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中國工商銀行股份有限公司
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1398)

2012 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of Industrial and Commercial Bank of China Limited announces the annual audited results of the Bank and its subsidiaries for the year ended 31 December 2012. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the annual audited results.

1. Corporate Information

1.1 Basic Information

Stock name	工商銀行 (A Share)	ICBC (H Share)
Stock code	601398	1398
Stock exchange on which shares are listed	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited

1.2 Contact

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2. Financial Highlights

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

2.1 Financial Data

	2012	2011	2010	2009	2008
Annual operating results					
(in RMB millions)					
Net interest income	417,828	362,764	303,749	245,821	263,037
Net fee and commission income	106,064	101,550	72,840	55,147	44,002
Operating income	529,720	470,601	380,748	309,411	310,195
Operating expenses	189,940	169,613	139,480	120,819	111,335
Impairment losses	33,745	31,121	27,988	23,285	55,462
Operating profit	306,035	269,867	213,280	165,307	143,398
Profit before tax	308,687	272,311	215,426	167,294	145,376
Net profit	238,691	208,445	166,025	129,396	111,226
Net profit attributable to equity holders of the parent company	238,532	208,265	165,156	128,645	110,841
Net cash flows from operating activities	533,508	348,123	278,176	403,862	370,913
As at the end of reporting period (in RMB millions)					
Total assets	17,542,217	15,476,868	13,458,622	11,785,053	9,757,146
Total loans and advances to customers	8,803,692	7,788,897	6,790,506	5,728,626	4,571,994
Allowance for impairment losses on loans	220,403	194,878	167,134	145,452	135,983
Investment	4,083,887	3,915,902	3,732,268	3,599,173	3,048,310
Total liabilities	16,413,758	14,519,045	12,636,965	11,106,119	9,150,516
Due to customers	13,642,910	12,261,219	11,145,557	9,771,277	8,223,446
Due to banks and other financial institutions	1,486,805	1,341,290	1,048,002	1,001,634	646,254
Equity attributable to equity holders of the parent company	1,124,997	956,742	820,430	673,893	602,675
Share capital	349,620	349,084	349,019	334,019	334,019
Net capital base	1,299,014	1,112,463	872,373	731,956	620,033
Net core capital base	1,010,463	850,355	709,193	586,431	510,549
Supplementary capital	298,365	271,830	174,505	172,994	121,998
Risk-weighted assets ⁽¹⁾	9,511,205	8,447,263	7,112,357	5,921,330	4,748,893
Per share data					
(in RMB yuan)					
Net asset value per share ⁽²⁾	3.22	2.74	2.35	2.02	1.80
Basic earnings per share ⁽³⁾	0.68	0.60	0.48	0.38	0.33
Diluted earnings per share ⁽³⁾	0.67	0.59	0.48	0.38	0.33
Credit rating					
S&P ⁽⁴⁾	A/Stable	A/Stable	A/Stable	A-/Positive	A-/Positive
Moody's ⁽⁴⁾	A1/Stable	A1/Stable	A1/Stable	A1/Positive	A1/Stable

Notes:

- (1) Being risk-weighted assets and market risk capital adjustment. Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio and Leverage Ratio”.
- (2) Calculated by dividing equity attributable to equity holders of the parent company at the end of the reporting period by the number of shares issued at the end of the reporting period.
- (3) In consideration of the rights issue in 2010, the data of 2009 and the prior years were restated.
- (4) The rating results are in the form of “long-term foreign currency deposits rating/outlook”.

2.2 Financial Indicators

	2012	2011	2010	2009	2008
Profitability (%)					
Return on average total assets ⁽¹⁾	1.45	1.44	1.32	1.20	1.21
Return on weighted average equity ⁽²⁾	23.02	23.44	22.79	20.15	19.43
Net interest spread ⁽³⁾	2.49	2.49	2.35	2.16	2.80
Net interest margin ⁽⁴⁾	2.66	2.61	2.44	2.26	2.95
Return on risk-weighted assets ⁽⁵⁾	2.66	2.68	2.55	2.43	2.43
Ratio of net fee and commission income to operating income	20.02	21.58	19.13	17.82	14.19
Cost-to-income ratio ⁽⁶⁾	<u>29.24</u>	<u>29.91</u>	<u>30.99</u>	<u>33.18</u>	<u>29.84</u>
Asset quality (%)					
Non-performing loans (“NPL”) ratio ⁽⁷⁾	0.85	0.94	1.08	1.54	2.29
Allowance to NPL ⁽⁸⁾	295.55	266.92	228.20	164.41	130.15
Allowance to total loans ratio ⁽⁹⁾	<u>2.50</u>	<u>2.50</u>	<u>2.46</u>	<u>2.54</u>	<u>2.97</u>
Capital adequacy (%)					
Core capital adequacy ratio ⁽¹⁰⁾	10.62	10.07	9.97	9.90	10.75
Capital adequacy ratio ⁽¹⁰⁾	13.66	13.17	12.27	12.36	13.06
Total equity to total assets ratio	6.43	6.19	6.11	5.76	6.22
Risk-weighted assets to total assets ratio	<u>54.22</u>	<u>54.58</u>	<u>52.85</u>	<u>50.24</u>	<u>48.67</u>

Notes:

- (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

- (2) Calculated by dividing 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 China Securities Regulatory Commission (“CSRC”).
- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets and 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 Adequacy Ratio and Leverage Ratio”.

2.3 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 attributable to equity holders of the parent company for the year ended 31 December 2012 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

3. Business Review

In 2012, faced with complicated and severe economic and financial situations at home and abroad, the Bank adhered to its consistent philosophy of prudential operation in actively coping with a variety of challenges, including the continuing impact of the international financial crisis, economic slowdown, acceleration of interest rate liberalization and deepening of financial regulatory reform. It coordinated the operational management work with a focus on stepping up transformative development and launched a good start for the Bank’s third three-year plan after the joint-stock reform. In 2012, the Bank realized a net profit of RMB238,691 million, representing an increase of 14.5% over the previous year, which continued to place it as the most profitable bank in the world and brought not only healthy return to shareholders and investors but also healthy and sustainable development to itself.

Persisting in its prudent and sustainable principle for credit management, the Bank scientifically and rationally controlled the aggregate amount and pace of lending based on changes in the

macroeconomic trend, and continuously promoted the enhancement and adjustment of credit structure while actively serving the development of real economy. New RMB loans of domestic branches of the Bank amounted to RMB867,202 million, up by 12.3%, enabling the Bank to top the financial institutions in terms of credit increment, among which, loan increment to industries which met national industrial policy and economic structural adjustment direction, including advanced manufacturing, modern services, cultural industries and strategic emerging sectors was 103% of corporate loan increment, and that to small (micro) and medium-sized enterprises was 89% of corporate loan increment; the outstanding loans to small (micro) and medium-sized enterprises accounted for 72% of outstanding corporate loans. New personal loans (including bank card financing) were RMB272,177 million, accounting for 27% of the aggregate of new loans. At the same time, the Bank actively applied quota management, economic capital management and other instruments to guide credit structure adjustment, further improving the sector, customer and term structure of its credit. Also, the Bank strictly controlled lending to industries with high energy consumption, high pollution and over-capacity and actively supported the development of energy-efficient and environment-friendly sectors and other green economy sectors, evidenced by the total outstanding loan balance of RMB593.4 billion to the green economy sectors with over 99.9% of the Bank's loans being environment-friendly and environment-compliant loans.

Relying on innovation as the driving force for business development, the Bank keenly grasped market changes and customer demands, quickened product innovation and service enhancement, and promoted the transformation and upgrade of basic businesses and the rapid development of emerging businesses. Adapting to customers' needs for diversified asset allocation and wealth management orientation of deposits, the Bank created new thoughts on deposits and improved the fund price management system to accommodate interest rate liberalization, which resulted in an increase of RMB1,247,081 million in RMB customer deposits, up by 10.5%, securing its first position amongst the world's deposit banks. In addition, it continued to strengthen its product line construction, introduced over 500 new products through independent R&D, including multiple-currency credit cards and personal account-based foreign exchange trading, increasing its varieties of financial products by 28% to 4,163, by virtue of which the Bank maintained its position as the bank with the most diversified financial products in China. Driven by financial assets services, the Bank's fee-based business was enhanced and remarkable progress was made in various businesses. The income from financial assets services increased by 32% over the previous year. The balance of wealth management products exceeded RMB1 trillion. Income from merger & acquisition and other high-end investment banking business rose by 1.6 times. The number of bank cards issued amounted to 470 million, with an annual consumption amount of RMB4.13 trillion, of which 77.13 million credit cards were issued with an annual consumption amount of RMB1.3 trillion, placing the Bank first in the Asia-Pacific region in the number of cards issued and consumption amount and ranking the Bank one of the top four card issuing banks in the world. Besides, turnover of internet banking exceeded RMB300 trillion, representing an increase of 17.2% over the previous year. The number of mobile banking customers totaled more than 74 million and turnover jumped by nearly 17 times. The business volume of international settlement approached USD2 trillion, making the Bank one of the leading international settlement banks in the world. Settlement and cash management, asset custody, pension business, private banking, precious metals and many other businesses also witnessed healthy development in 2012.

Adhering to its prudent principle in risk management, the Bank actively adapted to the new regulatory requirements. It further improved its framework, procedures and systems concerning risk management, strengthened the supervision over its subsidiaries and enhanced consolidated risk management to ensure effective isolation and control of risks in different markets and business segments, thus improving the Group's enterprise risk management standard. The Bank also proactively prepared for the implementation of the Regulation Governing Capital of Commercial Banks (Provisional), developed and improved its capital planning, seized the opportunity to issue subordinated bonds of RMB20.0 billion in the domestic inter-bank market to replenish its supplementary capital. As a result, the capital adequacy ratio and core capital adequacy ratio of the Bank reached 13.66% and 10.62% respectively, fully meeting the regulatory requirements. In face of the rebound of non-performing loans (NPLs) of the banking sector resulting from the profound impact of the international financial crisis, economic slowdown and other factors, the Bank closely tracked and monitored potential risks and strengthened control over business segments with prominent risks. It effectively curbed the rebound of NPLs by accelerating its exit from loans with potential risks, intensifying efforts in loan collection, and strengthening its policies on collection and disposal of NPLs. The NPL ratio of the Bank decreased by 0.09 percentage points to 0.85%, realizing a decrease in 13 consecutive years. The allowance to NPL increased by 28.63 percentage points to 295.55%, evidencing further enhanced risk coverage capacity.

2013 is a vital year for implementation of the Bank's new three-year plan and also a year full of opportunities and challenges. The Bank will strengthen its analysis and understanding of macro economic and financial situations, enhance its foresight and initiative in operational management, intensify its efforts in reform and innovation and operating transformation, and consolidate enterprise risk management. It will strive to attain healthy and sustainable development, create more wealth for shareholders and investors and provide better and more diversified financial services for the social and economic development.

