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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)

2011 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 2011. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the annual audited results.

1. Important Notice

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

The 2011 Annual Report of the Bank and this Results Announcement have been considered and approved at the meeting of the Board of Directors of the Bank held on 29 March 2012. There were 16 Directors eligible for attending the meeting, of whom 15 Directors attended the meeting in person and 1 Director by proxy. Mr. Li Xiaopeng appointed Ms. Wang Lili to attend the meeting and exercise the voting right on his behalf.

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

The Board of Directors of Industrial and Commercial Bank of China Limited
29 March 2012

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

2. Corporate Information

2.1 Basic Information

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

2.2 Contact

Board Secretary and Company Secretary

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3. Financial Highlights

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

3.1 Financial Data

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

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

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

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

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

3.2 Financial Indicators

	2011	2010	2009	2008	2007
Profitability (%)					
Return on average total assets ⁽¹⁾	1.44	1.32	1.20	1.21	1.02
Return on weighted average equity ⁽²⁾	23.44	22.79	20.15	19.43	16.23
Net interest spread ⁽³⁾	2.49	2.35	2.16	2.80	2.67
Net interest margin ⁽⁴⁾	2.61	2.44	2.26	2.95	2.80
Return on risk-weighted assets ⁽⁵⁾	2.68	2.55	2.43	2.43	2.01
Ratio of net fee and commission income to operating income	21.58	19.13	17.82	14.19	14.90
Cost-to-income ratio ⁽⁶⁾	<u>29.91</u>	<u>30.99</u>	<u>33.18</u>	<u>29.84</u>	<u>35.02</u>
Asset quality (%)					
Non-performing loans (“NPL”) ratio ⁽⁷⁾	0.94	1.08	1.54	2.29	2.74
Allowance to NPL ⁽⁸⁾	266.92	228.20	164.41	130.15	103.50
Allowance to total loans ratio ⁽⁹⁾	<u>2.50</u>	<u>2.46</u>	<u>2.54</u>	<u>2.97</u>	<u>2.84</u>
Capital adequacy (%)					
Core capital adequacy ratio ⁽¹⁰⁾	10.07	9.97	9.90	10.75	10.99
Capital adequacy ratio ⁽¹⁰⁾	13.17	12.27	12.36	13.06	13.09
Total equity to total assets ratio	6.19	6.11	5.76	6.22	6.26
Risk-weighted assets to total assets ratio	<u>54.58</u>	<u>52.85</u>	<u>50.24</u>	<u>48.67</u>	<u>50.73</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.
- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets and adjustment to market-risk capitals at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expense (less business tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPL by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans and advances by total balance of NPL.
- (9) Calculated by dividing allowance for impairment losses on loans and advances by total balance of loans and advances to customers.
- (10) Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio”.

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

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

4. Business Review

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

Firstly, our profit growth relied more on transformation, innovation and management. In 2011, along with the reasonable growth of profit, the Bank generated RMB208,445 million in net profit, an increase of 25.6% over one year ago; return on weighted average equity increased to 23.44% by 0.65 percentage points; basic earnings per share stood at RMB0.60, up RMB0.12 over last year. These results not only derived from the faster growth of interest-generating assets, but also from the accelerated transformation of our development mode, ongoing business restructuring, persistent business innovation and effective risk management. What is more, they reflect the steady and rapid growth of the Chinese economy. Thanks to the Bank’s further optimized structure of assets and liabilities and enhanced capital management, net

interest margin grew by 17 basis points to 2.61% and net interest income increased by 19.4% over last year. Income growth rates exceeded 60% in emerging businesses, including precious metals, asset custody, pension and private banking. As a result, net fee and commission income grew steadily to account for 21.58% of our operating income, an increase of 2.45 percentage points. The Bank further pushed forward an internationalized and diversified operation, markedly increased cross-border and cross-market profitability and saw a rising level of profit contribution from subsidiaries and overseas branches. In particular, due to the continuous improvements in asset quality and continuous improvement of business management, the Bank's cost-to-income ratio dropped from 36.32% in 2006 gradually to 29.91% in 2011, representing a major contributor to profit growth.

