THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your H Shares (as defined herein) in the Bank (as defined herein) or all of your Nil Paid H Rights (as defined herein), you should at once contact the purchaser or transferee or the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Subject to the granting of the listing of and permission to deal in the Nil Paid H Rights and the H Rights Shares (as defined herein) on the Hong Kong Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC (as defined herein), the Nil Paid H Rights and the H Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS (as defined herein) with effect from the respective commencement dates of dealings in the Nil Paid H Rights and the H Rights Shares or such other dates as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time.

H Shareholders with registered addresses in any of the Specified Territories (as defined herein) and the Beneficial H Shareholders (as defined herein) who are residents of the Specified Territories are referred to the important information set out in the sections headed "Letter from the Board — III. H Share Rights Issue — Excluded Shareholders" and "Letter from the Board — III. H Share Rights Issue — Limited categories of persons in the Specified Territories who may be able to take up their Nil Paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue".

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, the Provisional Allotment Letter and the Excess Application Form, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of these documents. The securities have not been registered under the U.S. Securities Act of 1933, as amended, (the "U.S. Securities Act") or the laws of any state in the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the U.S. Securities Act and applicable state laws. There is no intention to register any portion of the rights issue or any securities described herein in the United States or to conduct a public offering of securities in the United States.

ICBC 中国工商银行

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)

PROPOSED H SHARE RIGHTS ISSUE OF 3,737,542,588 H SHARES ON THE BASIS OF 0.45 H RIGHTS SHARES FOR EVERY 10 EXISTING H SHARES AT HK$3.49 PER H RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE

Sole Global Coordinator and Joint Lead Underwriter

ICBC 工银国际

Joint Lead Underwriters

UBS   BNP PARIBAS CORPORATE & INVESTMENT BANKING   BOC INTERNATIONAL

Co-Lead Underwriters
(in alphabetical order)

CREDIT SUISSE   HSBC   BofA Merrill Lynch   NOMURA

A copy of this prospectus, together with copies of the Provisional Allotment Letter and the Excess Application Form and (where applicable) the documents specified in the paragraph headed "Statutory and General Information — VIII. Documents Delivered to the Registrar of Companies" in Appendix III to this prospectus have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of any of these documents.

Dealings in the H Shares, the Nil Paid H Rights and the H Rights Shares may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. Existing H Shares have been dealt in on an ex-rights basis from Monday, 22 November 2010. Dealings in the Nil Paid H Rights will take place from Wednesday, 1 December 2010 to Monday, 13 December 2010 (both days inclusive).

The latest time for acceptance of and payment for the H Rights Shares is 4:00 p.m. on Thursday, 16 December 2010. Further details on the expected timetable for the H Share Rights Issue (as defined herein) are set out in the section headed "Expected Timetable" in this prospectus. The procedure for acceptance or transfer of H Rights Shares is set out in the "Letter from the Board" on pages 93 and 120 of this prospectus.

The H Share Rights Issue is conditional upon the fulfilment of the conditions set out under the section headed "Letter from the Board — III. H Share Rights Issue — Conditions of the H Share Rights Issue". If the conditions of the H Share Rights Issue are not fulfilled, the H Share Rights Issue may not proceed.

The H Share Rights Issue will proceed on a fully underwritten basis. The Underwriting Agreement (as defined herein) contains provisions entitling the Majority Underwriters (as defined herein) by notice in writing to the Bank to terminate the Underwriting Agreement on or prior to the Latest Time for Termination (as defined herein) on the occurrence of certain events, including force majeure, as set out under the section headed "Letter from the Board — III. H Share Rights Issue — Termination of the Underwriting Agreement". If the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed. Shareholders' and potential investors' attention is also drawn to the section headed "Letter from the Board — III. H Share Rights Issue — Warning of the Risks of Dealing in the H Rights Shares and the Nil Paid H Rights". Shareholders and potential investors in the Bank should therefore exercise caution when dealing in the H Rights Shares or the Nil Paid H Rights. If in doubt, Shareholders and potential investors are recommended to consult their professional advisers.

29 November 2010

The H Share Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. Furthermore, if the conditions of the H Share Rights Issue are not fulfilled, the H Share Rights Issue may not proceed, in which case, a further announcement will be made by the Bank at the relevant time. It should also be noted that the H Shares have been dealt with on an ex-rights basis from Monday, 22 November 2010 and that dealings in the Nil Paid H Rights will take place from Wednesday, 1 December 2010 to Monday, 13 December 2010 (both days inclusive). Such dealings will take place when the conditions of the H Share Rights Issue remains unfulfilled and the Underwriting Agreement is subject to termination in accordance with the terms thereof. Any person dealing in the securities of the Bank up to the date on which such condition is fulfilled or waived and up to the Latest Time for Termination (as defined herein) and any person dealing in the Nil Paid H Rights from Wednesday, 1 December 2010 to Monday, 13 December 2010 (being the first and last day of dealings in the Nil Paid H Rights respectively) will accordingly bear the risk that the H Share Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Bank, the Nil Paid H Rights and/or the H Rights Shares during this period who is in any doubt about his or her position is recommended to consult his or her own professional adviser.

EXCEPT AS OTHERWISE SET OUT HEREIN, THE H SHARE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO H SHAREHOLDERS, BENEFICIAL H SHAREHOLDERS OR INVESTORS IN THE SPECIFIED TERRITORIES. This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Nil Paid H Rights or the H Rights Shares or to take up any entitlements to the Nil Paid H Rights or the H Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. None of the Nil Paid H Rights, the H Rights Shares, this prospectus, the Provisional Allotment Letter and the Excess Application Form will be registered under the securities laws of any of the Specified Territories and none of the Nil Paid H Rights, the H Rights Shares, this prospectus, the Provisional Allotment Letter and the Excess Application Form will qualify for distribution under any of the relevant securities laws of any of the Specified Territories (other than pursuant to any applicable exceptions as agreed by the Bank). Accordingly, the Nil Paid H Rights and the H Rights Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any of the Specified Territories absent registration or qualification under the respective securities laws of such Specified Territories, or exemption from the registration or qualification requirement under applicable rules of such Specified Territories.

H Shareholders with registered addresses in any of the Specified Territories and Beneficial H Shareholders who are residents of the Specified Territories are referred to the sections of this prospectus headed "Letter from the Board — III. H Share Rights Issue — Excluded Shareholders" and "Letter from the Board — III. H Share Rights Issue — Limited categories of persons in the Specified Territories who may be able to take up their Nil Paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue".

For a description of certain restrictions regarding the take-up of the Nil Paid H Rights for, and the offering and sale of, the H Rights Shares, see the section headed "Information about this Prospectus and the H Share Rights Issue — Restrictions on the Use of this Prospectus and the Offer and Sales of Securities".

NOTICE TO AUSTRALIAN INVESTORS

This prospectus is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) (the "**Australian Corporations Act**") and has not been and will not be lodged with the Australian Securities and Investments Commission as a disclosure document for the purposes of Chapter 6D of the Australian Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D of the Australian Corporations Act. There will be no public offer of the Nil Paid H Rights and the H Rights Shares in Australia.

The Nil Paid H Rights and/or H Rights Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the Nil Paid H Rights and/or H Rights Shares may be issued, and no draft or definitive offering circular, advertisement or other offering material relating to any of the Nil Paid H Rights and/or H Rights Shares may be distributed in Australia except where disclosure to investors is not required under Chapter 6D of the Australian Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations.

As any offer of the Nil Paid H Rights and/or H Rights Shares under this prospectus will be made without disclosure in Australia under Chapter 6D of the Australian Corporations Act, the offer of the Nil Paid H Rights and/or H Rights Shares for resale in Australia within 12 months may, under section 707 of the Australian Corporations Act, require disclosure to investors under Chapter 6D if none of the exemptions in section 708 apply to that resale. Accordingly, any person who acquires the Nil Paid H Rights and/or H Rights Shares pursuant to this prospectus should not, within 12 months of acquisition of our Nil Paid H Rights and/or H Rights Shares, offer, transfer, assign or otherwise alienate those Nil Paid H Rights and/or H Rights Shares to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D of the Corporations Act or unless a compliant disclosure document is prepared and lodged with the Australian Securities and Investments Commission.

We are not licensed to provide financial product advice in relation to the Nil Paid H Rights and/or H Rights Shares. There is no cooling-off regime that applies in respect of your acquisition of the Nil Paid H Rights and/or H Rights Shares. This prospectus is intended to provide general information only and has been prepared without taking into account any particular person's objectives, financial situation or needs. Investors should, before acting on this information, consider the appropriateness of this information having regard to their personal objectives, financial situation or needs. Investors should review and consider the contents of this prospectus and obtain financial advice specific to their situation before making any decision to make an application for the Nil Paid H Rights and/or H Rights Shares.

NOTICE TO CANADIAN INVESTORS

The Nil Paid H Rights and H Rights Shares will not be distributed in Canada. Any resale of the Nil Paid H Rights and/or H Rights Shares in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory registration and prospectus exemptions, under a discretionary exemption granted by the applicable Canadian securities regulatory authority or in a transaction not subject to securities legislation in Canada. Purchasers are advised to seek legal advice prior to any resale of the Nil Paid H Rights and/or H Rights Shares.

NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS

This Prospectus has been prepared on the basis that all offers of Nil Paid H Rights and/or H Rights Shares will be made pursuant to an exemption under the Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "**Prospectus Directive**"), as implemented in member states of the European Economic Area ("**EEA**"), from the requirement to produce a prospectus for offers of Nil Paid H Rights and/or H Rights Shares. Neither the Bank nor the Underwriters have authorised, nor will they authorise, the making of any offer of Nil Paid H Rights and/or H Rights Shares through any financial intermediary, other than offers made by the Underwriters which constitute the final placement of the Nil Paid H Rights and/or H Rights Shares contemplated in this Prospectus.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "**relevant member state**"), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the "**relevant implementation date**") no Nil Paid H Rights and/or

H Rights Shares have been offered or will be offered pursuant to the H Share Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the Nil Paid H Rights and/or H Rights Shares which has been approved by the competent authority in the relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of Nil Paid H Rights and/or H Rights Shares may be made to the public in that relevant member state at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual turnover of more than €50 million, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Nil Paid H Rights and/or H Rights Shares shall result in a requirement for the publication by the Bank or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For this purpose, the expression "an offer of any Nil Paid H Rights and/or H Rights Shares to the public" in relation to any Nil Paid H Rights and/or H Rights Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the H Share Rights Issue and any Nil Paid H Rights and/or H Rights Shares to be offered so as to enable an investor to decide to acquire any Nil Paid H Rights and/or H Rights as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

In the case of any Nil Paid H Rights and/or H Rights Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Nil Paid H Rights and/or H Rights Shares acquired by it in the H Share Rights Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Nil Paid H Rights and/or H Rights Shares to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent of the Bank and the Underwriters has been obtained to each such proposed offer or resale.

NOTICE TO JAPANESE INVESTORS

Registration for a public offer of the Nil Paid H Rights and/or H Rights Shares in Japan has not been and will not be made under the Financial Instruments and Exchange Law of Japan. Accordingly, the Nil Paid H Rights and/or the H Rights Shares may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Law of Japan and any other applicable requirements of Japanese laws. As used in this paragraph, a "resident of Japan" means any person residing in Japan, including any corporation or other entity organised under the laws of Japan.

NOTICE TO INVESTORS IN THE KINGDOM OF SAUDI ARABIA

This prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representation as to the accuracy or completeness of this prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this prospectus.

NOTICE TO MALAYSIAN INVESTORS

This prospectus has not been and will not be registered as a prospectus with the Malaysian Securities Commission ("**SC**") under the Capital Markets and Services Act 2007 ("**CMSA**"). This prospectus will not be deposited as an information memorandum with the SC. Accordingly, this prospectus and any other document or material in connection with the issue or offer for sale, or invitation for acquisition of the Nil Paid H Rights and/or H Rights Shares shall not be circulated nor distributed, nor may the Nil Paid H Rights and/or H Rights Shares be issued, offered or sold, or be made the subject of an invitation for acquisition, whether directly or indirectly, to any person in Malaysia, other than to the persons specified in sections 229(l)(b) or 230(l)(b) or schedules 6 or 7 of the CMSA.

The approval of the SC has not been sought and, consequently, the Nil Paid H Rights and/or H Rights Shares may not be made available, or offered for acquisition, nor may any invitation to acquire the Nil Paid H Rights and/or H Rights Shares, whether directly or indirectly, be issued to any person in Malaysia unless such issue, offer or invitation is exempted from the requirement for the approval of the SC by virtue of schedule 5 to the CMSA.

NOTICE TO PRC INVESTORS

This prospectus does not constitute a public offer of the Nil Paid H Rights and/or H Rights Shares, whether by way of sale or subscription, in the PRC. According to relevant PRC laws and regulations, the Nil Paid H Rights and/or the H Rights Shares are not being offered and may not be offered or sold directly or indirectly in the PRC to, or for the benefit of, legal or natural persons of the PRC other than MOF, SSF and QDIIs.

Notwithstanding what is stated in the preceding paragraph above, MOF, SSF and QDIIs may be able to take up their rights under the H Share Rights Issue, provided that they fulfil the requirements under relevant PRC laws and regulations.

In each case, we reserve the absolute discretion in determining whether to allow such participation as well as the identities of the persons who may be allowed to do so.

NOTICE TO SWISS INVESTORS

This prospectus does not constitute a public offering prospectus as the term is understood pursuant to Article 652a and/or 115b of the Swiss Code of Obligations. We have not applied for a listing of the Nil Paid H Rights and/or H Rights Shares on the SIX Swiss Exchange and consequently, the information presented in this prospectus does not claim to, and does not necessarily, comply with the disclosure standards of the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss.

There will be no public offer of the Nil Paid H Rights and/or H Rights Shares in Switzerland. This document is being communicated in or from Switzerland to a small number of selected investors only, without any public offer and only to investors who do not purchase the Nil Paid H Rights and/or H Rights Shares with the intention to distribute them to the public. Each copy of this document is addressed to a specifically named recipient and may not be passed on to third parties.

NOTICES

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This prospectus has not been delivered for approval to the Financial Services Authority ("**FSA**") in the United Kingdom nor has it been approved by an authorised person within the meaning of Financial Services and Markets Act 2000, as amended ("**FSMA**"). No approved prospectus within the meaning of section 85 of FSMA or of the Prospectus Directive has been published or is intended to be published in relation to the H Share Rights Issue. Accordingly, the securities referred to in this prospectus may not be, and are not being, offered to persons in the United Kingdom except in circumstances which will not result in an offer to the public in the United Kingdom in contravention of the FSMA or the Prospectus Directive.

Within the United Kingdom, this prospectus is only being addressed and distributed to persons to whom interests may lawfully be promoted pursuant to section 21 of FSMA. In particular, this prospectus is being communicated to, and is directed only at: (a) persons (i) having professional experience in matters relating to investments so as to qualify them as "investment professionals" under Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); (ii) falling within Article 49(2)(a) to (d) of the Order; or (iii) falling within Article 50 of the Order, or (b) persons who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive, or (c) persons to whom it may otherwise be lawfully communicated (together being referred to as "**Relevant Persons**"). This communication must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this communication relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

NOTICE TO US INVESTORS

The Provisional Allotment Letter, the Excess Application Form, the Nil Paid H Rights and the H Rights Shares have not been and will not be registered under the U.S. Securities Act or securities laws of any state or other jurisdiction of the United States and may not be offered, sold, allotted, taken up, exercised, resold, renounced, pledged, transferred or delivered, directly or indirectly, in or into the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Nil Paid H Rights and the H Rights Shares in the United States.

The Provisional Allotment Letter, the Excess Application Form, the Nil Paid H Rights and the H Rights Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any U.S. regulatory authority, nor have any the foregoing authorities passed upon or endorsed the merits of the H Share Rights Issue, the Provisional Allotment Letter, the Excess Application Form, the Nil Paid H Rights and the H Rights Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Subject to certain exceptions, none of this prospectus, the Provisional Allotment Letter and the Excess Application Form constitutes, will constitute, or forms or will form, part of any offer or invitation or issue, purchase or acquire the Nil Paid H Rights and/or the H Rights Shares to any person with a registered address, or who is located, in the United States. The Nil Paid H Rights and the H Rights Shares are being offered outside the United States in reliance on Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the H Share Rights Issue, or the procurement of purchasers by the Underwriters of the H Rights Shares not initially taken up, any offer, sale or transfer of the Nil Paid H Rights or the H Rights Shares in or into the United States by a dealer (whether or not participating in the H Share Rights Issue) may violate the registration requirements of the U.S. Securities Act.

The Underwriters may arrange for the offer of the H Rights Shares not taken up in the H Share Rights Issue only outside the United States in reliance on Regulation S under the U.S. Securities Act. Each purchaser or subscriber of H Rights Shares being offered and sold outside the United States will be deemed to have represented and agreed, among other things, that the purchaser or subscriber is acquiring the H Rights Shares in an offshore transaction meeting the requirements of Regulation S under the U.S. Securities Act.

Any person (other than the QIBs referred to in the immediately following paragraph) purchasing or taking up the Nil Paid H Rights or subscribing for or accepting H Rights Shares will be required to represent, among others, that such person:

(i) is not within the United States;

(ii) is not in any other jurisdiction in which it is unlawful to make or accept an offer to acquire the Nil Paid H Rights or the H Rights Shares;

(iii) is not doing so for the account of any person who is located in the United States, unless

  (a) the instruction to take up was received from a person outside the United States; and

  (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, and (y) either (A) has investment discretion over such account or (B) is an investment manager or investment company that it is acquiring the H Rights Shares in an "offshore transaction" within the meaning of Regulation S; and

(iv) is not acquiring the Nil Paid H Rights or the H Rights Shares with a view to the offer, sale, allot, take up, exercise, resale, renounce, pledge, transfer or deliver, directly or indirectly, of any such Nil Paid H Rights or H Rights Shares into the United States or any other jurisdiction referred to in (ii) above.