4. Discussion and Analysis

4.1 Income Statement Analysis

In 2012, faced with complicated and rigorous operating environment, the Bank accelerated the transformation of development mode and operation based on serving the real economy and satisfying customers' financial needs, deepened reform and innovation, and continued to improve service. Moreover, the Bank strictly managed and controlled cost and maintained the stability of asset quality, resulting in a sound momentum of steady and progressive operation. The Bank realized a net profit of RMB238,691 million during the year, representing an increase of RMB30,246 million or 14.5% as compared to the previous year, return on average total assets stood at 1.45%, and return on weighted average equity was 23.02%. Operating income amounted to RMB529,720 million, representing an increase of 12.6%. Net interest income was RMB417,828 million, representing an increase of 15.2%. Non-interest income reached RMB111,892 million, representing an increase of 3.8%. Operating expenses amounted to RMB189,940 million, representing an increase of 12.0%, and the cost-to-income ratio decreased by 0.67 percentage points to 29.24%. Allowance for impairment losses was RMB33,745 million, representing an increase of 8.4%. Income tax expense increased by RMB6,130 million or 9.6% to RMB69,996 million.

Net Interest Income

The Bank continued to strengthen asset and liability management, reasonably controlled credit granting volume and pace, proactively adjusted its credit structure, timely adjusted its investment strategies and optimized its investment portfolio structure. Meanwhile, the Bank also took various measures to strive for liability cost control and achieve stable growth in net interest income. In 2012, net interest income increased by RMB55,064 million or 15.2% to RMB417,828 million, accounting for 78.9% of the Bank's operating income. Interest income increased by RMB131,859 million or 22.4% to RMB721,439 million, and interest expenses increased by RMB76,795 million or 33.9% to RMB303,611 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.

Item	<i>In RMB millions, except for percentages</i>					
	Average balance	2012 Interest income/expense	Average yield/cost (%)	Average balance	2011 Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	8,386,531	519,852	6.20	7,329,882	416,388	5.68
Investment	3,839,495	138,159	3.60	3,673,043	121,077	3.30
Investment in bonds not related to restructuring	3,488,859	130,267	3.73	3,272,997	112,086	3.42
Investment in bonds related to restructuring ⁽²⁾	350,636	7,892	2.25	400,046	8,991	2.25
Due from central banks	2,652,396	41,766	1.57	2,402,963	38,332	1.60
Due from banks and other financial institutions ⁽³⁾	853,392	21,662	2.54	475,867	13,783	2.90
Total interest-generating assets	15,731,814	721,439	4.59	13,881,755	589,580	4.25
Non-interest-generating assets	901,978			675,753		
Allowance for impairment losses	(211,109)			(185,263)		
Total assets	16,422,683			14,372,245		
Liabilities						
Deposits	12,509,843	249,422	1.99	11,364,657	188,650	1.66
Due to banks and other financial institutions ⁽³⁾	1,694,972	43,461	2.56	1,389,833	32,809	2.36
Debt securities issued	264,493	10,728	4.06	150,578	5,357	3.56
Total interest-bearing liabilities	14,469,308	303,611	2.10	12,905,068	226,816	1.76
Non-interest-bearing liabilities	842,263			574,991		
Total liabilities	15,311,571			13,480,059		
Net interest income		417,828			362,764	
Net interest spread			2.49			2.49
Net interest margin			2.66			2.61

- 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 and special government bonds during the reporting period.
- (3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements, and due to banks and other financial institutions includes the amount of repurchase agreements.

• **Net Interest Spread and Net Interest Margin**

During the reporting period, interest rate liberalization reform stepped up with a large pace. The People's Bank of China ("PBC") lowered the benchmark interest rate of RMB deposits and loans twice in June and July 2012 respectively, and meanwhile adjusted the upper limit of fluctuation range of RMB deposit interest rate for financial institutions to 1.1 times of benchmark interest rate, and adjusted the lower limit of fluctuation range of loan interest rate to 0.7 times of benchmark interest rate. The Bank actively coped with the interest rate liberalization reform, accelerated the establishment of RMB deposit market-based pricing mechanism, reinforced RMB loan pricing management and stabilized the level of net interest spread and net interest margin.

Net interest spread was 2.49%, maintaining the same level as the previous year; and net interest margin was 2.66%, representing an increase of 5 basis points 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.

Item	2012	2011	<i>Percentages</i>
			Increase/ (decrease) (basis points)
Yield of interest-generating assets	4.59	4.25	34
Cost of interest-bearing liabilities	2.10	1.76	34
Net interest spread	2.49	2.49	—
Net interest margin	2.66	2.61	5

Interest Income

- Interest Income on Loans and Advances to Customers**

Interest income on loans and advances to customers was RMB519,852 million, representing an increase of RMB103,464 million or 24.8% as compared to the previous year, of which, increase due to the growth in scale was RMB65,349 million, accounting for 63.2% of the total increase, and increase due to rise of average yield was RMB38,115 million, accounting for 36.8% of the total increase. The rise of 52 basis points in average yield was mainly due to the accumulative influence resulted from the upward adjustment of benchmark interest rate on RMB loans for three times by PBC in 2011 and the influence of the two times interest rate decrease in June and July 2012 had been emerging gradually. In addition, the Bank continuously carried forward credit structure adjustment, resulting in further improvement of interest rate management level.

In terms of maturity structure, the average balance of short-term loans was RMB2,850,865 million, interest income derived therefrom was RMB170,257 million, and the average yield was 5.97%. The average balance of medium to long-term loans was RMB5,535,666 million, interest income arising therefrom was RMB349,595 million, and the average yield was 6.32%.

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

In RMB millions, except for percentages

Item	2012			2011		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	5,618,165	364,464	6.49	5,018,657	298,511	5.95
Discounted bills	192,354	14,495	7.54	111,039	10,316	9.29
Personal loans	2,099,358	125,775	5.99	1,823,488	96,755	5.31
Overseas business	476,654	15,118	3.17	376,698	10,806	2.87
Total loans and advances to customers	8,386,531	519,852	6.20	7,329,882	416,388	5.68

In terms of business line, interest income on corporate loans amounted to RMB364,464 million, representing an increase of RMB65,953 million or 22.1% as compared to the previous year and accounting for 70.1% of total interest income on loans and advances to customers, mainly due to an increase of RMB599,508 million in average balance of corporate loans and a rise of 54 basis points in average yield.

Interest income on discounted bills was RMB14,495 million, representing an increase of RMB4,179 million or 40.5% as compared to the previous year, mainly due to an increase of RMB81,315 million in average balance resulted from the Bank's timely reinforcement in development of discounted bills based on market supply and demand.

Interest income on personal loans was RMB125,775 million, representing an increase of RMB29,020 million or 30.0% as compared to the previous year, principally due to an increase of RMB275,870 million in average balance of personal loans and a rise of 68 basis points in average yield.

Interest income on overseas loans was RMB15,118 million, representing an increase of RMB4,312 million or 39.9% as compared to the previous year, mainly due to the continuous advancement of the Bank's internationalized development and the growth in the size of overseas loans.

- **Interest Income on Investment**

Interest income on investment was RMB138,159 million, representing an increase of RMB17,082 million or 14.1% as compared to the previous year, of which, interest income on investment in bonds not related to restructuring was RMB130,267 million, representing an increase of RMB18,181 million or 16.2%, mainly due to a rise of 31 basis points in the average yield of bonds not related to restructuring resulted from relatively high yield of new investment in bonds and the Bank's increase in bond investment at the high position of yield in line with the market trend.

Interest income on investment in bonds related to restructuring decreased by RMB1,099 million or 12.2% to RMB7,892 million from the previous year, mainly due to payment of part of the Huarong bonds in 2012, resulting in a decrease 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 RMB41,766 million, representing an increase of RMB3,434 million or 9.0% as compared to the previous year, mainly due to the increase in the size of due from central banks resulted from the steady growth in due to customers of the Bank.

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

Interest income on due from banks and other financial institutions was RMB21,662 million, representing an increase of RMB7,879 million or 57.2% as compared to the previous year, mainly because the Bank increased the size of fund financed in the monetary market on the precondition of guaranteed liquidity, resulting in an increase of RMB377,525 million or 79.3% in the average balance of due from banks and other financial institutions.

Interest Expense

• Interest Expense on Deposits

Interest expense on deposits amounted to RMB249,422 million, representing an increase of RMB60,772 million or 32.2% as compared to the previous year, and accounted for 82.2% of total interest expense, of which, the increase due to the rise in average cost was RMB37,503 million, accounting for 61.7% of the total increase, and increase due to the growth in scale was RMB23,269 million, accounting for 38.3% of the total increase. Average cost rose by 33 basis points, mainly due to cumulative influence of adjustment in benchmark interest rate on RMB deposits and a rising percentage of average balance of time deposits.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	2012			2011		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	2,443,236	81,383	3.33	2,071,899	56,404	2.72
Demand deposits ⁽¹⁾	<u>3,668,004</u>	<u>30,046</u>	<u>0.82</u>	<u>3,636,407</u>	<u>29,322</u>	0.81
Subtotal	<u>6,111,240</u>	<u>111,429</u>	1.82	<u>5,708,306</u>	<u>85,726</u>	1.50
Personal deposits						
Time deposits	3,562,534	122,447	3.44	3,188,465	88,755	2.78
Demand deposits	<u>2,509,931</u>	<u>9,987</u>	<u>0.40</u>	<u>2,194,947</u>	<u>10,663</u>	0.49
Subtotal	<u>6,072,465</u>	<u>132,434</u>	2.18	<u>5,383,412</u>	<u>99,418</u>	1.85
Overseas business	<u>326,138</u>	<u>5,559</u>	1.70	<u>272,939</u>	<u>3,506</u>	1.28
Total deposits	<u><u>12,509,843</u></u>	<u><u>249,422</u></u>	1.99	<u><u>11,364,657</u></u>	<u><u>188,650</u></u>	1.66

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 RMB43,461 million, representing an increase of RMB10,652 million or 32.5% as compared to the previous year, mainly because of an increase of RMB305,139 million in average balance, as well as a rise of 20 basis points in average cost resulted from the drop in the percentage of due to banks and other financial institutions with relatively lower average cost due to continuous vibration of capital market.

- **Interest Expense on Debt Securities Issued**

Interest expense on debt securities issued was RMB10,728 million, representing an increase of RMB5,371 million or 100.3% as compared to the previous year, mainly attributable to the Bank's cumulative issuance of RMB108.0 billion subordinated bonds since June 2011.

Non-interest Income

In 2012, non-interest income increased by RMB4,055 million or 3.8% from the previous year to RMB111,892 million, accounting for 21.1% of total operating income.

Proactively coping with the changes in the market environment, regulatory requirements and customers' demands, the Bank intensified the transformation and development of fee-based business, promoted product and service innovation, truly protected consumer rights and interests, strived to develop financial asset service business, actively expanded service fields with high technical content and added value for customers, and pushed forward the sound and compliant development of fee-based business. During the year, net fee and commission income of the Bank was RMB106,064 million, representing an increase of RMB4,514 million or 4.4% as compared to the previous year, of which, income from bank card business, brand investment banking business, private banking service and pension business grew quickly. Fee and commission expense increased by RMB2,290 million or 30.4%, mainly attributable to the increase in expenses from bank card business and E-banking business. During the reporting period, income from the entrusted wealth management services amounted to RMB12,678 million and income from various agency services amounted to RMB6,564 million.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	2012	2011	Increase/ (decrease)	Growth rate (%)
Settlement, clearing business and cash management	27,499	25,410	2,089	8.2
Investment banking business	26,117	22,592	3,525	15.6
Bank card business	23,494	17,268	6,226	36.1
Personal wealth management and private banking services	16,760	21,264	(4,504)	(21.2)
Corporate wealth management services	10,018	9,269	749	8.1
Asset custody business	5,974	5,892	82	1.4
Guarantee and commitment business	2,848	5,101	(2,253)	(44.2)
Trust and agency services	1,623	1,376	247	18.0
Others	1,548	905	643	71.0
Fee and commission income	115,881	109,077	6,804	6.2
Less: Fee and commission expense	9,817	7,527	2,290	30.4
Net fee and commission income	106,064	101,550	4,514	4.4

Income from settlement, clearing business and cash management was RMB27,499 million, representing an increase of RMB2,089 million or 8.2% as compared to the previous year. Specifically, income from cash management service business grew relatively faster and income from RMB settlement business maintained steady growth.