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

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

institutions exceeded USD1 trillion, ranking us among the world's leading international settlement banks. Rapid growth was maintained in both size and return of asset custody, pension, settlement and cash management, and private banking.

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

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

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

5. Discussion and Analysis

5.1 Income Statement Analysis

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

Net Interest Income

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

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

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

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

(2) Investment in bonds related to restructuring includes Huarong bonds, special government bonds and special PBOC bills during the reporting period.

(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**

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

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

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

Interest Income

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

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

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

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

In RMB millions, except for percentages

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

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

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

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

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

- **Interest Income on Investment**

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

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

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

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

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

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

Interest Expense

- **Interest Expense on Deposits**

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

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

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

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

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

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

- **Interest Expense on Debt Securities Issued**

Interest expense on debt securities issued was RMB5,357 million, representing an increase of RMB2,365 million or 79.0%, mainly attributable to the Bank's issuance of RMB25.0 billion A share convertible bonds and RMB38.0 billion subordinated bonds in August 2010 and June 2011, respectively.

Non-interest Income

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

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

COMPOSITION OF NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

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

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

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

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

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

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

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

OTHER NON-INTEREST RELATED GAIN

In RMB millions, except for percentages

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

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

Operating Expenses

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

Impairment Losses

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

Income Tax Expense

Income tax expense increased by RMB14,465 million or 29.3% from the previous year to RMB63,866 million. The effective tax rate was 23.5%. The effective tax rate was lower than the statutory tax rate mainly because the interest income arising from PRC government bonds held by the Bank is exempt from income tax under the tax law.

5.2 Segment Information

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

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

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

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

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

5.3 Balance Sheet Analysis

Assets Deployment

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

ASSETS DEPLOYMENT

In RMB millions, except for percentages

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

Loans

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

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

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

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

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

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

Distribution of Loans by Five-Tier Classification

In RMB millions, except for percentages

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

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

Distribution of Loans and NPLs by Business Line

In RMB millions, except for percentages

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

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

Distribution of Corporate Loans and Non-performing Corporate Loans by Industry

In RMB millions, except for percentages

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

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

There was a significant decrease in the NPL balance in the manufacturing, wholesale, retail and lodging as well as real estate industries of RMB3,412 million, RMB998 million and RMB580 million, respectively. The NPL balance in relation to the transportation, storage and postal services grew by RMB3,098 million, mainly as a result of the difficulties in repayment

by some highway enterprises; the NPL balance in relation to the iron and steel industry went up by RMB973 million, mainly as a result of the difficulties in production and operation of certain enterprises due to multiple factors; the NPL balance in relation to water, environment and public utility management industries increased by RMB894 million, mainly because certain enterprises were included in NPL management as a result of their default with other banks.

Changes in Allowance for Impairment Losses on Loans

In RMB millions

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

As at the end of 2011, the allowance for impairment losses on loans stood at RMB194,878 million, a year-on-year increase of RMB27,744 million. Provision coverage was 266.92%, up 38.72 percentage points, further strengthening 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 2011		At 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	3,234,332	41.5	2,780,346	40.9
Including: Personal housing loans ⁽¹⁾	1,176,564	15.1	1,090,095	16.1
Pledged loans	792,016	10.2	665,641	9.8
Including: Discounted bills ⁽¹⁾	106,560	1.4	117,135	1.7
Guaranteed loans	1,201,184	15.4	1,070,211	15.8
Unsecured loans	2,561,365	32.9	2,274,308	33.5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>7,788,897</u>	<u>100.0</u>	<u>6,790,506</u>	<u>100.0</u>

Note: (1) Data of domestic branches.

