent to the above, the equity interests held by the Bank in ICBC Canada increased to 80%. On 1 December 2011, the Bank made an additional capital injection of CAD20 million into ICBC Canada and its total registered and paid-in capital increased to CAD83 million.

(vii) 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.

Apart from the above, the Bank has consolidated SPEs which are controlled by the Bank.

29. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

	Group	
	2011	**2010**
Share of net assets	16,996	19,417
Goodwill	16,102	20,908
Less: Allowance for impairment losses	(348)	—
	32,750	40,325

	Bank	
	2011	**2010**
Shares listed outside Hong Kong, at cost	33,369	33,717

(In RMB millions, unless otherwise stated)

29. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (CONTINUED)

The following table illustrates the summarised financial information of the Group's associates and jointly-controlled entities:

	2011	2010
Assets	1,154,338	1,341,448
Liabilities	(1,061,245)	(1,235,634)
Net assets	93,093	105,814

	2011	2010
Revenue	92,188	110,382
Profit for the year	13,732	13,116

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:

	2011	2010
Market value of listed investments	23,981	28,503

(In RMB millions, unless otherwise stated)

29. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (CONTINUED)

Particulars of the Group's principal associates and jointly-controlled entities are as follows:

Name	Percentage of equity interest 2011 %	Percentage of equity interest 2010 %	Voting rights 2011 %	Place of incorporation/ registration	Principal activities
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)	23.83	23.83	24.39	Bangkok, Thailand	Securities
Unlisted investment 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 ("ICBC IHG") (iv)	30.00	—	30.00	Tianjin, the PRC	Fund management
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	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
ICBC HNA (Tianjin) Equity Investment Fund Management Limited ("ICBC HNA") (viii)	50.00	50.00	50.00	Tianjin, the PRC	Fund management
Tianjin ICBC International Advisory LLP (ix)	50.00	—	Note 3	Tianjin, the PRC	Investment advisor

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.

Note 3: The enterprise is a limited partnership; under the partnership agreement, the Group and other partners jointly control the enterprise.

29. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (CONTINUED)

(i) The shareholding of a 24.39% 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) 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.

(ix) Tianjin ICBC International Advisory LLP is a jointly-controlled entity of a wholly-owned subsidiary, ICBC International. The percentage of equity interest disclosed represents the effective percentage held by the Group.

(In RMB millions, unless otherwise stated)

30. PROPERTY AND EQUIPMENT

Group

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Aircraft and vessels	Total
Cost:						
1 January 2010	84,728	8,801	3,928	34,281	1,323	133,061
Additions	2,363	6,759	1,013	6,194	2,538	18,867
CIP transfer in/(out)	4,625	(5,098)	—	473	—	—
Acquisition of subsidiaries	4	—	—	56	—	60
Other transfer in/(out)	153	(52)	—	—	—	101
Disposals	(390)	(86)	(95)	(1,272)	—	(1,843)
At 31 December 2010 and 1 January 2011	91,483	10,324	4,846	39,732	3,861	150,246
Additions	2,054	11,712	984	6,840	6,449	28,039
CIP transfer in/(out)	4,687	(5,703)	—	1,016	—	—
Disposals	(193)	(221)	(302)	(1,676)	—	(2,392)
At 31 December 2011	98,031	16,112	5,528	45,912	10,310	175,893
Accumulated depreciation and impairment:						
At 1 January 2010	15,945	108	1,563	19,761	—	37,377
Depreciation charge for the year (note 12)	4,588	—	749	5,395	112	10,844
Impairment allowance charge for the year	—	—	—	—	61	61
Disposals	(147)	(54)	(39)	(1,208)	—	(1,448)
At 31 December 2010 and 1 January 2011	20,386	54	2,273	23,948	173	46,834
Depreciation charge for the year (note 12)	4,862	—	809	6,082	274	12,027
Impairment allowance charge for the year	—	4	—	—	27	31
Disposals	(148)	—	(282)	(1,597)	—	(2,027)
At 31 December 2011	25,100	58	2,800	28,433	474	56,865
Net carrying amount:						
At 31 December 2010	71,097	10,270	2,573	15,784	3,688	103,412
At 31 December 2011	72,931	16,054	2,728	17,479	9,836	119,028

(In RMB millions, unless otherwise stated)

30. PROPERTY AND EQUIPMENT (CONTINUED)

Bank

	Properties and buildings	Construction in progress	Leasehold improve-ments	Office equipment and motor vehicles	Total
Cost:					
1 January 2010	84,334	8,801	3,643	34,049	130,827
Additions	1,830	6,757	969	6,032	15,588
CIP transfer in/(out)	4,625	(5,096)	—	471	—
Other transfer in/(out)	153	(52)	—	—	101
Disposals	(387)	(86)	(95)	(1,186)	(1,754)
At 31 December 2010 and 1 January 2011	90,555	10,324	4,517	39,366	144,762
Additions	2,007	9,793	898	6,669	19,367
CIP transfer in/(out)	4,687	(5,703)	—	1,016	—
Disposals	(192)	(221)	(275)	(1,598)	(2,286)
At 31 December 2011	97,057	14,193	5,140	45,453	161,843
Accumulated depreciation and impairment:					
At 1 January 2010	15,914	108	1,425	19,702	37,149
Depreciation charge for the year	4,563	—	718	5,333	10,614
Disposals	(146)	(54)	(38)	(1,181)	(1,419)
At 31 December 2010 and 1 January 2011	20,331	54	2,105	23,854	46,344
Depreciation charge for the year	4,816	4	773	5,903	11,496
Disposals	(144)	—	(266)	(1,558)	(1,968)
At 31 December 2011	25,003	58	2,612	28,199	55,872
Net carrying amount:					
At 31 December 2010	70,224	10,270	2,412	15,512	98,418
At 31 December 2011	72,054	14,135	2,528	17,254	105,971

(In RMB millions, unless otherwise stated)

30. PROPERTY AND EQUIPMENT (CONTINUED)

The carrying value of the Group's and the Bank's properties and buildings is analysed based on the remaining terms of the land leases as follows:

	Group		Bank	
	2011	2010	2011	2010
Long term leases (over 50 years)				
Held in the PRC (other than Hong Kong)	8,650	5,710	8,650	5,710
Held in Hong Kong	330	166	152	166
Held overseas	78	203	53	57
	9,058	6,079	8,855	5,933
Medium term leases (10 to 50 years)				
Held in the PRC (other than Hong Kong)	60,543	60,549	60,461	60,537
Held in Hong Kong	160	89	39	41
Held overseas	314	363	—	—
	61,017	61,001	60,500	60,578
Short term leases (less than 10 years)				
Held in the PRC (other than Hong Kong)	2,699	3,928	2,699	3,711
Held in Hong Kong	24	82	—	—
Held overseas	133	7	—	2
	2,856	4,017	2,699	3,713
	72,931	71,097	72,054	70,224

As at 31 December 2011, the process of obtaining the titleship for the Group's properties and buildings with an aggregate net carrying value of RMB8,125 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 operation of the Group.

As at 31 December 2011, the net carrying value of aircraft and vessels leased out by the Group under operating leases was RMB9,836 million (31 December 2010: RMB3,688 million).

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

Group

	2011		2010	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	77,573	19,378	57,279	14,297
Change in fair value of available-for-sale financial assets	5,690	1,446	11,489	2,885
Change in fair value of financial instruments at fair value through profit or loss	(4,980)	(1,247)	(2,979)	(745)
Accrued staff costs	23,057	5,764	19,709	4,927
Others	(13,577)	(3,403)	1,366	348
	87,763	21,938	86,864	21,712

(In RMB millions, unless otherwise stated)

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

	2011		2010	
	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	(308)	(51)	(338)	(56)
Change in fair value of available-for-sale financial assets	469	78	1,872	309
Change in fair value of financial instruments at fair value through profit or loss	—	—	227	37
Others	327	76	40	28
	488	103	1,801	318

Bank

	2011		2010	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	77,175	19,294	56,855	14,212
Change in fair value of available-for-sale financial assets	5,685	1,445	11,479	2,882
Change in fair value of financial instruments at fair value through profit or loss	(4,980)	(1,247)	(2,979)	(745)
Accrued staff costs	23,057	5,764	19,709	4,927
Others	(13,812)	(3,460)	1,146	292
	87,125	21,796	86,210	21,568

(b) Movements of deferred income tax

Group

	At 1 January 2011	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	At 31 December 2011
Deferred income tax assets:				
Allowance for impairment losses	14,297	5,081	—	19,378
Change in fair value of available-for-sale financial assets	2,885	—	(1,439)	1,446
Change in fair value of financial instruments at fair value through profit or loss	(745)	(502)	—	(1,247)
Accrued staff costs	4,927	837	—	5,764
Others	348	(3,754)	3	(3,403)
	21,712	1,662	(1,436)	21,938

(In RMB millions, unless otherwise stated)

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

	At 1 January 2010	Total gains/(losses) recorded in profit or loss	Total gains recorded in 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

Group

	At 1 January 2011	Total (gains)/losses recorded in profit or loss	Total (gains)/losses recorded in other comprehensive income	At 31 December 2011
Deferred income tax liabilities:				
Allowance for impairment losses	(56)	5	—	(51)
Change in fair value of available-for-sale financial assets	309	—	(231)	78
Change in fair value of financial instruments at fair value through profit or loss	37	(37)	—	—
Others	28	(28)	76	76
	318	(60)	(155)	103

	At 1 January 2010	Total (gains)/losses recorded in profit or loss	Total (gains)/losses recorded in 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

(In RMB millions, unless otherwise stated)

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

Bank

	At 1 January 2011	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	At 31 December 2011
Deferred income tax assets:				
Allowance for impairment losses	14,212	5,082	—	19,294
Change in fair value of available-for-sale financial assets	2,882	—	(1,437)	1,445
Change in fair value of financial instruments at fair value through profit or loss	(745)	(502)	—	(1,247)
Accrued staff costs	4,927	837	—	5,764
Others	292	(3,751)	(1)	(3,460)
	21,568	1,666	(1,438)	21,796

	At 1 January 2010	Total gains/(losses) recorded in profit or loss	Total gains recorded in 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

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	
	2011	2010	2011	2010
Interest receivable	74,097	58,616	71,929	57,394
Precious metals	38,971	10,226	38,951	10,224
Land use rights	21,407	22,090	21,407	22,090
Advance payments	18,074	8,720	2,105	1,163
Settlement accounts	14,501	11,037	10,385	8,147
Goodwill(i)	6,121	6,461	—	—
Repossessed assets	1,646	2,317	1,391	2,050
Others	11,359	10,648	9,797	9,508
	186,176	130,115	155,965	110,576

(In RMB millions, unless otherwise stated)

32. OTHER ASSETS (CONTINUED)

(i) Goodwill arising from business combinations has been allocated to the Group's CGU, which is not larger than the reportable segment of the Group, for impairment testing.

The recoverable amount of the CGU is determined based on the discounted future cash flows of the CGU. The cash flow projections based on financial forecasts approved by management of the subsidiaries cover a three to five year period. Cash flows beyond the three to five year period are extrapolated using the estimated 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	2011	2010	2011	2010
Wealth management products	(i)	121,191	1,862	121,191	1,862
Structured deposits	(ii)	44,376	3,961	44,411	3,961
Financial liabilities related to precious metals	(iii)	6,343	—	6,343	—
Certificates of deposit	(iv)	63	754	—	—
Notes Payable		—	93	—	—
		171,973	6,670	171,945	5,823

(i) 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. The fair value of the wealth management products was RMB129.60 million higher than the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity as at 31 December 2011 (31 December 2010: Similar amount).

(ii) The fair value of structured deposits lower than the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity as at 31 December 2011 was RMB23.99 million (31 December 2010: RMB6.60 million above).

(iii) The financial liabilities related to precious metals were measured at fair value. As at 31 December 2011, the fair value of the financial liabilities related to precious metals was similar to the amount that the Group would be contractually required to pay to the holders.

(iv) 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 2011 was RMB0.10 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 years presented and cumulatively as at 31 December 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, notes payable and financial liabilities related to precious metals have been matched with derivatives or precious metals 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, whereas the related derivatives or precious metals were measured at fair value with movements in the fair value taken through the income statement. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values is recorded in the income statement.

(In RMB millions, unless otherwise stated)

34. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2011	2010	2011	2010
Deposits				
Banks and other financial institutions operating in Mainland China	1,075,301	907,686	1,079,767	909,619
Banks and other financial institutions operating outside Mainland China	16,193	14,683	18,424	14,471
	1,091,494	922,369	1,098,191	924,090
Money market takings				
Banks and other financial institutions operating in Mainland China	110,861	55,211	51,026	11,174
Banks and other financial institutions operating outside Mainland China	138,935	70,422	148,730	75,015
	249,796	125,633	199,756	86,189
	1,341,290	1,048,002	1,297,947	1,010,279

35. REPURCHASE AGREEMENTS

Repurchase agreements comprise repurchase of securities, bills, loans, and cash received as collateral on securities lending.