Income from investment banking business increased by RMB3,525 million or 15.6% to RMB26,117 million. Specifically, the Bank realized rapid growth in brand investment banking businesses including restructuring and merger, equity financing, structural financing and syndicated arrangement.

Income from bank card business increased by RMB6,226 million or 36.1% to RMB23,494 million, mainly due to the increase in income from bank card installment business and consumption commission income.

Income from corporate wealth management services amounted to RMB10,018 million, representing an increase of RMB749 million or 8.1%, which was mainly driven by the steady increase in corporate wealth management business.

Income from trust and agency services increased by RMB247 million or 18.0% to RMB1,623 million, mainly attributable to an increase in income from entrusted loan business.

Pursuant to the macro environmental changes and financial regulatory requirements, the Bank increased support for the development of small and micro enterprises, ceased to charge the commitment fee and treasury management fee for loans to small and micro enterprises and strictly restrained the charging of financial advisory fee and consultation fee. Furthermore, the Bank comprehensively streamlined and normalized the fee management and implemented the Price List for Services of Industrial and Commercial Bank of China (2012 Version) as of 1 April. Subject to the impact of policy and market environment, income from guarantee and commitment as well as part of personal wealth management service reduced to some extent.

OTHER NON-INTEREST RELATED GAIN

Item	<i>In RMB millions, except for percentages</i>			
	2012	2011	Increase/ (decrease)	Growth rate (%)
Net trading income	510	444	66	14.9
Net loss on financial assets and liabilities designated at fair value through profit or loss	(5,114)	(271)	(4,843)	N/A
Net gain on financial investments	608	219	389	177.6
Other operating income, net	9,824	5,895	3,929	66.6
Total	5,828	6,287	(459)	(7.3)

Other non-interest income was RMB5,828 million, representing a decrease of RMB459 million or 7.3% as compared to the previous year. Specifically, net loss on financial assets and liabilities designated at fair value through profit or loss increased by RMB4,843 million, mainly due to an increase in expenses from structural deposits paid to customers. Net of other operating income increased by RMB3,929 million, mainly resulting from an increase of RMB2,695 million in net gain from foreign exchange and foreign exchange products.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	2012	2011	Increase/ (decrease)	Growth rate (%)
Staff costs	96,240	87,881	8,359	9.5
Including: Salaries and bonuses	63,256	57,943	5,313	9.2
Premises and equipment expenses	23,487	21,121	2,366	11.2
Business tax and surcharges	35,066	28,875	6,191	21.4
Amortisation	1,781	1,426	355	24.9
Others	33,366	30,310	3,056	10.1
Total	<u>189,940</u>	<u>169,613</u>	<u>20,327</u>	12.0

The Bank exercised strict cost management and control. Operating expenses were RMB189,940 million, representing an increase of RMB20,327 million or 12.0% as compared to the previous year. Of which, salaries and bonuses increased by 9.2% (increased by 8.7% excluding newly acquired institutions); business tax and surcharges increased by RMB6,191 million or 21.4% to RMB35,066 million, mainly driven by the growth in taxable interest income; other operating expenses increased by 10.1% to RMB33,366 million; and cost-to-income ratio dropped by 0.67 percentage points to 29.24% as compared to the previous year.

Impairment Losses

Impairment losses on assets increased by RMB2,624 million or 8.4% from the previous year to RMB33,745 million, of which, impairment losses on loans increased by RMB740 million or 2.3% to RMB32,572 million. The Bank strengthened risk prevention and control, maintaining stable loan quality.

Income Tax Expense

Income tax expense increased by RMB6,130 million or 9.6% from the previous year to RMB69,996 million. The effective tax rate was 22.7%. 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.

4.2 Segment Information

The Bank's principal operating segments include corporate banking, personal banking and treasury operations. The Bank adopts the Management of Value Accounting (MOVA) to evaluate the performance of each of its operating segments.

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2012		2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	285,765	54.0	249,684	53.1
Personal banking	154,056	29.1	143,794	30.5
Treasury operations	85,993	16.2	72,281	15.4
Others	3,906	0.7	4,842	1.0
Total operating income	529,720	100.0	470,601	100.0

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2012		2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	47,565	9.0	34,176	7.3
Yangtze River Delta	107,028	20.2	99,137	21.1
Pearl River Delta	69,316	13.1	65,021	13.8
Bohai Rim	104,030	19.6	95,896	20.4
Central China	70,442	13.3	61,987	13.2
Western China	82,994	15.7	72,686	15.4
Northeastern China	29,821	5.6	27,482	5.8
Overseas and others	18,524	3.5	14,216	3.0
Total operating income	529,720	100.0	470,601	100.0

4.3 Balance Sheet Analysis

In 2012, international and domestic economies continued to face the complex operating structure, the State continued to carry out proactive financial policy and prudent monetary policy, PBC decreased the benchmark interest rate on RMB deposits and loans for financial institutions and adjusted the floating range of interest rates on deposits and loans, and therefore competition among peers was increasingly fierce. Based on the development needs of the real economy, the Bank reasonably controlled the aggregate amount and pace of lending and deepened the loan structure adjustment. 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 promote steady growth in due to customers, and meanwhile expanded the scale of other liabilities, thereby ensuring a stable and sustainable growth of funding sources.

Assets Deployment

As at the end of 2012, total assets of the Bank was RMB17,542,217 million, representing an increase of RMB2,065,349 million or 13.3% from the end of the previous year, of which total loans and advances to customers (collectively referred to as “loans”) increased by RMB1,014,795 million or 13.0%, investment increased by RMB167,985 million or 4.3%, and cash and balances with central banks increased by RMB412,787 million or 14.9%. In terms of structure, investment accounted for 23.3% of total assets, representing a decrease of 2.0 percentage points from the end of the previous year; due from banks and other financial institutions accounted for 3.6%, representing an increase of 0.5 percentage points from the end of the previous year; and reverse repurchase agreements accounted for 3.1%, representing an increase of 0.8 percentage points from the end of the previous year.

ASSETS DEPLOYMENT

Item	<i>In RMB millions, except for percentages</i>			
	At 31 December 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	8,803,692	—	7,788,897	—
Less: Allowance for impairment losses on loans	220,403	—	194,878	—
Loans and advances to customers, net	8,583,289	48.9	7,594,019	49.1
Investment	4,083,887	23.3	3,915,902	25.3
Cash and balances with central banks	3,174,943	18.1	2,762,156	17.8
Due from banks and other financial institutions, net	636,450	3.6	478,002	3.1
Reverse repurchase agreements	544,579	3.1	349,437	2.3
Others	519,069	3.0	377,352	2.4
Total assets	17,542,217	100.0	15,476,868	100.0

Loans

In 2012, 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 advanced manufacturing, modern services, cultural industries and strategic emerging sectors, continuously improved the financial services for small (micro) and medium-sized enterprises, and strengthened credit support for trade finance and the reasonable credit demands of individuals, maintaining a stable and appropriate level of lending. As at the end of 2012, loans amounted to RMB8,803,692 million, representing an increase of RMB1,014,795 million or 13.0% from the end of the previous year, of which, RMB-denominated loans of domestic operations increased by RMB867,202 million or 12.3% to RMB7,890,779 million from the end of the previous year.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	6,332,578	71.9	5,666,511	72.7
Discounted bills	184,011	2.1	107,460	1.4
Personal loans	2,287,103	26.0	2,014,926	25.9
Total	8,803,692	100.0	7,788,897	100.0

Corporate loans increased by RMB666,067 million or 11.8%. In terms of maturity, short-term corporate loans increased by RMB504,603 million or 25.7%, accounting for 75.8% of the total increase in all corporate loans; medium to long-term corporate loans increased by RMB161,464 million or 4.4%, accounting for 24.2% of the total increase, mainly resulted from the Bank's active adjustment on credit structure. In terms of product type, working capital loans increased by RMB521,594 million or 22.9%, of which, trade finance increased by RMB143,958 million or 16.2%, mainly because the Bank continued to support the credit demands of enterprises in the production and circulation areas; project loans increased by RMB167,932 million or 5.9%, mainly attributable to support provided to national key projects under construction and continuing projects; and property loans decreased by RMB23,459 million or 4.3%, mainly because the Bank prudently granted property loans in line with the risk status in the real estate market.

Discounted bills increased by RMB76,551 million or 71.2%, mainly because the Bank strengthened the adjustment on the scale and structure of bill assets and intensified support to the real economy based on macroeconomy and the trend of interest rate in bill market.

Personal loans increased by RMB272,177 million or 13.5%, mainly because the Bank implemented the differentiated housing credit policy, enriched the product system of personal loans and promoted the steady development of personal loan business in adherence to the national macroeconomic policy. Specifically, personal housing loans increased by RMB151,453 million or 12.7%, accounting for 55.6% of the increase of personal loans, principally due to the recovery of real estate market to some extent and the steady growth in personal housing loans resulted from the decrease of benchmark interest rate on loans in the second half of 2012 and the release of some rigid demands in real estate market; personal business loans increased by RMB53,477 million or 20.1%, mainly because the Bank focused on the commodity exchange market and increased efforts in marketing and servicing to promote the development of relevant businesses; personal consumption loans increased by RMB402 million or 0.1%, as the Bank intensified the management on the usage of personal consumption loans and proactively adjusted loan product structure, resulting in the slowdown of its growth rate; and credit card overdrafts increased by RMB66,845 million or 37.5%, mainly due to the continual development of credit card installment repayment business as well as the stable growth of credit card issuance and consumption volume.

DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

In RMB millions, except for percentages

Item	At 31 December 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	8,501,566	96.57	7,484,060	96.09
Special mention	227,551	2.58	231,826	2.97
Non-performing loans	74,575	0.85	73,011	0.94
Substandard	29,418	0.33	24,092	0.31
Doubtful	36,482	0.42	38,712	0.50
Loss	8,675	0.10	10,207	0.13
Total	8,803,692	100.00	7,788,897	100.00

Loan quality maintained stable. As at the end of 2012, according to the five-tier classification, pass loans amounted to RMB8,501,566 million, representing an increase of RMB1,017,506 million from the end of the previous year and accounting for 96.57% of total loans, up 0.48 percentage points. Special mention loans stood at RMB227,551 million, representing a decrease of RMB4,275 million and accounting for 2.58% of total loans, down 0.39 percentage points. Outstanding NPLs amounted to RMB74,575 million, increased by RMB1,564 million, and NPL ratio was 0.85%, down 0.09 percentage points.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2012				At 31 December 2011			
	Loan	Percentage (%)	NPL	NPL Ratio (%)	Loan	Percentage (%)	NPL	NPL Ratio (%)
Corporate loans	6,332,578	71.9	60,977	0.96	5,666,511	72.7	62,263	1.10
Discounted bills	184,011	2.1	—	—	107,460	1.4	—	—
Personal loans	2,287,103	26.0	13,598	0.59	2,014,926	25.9	10,748	0.53
Total	8,803,692	100.0	74,575	0.85	7,788,897	100.0	73,011	0.94

The balance of non-performing corporate loans stood at RMB60,977 million, decreased by RMB1,286 million from the end of the previous year, and NPL ratio was 0.96%, down 0.14 percentage points. The balance of non-performing personal loans stood at RMB13,598 million, increased by RMB2,850 million, and NPL ratio was 0.59%, up 0.06 percentage points, which was mainly due to the increase in NPL amount of personal business loans, personal consumption loans and bank card overdrafts as a result of decrease of operating results or salaries of borrowers affected by the slower economic growth.