Notwithstanding the representations above, the Bank may offer the Nil Paid H Rights and H Rights Shares in the United States to a limited number of persons whom the Bank reasonably believes to be QIBs in transactions exempt from the registration requirements under the U.S. Securities Act, provided that such persons fulfil the relevant requirements to the satisfaction of the Bank.

NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes ("**RSA 421-B**") with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State of New Hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

FORWARD-LOOKING STATEMENTS

All statements in this prospectus other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements may be identified by the use of words such as "might", "may", "could", "would", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue", "illustration", "projection" or similar expressions and the negative thereof. Forward-looking statements in this prospectus include, without limitation, statements in respect of the Bank's business strategies, product offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Bank operates, technological advances, financial and economic developments, legal and regulatory changes and their interpretation and enforcement.

The forward-looking statements in this prospectus are based on management's present expectations about future events. Management's present expectations reflect numerous assumptions regarding the Bank's strategy, operations, industry, developments in the credit and other financial markets and trading environment. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any assumptions underlying forward-looking statements prove to be incorrect, the Bank's actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Bank or that the Bank does not currently consider material could also cause the events and trends discussed in this prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realised.

Prospective investors are cautioned that forward-looking statements speak only as at the date of publication of this prospectus. Except as required by applicable laws, the Bank does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this prospectus, be it as a result of new information, future events or otherwise.

ARBITRATION OF DISPUTES

If you have a claim against or dispute with us, a director, supervisor, president or other senior management of ours, a holder of our H Shares, Nil Paid Rights or H Rights Shares, or a holder of our A Shares or rights to subscribe to our A Shares relating to any rights or obligations conferred or imposed by our Articles or by the PRC Company Law and related regulations concerning our affairs or with respect to the transfer of our Shares, our Articles require you to submit the dispute or claim to either the China International Economic and Trade Arbitration Commission ("**CIETAC**"), or the Hong Kong International Arbitration Centre ("**HKIAC**"), for arbitration. Our Articles further provide that the arbitral award will be final and conclusive and binding on all parties.

CONTENTS

Expected H Share Rights Issue Timetable

Last day of dealings in H Shares on a cum-rights basis	Friday, 19 November 2010
First day of dealings in H Shares on an ex-rights basis	Monday, 22 November 2010
Latest time for lodging transfer of H Shares in order to qualify for the H Share Rights Issue	4:30 p.m., Tuesday, 23 November 2010
Register of the H Shareholders closed	Wednesday, 24 November 2010 to Friday, 26 November 2010 (both days inclusive)
H Share Record Date	Friday, 26 November 2010
Despatch of Prospectus Documents	Monday, 29 November 2010
Register of the H Shareholders re-opens	Monday, 29 November 2010
First day of dealings in Nil Paid H Rights	Wednesday, 1 December 2010
Latest time for splitting Provisional Allotment Letters	4:30 p.m., Wednesday, 8 December 2010
Last day of dealings in Nil Paid H Rights	Monday, 13 December 2010
Latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares	4:00 p.m., Thursday, 16 December 2010
Latest time for the termination of the Underwriting Agreement and for the H Share Rights Issue to become unconditional	4:00 p.m., Monday, 20 December 2010
Announcement of results of acceptance of and excess applications for H Rights Shares	Thursday, 23 December 2010
Despatch of certificates for fully paid H Rights Shares	Friday, 24 December 2010
Despatch of refund cheques in respect of wholly or partially unsuccessful applications for excess H Rights Shares	Friday, 24 December 2010
Commencement of dealings in H Rights Shares in fully-paid form	9:30 a.m., Tuesday, 28 December 2010

Shareholders should note that the dates specified in the expected timetable of the H Share Rights Issue as set out above, and in other parts of this prospectus, are indicative only. In the event any special circumstances arise, the Board may extend, or make adjustment to, the timetable if it considers appropriate. Any such extension or adjustment to the expected timetable will be announced and notified to the Shareholders as and when appropriate.

Effect of Bad Weather on the Latest Time for Acceptance of and Payment for H Rights Shares and Application for Excess H Rights Shares

The latest time for acceptance of and payment for H Rights Shares and application for excess H Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning:

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will be extended to 5:00 p.m. on the same Business Day;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the H Rights Shares and application for excess H Rights Shares does not take place on the Acceptance Date, the dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. An announcement will be made by the Bank in such event.

In this prospectus, unless the context requires otherwise, the following terms and expressions shall have the following meanings:

"A Rights Shares"	the new A Shares proposed to be allotted and issued to the Qualified A Shareholders pursuant to the A Share Rights Issue (less any A Shares not taken up by the A Shareholders)
"A Share(s)"	ordinary share(s) of RMB1.00 each in the share capital of the Bank, which are listed on the Shanghai Stock Exchange and traded in RMB
"A Share Convertible Corporate Bonds"	convertible corporate bonds convertible into new A Shares of a total face value of RMB25 billion issued by the Bank in the PRC on 31 August 2010 and listed on the Shanghai Stock Exchange (Convertible Corporate Bond Code: 113002)
"A Share Record Date"	Monday, 15 November 2010, by reference to which entitlements of the Qualified A Shareholder(s) to the A Share Rights Issue were determined
"A Share Rights Issue"	the issue of 11,293,305,662 A Rights Shares at the Subscription Price on the basis of 0.45 A Rights Shares for every 10 existing A Shares held by the A Shareholders as set out in the register of members after market closes on the A Share Record Date
"A Share Rights Issue Prospectus"	the A Share rights issue prospectus containing the details of the A Share Rights Issue published by the Bank on the website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 11 November 2010
"A Shareholder(s)"	holder(s) of the A Shares
"Acceptance Date"	Thursday, 16 December 2010, being the latest date for acceptance of, and payment for, the H Rights Shares and application for the excess H Rights Shares, provided that if on such date a storm warning (being a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal issued in Hong Kong) is issued in Hong Kong at any time between 12:00 p.m. and 4:00 p.m. then references to the "Acceptance Date" shall mean the first Business Day thereafter on which no such storm warning remains issued at any time between 9:00 a.m. and 4:00 p.m.
"Announcement"	the announcement of the Bank dated 10 November 2010 in relation to the proposed H Share Rights Issue and A Share Rights Issue
"Articles"	the articles of association of the Bank, as amended from time to time
"Authorised Directors"	the Chairman, Vice Chairman, President of the Bank
"Bank", "we", "us", "our" or "ICBC"	中國工商銀行股份有限公司 (Industrial and Commercial Bank of China Limited), a joint stock limited company in the PRC and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 1398) and the Shanghai Stock Exchange (Stock Code: 601398), respectively, or our

	predecessor, Industrial and Commercial Bank of China, as applicable; or as the context so requires, shall mean Industrial and Commercial Bank of China Limited or our predecessor, Industrial and Commercial Bank of China, and its subsidiaries
"Basel II"	the revised Basel Capital Framework promulgated in June 2004
"Bank of China"	Bank of China Limited as well as its predecessors
"Beneficial H Shareholder(s)"	any beneficial owner(s) of H Shares whose H Shares are registered as shown in the H Shareholders' register of the Bank in the name of a registered H Shareholder
"Board"	the board of directors of the Bank
"Bohai Rim"	includes Beijing, Tianjin, Hebei, Shandong and Qingdao
"Business Day"	any day other than Saturday or Sunday on which commercial banks and financial institutions in Hong Kong are open for business
"CAGR"	compound annual growth rate
"CBRC"	China Banking Regulatory Commission
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"Central China"	includes Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan
"CIRC"	China Insurance Regulatory Commission
"Co-Lead Underwriters"	Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch Far East Limited and Nomura International (Hong Kong) Limited
"CSRC"	China Securities Regulatory Commission
"Directors"	the directors of the Bank
"Excess Application Form(s)"	application form(s) for excess H Rights Shares
"Excluded Shareholder(s)"	H Shareholder(s) whose name(s) appeared in the H Shareholders' register of the Bank at the close of business on the H Share Record Date and whose address(es) as shown in such register is/are in any of the Specified Territories, except for those H Shareholders with addresses in the U.S., Australia, PRC, Japan or

	Switzerland who fulfil the relevant requirements to the satisfaction of the Bank; and any H Shareholders or Beneficial H Shareholders at that time who are otherwise known by the Bank to be resident in any of the Specified Territories, except for those H Shareholders or Beneficial H Shareholders resident in the U.S., Australia, PRC, Japan or Switzerland who fulfil the relevant requirements to the satisfaction of the Bank
"First A Shareholders Class Meeting of 2010"	the class meeting of the A Shareholders of the Bank held on Tuesday, 21 September 2010 on which, among other matters, the Rights Issue was considered and approved
"First H Shareholders Class Meeting of 2010"	the class meeting of the H Shareholders of the Bank held on Tuesday, 21 September 2010 on which, among other matters, the Rights Issue was considered and approved
"HIBOR"	Hong Kong Interbank Offered Rate
"H Rights Shares"	the new H Shares proposed to be allotted and issued to the Qualified H Shareholders pursuant to the H Share Rights Issue
"H Share(s)"	overseas listed foreign share(s) of par value of RMB1.00 each in the share capital of the Bank, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Share Record Date"	Friday, 26 November 2010, or such other date determined by the Board by reference to which entitlements to the H Share Rights Issue are to be determined
"H Share Registrar"	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, being the Bank's registrar of the H Shares
"H Share Rights Issue"	the issue of 3,737,542,588 H Rights Shares at the Subscription Price on the basis of 0.45 H Rights Shares for every 10 existing H Shares held on the H Share Record Date
"H Shareholder(s)"	holder(s) of H Shares
"Head Office"	head office of the Bank (including institutions directly controlled by the Head Office and their offices)
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huarong"	China Huarong Asset Management Corporation
"Huijin"	Central Huijin Investment Ltd.
"IAS 39"	International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and its interpretations by the IASB
"IASB"	the International Accounting Standards Board
"ICBC Credit Suisse Asset Management"	ICBC Credit Suisse Asset Management Co., Ltd.
"ICBC International"	ICBC International Holdings Limited, previously known as "Industrial and Commercial International Finance Limited"
"ICBC Leasing"	ICBC Financial Leasing Co., Ltd.
"ICBC Macau"	Industrial and Commercial Bank of China (Macau) Limited
"IFRIC"	the International Financial Reporting Interpretations Committee
"IFRS" or "IFRSs"	the International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
"Intermediary"	in relation to a Beneficial H Shareholder whose H Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, means the Beneficial H Shareholder's broker, custodian, nominee or other relevant person who is a CCASS Participant or who has deposited the Beneficial H Shareholder's H Shares with a CCASS Participant
"Joint Lead Underwriters"	ICBC International Securities Limited, UBS AG, Hong Kong Branch, BNP Paribas Capital (Asia Pacific) Limited and BOCI Asia Limited
"Latest Practicable Date"	22 November 2010, being the latest practicable date prior to the printing of this prospectus
"Latest Time for Termination"	4:00 p.m. on Monday, 20 December 2010
"LIBOR"	London Interbank Offered Rate
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Majority Underwriters"	any five Underwriters acting as a group
"MOF"	Ministry of Finance of the People's Republic of China
"National Audit Office"	National Audit Office of the People's Republic of China

"Nil Paid H Rights"	rights to subscribe for H Rights Shares (in the form of H Rights Shares in nil-paid form) before the Subscription Price is paid
"Non-PRC Resident Enterprise Shareholder(s)"	any Shareholder(s) incorporated under the laws of, and having its management office located in, a jurisdiction other than the PRC which has established office in the PRC or has income sourced from the PRC
"Northeastern China"	includes Liaoning, Heilongjiang, Jilin and Dalian
"PBOC"	The People's Bank of China
"Pearl River Delta"	includes Guangdong, Shenzhen, Fujian and Xiamen
"PRC" or "China"	the People's Republic of China but excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法) as enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, as amended by the Standing Committee of the National People's Congress of the PRC on 27 October 2005, which amendment became effective on 1 January 2006
"PRC GAAP"	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by the Ministry of Finance in 2006, as well as other relevant regulations
"Price Determination Date"	Wednesday, 10 November 2010, the date on which the Subscription Price was fixed for the purposes of the Rights Issue
"Prospectus Documents"	this prospectus, the Provisional Allotment Letter and the Excess Application Form
"Provisional Allotment Letter(s)"	provisional allotment letter(s) for the H Rights Shares
"QIBs"	qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act
"QDII"	qualified domestic institutional investor
"Qualified A Shareholder(s)"	A Shareholder(s) whose name(s) appear(s) on the register of members of the Bank at the close of business on the A Share Record Date
"Qualified H Shareholder(s)"	H Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the H Shareholders' register of the Bank at the close of business on the H Share Record Date
"Qualified Shareholder(s)"	Qualified H Shareholder(s) and Qualified A Shareholder(s)
"Receiving Banks"	Industrial and Commercial Bank of China (Asia) Limited and Bank of Communications Co., Ltd. Hong Kong Branch

"Record Date"	the A Share Record Date and/or the H Share Record Date
"reporting period"	the three years ended 31 December 2009 plus the six months ended 30 June 2010
"Rights Issue"	the A Share Rights Issue and the H Share Rights Issue
"Rights Share(s)"	the A Rights Share(s) and the H Rights Share(s)
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the PRC State Administration of Foreign Exchange
"Second Extraordinary General Meeting of 2010"	the extraordinary general meeting of the Shareholders of the Bank held on Tuesday, 21 September 2010 on which, among other matters, the Rights Issue was considered and approved
"Seng Heng Bank"	previously the Seng Heng Bank Limited, with its name now changed to "Industrial and Commercial Bank of China (Macau) Limited"
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange
"Share(s)"	A Share(s) and/or H Share(s)
"Shareholders"	the holder(s) of the A and H Shares of the Bank
"SME(s)"	small and medium enterprise(s)
"Sole Global Coordinator"	ICBC International Capital Limited
"Special Regulations"	the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) issued by the State Council on 4 August 1994, as amended, supplemented or otherwise modified from time to time
"Specified Territories"	Australia, Canada, PRC, Japan, the Kingdom of Saudi Arabia, Malaysia, Switzerland and the U.S.
"SSF"	National Council for Social Security Fund
"State Council"	The State Council of the People's Republic of China
"Subscription Price"	RMB2.99 for each A Rights Share and HK$3.49 for each H Rights Share
"subsidiary"	has the meaning ascribed thereto in the Hong Kong Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto in the Hong Kong Listing Rules
"Supervisor(s)"	the supervisor(s) of the Bank
"trading day"	with respect to A Shares, means a day on which the Shanghai Stock Exchange is open for dealing or trading in securities, and with respect to H Shares, means a

	day on which the Hong Kong Stock Exchange is open for dealing or trading in securities
"Underwriters"	the Joint Lead Underwriters and the Co-Lead Underwriters
"Underwriting Agreement"	the underwriting agreement dated 10 November 2010 and entered into between the Bank, the Sole Global Coordinator and the Underwriters in relation to the H Share Rights Issue
"US", "U.S." or "United States"	the United States of America
"USD"	United States dollar, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended
"VISA"	an international credit card networking and association organisation headquartered in San Francisco, U.S., issuing VISA cards through its members
"Voting Results Announcement"	an announcement of the Bank dated 21 September 2010 in relation to the voting results of the Second Extraordinary General Meeting of 2010, the First A Shareholders Class Meeting of 2010 and the First H Shareholders Class Meeting of 2010
"Western China"	includes Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet
"Yangtze River Delta"	includes Shanghai, Jiangsu, Zhejiang, Ningbo and Suzhou

Unless otherwise specified in this prospectus, translations of RMB into HK$ are made in this prospectus for illustration only, at the rate of RMB0.85719 to HK$1. No representation is made that any amounts in RMB could have been or could be converted at that rate or at any other rates or at all.

In addition, unless otherwise specified in this prospectus, all amounts or value in this prospectus are denominated in Renminbi.

The following information is derived from, and should be read in conjunction with, the full text of this prospectus.

H Share Rights Issue Statistics

Basis of H Share Rights Issue	0.45 H Rights Shares for every 10 existing H Shares held at the close of business on the H Share Record Date by the Qualified H Shareholders
Number of H Shares in issue as at the Latest Practicable Date	83,056,501,962
Number of H Rights Shares proposed to be issued (assuming the number of H Shares in issue on the H Share Record Date remains the same as the Latest Practicable Date)	3,737,542,588
Subscription Price for the H Rights Shares	HK$3.49
Sole Global Coordinator (H Share Rights Issue)	ICBC International Capital Limited
Joint Lead Underwriters	ICBC International Securities Limited UBS AG, Hong Kong Branch BNP Paribas Capital (Asia Pacific) Limited BOCI Asia Limited
Co-Lead Underwriters (in alphabetical order)	Credit Suisse (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited Merrill Lynch Far East Limited Nomura International (Hong Kong) Limited
Auditors	Ernst & Young

A Share Rights Issue Statistics

Basis of A Share Rights Issue	0.45 A Rights Shares for every 10 existing A Shares held at the close of business on the A Share Record Date by all A Shareholders
Number of A Shares in issue prior to the A Share Rights Issue	250,962,348,064
Number of A Shares proposed to be allotted and issued	11,293,305,662
Subscription Price for the A Rights Shares	RMB2.99
Joint A Share Sponsors	UBS Securities Co. Ltd. China International Capital Corporation Limited

Joint A Share Lead Underwriters	UBS Securities Co. Ltd. China International Capital Corporation Limited
Auditors	Ernst & Young Hua Ming

You should carefully consider the risks described below as well as other information contained in this prospectus before making an investment decision. The occurrence of any of the following events could harm us. If these events occur, the trading prices of our H Shares and the Nil Paid H Rights could decline, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

I. RISKS RELATING TO OUR BUSINESS

(I) We are subject to risks relating to our loan portfolio.