	Group		Bank	
	2011	2010	2011	2010
Repurchase	196,986	84,888	78,551	52,111
Cash received as collateral on securities lending	9,268	—	—	—
	206,254	84,888	78,551	52,111
Repurchase analysed by counterparty:				
Banks	85,753	52,495	75,233	50,770
Other financial institutions	111,233	32,393	3,318	1,341
	196,986	84,888	78,551	52,111
Repurchase analysed by collateral:				
Securities	186,546	83,163	77,233	52,111
Bills	1,318	—	1,318	—
Loans	9,122	1,725	—	—
	196,986	84,888	78,551	52,111

36. CERTIFICATES OF DEPOSIT

Certificates of deposit were mainly issued by Hong Kong Branch, Tokyo Branch, Luxembourg Branch, New York Branch, Sydney Branch, ICBC Asia, ICBC Macau and ICBC London, and were recognised at amortised cost.

(In RMB millions, unless otherwise stated)

37. DUE TO CUSTOMERS

	Group		Bank	
	2011	2010	2011	2010
Demand deposits:				
Corporate customers	3,817,387	3,582,149	3,762,461	3,547,282
Personal customers	2,565,696	2,273,322	2,547,789	2,252,794
Time deposits:				
Corporate customers	2,364,558	2,070,994	2,179,310	1,929,355
Personal customers	3,335,741	3,026,122	3,296,519	2,991,317
Others	177,837	192,970	177,736	192,948
	12,261,219	11,145,557	11,963,815	10,913,696

38. DEBT SECURITIES ISSUED

		Group		Bank	
	Notes	2011	2010	2011	2010
Subordinated bonds issued by:					
The Bank	(1)(a)	163,000	75,000	163,000	75,000
A subsidiary	(1)(b)	4,619	3,286	—	—
		167,619	78,286	163,000	75,000
Convertible bonds	(2)	22,608	22,124	22,608	22,124
Other debt securities issued	(3)	13,934	1,854	6,831	1,762
		204,161	102,264	192,439	98,886

(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 year (2010: 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)
11 ICBC 01 Bond	2011-6-29	100	5.56%	2011-6-30	2031-6-30	2011-8-30	38,000 million	(vii)
11 ICBC 02 Bond	2011-12-29	100	5.50%	2011-12-30	2026-12-30	2012-1-17	50,000 million	(viii)

(i) The Bank has the option to redeem all or part of the bonds at face value on 6 September 2015. If the Bank does not exercise this option, the annual coupon rate will increase by 300 basis points ("bps") thereafter.

(ii) The Bank has the option to redeem all or part of the bonds at face value on 20 July 2014. If the Bank does not exercise this option, the annual coupon rate will increase by 300 bps thereafter.

(iii) The Bank has the option to redeem all or part of the bonds at face value on 20 July 2019. If the Bank does not exercise this option, the annual coupon rate will increase by 300 bps thereafter.

(In RMB millions, unless otherwise stated)

38. DEBT SECURITIES ISSUED (CONTINUED)

(1) Subordinated bonds (continued)

(iv) The base rate for the bonds is the one-year lump-sum deposit and withdrawal time deposit rate published by the PBOC which is applicable on the date of issue or the first value date in each interest-bearing year. The spread in the first five interest-bearing years (i.e., initial spread) is 0.58%. The Bank has the option to redeem all or part of the bonds at face value on 20 July 2014. If the Bank does not exercise this option, the interest margin will increase by 300 bps thereafter.

(v) The Bank has the option to redeem all of the bonds on 14 September 2015 upon the approval of the relevant regulatory authorities.

(vi) The Bank has the option to redeem all of the bonds on 14 September 2020 upon the approval of the relevant regulatory authorities.

(vii) The Bank has the option to redeem all of the bonds on 30 June 2026 upon the approval of the relevant regulatory authorities.

(viii) The Bank has the option to redeem all of the bonds on 30 December 2021 upon the approval of the relevant regulatory authorities.

(b) On 30 November 2010, ICBC Asia, a subsidiary of the Bank, issued a subordinated bond with aggregate nominal amount of USD500 million, bearing a fixed interest rate of 5.125% per annum. The bond was issued at the price fixed at 99.737% of the nominal amount with maturity due on 30 November 2020. On 4 November 2011, ICBC Asia, a subsidiary of the Bank, issued subordinated notes in an aggregate nominal amount of RMB1,500 million, with a fixed interest rate of 6% per annum. The subordinated notes were issued at the price fixed at 100% of the nominal amount maturing on 4 November 2021. The above subordinated bonds and notes are both 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 bonds and notes during the year (2010: None).

(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). RMB257 million convertible bonds have been converted into shares from 1 March 2011 to 31 December 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.

(In RMB millions, unless otherwise stated)

38. DEBT SECURITIES ISSUED (CONTINUED)

(2) Convertible bonds (continued)

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. As at 31 December 2011, the conversion price was RMB3.97 per share due to the occurrence of certain abovementioned events.

The convertible bonds issued have been split into 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	22,124	2,985	25,109
Conversion	(234)	(31)	(265)
Accretion of interest	718	—	718
Balance as at 31 December 2011	22,608	2,954	25,562

(3) Other debt securities issued

On 7 December 2011, Skysea International Capital Management Limited, which is an SPE of the Group, issued guaranteed notes of USD750 million with a fixed interest rate of 4.875%. The notes were guaranteed by Hong Kong Branch and were issued at the price fixed at 97.708% of the nominal amount with maturity due on 7 December 2021. By satisfying certain conditions, the SPE has the option to redeem all of the notes at any time. The notes were listed on the Stock Exchange of Hong Kong Limited.

In 2011, Sydney Branch issued debt securities amounted to RMB5,094 million denominated in USD, AUD and RMB. These securities were issued at par value with maturities between 2012 and 2016 at fixed or floating interest rates.

Other debt securities were mainly issued by Singapore Branch and ICBC Asia in 2011 with maturities between 2012 and 2016 at fixed or floating interest rates.

39. OTHER LIABILITIES

	Group		Bank	
	2011	2010	2011	2010
Interest payable	113,346	95,103	111,283	94,240
Settlement accounts	50,286	47,884	48,503	45,759
Salaries, bonuses, allowances and subsidies payables(i)	13,949	12,572	13,293	12,015
Early retirement benefits	9,647	7,462	9,647	7,462
Sundry tax payables	9,511	7,158	9,410	7,088
Bank drafts	3,225	3,180	3,090	3,065
Others	28,403	22,219	22,990	18,453
	228,367	195,578	218,216	188,082

39. OTHER LIABILITIES (CONTINUED)

(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 2012. There was no overdue payment for staff salaries, bonuses, allowances, subsidies payables as at 31 December 2011 (31 December 2010: None).

40. SHARE CAPITAL

	2011		2010	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 each	86,795	86,795	86,795	86,795
A shares of RMB1 each(i)	262,289	262,289	262,224	262,224
	349,084	349,084	349,019	349,019

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.

(i) According to the "Announcement in relation to the Conversion of ICBC Convertible Bonds", the 250 million convertible bonds (with a nominal value of RMB100 each and an aggregate amount of RMB25 billion) issued by the Bank on 31 August 2010, can be converted into the Bank's A Shares from 1 March 2011. As of 31 December 2011, a total of 2,570,380 convertible bonds were converted into A Shares of the Bank, resulting in an increase of 64,706,964 A Shares. The number of the Bank's A Shares amounted to 262,289,208,241 at the end of the year.

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.

(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 29 March 2012, an appropriation of 10% of the profit for the year determined under the generally accepted accounting principles of PRC ("PRC GAAP") to the statutory surplus reserve, in the amount of RMB20,347 million (2010: RMB16,165 million) was approved.

41. RESERVES (CONTINUED)

(b) Surplus reserves (continued)

(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 29 March 2012, an appropriation to the general reserve amounting to RMB11,003 million (2010: RMB8,740 million) was approved. The general reserve balance of the Bank as at 31 December 2011 amounted to RMB103,731 million, which has reached 1% of the year end balance of the Bank's risk assets.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes of available-for-sale financial assets.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Mainland China.

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and jointly-controlled entities other than the items listed above.

(h) Distributable profits

The Bank's distributable profits are based on the retained profits of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

(In RMB millions, unless otherwise stated)

41. RESERVES (CONTINUED)

The movements in reserves and retained profits of the Bank during the year are set out below.

	Reserves							
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Total	Retained profits
Balance as at 1 January 2010	106,398	37,398	83,988	(1,702)	(235)	(4,080)	221,767	113,312
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 (i)	—	16,165	—	—	—	—	16,165	(16,165)
Appropriation to general reserve	—	—	8,740	—	—	—	8,740	(8,740)
Balance as at 31 December 2010 and 1 January 2011	**136,019**	**53,563**	**92,728**	**(8,189)**	**(266)**	**(4,082)**	**269,773**	**192,114**
Profit for the year	—	—	—	—	—	—	—	202,295
Conversion of convertible bonds	200	—	—	—	—	—	200	—
Change in fair value of available-for-sale investments	—	—	—	4,321	—	—	4,321	—
Cash flow hedges, net of tax	—	—	—	—	—	2	2	—
Foreign currency translation	—	—	—	—	(114)	—	(114)	—
Dividend — 2010 final (note 18)	—	—	—	—	—	—	—	(64,220)
Appropriation to surplus reserves (i)	—	20,388	—	—	—	—	20,388	(20,388)
Appropriation to general reserve	—	—	11,003	—	—	—	11,003	(11,003)
Balance as at 31 December 2011	**136,219**	**73,951**	**103,731**	**(3,868)**	**(380)**	**(4,080)**	**305,573**	**298,798**

(i) Includes the appropriation made by overseas branches in the amount of RMB41.00 million (2010: Nil).

42. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2011	2010
Available-for-sale financial assets:		
Changes in fair value recorded in other comprehensive income/(loss)	2,919	(6,170)
Less: Transfer to the income statement arising from disposal/impairment	582	(1,325)
Income tax effect	(1,208)	1,985
	2,293	(5,510)
Cash flow hedges:		
Gain/(loss) during the year	418	(244)
Less: Income tax effect	(63)	33
	355	(211)
Share of other comprehensive income of associates and jointly-controlled entities	774	(882)
Foreign currency translation differences	(11,416)	2,329
Less: Transfer to the income statement	—	45
	(11,416)	2,374
Others	53	184
Less: Income tax effect	(10)	(27)
	43	157
	(7,951)	(4,072)

(In RMB millions, unless otherwise stated)

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of balances of cash and cash equivalents

	Note	2011	2010
Cash on hand	20	60,145	48,924
Balances with central banks other than restricted deposits	20	106,124	76,045
Nostro accounts with banks and other financial institutions with original maturity of three months or less		236,694	122,651
Placements with banks and other financial institutions with original maturity of three months or less		115,085	36,957
Reverse repurchase agreements with original maturity of three months or less		330,260	244,394
		848,308	528,971

44. 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.

45. 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	
	2011	2010	2011	2010
Authorised, but not contracted for	2,297	1,507	2,297	1,507
Contracted, but not provided for	13,696	6,730	8,003	6,687
	15,993	8,237	10,300	8,194

(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	
	2011	2010	2011	2010
Within one year	3,617	2,859	3,238	2,602
After one year but not more than five years	8,457	6,606	7,826	6,184
After five years	1,528	1,700	1,469	1,655
	13,602	11,165	12,533	10,441

(In RMB millions, unless otherwise stated)

45. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) Operating lease commitments (continued)

Operating lease commitments – Lessor

At the end of the reporting period, the Group leases certain aircraft and vessels 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	
	2011	2010
Within one year	686	366
In the second to fifth years, inclusive	2,691	1,857
After five years	2,873	1,211
	6,250	3,434

(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 undrawn 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	
	2011	2010	2011	2010
Bank acceptances	300,437	249,522	297,983	247,897
Guarantees issued				
Financing letters of guarantees	46,299	67,035	86,196	62,389
Non-financing letters of guarantees	179,439	172,179	209,666	169,030
Sight letters of credit	70,258	60,513	67,201	58,598
Usance letters of credit and other commitments	326,626	207,117	349,917	221,832
Loan commitments				
With an original maturity of under one year	150,685	179,087	76,813	114,926
With an original maturity of one year or more	519,112	469,675	494,615	446,535
Undrawn credit card limit	383,736	244,029	382,635	243,465
	1,976,592	1,649,157	1,965,026	1,564,672

	Group		Bank	
	2011	2010	2011	2010
Credit risk weighted amount of credit commitments	801,639	677,500	776,565	662,398

(In RMB millions, unless otherwise stated)

45. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Credit commitments (continued)

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 2011, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB1,978 million (31 December 2010: RMB2,048 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 2011, the Bank had underwritten and sold bonds with an accumulated amount of RMB156,366 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 31 December 2011, the Group and the Bank had no unexpired securities underwriting obligations (31 December 2010: Nil).