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

Overdue Loans

In RMB millions, except for percentages

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

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

Renegotiated Loans

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

Extended Loans

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

Borrower Concentration

The total amount of loans granted by the Bank to the single largest customer and the top ten single customers accounted for 3.6% and 19.3% of the Bank's net capital. The total amount of loans granted to the top ten single customers was RMB214,681 million, accounting for 2.8% of the total loans.

Investment

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

INVESTMENT

In RMB millions, except for percentages

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

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

of investment in other foreign currency bonds decreased by RMB5,147 million or 19.3%, mainly due to the Bank's timely reduction in holding of some foreign currency bonds.

Investment in bonds related to restructuring amounted to RMB397,996 million, representing a decrease of RMB4,325 million as compared to the end of the previous year, because non-negotiable special PBOC bills with face value of RMB4,325 million matured and were repaid in June 2011.

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY ISSUER

In RMB millions, except for percentages

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

DISTRIBUTION OF INVESTMENT IN BONDS BY HOLDING PURPOSE

In RMB millions, except for percentages

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

Net of Due from Banks and Other Financial Institutions

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

Liabilities

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

LIABILITIES

In RMB millions, except for percentages

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

Due to Customers

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

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

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

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

Due to Banks and Other Financial Institutions

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

Debt Securities Issued

The balance of debt securities issued amounted to RMB204,161 million, representing an increase of RMB101,897 million or 99.6% from the end of the previous year. This was mainly because the Bank and Industrial and Commercial Bank of China (Asia) Limited issued RMB-denominated subordinated bonds with an aggregate amount of RMB89.5 billion in 2011.

5.4 Other Financial Information Disclosed Pursuant to Regulatory Requirements

Major Regulatory Indicators

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

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

5.5 Capital Adequacy Ratio

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

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

Capital Adequacy Ratio

In RMB millions, except for percentages

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

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

5.6 Outlook

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

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

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

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

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

6. Particulars of Shareholding of Shareholders

6.1 Number of Shareholders and Particulars of Shareholding

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

Particulars of Shareholding of the Top 10 Shareholders of the Bank

Unit: Share

Total number of shareholders at the end of 2011 997,402 (number of holders of A shares and H shares on the register of shareholders as at 31 December 2011)

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

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

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

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

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

6.2 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 2011, the Bank had received notices from the following persons stating that they had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong:

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	<i> Holders 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	44.99	33.80
Central Huijin Investment Ltd. ⁽²⁾	Beneficial owner	118,006,174,032	Long position	44.99	33.80

Notes: (1) According to the register of shareholders as at 31 December 2011, 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 as at 31 December 2011, Central Huijin Investment Ltd. held 123,694,126,154 shares in the Bank.

Holders of H Shares

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

7. Significant Events**7.1 Material Asset Acquisition, Sale and Merger****Acquisition of Shares in The Bank of East Asia (U.S.A.) National Association**

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

Delisting of ICBC (Thai)

On 8 March 2011, the Bank completed the voluntary delisting tender offer for the shares of Industrial and Commercial Bank of China (Thai) Public Company Limited (“ICBC (Thai)”). The Bank acquired 7,276,848 ordinary shares and 73,533 preferred shares of ICBC (Thai) (in aggregate representing approximately 0.46% of the total issued shares of ICBC (Thai)) under the voluntary delisting tender offer. Upon completion of the voluntary delisting tender offer, the Bank held approximately 97.70% of the total issued shares of ICBC (Thai). The shares of ICBC (Thai) were listed and traded on The Stock Exchange of Thailand until 18 March 2011.

Acquisition of Shares in Standard Bank Argentina S.A.

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

Exercise of the Call Option of ICBC (Canada)

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

Investment in AXA-Minmetals Assurance Co., Ltd.

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

8. Other Information

8.1 Compliance with the Code on Corporate Governance Practices

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

8.2 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 2011.