1. We may face risks arising from deterioration in the quality of our loans.

Risk arising from loan business is one of the key risks of the Bank's business. The Bank has established a comprehensive risk management system, implemented standardised credit management processes and focused on risk management in the entire process of credit business. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, our non-performing loans amounted to RMB80,073 million, RMB88,467 million, RMB104,482 million and RMB111,774 million, representing non-performing loan ratios of 1.26%, 1.54%, 2.29% and 2.74% respectively. The amount and ratio of non-performing loans have decreased on a yearly basis.

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

2. Actual losses on our loans may exceed our allowance for impairment losses.

As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, the coverage ratio for provisions for non-performing loans reached 189.81%, 164.41%, 130.15% and 103.50%, respectively, representing an upward trend on an annual basis.

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

3. We are subject to risks relating to collateralised or guaranteed loans.

As at 30 June 2010, our total amount of loans to customers reached RMB6,354,384 million with unsecured loans of RMB2,071,668 million, guaranteed loans of RMB1,011,604 million, pledged loans of RMB704,019 million, and loans secured by mortgages of RMB2,567,093 million.

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

4. We are subject to risks related to concentration of loans to certain industries.

As at 30 June 2010, our domestic loans were relatively concentrated in the following industries: (i) transportation, storage and postal services; (ii) manufacturing; (iii) water, environment and public utility management; (iv) production and supply of electricity, gas and water and (v) real estates representing 14.12%, 13.35%, 8.73%, 8.63% and 7.92% respectively of our total loans to customers. For details of the Bank's distribution of corporate loans by industry, please refer to the section headed "Financial Information — D. Management Discussion and Analysis of Results of the Bank — Distribution of Corporate Loans by Industry" set out in Appendix I of this prospectus.

During the reporting period, we have timely adjusted the allocation of our loans among different industries according to changes in macro economic trends and continued to optimise our credit portfolio for different industries. However, a significant downturn in an industry mentioned above caused by adverse macro economic environment or national policies may lead to a significant increase in our non-performing loans in such industry, which will adversely affect our financial condition and results of operations.

5. We are subject to risks associated with real estate related loans.

Our real estate related loans in the PRC include corporate property loans and personal housing loans. As at 30 June 2010, in terms of the distribution of our corporate loans by product line, property loans amounted to RMB531,919 million, accounting for 8.4% of our total loans. Non-performing corporate property loans amounted to RMB4,274 million with a non-performing loan ratio of 0.80%. Our personal housing loans amounted to RMB1,037,764 million, accounting for 16.3% of our total loans. Non-performing personal housing loans amounted to RMB4,559 million with a non-performing loan ratio of 0.44%.

In recent years, we have actively responded to changes in the real estate market, continued to optimise the product mix of our real estate related loans and improved our credit policy towards the real estate industry, which has resulted in continuous improvement in the quality of our real estate related loans. We have been closely monitoring the risks associated with the real estate market, established a name list control system of real estate developer and focused our loans on high quality common commercial housing projects, introduced a project risk monitoring and precaution system, paid close attention to any adjustment in real estate macro policies and real estate market trends and timely adjusted our credit policies for the real estate industry accordingly. At the same time, we have also adopted a series of measures to strengthen the risk management of personal housing loans, and continuously refined the post-lending management of personal loans. For details related to the Bank's loans to the real estate industry, please refer to the sections headed "Financial Information — D. Management Discussion and Analysis of Results of the Bank — Distribution of Corporate Loans by Product Line" and "Financial Information — D. Management Discussion and Analysis of Results of the Bank — Distribution of Personal Loans by Product Line" set out in Appendix I of the prospectus.

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

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

6. We are subject to risks related to loans to industries facing over-capacity.

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

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

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

7. We are subject to risks related to loans to local government financing platforms.

Our loans to local government financing platforms are mainly made to the investment and financing platforms of various development zones, state-owned asset management companies, land reserve companies and urban construction investment companies, covering a number of industries including water, environment and public utility management, transportation, storage, postal services and leasing and commercial services. Most of these loans were made to financing platforms of provincial and municipal level or above with terms of less than 5 years. The asset quality of these loans is good and non-performing loan ratio is low.

The Bank has consistently focused on the risks associated with loans to the local government financing platforms through a series of measures such as imposing stringent regional controls on disbursing loans to local government financing platform, establishing a list of approved cities and lending limit control and establishing credit and credit product related policies. Through such measures, the risks associated with loans to local government financing platforms, the aggregate volume of loans and their investment direction can be prudently controlled in order to ensure our loans are primarily disbursed to key construction and development areas of the state and projects with high quality. In addition, we have adopted several risk mitigation measures to ensure the security of our loans to local government financing platforms. For further information about our loans to financing platform of local government, please refer to the section headed “Financial Information — D. Management Discussion and Analysis of Results of the Bank — The Asset Quality of the Bank’s Loan Portfolio” set out in Appendix I of the prospectus.

However, we cannot rule out the possibility that, as a result of changes of macro economic conditions, government economic policy and project construction management, the quality of our loans to local government financing platforms fluctuates. Our financial condition and results of operations may in turn be affected.

8. We are subject to risks related to our concentrated exposure to certain customers.

As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, the total amount of loans granted to the single largest customer accounted for 3.0%, 2.8%, 2.9% and 3.1%, respectively, of our net capital while the total amount of loans granted to the top ten single customers accounted for 22.8%, 20.9%, 20.4% and 21.1%, respectively, of our net capital. Our borrower concentration ratios comply with regulatory requirements and are maintained at a relatively low level. However, deterioration in the financial condition of our key borrowers may diminish their ability to repay loans, which can potentially have a material adverse effect on our financial condition and results of operations.

9. Our loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.

We classify our loans using a five-tier classification system in accordance with the guidelines set forth by the PRC regulators. The five tiers are pass, special mention, sub standard, doubtful and loss. We assess our impairment losses on loans and determine a level of allowance for impairment losses using the five-tier classification system. We perform such assessment, determination and recognition using the concept of impairment under IAS 39. Our loan classification and provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, our loan classification as well as our allowance for impairment losses, as determined under our loan classification and provisioning policies, may differ from those that would be reported by banks incorporated in other countries or regions.

10. Proposal to replace IAS 39 may require us to change our provisioning practice.

We currently assess our loans and investment assets for impairment under IAS 39. The IASB issued an exposure draft in November 2009 on amortised cost and impairment which is part of a comprehensive project to replace IAS 39 in its entirety. If it is adopted, it will result in the replacement of the incurred loss model under IAS 39 with an expected loss model. The above change in accounting policies may require us to change our current provisioning practice and may, as a result, materially affect our financial condition and results of operations.

11. The recent turmoil and upheaval in the global financial markets and the resulting overall slowdown in the global economy and in particular in China could materially and adversely affect our financial condition and results of operations.

Since July 2007, significant adverse developments in the U.S. sub-prime mortgage sector have created significant disruption and volatility in global financial markets. The ensuing contraction of liquidity, diminished credit availability, deterioration in asset values, increase in bankruptcies, rising unemployment rates and declining confidence of consumption and business have caused an overall slowdown in the global economy. Beginning in the second half of 2008 up to mid-2009, the world’s largest economies, including the United States, Europe and Japan, were widely considered to be in the midst of significant economic recessions, and major emerging economies such as China and India also faced substantial slowdown in their economic growth.

According to the statistics released by the PRC government, in the first quarter of 2009 when the global economy was severely impacted by the financial crisis, the growth rate of China's gross domestic products (GDP) decreased to 6.5% from 11.9% in the second quarter of 2008 prior to the outbreak of the global financial crisis.

Uncertainties in the global economies may adversely affect our financial condition and results of operation in many ways, including, the increased regulation and supervision of the financial services industry in response to the financial crisis in certain jurisdictions where we operate may restrict our business flexibility and increase our compliance costs, which may adversely affect our business operations.

We have suffered an adverse impact from the global financial crisis. As at the end of 2009, we had made an allowance of RMB2,808 million on a consolidated basis for impairment losses on investments. PBOC carried out consecutive interest rate cuts during the global financial crisis and economic downturn. Our net interest income decreased by 6.5% to RMB245,821 million for the year ended 31 December 2009 compared to RMB263,037 million for the year ended 31 December 2008 and our net interest margin decreased to 2.26% and net interest spread decreased to 2.16% for the year ended 31 December 2009 compared to 2.95% and 2.80%, respectively, for the year ended 31 December 2008.

We cannot assure you that the various macro economic measures and monetary policies adopted by the PRC government will be effective in maintaining a sustainable growth in China's economy. If further economic downturn occurs or continues, our businesses, results of operations and financial condition could be materially and adversely affected.

(II) We are subject to market risk.

1. Interest rate risk

Our net interest income is affected by changes in interest rates. Our net interest income represented 79.2%, 79.4%, 84.8% and 87.2% of total operating income in the six months ended 30 June 2010, in 2009, in 2008 and in 2007, respectively. The Bank has closely monitored market changes and made effective adjustments to changes in monetary policy direction and improved its interest rate management and monitoring system. However, increasing competition in the banking industry and further liberalisation of the interest rate regime may result in more volatility in interest rates. Changes in PBOC benchmark interest rates or volatility in market interest rates may adversely affect our net interest income, which may affect our financial condition and results of operations.

PBOC increased the benchmark interest rates on Renminbi loan and deposit for financial institutions on 20 October 2010, of which, the benchmark interest rates on loans and deposits with a term of one year increased by 0.25 percentage point, and the benchmark interest rates on loans and deposits with other terms of maturity were being adjusted accordingly. Interest rates on demand deposits, deposit reserves, re-financing loans and discounted loans remain unchanged. It is forecasted that such increase in interest rates will have a relatively minor impact on the Bank's future results of operations.

The yield arising from our investment in debt securities is affected by changes in interest rates. As at 30 June 2010, our net investment amount in RMB-denominated government bonds, central bank bills and other debt securities was RMB3,629,703 million, which represented 28.01% of our total assets. Changes in market interest rates may affect the yield from our investment in debt securities and thus may further adversely affect our financial condition and results of operations.

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

Unit: In RMB millions

		As at			
	Changes in interest rates	**30 June 2010**	**31 December 2009**	**31 December 2008**	**31 December 2007**
Sensitivity of net interest income	Increase by 100 basis points	(22,639)	(17,273)	(16,116)	(18,160)
	Decrease by 100 basis points	22,639	17,273	16,116	18,160
Sensitivity of equity	Increase by 100 basis points	(18,367)	(16,505)	(9,143)	(9,213)
	Decrease by 100 basis points	19,477	17,385	9,536	9,452

2. Currency risk

We are subject to currency risk arising from losses incurred by unfavourable exchange rate fluctuations on our foreign exchange exposures resulting from the unmatched currency structure between foreign currency-denominated assets and foreign currency-denominated liabilities. As at 30 June 2010, our net foreign exchange exposure was RMB62,508 million. The Bank manages its foreign exchange risk through various methods, including exposure limit management and risk hedging to mitigate currency risk, and performs currency risk sensitivity analysis and stress testing regularly. However, changes of exchange rates in the future may adversely affect our financial condition and results of operations.

The table below illustrates the sensitivity analysis of exchange rate changes of currencies to which the Bank has significant exposure on its monetary assets and liabilities and its future cash flow. The analysis calculates the effect of a reasonably possible movement in the exchange rate against the RMB, with all other variables held constant, on profit before tax.

Unit: In RMB millions

		As at			
Currency	**Changes in exchange rates**	**30 June 2010**	**31 December 2009**	**31 December 2008**	**31 December 2007**
USD	1%	(69)	(59)	85	999
	-1%	69	59	(85)	(999)
HKD	1%	(16)	(30)	(115)	(151)
	-1%	16	30	115	151

(III) We are subject to liquidity risk.

Customer deposits have been our main source of funding. As at 30 June 2010, 95.1% of our total customer deposits were time deposits with remaining maturities of one year or less and demand deposits.

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

However, our ability to obtain additional sources of funding may be affected by factors such as deterioration of market conditions and disruptions to financial markets. If we fail to secure required funding on a timely basis, we may face liquidity risk which may adversely affect our financial condition and results of operations.

(IV) We cannot assure you that our risk management and internal control policies and procedures can effectively control or protect us against all credit and other risks.

We have been proactively optimising our comprehensive risk management system and have improved our comprehensive risk management and internal control capabilities. Notwithstanding this, our risk management and internal control capabilities are limited by the information and risk management tools or technologies available to us. Our ability to implement and maintain strict internal control may be affected by our expansion in business scale and business scope. We cannot assure you that all of our employees can always comply with our internal control policy and procedures. If there are any deficiencies in our risk management and internal control policies and procedures, we may be subject to credit risk, liquidity risk, market risk, operational risk or reputational risk, which may adversely affect our results of operations and financial condition.

(V) We are subject to risks related to our internationalised operations.

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

(VI) We are subject to new risks related to the continuous expansion of our products, services and business scope.

In recent years, we have actively developed a number of new products and expanded our service scope, including investment banking, asset management, fund management and financial leasing, etc. While expanding our products, services and business scope, we are exposed to a number of risks. For example, our limited experience may not enable us to successfully develop our new business; our anticipated market demand for new products or services may not materialise; we may not successfully hire or retain personnel who have the relevant skills and experience; and regulators may revoke or withhold their approval for any products and services that we have offered or have planned to offer.

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

(VII) We are subject to risk related to our credit commitments and guarantees.

Our credit commitments and financial guarantees primarily consist of bank acceptance, loan commitments, guarantees and letters of credit. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, our credit risk weighted amount of credit commitments were RMB582,978 million, RMB507,149 million, RMB385,049 million and RMB384,545 million. The Bank is exposed to credit risk related to above mentioned credit commitments and guarantees. If our customers cannot perform their obligations, the Bank will need to fulfil the related commitments and guarantees. In addition, if the Bank cannot obtain compensation from relevant customers, our results of operations and financial condition may be affected.

(VIII) Other risks related to our business

1. We are subject to operational risks and risks relating to our information technology systems.

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

We have established a series of policies and procedures to identify, assess, monitor, manage and report operational risks according to the "Guidance to the Operational Risk Management of Commercial Banks" issued by the CBRC. Notwithstanding we have adopted these measures, operational risks may cause losses to us if these measures are not put in place thoroughly or cannot cover all aspects of our operations.

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

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

We have strictly complied with applicable anti-money laundering laws and other relevant regulations. We have continued to optimise our anti-money laundering work mechanism, actively fulfilled applicable anti-money laundering regulatory requirements and comprehensively improved the management standard of our anti-money laundering compliance. During the reporting period, we were not aware of any money laundering or other major illegal or improper activities engaged by or involving any employee of our domestic or overseas branches.

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

3. We may not be able to detect and prevent all fraud or other misconduct committed by our employees or third parties.

We have continued to strengthen the detection and prevention of fraud or other misconduct committed by our employees or third parties. However, we cannot assure you that our internal control policies and procedures could completely and effectively prevent all fraud or other misconduct committed by our employees or third parties. These fraud or misconduct targeted at us may adversely affect our business, results of operations and financial condition.

4. We are subject to risks related to property title certificates or other licenses and certificates.

According to the legal opinion issued by King & Wood PRC Law Firm, Beijing Office, our PRC legal counsel for the Rights Issue, as at 30 June 2010, we owned 24,751 properties in the PRC. For 804 of such properties, we had not obtained both building ownership certificates and state-owned land use right certificates. For 425 properties, we had not obtained building ownership certificates. In addition, for 663 properties, we had not obtained state-owned land use right certificates; we also had 4,699 leased properties within the PRC, for which the lessors have not provided us with the relevant title certificates of the property and/or consent letter from the relevant property owners to sublease. In respect of 1,986 leased properties, we have been provided with written undertakings indicating that the lessors will compensate our potential loss due to defects in relevant property title certificates or the relevant lease agreements contain such undertakings. If we have to relocate our branches or sub-branches due to the title defects with regard to properties owned or leased by us, we will incur additional costs relating to such relocation.

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

5. We are exposed to certain risks in relation to the bonds issued by Huarong.

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

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

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

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

The transaction for the Bank to purchase the bonds issued by Huarong is part of the financial arrangements set by state policies. We have enhanced our asset quality through relevant transactions to purchase the Huarong bonds, which will be conducive to consistent improvement of our profitability and shareholders' equity. Continuing to hold such bonds will not have an impact on our profitability. After the extension of the bonds issued by Huarong, MOF will still continue to provide support on the repayment of the principal and interests of the Huarong bonds held by the Bank, and therefore will not cause any material adverse impact on the interests of our shareholders.

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

Our auditors, Ernst & Young, after conducting a review, is of the view that the determination and initial recognition of the fair value of the Huarong bonds following the extension meet the relevant requirements under the accounting standards, and there is no need for making provisions for impairment losses in relation to the extension arrangement.

Our legal counsel, King & Wood PRC Law Firm, Beijing Office, after conducting a review, is of the view that the holding of the Huarong bonds by the Bank has minor effects on the Bank's business operations. The recoverability of the Huarong bonds held by the Bank can be reasonably guaranteed, the Bank has carried out related internal decision-making procedures regarding the extension of the term of the Huarong bonds, and such matters will not have any material adverse effect on the interests of the Bank's shareholders.