46. DESIGNATED FUNDS AND LOANS

	Group and Bank	
	2011	2010
Designated funds	641,319	395,216
Designated loans	640,650	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.

47. 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 2011, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB87,996 million (31 December 2010: RMB54,240 million).

(In RMB millions, unless otherwise stated)

48. 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.

49. 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

The MOF is a ministry under the State Council, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 31 December 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:

	2011	2010
Balances at end of the year:		
The PRC government bonds and the special government bond	867,847	735,716

	2011	2010
Transactions during the year:		
Subscription of the PRC government bonds	175,520	271,170
Redemption of the PRC government bonds	90,217	117,668
Interest income on the PRC government bonds	28,020	21,585
Repayment of the MOF receivable	—	62,520
Interest income on the MOF receivable	—	153
Interest rate ranges during the year are as follows:	%	%
The MOF receivable	N/A	3.00
Bond investments	1.00 to 6.43	1.00 to 6.80

As of 31 December 2011, the Group holds a series of long term bonds issued by Huarong, which is under the control of the MOF, with an aggregate amount of RMB312,996 million (31 December 2010: RMB312,996 million). The details of Huarong bonds are included in note 27.

Other related party transactions between the Group and enterprises under the control or joint control of the MOF are disclosed in note 49(g) "transactions with state-owned entities in the PRC".

(In RMB millions, unless otherwise stated)

49. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Shareholders with significant influence (continued)

(ii) Huijin

As at 31 December 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 RMB828,209 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 31 December 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 the terms ranging from 5 to 30 years and coupon rate 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 the market rates. Details of the material transactions are as follows:

	2011	2010
Balances at end of the year:		
Debt securities purchased	20,926	20,407
Interest receivable	239	238
Deposits	1	3,642
Interest payable	—	1

	2011	2010
Transactions during the year:		
Debt securities purchased	200	21,430
Interest income on debt securities purchased	765	235
Interest expense on deposits	20	59
Interest rate ranges during the year are as follows:	%	%
Debt securities purchased	3.14 to 4.20	3.14 to 4.20
Deposits	0.02 to 1.49	0.02 to 1.98

(In RMB millions, unless otherwise stated)

49. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Shareholders with significant influence (continued)

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 2011 are as follows:

	2011	2010
Balances at end of the year:		
Debt securities purchased	828,155	659,589
Due from these banks and financial institutions	48,149	18,955
Derivative financial assets	1,144	1,213
Due to these banks and financial institutions	91,868	76,955
Derivative financial liabilities	953	1,101

	2011	2010
Transactions during the year:		
Interest income on debt securities purchased	25,974	18,851
Interest income on amounts due from these banks and financial institutions	359	323
Interest expense on amounts due to these banks and financial institutions	984	715
Interest rate ranges during the year are as follows:	%	%
Debt securities purchased	0 to 8.25	0 to 5.50
Due from these banks and financial institutions	0.0001 to 7.60	0.0001 to 8.01
Due to these banks and financial institutions	0.0001 to 8.00	0.0001 to 9.40

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

	2011	2010
Balances at end of the year:		
Debt securities purchased	14,621	9,765
Due from banks and other financial institutions	66,463	36,682
Derivative financial assets	209	153
Due to banks and other financial institutions	33,276	16,824
Derivative financial liabilities	239	65
Commitments	120,246	62,189

	2011	2010
Transactions during the year:		
Interest income on debt securities purchased	124	89
Interest income on amounts due from banks and other financial institutions	669	296
Interest expense on amounts due to banks and other financial institutions	280	260
Net trading expense	33	12
Net fee and commission income	209	211
Interest rate ranges during the year are as follows:	%	%
Debt securities purchased	0.35 to 1.56	0.28 to 1.85
Due from banks and other financial institutions	0 to 8.72	0 to 4.88
Due to banks and other financial institutions	0 to 8.74	0 to 5.60

The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.

(In RMB millions, unless otherwise stated)

49. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Associates and affiliates

	2011	2010
Balances at end of the year:		
Due from banks	984	404
Loans to associates	1,693	1,467
Other receivables	464	552
Due to banks	2,855	927
Deposits	28	6

	2011	2010
Transactions during the year:		
Interest income on amounts due from banks	3	18
Interest income on loans to associates	41	34
Interest expense on amounts due to banks	15	8
Interest rates ranges during the year are as follows:	%	%
Due from banks	5.55 to 9.50	6.15 to 14.50
Loans to associates	2.25 to 7.00	2.87 to 6.77
Due to banks	0.72 to 1.72	1.05 to 1.45
Deposits	0 to 3.05	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 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

	2011	2010
Balances at end of the year:		
Deposits	336	212

	2011	2010
Transactions during the year:		
Interest expense on deposits	1	1
Interest rates during the year are as follows:	%	%
Deposits	0 to 0.80	0.196 to 0.89

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.

49. RELATED PARTY DISCLOSURES (CONTINUED)

(e) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

The aggregate compensation for the year, other than those for the personnel disclosed in note 13 above, is as follows:

	2011 RMB'000	2010 RMB'000
Short term employment benefits	7,264	9,341
Post-employment benefits	210	1,119
	7,474	10,460

Note: The above compensation for the year ended 31 December 2010 was restated in accordance with the supplemental announcement for the 2010 annual report released by the Bank on 17 May 2011.

The total compensation packages for senior management of the Bank for the year ended 31 December 2011 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's and the Bank's 2011 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:

	2011	2010
Loans	254	114
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 (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 year, the Group entered 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 other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

49. RELATED PARTY DISCLOSURES (CONTINUED)

(g) Transactions with state-owned entities in the PRC (continued)

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.

50. SEGMENT INFORMATION

(a) Operating segments

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

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

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

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

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

(In RMB millions, unless otherwise stated)

50. SEGMENT INFORMATION (CONTINUED)

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

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2011					
External net interest income/(expense)	230,891	(4,349)	136,222	—	362,764
Internal net interest income/(expense)	(44,679)	109,303	(64,624)	—	—
Net fee and commission income	62,330	38,821	399	—	101,550
Other income, net(i)	1,142	19	284	4,842	6,287
Operating income	249,684	143,794	72,281	4,842	470,601
Operating expenses	(78,221)	(70,761)	(15,603)	(5,028)	(169,613)
Impairment losses on:					
Loans and advances to customers	(18,489)	(13,343)	—	—	(31,832)
Others	(73)	9	840	(65)	711
Operating profit/(loss)	152,901	59,699	57,518	(251)	269,867
Share of profits and losses of associates and jointly-controlled entities	—	—	—	2,444	2,444
Profit before tax	152,901	59,699	57,518	2,193	272,311
Income tax expense					(63,866)
Profit for the year					208,445
Other segment information:					
Depreciation	5,165	4,251	2,377	234	12,027
Amortisation	664	472	264	26	1,426
Capital expenditure	12,545	10,288	5,723	561	29,117
As at 31 December 2011					
Segment assets	5,742,727	2,046,297	7,581,726	106,118	15,476,868
Including: Investments in associates and jointly-controlled entities	—	—	—	32,750	32,750
Property and equipment	44,316	36,486	20,200	18,026	119,028
Other non-current assets (ii)	12,746	7,829	4,276	6,749	31,600
Segment liabilities	6,519,080	6,013,448	1,953,920	32,597	14,519,045
Other segment information:					
Credit commitments	1,592,856	383,736	—	—	1,976,592

(i) Including net trading income/(expense), net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income, (net).

(ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

(In RMB millions, unless otherwise stated)

50. SEGMENT INFORMATION (CONTINUED)

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

(i) Including net trading expense, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income (net).

(ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

(In RMB millions, unless otherwise stated)

50. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (including: 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, Mumbai, Phnom Penh, Vientiane 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	Northeastern China	Overseas and others	Eliminations	Total
Year ended 31 December 2011										
External net interest income	143,397	56,644	33,077	29,509	31,597	44,668	14,452	9,420	—	362,764
Internal net interest income/(expense)	(114,350)	16,746	14,039	47,020	15,605	12,986	8,059	(105)	—	—
Net fee and commission income	2,284	25,472	17,733	18,907	14,449	14,529	4,809	3,511	(144)	101,550
Other income, net(i)	2,993	275	172	460	336	503	162	1,390	(4)	6,287
Operating income	34,324	99,137	65,021	95,896	61,987	72,686	27,482	14,216	(148)	470,601
Operating expenses	(10,849)	(30,399)	(21,946)	(30,419)	(27,712)	(30,468)	(12,838)	(5,130)	148	(169,613)
Impairment losses on:										
Loans and advances to customers	(4,206)	(5,988)	(4,003)	(5,493)	(5,415)	(5,291)	(521)	(915)	—	(31,832)
Others	778	64	(4)	149	69	129	(90)	(384)	—	711
Operating profit	20,047	62,814	39,068	60,133	28,929	37,056	14,033	7,787	—	269,867
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	—	—	—	2,444	—	2,444
Profit before tax	20,047	62,814	39,068	60,133	28,929	37,056	14,033	10,231	—	272,311
Income tax expense										(63,866)
Profit for the year										208,445
Other segment information:										
Depreciation	1,343	1,931	1,341	1,754	1,974	2,182	957	545	—	12,027
Amortisation	514	209	100	115	203	195	54	36	—	1,426
Capital expenditure	1,989	4,917	2,075	2,867	3,347	3,872	1,234	8,816	—	29,117

(i) Including net trading income/(expense), net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments and other operating income, (net).

(In RMB millions, unless otherwise stated)

50. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (continued)

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
As at 31 December 2011										
Assets by geographical areas	7,363,929	2,960,832	2,037,404	3,499,724	1,865,008	2,150,030	845,818	926,709	(6,194,524)	15,454,930
Including: Investments in associates and jointly-controlled entities	—	—	—	—	—	—	—	32,750	—	32,750
Property and equipment	9,218	22,004	11,828	17,063	17,370	18,941	9,393	13,211	—	119,028
Other non-current assets(i)	7,396	5,820	2,224	3,934	5,009	4,277	1,644	1,296	—	31,600
Unallocated assets										21,938
Total assets										15,476,868
Liabilities by geographical areas	6,698,446	2,901,326	1,999,210	3,440,828	1,837,114	2,113,992	831,310	839,705	(6,194,524)	14,467,407
Unallocated liabilities										51,638
Total liabilities										14,519,045
Other segment information:										
Credit commitments	394,265	434,989	343,562	311,307	118,215	142,619	56,967	174,668	—	1,976,592

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

(i) Including net trading expense, net loss on financial assets and liabilities designated at fair value through profit or loss, net gain on financial investments, and other operating income (net).

(In RMB millions, unless otherwise stated)

50. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (continued)

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern 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.

51. 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.

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. The Group is exposed to credit risk primarily due to loans, guarantees and other credit related commitments.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval, granting of loan and post-disbursement loan monitoring;
- Stringent qualification system for the loan approval officers; and
- Information management systems designed to enable a real time risk monitoring.

To enhance the credit risk management practices, the Group also launches training programs periodically for credit officers at different levels.

In addition to the credit risk exposures on credit-related assets and amounts due from or lending to banks and other financial institutions, credit risk also arises in other areas. For instance, credit risk exposure also arises from derivative financial instruments which is, however, limited to those with positive fair values, as recorded in the statement of financial position. In addition, the Group also makes available to its customers' guarantees which may require the Group to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the Group to similar risks as loans and these are mitigated by the same control processes and policies.

The Group will normally sign an ISDA Master Agreement, a China Interbank Market Financial Derivatives Master Agreement ("NAFMII 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.

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

If there is objective evidence that an impairment loss on a loan or advance has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the income statement. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the counterparty's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Collectively assessed loans

Loans that are assessed for impairment losses on a collective basis include the following:

- Homogeneous groups of loans, including all personal loans; and
- All loans for which no impairment can be identified individually, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

For the purpose of collective assessment, assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Objective evidence of impairment losses on a collective basis consists of observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, including:

- Adverse changes in the payment status of borrowers in the group of loans; and
- National or local economic conditions that correlate with defaults on assets in the portfolio of loans.

Homogenous groups of loans not considered individually significant

For homogeneous groups of loans, the Group uses a collective assessment approach for impairment losses. The approach analyses historical trends of probability of default and the amount of the consequential loss, as well as evaluates current economic conditions that may have a consequential impact on inherent losses in the portfolio.

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

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.

Reverse repurchase business is mainly collateralised by bills, loans or investment securities. 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. Fair value of collateral are shown in note 25.

Corporate loans are mainly collateralised by properties or other assets. As at 31 December 2011, the carrying value of corporate loans covered by collateral amounted to RMB2,306,381 million (31 December 2010: RMB1,959,252 million).

Retail loans are mainly collateralised by residential properties. As at 31 December 2011, the carrying value of retail loans covered by collateral amounted to RMB1,740,603 million (31 December 2010: RMB1,483,411 million).