8.3 Profits and Dividends Distribution

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

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

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

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

Item	<i>In RMB millions, except for percentages</i>		
	2010	2009	2008
Cash dividends (pre-tax)	64,220	56,783	55,113
Percentage of cash dividends ⁽¹⁾ (%)	39	44	50

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

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

If such distribution is approved at the annual general meeting, the dividend is expected to be paid to holders of A shares and H shares whose names appear on the register of members of the Bank after close of trading on 13 June 2012. The register of members of H shares will be closed from 8 June 2012 to 13 June 2012 (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 7 June 2012.

8.4 Purchase, Sale or Redemption of Shares

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

9. Financial Report

9.1 Audit Opinions

The 2011 financial statements of the Bank prepared in accordance with PRC GAAP and IFRSs have been audited by Ernst & Young Hua Ming and Ernst & Young, respectively. Ernst & Young Hua Ming and Ernst & Young have expressed unqualified opinions in the auditors' reports.

9.2 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

9.2.1 Consolidated Income Statement

Year ended 31 December 2011

(In RMB millions, unless otherwise stated)

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

9.2.2 Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

(In RMB millions, unless otherwise stated)

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

9.2.3 Consolidated Statement of Financial Position

31 December 2011

(In RMB millions, unless otherwise stated)

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

9.2.4 Consolidated Statement of Changes in Equity

Year ended 31 December 2011

(In RMB millions, unless otherwise stated)

Attributable to equity holders of the parent company

	Equity component		Reserves								Retained profits	Non-controlling interests	Total equity	
	Issued share capital	of convertible bonds	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal				
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 reserves (i)	—	—	—	20,638	—	—	—	—	—	20,638	(20,638)	—	—	—
Appropriation to general reserves (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)
Conversion of 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.

Attributable to equity holders of the parent company

	Equity component		Reserves								Retained profits	Non-controlling interests	Total equity	
	Issued share capital	of convertible bonds	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal				Total
Balance as at 1 January 2010	334,019	—	107,790	37,484	84,222	(897)	(1,919)	(4,082)	(655)	221,943	117,931	673,893	5,041	678,934
Profit for the year	—	—	—	—	—	—	—	—	—	—	165,156	165,156	869	166,025
Other comprehensive income	—	—	114	—	—	(5,406)	2,500	(166)	(882)	(3,840)	—	(3,840)	(232)	(4,072)
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	(5,406)	—	—	—	(5,406)	—	(5,406)	(104)	(5,510)
— Cash flow hedges, net of tax	—	—	—	—	—	—	—	(166)	—	(166)	—	(166)	(45)	(211)
— Share of other comprehensive income of associates and jointly-controlled entities	—	—	—	—	—	—	—	—	(882)	(882)	—	(882)	—	(882)
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	2,500	—	—	2,500	—	2,500	(126)	2,374
— Others	—	—	114	—	—	—	—	—	—	114	—	114	43	157
Total comprehensive income	—	—	114	—	—	(5,406)	2,500	(166)	(882)	(3,840)	165,156	161,316	637	161,953
Dividend — 2009 final	—	—	—	—	—	—	—	—	—	—	(56,783)	(56,783)	—	(56,783)
Appropriation to surplus reserves (i)	—	—	—	16,298	—	—	—	—	—	16,298	(16,298)	—	—	—
Appropriation to general reserves (ii)	—	—	—	—	8,849	—	—	—	—	8,849	(8,849)	—	—	—
Rights issue	15,000	—	29,621	—	—	—	—	—	—	29,621	—	44,621	—	44,621
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	230	230
Change in shareholdings in subsidiaries	—	—	(5,602)	—	—	—	—	—	—	(5,602)	—	(5,602)	(4,373)	(9,975)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(308)	(308)
Issue of convertible bonds	—	2,985	—	—	—	—	—	—	—	—	—	2,985	—	2,985
Balance as at 31 December 2010	<u>349,019</u>	<u>2,985</u>	<u>131,923</u>	<u>53,782</u>	<u>93,071</u>	<u>(6,303)</u>	<u>581</u>	<u>(4,248)</u>	<u>(1,537)</u>	<u>267,269</u>	<u>201,157</u>	<u>820,430</u>	<u>1,227</u>	<u>821,657</u>