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

6. We hold bonds issued by Huijin.

As at 30 June 2010, Huijin holds approximately 35.42% of the Shares of the Bank. In August and September 2010, Huijin issued the Central Huijin Investment Ltd. bonds (hereinafter referred to as "**Huijin Bonds**") in the national inter-bank bond market.

MOF has issued the "Letter on the Issues of the Issuance of Renminbi Bonds in an Amount of RMB187.5 billion by Central Huijin Investment Ltd." (Cai Ban Jin [2010] No. 60) to Huijin, pursuant to which MOF confirmed that the issuance of the RMB187.5 billion Renminbi bonds by Huijin was made based on the decision of the State Council for the purpose of making capital contribution to The Export-Import Bank of China and China Export & Credit Insurance Corporation and participating in the fund raising activities of ICBC, Bank of China Limited and China Construction Bank Corporation on behalf of the state.

The CBRC has issued the "Letter of Approval from the CBRC on Matters in respect of the Issuance of Renminbi Bonds by Central Huijin Investment Ltd." (Yin Jian Han [2010] No. 285), pursuant to which the CBRC confirmed its treatment of Huijin Bonds as policy financial bonds, and the risk weight associated with the investment in such bonds by commercial banks is zero. Huijin, on behalf of the state, will use the proceeds raised from such issuance for the purpose of making capital contribution to The Export-Import Bank of China and China Export & Credit Insurance Corporation and supplementing the capital of ICBC, Bank of China Limited and China Construction Bank Corporation.

We have subscribed for the Huijin Bonds by way of tender in the open market. As at the Latest Practicable Date, we hold a small amount of Huijin Bonds. As verified by King & Wood PRC Law Firm, Beijing Office, our holding of Huijin Bonds does not contravene with our Articles and shall not have a material adverse impact on the interests of the other shareholders.

7. We are subject to counterparty risks in our derivative transactions.

We act primarily as an intermediary in domestic and international foreign exchange and derivative markets, and we currently have foreign currency forward and swap contracts with a number of domestic and international banks, financial institutions and other entities. We also have interest rate swap contracts and fair value hedges, but are subject to credit risk from our various counterparties. As at 30 June 2010, the notional amount of our outstanding derivative financial instruments amounted to RMB1,011,997 million, and the fair values of our outstanding derivative assets and liabilities amounted to RMB8,735 million and RMB10,248 million, respectively. Although we believe that the overall credit quality of our counterparties is adequate, we cannot assure that parties with significant risk exposure will not have difficulty in fulfilling derivative contracts that may create losses to the Bank.

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

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

9. We may be subject to OFAC penalties if we were determined to have violated any OFAC regulations.

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

II. RISKS RELATING TO THE PRC BANKING INDUSTRY

(I) We are subject to risks related to changes in China's economic and social environment.

Substantially all of our businesses, assets and operations are located in China. Accordingly, our results of operations, financial condition and business prospects are closely related to economic developments and macro economic policies in China.

China's economy has continuously maintained a rapid growth for a number of years and is expected to maintain steady growth at a relatively fast pace. The growth rate of China's GDP reached 11.1% in the first half of 2010 compared to the same period of last year. However, the external economic conditions are still subject to numerous uncertainties. Changes in market conditions and pattern of economic growth, as well as reform and consolidation of industries may affect relevant industries and customers, which may adversely affect our results of operations and financial condition.

(II) We are subject to risks related to increasing competition in the banking industry in China.

The banking industry in China is becoming increasingly competitive. We are competing primarily with other PRC commercial banks and foreign banks. The increasing competition may result in a decrease of our market share in major product and service areas, limit the growth of our deposits, loans and other products and services, decrease our revenue and increase our expenses, which may adversely affect our business and prospects.

(III) We are subject to risks related to uncertain changes in the regulatory environment of China's banking industry.

Our businesses are directly affected by changes in China's banking regulatory policies, laws and regulations. The regulatory system and the laws and regulations governing the banking sector are subject to future changes, and we cannot assure you that such changes will not adversely affect our business, financial condition and results of operations.

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

(IV) We are subject to risks related to changes in monetary policy.

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

(V) We are subject to risks related to potential capital adequacy ratio fluctuation.

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

As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, our capital adequacy ratios were 11.34%, 12.36%, 13.06% and 13.09% respectively, while core capital adequacy ratios were 9.41%, 9.90%, 10.75% and 10.99%, which were in compliance with regulatory requirements. The issuance of Rights Shares will further increase our capital adequacy ratio, therefore further strengthen our capacity of risk resistance and sustainable development.

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

In addition, in February 2007, the CBRC promulgated the "Guidelines on the Implementation of Basel II in China's Banking Industry", indicating that the first batch of commercial banks will be regulated according to Basel II from 2010 or in any case no later than 2013. The Bank has always been actively promoting the implementation of Basel II. If we were approved to be one of the banks governed by Basel II, our capital adequacy ratio may change due to modification in its computational method.

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

(VI) We are subject to reputational risks related to our business operations.

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

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

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

(VII) Any acquisition of 5% or more of our total outstanding shares will require the CBRC's prior approval.

Under the current ownership restrictions imposed on investments in commercial banks in the PRC, any natural or legal person intending to acquire 5% or more of the total equity interest of a commercial bank is required to obtain prior approval of the CBRC or its delegated authorities. As a result, if one of your investment goals is to acquire a substantial equity interest in us, your investment goal may not be achieved unless you are able to obtain prior approval of the CBRC.

III. RISKS RELATING TO THE PRC

(I) China's economic, political and social conditions, as well as government policies, could affect our businesses.

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

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

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

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

(II) The PRC legal system could limit the legal protections available to you.

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

Our Articles provide that disputes between holders of our H Shares or the rights to subscribe for the H Rights Shares, and our company, or our directors, supervisors, officers, or our other Shareholders, arising out of our Articles or the PRC Company Law and related regulations, concerning the affairs of our bank, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to arbitration organisations in Hong Kong or the PRC. Awards made by Chinese arbitral authorities recognised under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in China, subject to the satisfaction of certain PRC legal requirements. However, we are uncertain whether any action brought in China to enforce an arbitral award made in favour of holders of H Shares or H Rights Shares would succeed.

PRC laws, rules and regulations applicable to companies listed overseas do not distinguish minority shareholders from controlling shareholders in terms of their rights and protections. Furthermore, our minority Shareholders may not have the same protections provided to shareholders of companies incorporated under the laws of the United States, certain member states of the European Union or Hong Kong.

(III) You may experience difficulties in effecting service of legal process and enforcing judgements against us and our management.

We are a company incorporated under the laws of the PRC and a substantial majority of our businesses, assets and operations are located in China. In addition, a substantial majority of our Directors, Supervisors and executive officers reside in China and substantially all of their assets are located in China. As a result, it may not be possible to serve legal written process within the United States or elsewhere outside China upon us or such Directors, Supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgements. As a result, recognition and enforcement in China or Hong Kong of judgements of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter may be difficult or impossible.

Although we are subject to the Hong Kong Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Listing Rules and Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law in Hong Kong.

(IV) Holders of H Shares may be subject to PRC taxation.

Under current PRC tax laws, regulations and rulings, dividends paid by us to a Non-PRC Resident Enterprise Shareholder are subject to a 10% PRC income tax while the dividends paid to an individual holder of H Shares outside the PRC are currently exempted from PRC income tax. In addition, gains realised by a Non-PRC Resident Enterprise Shareholder upon sale or disposition of H Shares are subject to a 10% PRC income tax, while gains realised by an individual holder of H Shares are currently exempted from PRC income tax. If the exemptions are withdrawn in the future, individual holders of H Shares may be required to pay PRC income tax, or we may be required to withhold such tax from dividend payments and paid such tax for shareholders. Such PRC income tax on dividends would likely be imposed at the current rate of 20%, unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder of H Shares resides which reduces or exempts the relevant tax.

(V) Payment of dividends is subject to restrictions under PRC law.

We generally pay dividends out of distributable profit for a given year and any accumulated distributable profit from prior years that were not distributed. Distributable profit for a given year refers to our net profit for the year as determined under the lesser of PRC GAAP and IFRS, less any recovery of accumulated losses and appropriations to statutory surplus reserve and regulatory general reserve that we are required to make, and any discretionary reserve that we decide to make. As a result, even in respect of years when we record a profit, we may not have sufficient distributable profit to enable us to make dividend distributions to our shareholders. Furthermore, we may not be able to pay any dividends in a given year if (1) we do not have distributable profit as determined under PRC GAAP, even if we have profit for that year as determined under IFRS or (2) we do not have distributable profit under IFRS, even if we have profit for that year as determined under PRC GAAP.

In addition, the CBRC has the power and discretion to prohibit any bank that has a capital adequacy ratio below 8%, has a core capital adequacy ratio below 4% or has violated certain other PRC banking laws and regulations from paying dividends and other forms of distributions.

(VI) We are subject to PRC government controls on currency conversion and future movements in exchange rates.

We receive a substantial majority of our revenues in Renminbi, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

Under China's existing foreign exchange regulations, by complying with certain procedural requirements, we will be able to pay dividends in foreign currencies without prior approval from SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

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

Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency terms. As at 31 December 2009, 5.5% of our assets and 3.9% of our liabilities were denominated in foreign currencies. We are also currently required to obtain the approval of SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

(VII) Any future occurrence of natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations.

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

IV. RISKS RELATING TO THE RIGHTS ISSUE

(I) Unless you exercise all of the Nil Paid H Rights initially allotted to you, this offering will dilute your investment and proportionate ownership interest in us.

If you choose not to exercise your allotted Nil Paid H Rights fully, your proportionate ownership and voting interest in us will be diluted. Even if you elect to sell your Nil Paid H Rights prior to the expiration of the applicable trading period, or such Nil Paid H Rights are sold on your behalf, the consideration you receive may not be sufficient to compensate you fully for such dilution of your proportionate ownership and voting interest in us.

(II) The market prices of H Shares may fluctuate and may fall below the Subscription Price prior to the expiration of the subscription period.

Once you exercise your Nil Paid H Rights pursuant to this Rights Issue, you may not revoke the exercise. Although the Subscription Price of HK$3.49 for the H Rights Shares represented a discount to the closing price of HK$6.63 at the Price Determination Date, market prices may fall below the Subscription Price prior to the expiration of the subscription period as a result of, among other things, global or China's economic or political conditions, market's perception of the likelihood of completion of this offering, regulatory changes affecting our operations and variations in our financial results. Many of these factors are out of our control. If you take up your Nil Paid H Rights and the market price of our H Shares trades below the Subscription Price on the date the H Rights Shares are issued to you in respect of such Nil Paid H Rights, then you will have purchased those shares at prices higher than the market price. Any decrease in market prices may continue after the completion of this offering and as a result, you may not be able to sell such H Rights Shares at a price equal to or greater than the Subscription Price.

(III) Characteristics of the A Share and H Share markets may differ.

The A Shares are listed and traded on the Shanghai Stock Exchange and the H Shares are listed and traded on the Hong Kong Stock Exchange. The Rights Issue consists of both the A Share Rights Issue and the H Share Rights Issue. Without approval from the relevant regulatory authorities, our A Shares and H Shares are neither interchangeable nor fungible, and there is no trading or settlement between the A share and the H share markets. Furthermore, the A share and H share markets have different trading characteristics (including trading volume and liquidity) and investor bases (including different levels of retail and institutional participation, as well as investment style). As a result of these differences, the trading price of our A Shares and H Shares may not be the same. Moreover, fluctuations in our A Share price may affect our H Share price, and vice versa. Because of the different characteristics of the A share and H share markets, the changes in the prices of our A Shares may not be indicative of the price trend of our H Shares performance. You should therefore not place undue reliance on the recent trading history of our A Shares and the progress or results of the A Share Rights Issue when evaluating the H Share Rights Issue.

(IV) An active trading market for the Nil Paid H Rights may not develop on the Hong Kong Stock Exchange or any over-the-counter trading market and, even if a market does develop, the trading price of the Nil Paid H Shares may fluctuate.

A trading period has been set for the Nil Paid H Rights from Wednesday, 1 December 2010 to Monday, 13 December 2010. We cannot assure you that an active trading market in the Nil Paid H Rights on the Hong Kong Stock Exchange will develop during the applicable trading period for Nil Paid H Rights or that any over-the-counter trading market in the Nil Paid H Rights will develop. Even if an active market develops, the trading prices of the Nil Paid H Rights may be volatile and subject to the same factors affecting the price of our H Shares. See "Risk Factor — IV. Risks Relating to the Rights Issue — The market prices of H Shares may fluctuate and may fall below the Subscription Price prior to the expiration of the subscription period."

(V) The Subscription Price is not an indication of our underlying value.

The Subscription Price was determined on the Price Determination Date by reference to the closing price of the H Shares on that date. Consistent with the customary practice for a rights issue, the Subscription Price was set at a discount to the market price of our H Shares at that time. The Subscription Price does not bear a direct relationship to past operations, cash flow, earnings, financial condition or any other established criteria for value and you should not consider the Subscription Price to be any indication of our underlying value.

(VI) Future sales or perceived sales of our H Shares in the public market or the conversion of our A Shares to H Shares, if the amounts are substantial, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issue of new H Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our H Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favourable to us, and our Shareholders would experience dilution in their holdings upon issue or sale of additional securities in the future.

Further, according to the stipulations by the CSRC and our Articles, our A Shares may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, provided certain conditions are met and certain procedures are completed. Conversion of a substantial number of our A Shares to H Shares, or the perception that such conversion may occur, could adversely affect the price of our H Shares.

(VII) Dividends distributed in the past may not be indicative of our dividend policy in the future.

The cash dividend we distributed with respect to the year ended 31 December 2009 was RMB0.17 per share. Any future declaration of dividends will be proposed by our Board of Directors and the amount of any dividends will depend on various factors, including our results of operations, financial condition, future business prospects and other factors that our board may determine to be important. We cannot guarantee if and when we will pay dividends in the future.

(VIII) You may not be able to participate in future rights issues and may experience dilution of your holdings.

We may, from time to time, continue to distribute rights to our shareholders, including rights to acquire securities. We will not distribute the securities to which these rights relate to holders of our H Shares unless such securities are either exempt from registration under the U.S. Securities Act or are registered under the U.S. Securities Act. There can be no assurance that we will be able to establish an exemption from registration under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to these securities or to endeavour to have a registration statement declared effective under the U.S. Securities Act. Accordingly, holders of our H Shares may be unable to participate in rights issues and may experience dilution of their holdings as a result. In addition, if we are unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, we will allow the rights to lapse, in which case holders of our H Shares will receive no value for these rights.

(IX) Shareholders may experience dilution in earnings per share and return on equity after conversion of the A Share Convertible Corporate Bonds

If all or part of the A Share Convertible Corporate Bonds are converted to A Shares during their conversion period, our total equity shall increase. Accordingly you may experience dilution of your holdings, and the earnings per share and return on equity of the Bank may also be diluted.

In addition, the A Share Convertible Corporate Bonds have a downward conversion price adjustment term. Upon approval at a Shareholders' general meeting, the Bank may adjust the conversion price downward, which may result in conversion of additional Shares and further increase in the number of new Shares to be issued, leading to a greater potential dilution effect.

(X) Our corporate disclosure standards may differ from those in other jurisdictions.

We are subject to the disclosure requirements under the Hong Kong Listing Rules. These disclosure requirements differ in certain respects from those applicable to companies in certain other countries, including the United States. There may be less publicly available information about public companies listed in Hong Kong, such as our Bank, than is regularly made available by public companies in other countries, including the United States.

(XI) We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the H Share Rights Issue.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the H Share Rights Issue, which included certain financial information, financial projections, historical trading prices of our H Share and A Share and other information about us that do not appear in our prospectus. We have not authorised the disclosure of any such information in the press or media.

We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to take up or purchase our Nil Paid H Rights and/or subscribe for H Rights Shares, you should rely only on the financial, operational and other information included in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Companies Ordinance and the Hong Kong Listing Rules for the purpose of giving information with regard to the H Share Rights Issue and the Bank. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this prospectus misleading.

APPROVAL OF THE CBRC AND THE CSRC

The CBRC has given its written approval dated 29 September 2010 in respect of the Rights Issue. On 9 and 10 November 2010, the CSRC has given its written approval (Zheng Jian Xu Ke [2010] no. 1579) in respect of the A Share Rights Issue and written approval (Zheng Jian Xu Ke [2010] no. 1583) in respect of the H Share Rights Issue. In granting such approval, neither the CBRC nor the CSRC accepts any responsibility for the financial soundness of the Bank, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Provisional Allotment Letter or the Excess Application Form.

UNDERWRITING

The H Share Rights Issue is arranged by ICBC International Capital Limited as the Sole Global Coordinator with respect to the H Share Rights Issue. The H Share Rights Issue is fully underwritten by the Underwriters, details of the underwriting arrangements are set out under the section headed "Letter from the Board — III. H Share Rights Issue — H Share Underwriting Arrangement".

RESTRICTIONS ON THE USE OF THIS PROSPECTUS AND THE OFFER AND SALES OF SECURITIES

No action has been taken to permit a public offering of the Nil Paid H Rights and/or H Rights Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Nil Paid H Rights and/or H Rights Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Nil Paid H Rights and/or H Rights Shares under the H Share Rights Issue will be required to confirm, or be deemed by his acquisition of the Nil Paid H Rights and/or H Rights Shares to confirm, that he is aware of the restrictions on offer and sales of the Nil Paid H Rights and/or H Rights Shares described in this prospectus.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

The Bank has applied to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Nil Paid H Rights and/or the H Rights Shares.