The Group prefers more liquid collateral with relatively stable market value and does not accept the collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loan. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Although collateral can be an important mitigation of credit risk, the Group grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flow, instead of the value of collateral. The necessity of a collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. The fair value of collateral of past due but not impaired loans and impaired loans are disclosed in note 51(a)(iii).

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

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	
	2011	2010	2011	2010
Balances with central banks	2,702,011	2,234,075	2,678,544	2,224,517
Due from banks and other financial institutions	478,002	248,860	474,287	259,638
Financial assets held for trading	30,675	10,051	29,849	6,959
Financial assets designated at fair value through profit or loss	121,386	2,798	120,811	1,988
Derivative financial assets	17,460	13,332	15,476	10,879
Reverse repurchase agreements	349,437	262,227	229,769	228,501
Loans and advances to customers	7,594,019	6,623,372	7,246,627	6,355,840
Financial investments				
— Receivables	498,804	501,706	498,804	501,706
— Held-to-maturity investments	2,424,785	2,312,781	2,434,135	2,316,159
— Available-for-sale financial assets	835,983	899,750	795,380	861,613
Others	114,909	86,256	91,403	73,735
	15,167,471	13,195,208	14,615,085	12,841,535
Credit commitments	1,976,592	1,649,157	1,965,026	1,564,672
Total maximum credit risk exposure	17,144,063	14,844,365	16,580,111	14,406,207

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

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 2011

	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	2,438,416	46,875	28,657	103,321	18,484	27,191	9,817	29,250	2,702,011
Due from banks and other financial institutions	238,762	29,940	62,048	39,783	8,550	4,837	14,838	79,244	478,002
Financial assets held for trading	29,849	—	—	—	—	—	—	826	30,675
Financial assets designated at fair value through profit or loss	120,811	—	—	—	—	—	—	575	121,386
Derivative financial assets	11,681	487	646	973	136	261	559	2,717	17,460
Reverse repurchase agreements	188,937	3,244	4,219	29,166	3,511	—	692	119,668	349,437
Loans and advances to customers	241,393	1,701,446	1,062,254	1,372,315	1,018,435	1,276,320	449,556	472,300	7,594,019
Financial investments									
— Receivables	497,504	—	—	1,120	—	180	—	—	498,804
— Held-to-maturity investments	2,348,867	31,782	23,423	11,235	—	—	1,000	8,478	2,424,785
— Available-for-sale financial assets	462,216	56,726	26,225	207,643	13,833	11,977	4,464	52,899	835,983
Others	49,373	10,210	5,001	9,770	6,369	7,144	2,035	25,007	114,909
	6,627,809	1,880,710	1,212,473	1,775,326	1,069,318	1,327,910	482,961	790,964	15,167,471
Credit commitments	394,265	434,989	343,562	311,307	118,215	142,619	56,967	174,668	1,976,592
Total maximum credit risk exposure	7,022,074	2,315,699	1,556,035	2,086,633	1,187,533	1,470,529	539,928	965,632	17,144,063

The compositions of each geographical distribution above are set out in note 50(b).

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 50(b).

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Bank

31 December 2011

	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	2,438,416	46,875	28,657	103,321	18,484	27,191	9,817	5,783	2,678,544
Due from banks and other financial institutions	265,768	30,119	63,297	40,055	8,809	4,891	14,843	46,505	474,287
Financial assets held for trading	29,849	—	—	—	—	—	—	—	29,849
Financial assets designated at fair value through profit or loss	120,811	—	—	—	—	—	—	—	120,811
Derivative financial assets	11,696	487	646	973	136	261	559	718	15,476
Reverse repurchase agreements	188,937	3,244	4,219	29,166	3,511	—	692	—	229,769
Loans and advances to customers	241,393	1,701,639	1,062,254	1,374,727	1,018,435	1,276,623	452,063	119,493	7,246,627
Financial investments									
— Receivables	497,504	—	—	1,120	—	180	—	—	498,804
— Held-to-maturity investments	2,355,034	31,782	23,423	11,235	—	—	1,000	11,661	2,434,135
— Available-for-sale financial assets	462,216	56,726	26,225	207,643	13,833	11,977	4,464	12,296	795,380
Others	49,541	10,210	5,001	9,770	6,369	7,144	2,035	1,333	91,403
	6,661,165	1,881,082	1,213,722	1,778,010	1,069,577	1,328,267	485,473	197,789	14,615,085
Credit commitments	394,265	465,608	369,203	319,876	121,876	145,641	57,971	90,586	1,965,026
Total maximum credit risk exposure	7,055,430	2,346,690	1,582,925	2,097,886	1,191,453	1,473,908	543,444	288,375	16,580,111

The compositions of each geographical distribution above are set out in note 50(b), except that "overseas and others" does not include domestic and overseas subsidiaries.

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 50(b), except that "overseas and others" does not include domestic and overseas subsidiaries.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

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 51(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	
	2011	**2010**	**2011**	**2010**
Manufacturing	1,163,275	970,184	1,129,781	947,084
Transportation, storage and postal services	1,114,765	1,039,929	1,066,027	1,002,646
Wholesale, retail and lodging	708,962	430,954	630,986	399,128
Production and supply of electricity, gas and water	613,140	597,189	595,101	579,740
Real estate	577,563	586,654	515,240	518,419
Water, environment and public utility management	507,112	552,886	503,015	549,326
Leasing and commercial services	362,011	378,568	352,400	360,724
Mining	190,180	133,358	185,582	131,301
Construction	121,432	89,188	115,490	84,252
Science, education, culture and sanitation	70,069	69,265	67,674	68,202
Others	238,002	169,106	179,721	129,874
Subtotal for corporate loans and advances	5,666,511	5,017,281	5,341,017	4,770,696
Personal mortgage and business loans	1,455,670	1,288,683	1,440,103	1,274,066
Others	559,256	367,036	551,169	359,126
Subtotal for personal loans	2,014,926	1,655,719	1,991,272	1,633,192
Discounted bills	107,460	117,506	106,560	117,135
Total for loans and advances to customers	7,788,897	6,790,506	7,438,849	6,521,023

(iii) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	Group		Bank	
	2011	**2010**	**2011**	**2010**
Neither past due nor impaired	7,670,928	6,680,206	7,326,564	6,415,279
Past due but not impaired	44,958	37,059	41,604	34,230
Impaired	73,011	73,241	70,681	71,514
	7,788,897	6,790,506	7,438,849	6,521,023
Allowance for impairment losses	(194,878)	(167,134)	(192,222)	(165,183)
	7,594,019	6,623,372	7,246,627	6,355,840

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

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

	2011			2010		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	2,484,037	62,741	2,546,778	2,208,160	58,018	2,266,178
Guaranteed loans	1,126,494	50,018	1,176,512	986,943	54,996	1,041,939
Loans secured by mortgages	3,098,165	65,880	3,164,045	2,647,311	66,646	2,713,957
Pledged loans	761,016	22,577	783,593	633,469	24,663	658,132
	7,469,712	201,216	7,670,928	6,475,883	204,323	6,680,206

Bank

	2011			2010		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	2,371,749	61,560	2,433,309	2,134,575	56,787	2,191,362
Guaranteed loans	1,046,953	49,412	1,096,365	934,950	54,492	989,442
Loans secured by mortgages	2,957,563	61,867	3,019,430	2,526,592	58,773	2,585,365
Pledged loans	754,935	22,525	777,460	624,486	24,624	649,110
	7,131,200	195,364	7,326,564	6,220,603	194,676	6,415,279

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

	2011			2010		
	Corporate loans and advances	Personal loans	Total	Corporate loans and advances	Personal loans	Total
Past due for:						
Less than one month	3,819	30,882	34,701	3,365	24,720	28,085
One to two months	376	5,717	6,093	250	4,647	4,897
Two to three months	353	3,770	4,123	95	3,548	3,643
Over three months	37	4	41	426	8	434
Total	4,585	40,373	44,958	4,136	32,923	37,059
Fair value of collateral held	3,541	87,258	90,799	5,263	73,598	78,861

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Bank

	2011			2010		
	Corporate loans and advances	Personal loans	Total	Corporate loans and advances	Personal loans	Total
Past due for:						
Less than one month	1,581	30,544	32,125	1,687	24,405	26,092
One to two months	2	5,675	5,677	6	4,577	4,583
Two to three months	37	3,765	3,802	13	3,542	3,555
Over three months	—	—	—	—	—	—
Total	1,620	39,984	41,604	1,706	32,524	34,230
Fair value of collateral held	654	85,592	86,246	2,799	72,925	75,724

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 2011 amounted to RMB14,599 million (31 December 2010: RMB13,408 million) and RMB13,096 million (31 December 2010: RMB12,435 million), respectively. 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 collectability of loans and to manage customer relationships.

The carrying amount of renegotiated loans and advances to customers is as follows:

	Group		Bank	
	2011	2010	2011	2010
Renegotiated loans and advances to customers	8,312	10,716	8,093	10,456
Impaired loans and advances to customers included in above	6,622	9,047	6,554	8,885

Collateral repossessed

During the year, the Group took possession of collateral held as security with a carrying amount of RMB661 million (2010: RMB1,067 million). Such collateral mainly comprises land and buildings, equipment and also others.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(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 2011

	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	119,808	1,315,218	189,320	723	801	1,625,870
Policy banks	35,090	1,052,666	221,214	444	9,168	1,318,582
Public sector entities	2,500	21,688	68,259	1,008	100	93,555
Banks and other financial institutions	332,756	23,968	78,829	463	212	436,228
Corporate entities	8,650	10,967	278,309	28,037	263	326,226
Subtotal	498,804	2,424,507	835,931	30,675	10,544	3,800,461
Impaired (i)						
Banks and other financial institutions	—	742	4	—	—	746
Corporate entities	—	30	48	—	—	78
	—	772	52	—	—	824
Less: Allowance for impairment losses	—	(494)	—	—	—	(494)
Subtotal	—	278	52	—	—	330
Total	498,804	2,424,785	835,983	30,675	10,544	3,800,791

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
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. No collateral was held by the Group as security of the impaired debt securities.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Bank

31 December 2011

	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	119,808	1,313,005	186,055	470	801	1,620,139
Policy banks	35,090	1,052,561	220,592	436	9,168	1,317,847
Public sector entities	2,500	21,607	67,289	915	—	92,311
Banks and other financial institutions	332,756	35,811	54,038	20	—	422,625
Corporate entities	8,650	10,878	267,402	28,008	—	314,938
Subtotal	498,804	2,433,862	795,376	29,849	9,969	3,767,860
Impaired (i)						
Banks and other financial institutions	—	630	4	—	—	634
Corporate entities	—	30	—	—	—	30
	—	660	4	—	—	664
Less: Allowance for impairment losses	—	(387)	—	—	—	(387)
Subtotal	—	273	4	—	—	277
Total	498,804	2,434,135	795,380	29,849	9,969	3,768,137

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
Subtotal	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	—	(1,313)	—	—	—	(1,313)
Subtotal	—	2,404	4,295	—	—	6,699
Total	501,706	2,316,159	861,613	6,959	138	3,686,575

(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 a loss event and the decreases in estimated future cash flows. No collateral was held by the Bank as security of the impaired debt securities.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(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 remaining solvent. 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 2011

	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	357,050	—	—	—	—	—	2,405,106	2,762,156
Due from banks and other financial institutions (i)	108,997	550,919	27,159	42,040	98,324	—	—	827,439
Financial assets held for trading	—	4,133	4,209	16,093	5,068	1,172	147	30,822
Financial assets designated at fair value through profit or loss	—	39,959	9,887	17,306	49,092	5,142	—	121,386
Derivative financial assets	138	1,950	5,761	4,200	2,733	2,678	—	17,460
Loans and advances to customers	11,254	483,214	673,999	1,948,716	1,811,643	2,633,077	32,116	7,594,019
Financial investments	—	22,441	66,038	480,383	1,858,304	1,332,419	4,109	3,763,694
Investments in associates and jointly-controlled entities	—	—	—	—	—	—	32,750	32,750
Property and equipment	—	—	—	—	—	—	119,028	119,028
Others	72,640	26,574	15,640	42,135	10,469	10,183	30,473	208,114
Total assets	550,079	1,129,190	802,693	2,550,873	3,835,633	3,984,671	2,623,729	15,476,868
Liabilities:								
Due to central banks	—	—	30	70	—	—	—	100
Financial liabilities designated at fair value through profit or loss	6,343	46,490	112,473	6,667	—	—	—	171,973
Derivative financial liabilities	10	3,447	1,042	1,767	3,296	3,055	—	12,617
Due to banks and other financial institutions (ii)	505,380	736,118	125,658	122,343	52,731	5,314	—	1,547,544
Certificates of deposit	—	10,396	13,529	11,364	6,137	—	—	41,426
Due to customers	6,660,720	753,224	1,143,595	2,615,102	1,071,244	17,334	—	12,261,219
Debt securities issued	—	577	1,813	2,028	62,315	137,428	—	204,161
Others	84,725	38,096	22,868	102,533	25,958	5,825	—	280,005
Total liabilities	7,257,178	1,588,348	1,421,008	2,861,874	1,221,681	168,956	—	14,519,045
Net liquidity gap	(6,707,099)	(459,158)	(618,315)	(311,001)	2,613,952	3,815,715	2,623,729	957,823