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

In RMB millions, except for percentages

Item	At 31 December 2012				At 31 December 2011			
	Loan	Percentage (%)	NPL	NPL Ratio (%)	Loan	Percentage (%)	NPL	NPL Ratio (%)
Manufacturing	1,392,266	23.8	22,442	1.61	1,121,413	21.5	23,432	2.09
Chemical Industry	214,625	3.7	3,115	1.45	174,423	3.3	3,506	2.01
Machinery	212,086	3.6	2,721	1.28	180,605	3.5	2,328	1.29
Metal processing	173,477	3.0	2,570	1.48	143,597	2.8	1,698	1.18
Iron and steel	135,925	2.3	1,402	1.03	106,396	2.0	1,946	1.83
Textiles and apparels	135,744	2.3	3,179	2.34	114,382	2.2	3,365	2.94
Computer, telecommunications equipment, and other electronic equipment	94,558	1.6	1,103	1.17	56,920	1.1	1,721	3.02
Transportation equipment	72,752	1.3	1,312	1.80	63,189	1.2	1,469	2.32
Non-metallic mineral	63,599	1.1	1,710	2.69	52,047	1.0	1,726	3.32
Petroleum processing, coking and nuclear fuel	55,161	0.9	312	0.57	41,687	0.8	301	0.72
Others	234,339	4.0	5,018	2.14	188,167	3.6	5,372	2.85
Transportation, storage and postal services	1,135,626	19.4	9,538	0.84	1,052,529	20.2	12,173	1.16
Wholesale and retail	705,800	12.1	14,186	2.01	535,270	10.2	8,212	1.53
Production and supply of electricity, heat, gas and water	579,726	9.9	2,727	0.47	587,723	11.3	5,099	0.87
Real estate	487,186	8.3	4,297	0.88	512,178	9.8	4,775	0.93
Water, environment and public utility management	464,000	7.9	341	0.07	499,196	9.6	1,102	0.22
Leasing and commercial services	382,835	6.6	959	0.25	349,508	6.7	747	0.21
Mining	233,124	4.0	473	0.20	179,474	3.4	524	0.29
Construction	145,798	2.5	932	0.64	115,047	2.2	1,054	0.92
Lodging and catering industry	101,489	1.7	796	0.78	60,849	1.2	907	1.49
Science, education, culture and sanitation	84,339	1.5	578	0.69	67,673	1.3	693	1.02
Others	132,646	2.3	983	0.74	134,745	2.6	1,098	0.81
Total	5,844,835	100.0	58,252	1.00	5,215,605	100.0	59,816	1.15

In 2012, the Bank enhanced credit restructuring efforts, and proactively supported the development of advanced manufacturing, service sector, cultural industry and strategic emerging industries in line with the country's economic structural adjustment orientation. The increment of the loans to the manufacturing industry was RMB270,853 million, up 24.2%, which was mainly attributable to advanced manufacturing industries including equipment manufacturing and agricultural products processing industries as well as leading enterprises in some traditional industries; and the increment of loans to the wholesale and retail industry, mainly part of the loans to the service sector, was RMB170,530 million, together with that to the manufacturing industry accounting for 70.1% of new corporate loans granted. Loans granted to the transportation, storage and postal services industry increased by RMB83,097 million, mainly to support the key projects under construction and major continued projects. Loans to the water, environment and public utility management industry and the real estate industry decreased by RMB35,196 million and RMB24,992 million respectively, mainly benefiting from the Bank's effort to adjust credit structure and continue to control loans granted to the urban construction area and implement strict quota management of the real estate industry.

The Bank further enhanced risk management of loans to prevent industry credit risk. There was a significant decrease in the NPL balance in the transportation, storage and postal services, the production and supply of electricity, heat, gas and water and the manufacturing industries. Macro-economic downturn led to defaults of some wholesale enterprises engaging in steel products and building materials business and increase of NPLs to the wholesale and retail industry.

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
At the beginning of the year	35,409	159,469	194,878
Charge for the year	2,286	30,286	32,572
Including: Impairment allowances charged	13,933	103,257	117,190
Impairment allowances transferred	84	(84)	—
Reversal of impairment allowances	(11,731)	(72,887)	(84,618)
Accreted interest on impaired loans	(944)	—	(944)
Write-offs	(6,279)	(1,249)	(7,528)
Recoveries of loans and advances previously written off	701	191	892
Other changes	232	301	533
At the end of the year	<u>31,405</u>	<u>188,998</u>	<u>220,403</u>

As at the end of 2012, the allowance for impairment losses on loans stood at RMB220,403 million, a year-on-year increase of RMB25,525 million. Allowance to NPL was 295.55%, up 28.63 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

Item	At 31 December 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	3,754,475	42.6	3,234,332	41.5
Including: Personal housing loans	1,340,891	15.2	1,189,438	15.3
Pledged loans	1,087,051	12.4	792,016	10.2
Including: Discounted bills	184,011	2.1	107,460	1.4
Guaranteed loans	1,269,028	14.4	1,201,184	15.4
Unsecured loans	2,693,138	30.6	2,561,365	32.9
Total	8,803,692	100.0	7,788,897	100.0

Loans secured by mortgages stood at RMB3,754,475 million, representing an increase of RMB520,143 million or 16.1% from the end of the previous year. Pledged loans amounted to RMB1,087,051 million, representing an increase of RMB295,035 million or 37.3%, which is mainly due to the increase in scale of discounted bills. Unsecured loans amounted to RMB2,693,138 million, representing an increase of RMB131,773 million or 5.1% from the end of the previous year.

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 31 December 2012		At 31 December 2011	
	Amount	% of total	Amount	% of total
3 to 6 months	9,485	0.11	4,475	0.06
6 to 12 months	11,903	0.14	6,539	0.08
Over 12 months	40,707	0.46	47,001	0.60
Total	62,095	0.71	58,015	0.74

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 RMB7,188 million, representing a decrease of RMB1,124 million or 13.5% as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB3,969 million, a decrease of RMB1,755 million.

Extended Loans

The balance of extended loans amounted to RMB14,232 million, representing a decrease of RMB2,985 million from the end of the previous year, of which the NPL balance was RMB2,869 million, representing a decrease of RMB1,138 million from the end of last year.

Borrower Concentration

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 4.0% and 17.9% of the Bank's net capital respectively. The total amount of loans granted to the top ten single customers was RMB232,364 million, accounting for 2.6% of the total loans.

Investment

In 2012, the Bank precisely seized opportunities in the market, flexibly organized its investment schedule and focus, optimized the investment structure in strict adherence to the trends in financial markets, and continuously improved the return on investment portfolios on the basis of guaranteed liquidity and controllable risks. As at the end of 2012, investment amounted to RMB4,083,887 million, representing an increase of RMB167,985 million or 4.3% as compared to the end of the previous year.

INVESTMENT

In RMB millions, except for percentages

Item	At 31 December 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	4,067,207	99.6	3,912,033	99.9
Investment in bonds not related to restructuring	3,719,302	91.1	3,402,795	86.9
Investment in bonds related to restructuring	260,096	6.4	397,996	10.2
Other debt instruments	87,809	2.1	111,242	2.8
Equity instruments and others	16,680	0.4	3,869	0.1
Total	<u>4,083,887</u>	<u>100.0</u>	<u>3,915,902</u>	<u>100.0</u>

Bonds not related to restructuring amounted to RMB3,719,302 million, representing an increase of RMB316,507 million or 9.3% as compared to the end of last year. Investment in bonds related to restructuring amounted to RMB260,096 million, representing a decrease of RMB137,900 million as compared to the end of the previous year, because MOF and China Huarong Asset Management Co., Ltd. established a jointly-managed fund and the Bank honored part of Huarong bonds.

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY ISSUERS

In RMB millions, except for percentages

Item	At 31 December 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	875,876	23.5	858,194	25.2
Central bank bills	553,216	14.9	682,676	20.1
Policy bank bonds	1,587,949	42.7	1,318,582	38.7
Other bonds	702,261	18.9	543,343	16.0
Total	3,719,302	100.0	3,402,795	100.0

In terms of distribution by issuers, government bonds increased by RMB17,682 million or 2.1%; central bank bills decreased by RMB129,460 million or 19.0%; policy bank bonds increased by RMB269,367 million or 20.4%; and other bonds increased by RMB158,918 million or 29.2%, mainly because portion of the central bank bills matured during the reporting period and the Bank moderately increased investment in policy bank bonds and high-quality credit bonds.

DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

In RMB millions, except for percentages

Item	At 31 December 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	221,671	5.4	152,208	3.9
Available-for-sale financial assets	920,939	22.6	840,105	21.5
Held-to-maturity investments	2,576,562	63.1	2,424,785	61.9
Receivables	364,715	8.9	498,804	12.7
Total	4,083,887	100.0	3,915,902	100.0

Due from Banks and Other Financial Institutions

Due from banks and other financial institutions was RMB636,450 million, representing an increase of RMB158,448 million or 33.1% from the end of the previous year. The 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 2012, total liabilities of the Bank amounted to RMB16,413,758 million, representing an increase of RMB1,894,713 million or 13.0% from the end of the previous year.

LIABILITIES

In RMB millions, except for percentages

Item	At 31 December 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	13,642,910	83.1	12,261,219	84.5
Due to banks and other financial institutions	1,486,805	9.1	1,341,290	9.2
Repurchase agreements	237,764	1.4	206,254	1.4
Debt securities issued	232,186	1.4	204,161	1.4
Others	814,093	5.0	506,121	3.5
Total liabilities	<u>16,413,758</u>	<u>100.0</u>	<u>14,519,045</u>	<u>100.0</u>

Due to Customers

Customer deposits are the Bank's main source of fund. In 2012, the Bank fully exerted its comprehensive advantage in financial service, enhanced the deposit market competitiveness by strengthening overall cooperation and coordination, actively expanded new markets and new customers, and exercised differentiated management on interest rate of deposits, in order to promote a continuous and steady growth in deposits business. As at the end of 2012, the balance of due to customers was RMB13,642,910 million, representing an increase of RMB1,381,691 million or 11.3% when compared to the end of the previous year. In terms of customer structure, the balance of corporate deposits increased by RMB726,300 million or 11.7%; and personal deposits increased by RMB652,850 million or 11.1%. In terms of maturity structure, the balance of time deposits increased by RMB968,891 million or 17.0%, while the balance of demand deposits increased by RMB410,259 million or 6.4%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2012		At 31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	2,915,072	21.4	2,364,558	19.3
Demand deposits	3,993,173	29.3	3,817,387	31.1
Subtotal	6,908,245	50.7	6,181,945	50.4
Personal deposits				
Time deposits	3,754,118	27.5	3,335,741	27.2
Demand deposits	2,800,169	20.5	2,565,696	20.9
Subtotal	6,554,287	48.0	5,901,437	48.1
Other deposits⁽¹⁾	180,378	1.3	177,837	1.5
Total	13,642,910	100.0	12,261,219	100.0

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

Due to Banks and Other Financial Institutions

Due to banks and other financial institutions was RMB1,486,805 million, representing an increase of RMB145,515 million or 10.8% as compared to the end of the previous year, mainly to ensure stability in the Bank's source of fund, and its active absorption of short-term inter-bank deposits, thereby supporting the development of each asset business effectively.