The A Shares are listed and traded on the Shanghai Stock Exchange and the H Shares are listed and traded on the Hong Kong Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, exercising or dealing in the Nil Paid H Rights or H Rights Shares, or the receipt of proceeds with respect to the sale thereof, you should consult an expert.

It is emphasised that none of the Bank, the Sole Global Coordinator, the Underwriters, their respective directors, nor any other parties involved in the H Share Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, exercising or disposing of the Nil Paid H Rights or the H Rights Shares or the receipt of proceeds with respect to the sale thereof.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares have been or will be registered on the Bank's H Share register maintained in Hong Kong. Dealings in the H Shares registered on the Bank's H Share register will be subject to Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H RIGHTS SHARES

Each acquirer of the H Rights Shares agrees with the Bank and each of the Shareholders, and the Bank agrees with each of the Shareholders, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of the Bank.

Each acquirer of the H Rights Shares agrees with the Bank, each of the Shareholders, Directors, Supervisors, managers and officers, and the Bank (acting for itself and for each of its Directors, Supervisors, managers and officers) agrees with each of the Shareholders, to refer all differences and claims arising from its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with its articles of association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive.

Each acquirer of the H Rights Shares agrees with the Bank and each of the Shareholders that the H Rights Shares are freely transferable by the holders thereof. Each acquirer of the H Rights Shares authorises the Bank to enter into a contract on his behalf with each of the Bank's Directors and officers whereby such Directors and officers undertake to observe and comply with their obligations to the Shareholders as stipulated in the Articles of the Bank.

I. BUSINESS SCOPE

Based on the approval of the CBRC and other regulatory authorities as well as the registration from State Administration for Industry and Commerce of the People's Republic of China, the Bank's business scope is, as licensed businesses, to conduct Renminbi deposit and loan business, interbank lending business and domestic and overseas settlement; handle bill acceptance, bill discounting and interbank discounting; conduct various types of remittance businesses; act as the agent in clearing; provide letter of credit service and guarantee; act as the sales agent; act as the agent in issuance, underwriting and redemption of government bonds; act as agent in collection and payment; act as the agent to deal with the security fund clearing business (bank-securities transfer); act as the bancassurance agent (valid till 26 September 2012); act as the agent to handle the loan business of policy banks, foreign sovereign and international financial institutions; provide safe deposit box services; issue financial bonds; conduct trading of government bonds and financial bonds; conduct securities investment funds and enterprise annuity custodian business; provide enterprise annuity trusteeship service and annuity account management service; provide registration, subscription, purchasing and redemption of open-ended funds; provide credit standing investigation, consultancy and witness services; provide loan commitment; provide financial advisory service to both enterprises and individuals; organise or participate in syndicated loans; provide foreign exchange deposit, foreign exchange loans and foreign currency exchange services; provide export and import collection services; provide foreign exchange bill acceptance and discounting; conduct foreign exchange borrowings; provide foreign exchange guarantee services; issue, act as the agent to issue, trade or act as the agent to trade foreign exchange securities other than equity securities; conduct proprietary trading and agency trading on foreign exchange; conduct foreign exchange derivatives business; bank card business; telephone banking, internet banking, mobile banking business; handle foreign exchange settlement and sales business; and other businesses approved by the CBRC. The Bank does not operate other non-licensed businesses. The business scope and operation model of the Bank's Head Office and domestic branches are in compliance with the "Law of the People's Republic of China on Commercial Banks" and other laws, regulations and normative documents. The foregoing businesses have been approved or registered by the CBRC or other competent government authorities.

II. BUSINESS OPERATIONS

Through our continuous efforts and solid growth, we rank first in our industry in terms of total assets, respective market share of loans and deposits and have become the most profitable leading large-scale commercial bank with the largest market capitalisation and customer deposits in the world. As at 30 June 2010, we provided services to 3.92 million corporate clients and 230 million individual clients through our traditional branch network including 16,210 domestic branches, outlets and other institutions (including the Head Office) as well as electronic banking network, including internet banking, telephone banking, mobile banking and self-service banking. We have made efforts to proactively develop our international business, and we currently own 181 overseas branches, subsidiaries, representative offices and outlets. We have built correspondent bank relationship with 1,424 overseas banks in 128 countries and regions.

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

We believe that "Industrial and Commercial Bank of China" is one of the most recognised financial service brand names in China with great international influence. Through our excellent corporate culture, management capability and operational performance, we have won numerous awards in recent years, including the "Best Bank in China" in 2008 and 2009 by *Global Finance*, the "Best Domestic Bank (China)" by *The Asset* for multiple times, and the "Best Bank in China" (2008 and 2009) by *Finance Asia*. The Bank has been ranked first in the "China's Top 500 Most Valuable Brands" compiled by the World Brand Lab. Moreover, the Bank has also been ranked first in "The Rank of the Year for Core Competitiveness of National Commercial Banks" by *The Banker* in the PRC for multiple times. In addition, we were awarded the "Best Asian Bank" in 2008 and 2009 by *Emerging Markets*; the "Best Bank in Asia", "Best Bank in China" and "Best Corporate Image Award" in 2008 by *The Banker (UK)*; the "Best Bank in China" and "Best Listed Company in China's Financial Industry" by *Euromoney*. In 2008, we were awarded the "Most Influential Brand in China's Financial Service Industry" by the Election and Organisation Committee of China Top Ten Influential Brands.

(I) Our competitive strengths

1. We are the world's most profitable commercial bank with the largest market capitalisation. We possess leading positions in major business areas, with growing international influence.

We have set our goal to become the "most profitable, most preeminent and most respected world class modern financial service enterprise" since our initial public offering. Through our outstanding management and active innovation, we have become the world's most profitable commercial bank with the largest market capitalisation and customer deposits. From 2007 to 2009, we had the largest market capitalisation among commercial banks in the world for three consecutive years. With steady earnings growth, we have been the most profitable bank in the world for two consecutive years. "Industrial and Commercial Bank of China" has become one of China's best known brand names in financial service industry, and its international influence is also expanding rapidly.

(1) We are the largest commercial bank with the greatest overall strength in China and have prevailing scale advantages. Our market shares in relation to total assets, loans and deposits have always ranked first in the industry. With respect to the traditional banking business, we have further strengthened our competitive advantages and leading position. Our corporate loans and deposits and individual loans and deposits businesses have been growing steadily, with the largest market share in the industry. With respect to the emerging businesses and the intermediary businesses, we have maintained high growth development in these areas and further expanded our leading advantages. We have the largest market share in the corporate RMB settlement and debt financing instruments underwriting businesses. The total number of credit cards issued by us, the consumption value through our credit cards and the amount of outstanding overdraft balances all rank first in the industry. In addition, the growth rate and volume increase of our intermediary business continue to lead the industry.

(2) We are the most profitable large scale commercial bank with the best growth profile in the world. Since 2003, we have achieved a CAGR of 33.8% for our net profit. In particular, even under the difficult and unfavourable business environment since the global financial crisis in 2008 and the slowdown of economic growth in China, and in contrast with the widespread losses in the global banking industry, we withstood the impact of the global financial crisis and maintained a sound and steady profit growth.

(3) Leveraging on the growth of China's economy, we have enhanced our global influence. In recent years, with our outstanding corporate culture, management capacity and operation performance, we have frequently received various awards from various well-known international media and institutes. The international influence of the ICBC brand keeps increasing. Our brand value was ranked first in the finance sector in the 2010 "Global Most Powerful 100 Brands" published by Millward Brown Optimor, an international market research institution.

2. We have transformed our business operation successfully and have created a leading business model in the industry.

We have persisted in transforming our development pattern and optimising our business structure and have created a business model that balances risks and benefits and has strong sustainability.

(1) We have continuously optimised our asset and liability structure. With respect to assets, we have continuously improved return on loans, while maintaining a low proportion of risky assets. As at 30 June 2010, our non-credit asset accounted for 52.1% of our total assets, loan-to-deposit ratio was 59.5% and risk-weighted assets accounted for 51.7% of our total assets. Meanwhile, in view of practical needs when China's economy gradually returns to its normal course and guidance from state macro-control policy, we have maintained reasonable and balanced growth on the total amount of credit and on this basis, we have shifted the focus of our work to the adjustment and optimisation of credit structure and the cultivation of new growth areas. We have continuously optimised our product mix, industry allocation, client allocation and geographical allocation in relation to our corporate loans. The proportion of high quality business with good growth potential, such as individual loans, loans to small and medium enterprises and trade finance, has been increasing, as a result, promoting the orderly development of large, medium and small customers and successive development of traditional and emerging markets. With regard to liabilities, through the sale of wealth management products, we diverted from high-cost term deposits and generated income from transaction fees. Meanwhile, the proportion of low-cost demand deposit and interbank deposit continues to increase, resulting in significant transformation of liabilities structure and significant reduction in cost of capital; and

(2) Our income structure has continuously been optimised. We have continued our strategy of business transformation, significantly enhanced our efforts to develop low capital consumption intermediary businesses and emerging businesses, and actively promoted the restructuring of our operation as well as the change of our mode of development. Also, we have pushed forward the diversified development of our business structure and promoted a more diversified, stable and balanced income structure. Since 2003, we have achieved a CAGR of 35.9% for non-interest income, and a CAGR of 46.3% for net fee and commission income. During the reporting period, the ratio of our non-interest income has increased from 12.8% in 2007 to 20.8% in the first half of 2010, and the ratio of our net fee and commission income has increased from 14.9% in 2007 to 20.4% in the first half of 2010. The contribution of those types of income to our total income has been increasing. In 2009, revenues derived from our four intermediary businesses, namely settlement, clearing and cash management, personal wealth management and private banking, investment banking and bank cards, were approximately RMB10 billion. Both the volume and pace of the growth of our intermediary business continue to take the lead over our peers, and we believe our leading position in the market has been further established.

3. We have continuously optimised our customer base, established extensive and effective distribution channels, and established a leading position in electronic banking services.

We have an extensive customer base. As at 30 June 2010, we had approximately 3.92 million corporate customers and 230 million individual customers. We have been in the leading position in the industry in terms of the number of customers. Meanwhile, we have actively optimised the structure of our customer mix. The number of medium and high end customers with good quality and their contribution has continued growing:

(1) We have an industry-leading corporate customer base and the number of high quality corporate customers has been increasing. As at 30 June 2010, we had 3.92 million corporate customers, of which 94,000 had financing balance. In addition, we had approximately 4.78 million corporate

settlement accounts, approximately 443,000 cash management customers and 2.21 million corporate internet banking clients. The continuously optimised customer structure not only has provided us with steady sources of funds, promoted sound growth of our corporate credit business, but also laid a solid foundation for the fast growth of our corporate intermediary business. From 2007 to 2009, our intermediary businesses such as investment banking and corporate wealth management achieved a CAGR of 66.8% and 51.0% respectively; and

(2) The proportion of our medium and high-end individual customers has increased rapidly. From the end of 2007 to the end of 2009, the number of our medium and high-end individual customer with financial assets of more than RMB50,000 increased 38.7%, and accounted for 11.5% of our total individual customers by the end of June 2010. By the end of June 2010, the number of high-end customers with financial assets between RMB1 million to RMB8 million and private banking customers with financial assets over RMB8 million reached 560,000 and 16,000 respectively. By the end of 2009, the number of our high-end customers and personal banking customers had an increase of 53.2% and 57.7% respectively compared with the end of 2008, and the assets of high-end customers and personal banking customers under our management have increased 54.5% and 49.8% respectively. The high quality individual customer base provides strong support to the further development in our personal financial products and services.

We have established a well structured, extensive and efficient distribution network. As at 30 June 2010, we had 16,210 domestic institutions, 181 overseas institutions and 1,530 correspondent banks worldwide. Among our domestic institutions, 7,172 outlets were located in the developed areas with rich financial resources such as Yangtze River Delta, Pearl River Delta and Bohai Rim. We have strengthened the advantage of our traditional network by adjusting geographical allocation of our branch network and upgrading outlets. More channels have been added to our distribution network and our ability to provide individualised service has improved.

(1) We have vigorously promoted our electronic banking as a substitute for traditional physical outlets. As at 30 June 2010, we had 9,867 self-service banking centres and 38,836 ATMs; as at 30 June 2010, the number of transactions that had been processed through our electronic banking accounted for 54.6% of our total number of transactions; and

(2) We have continued to upgrade and optimise our operation network, strengthen the build-up of our customer management team, and improve the multi-level customer service system and our customer service capability. As at 30 June 2010, the number of our wealth management centres and VIP service centres reached 167 and 3,737 respectively and we had over 20,000 corporate customer managers and over 40,000 individual customer managers, putting us in a leading position in the industry. In addition, we had 12,193 Associate Financial Planner (AFP) and 2,474 Certified Financial Planner (CFP) holders and we ranked first in the industry in terms of number of AFP and CFP holders.

4. We have further enhanced our risk control capability by establishing advanced, quantitative and comprehensive risk management system.

Since our initial public offering, we have continuously improved our risk management capabilities, implemented the "Full Process" and "Full Coverage" risk management model, and adopted the "New Standards" and "New Technology". Our comprehensive risk management and control capability have been continuously improved.

"*Full Process*" — Our risk management covers the complete process of risk identification and quantification, control, monitoring, assessment and reporting, constituting a developed comprehensive risk management organisational structure and system. During the reporting period, we have reformed the monitoring system, long-distance authorisation and centralised business processing system. We have also recreated the monitoring model for risk orientation and process orientation, and have transited from a fragmented risk management model to a centralised one. All the data, monitoring and reporting are centralised for implementation. We have also achieved bank-wide centralised management on credit risk, liquidity risk, market risk and operational risk, and built up a centralised, efficient, simple and secure business operation system and risk management model.

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

"*New Standards*" — We have improved the risk management system based on the requirements of Basel II and will be among the first batch to be recognised by the CBRC as "Basel II Banks". In addition, we are among the first to develop various advanced measurement methods required by Basel II in China and have maintained a database for approximately nine years. Our risk measurement expertise has maintained a leading position in the industry in China. We have basically completed the relevant preparation in relation to the first pillar of Basel II. We have generally met the requirements of the advanced IRB approach for credit risk, the requirements of the Internal Models Approach (IMA) for market risk, and the requirements of the standardised approach for operational risk. Meanwhile, we have proactively carried out the preparation for the second pillar of Basel II.

"*New Technology*" — (1) We have built a leading risk management information system in China, which is centralised, refined, streamlined, quantitative and with rigidity control. The system conforms to the needs of our international extension of business and credit management process and reflects the latest measurement technology. The system covers the entire process of risk management and achieves real-time monitoring on credit asset quality and changes in operation status, as well as the identification and real-time control on market risk and operational risk. The new generation asset management system (overseas version) to be launched can cover credit risks in all asset business in and off the balance sheet carried out by overseas branches, and will achieve the centralised management of asset business risks in our overseas branches. (2) We have also established the two-dimensional rating system consisting of customer rating and loan rating. Such system can conduct scientific measurement of probability of default (PD) and loss given default (LGD) and has been applied to the risk limit determination and risk provisioning processes. (3) We can calculate the rate of return based on risk adjustment through the customer (RAROC) system, which provides an important basis for our decision making on lending.

Through our industry-leading risk management capability, we have maintained a low non-performing loan ratio in terms of newly issued loans and have achieved a decrease in both non-performing loan balance and non-performing loan ratio for ten consecutive years.

5. Our advanced information technology provides strong support for our business innovation and development.

We believe that we have in place the most advanced information technology among all commercial banks in China. Since our initial public offering, we have focused on transforming operation model and profit-making methods and further implemented our "technology oriented" strategy. Our advanced information technology system has strongly supported us to maintain the leading position in various fields such as customer service, product innovation, risk management, operation process re-engineering, and electronic banking network expansion.

We have a safe and stable information system platform. We are the first among domestic commercial banks to achieve data centralisation. We have continuously optimised our production operation system. The centralisation for the core data of our overseas business has been achieved. Despite significant increase of our business volume, the overall availability rate of information system has been kept at above 99.98%. We have continued to strengthen our information security and protection, improved our disaster recovery system and established the largest 1,000-kilometer-level disaster back-up system in China's banking industry. We have further improved the automation of our operation and the level of our monitoring management, which allows our business to operate in a stable, safe and efficient manner.

We have strong capacity for the independent research and development of banking system. We have independently developed three generations of core banking system. Currently, we are independently developing the fourth generation core application system (NOVA+) to further improve our business operation and management capability. Meanwhile, we have developed a comprehensive business processing system (FOVA) for our overseas branches and achieved system centralisation and unification among our 19 overseas branches, subsidiaries and controlled institutions, providing strong support to our international operation. Based on our core banking system, we have successfully developed an application system framework, covering customer service, electronic banking, operation management and risk management. We have continued to enrich and optimise the function of the system to provide full support to our business development.

We have a highly efficient technology management system and a robust technology team. We have established a centralised technology organisation system, formed the information technology management committee and the technology review committee and formulated the most complete and sound information technology management system, technical standards and norms in China's banking industry. We have the largest and strongest technology team in China's banking industry, which consists of over 12,000 technical staff. As at 30 June 2010, we had 106 patents, maintaining a leading position in China's banking industry.

6. With a clear strategy, we have steadily implemented our internationalisation and integration strategy for development and enhanced our capability as a comprehensive financial services provider.