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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
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.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Bank

31 December 2011

	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	337,356	—	—	—	—	—	2,399,882	2,737,238
Due from banks and other financial institutions (i)	103,861	438,342	24,444	43,951	93,300	158	—	704,056
Financial assets held for trading	—	3,827	4,121	15,967	4,768	1,166	—	29,849
Financial assets designated at fair value through profit or loss	—	39,959	9,887	17,306	48,663	4,996	—	120,811
Derivative financial assets	—	1,708	5,594	3,439	2,475	2,260	—	15,476
Loans and advances to customers	4,377	446,881	630,310	1,872,672	1,720,170	2,541,403	30,814	7,246,627
Financial investments	—	20,252	65,694	476,045	1,831,371	1,334,623	2,369	3,730,354
Investments in subsidiaries and associates	—	—	—	—	—	—	87,276	87,276
Property and equipment	—	—	—	—	—	—	105,971	105,971
Others	66,580	18,900	13,571	38,587	6,244	9,919	23,960	177,761
Total assets	512,174	969,869	753,621	2,467,967	3,706,991	3,894,525	2,650,272	14,955,419
Liabilities:								
Financial liabilities designated at fair value through profit or loss	6,343	46,462	112,473	6,667	—	—	—	171,945
Derivative financial liabilities	—	3,179	817	1,415	2,648	2,786	—	10,845
Due to banks and other financial institutions (ii)	508,386	656,733	106,433	53,536	51,410	—	—	1,376,498
Certificates of deposit	—	6,484	5,955	1,432	563	—	—	14,434
Due to customers	6,588,132	654,100	1,076,448	2,560,547	1,067,254	17,334	—	11,963,815
Debt securities issued	—	568	1,332	510	61,829	128,200	—	192,439
Others	77,428	35,834	21,482	102,276	26,471	5,543	—	269,034
Total liabilities	7,180,289	1,403,360	1,324,940	2,726,383	1,210,175	153,863	—	13,999,010
Net liquidity gap	(6,668,115)	(433,491)	(571,319)	(258,416)	2,496,816	3,740,662	2,650,272	956,409

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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
Certificates of deposit	—	893	1,440	217	921	—	—	3,471
Due to customers	6,078,784	649,509	921,527	2,481,745	768,386	13,745	—	10,913,696
Debt securities issued	—	—	331	1,431	34,800	62,324	—	98,886
Others	73,793	20,831	19,997	81,610	19,361	5,628	—	221,220
Total liabilities	6,919,748	873,293	989,483	2,586,778	860,778	83,693	—	12,313,773
Net liquidity gap	(6,542,422)	(138,911)	(258,805)	(334,485)	2,418,998	3,449,796	2,219,720	813,891

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's and of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group and the Bank's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

Group

31 December 2011

	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	357,050	—	1,216	—	—	—	2,405,106	2,763,372
Due from banks and other financial institutions (i)	109,000	551,821	27,615	43,798	116,719	—	—	848,953
Financial assets held for trading	—	4,158	4,270	16,377	5,900	1,317	147	32,169
Financial assets designated at fair value through profit or loss	—	40,474	10,565	20,367	56,677	6,230	—	134,313
Loans and advances to customers (ii)	13,578	550,434	802,630	2,383,145	2,937,992	3,854,456	68,661	10,610,896
Financial investments	—	26,984	81,370	584,345	2,191,951	1,581,820	5,851	4,472,321
Others	64,172	6,111	1,948	3,517	4,559	485	—	80,792
	543,800	1,179,982	929,614	3,051,549	5,313,798	5,444,308	2,479,765	18,942,816

(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.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

31 December 2011

	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	—	—	31	71	—	—	—	102
Financial liabilities designated at fair value through profit or loss	6,343	46,960	114,096	6,879	—	—	—	174,278
Due to banks and other financial institutions (i)	505,456	741,789	140,151	142,561	57,158	6,007	—	1,593,122
Certificates of deposit	—	10,462	13,685	11,514	6,210	—	—	41,871
Due to customers	6,662,545	767,519	1,173,412	2,664,733	1,091,575	17,663	—	12,377,447
Debt securities issued	—	615	1,817	10,535	93,902	178,722	—	285,591
Others	67,117	21	778	89	839	5,271	—	74,115
	7,241,461	1,567,366	1,443,970	2,836,382	1,249,684	207,663	—	14,546,526
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	7	(75)	397	804	(500)	—	633
Derivative financial instruments settled on gross basis:								
— Cash inflow	16,784	243,207	257,353	348,926	25,010	136	—	891,416
— Cash outflow	(16,877)	(242,356)	(252,503)	(347,302)	(25,090)	(155)	—	(884,283)
	(93)	851	4,850	1,624	(80)	(19)	—	7,133

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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
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.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Bank

31 December 2011

	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	337,356	—	1,213	—	—	—	2,399,882	2,738,451
Due from banks and other financial institutions (i)	103,861	439,173	24,899	45,655	110,787	170	—	724,545
Financial assets held for trading	—	3,851	4,179	16,243	5,590	1,311	—	31,174
Financial assets designated at fair value through profit or loss	—	40,472	10,564	20,338	56,179	5,649	—	133,202
Loans and advances to customers (ii)	6,566	511,885	755,523	2,296,273	2,810,298	3,732,687	66,331	10,179,563
Financial investments	—	24,635	80,830	579,316	2,162,765	1,585,084	3,744	4,436,374
Others	58,429	—	—	—	—	—	—	58,429
	506,212	1,020,016	877,208	2,957,825	5,145,619	5,324,901	2,469,957	18,301,738

(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 2011

	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	6,343	46,917	114,096	6,879	—	—	—	174,235
Due to banks and other financial institutions (i)	508,423	662,609	121,739	71,025	55,171	—	—	1,418,967
Certificates of deposit	—	6,521	6,023	1,455	566	—	—	14,565
Due to customers	6,590,038	667,004	1,106,960	2,635,857	1,140,720	19,103	—	12,159,682
Debt securities issued	—	612	1,339	8,580	91,564	166,197	—	268,292
Others	61,403	21	13	89	839	4,972	—	67,337
	7,166,207	1,383,684	1,350,170	2,723,885	1,288,860	190,272	—	14,103,078
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	(82)	(35)	89	(182)	(710)	—	(920)
Derivative financial instruments settled on gross basis:								
— Cash inflow	—	181,595	210,025	276,533	18,819	136	—	687,108
— Cash outflow	—	(182,698)	(206,857)	(274,964)	(18,796)	(155)	—	(683,470)
	—	(1,103)	3,168	1,569	23	(19)	—	3,638

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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
Certificates of deposit	—	894	1,441	218	949	—	—	3,502
Due to customers	6,079,991	663,080	942,465	2,548,497	814,815	14,928	—	11,063,776
Debt securities issued	—	—	331	3,793	43,476	68,821	—	116,421
Others	57,375	10	83	88	1,144	5,379	—	64,079
	6,904,543	865,737	989,809	2,572,241	898,207	89,128	—	12,319,665
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	(2)	—	19	(246)	(420)	—	(649)
Derivative financial instruments settled on gross basis:								
— Cash inflow	—	158,952	186,780	327,210	24,473	201	—	697,616
— Cash outflow	—	(158,762)	(184,549)	(325,290)	(24,558)	(206)	—	(693,365)
	—	190	2,231	1,920	(85)	(5)	—	4,251

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of the commitments.

Group

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
31 December 2011							
Credit commitments	625,080	129,611	232,590	399,221	311,409	278,681	1,976,592
31 December 2010							
Credit commitments	406,297	100,223	211,154	378,978	320,778	231,727	1,649,157

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 2011							
Credit commitments	613,772	111,996	234,740	389,608	291,057	323,853	1,965,026
31 December 2010							
Credit commitments	396,324	98,468	205,680	335,526	302,286	226,388	1,564,672

(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 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 to measure and monitor the market risk of its trading portfolios. The following sections include a VaR analysis by risk type of the Group's trading portfolios including Head Office, New York Branch and Singapore Branch and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(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 VaR by risk type of the Bank's trading portfolios is as follows:

	2011			
	31 December 2011	Average	Highest	Lowest
Interest rate risk	39	44	103	23
Foreign exchange risk	15	14	81	3
Commodity risk	1	4	63	1
Total portfolio VaR	41	46	101	24

	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

(1) The Bank calculated VaR using the Global Market Risk Management (GMRM) system based on the new valuation method and market data for 2011.

(2) Derivatives such as RMB-denominated interest rate swap have been included in the calculation of VaR for 2011. The Bank calculated VaR of commodity risk from April 2011.

(3) VaR was calculated at the Head Office level for 2010. In December 2011, the Bank extended VaR calculation to include New York Branch and Singapore Branch.

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there was a 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.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(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 forecasted 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

Currency	Change in currency rate	Effect on profit before tax 2011	Effect on profit before tax 2010	Effect on equity 2011	Effect on equity 2010
USD	-1%	(175)	149	(41)	(42)
HK$	-1%	(42)	(5)	(293)	(212)

Bank

Currency	Change in currency rate	Effect on profit before tax 2011	Effect on profit before tax 2010	Effect on equity 2011	Effect on equity 2010
USD	-1%	(225)	198	(14)	(7)
HK$	-1%	2	(35)	(3)	(2)

While the table above indicates the effect on profit before tax and equity of 1% depreciation of USD and HK$, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows:

Group

31 December 2011

	RMB	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	2,723,401	15,813	16,664	6,278	2,762,156
Due from banks and other financial institutions (i)	521,393	228,860	10,262	66,924	827,439
Financial assets held for trading	29,836	399	471	116	30,822
Financial assets designated at fair value through profit or loss	120,811	490	85	—	121,386
Derivative financial assets	12,414	3,014	226	1,806	17,460
Loans and advances to customers	6,990,074	454,907	101,925	47,113	7,594,019
Financial investments	3,689,661	52,392	3,933	17,708	3,763,694
Investments in associates and jointly-controlled entities	55	709	174	31,812	32,750
Property and equipment	108,613	9,602	386	427	119,028
Others	153,057	6,752	5,745	42,560	208,114
Total assets	14,349,315	772,938	139,871	214,744	15,476,868
Liabilities:					
Due to central banks	100	—	—	—	100
Financial liabilities designated at fair value through profit or loss	164,480	865	1	6,627	171,973
Derivative financial liabilities	3,893	3,731	57	4,936	12,617
Due to banks and other financial institutions (ii)	1,197,095	267,673	8,164	74,612	1,547,544
Certificates of deposit	13,592	15,794	4,883	7,157	41,426
Due to customers	11,829,251	183,146	140,648	108,174	12,261,219
Debt securities issued	189,504	11,476	497	2,684	204,161
Others	258,867	12,186	2,024	6,928	280,005
Total liabilities	13,656,782	494,871	156,274	211,118	14,519,045
Net position	692,533	278,067	(16,403)	3,626	957,823
Credit commitments	1,459,699	402,491	74,916	39,486	1,976,592

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

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 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
Net position	589,761	189,064	(7,527)	50,359	821,657
Credit commitments	1,203,417	334,126	74,380	37,234	1,649,157

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Bank

31 December 2011

	RMB	USD (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	2,718,281	14,944	1,378	2,635	2,737,238
Due from banks and other financial institutions (i)	519,154	119,560	16,592	48,750	704,056
Financial assets held for trading	29,781	68	—	—	29,849
Financial assets designated at fair value through profit or loss	120,811	—	—	—	120,811
Derivative financial assets	11,903	1,877	21	1,675	15,476
Loans and advances to customers	6,878,495	338,868	10,150	19,114	7,246,627
Financial investments	3,680,907	35,505	4,485	9,457	3,730,354
Investments in subsidiaries and associates	5,679	5,801	37,214	38,582	87,276
Property and equipment	105,690	241	8	32	105,971
Others	136,026	1,580	116	40,039	177,761
Total assets	14,206,727	518,444	69,964	160,284	14,955,419
Liabilities:					
Financial liabilities designated at fair value through profit or loss	164,515	802	1	6,627	171,945
Derivative financial liabilities	3,792	2,617	25	4,411	10,845
Due to banks and other financial institutions (ii)	1,138,782	151,167	15,028	71,521	1,376,498
Certificates of deposit	140	6,280	857	7,157	14,434
Due to customers	11,761,008	120,874	16,617	65,316	11,963,815
Debt securities issued	187,912	1,843	—	2,684	192,439
Others	254,729	8,248	443	5,614	269,034
Total liabilities	13,510,878	291,831	32,971	163,330	13,999,010
Net position	695,849	226,613	36,993	(3,046)	956,409
Credit commitments	1,466,855	430,971	33,849	33,351	1,965,026

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

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 through 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
Certificates of deposit	—	2,318	1,153	—	3,471
Due to customers	10,769,011	94,229	19,755	30,701	10,913,696
Debt securities issued	97,125	380	1,244	137	98,886
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.