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

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

9.2.5 Consolidated Statement of Cash Flows

Year ended 31 December 2011

(In RMB millions, unless otherwise stated)

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

	2011	2010
Net cash flows from operating activities before tax	395,935	316,950
Income tax paid	(47,812)	(38,774)
	<hr/>	<hr/>
Net cash flows from operating activities	348,123	278,176
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	(22,896)	(20,017)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	1,278	666
Purchases of financial investments	(1,385,697)	(1,977,718)
Proceeds from sale and redemption of financial investments	1,349,324	1,840,399
Investments in associates and jointly-controlled entities	(10)	(808)
Acquisition of subsidiaries	—	(2,929)
Proceeds from disposal of a jointly-controlled entity	—	278
Proceeds from disposal of a subsidiary	—	(528)
Dividends received	1,268	1,071
	<hr/>	<hr/>
Net cash flows from investing activities	(56,733)	(159,586)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from rights issue	—	44,848
Capital injection by non-controlling shareholders	31	230
Proceeds from issuance of subordinated bonds	89,500	25,286
Proceeds from issuance of convertible bonds	—	25,000
Proceeds from issuance of other debt securities	14,303	—
Repayment of debts issued	—	(22,000)
Interest paid on debt securities	(3,212)	(2,597)
Acquisition of non-controlling interests	(328)	(9,273)
Dividends paid on ordinary shares	(64,220)	(56,783)
Dividends paid to non-controlling shareholders	(69)	(308)
Cash paid for other financing activities	—	(357)
	<hr/>	<hr/>
Net cash flows from financing activities	36,005	4,046
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	327,395	122,636
Cash and cash equivalents at beginning of the year	528,971	409,394
Effect of exchange rate changes on cash and cash equivalents	(8,058)	(3,059)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	848,308	528,971
	<hr/> <hr/>	<hr/> <hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	565,899	449,667
Interest paid	(204,648)	(147,301)
	<hr/> <hr/>	<hr/> <hr/>

9.3 New and Revised International Financial Reporting Standards that Are Effective in 2011 and Relevant to the Group

The IASB has issued the following new and revised IFRSs (including International Accounting Standards (“IASs”)) and IFRIC (International Financial Reporting Interpretations Committee) interpretations that are effective in 2011 and relevant to the Group’s operation.

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

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

IAS 24 Related Party Transactions (Amendment)

The IAS 24 Amendment clarifies the definition of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly-controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group. The Group reevaluates the disclosures, both qualitatively and quantitatively, for transactions entered into between government related entities that are individually significant or collectively significant but individually not. The level of detail of disclosures is determined by considering the closeness of related parties and assessing the level of significance of these transactions based on whether these transactions are 1) significance in terms of size, 2) carried out on non-market terms, 3) outside normal day-to-day operations, 4) disclosed to regulatory authorities, 5) reported to senior management, and 6) subject to shareholders’ approval.

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

The IAS 32 Amendment alters the definition of a financial liability to enable entities to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity’s non-derivative equity instruments, or to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency. The amendment had no effect on the financial position or performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

IFRIC 14 Prepayments of a Minimum Funding Requirement has been amended to provide guidance on assessing the recoverable amount of a net pension asset. The amendments permit an entity to treat the prepayment of a minimum funding requirement as an asset. The interpretation had no effect on the financial position or performance of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The interpretation had no effect on the financial position or performance of the Group.

Apart from the above, in May 2010, the IASB has issued its third omnibus of amendments to its standards*, which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13 were applied from 1 January 2011 by the Group. Except the change in accounting policy described below resulted by the adoption of the amendment of IFRS 1, none of the other amendments had a significant impact on the Group.

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

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 1 amendment allows an entity to use fair value measurements at the valuation date as deemed cost in the special event such as privatisation or initial public offering to determine the book value of assets. Entities that have adopted IFRS can conduct a retrospective adjustment. The Group changed the accounting policies related to assets revaluation and deemed cost applied on stock reform in 2005 and made the related adjustment retrospectively in accordance with the amendment.