Debt Securities Issued

The balance of debt securities issued amounted to RMB232,186 million, representing an increase of RMB28,025 million or 13.7% from the end of the previous year. This was mainly because the Bank issued RMB-denominated subordinated bonds in the amount of RMB20.0 billion in June 2012.

4.4 Capital Adequacy Ratio and Leverage Ratio

The Bank calculates capital adequacy ratio and core capital adequacy ratio in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by China Banking Regulatory Commission ("CBRC"), and 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 2012, the Bank's capital adequacy ratio and core capital adequacy ratio stood at 13.66% and 10.62% respectively, both met regulatory requirements. The capital adequacy ratio and the core capital adequacy ratio increased by 0.49 percentage points and 0.55 percentage points from the end of last year, respectively, mainly because (1) the Bank's profit increased steadily, effectively replenished its core capital; (2) during the reporting period, the Bank issued an aggregate RMB20.0 billion worth of RMB subordinated bonds, all of which were used to replenish supplementary capital; (3) the growth of risk weighted assets was effectively controlled.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 31 December 2012	At 31 December 2011
Core capital	1,044,564	882,300
Share capital	349,620	349,084
Reserves ⁽¹⁾	691,482	532,135
Minority interests	3,462	1,081
Supplementary capital	298,365	271,830
General provisions for loan impairment	88,037	77,889
Long term subordinated bonds	187,585	167,655
Convertible bonds	22,558	24,615
Other supplementary capital	185	1,671
Total capital base before deductions	1,342,929	1,154,130
Deductions	43,915	41,667
Goodwill	24,287	22,223
Unconsolidated equity investments	19,574	18,957
Others	54	487
Net capital base	1,299,014	1,112,463
Net core capital base	1,010,463	850,355
Risk weighted assets and market risk capital adjustment	9,511,205	8,447,263
Core capital adequacy ratio	10.62%	10.07%
Capital adequacy ratio	13.66%	13.17%

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

LEVERAGE RATIO

In RMB millions, except for percentages

Item	At 31 December 2012
Core capital	1,044,564
Deductions of core capital	34,101
Net core capital	1,010,463
Balance of adjusted on-balance-sheet assets	17,539,405
Balance of adjusted off-balance-sheet items	2,145,853
Balance of adjusted on- and off-balance-sheet assets	19,651,157
Leverage ratio	5.14%

Note: Calculated based on relevant provisions in the Administrative Measures for Leverage Ratio of Commercial Banks promulgated by CBRC.

4.5 Other Information Disclosed Pursuant to Regulatory Requirements

Major Regulatory Indicators

Item		Regulatory criteria	2012	2011	2010
Liquidity ratio (%)	RMB	>=25.0	32.5	27.6	31.8
	Foreign currency	>=25.0	65.2	90.6	53.4
Loan-to-deposit ratio (%)	RMB and foreign currency	<=75.0	64.1	63.5	62.0
	Percentage of loans to single largest customer (%)	<=10.0	4.0	3.6	3.5
Percentage of loans to top 10 customers (%)			17.9	19.3	22.8
Loan migration ratio (%)	Pass		1.9	2.0	2.6
	Special mention		4.1	7.3	4.8
	Substandard		28.1	32.8	43.4
	Doubtful		4.4	4.9	10.9

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.

4.6 Outlook

In 2013, the Chinese economy is expected to sustain the stable and rapid growth, and significant progress will continue to be made in the economic restructuring and deepened financial system reform. The Bank will embrace strategic opportunities in its operation and development, but will also face many uncertainties for its transformation and development.

The Bank will embrace various opportunities in 2013. Firstly, the innovation and fostering of strategic emerging sectors and the upgrading and transformation of traditional sectors will not only open up new “blue ocean” for credit business of the Bank, but also provide a field for the Bank to improve its service mode and accelerate its transformation from the traditional financing agency into a new financial service agency. Secondly, new urbanization will bring a steady increase in demands for financial services, which will provide consistent driving forces and large room for the development of relevant businesses of the Bank such as financing, wealth management, agency settlement, etc. Thirdly, the State is exerting itself in expanding the domestic consumption, which will boost an increase and upgrade of financial service demand, especially the demand for improvement and security of people’s livelihood. This will provide new opportunities for the Bank’s business innovation and development. Fourthly, the acceleration of the “Going Global” initiatives and “productivity export” of domestic enterprises as well as the constantly achieved breakthrough in cross-border RMB businesses will bring favorable conditions for the Bank to establish a global business system.

In 2013, the Bank will also face many challenges in its operation and development, including: firstly, the subsequent impacts of the international financial crisis and the European debt crisis continue to linger on, and the global economic recovery slows down and China’s economy enters a stage of profound transformation and adjustment. There are some uncertainties in the external economic environment, which will have certain impact on the formulation and implementation of the operation and development strategies of the Bank. Secondly, the implementation of the Regulation Governing Capital of Commercial Banks (Provisional) will strengthen capital constraints on commercial banks, pressing domestic commercial banks to transform their development mode into a capital-intensive one. Rules and regulations on service charges of commercial banks will be issued progressively, which will further regulate domestic banks’ operation of fee-based businesses, requiring banks to plan and develop their fee-based businesses in a more scientific way. Thirdly, the two interest rate adjustments in 2012 will start to show effects in 2013, which will have some restrictions on the growth of loan-deposit interest rate spread of commercial banks. Meanwhile, the expansion of the floating band for deposit and loan interest rates may further intensify interbank competition for customers and market.

The Bank will continue to carry out its three-year plan in a profound way, further emancipate the minds and consolidate the strengths, and accelerate the transformation of development mode in deepened reform and innovation to constantly enhance the stability, coordination and sustainability of development. Specifically, the Bank will focus on the following aspects:

Firstly, vigorously push forward transformation and upgrade of business development. The Bank will continuously adjust the credit structure and further forge a credit pattern with less capital occupied, asset of high quality, high comprehensive returns and strong sustainability to ensure sound and stable quality of credit asset. It will also comprehensively promote the transformation and upgrade of personal and corporate banking businesses, drive financial asset services to grow rapidly, improve and strengthen financial market business to constantly expand the market share and enhance the sustainable profitability.

Secondly, actively and steadily push forward the internationalized and diversified operation. The Bank will continue to explore differentiated and localized development mode for overseas institutions, actively push forward the development of the global key product lines and increase the guidance to overseas institutions to improve their comprehensiveness and competitiveness among peers; centering on the Group's overall development strategy, it will make overall planning for comprehensive business lines layout and license setting to further improve the Bank's trans-market services capability.

Thirdly, strive to improve the level of services and constantly improve the quality of services. The Bank will actively promote product innovation and procedure optimization, strive to improve financial services for small and medium enterprises, agriculture, farmers and rural areas, and consumption, and provide greater support to weak economic areas, constantly improving the capability of serving the real economy; relying on information technology, it will also continue to improve the marketing, transaction and service systems to provide customers with the new experience of interactive applications.

Fourthly, persistently promote the reform of operation and management and improve the Group's governance system. The Bank will implement a resources allocation and business development strategy with capital management as the mainline, improve the resources allocation pattern of the Group, constantly carry forward procedure optimization and centralized business operation to improve the overall operating efficiency of the Group.

In 2013, the Bank plans to increase total assets by approximately RMB1,700.0 billion, total liabilities by approximately RMB1,500.0 billion, and maintains the year-end NPL ratio within 1.20%.

5. Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 940,158 shareholders, including 150,578 holders of H shares and 789,580 holders of A shares.

5.1 Particulars of Shareholding of the Top 10 Shareholders of the Bank

Unit: Share

Total number of shareholders at the end of 2012 940,158 (number of holders of A shares and H shares on the register of shareholders as at 31 December 2012)

Total number of shareholders at the end of the 5th business day prior to the release date of this annual report 919,698 (number of holders of A shares and H shares on the register of shareholders as at 21 March 2013)

Particulars of shareholding of the top 10 shareholders (The following data are based on the register of shareholders as at 31 December 2012)

Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restriction on sales	Number of pledged or locked-up shares
Central Huijin Investment Ltd.	State-owned	A shares	35.5	123,965,210,282	0	None
Ministry of Finance of the People's Republic of China	State-owned	A shares	35.3	123,316,451,864	0	None
HKSCC Nominees Limited	Foreign legal person	H shares	24.6	86,011,832,362	0	Unknown
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.8	2,806,269,049	0	None
ICBC Credit Suisse Asset Management Co., Ltd. — ICBC — Asset management for specific customers	Other domestic entities	A shares	0.3	1,053,190,083	0	None
An-Bang Insurance (Group) Company — Traditional insurance products	Other domestic entities	A shares	0.2	544,890,787	0	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic entities	A shares	0.1	494,912,641	0	None
Sino Life Insurance Co., Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.1	386,771,556	0	None
China Life Insurance Company Limited — Participating — Individual participating — 005L — FH002 Hu	Other domestic entities	A shares	0.1	374,415,643	0	None
China Pacific Life Insurance Co., Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	0.1	283,287,898	0	None

Notes: (1) Particulars of shareholding of H share holders were based on the number of shares set out in the Bank's register of shareholders maintained at the H share registrar.

(2) Both “China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu” and “China Life Insurance Company Limited — Participating — Individual participating — 005L — FH002 Hu” are managed by 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.

5.2 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 2012, 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:

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	<i>Holder of A Shares</i>	
				Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
Ministry of Finance of the People's Republic of China ⁽¹⁾	Beneficial owner	118,006,174,032	Long position	44.90	33.75
Central Huijin Investment Ltd. ⁽²⁾	Beneficial owner	118,006,174,032	Long position	44.90	33.75

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2012, the Ministry of Finance of the People's Republic of China held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 31 December 2012, Central Huijin Investment Ltd. held 123,965,210,282 shares in the Bank.

Holders of H Shares

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	<i> Holders of H Shares</i>	
				Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
National Council for Social Security Fund	Beneficial owner	10,405,376,524	Long position	11.99	2.98
Temasek Holdings (Private) Limited	Interest of controlled corporations	5,235,843,470	Long position	6.03	1.50
JPMorgan Chase & Co.	Beneficial owner	652,143,385	Long position	0.75	0.19
	Investment manager	1,404,910,833	Long position	1.62	0.40
	Custodian — corporation/ approved lending agent	4,042,223,891	Long position	4.66	1.16
	Total	6,099,278,109		7.03	1.74
Blackrock, Inc.	Beneficial owner	273,429,763	Short position	0.32	0.08
	Interest of controlled corporations	4,875,947,147	Long position	5.62	1.39
		444,854,551	Short position	0.51	0.13

6. 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, The Bank of East Asia, Limited (“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 by the Board of Governors of the Federal Reserve System in May 2012. On 6 July 2012, the transfer of equity interest and funds was completed, and the Bank became a controlling shareholder of The Bank of East Asia (U.S.A.) National Association.