(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 rate policy which includes a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). 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	2011	2010	2011	2010
+100 basis points	(12,509)	(23,156)	(19,151)	(18,848)
-100 basis points	12,509	23,156	20,417	20,130

Bank

	Sensitivity of net interest income		Sensitivity of equity	
Change in basis points	2011	2010	2011	2010
+100 basis points	(12,363)	(22,742)	(18,931)	(18,557)
-100 basis points	12,363	22,742	20,197	19,839

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's and the Bank's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's assets and liabilities:

31 December 2011

	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	2,502,220	—	—	—	259,936	2,762,156
Due from banks and other financial institutions (i)	709,319	82,608	31,714	—	3,798	827,439
Financial assets held for trading	8,859	16,301	4,530	985	147	30,822
Financial assets designated at fair value through profit or loss	100,310	15,403	4,853	820	—	121,386
Derivative financial assets	—	—	—	—	17,460	17,460
Loans and advances to customers	4,384,282	3,017,912	30,127	130,447	31,251	7,594,019
Financial investments	253,166	638,919	1,650,739	1,217,148	3,722	3,763,694
Investments in associates and jointly-controlled entities	—	—	—	—	32,750	32,750
Property and equipment	—	—	—	—	119,028	119,028
Others	15,431	610	—	—	192,073	208,114
Total assets	7,973,587	3,771,753	1,721,963	1,349,400	660,165	15,476,868
Liabilities:						
Due to central banks	30	70	—	—	—	100
Financial liabilities designated at fair value through profit or loss	158,963	6,667	—	—	6,343	171,973
Derivative financial liabilities	—	—	—	—	12,617	12,617
Due to banks and other financial institutions (ii)	1,375,418	161,538	2,481	4,679	3,428	1,547,544
Certificates of deposit	24,240	11,049	6,137	—	—	41,426
Due to customers	8,295,296	2,614,211	1,071,176	17,334	263,202	12,261,219
Debt securities issued	6,681	2,028	58,024	137,428	—	204,161
Others	—	—	—	—	280,005	280,005
Total liabilities	9,860,628	2,795,563	1,137,818	159,441	565,595	14,519,045
Interest rate mismatch	(1,887,041)	976,190	584,145	1,189,959	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

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
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.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Bank's assets and liabilities:

31 December 2011

	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	2,478,780	—	—	—	258,458	2,737,238
Due from banks and other financial institutions (i)	592,359	83,215	27,049	—	1,433	704,056
Financial assets held for trading	8,205	16,301	4,363	980	—	29,849
Financial assets designated at fair value through profit or loss	100,310	15,403	4,424	674	—	120,811
Derivative financial assets	—	—	—	—	15,476	15,476
Loans and advances to customers	4,296,838	2,759,265	30,127	130,447	29,950	7,246,627
Financial investments	249,099	634,888	1,628,976	1,215,356	2,035	3,730,354
Investments in subsidiaries and associates	—	—	—	—	87,276	87,276
Property and equipment	—	—	—	—	105,971	105,971
Others	—	—	—	—	177,761	177,761
Total assets	7,725,591	3,509,072	1,694,939	1,347,457	678,360	14,955,419
Liabilities:						
Financial liabilities designated at fair value through profit or loss	158,935	6,667	—	—	6,343	171,945
Derivative financial liabilities	—	—	—	—	10,845	10,845
Due to banks and other financial institutions (ii)	1,281,615	92,466	2,417	—	—	1,376,498
Certificates of deposit	12,754	1,117	563	—	—	14,434
Due to customers	8,081,975	2,560,547	1,067,224	17,334	236,735	11,963,815
Debt securities issued	6,193	510	57,536	128,200	—	192,439
Others	—	—	—	—	269,034	269,034
Total liabilities	9,541,472	2,661,307	1,127,740	145,534	522,957	13,999,010
Interest rate mismatch	(1,815,881)	847,765	567,199	1,201,923	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

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
Certificates of deposit	2,957	217	297	—	—	3,471
Due to customers	7,414,256	2,481,745	768,386	13,745	235,564	10,913,696
Debt securities issued	331	6,931	29,300	62,324	—	98,886
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.

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(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 using an efficient and risk-based approach to optimise the 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 Semi-annually and quarterly.

The CBRC requires each bank to maintain the capital adequacy ratio and core capital adequacy ratio not below the minimum of 8% and 4%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk capital adjustment is calculated using the standardised approach.

The Group computes the capital adequacy ratio and core capital adequacy ratio in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and related regulations promulgated by the CBRC. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

(In RMB millions, unless otherwise stated)

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

(d) Capital management (continued)

The Group calculates the capital adequacy ratios in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and relevant requirements promulgated by the CBRC.

	2011	2010
Core capital adequacy ratio	**10.07%**	**9.97%**
Capital adequacy ratio	**13.17%**	**12.27%**
Components of capital base		
Core capital:		
Share capital	349,084	349,019
Reserves (i)	532,135	400,724
Minority interests	1,081	1,227
Total core capital	882,300	750,970
Supplementary capital:		
General provisions for loan impairment (ii)	77,889	67,905
Long term subordinated bonds	167,655	78,286
Convertible bonds (iii)	24,615	24,870
Other supplementary capital	1,671	3,444
Total supplementary capital	271,830	174,505
Total capital base before deductions	1,154,130	925,475
Deductions:		
Goodwill	(22,223)	(27,369)
Unconsolidated equity investments (iv)	(18,957)	(22,649)
Others (v)	(487)	(3,084)
Net capital base	1,112,463	872,373
Net core capital base	850,355	709,193
Risk weighted assets and market risk capital adjustment	8,447,263	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 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.

52. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(In RMB millions, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group

31 December 2011

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
Equity investments	147	—	—	147
Debt securities	595	30,080	—	30,675
	742	30,080	—	30,822
Financial assets designated at fair value through profit or loss				
Debt securities	279	10,265	—	10,544
Other debt instruments	—	110,842	—	110,842
	279	121,107	—	121,386
Derivative financial assets				
Exchange rate contracts	—	11,427	716	12,143
Interest rate contracts	—	2,970	1,796	4,766
Other derivative contracts	—	9	542	551
	—	14,406	3,054	17,460
Available-for-sale financial assets				
Equity investments	2,559	400	—	2,959
Debt securities	34,502	799,441	2,040	835,983
	37,061	799,841	2,040	838,942
	38,082	965,434	5,094	1,008,610
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss				
Wealth management product	—	121,191	—	121,191
Structured deposits	—	44,376	—	44,376
Financial liabilities related to precious metals	—	6,343	—	6,343
Certificates of deposit	—	63	—	63
	—	171,973	—	171,973
Derivative financial liabilities				
Exchange rate contracts	—	6,027	731	6,758
Interest rate contracts	—	3,528	2,329	5,857
Other derivative contracts	—	—	2	2
	—	9,555	3,062	12,617
	—	181,528	3,062	184,590

(In RMB millions, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value (continued)

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
Other debt instruments	—	1,850	—	1,850
	364	2,434	—	2,798
Derivative financial assets				
Exchange rate contracts	—	8,557	1,180	9,737
Interest rate contracts	—	1,818	1,055	2,873
Other derivative contracts	—	13	709	722
	—	10,388	2,944	13,332
Available-for-sale financial assets				
Equity investments	2,986	—	—	2,986
Debt securities	39,954	852,889	6,907	899,750
	42,940	852,889	6,907	902,736
	45,223	873,980	9,851	929,054
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss				
Structured deposits	—	3,961	—	3,961
Wealth management product	—	1,862	—	1,862
Certificates of deposit	—	754	—	754
Notes payable	—	93	—	93
	—	6,670	—	6,670
Derivative financial liabilities				
Exchange rate contracts	—	5,115	1,181	6,296
Interest rate contracts	—	2,852	1,415	4,267
Other derivative contracts	—	1	—	1
	—	7,968	2,596	10,564
	—	14,638	2,596	17,234

(In RMB millions, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value (continued)

Bank

31 December 2011

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
Debt securities	—	29,849	—	29,849
Financial assets designated at fair value through profit or loss				
Debt securities	—	9,969	—	9,969
Other debt instruments	—	110,842	—	110,842
	—	120,811	—	120,811
Derivative financial assets				
Exchange rate contracts	—	10,585	716	11,301
Interest rate contracts	—	2,378	1,796	4,174
Other derivative contracts	—	—	1	1
	—	12,963	2,513	15,476
Available-for-sale financial assets				
Equity investments	910	—	—	910
Debt securities	5,504	789,328	548	795,380
	6,414	789,328	548	796,290
	6,414	952,951	3,061	962,426
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss				
Wealth management product	—	121,191	—	121,191
Structured deposits	—	44,411	—	44,411
Financial liabilities related to precious metals	—	6,343	—	6,343
	—	171,945	—	171,945
Derivative financial liabilities				
Exchange rate contracts	—	5,072	731	5,803
Interest rate contracts	—	2,711	2,329	5,040
Other derivative contracts	—	—	2	2
	—	7,783	3,062	10,845
	—	179,728	3,062	182,790

(In RMB millions, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value (continued)

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
Other debt instruments	—	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

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 Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

(In RMB millions, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value (continued)

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate yield curves.

Derivatives valued using a valuation technique with significant non-market observable inputs are primarily certain structured products. These derivatives are valued using models which calculate present value such as the binomial model for options. The models incorporate various non-observable assumptions such as market rate volatilities.

Other liabilities designated at fair value through profit or loss

For unquoted other liabilities designated at fair value through profit or loss, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads.

(b) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

Group

	As at \ 1 January 2011	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 2011
Financial assets:								
Derivative financial assets								
Exchange rate contracts	1,180	630	—	—	—	(1,094)	—	716
Interest rate contracts	1,055	791	—	—	—	(335)	285	1,796
Other derivative contracts	709	(167)	—	—	—	—	—	542
	2,944	1,254	—	—	—	(1,429)	285	3,054
Available-for-sale financial assets								
Debt securities	6,907	54	(183)	276	(2,203)	(2,944)	133	2,040
	9,851	1,308	(183)	276	(2,203)	(4,373)	418	5,094
Financial liabilities:								
Derivative financial liabilities								
Exchange rate contracts	(1,181)	351	—	—	—	99	—	(731)
Interest rate contracts	(1,415)	(1,030)	—	—	—	116	—	(2,329)
Other derivative contracts	—	(2)	—	—	—	—	—	(2)
	(2,596)	(681)	—	—	—	215	—	(3,062)

(In RMB millions, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Movement in level 3 financial instruments measured at fair value (continued)

	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)

Bank

	As at 1 January 2011	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 2011
Financial assets:							
Derivative financial assets							
Exchange rate contracts	1,180	630	–	–	(1,094)	–	716
Interest rate contracts	1,055	791	–	–	(335)	285	1,796
Other derivative contracts	2	(1)	–	–	–	–	1
	2,237	1,420	–	–	(1,429)	285	2,513
Available-for-sale financial assets							
Debt securities	5,311	(12)	(10)	(1,930)	(2,944)	133	548
	7,548	1,408	(10)	(1,930)	(4,373)	418	3,061
Financial liabilities:							
Derivative financial liabilities							
Exchange rate contracts	(1,181)	351	–	–	99	–	(731)
Interest rate contracts	(1,415)	(1,030)	–	–	116	–	(2,329)
Other derivative contracts	–	(2)	–	–	–	–	(2)
	(2,596)	(681)	–	–	215	–	(3,062)

(In RMB millions, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Movement in level 3 financial instruments measured at fair value (continued)

	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)

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
2011						
Total gains/(losses) for the year	(1,480)	2,107	627	(1,480)	2,207	727
2010						
Total gains/(losses) for the year	277	(63)	214	277	(346)	(69)

(c) Transfers between level 1 and level 2

During the year, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

(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, subordinated bonds and convertible bonds whose fair values have not been presented or disclosed above:

	Group		Bank	
	Carrying value	Fair value	Carrying value	Fair value
31 December 2011:				
Receivables	498,804	498,683	498,804	498,683
Held-to-maturity investments	2,424,785	2,436,782	2,434,135	2,446,125
Subordinated bonds	167,619	158,696	163,000	153,921
Convertible bonds	22,608	19,367	22,608	19,367
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

(In RMB millions, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value (continued)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(i) The receivables are non-transferable. The fair values of those receivables relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of receivables other than those relating to the restructuring of the Bank are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of held-to-maturity investments, 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 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	

53. EVENTS AFTER THE REPORTING PERIOD

The profit distribution plan

A final dividend of RMB0.203 per share after the appropriation of statutory surplus reserve and general reserve, was approved at the board of directors' meeting held on 29 March 2012, 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 2011, the final dividend amounted to approximately RMB70,864 million. The dividend payable was not recognised as a liability as at 31 December 2011.