IFRS 7 Financial Instruments — Disclosures

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

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

9.4 Notes to Financial Statements

(In RMB millions, unless otherwise stated)

9.4.1 Net Interest Income

	2011	2010
Interest income on:		
Loans and advances to customers		
— Corporate loans and advances	309,083	239,304
— Personal loans	96,954	69,364
— Discounted bills	10,351	7,458
Financial investments	121,077	106,611
Due from central banks	38,332	28,718
Due from banks and other financial institutions	13,783	11,307
	<u>589,580</u>	<u>462,762</u>
Interest expense on:		
Due to customers	(188,650)	(140,518)
Due to banks and other financial institutions	(32,809)	(15,503)
Debt securities issued	(5,357)	(2,992)
	<u>(226,816)</u>	<u>(159,013)</u>
Net interest income	<u>362,764</u>	<u>303,749</u>

9.4.2 Net Fee and Commission Income

	2011	2010
Settlement, clearing business and cash management	25,410	19,160
Investment banking business	22,592	15,506
Personal wealth management and private banking services	21,264	14,858
Bank card business	17,268	13,687
Corporate wealth management services	9,269	6,886
Asset custody business	5,892	3,385
Guarantee and commitment business	5,101	3,029
Trust and agency services	1,376	979
Others	905	518
	<u>109,077</u>	<u>78,008</u>
Fee and commission expense	(7,527)	(5,168)
Net fee and commission income	<u>101,550</u>	<u>72,840</u>

9.4.3 Net Trading Income/(Expense)

	2011	2010
Debt securities	1,236	352
Equity investments	3	21
Derivatives	(795)	(849)
	<u>444</u>	<u>(476)</u>

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

	2011	2010
Financial assets	4,442	61
Financial liabilities	(4,713)	(278)
	<u>(271)</u>	<u>(217)</u>

9.4.5 Net Gain on Financial Investments

	2011	2010
Dividend income from unlisted investments	33	80
Dividend income from listed investments	8	4
Dividend income	41	84
Gain on disposal of available-for-sale financial assets, net	178	925
	<u>219</u>	<u>1,009</u>

9.4.6 Other Operating Income, Net

	2011	2010
Gain from foreign exchange and foreign exchange products, net	1,400	735
Leasing income	1,433	320
Net gain on disposal of property and equipment, repossessed assets and others	1,273	784
Sundry bank charge income	368	329
Others	1,421	1,675
	<u>5,895</u>	<u>3,843</u>

9.4.7 Operating Expenses

	2011	2010
Staff costs:		
Salaries and bonuses	57,943	49,651
Staff benefits	21,399	14,005
Contributions to defined contribution schemes	8,539	7,332
	<u>87,881</u>	<u>70,988</u>
Premises and equipment expenses:		
Depreciation	12,027	10,844
Minimum lease payments under operating leases in respect of land and buildings	4,116	3,509
Repairs and maintenance charges	2,715	2,412
Utility expenses	2,263	2,084
	<u>21,121</u>	<u>18,849</u>
Amortisation	1,426	1,314
Other administrative expenses	23,253	20,236
Business tax and surcharges	28,875	21,484
Others	7,057	6,609
	<u>169,613</u>	<u>139,480</u>

9.4.8 Impairment Losses on Assets Other than Loans and Advances to Customers

	2011	2010
Charge/(reversal) of impairment losses on:		
Due from banks and other financial institutions	38	3
Financial investments:		
Held-to-maturity investments	(417)	(203)
Available-for-sale financial assets	(469)	(387)
Investments in associates and jointly-controlled entities	348	—
Other assets	(211)	687
	<u>(711)</u>	<u>100</u>