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

We have accelerated the establishment of our global operation network and enhanced our international service capability by carrying out the following: (1) with an emphasis on Asian and emerging markets, we have focused on both emerging and developed markets, expanded our business through both independent application and strategic merger and acquisition, and set up both physical outlets and electronic channels. We have accelerated the network expansion of our overseas branches with a sizable international network. (2) We have strengthened our global service capability for our product lines that already have competitive advantage in the PRC domestic market. Leveraging the advantages of overseas integrated business license as well as the strong product support from the comprehensive business processing system (FOVA) for overseas institutions, we have made great efforts to build up the nine global product lines, including retail, funds clearing, trade finance, global cash management, specialty financing, investment banking, bank card, internet banking and asset management, while managing our core businesses including loans, deposits and foreign exchange services. (3) Following closely the "Going Global" steps of Chinese enterprises, we have continuously promoted the RMB settlement business for cross-border trades and strengthened our integrated ability to serve global customers.

We have steadily promoted the diversified operation and continuously strengthened our comprehensive financial service capabilities. Leveraging our advantages with respect to customer, capital and information, we have proactively set up non-bank financial services. Through establishing subsidiaries, we have accelerated the development of licensed non-banking financial businesses such as investment banking, fund management and financial leasing with a view to satisfy our customers' increasingly diversified needs for integrated financial service. ICBC International obtained the license for investment banking business in Hong Kong in 2009, which laid a solid foundation for the accelerated development of our investment banking business. We have also continuously utilised the advantages of ICBC Credit Suisse Asset Management as a platform and improved individualised services and marketing system for high-end customers. We have established a leading position in the industry in terms of assets under management. ICBC Leasing, with distinctive advantages in the aerospace, transportation and large-sized equipments fields, has grown to be a leading financial leasing company in the industry.

7. We have a senior management team with extensive experience and vision and they lead us in maintaining our leading position.

Our senior management team has extensive experience and possess leadership qualities in China's commercial banking industry. Our chairman, Mr. Jiang Jianqing, who joined us in 1984, has worked in the banking industry for more than 31 years. Our president, Mr. Yang Kaisheng, who joined us in 1985, has worked in the banking industry for more than 25 years.

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

During the reporting period, although we faced adverse economic conditions caused by the global financial crisis as well as increasing competition in the industry, we have continued our prudent operation, accelerated business transformation and maintained smooth and steady development. We believe that our outstanding management team is able to lead us in maintaining our competitive advantage in the future, laying a solid foundation for our long term growth.

(II) Business and operation

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

Unit: In RMB millions, except for percentages

	Six months ended 30 June 2010		Year ended 31 December 2009		Year ended 31 December 2008		Year ended 31 December 2007	
Items	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
		(%)		(%)		(%)		(%)
Corporate banking	93,933	51.9	166,157	53.7	153,068	49.3	127,636	49.6
Personal banking	56,745	31.4	93,114	30.1	106,301	34.3	86,174	33.5
Treasury operations	29,317	16.2	48,727	15.7	49,927	16.1	41,432	16.1
Others(1)	933	0.5	1,413	0.5	899	0.3	2,186	0.8
Total operating income	**180,928**	**100.0**	**309,411**	**100.0**	**310,195**	**100.0**	**257,428**	**100.0**

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

1. Corporate Banking Business

(1) Customer Base

We possess the broadest corporate customer base in China. We provide a series of corporate banking products and services to state-owned enterprises, privately-owned enterprises, foreign-invested enterprises, government authorities and other entities. As at 30 June 2010, we had 3.92 million corporate customers, of which 94,000 corporate customers maintained a financing balance with us.

(2) Operational measures

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

(3) Market position and awards

By the end of 30 June 2010, according to statistics from PBOC, we ranked first in the banking industry in terms of corporate loans and corporate deposits, with a market share of 12.3% and 13.5%, respectively.

During the reporting period, we have continuously promoted the transformation and development of corporate banking business, improved the product and service system and improved our marketing practice and customer service capability towards corporate customers. These efforts have been widely recognised. We were awarded the "Best Corporate Bank in China" by *Financial Times (UK)*, the "Best Corporate Lending Bank in China" by the *Global Finance* and the "Top 10 SME Financial Services Providers in China" by *Financial Times*.

(4) Introduction of products and services

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

During the reporting period, our corporate banking business maintained its leading position in the industry, and its business structure underwent continuous optimisation in the following aspects:

- Our corporate loans continue to rank first in terms of market share, with steady growth of loan size and continuous optimisation of term structure and product structure;

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

- We are dedicated to developing small and medium enterprise business. The loan balance of our small and medium enterprise customers has maintained fast growth; and

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

1) Corporate loans

Corporate loans represent the largest portion in our loan portfolio. For ease of reference, "corporate loans" in this prospectus does not include corporate loans made in our overseas businesses. As at 30 June 2010, the balance of the corporate loans amounted to RMB4,384.5 billion, accounting for 69.0% of total loans of the Bank. Corporate loans achieved steady growth, with a CAGR of 16.5% from the end of 2007 to the end of 2009.

According to statistics of PBOC, as at 30 June 2010, the market share of our corporate loans was 12.3% and continued to rank first. In 2009, we won the "Best Performed Syndicate Loans" from China Banking Association. In 2008, we were awarded the "Best Corporate Lending Bank in China" by *Global Finance*.

Our corporate loans include short term loans and medium to long term loans.

- Short term loans

We provide short term loans due within one year to corporate customers, which mainly include working capital loans (including trade finance loans), bills prepayment and purchase, factoring and forfeiting. As at 30 June 2010, the balance of our short term loans amounted to RMB1,275.7 billion, accounting for 29.1% of corporate loans. Our short term loans increased from RMB1,126.9 billion at the end of 2007 to RMB1,190.4 billion at the end of 2009, with a CAGR of 2.8%.

- Mid-to-long term loans

The term of our mid-to-long term loans generally ranges from one year to ten years, mainly including project loans, property loans, and syndicated loans. As at 30 June 2010, the balance of our mid-to-long term loans amounted to RMB3,108.8 billion, accounting for 70.9% of corporate loans, in which the balance of project loans amounted to RMB2,094.9 billion, the balance of property loans amounted to RMB524.8 billion, and the balance of syndicated loans amounted to RMB306.0 billion. Our mid-to-long term loans increased from RMB1,788.1 billion at the end of 2007 to RMB2,767.4 billion at the end of 2009, with a CAGR of 24.4%.

During the reporting period, we adopted the following measures to promote the stable growth and structural optimisation of mid-to-long term loans:

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

- Focus was given to credit demand of key infrastructure projects, key revitalised industries and strategic emerging industries of China;

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

- Nine regional credit policies were issued to promote coordinated regional development in line with implementation of the state's regional development strategy;
- We accelerated product innovation to accommodate to market needs and introduced an array of new products, including acquisition loans, loans during project operation phase, in an effort to sharpen competitive edges in high-quality credit market; and
- We seized market opportunities and actively advanced our syndicated loans business.

2) Corporate Deposits

We provide corporate clients with multiple interest-bearing demand and time deposit services in RMB and major foreign currencies. The corporate deposits constitute a major source of funds for us. As at 30 June 2010, our domestic branches had a balance of corporate deposits of RMB5,362.9 billion, with a market share of 13.5%, and continued to maintain our leading position in the market. Demand deposits accounted for 64.3% of total domestic corporate deposits.

From the end of 2007 to the end of 2009, we enjoyed a relatively rapid growth of corporate deposits, represented by a CAGR of 18.6%, which is mainly attributable to the following targeted measures adopted by us to expand corporate deposits:

- We seized favourable opportunities created by a rapidly-growing macro economy, strengthened marketing efforts and product innovation and expanded resources of the corporate deposit clients;
- We utilised credit resources, capital strength and settlement advantages and competed for client resources with diversified financial service capability; and
- We vigorously developed cash management, asset custody, enterprise annuity fund, agency, wealth management and other businesses and explored the clients' deposit potential.

3) Small and Medium Enterprise Business

We regarded the development of SMEs banking business as an important strategy and we have vigorously boosted the development of small and medium enterprise business, enhanced the specialised operation of small enterprise business, expedited innovation in SME banking products, service channels and business processes and improved the level of our financial services. As at 30 June 2010, we had a total of 54,000 small enterprise customers who had loan balances with us and such loan balance (excluding discounted bills) was RMB390.9 billion.

During the reporting period, we adopted the following measures to promote SMEs business, accelerate branding, expand our market influence and improve our image in serving SMEs:

- We established dedicated organisations, including specialised sub-branches for small enterprise financial services and small enterprise service centres. Nearly 1,000 small enterprise banking centres were established across our bank to improve the SME banking service system and to enhance the level of specialised operation;
- To increase operational efficiency, a special small enterprise credit rating and authorisation policy was formulated and processes for authorisation, loan review and approval were consolidated;
- Innovative small enterprise financing guarantee measures were created to introduce measures such as third-party cooperation and joint guarantee; and

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

In 2009, the Bank was awarded the "Top 10 SME Financial Services Providers in China" by the *Financial Times* and the "Top 10 Commercial Banks Supporting the Development of SMEs" by the Organising Committee of the Annual Affair of China's Small and Medium Entrepreneurs. In 2008, the CBRC named us as "Model Unit Providing Financial Services for SMEs in 2007".

4) Institutional Banking

During the reporting period, we expedited efforts to innovate and improve our services, constantly explored market segments, brought into full play our unique competitiveness, and maintained and continuously improved our institutional banking competitiveness, realising a rapid and quality development of our institutional banking business.

Bancassurance business — We have continuously consolidated business cooperation in bancassurance, actively promoted service innovation in bancassurance business, expanded the scope of cooperation in bancassurance business and consolidated the cooperation with insurance companies in various business fields such as deposit, insurance brokerage, asset custody, cash management, and bank cards. For the six months ended 30 June 2010, our bancassurance business income was RMB2,205 million with a growth of 38% compared to the same period in 2009.

Bank-securities business — We have actively explored the bank-securities business and have achieved relatively rapid growth in third-party depository service. Our base of third party depository customers has expanded continuously and we have maintained our leading position in terms of increase in number of new customers in the banking industry. As at 30 June 2010, the number of brokers in cooperation with us providing third-party depository service reached 100 and the number of clients using the third-party depository service reached 19.05 million.

Inter-bank business — We have actively expanded the scope of inter-bank cooperation and promoted our inter-bank business platform. As at 30 June 2010, the number of our domestic correspondent banks amounted to 106.

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

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

5) Discounted Bills

In our discounted bills business, depending on the nature of the accepting institutions, a discounted bill can be divided into commercial acceptance bills and bank acceptance bills. As at 30 June 2010, the balance of the Bank's domestic discounted bills was RMB193.9 billion.

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

6) Settlement and Cash Management Service

We provide our clients with domestic clearing and settlement services, and at the same time provide large companies and their subsidiaries with comprehensive services such as centralised cash management and transfer. As at 30 June 2010, the Bank had a total of 4.78 million corporate settlement accounts and approximately 443,000 cash management clients. In the first half of 2010, the amount of settlement for corporate customers amounted to RMB784 trillion, maintaining our largest market share in China.

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

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

- We have optimised the features of our product such as "Caizhi Account" cards and "Notes Pools". We have incorporated "Caizhi Account" cards into our corporate internet banking services and enriched the content of our products and services;

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

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

- Leveraging on the global cash management system, we have extended our strengths in domestic cash management services and we are the first bank to launch the global cash management business in this industry within China. Also, we have expanded our network of partnering banks and global cash management customers; and

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

We were awarded by *The Asset* and *Finance Asia* as "Best Cash Management Bank in China" for four consecutive years and were rated by *Asia Money* as "Best RMB Cash Management Services in China" and we were awarded "Achievement Award for Cash Management in China" by *The Asian Banker*.

7) Investment Banking

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

During the reporting period, we actively seized capital market opportunities to accelerate restructuring of investment banking business structure and branding. Considerable achievements have been made in our investment banking business including:

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

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

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

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

During the reporting period, the income from our investment banking business recorded fast growth and the investment banking business brand has gained more influence. In 2007, 2008 and 2009, the total amount of debt financing instruments underwritten by the Bank reached RMB79.9 billion, RMB150.7 billion and RMB285.8 billion respectively, ranking first in the "Ranking of Local Investment Bank for Bond Underwriting in China" by Bloomberg for three consecutive years. In 2009, revenue generated by investment banking business reached RMB12.5 billion, winning the honorary title of "Best Investment Bank in China" from *Securities Times*. In the first half of 2010, income from investment banking amounted to RMB8,666 million, representing an increase of 21.3% over the same period last year.

8) International Settlement and Trade Finance

International settlement and trade finance business is one of our key development priorities. Our domestic branches processed an aggregate amount of USD545.9 billion international settlement in 2009 and USD351.6 billion in the first half of 2010. In 2009, our domestic branches extended a total trade finance amount of RMB679.7 billion, representing an increase of 203.9% as compared to 2007, of which, domestic trade finance accounted for RMB374.4 billion, representing an increase of 898.8% as compared to 2007, international trade finance accounted for USD44.7 billion, representing an increase of 75.4% as compared to 2007. In the first half of 2010, domestic branches disbursed an aggregate of RMB415.8 billion in trade finance, an increase of 44.9% over the same period of last year, of which domestic trade finance increased by 83.3% over the same period of last year to RMB275.0 billion.

During the reporting period, the Bank accelerated the innovation of its international settlement and trade finance business, actively promoted its brand and established its competitive edge among its peers in emerging international business area through the following initiatives:

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

- We completed international settlement and trade finance centralised processing projects for conglomerates and accelerated the integration of bill processing services. By 30 June 2010, we had completed such integration for 29 domestic branches; and

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

9) Asset Management

- *Asset custody business*

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

During the reporting period, we seized opportunities in the capital markets, made timely adjustment to our business development strategies, accelerated market expansion and technology innovation and achieved fast growth of our assets custody business through the following approaches:

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

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

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

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

As at 30 June 2010, the Bank had RMB2,071.3 billion of total net value of assets under custody, ranking first in the PRC industry for 12 consecutive years. The Bank was awarded Best Custodian Bank in China by domestic and overseas financial media, including the *Global Custodian*, *The Assets* and *Global Finance*. The Bank so far has won more than 20 awards for its custody services.

- *Pension Services*

The Bank is among the first batch to be qualified as bookrunner and custodian for enterprise annuity since 2005, and as entrusted legal person for enterprise annuity in 2007. In recent years, while the Bank was developing its enterprise annuity business, it actively provided services to personal account of basic pension fund and other pension funds. As at 30 June 2010, the Bank had provided pension services to 21,375 enterprises, managed RMB40.7 billion of various pension funds, 7.90 million personal pension accounts and pension fund with custody amounting to RMB136.1 billion.

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

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

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

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

- *Precious Metal Business*

The Bank operated four product lines of precious metal business: physical bullion, trading, precious metals linked financing and wealth management. We continuously improved our product innovation ability and service capacity. In 2009, the volume of precious metal transactions that the Bank carried out on proprietary basis or on behalf of its customers reached 992 tonnes, of which, personal accounts bullion transactions reached 722 tonnes, maintaining the leading position in the industry. The Bank cleared RMB183.5 billion on behalf of Shanghai Gold Exchange, maintaining the leading position in the industry. In the first half of 2010, the volume of precious metal transactions reached 1,559 tonnes, of which precious metal transactions under accounts reached 380 tonnes. The Bank cleared RMB58.1 billion on behalf of the Shanghai Gold Exchange.

During the reporting period, the Bank seized market opportunities and actively pursued product innovation.

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

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

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

- *Corporate Wealth Management*

In 2009, cumulative sales of the Bank's corporate wealth management products reached RMB1,795.1 billion. In the first half of 2010, sales of the Bank's corporate wealth management products reached RMB1,222.5 billion in aggregate. In the appraisal activity "2007 List of China's Best Bank Wealth Management Products" organised by *Money Week*, five of the Bank's wealth management products were included on the list. The Bank was consecutively awarded the "Best Asset Management Team" by *21st Century Business Herald* in 2009 and 2010.

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

2. Personal Banking

(1) Client Base

We have a solid personal client base in China. As at 30 June 2010, the Bank had 230 million personal clients, of which, 26.50 million are mid-to-high end.

(2) Operational Measures

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

- We promoted coordinated marketing of personal banking and corporate banking to enhance cross-selling and to increase our products penetration;

- We strengthened the construction, transformation and optimisation of our outlets, improved multi-tiered client service system, implemented refined service management, expanded client base and increased the proportion of mid-to-high end customers;

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

- We intensified the efforts in the recruitment and training of our personal banking service personnel. As at 30 June 2010, the Bank had nearly 160,000 personal banking service staff and the market competitiveness of our personal customer manager team maintained a leading position in the industry.

(3) Market Position and Awards

According to statistics from PBOC, as at 30 June 2010, the Bank was ranked first in terms of the balance of personal loans and personal deposits, with a market share of 14.4% and 17.4% respectively. The Bank also maintained a leading position among its peers in other personal banking businesses.

The Bank is well recognised in the market for its excellent personal banking services and has been awarded "Best Retail Bank in China", "Best Mega Retail Bank in China", "Best Multi-channel Bank in China" by *The Asian Banker* during the reporting period. In 2008, our "Money Link Express" product was awarded "Wealth Management Product with the Most Investment Value in 2008" by *Hexun.com*. Our wealth management product related to Junding Winery's Red Wine Earnings Right Trust was awarded "2008 Best Designed and Innovated Wealth Management Product" by *Jin Rong Jie (Financial Industry)*. In 2009, we were awarded "Best Team for Investment and Management of the Year" by *Money Week*. Our "Zhonghai Lvcheng Real Estate Investment Fund Trust Scheme" was awarded "Best Bank Wealth Management Product of the Year". Our "Wen De Li" product was awarded "Best Wealth Management Series Product for Innovative Marketing".