(In RMB millions, unless otherwise stated)

54. COMPARATIVE AMOUNTS

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

In 2011, the Group adopted the Amendments to IFRS 1 made in Improvements to IFRSs in 2010. Pursuant to the Amendments, retrospective adjustments were made to certain items in equity as at 31 December 2010 and 1 January 2010. The amendments did not result in any effect on the income and expenses for the year ended 31 December 2010. Comparative financial statements are presented based on the restated figures.

Items in the Group's consolidated statements of financial position as of 31 December 2010 and 1 January 2010 affected by the adoption of the Amendments to IFRS 1 are as follows:

Consolidated statements of financial position

	31 December 2010		
	Before restatement	Impact of restatement	Restated
Equity			
Equity attributable to equity holders of the parent company			
Reserves	266,440	829	267,269
Retained profits	201,986	(829)	201,157

	1 January 2010		
	Before restatement	Impact of restatement	Restated
Equity			
Equity attributable to equity holders of the parent company			
Reserves	221,114	829	221,943
Retained profits	118,760	(829)	117,931

55. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2012.

Unaudited Supplementary Financial Information

31 December 2011
(In RMB millions, unless otherwise stated)

(a) Illustration of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for the year ended 31 December 2011 (2010: no differences). There are no differences between the equity attributable to equity holders of the parent company under PRC GAAP and IFRSs as at 31 December 2011 (31 December 2010: no differences).

(b) Liquidity ratios

	As at 31 December 2011	Average for the year ended 31 December 2011	As at 31 December 2010	Average for the year ended 31 December 2010
RMB current assets to RMB current liabilities	27.55%	28.90%	31.78%	31.24%
Foreign currency current assets to foreign currency current liabilities	90.59%	70.63%	53.37%	57.26%

The above liquidity ratios are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January 2007. It requires the disclosure of an average liquidity ratio, which is the arithmetic mean of the liquidity ratios for each calendar month liquidity ratio. The Group prepares the liquidity ratio on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

(c) Foreign currency concentrations

	USD	HK$	Others	Total
As at 31 December 2011				
Spot assets	762,627	139,311	181,103	1,083,041
Spot liabilities	(494,871)	(156,274)	(211,118)	(862,263)
Forward purchases	309,022	64,873	69,008	442,903
Forward sales	(551,110)	(13,800)	(56,001)	(620,911)
Net option position	(5,305)	(1)	7	(5,299)
Net long/(short) position	20,363	34,109	(17,001)	37,471
Net structural position	10,311	560	33,641	44,512
As at 31 December 2010				
Spot assets	517,797	138,483	112,315	768,595
Spot liabilities	(332,358)	(146,503)	(101,740)	(580,601)
Forward purchases	333,195	44,986	49,516	427,697
Forward sales	(526,173)	(15,301)	(46,033)	(587,507)
Net option position	(3,808)	(1)	293	(3,516)
Net long/(short) position	(11,347)	21,664	14,351	24,668
Net structural position	3,625	493	39,784	43,902

(In RMB millions, unless otherwise stated)

(c) Foreign currency concentrations (continued)

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and jointly-controlled entities.

(d) Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions and debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Public sector entities	Others	Total
As at 31 December 2011:				
Asia Pacific excluding Mainland China	166,035	11,084	241,179	418,298
— of which attributed to Hong Kong	92,232	6,587	146,821	245,640
Europe	65,515	1,014	18,489	85,018
North and South America	82,508	1,109	31,874	115,491
	314,058	13,207	291,542	618,807
As at 31 December 2010:				
Asia Pacific excluding Mainland China	65,601	15,609	146,391	227,601
— of which attributed to Hong Kong	25,616	8,798	90,463	124,877
Europe	50,709	1,875	16,567	69,151
North and South America	44,835	6,423	33,972	85,230
	161,145	23,907	196,930	381,982

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers

(i) Analysis by industry sector

31 December 2011

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses Individually assessed	Collectively assessed	Total
Manufacturing	1,163,275	513,294	23,534	24,573	15,905	27,436	43,341
Transportation, storage and postal services	1,114,765	296,196	8,465	12,209	4,934	20,143	25,077
Wholesale, retail and lodging	708,962	404,084	9,320	9,356	5,897	11,713	17,610
Production and supply of electricity, gas and water	613,140	83,580	4,040	5,102	2,334	14,575	16,909
Real estate	577,563	445,779	5,306	5,096	2,983	14,042	17,025
Water, environment and public utility management	507,112	137,796	103	1,103	88	11,607	11,695
Leasing and commercial services	362,011	157,342	2,008	750	526	3,487	4,013
Mining	190,180	27,724	512	619	265	519	784
Construction	121,432	51,615	1,170	1,137	800	1,594	2,394
Science, education, culture and sanitation	70,069	12,018	730	711	510	318	828
Others	238,002	69,493	1,658	1,607	1,167	4,323	5,490
Subtotal of corporate loans and advances	5,666,511	2,198,921	56,846	62,263	35,409	109,757	145,166
Personal mortgage and business loans	1,455,670	1,373,746	33,843	—	—	42,424	42,424
Others	559,256	366,857	17,091	—	—	5,117	5,117
Subtotal of personal loans	2,014,926	1,740,603	50,934	—	—	47,541	47,541
Discounted bills	107,460	107,460	25	—	—	2,171	2,171
Total loans and advances to customers	7,788,897	4,046,984	107,805	62,263	35,409	159,469	194,878
Current market value of collateral held against the covered portion of overdue loans and advances *							117,651
Covered portion of overdue loans and advances *							54,394
Uncovered portion of overdue loans and advances *							53,411

* Please see section (e) (ii) for the definition of overdue loans and advances to customers.

31 December 2010

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses Individually assessed	Collectively Assessed	Total
Manufacturing	970,184	397,667	25,507	27,336	19,404	21,333	40,737
Transportation, storage and postal services	1,039,929	272,298	8,384	9,105	5,403	3,171	8,574
Wholesale, retail and lodging	430,954	259,584	10,253	10,460	6,453	4,686	11,139
Production and supply of electricity, gas and water	597,189	82,106	4,810	5,278	2,570	1,473	4,043
Real estate	586,654	441,884	5,987	5,724	3,345	9,278	12,623
Water, environment and public utility management	552,886	108,679	186	208	137	31,344	31,481
Leasing and commercial services	378,568	130,404	1,036	1,201	762	13,791	14,553
Mining	133,358	15,825	273	297	209	274	483
Construction	89,188	39,000	1,200	1,231	942	824	1,766
Science, education, culture and sanitation	69,265	9,012	774	846	689	212	901
Others	169,106	85,287	1,269	1,814	1,386	2,802	4,188
Subtotal of corporate loans and advances	5,017,281	1,841,746	59,679	63,500	41,300	89,188	130,488
Personal mortgage and business loans	1,288,683	1,223,922	30,313	—	—	30,404	30,404
Others	367,036	259,489	12,208	—	—	4,165	4,165
Subtotal of personal loans	1,655,719	1,483,411	42,521	—	—	34,569	34,569
Discounted bills	117,506	117,506	98	—	—	2,077	2,077
Total loans and advances to customers	6,790,506	3,442,663	102,298	63,500	41,300	125,834	167,134
Current market value of collateral held against the covered portion of overdue loans and advances *							104,832
Covered portion of overdue loans and advances *							48,023
Uncovered portion of overdue loans and advances *							54,275

* Please see section (e) (ii) for the definition of overdue loans and advances to customers.

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

The amount of new impairment loss charged to the consolidated income statement and the amount of impaired loans and advances written off during the year are set out below:

	2011		2010	
	New impairment loss	Write-offs of impaired loans	New impairment loss	Write-offs of impaired loans
Manufacturing	11,436	2,871	12,394	3,846
Transportation, storage and postal services	21,203	25	5,746	50
Wholesale, retail and lodging	10,300	462	4,957	931
Production and supply of electricity, gas and water	16,030	94	1,654	280
Real estate	6,411	144	3,100	416
Water, environment and public utility management	167	3	22,646	117
Leasing and commercial services	274	94	9,667	48
Mining	451	31	579	21
Construction	1,081	48	602	57
Science, education, culture and sanitation	331	74	350	3
Others	2,160	211	2,644	625
Subtotal for corporate loans and advances	69,844	4,057	64,339	6,394
Personal mortgage and business loans	19,291	303	14,270	317
Others	3,974	186	2,766	193
Subtotal for personal loans	23,265	489	17,036	510
Discounted bills	2,171	—	2,077	—
Total for loans and advances to customers	95,280	4,546	83,452	6,904

(ii) Overdue loans and advances to customers

	2011	2010
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	4,475	3,264
Between 6 and 12 months	6,539	5,248
Over 12 months	47,001	55,836
	58,015	64,348
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.06%	0.05%
Between 6 and 12 months	0.08%	0.1%
Over 12 months	0.60%	0.8%
	0.74%	0.95%

The definition of overdue loans and advances to customers is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans and advances would be classified as overdue.

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

(iii) Overdue and impaired loans and advances to customers by geographical distribution

31 December 2011

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	5,965	165	90	165	118	6,533
Yangtze River Delta	15,778	8,026	5,216	10,043	5,927	36,478
Pearl River Delta	15,153	7,352	4,217	9,590	5,041	22,952
Bohai Rim	17,589	10,300	6,452	10,893	6,742	30,257
Central China	18,012	9,757	5,267	11,952	6,711	22,793
Western China	21,574	10,444	5,490	12,933	6,614	28,198
Northeastern China	8,069	3,979	2,881	4,240	3,124	10,229
Overseas and others	5,665	2,262	1,050	2,447	1,132	2,029
Total	107,805	52,285	30,663	62,263	35,409	159,469

31 December 2010

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	4,176	189	86	194	119	3,455
Yangtze River Delta	15,031	9,099	5,544	10,880	6,761	29,306
Pearl River Delta	13,384	6,906	4,583	7,731	5,540	18,236
Bohai Rim	19,177	12,026	7,315	12,873	8,085	24,107
Central China	17,729	9,158	5,312	10,478	6,939	18,068
Western China	20,788	12,109	6,282	13,337	7,850	22,282
Northeastern China	8,715	5,751	5,044	6,117	5,225	8,713
Overseas and others	3,298	399	180	1,890	781	1,667
Total	102,298	55,637	34,346	63,500	41,300	125,834

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers (continued)

(iv) Renegotiated loans and advances to customers

	2011		2010	
		% of total loans and advances		% of total loans and advances
Renegotiated loans and advances	8,312	0.10%	10,716	0.16%
Less: Renegotiated loans and advances overdue for more than three months	(5,724)	(0.07%)	(7,602)	(0.11%)
Renegotiated loans and advances overdue for less than three months	2,588	0.03%	3,114	0.05%

(f) Overdue placements with banks and other financial institutions

	2011	2010
The Group's gross placements with banks and other financial institutions which have been overdue with respect to either principal or interest for a period of:		
Over 12 months	20	28
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.01%	0.04%

(g) Exposures to Mainland China non-bank entities

	2011	2010
On-balance sheet exposure	9,614,706	9,009,721
Off-balance sheet exposure	1,705,753	1,497,421
	11,320,459	10,507,142
Individually assessed allowance for impairment losses	34,414	40,926

In addition to those disclosed above, exposures to other non-bank counterparties outside Mainland China to which credit is granted for use in Mainland China are considered insignificant to the Group.

2011 Ranking and Awards

2011 Ranking

The Banker

The 6th place among Top 1000 World Banks
(ranking in terms of Tier 1 capital of the Bank)

Millward Brown

The 11th place among the Top 100 Most Valuable Global Brands (First among the financial institution brands)
(ranking in terms of brand value)

Forbes

The 7th place among the Global 2000
(overall ranking in terms of four aspects: sales, profit, assets and market value)

Fortune

The 77th place among the Global 500
(ranking in terms of revenue)

China Enterprise Confederation

The 4th place among the Top 500 Enterprises of China
(ranking in terms of operating income)

2011 Awards

The Banker

Bank of the Year 2011 (China)

Global Finance

Best Bank in China
Best Sub-Custodian Bank in China
Best Domestic Corporate Bank in China

Euromoney

Best Private Banking Services Overall in China

The Asian Banker

Best Retail Bank in China
Best Large-Scale Retail Bank in China
Best Domestic Cash Management Bank in China
Best Internet Banking in China
Best Data Center Initiative in China
Best Risk Management in China

The Asset

Best Domestic Bank (China)
Best Transaction Bank (China)
Best Domestic Custodian (China)
Best Cash Management Bank (China)
Rising Star Trade Finance Bank (China)
Platinum Award for All-Round Excellence
Top Bank Arranger — Quality and Number of Primary Government Bond Deals (China)

Reader's Digest

Trusted Brand-Bank: Gold (China)
Trusted Brand-Credit Card Issuing Bank: Gold (China)

FinanceAsia

Best Cash Management Bank in China
Asia's Top Blue Chip Company
Best Private Bank in China
Best Investor Relations in China

Aisamoney

Best Domestic Bank in China
Best Domestic FX Provider of FX Prime Broking Services in China
Best Domestic FX Provider of Single-Bank Electronic Trading Platform in China

Global Custodian

Domestic Top Rated Provider (China)

IR Magazine

Best Reporting (Mainland China)

Hong Kong Institute of Certified Public Accountants

Best Corporate Governance Disclosure Awards 2011: H-Share Category Platinum Award

The Hong Kong Management Association

Citation for Corporate Governance Disclosure

LACP

Vision Awards — Annual Report: Platinum

ARC

ARC Awards: Gold Winner (Chairman's Letter)

Fortune China

China's Most Admired Companies

Corporate Governance Asia

Asian Corporate Director Recognition Awards
Corporate Governance Asia Recognition Awards

IR Global Rankings

Best Overall Investor Relations (China)

GTR

Deal of the Year

Trade Finance

Deal of The Year

Airfinance Journal

Africa Deal of the Year

Ming Pao

Most Popular Domestic Brand among Hong Kong Consumers

Ta Kung Pao

Most Popular Listed Company among Mainland and Hong Kong Investors

Hong Kong Commercial Daily

Best Bank of Global Information Disclosure Management
Best Bank of Global Chinese Media Relationship

Treasury Today

Hui Chuan Awards

Visa Inc.