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 Group Limited, 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 Bank Argentina”), Standard Investments S.A. Sociedad Gerente de Fondos Comunes de Inversión (“Standard Investments”) and Inversora Diagonal Sociedad Anónima (together with Standard Bank Argentina and Standard Investments, the “Target Companies”). The transaction was approved by CBRC in September 2011 and by the Central Bank of Argentina in November 2012. On 30 November 2012, the transfer of shares and funds was completed, and the Bank became a controlling shareholder of the Target Companies.

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 France-based AXA Group) and China Minmetals Corporation entered into relevant agreement on the sale and purchase of equity interest in AXA-Minmetals Assurance Co., Ltd. The transaction has been approved by the regulatory authorities and completed on 5 July 2012. AXA-Minmetals Assurance Co., Ltd. formally changed its name to ICBC-AXA Assurance Co., Ltd. on 6 July 2012. As at the end of the reporting period, the Bank held 60% of its equity interest.

7. Other Information

7.1 Compliance with the Corporate Governance Code

According to Code Provision A.5.1 of the Corporate Governance Code (the “Code”) under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), listed issuers shall establish a nomination committee, which shall be chaired by the chairman of the board of directors or an independent non-executive director. On 22 August 2012, Mr. Qian Yingyi, former Independent Non-executive Director and the then Chairman of the Nomination Committee, retired from office upon the expiration of his tenure. According to laws and regulations including the Company Law of the People’s Republic of China and provisions of the Bank including the Articles of Association of Industrial and Commercial Bank of China Limited and the Rules of Procedures for the Board of Directors, selection of suitable candidates shall undergo certain procedures and requires a certain amount of time. On 29 August 2012, the Board of Directors of the Bank approved the appointment of Independent Non-executive Director Mr. Wong Kwong Shing, Frank as Chairman of the Nomination Committee, and the Bank has announced the relevant changes in a timely manner.

Save as disclosed above, during the reporting period, the Bank has fully complied with the principles and code provisions stipulated in the Code, and has essentially complied with the recommended best practices of the Code.

7.2 Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the aforesaid code of conduct during the year ended 31 December 2012.

7.3 Profits and Dividends Distribution

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

Upon the approval at the Annual General Meeting for the Year 2011 held on 31 May 2012, the Bank has distributed cash dividends of RMB70,912 million, or RMB2.03 per ten shares (pre-tax), for the period from 1 January 2011 to 31 December 2011 to the shareholders whose names appeared on the share register after the close of market on 13 June 2012.

The Board of Directors of the Bank proposed a cash dividend of RMB2.39 per ten shares (pre-tax) for the year ended 31 December 2012. 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 2012, the total amount of dividends to be distributed shall be approximately RMB83,559 million, representing an increase of 17.8% compared to 2011. The Bank proposed to distribute the dividends on the basis of the total share capital as at the close of market 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 2012.

The Bank had no plan for converting capital reserve to share capital in the recent three years. The table below sets out the dividends distribution of the Bank for the recent three years:

Item	2012	2011	2010
Dividend per ten shares (pre-tax, in RMB yuan)	2.39	2.03	1.84
Cash dividends (pre-tax, in RMB millions)	83,559	70,912	64,220
Percentage of cash dividends ⁽¹⁾ (%)	35	34	39

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

If such distribution is approved at the forthcoming Annual General Meeting for the Year 2012, the dividend is expected to be paid to holders of A shares and H shares whose names appear on the register of members of the Bank after the close of market on 25 June 2013. The register of members of H shares will be closed from 19 June 2013 to 25 June 2013 (both days inclusive).

In order to qualify for the proposed cash dividends, holders of H shares are required to deposit the transfer documents together with the relevant share certificates at the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited located at Rooms 1712–1716, 17 Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on 18 June 2013.

7.4 Purchase, Sale and 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.

8. Financial Report

8.1 Audit Opinions

The 2012 financial statements of the Bank prepared in accordance with PRC GAAP and IFRSs have been audited by Ernst & Young Hua Ming LLP and Ernst & Young, respectively. Ernst & Young Hua Ming LLP and Ernst & Young have expressed unqualified opinions in the auditors’ reports.

8.2 Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows

8.2.1 Consolidated Income Statement

Year ended 31 December 2012

(In RMB millions, unless otherwise stated)

	2012	2011
Interest income	721,439	589,580
Interest expense	(303,611)	(226,816)
NET INTEREST INCOME	417,828	362,764
Fee and commission income	115,881	109,077
Fee and commission expense	(9,817)	(7,527)
NET FEE AND COMMISSION INCOME	106,064	101,550
Net trading income	510	444
Net loss on financial assets and liabilities designated at fair value through profit or loss	(5,114)	(271)
Net gain on financial investments	608	219
Other operating income, net	9,824	5,895
OPERATING INCOME	529,720	470,601
Operating expenses	(189,940)	(169,613)
Impairment losses on:		
Loans and advances to customers	(32,572)	(31,832)
Others	(1,173)	711
OPERATING PROFIT	306,035	269,867
Share of profits of associates and jointly-controlled entities	2,652	2,444
PROFIT BEFORE TAX	308,687	272,311
Income tax expense	(69,996)	(63,866)
PROFIT FOR THE YEAR	238,691	208,445
Attributable to:		
Equity holders of the parent company	238,532	208,265
Non-controlling interests	159	180
	238,691	208,445
EARNINGS PER SHARE		
— Basic (RMB yuan)	0.68	0.60
— Diluted (RMB yuan)	0.67	0.59

8.2.2 Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

(In RMB millions, unless otherwise stated)

	2012	2011
Profit for the year	238,691	208,445
Other comprehensive income (after-tax, net):		
Net gain on available-for-sale financial assets	234	2,293
Net gain on cash flow hedges	139	355
Share of other comprehensive income of associates and jointly-controlled entities	255	774
Foreign currency translation differences	(1,913)	(11,416)
Others	107	43
Subtotal of other comprehensive income for the year	(1,178)	(7,951)
Total comprehensive income for the year	237,513	200,494
Total comprehensive income attributable to:		
Equity holders of the parent company	237,245	200,368
Non-controlling interests	268	126
	237,513	200,494

8.2.3 Consolidated Statement of Financial Position

31 December 2012

(In RMB millions, unless otherwise stated)

	31 December 2012	31 December 2011
ASSETS		
Cash and balances with central banks	3,174,943	2,762,156
Due from banks and other financial institutions	636,450	478,002
Financial assets held for trading	20,463	30,822
Financial assets designated at fair value through profit or loss	201,208	121,386
Derivative financial assets	14,756	17,460
Reverse repurchase agreements	544,579	349,437
Loans and advances to customers	8,583,289	7,594,019
Financial investments	3,862,216	3,763,694
Investments in associates and jointly-controlled entities	33,284	32,750
Property and equipment	135,889	119,028
Deferred income tax assets	22,789	21,938
Other assets	312,351	186,176
	<u>17,542,217</u>	<u>15,476,868</u>
LIABILITIES		
Due to central banks	1,133	100
Financial liabilities designated at fair value through profit or loss	319,742	171,973
Derivative financial liabilities	13,261	12,617
Due to banks and other financial institutions	1,486,805	1,341,290
Repurchase agreements	237,764	206,254
Certificates of deposit	38,009	41,426
Due to customers	13,642,910	12,261,219
Income tax payable	56,922	51,535
Deferred income tax liabilities	552	103
Debt securities issued	232,186	204,161
Other liabilities	384,474	228,367
	<u>16,413,758</u>	<u>14,519,045</u>
EQUITY		
Equity attributable to equity holders of the parent company		
Share capital	349,620	349,084
Equity component of convertible bonds	2,708	2,954
Reserves	400,128	291,370
Retained profits	372,541	313,334
	<u>1,124,997</u>	<u>956,742</u>
Non-controlling interests	3,462	1,081
	<u>1,128,459</u>	<u>957,823</u>
TOTAL EQUITY AND LIABILITIES	<u>17,542,217</u>	<u>15,476,868</u>

8.2.4 Consolidated Statement of Changes in Equity

Year ended 31 December 2012

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
	Equity component		Reserves								Retained profits	Non-controlling interests	Total equity	
	Issued share capital	convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal				Total
Balance as at 1 January 2012	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
Profit for the year	—	—	—	—	—	—	—	—	—	—	238,532	238,532	159	238,691
Other comprehensive income	—	—	107	—	—	242	(2,030)	139	255	(1,287)	—	(1,287)	109	(1,178)
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	242	—	—	—	242	—	242	(8)	234
— Cash flow hedges, net of tax	—	—	—	—	—	—	—	139	—	139	—	139	—	139
— Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	—	255	255	—	255	—	255
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	(2,030)	—	—	(2,030)	—	(2,030)	117	(1,913)
— Others	—	—	107	—	—	—	—	—	—	107	—	107	—	107
Total comprehensive income	—	—	107	—	—	242	(2,030)	139	255	(1,287)	238,532	237,245	268	237,513
Dividend — 2011 final	—	—	—	—	—	—	—	—	—	—	(70,912)	(70,912)	—	(70,912)
Appropriation to surplus reserve (i)	—	—	—	23,643	—	—	—	—	—	23,643	(23,643)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	84,770	—	—	—	—	84,770	(84,770)	—	—	—
Conversion of convertible bonds	536	—	1,632	—	—	—	—	—	—	1,632	—	2,168	—	2,168
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	1,554	1,554
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	600	600
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(41)	(41)
Equity component of convertible bonds	—	(246)	—	—	—	—	—	—	—	—	—	(246)	—	(246)
Balance as at 31 December 2012	<u>349,620</u>	<u>2,708</u>	<u>133,835</u>	<u>98,063</u>	<u>189,071</u>	<u>(3,757)</u>	<u>(12,822)</u>	<u>(3,754)</u>	<u>(508)</u>	<u>400,128</u>	<u>372,541</u>	<u>1,124,997</u>	<u>3,462</u>	<u>1,128,459</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB15 million and RMB310 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB1,314 million.

Attributable to equity holders of the parent company

	Reserves													Total equity
	Equity component	Issued share capital	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	
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	—	—	—	—	—	—	—	—	—	—	(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	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)
Equity component of convertible bonds	—	(31)	—	—	—	—	—	—	—	—	—	(31)	—	(31)
Balance as at 31 December 2011	<u>349,084</u>	<u>2,954</u>	<u>132,096</u>	<u>74,420</u>	<u>104,301</u>	<u>(3,999)</u>	<u>(10,792)</u>	<u>(3,893)</u>	<u>(763)</u>	<u>291,370</u>	<u>313,334</u>	<u>956,742</u>	<u>1,081</u>	<u>957,823</u>

(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.