(4) Introduction of Products and Services

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

- Personal loans business ranks first in terms of market share;

- Personal deposits business ranks first in terms of market share;

- Credit cards business ranks first in terms of market share; and

- Our wealth management business has a leading position in the industry. Elite Club Account, wealth management, private banking, and other wealth management business targeting mid to high end clients have achieved fast growth rate and increasing market influence.

1) Personal Loans

Loans provided by the Bank to personal customers include personal housing loans, personal consumption loans, personal business loans, and credit card overdrafts. For ease of reference, the "Personal loans" in this prospectus does not include loans made in our overseas business. As at 30 June 2010, balance of the Bank's domestic personal loans amounted to RMB1,457.9 billion.

Personal housing loans are an important component of the Bank's personal loan portfolio. As at 30 June 2010, the balance of the Bank's domestic personal housing loans amounted to RMB1,037.8 billion, accounting for 71.2% of the balance of personal loans.

Personal consumption loans of the Bank include personal auto loans, personal comprehensive consumption loans, personal student loans, personal pledged loans, and personal unsecured loans. As at 30 June 2010, the balance of the Bank's domestic personal consumption loans amounted to RMB209.7 billion, accounting for 14.4% of balance of personal loans.

As at 30 June 2010, the balance of the Bank's personal business loans and credit card overdrafts amounted to RMB158.6 billion and RMB51.9 billion, accounting for 10.9% and 3.5% of the balance of the Bank's personal loans respectively.

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

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

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

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

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

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

2) Personal Deposits

We provide demand deposits and term deposits in RMB and foreign currencies. As at 30 June 2010, the balance of the Bank's domestic personal deposits amounted to RMB5,093.0 billion, in which demand deposits accounted for 40.3%.

During the reporting period, we have adopted various measures to promote development of personal deposits business and expand fund sources of the Bank, including:

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

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

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

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

3) Bank Cards Business

We offer a full range of bank card products and services to personal customers, including single currency and dual currency credit cards and single currency and dual currency debit cards. The brand "Peony Card" adopted by our bank cards is among the most well-known bank card brands in China. As at 30 June 2010, the Bank had issued 320 million bank cards, representing an increase of 52.38% compared to the end of 2007. During the year of 2009, the Bank's bank card business generated revenue of RMB9.408 billion, with a CAGR of 32.3% from 2007 to 2009. In the first half of 2010, income from bank card business reached RMB6.186 billion. During the reporting period, major statistics of our bank cards are as follows:

	As at the end of June 2010	As at the end of 2009	As at the end of 2008	As at the end of 2007
Number of bank cards issued (millions)	322.81	289.10	238.32	210.12
Debit cards (millions)	263.96	237.09	199.27	186.74
Credit cards (millions)	58.85	52.01	39.05	23.38
	January – June 2010	**2009**	**2008**	**2007**
Consumption value (in RMB billions)	947.5	1,497.9	796.4	616.2
Income from bank card business (in RMB billions)	6.2	9.4	7.2	5.4

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

- *Credit Card*

With issuance of RMB credit cards and dual currency credit cards in RMB-USD, RMB-Euro, and RMB-HKD, the Bank is the commercial bank with largest number of credit cards issued, largest transaction volume of credit card consumption and largest balance of overdrafts in China. The Bank held a leading position in terms of cards issued, card consumption amount and balance of overdrafts.

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

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

- The Bank strengthened cooperation with merchants including supermarkets, department stores, hotels, restaurants, household appliances stores, transportation and tourism operators, enhanced the promotion of our CNPC (China National Petroleum Corporation) related cards, transportation cards and cards related to Asian Games, and carried out consumption promotion campaigns;

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

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

We enjoy a strong leading position among our peers in terms of number of credit cards issued and consumption amount. As at 30 June 2010, 58.85 million credit cards were issued, with RMB51.9 billion in overdraft balance of domestic credit cards. During the year of 2009, consumption amount of the Bank's credit cards reached RMB449.0 billion, realising a CAGR of 66.5% from 2007 to 2009.

In 2009 we were recognised as the "Trusted Brand — Credit Card Issuing Bank" by the *Reader's Digest* of the United States, were awarded "Best Market Promotion in Business Cards" by American Express, and received the title of "Best Platinum Card" from MasterCard Worldwide. In 2008, the Bank was awarded "Credit Card Advanced Technology Award" by VISA International and "Best Product Innovation Award" by MasterCard Worldwide.

- *Debit Card*

The Bank has issued RMB debit cards and dual currency debit cards, such as RMB-USD debit cards, to its customers. As at 30 June 2010, 260 million debit cards had been issued. During the year of 2009, consumption value of debit cards amounted to RMB1,048.9 billion, with a CAGR of 51.9% from 2007 to 2009.

During the reporting period, the Bank has further enhanced its competitive edges in debit card business through the following various measures:

- The Bank utilised high-quality customer resources of various industries and fields to expand the customer base;

- The Bank actively explored co-brand card market by introducing a variety of national and regional Co-brand Moneylink Cards and released a variety of co-brand cards together with securities firms, fund companies and insurance companies to extend the product line of Moneylink Cards;

- The Bank launched chip debit cards in accordance with the PBOC 2.0 standard of PBOC to improve bank card safety and customer service standard;

- The Bank established a personal banking service model based on the platform of debit card to provide standardised and multi-tiered service; and

- The Bank continued to improve the function of "Comprehensive Transaction Account" of Peony Moneylink Cards to combine the sale of Moneylink Cards with salary payment agency, remittance settlement, wealth management products, internet banking, and other financial products.

4) Personal Wealth Management Business

The Bank offers a series of personal wealth management products and services, including financial advisory services, investment management products, bancassurance services as well as entrusted agency services. In 2009, total domestic sales of various personal wealth management products of the Bank amounted to RMB1,527.8 billion, of which, total sales of personal banking wealth management products amounted to RMB887.2 billion, maintaining a leading position in the industry. Sales of commissioned open-ended fund reached RMB487.8 billion, and sales of commissioned personal insurance reached RMB72.4 billion. The sales volume of these two products maintained a leading position in the banking industry. Sales of government bonds reached RMB80.4 billion, which continuously ranks first in the banking industry.

During the reporting period, we have timely adjusted our product strategy in line with market changes, and have strengthened innovation in products and services according to the focus of the market and needs, continuously amplified our leading edge in personal wealth management market. Specifically:

- We advanced the combined marketing of bank wealth management products and our fund and insurance agency business. We also improved the functions of the “Bank-Insurance Link” system, launched the “Bank-Insurance Link” through internet banking services, and released a large number of packaged products with embedded insurance feature. We actively promoted bonds or notes related wealth management products with low risk and stable return and developed a large number of wealth management products tailored for mid-to-high end clients;

- We improved the Bank’s wealth management products system with scaled earning level, complementary risk degrees and embedded liquidity, and improved our service capability in wealth management; and

- We have marketed our personal banking products as a portfolio, promoted the coordinated development of our personal wealth management business and other personal banking business.

- *Elite Club Account*

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

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

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

- We launched Elite Club Account chip cards to increase the security of clients’ transactions; and

- We paid great attention to business training of our service personnel in order to build a high-quality manager team for individual customers.

As at 30 June 2010, the number of our Elite Club Account clients was 8.12 million, representing a 168.54% increase comparing to the end of 2007. In 2009, our Elite Club Account was awarded “The Best Brand for Retail Finance of the Year” by *China Business News*.

- *Wealth Management Business*

The Bank has promoted its wealth management business and provided personalised expert financial wealth management services, such as wealth management consulting and asset management, to wealthy clients with personal financial assets from RMB1 million to RMB8 million. As at 30 June 2010, the number of our wealth management clients reached 560,000.

During the reporting period, the Bank continuously developed service channels specifically designed for wealth management customers. As at 30 June 2010, the Bank had already established 167 wealth management centres, accelerated products development and innovation, launched several wealth management products under the brand "ICBC Wealth", and cooperated with fund companies to launch "one-to-multiple" fund accounts for wealth management customers, and focused on branding. The Brand "ICBC Wealth" has achieved considerable market influence.

In 2009, we were awarded "Best Wealth Management Institution — The Most Reliable Wealth Management Institution" by *Money Talks*.

- *Private Banking Business*

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

During the reporting period, the Bank has taken several measures to accelerate the development of private banking business:

- The Bank set up and optimised its service network. The Bank has set up 10 private banking branches in Beijing, Shanghai, Guangzhou, Shenzhen, Taiyuan, Nanjing, Hangzhou, Jinan, Zhengzhou and Chengdu, and extended the coverage of its service network to major developed cities and areas;

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

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

As at 30 June 2010, the number of our private banking clients was approximately 16,400. In 2009, the Bank was awarded by the *21st Century Business Herald* "Excellent Private Banking Team of the Year". In 2010, the Bank was awarded by *Euromoney* "Best Bank for Private Banking — Fixed-Income Products Related Asset Management in China".

3. Treasury Operations

(1) Operational Activities

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

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

(2) Market Position and Awards

Our treasury operations have a leading position in the domestic banking industry. During the reporting period, the Bank was awarded "Excellent Dealing Member" (RMB), "Excellent Primary Dealer of Open-ended Market Business" (RMB), "Top 100 Entity for Trading Volume in Interbank Market", "Most Influential Market Participant", "Excellent Dealing Member", "Most Influential Market Maker of the Year", "Most Influential Market Maker of the Year for Derivatives" by the National Interbank Funding Centre and China Foreign Exchange Trade System; The Bank was awarded "Excellent Settlement Member of Proprietary Bond Trading", "Excellent Settlement Member of Bond Settlement Agency Business" and "Excellent Undertaker of Bond Counter Business" by China Government Securities Depository Trust & Clearing Co. Ltd.. The Bank was also awarded "Excellent Underwriter of Book-entry Treasury Bond".

(3) Introduction of Products and Services

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

1) Money Market Trading

The Bank's money market trading activities include: (i) short-term borrowing and lending; (ii) bond repurchase and purchasing. In 2009, the transaction volume of our domestic RMB money market financing was RMB13,499.3 billion, representing a 121.4% increase over 2007. The trading volume in foreign currency money market in 2009 was USD689.2 billion. In the first half of 2010, the transaction volume of our domestic RMB money market financing totalled RMB6,832.3 billion and the foreign currency transaction volume in the money market reached USD272.9 billion.

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

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

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

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

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

2) Investment Portfolio Management

- *Trading Account*

The Bank's trading accounts are used to recognise and settle our proprietary trades, including trading of bonds and bills which are issued by the Chinese government, PBOC and foreign governments as well as derivatives, foreign exchange and foreign/local currency dominated bonds transactions. The Bank is one of the largest market makers in domestic interbank market. Furthermore, the Bank avoids investment risks by using derivative instruments. As at 30 June 2010, the Bank is the market maker for 100 bonds in the interbank bond market, and 75 book-entry government bonds trading over the counter. In 2009, the trading volume of the Bank's RMB-denominated bond transaction accounts was RMB2.60 trillion, the trading volume of RMB interest rate swap was RMB60,545 million.

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

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

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

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

- We have strengthened team building of our research team, improved our ability in forecasting market interest rate trend; and

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

- *Banking Accounts*

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

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

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

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

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

3) Agency Treasury Operations

The Bank offers a wide range of treasury operation services to enterprises and individual clients. The Bank provides spot foreign exchange settlement and sale, forward foreign exchange trading, RMB and foreign exchange swap and RMB interest rate swap services. Also, we act as the agent of our clients in treasury operations including 24-hour foreign exchange purchase and sale, precious metal purchase and sale under account, forward currency contracts, interest rate swap, currency swap, options and other financial derivatives trading services. In 2009, business volume of our foreign exchange settlement and sale and foreign exchange trading on behalf of clients amounted to USD286.2 billion. Client-end gold trading volume reached 749 tonnes. The Bank has established innovative structured deposit products, enriched their varieties, and enlarged business scale. Trading volume of agency structured derivatives achieved USD82.2 billion.

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

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

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

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

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

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

- We have proactively promoted customised application of RMB interest rate derivatives, fostered demand for agency transaction, improved our risk hedging skills, and facilitated development of agency RMB interest rate swap business.

4. Internationalised Business Development

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

As at 30 June 2010, the Bank had established 24 operational branches in 22 countries and regions, set up 181 overseas branches, and established correspondent bank relationships with 1,424 overseas banks in 128 countries and regions. The network layout was continuously optimised, and our internationalised operation platform has been further improved.

Furthermore, the scale of our overseas assets has been increasing year by year, and we have managed these assets well. As at 30 June 2010, the scale of our overseas operating assets increased to USD61.64 billion, representing an increase of 66.4% compared to that at the end of 2007. In 2009, profit before tax of our overseas branches was RMB3.87 billion, representing an increase of 165.0% compared to last year.

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

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

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

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

5. Development of Integrated Business

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

(1) Investment Banking

ICBC International, the Bank’s wholly-owned subsidiary, engages in various investment banking businesses, including sponsoring and underwriting, equity financing, debt financing, direct investment, securities brokerage, and asset management, through its wholly owned subsidiaries. As at the end of 2009, total assets of ICBC International reached USD577 million, and its net assets reached USD49.66 million. Net profits in 2009 were USD7.946 million.

(2) Management of Securities Investment Funds

ICBC Credit Suisse Asset Management, a subsidiary of the Bank, mainly engages in the management of securities investment funds. As at the end of 2009, there were 11 mutual funds under the management of ICBC Credit Suisse Asset Management, and the assets of mutual funds under management were approximately RMB62.7 billion. Its total assets reached RMB836 million, and the net assets amounted to RMB675 million. Net profits in 2009 were RMB176 million.

ICBC Credit Suisse Asset Management was awarded "2008 Gold Bull Asset Management Company" by *China Securities Journal*; "2008 Star Fund Company in China" by *Securities Times*; "2009 Most Respected Fund Company" by *Money Week*.

(3) Financial Leasing

ICBC Leasing, the Bank's wholly owned subsidiary, mainly engages in financial leasing business. As at the end of 2009, its total assets reached RMB33.082 billion and net assets reached RMB5.388 billion. In 2009, net profits were RMB182 million. In September 2009, the Bank made the additional investments of RMB3 billion to ICBC Leasing, in order to facilitate the development of leasing business in a stable and rapid manner.

ICBC Leasing was awarded "2009 Best Financial Leasing Company" by *Financial Times*; and "2009 Best Industry Contribution Award" by *China Business News*.

III. DISTRIBUTION CHANNELS

We deliver our products and services through a variety of distribution channels. During the reporting period, the Bank continued to focus on adjusting allocation of the regional branches, upgrading and improving the outlets, building up service channels with tiered and classified functions and systems, and improving service quality.

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

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

(I) Domestic branches

The Bank has a nationwide network of branches. As at 30 June 2010, the Bank had 16,210 domestic institutions, including the Head Office, 31 tier-1 branches, 5 branches under direct management of the Bank, 27 banking offices of tier-1 branches, 390 tier-2 branches, 3,060 tier-1 sub-branches, 12,658 outlets, 34 institutions directly controlled by the Head Office and their branches and 4 major holding companies.

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

- Based on different target customers as well as different modes of operation management of the outlets, we actively explored and established new modes of operation management that meet individualised needs of customers and have the characteristics of the Bank for our wealth management centres, VIP service centres, wealth management outlets and financial convenience stores;

- We have strengthened the training of customer managers, financial advisors and other outlet staff, and improved the staff's competence and the customer service capability of our outlets;

- We allocated more outlet resources to provincial capital, key large and medium-sized cities and developed counties in an appropriate manner, continuously upgraded and transformed the low-end outlets, pushed forward the transition of the outlet operation and implemented the optimisation and strategically transformation of outlet layouts; and

- We participated in pilot project of new rural financial institutions, and further covered the rural financial markets with our service network by setting up the ICBC Zhejiang Pinghu Rural Bank and ICBC Chongqing Bishan Rural Bank.

With respect to optimising regional distribution of outlets, while the total number of outlets remained stable, the Bank had 7,172 outlets in areas where financial resources are more abundant (the Yangtze River Delta, the Pearl River Delta and the Bohai Rim regions) as at 30 June 2010. The percentage of such outlets out of our total domestic outlets was increased up to 44.4%, representing an increase of 0.7 percentage point from the end of 2007. In terms of functional transformation, from 2007 to 30 June 2010, the Bank established 167 wealth management centres and 3,737 VIP service centres.

(II) Overseas branches

As at 30 June 2010, the Bank had set up 24 tier-1 operational branches in 22 countries and regions such as Hong Kong, Macau, Korea, Japan, Vietnam, Singapore, Indonesia, Malaysia, Thailand, United Arab Emirates, Qatar, Kazakhstan, United Kingdom, Germany, Luxembourg, Moscow, Australia, United States, Canada. The total number of our overseas branches increased from 112 at the end of 2007 to 181. We have established correspondent bank relationships with 1,424 overseas banks in 128 countries and regions. The branch network has been continuously optimised, and the internationalised and integrated operation platform is further improved. During the reporting period, the Bank acquired 70% of shares in the Bank of East Asia (Canada), and a controlling stake in Thailand's ACL Bank. Our Macau branch merged with Seng Heng Bank and became ICBC Macau. We have opened Industrial and Commercial Bank of China (Malaysia) Berhad and our Hanoi branch. Our Abu Dhabi branch also commenced business. ICBC Macau, Seoul branch and PT. Bank ICBC Indonesia further extended their service coverage and functions. Our overseas branch network is also attaining scale.