Platinum Card Excellence Performance Award
Best Acquiring Business Management Award

MasterCard Worldwide

Best Platinum Card of the Year

Financial-i

Most Innovative Cash Management Provider (Asia)

ifeng.com

Bank Website with Most Valuable Brand

Ministry of Finance

Award of Excellence in Underwriting Book-entry Treasury Bond

China Banking Regulatory Commission

Feature Small Enterprise Financial Services of National Banking Institutions

China Central Depository & Clearing Co., Ltd.

Excellent Settlement Member in Settlement Agency Business of Bonds
Excellent Settlement Member in Proprietary Trading of Bonds
Excellent Account-opening Award in Book-entry Treasury Bond Counter Business
Excellent Transaction Settlement Award in Book-entry Treasury Bond Counter Business

National Interbank Funding Center

Award of Most Market Influence
Best Derivatives Trading Award
Top 100 Trading in Interbank Local Currency Market

China Foreign Exchange Trade System

Best Market Maker in Spot Trading
Best Market Maker in Derivatives
Most Standardized Market Maker in Spot Trading
Best Market Maker in Auction
Excellent Member in Derivatives Trading
Excellent Member in Non-USD Currency Trading

China Banking Association

Best Social Responsibility Institution Award
Best Green Finance Award
Best Syndicated Loan Business Performance Award
Best Syndicated Loan Business Trading Award
Excellent Customer Service Center — Comprehensive Model Award
Excellent Customer Service Center — Best Service Award
Bankcard Special Committee Outstanding Contribution Award
Best Special Committee Chairperson Institution

National Association of Financial Market Institutional Investors

Best Market Maker

CCTV-2

Top 10 Governance Companies

Shanghai Gold Exchange

First Prize of Outstanding Members of the Year
Award of Trade (Gold Category)
Award of Trade (Silver Category)
Award of Trade (Platinum Category)

China Association of Small and Medium Enterprises

Excellent Service Organization for SMEs
Award of Service Product for SMEs

China Green Foundation

Eco-China Contribution Award

People's Daily Online

People's Award for Social Responsibility

Hexun

Top 10 Brand Banks
Best Bank Portal Website
Best Asset Custodian Bank
Best Corporate Internet Banking Award
Financial Service Website with the Best Customer Satisfaction

NetEase

Best Bank Brand
Best Bank Website Brand Award

Tencent

Most Popular Bank of the Year
Best Credit Card/Most Popular Credit Card

ChinaHR

Top 10 Best Domestic Employers for Chinese Undergraduate Students

Eastmoney.com

Best Comprehensive Bank
Best Telephone Banking
Best Bank Website
Comprehensive Strength Award in E-banking
Social Responsibility Award in the Banking Industry
Best Marketing Case in the Banking Industry
Best Cash Management Award

cn.msn.com

Domestic Bank with the Highest Satisfaction in Services for White-collar Customers

51 CallCenter

Award of Best Customer Liaison Center in China

Bankrate.com.cn

Most Influential Bank Brand Award
Customer Satisfaction Award for Comprehensive Banking Service
Customer Satisfaction Award for Personal Loan Business/Precious Metal Business
Customer Satisfaction Award for Internet Banking Service/Wealth Management Products

3G.cn

Most Full-featured Mobile Banking

kblcw.com

Top-rated Credit Card
Top-rated Bank Gold Business Award

Treasury Online

Gold Treasurer Award
Top-rated Corporate Internet Banking Service

Cnfol.com

Best Personal Credit Bank
Most Supported Gold Investment Platform among Investors

21st Century Business Herald

Best Commercial Bank in Asia
Best Banking Wealth Management Brand

Financial News

Best Social Responsibility Bank of the Year

Securities Times

Best Bank in Investment Banking
Best Project in Bond Financing
Best Project in M&A and Reorganizing

China Securities Journal

Golden Bull Most Profitable Company (No. 1)

Shanghai Securities News

Award of Best Bond-type Wealth Management Product

Securities Daily

Gold Censer Prize

CBN

Bank of the Year
Excellent Enterprise Award of CBN Corporate Social Responsibility Ranking in China
Best Cash Management Service Bank
Best Precious Metal Investment and Management Bank

The Economic Observer

Excellent Commodity Financing Bank in China

National Business Daily

Most Responsible Listed Company
Best Bank Marketing Team of the Year

China Business Journal

Investment Banking with Excellent Competitiveness
E-banking with Excellent Competitiveness

China United Business News

Most Influential Brand in the Chinese Gold Investment Industry

China Newsweek

Most Responsible Enterprise

China WTO Tribune

Golden Bee 2011 Excellent Corporate Social Responsibility Report • Leading Enterprises

The Chinese Banker

Best Commercial Bank
No. 1 National Commercial Banks with Core Competitiveness
No. 1 National Commercial Banks in Financing Evaluation
Best Corporate Image Award
Top 10 Financial Products Award (Mobile Credit Card/ Online Revolving Loans)
Best Financial Brand Marketing Event Award

CFO WORLD
Best Cash Management Award
Best Supply Chain Financing Award
Best Corporate Internet Banking Award

Directors & Boards
Most Innovative Board Secretary
Excellent Board of Directors

Money Week
Most Respected Bank in China
Best Retail Bank in China
Best Private Bank in China
Best Bank Wealth Management Brand in China
Best Bank Financing Products in China
Best Growing Potential Debit Card in China
Most Valuable President of Listed Companies in China
Best Board of Directors of Main Board Listed Companies in China
Best Board of Directors of State-owned (Holding) Listed Companies in China
Best Website of Bank in China

China Corporate Culture Institute
Top Ten Model Organizations in 30-year Practices of Corporate Culture

China Foundation for Development of Financial Education
Model Financial Education Unit

China Electronics Chamber of Commerce
Best Call Center in China

China Gold Association
Top 10 Enterprises in Gold Trading Volume

Customer Service Center Development Association of Chinese Financial Industry
Elite Team Award for Operational Management of Customer Service Center
Elite Team Award for Comprehensive Business Support of Customer Service Center
Elite Crew Award for Operation of Customer Service Center

China Internet Banking Promotion Association
Best Product Innovation Award for Personal Internet Banking
Best Marketing Service Innovation Award

Consumption Daily
Most Famous Brand Enterprise Favored by Consumers

CAAC News
Golden Award for Aviation Business Travel Glory Credit Card

Fellow Traveller
Most Popular Wealth Management/Credit Card Brand Rated by Business Elite
Most Popular Theme Debit Card/E-banking Rated by Business Elite
Most Popular Bank Rated by Business Elite

Wisemoney
Excellent State-owned Bank
Excellent Wealth Management Product
Excellent Bank Cards
Bank Website with Excellent Brand Value
Excellent E-banking

Financial Money
Best Assets Management Bank
Capital Gold Medal Wealth Management Institution
Credit Card Bank of the Year

Money Weekly
Best Bank Website
Product Receiving Most Attention of the Year
Best Banking Service Brand

CCM World
Best Call Center in China
Award for Outstanding Call Center Achievements of the Year in China

Secretariat of Summit Forum on Finance
Green Bank Innovation Award

The Organizing Committee of China Low Carbon Economy Forum
China Low Carbon Pioneer Bank

Guomai IT Development and Research Center
Comprehensive Innovation Award for Portal Websites of Large Enterprises
Channel Innovation Award for Portal Websites of Large Enterprises

Daonong Center for Enterprise
Top 100 China Green Companies

iResearch Consulting Group
Best Internet Banking User Experience Award

Horizon Research Consultancy Group
Voice of User Enterprise Award

Rankins CSR Ratings
AA Grade Rating in Terms of Social Responsibility Report of A-share Listed Companies

Online-edu
Best Online Examination Application Award

List of Domestic and Overseas Branches and Offices

Domestic Institutions

ANHUI PROVINCIAL BRANCH
Address: No. 189 Wuhu Road, Hefei City, Anhui Province, China
Postcode: 230001
Tel: 0551-2869178/2868101
Fax: 0551-2868077

BEIJING MUNICIPAL BRANCH
Address: Tower B, Tianyin Mansion, No. 2 Fuxingmen South Street, Xicheng District, Beijing, China
Postcode: 100031
Tel: 010-66410579
Fax: 010-66410579

CHONGQING MUNICIPAL BRANCH
Address: No. 9 Jiangnan Road, Nan'an District, Chongqing, China
Postcode: 400060
Tel: 023-62918002/62918047
Fax: 023-62918059

DALIAN BRANCH
Address: No. 5 Zhongshan Square, Dalian City, Liaoning Province, China
Postcode: 116001
Tel: 0411-82378888/82819593
Fax: 0411-82808377

FUJIAN PROVINCIAL BRANCH
Address: No. 108 Gutian Road, Fuzhou City, Fujian Province, China
Postcode: 350005
Tel: 0591-88087810/88087819/88087000
Fax: 0591-83353905/83347074

GANSU PROVINCIAL BRANCH
Address: No. 408 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province, China
Postcode: 730030
Tel: 0931-8434172
Fax: 0931-8435166

GUANGDONG PROVINCIAL BRANCH
Address: No. 123 Yanjiangxi Road, Guangzhou City, Guangdong Province, China
Postcode: 510120
Tel: 020-81308130/81308123
Fax: 020-81308789

GUANGXI AUTONOMOUS REGION BRANCH
Address: No. 15-1 Jiaoyu Road, Nanning City, Guangxi Autonomous Region, China
Postcode: 530022
Tel: 0771-5316617
Fax: 0771-5316617/2806043

GUIZHOU PROVINCIAL BRANCH
Address: No. 200 Zhonghua North Road, Guiyang City, Guizhou Province, China
Postcode: 550003
Tel: 0851-8620000/8620018
Fax: 0851-5963911/8620017

HAINAN PROVINCIAL BRANCH
Address: Tower A, No. 3 Heping South Road, Haikou City, Hainan Province, China
Postcode: 570203
Tel: 0898-65355774
Fax: 0898-65342986

HEBEI PROVINCIAL BRANCH
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Fax: 0971-6146733

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Fax: 010-66583158

ICBC Financial Leasing Co., Ltd.
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Fax: 023-85297709

ZHEJIANG PINGHU ICBC RURAL BANK CO., LTD.
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Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

HIBOR	Hong Kong Interbank Offered Rate
LIBOR	London Interbank Offered Rate
SHIBOR	Shanghai Interbank Offered Rate
the Bank/the Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries
Standard Bank	Standard Bank Group Limited
MOF	Ministry of Finance of the People's Republic of China
BEA	The Bank of East Asia, Limited
Goldman Sachs	The Goldman Sachs Group, Inc.
Company Law	Company Law of the People's Republic of China
Articles of Association	The Articles of Association of Industrial and Commercial Bank of China Limited
ICBC (Almaty)	Industrial and Commercial Bank of China (Almaty) Joint Stock Company
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC International	ICBC International Holdings Limited
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBCFS	Industrial and Commercial Bank of China Financial Services LLC
ICBC (London)	Industrial and Commercial Bank of China, (London) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Moscow)	ZAO Industrial and Commercial Bank of China (Moscow)
ICBC (Europe)	Industrial and Commercial Bank of China (Europe) S.A.
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC (Middle East)	Industrial and Commercial Bank of China (Middle East) Limited
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
State Council	The State Council of the People's Republic of China
Huijin	Central Huijin Investment Ltd.
convertible bonds	convertible corporate bonds
PBOC	The People's Bank of China
SSE	Shanghai Stock Exchange
SSF	National Council for Social Security Fund
SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
PRC GAAP	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by the Ministry of Finance in 2006, as well as other relevant regulations
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission

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