8.2.5 Consolidated Statement of Cash Flows

Year ended 31 December 2012

(In RMB millions, unless otherwise stated)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	308,687	272,311
Adjustments for:		
Share of profits of associates and jointly-controlled entities	(2,652)	(2,444)
Depreciation	13,215	12,027
Amortisation	1,781	1,426
Amortization of financial investments	(2,857)	(7,562)
Impairment losses on loans and advances to customers	32,572	31,832
Impairment losses on assets other than loans and advances to customers	1,173	(711)
Unrealised foreign exchange loss	6,853	7,497
Interest expense on debt securities issued	9,876	5,103
Accreted interest on impaired loans	(944)	(602)
Gain on disposal of available-for-sale financial assets, net	(559)	(178)
Net trading gain on equity investments	(42)	(3)
Net loss on financial assets and liabilities designated at fair value through profit or loss	5,114	271
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)	(961)	(881)
Dividend income	(49)	(41)
	371,207	318,045
Net decrease/(increase) in operating assets:		
Due from central banks	(179,741)	(437,857)
Due from banks and other financial institutions	(191,882)	(37,009)
Financial assets held for trading	10,636	(20,475)
Financial assets designated at fair value through profit or loss	(80,025)	(118,555)
Reverse repurchase agreements	(35,653)	(1,344)
Loans and advances to customers	(1,010,592)	(1,036,506)
Other assets	(31,126)	(27,188)
	(1,518,383)	(1,678,934)
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated at fair value through profit or loss	147,651	160,203
Due to central banks	1,025	49
Due to banks and other financial institutions	148,697	279,170
Repurchase agreements	31,325	121,366
Certificates of deposit	(3,880)	33,038
Due to customers	1,365,818	1,135,086
Other liabilities	55,401	27,912
	1,746,037	1,756,824

	2012	2011
Net cash flows from operating activities before tax	598,861	395,935
Income tax paid	(65,353)	(47,812)
	<hr/>	<hr/>
Net cash flows from operating activities	533,508	348,123
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	(31,852)	(22,896)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	1,271	1,278
Purchases of financial investments	(1,058,490)	(1,385,697)
Proceeds from sale and redemption of financial investments	965,229	1,349,324
Investments in associates and jointly-controlled entities	(19)	(10)
Acquisition of subsidiaries	(3,723)	—
Dividends received	914	1,268
	<hr/>	<hr/>
Net cash flows from investing activities	(126,670)	(56,733)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital injection by non-controlling shareholders	600	31
Proceeds from issuance of subordinated bonds	20,000	89,500
Proceeds from issuance of other debt securities	9,640	14,303
Interest paid on debt securities	(8,566)	(3,212)
Acquisition of non-controlling interests	—	(328)
Dividends paid on ordinary shares	(70,912)	(64,220)
Dividends paid to non-controlling shareholders	(41)	(69)
	<hr/>	<hr/>
Net cash flows from financing activities	(49,279)	36,005
NET INCREASE IN CASH AND CASH EQUIVALENTS	357,559	327,395
Cash and cash equivalents at beginning of the year	848,308	528,971
Effect of exchange rate changes on cash and cash equivalents	(4,220)	(8,058)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,201,647	848,308
	<hr/> <hr/>	<hr/> <hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	704,500	565,899
Interest paid	(243,400)	(204,648)
	<hr/> <hr/>	<hr/> <hr/>

8.3 Revised International Financial Reporting Standards that are Effective in 2012 and Relevant to the Group

The IASB has issued the following revised IFRSs (including International Accounting Standards (“IASs”)) that are effective in 2012 and relevant to the Group’s operation.

IFRS 1 Amendments	<i>First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
IFRS 7 Amendments	<i>Financial Instruments: Disclosures — Transfers of Financial Assets</i>
IAS 12 Amendments	<i>Income Taxes — Deferred Tax: Recovery of Underlying Assets</i>

The principal effects of adopting these revised IFRSs are as follows:

IFRS 1 First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments)

The amendments provide guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendments had no impact on the Group’s financial statements.

IFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets (Amendments)

The amendments enhance disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognized entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognized and their associated liabilities. If those assets are derecognized entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognized assets. Effective implementation date is for annual periods beginning on or after 1 July 2011. Disclosures for any period prior to the date of initial application are not required.

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

The amendments clarify the determination of deferred tax on investment property measured at fair value and introduce 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, the amendments introduce 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. Effective implementation date is for annual periods beginning on or after 1 January 2012. The amendments had no impact on the Group’s financial statements.

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

8.4 Notes to Financial Statements

(In RMB millions, unless otherwise stated)

8.4.1 Net Interest Income

	2012	2011
Interest income on:		
Loans and advances to customers		
— Corporate loans and advances	379,020	309,083
— Personal loans	126,233	96,954
— Discounted bills	14,599	10,351
Financial investments	138,159	121,077
Due from central banks	41,766	38,332
Due from banks and other financial institutions	21,662	13,783
	<u>721,439</u>	<u>589,580</u>
Interest expense on:		
Due to customers	(249,422)	(188,650)
Due to banks and other financial institutions	(43,461)	(32,809)
Debt securities issued	(10,728)	(5,357)
	<u>(303,611)</u>	<u>(226,816)</u>
Net interest income	<u>417,828</u>	<u>362,764</u>

8.4.2 Net Fee and Commission Income

	2012	2011
Settlement, clearing business and cash management	27,499	25,410
Investment banking business	26,117	22,592
Bank card business	23,494	17,268
Personal wealth management and private banking services	16,760	21,264
Corporate wealth management services	10,018	9,269
Asset custody business	5,974	5,892
Guarantee and commitment business	2,848	5,101
Trust and agency services	1,623	1,376
Others	1,548	905
	<u>115,881</u>	<u>109,077</u>
Fee and commission expense	(9,817)	(7,527)
Net fee and commission income	<u>106,064</u>	<u>101,550</u>

8.4.3 Net Trading Income

	2012	2011
Debt securities	1,043	1,236
Equity investments	42	3
Derivatives	(575)	(795)
	<u>510</u>	<u>444</u>

8.4.4 Net Loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

	2012	2011
Financial assets	5,135	4,442
Financial liabilities	(10,249)	(4,713)
	<u>(5,114)</u>	<u>(271)</u>

8.4.5 Net Gain on Financial Investments

	2012	2011
Dividend income from unlisted investments	41	33
Dividend income from listed investments	8	8
Dividend income	49	41
Gain on disposal of available-for-sale financial assets, net	559	178
	<u>608</u>	<u>219</u>

8.4.6 Other Operating Income, Net

	2012	2011
Insurance net income	537	—
Gain from foreign exchange and foreign exchange products, net	4,095	1,400
Leasing income	2,058	1,433
Net gain on disposal of property and equipment, repossessed assets and others	1,165	1,273
Sundry bank charge income	357	368
Others	1,612	1,421
	<u>9,824</u>	<u>5,895</u>

8.4.7 Operating Expenses

	2012	2011
Staff costs:		
Salaries and bonuses	63,256	57,943
Staff benefits	22,762	21,399
Contributions to defined contribution schemes	10,222	8,539
	<u>96,240</u>	<u>87,881</u>
Premises and equipment expenses:		
Depreciation	13,215	12,027
Minimum lease payments under operating leases in respect of land and buildings	4,910	4,116
Repairs and maintenance charges	2,839	2,715
Utility expenses	2,523	2,263
	<u>23,487</u>	<u>21,121</u>
Amortisation	1,781	1,426
Other administrative expenses	24,802	23,253
Business tax and surcharges	35,066	28,875
Others	8,564	7,057
	<u>189,940</u>	<u>169,613</u>

8.4.8 Impairment Losses on Assets other than Loans and Advances to Customers

	2012	2011
Charge/(reversal) of impairment losses on:		
Due from banks and other financial institutions	97	38
Financial investments:		
Held-to-maturity investments	(30)	(417)
Available-for-sale financial assets	607	(469)
Investments in associates and jointly-controlled entities	—	348
Other assets	499	(211)
	<u>1,173</u>	<u>(711)</u>

8.4.9 Income Tax Expense

(a) Income tax

	2012	2011
Current income tax expense:		
Mainland China	68,844	66,829
Hong Kong and Macau	1,019	891
Overseas	850	534
	<u>70,713</u>	<u>68,254</u>
Adjustments in respect of current income tax of prior years	(433)	(2,666)
Deferred income tax expense	(284)	(1,722)
	<u>69,996</u>	<u>63,866</u>

(b) Reconciliation between income tax and accounting profit

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

	2012	2011
Profit before tax	<u>308,687</u>	<u>272,311</u>
Tax at the PRC statutory income tax rate	77,172	68,078
Effects of different applicable rates of tax prevailing in other countries/regions	(42)	(10)
Non-deductible expenses	996	2,587
Non-taxable income	(7,589)	(7,024)
Profits and losses attributable to associates and jointly-controlled entities	(663)	(596)
Adjustment in respect of current and deferred income tax of prior years	(239)	670
Others	<u>361</u>	<u>161</u>
Tax expense at the Group's effective income tax rate	<u>69,996</u>	<u>63,866</u>

8.4.10 Dividends

	2012	2011
Dividends on ordinary shares declared and paid: Final dividend for 2011: RMB0.203 per share (2010: RMB0.184 per share)	<u>70,912</u>	<u>64,220</u>
Dividends on ordinary shares proposed for approval (not recognized as at 31 December): Final dividend for 2012: RMB0.239 per share (2011: RMB0.203 per share)	<u>83,559</u>	<u>70,864</u>

8.4.11 Earnings per share

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

	2012	2011
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent company	<u>238,532</u>	<u>208,265</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>349,312</u>	<u>349,024</u>
Basic earnings per share (RMB yuan)	<u>0.68</u>	<u>0.60</u>

Basic earnings per share was calculated as the profit for the year attributable to ordinary equity holders of the Bank divided by the weighted average number of ordinary shares in issue.

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

	2012	2011
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent company	238,532	208,265
Add: Interest expense on convertible bonds (net of tax)	<u>631</u>	<u>644</u>
Profit used to determine diluted earnings per share	<u>239,163</u>	<u>208,909</u>
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	349,312	349,024
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	<u>6,015</u>	<u>6,233</u>
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	<u>355,327</u>	<u>355,257</u>
Diluted earnings per share (RMB yuan)	<u>0.67</u>	<u>0.59</u>

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

8.4.12 Derivative Financial Instruments

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

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

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

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

	31 December 2012					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Exchange rate contracts:							
Forward and swap contracts	672,192	511,474	73,218	2,689	1,259,573	10,781	(8,153)
Option contracts purchased	5,117	14,689	593	—	20,399	71	—
Option contracts written	2,798	2,969	593	—	6,360	—	(44)
	<u>680,107</u>	<u>529,132</u>	<u>74,404</u>	<u>2,689</u>	<u>1,286,332</u>	<u>10,852</u>	<u>(8,197)</u>
Interest rate contracts:							
Swap contracts	65,507	118,368	176,537	24,472	384,884	3,280	(3,640)
Forward contracts	1,610	2,619	1,745	—	5,974	38	(38)
Option contracts purchased	—	—	62	—	62	—	—
	<u>67,117</u>	<u>120,987</u>	<u>178,344</u>	<u>24,472</u>	<u>390,920</u>	<u>3,318</u>	<u>(3,678)</u>
Commodity derivatives and others	81,249	17,604	2,637	139	101,629	586	(1,386)
	<u>828,473</u>	<u>667,723</u>	<u>255,385</u>	<u>27,300</u>	<u>1,778,881</u>	<u>14,756</u>	<u>(13,261)</u>

31 December 2011

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	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)
	<u>528,385</u>	<u>383,106</u>	<u>29,571</u>	<u>5,768</u>	<u>946,830</u>	<u>12,143</u>	<u>(6,758)</u>
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)
	<u>82,009</u>	<u>155,474</u>	<u>231,495</u>	<u>32,654</u>	<u>501,632</u>	<u>4,766</u>	<u>(5,857)</u>
Commodity derivatives and others	26,800	879	—	—	27,679	551	(2)
	<u>637,194</u>	<u>539,459</u>	<u>261,066</u>	<u>38,422</u>	<u>1,476,141</u>	<u>17,460</u>	<u>(12,617)</u>

Cash flow hedges

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

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

31 December 2012

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Interest rate swap contracts	1,427	312	1,976	3,613	7,328	400	(64)
Interest forward contracts	25	—	—	—	25	—	—
	<u>1,452</u>	<u>312</u>	<u>1,976</u>	<u>3,613</u>	<u>7,353</u>	<u>400</u>	<u>(64)</u>

31 December 2011

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Currency swap contracts	328	—	—	—	328	—	—
Interest rate swap contracts	734	93	3,716	3,339	7,882	286	(126)
	<u>1,062</u>	<u>93</u>	<u>3,716</u>	<u>3,339</u>	<u>8,210</u>	<u>286</u>	<u>(126)</u>

There is no ineffectiveness recognised in the income statement that arises from the cash flow hedge for the current year (2011: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates and exchange rates. Currency swaps and interest rate swaps are used as hedging instruments to hedge the currency risk and interest risk of financial assets and financial liabilities, respectively.