9.4.9 Income Tax Expense

(a) Income tax

	2011	2010
Current income tax expense:		
Mainland China	66,829	48,623
Hong Kong and Macau	891	730
Overseas	534	362
	<u>68,254</u>	<u>49,715</u>
Adjustments in respect of current income tax of prior years	(2,666)	571
Deferred income tax expense	(1,722)	(885)
	<u>63,866</u>	<u>49,401</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:

	2011	2010
Profit before tax	<u>272,311</u>	<u>215,426</u>
Tax at the PRC statutory income tax rate	68,078	53,857
Effects of different applicable rates of tax prevailing in other countries/regions	(10)	(88)
Non-deductible expenses	2,587	1,124
Non-taxable income	(7,024)	(5,572)
Profits and losses attributable to associates and jointly-controlled entities	(596)	(572)
Adjustment in respect of current and deferred income tax of prior years	670	571
Others	<u>161</u>	<u>81</u>
Tax expense at the Group's effective income tax rate	<u>63,866</u>	<u>49,401</u>

9.4.10 Dividends

	2011	2010
Dividends on ordinary shares declared and paid: Final dividend for 2010: RMB0.184 per share (2009: RMB0.17 per share)	<u>64,220</u>	<u>56,783</u>
Dividends on ordinary shares proposed for approval (not recognised as at 31 December): Final dividend for 2011: RMB0.203 per share (2010: RMB0.184 per share)	<u>70,864</u>	<u>64,220</u>

9.4.11 Earnings Per Share

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

	2011	2010
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent company	<u>208,265</u>	<u>165,156</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>349,024</u>	<u>340,599</u>
Basic earnings per share (RMB yuan)	<u>0.60</u>	<u>0.48</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:

	2011	2010
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent company	208,265	165,156
Add: Interest expense on convertible bonds (net of tax)	<u>644</u>	<u>210</u>
Profit used to determine diluted earnings per share	<u>208,909</u>	<u>165,366</u>
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	349,024	340,599
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	<u>6,233</u>	<u>2,008</u>
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	<u>355,257</u>	<u>342,607</u>
Diluted earnings per share (RMB yuan)	<u>0.59</u>	<u>0.48</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.

9.4.12 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 2011					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	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>
Other derivative contracts	<u>26,800</u>	<u>879</u>	<u>—</u>	<u>—</u>	<u>27,679</u>	<u>551</u>	<u>(2)</u>
	<u><u>637,194</u></u>	<u><u>539,459</u></u>	<u><u>261,066</u></u>	<u><u>38,422</u></u>	<u><u>1,476,141</u></u>	<u><u>17,460</u></u>	<u><u>(12,617)</u></u>

31 December 2010

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

Cash flow hedges

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

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

	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>

31 December 2010

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

Fair value hedges

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

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

	2011	2010
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	(86)	(172)
— Hedged items attributable to the hedged risk	89	187
	<u>3</u>	<u>15</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	Over one year	Over five years		Assets	Liabilities
		within one year	but within five years				
Currency swap contracts	—	181	596	—	777	4	(61)
Interest rate swap contracts	508	1,700	8,520	4,311	15,039	—	(882)
	508	1,881	9,116	4,311	15,816	4	(943)

31 December 2010

	Notional amounts with remaining life of				Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	53	817	—	870	1	(83)
Interest rate swap contracts	377	2,922	10,711	1,628	15,638	8	(716)
	<u>377</u>	<u>2,975</u>	<u>11,528</u>	<u>1,628</u>	<u>16,508</u>	<u>9</u>	<u>(799)</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 2011	31 December 2010
Currency derivatives	7,717	8,267
Interest rate derivatives	3,406	2,066
Other derivatives	938	858
	<u>12,061</u>	<u>11,191</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 CBRC. The amounts calculated are dependent on, among other factors, the creditworthiness of the customers and the maturity characteristics of each type of contracts. The amounts differ from the carrying amount or the maximum exposure to credit risk.