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

	2012	2011
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	119	(86)
— Hedged items attributable to the hedged risk	(119)	89
	<u>—</u>	<u>3</u>

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

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Currency swap contracts	—	—	438	—	438	2	(24)
Interest rate swap contracts	727	1,359	9,295	4,005	15,386	40	(743)
	<u>727</u>	<u>1,359</u>	<u>9,733</u>	<u>4,005</u>	<u>15,824</u>	<u>42</u>	<u>(767)</u>

31 December 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)
	<u>508</u>	<u>1,881</u>	<u>9,116</u>	<u>4,311</u>	<u>15,816</u>	<u>4</u>	<u>(943)</u>

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

	31 December 2012	31 December 2011
Currency derivatives	10,080	7,717
Interest rate derivatives	2,568	3,406
Commodity derivatives and others	1,093	938
	<u>13,741</u>	<u>12,061</u>

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

8.4.13 Financial Investments

	31 December 2012	31 December 2011
Receivables	364,715	498,804
Held-to-maturity investments	2,576,562	2,424,785
Available-for-sale financial assets	920,939	840,105
	<u>3,862,216</u>	<u>3,763,694</u>

8.4.14 Components of other Comprehensive Income

	2012	2011
Available-for-sale financial assets:		
Changes in fair value recorded in other comprehensive income/(loss)	(321)	2,919
Less: Transfer to the income statement arising from disposal/ impairment	406	582
Income tax effect	149	(1,208)
	<u>234</u>	<u>2,293</u>
Cash flow hedges:		
Gain during the year	176	418
Less: Income tax effect	(37)	(63)
	<u>139</u>	<u>355</u>
Share of other comprehensive income of associates and jointly-controlled entities	<u>255</u>	<u>774</u>
Foreign currency translation differences	<u>(1,913)</u>	<u>(11,416)</u>
Others	120	53
Less: Income tax effect	(13)	(10)
	<u>107</u>	<u>43</u>
	<u><u>(1,178)</u></u>	<u><u>(7,951)</u></u>

8.4.15 Commitments and Contingent Liabilities

(a) Capital commitments

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

	31 December 2012	31 December 2011
Authorised, but not contracted for	952	2,297
Contracted, but not provided for	11,992	13,696
	<u>12,944</u>	<u>15,993</u>

(b) Operating lease commitments

Operating lease commitments — Lessee

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

	31 December 2012	31 December 2011
Within one year	4,166	3,617
After one year but not more than five years	10,330	8,457
After five years	1,516	1,528
	<u>16,012</u>	<u>13,602</u>

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:

	31 December 2012	31 December 2011
Within one year	1,539	686
In the second to fifth years, inclusive	5,293	2,691
After five years	4,794	2,873
	<u>11,626</u>	<u>6,250</u>

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and 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 recognized at the end of the reporting period had the counterparties failed to perform as contracted.

	31 December 2012	31 December 2011
Bank acceptances	341,033	300,437
Guarantees issued:		
Financing letters of guarantees	47,148	46,299
Non-financing letters of guarantees	213,874	179,439
Sight letters of credit	52,190	70,258
Usance letters of credit and other commitments	347,271	326,626
Loan commitments:		
With an original maturity of under one year	214,370	150,685
With an original maturity of one year or over	453,520	519,112
Undrawn credit card limit	406,800	383,736
	<u>2,076,206</u>	<u>1,976,592</u>
	31 December 2012	31 December 2011
Credit risk weighted amount of credit commitments	<u>817,008</u>	<u>801,639</u>

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

(d) Legal proceedings

As at 31 December 2012, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB1,559 million (31 December 2011: RMB1,978 million).

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

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2012, the Bank had underwritten and sold bonds with an accumulated amount of RMB99,861 million (31 December 2011: RMB156,366 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 2012, the Group had no unexpired securities underwriting obligations (31 December 2011: Nil).

8.4.16 Segment Information

(a) Operating segments

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

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

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

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

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

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

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2012					
External net interest income/(expense)	276,656	(8,985)	150,087	70	417,828
Internal net interest income/(expense)	(58,023)	123,232	(65,209)	—	—
Net fee and commission income	66,158	39,788	395	(277)	106,064
Other income, net	974	21	720	4,113	5,828
Operating income	285,765	154,056	85,993	3,906	529,720
Operating expenses	(89,871)	(77,140)	(17,094)	(5,835)	(189,940)
Impairment losses on:					
Loans and advances to customers	(19,051)	(13,521)	—	—	(32,572)
Others	(338)	(7)	(790)	(38)	(1,173)
Operating profit/(loss)	176,505	63,388	68,109	(1,967)	306,035
Share of profits and losses of associates and jointly-controlled entities	—	—	—	2,652	2,652
Profit before tax	176,505	63,388	68,109	685	308,687
Income tax expense					(69,996)
Profit for the year					<u>238,691</u>
Other segment information:					
Depreciation	5,804	4,670	2,526	215	13,215
Amortisation	850	553	356	22	1,781
Capital expenditure	14,319	11,406	6,190	516	32,431
As at 31 December 2012					
Segment assets	<u>6,495,908</u>	<u>2,320,534</u>	<u>8,591,801</u>	<u>133,974</u>	<u>17,542,217</u>
Including: Investments in associates and jointly-controlled entities	—	—	—	33,284	33,284
Property and equipment	49,902	40,056	21,514	24,417	135,889
Other non-current assets	13,911	7,611	4,958	9,439	35,919
Segment liabilities	<u>7,275,642</u>	<u>6,704,125</u>	<u>2,376,936</u>	<u>57,055</u>	<u>16,413,758</u>
Other segment information:					
Credit commitments	<u>1,669,406</u>	<u>406,800</u>	—	—	<u>2,076,206</u>

	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	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					<u>208,445</u>
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	<u>5,742,727</u>	<u>2,046,297</u>	<u>7,581,726</u>	<u>106,118</u>	<u>15,476,868</u>
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	12,746	7,829	4,276	6,749	31,600
Segment liabilities	<u>6,519,080</u>	<u>6,013,448</u>	<u>1,953,920</u>	<u>32,597</u>	<u>14,519,045</u>
Other segment information:					
Credit commitments	<u>1,592,856</u>	<u>383,736</u>	<u>—</u>	<u>—</u>	<u>1,976,592</u>

(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, Islamabad, Chicago, Buenos Aires and Lima).

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 2012										
External net interest income	160,996	62,237	39,987	31,681	39,119	56,278	16,401	11,129	—	417,828
Internal net interest income/(expense)	(120,391)	19,187	11,327	54,029	14,701	11,616	9,071	460	—	—
Net fee and commission income	1,651	26,284	17,957	19,050	16,699	15,372	4,824	4,281	(54)	106,064
Other income/(expense), net	5,363	(680)	45	(730)	(77)	(272)	(475)	2,654	—	5,828
Operating income	47,619	107,028	69,316	104,030	70,442	82,994	29,821	18,524	(54)	529,720
Operating expenses	(14,551)	(33,238)	(23,581)	(32,799)	(30,614)	(34,309)	(13,832)	(7,070)	54	(189,940)
Impairment losses on:										
Loans and advances to customers	(3,347)	(7,768)	(4,293)	(5,166)	(4,197)	(4,696)	(1,776)	(1,329)	—	(32,572)
Others	(166)	(21)	(6)	(155)	15	(82)	(12)	(746)	—	(1,173)
Operating profit	29,555	66,001	41,436	65,910	35,646	43,907	14,201	9,379	—	306,035
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	—	—	—	2,652	—	2,652
Profit before tax	29,555	66,001	41,436	65,910	35,646	43,907	14,201	12,031	—	308,687
Income tax expense										(69,996)
Profit for the year										238,691
Other segment information:										
Depreciation	1,520	2,099	1,425	1,856	2,163	2,396	1,009	747	—	13,215
Amortisation	715	220	116	118	223	223	60	106	—	1,781
Capital expenditure	3,743	3,399	2,167	2,933	3,760	5,046	1,827	9,556	—	32,431

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 2012										
Assets by geographical areas	8,224,142	3,294,148	2,296,600	3,902,655	2,095,440	2,466,885	923,766	1,234,420	(6,918,628)	17,519,428
Including: Investments in associates and jointly-controlled entities	—	—	—	—	—	—	—	33,284	—	33,284
Property and equipment	11,154	23,167	12,356	17,969	18,701	21,393	10,046	21,103	—	135,889
Other non-current assets	11,014	5,731	2,320	4,041	4,869	4,257	1,681	2,006	—	35,919
Unallocated assets										22,789
Total assets										17,542,217
Liabilities by geographical areas	7,410,679	3,237,528	2,259,922	3,839,768	2,064,592	2,428,238	909,743	1,124,442	(6,918,628)	16,356,284
Unallocated liabilities										57,474
Total liabilities										16,413,758
Other segment information:										
Credit commitments	418,897	390,236	337,265	321,305	120,188	162,835	59,386	266,094	—	2,076,206

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
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	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										<u>208,445</u>
Other segment information:										
Depreciation	1,343	1,931	1,341	1,754	1,974	2,182	957	545	—	12,027
Amortization	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	—	<u>29,117</u>

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
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	7,396	5,820	2,224	3,934	5,009	4,277	1,644	1,296	—	31,600
Unallocated assets										21,938
Total assets										<u>15,476,868</u>
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										<u>14,519,045</u>
Other segment information:										
Credit commitments	394,265	434,989	343,562	311,307	118,215	142,619	56,967	174,668	—	<u>1,976,592</u>

8.4.17 Comparative Amounts

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

9. Issue of Results Announcement and Annual Report

This Results Announcement will be released on HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the websites of the Bank (www.icbc.com.cn, www.icbc-ltd.com) simultaneously. The 2012 Annual Report prepared in accordance with IFRSs will be released on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the websites of the Bank (www.icbc.com.cn, www.icbc-ltd.com) and will be dispatched to the shareholders of H shares of the Bank. The 2012 Annual Report and its abstract prepared in accordance with PRC GAAP will be released simultaneously on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Bank (www.icbc.com.cn, www.icbc-ltd.com).

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

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

27 March 2013

As at the date of this announcement, the Board of Directors comprises Mr. Jiang Jianqing, Mr. Yang Kaisheng, Ms. Wang Lili and Mr. Li Xiaopeng as Executive Directors, Mr. Huan Huiwu, Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Li Jun, Mr. Wang Xiaolan and Mr. Yao Zhongli as Non-executive Directors, and Mr. Xu Shanda, Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Or Ching Fai and Mr. Hong Yongmiao as Independent Non-executive Directors.