9.4.13 Financial Investments

	31 December 2011	31 December 2010
Receivables	498,804	501,706
Held-to-maturity investments	2,424,785	2,312,781
Available-for-sale financial assets	840,105	904,795
	<u>3,763,694</u>	<u>3,719,282</u>

9.4.14 Components of Other Comprehensive Income

	2011	2010
Available-for-sale financial assets:		
Changes in fair value recorded		
in other comprehensive income/(loss)	2,919	(6,170)
Less: Transfer to the income statement arising from disposal/ impairment	582	(1,325)
Income tax effect	(1,208)	1,985
	<u>2,293</u>	<u>(5,510)</u>
Cash flow hedges:		
Gain/(loss) during the year	418	(244)
Less: Income tax effect	(63)	33
	<u>355</u>	<u>(211)</u>
Share of other comprehensive income of associates and jointly-controlled entities	<u>774</u>	<u>(882)</u>
Foreign currency translation differences	(11,416)	2,329
Less: Transfer to the income statement	—	45
	<u>(11,416)</u>	<u>2,374</u>
Others	53	184
Less: Income tax effect	(10)	(27)
	<u>43</u>	<u>157</u>
	<u>(7,951)</u>	<u>(4,072)</u>

9.4.15 Commitments and Contingent Liabilities

(a) Capital commitments

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

	31 December 2011	31 December 2010
Authorised, but not contracted for	2,297	1,507
Contracted, but not provided for	13,696	6,730
	<u>15,993</u>	<u>8,237</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 2011	31 December 2010
Within one year	3,617	2,859
After one year but not more than five years	8,457	6,606
After five years	1,528	1,700
	<u>13,602</u>	<u>11,165</u>

Operating lease commitments – Lessor

At the end of the reporting period, the Group leases certain aircraft, aircraft engines 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 2011	31 December 2010
Within one year	686	366
In the second to fifth years, inclusive	2,691	1,857
After five years	2,873	1,211
	<u>6,250</u>	<u>3,434</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 recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	31 December 2011	31 December 2010
Bank acceptances	300,437	249,522
Guarantees issued		
Financing letters of guarantees	46,299	67,035
Non-financing letters of guarantees	179,439	172,179
Sight letters of credit	70,258	60,513
Usance letters of credit and other commitments	326,626	207,117
Loan commitments		
With an original maturity of under one year	150,685	179,087
With an original maturity of one year or over	519,112	469,675
Undrawn credit card limit	383,736	244,029
	<u>1,976,592</u>	<u>1,649,157</u>
	31 December 2011	31 December 2010
Credit risk weighted amount of credit commitments	<u>801,639</u>	<u>677,500</u>

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

(d) Legal proceedings

As at 31 December 2011, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB1,978 million (31 December 2010: RMB2,048 million).

In the opinion of management, the Group 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 2011, the Bank had underwritten and sold bonds with an accumulated amount of RMB156,366 million (31 December 2010: RMB167,744 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

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

(f) Underwriting obligations

As at 31 December 2011, the Group had no unexpired securities underwriting obligations (31 December 2010: Nil).

9.4.16 Segment Information

(a) Operating segments

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

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

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

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

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

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

	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>

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

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

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

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

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

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

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

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

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

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

	Mainland China (HO and domestic branches)							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										208,445
Other segment information:										
Depreciation	1,343	1,931	1,341	1,754	1,974	2,182	957	545	—	12,027
Amortisation	514	209	100	115	203	195	54	36	—	1,426
Capital expenditure	1,989	4,917	2,075	2,867	3,347	3,872	1,234	8,816	—	29,117

	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										15,476,868
Liabilities by geographical areas	6,698,446	2,901,326	1,999,210	3,440,828	1,837,114	2,113,992	831,310	839,705	(6,194,524)	14,467,407
Unallocated liabilities										51,638
Total liabilities										14,519,045
Other segment information:										
Credit commitments	394,265	434,989	343,562	311,307	118,215	142,619	56,967	174,668	—	1,976,592

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

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

9.4.17 Comparative Amounts

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

10. 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 2011 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 2011 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

29 March 2012

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