(III) Electronic banking

As at 30 June 2010, the number of our electronic banking customers increased by 117.9% compared to that at the end of 2007. In 2009, transaction volume of our electronic banking services increased by 76.2% compared to 2007. In the first half of 2010, transaction volume of electronic banking services represented 54.6% of our total transactions, increasing by 17.4% compared to 2007.

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

- The Bank emphasised on branding, built up several nationwide recognised professional electronic banking brands, including "Banking@Home" as our core electronic banking brand in electronic banking service and "ICBC 95588" for telephone banking services;

- The Bank carried out marketing programmes for electronic commerce and mobile banking (WAP) to increase brand awareness and reputation, and to push forward the continuous growth of our customer base and business volume;

- The Bank pushed forward the transformation of electronic banking to an integrated and comprehensive business platform that combines trading, marketing and services and consolidated its leading edge over our peers; and

- The Bank promoted the internet banking system in overseas institutions to extend the service coverage of electronic banking.

1. Internet banking

The Bank provides internet banking services through its official website: www.icbc.com.cn for a wide range of customers. We also provide large corporation, government and financial institution customers with specialised products and services through our "Bank-Enterprise Link". As at 30 June 2010, the number of our corporate internet banking customers increased by 125.7% compared to that at the end of 2007. The number of individual internet banking customers increased by 120.6% compared to the end of 2007. In 2009, transaction volume of the internet banking by corporate customers increased by 57.9% compared to that of 2007, and transaction volume of internet banking by individual customers increased by 329.5% compared to that of 2007.

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

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

2. Telephone banking

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

During the reporting period, the Bank completed the engineering construction of integrated telephone banking, achieved the centralised management of all the call centres by the general control system as well as the sharing and integration of bank-wide system resources, enhanced the ability of telephone banking system in making contingency response and disaster recovery management. The Bank accelerated the construction of electronic banking centres in Shijiazhuang and Hefei and switched the telephone manual service systems at a large number of branches and enhanced their integrated and efficient operation. In addition, we introduced telephone banking with 400 VIP service hotline, one-number-link payment service, telephone banking reservation and customised menu set-up functions, launched interbank remittance, agency sales of insurance products, foreign currency funds and other new products, and optimised the functions of funds purchasing and bill payment and the public voice menu of telephone banking, providing extensive and convenient telephone banking services for customers.

The telephone banking services of our bank have been widely accepted. In 2009, our 95588 telephone banking was awarded "Excellent Financial Product" and "Excellent Financial Brand" in the 2009 China International Finance Exhibition hosted by the PBOC. In 2008, we have been granted with three awards: "Best Call Centre in Asia Pacific", "Best Call Centre in China" and "Best Call Centre Manager in China" in the Fifth Election of Asia Pacific Best Call Centre. In 2007, our bank was awarded "Best Call Centre Management Team in China" and "Best Call Centre Manager in China" in the election of Best Call Centre in China and we have also received "Special Contribution Award of China Call Centre" during the fourth election of Best Call Centre in Asia Pacific.

3. Mobile banking

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

4. Self-service banking

We provide self-service banking through ATMs and other self-service terminals. As at 30 June 2010, the Bank had 9,867 self-service banking centres, representing an increase of 101.8% over the end of 2007. The Bank had 38,836 ATMs, representing an increase of 65.8% over the end of 2007. In 2009, transaction volume of ATMs reached RMB2,046.9 billion, increasing by 91.4% compared to 2007.

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

IV. MAJOR LOAN CUSTOMERS

As at 30 June 2010, the aggregate amount of loans offered by us to our single largest client constituted 3.0% of the net capital base of the Bank and aggregate amount of loans to our top ten single customers constituted 22.8% of the net capital base of the Bank. As at 30 June 2010, the aggregate amount of loans to the top ten single clients reached RMB173 billion and constituted 2.7% of our total amount of loans.

V. INFORMATION TECHNOLOGY

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

(I) Our safe and stable information system supports the stable operation of the Bank

The Bank has attached great importance to the security management of information system, and has kept on optimising management system of the production process so as to ensure safe and stable operation of the information system. In recent years, in line with diversification of products and services provided by our bank and the constant expansion of our business volume, the average daily transaction volume in our data centre has reached 130 million as at 30 June 2010, an increase of 60.6% over the end of 2007. Average daily peak business volume exceeded 173 million, 54.9% higher than that of 2007. In the context of significant increase of our business volume, the overall availability of the information system has been kept above 99.98%, supporting stable operation of our business and providing safe, stable, high-quality and highly efficient services to our clients.

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

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

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

(II) Our technology system supports the Bank's business operation

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

1. Our technology system supports constant improvement of product innovation and service capability of the Bank

(1) To provide our clients with rich financial products, the Bank has developed a wide variety of advantageous products such as bank account, wealth management in domestic and foreign currencies, global cash management, international settlement, private banking, wealth management, foreign currency remittance, express global remittance, and precious metal trading;

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

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

2. Our technology system provides support for the Bank's international development strategy

(1) The Bank has independently developed its own FOVA system and continuously improved its function. As at 30 June 2010, all of our overseas branches were generally covered by the FOVA system. The Bank has put in place an integrated global scientific and technological platform, so as to provide vigorous support to the management of its overseas business;

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

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

3. Our technology system provides technical support to the transformation of our business operation model

(1) We have implemented centralisation of information to support client management. We set up a data warehouse platform for the transformation from data centralisation to information centralisation. We constantly strengthened data mining and analysis, optimised the Customer

Relationship Management System (CCRM, PCRM), Comprehensive Statistic System (CS2002), Performance Evaluation Management System (PVMS) and other analytic application system. We set up a centralised platform for customer relationship analysis and marketing management to achieve customer classification and differentiated marketing through analysis of customer information and their use of the Bank's financial products; and

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

4. Our technology system provides safeguard for our continuous improvement in risk control

(1) Credit risk

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

(2) Market risk

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

(3) Operational risk

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

We have the most advanced IT platform within the China banking industry and have made great achievements in the IT field, which is well recognised by domestic and overseas markets and institutions. For 2008 and 2009, the Bank was consecutively elected on the list of "China Top 500 Enterprises in Leading IT Applications" by National Information Evaluation Centre and was ranked first for the year of 2008 and 2009. The Bank was awarded "Global Network Application Innovation Award", "Global Best Bank in Cash Management" and the "Global Best Business Continuity Management" awarded by *The Banker* (UK) in 2006, 2007 and 2008. In 2007 and 2009, the Bank was awarded as "The Best IT Bank" by *The Chinese Banker* in China.

I. ACHIEVEMENTS IN RISK MANAGEMENT IN RECENT YEARS

Since our initial public offering in 2006, we have actively responded to the challenges brought by various uncertain factors and risks by enhancing corporate governance and improving internal control. We have continued to improve our comprehensive risk management system, strengthened the construction of comprehensive risk management policies, developed and completed templates for risk evaluation, gradually established industry-leading risk information system and built up a comprehensive risk management system with the Bank's unique characteristics which will be continuously improved and refined. In particular, in the first half of 2010, the Bank has achieved extensive progress in risk management. The Bank further improved the comprehensive risk management framework at the group level by adding concentration risk, reputational risk and strategy risk management into the framework, continuously enhanced the promotion and application of internal rating achievements and successfully completed the preliminary assessment of the implementation of Basel II. The Bank earnestly implemented the requirements of the "Three Measures and One Guideline" of the CBRC and actively promoted the implementation of Basel II. The Bank has accelerated the construction, development and optimisation of quantitative risk measurement system including Internal Rating-Based (IRB) Approach on credit risk, Internal Models Approach (IMA) on market risk and Advanced Measurement Approach (AMA) on operational risk and expanded their applications throughout the risk management process.

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

Our ongoing efforts in risk management in recent years have achieved remarkable results. We have continued to improve our assets quality and taken a leading position in this regard in the PRC banking industry. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, our non-performing loan ratios were 1.26%, 1.54%, 2.29% and 2.74% respectively, showing a declining trend over the years.

(I) Further improvement on our comprehensive risk management system

1. Adjust the organisation structure of our comprehensive risk management system to strengthen our ability to centralise risk management

(1) We have restructured our risk management related departments based on the principle of the separation of the front, middle and back office functions and the combination of comprehensive risk management and specialised risk management;

(2) We have further clarified the responsibilities of each department within the risk management system and have introduced detailed management on various risks to further improve our ability to identify, measure and control such risks;

(3) Our Board of Directors and management have placed high emphasis on risk management. Each risk management department operates independently while providing assistance to each other in order to achieve the smooth running of the risk management system; and

(4) We have transformed from a fragmented risk management approach to a centralised risk management approach where data preparation, monitoring and reporting are consolidated, and strengthened the centralised management of credit risk, liquidity risk, market risk and operational risk.

2. Formulate bank-wide risk strategies and risk appetite

(1) We have formulated the "2009 — 2011 Risk Management Plan", which, based on the summary of the status of our risk management over the past three years, analysed the Bank's key challenges in terms of risk management in the near future, proposed the key themes and goals of our risk management plan, and specified requirements on risk management initiatives during the period of the plan; and

(2) We have preliminarily completed the selection of risk appetite indicators and set targets in order to specify the quantitative criteria for risk appetite, based on the principle of matching risk and return and taking into account comprehensiveness and realities.

3. Improve our comprehensive risk management system with "One Framework and Three Approaches"

(1) We have amended the "Comprehensive Risk Management Framework" and clearly proposed the principles, development goals and forward-looking demand for risk management, with reference to Basel II and best risk management practices from leading international banks;

(2) We have established the first standardised "Risk Reporting System" in China's banking industry, and developed a multi-perspective and multi-level risk reporting system;

(3) We have established our "Risk Management Evaluation Measures" and, for the first time, accomplished evaluation methods which are mostly based on quantitative criteria and can be used to comprehensively and systematically evaluate the risk management of our branches; and

(4) We have established our "Risk Limit Management System (Trial)", which accomplishes control over the risk management process and sets up control limits on risks at portfolio level as well as key measurable and controllable risk indicators on a regular basis.

4. Promote the development of a comprehensive risk management IT platform

(1) We have formulated our "Overall Construction Plan for the Information Platform Supporting the Comprehensive Risk Management", promoted the construction of a bank-wide risk management system and enhanced risk assessment and management capabilities; and

(2) Based on the above plan, we have developed and implemented the comprehensive risk reporting sub-system (phase II), the credit card real time monitoring system, the appraisal system for value of collaterals, the interest rate management system (phase I), the anti-money laundering customer risk classification system and the anti-money laundering monitoring system optimisation projects, which significantly enhanced the Bank's risk assessment and management capability in relation to information technology.

5. Implement comprehensive management on risk limit

We have formulated a plan to implement comprehensive management on risk limit, regularly monitored and measured the limit indicators and provided management advice on situations where risk limits were exceeded:

(1) In terms of credit risk limit management, we have established and implemented a management system on risk limits for different countries and industries;

(2) In terms of market risk limit management, we have established a limit management system on trading accounts based on different levels, products and structures, and have also improved the monitoring and analysis on the balances and changes in the risk limit indicators at both our Head Office and branches; and

(3) In terms of operational risk limit management, we have established a systematic operational risk limit monitoring system, monitored and analysed the loss rate of operational risks for each branch and provided guidance to the branches on improving their operational risk management.

6. Establish an all-round accountability framework

(1) We have implemented a differentiated authorisation system based on the risk control capabilities of each branch;

(2) For business processes, we have implemented strict controls on IT system;

(3) For institutions, we have formulated and implemented a license suspension and resumption system; and

(4) For individuals, we have formulated and implemented the individual accountability system.

7. Improve our comprehensive risk management culture and team building

(1) We have promoted comprehensive risk management culture in each department and institution of the Bank, strengthened the study and training on relevant policies and regulations and cultivated a unique risk management culture with our characteristics; and

(2) We have focused on the building of a risk management team, made great efforts to build up a risk management team with professional skills and inter-disciplinary talent, and preliminarily built a risk management team of nearly 20,000 employees.

(II) Fully promote risk measurement and maintain a leading position in the industry

We are the pioneer in the PRC to research and develop advanced methods for measuring various risks as required by Basel II. We have independently developed over 30 IT systems for risk measurement, application and analysis. We have basically completed the preparation related to the implementation of the first pillar of Basel II, actively engaged in the preparation for the second pillar and begun our research for the third pillar, and have met the international standard.

1. Our credit risk system has generally satisfied the requirements of the IRB Approach

(1) We have established IRB IT system and IRB methodological system, collected relatively complete electronic data on risk exposures. We have collected data on legal person customers for nearly 10 years, and have fulfilled the requirement of Basel II and maintained a leading position in the industry;

(2) We have in turn completed the IRB approach for non-retail business and the IRB approach for retail business, and the measurement results have been broadly used in loan pricing, approval and authorisation and credit policies;

(3) We have launched a credit risk advanced measurement project, solved the measurement of portfolio risks and exposure at default (EAD) of derivatives, and established scenarios and methodologies for stress test; and

(4) We have also implemented our credit risk measurement verification project, conducted independent and comprehensive third-party verification on our measurement methods, results, policies, processes and IT systems.

2. We have structured market risk measurement techniques based on our IMA for market risk

(1) We have engaged in the construction of a market risk management system, improved our market risk measurement and control and achieved centralised management of market risk measurement. Since the second quarter of 2008, we have measured the Value at Risk (VaR) for the trading accounts at our Head Office (including products such as RMB and foreign currency denominated bonds, settlement and sales of Renminbi, and foreign exchanges trading) by utilising historical simulation data (using 99% confidence interval, 1-day duration and historical data for 250 days);

(2) We have launched independent research and development projects for financial market business and risk management, through which we have learned advanced risk measurement and pricing technologies in the world. We will use fully-priced historical simulation data to measure our VaR, develop VaR measurement model and a series of other methodologies for risk measurement, including pricing/valuation model for products in financial market business and sensitivity calculation methods to improve our overall capabilities in relation to market risk measurement; and

(3) We have established our market risk measurement approach and have standardised our market risk measurement methodologies and techniques.

3. Our operational risk has basically satisfied the requirements set out in the standardised approach

(1) We are among the first in China to have adopted the Advanced Measurement Approach (AMA) for operational risks. We have improved the timeliness and completeness of data collection, gradually established a unified operational risk data mart through centralised management of operational risk data and improved timeliness and informatisation of our operational risk management;

(2) We have increased our internal verification efforts for loss events caused by operational risk and improved our completeness and accuracy of loss data statistics;

(3) We have enriched and improved our operational risk management tools including operational risk and control self-assessment and key risk indicators analysis and scenario analysis, and continuously expanded the application of these tools in operation management, which has gradually enhanced the sensitivity and reliability of our operational risk management; and

(4) We have established implementation measures for the measurement of regulatory capital for operational risk and have standardised measurement rules and procedures under the Standardised Approach.

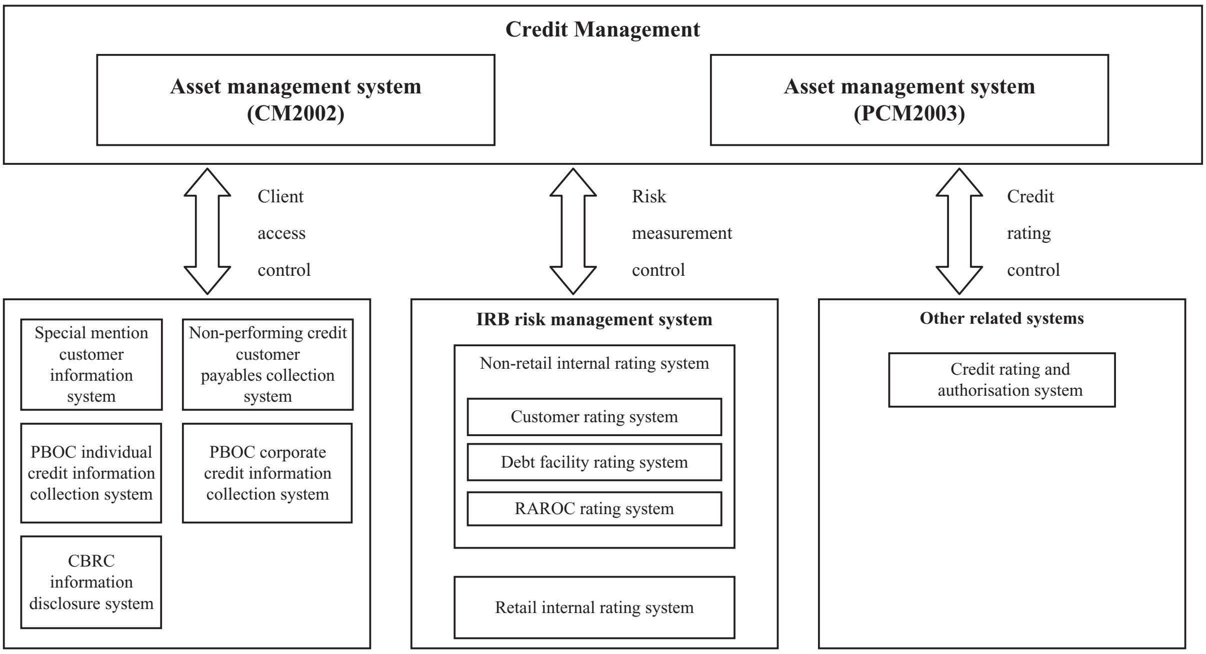
(III) Further improvement of our IT system which covers the entire risk management process

We have established and improved our IT system which covers the entire risk management process including risk identification and measurement, risk control, monitoring and assessment as well as risk reporting. Our key risk management processes and the corresponding IT system are set out below:

1. Credit Risk Management Systems

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

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



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

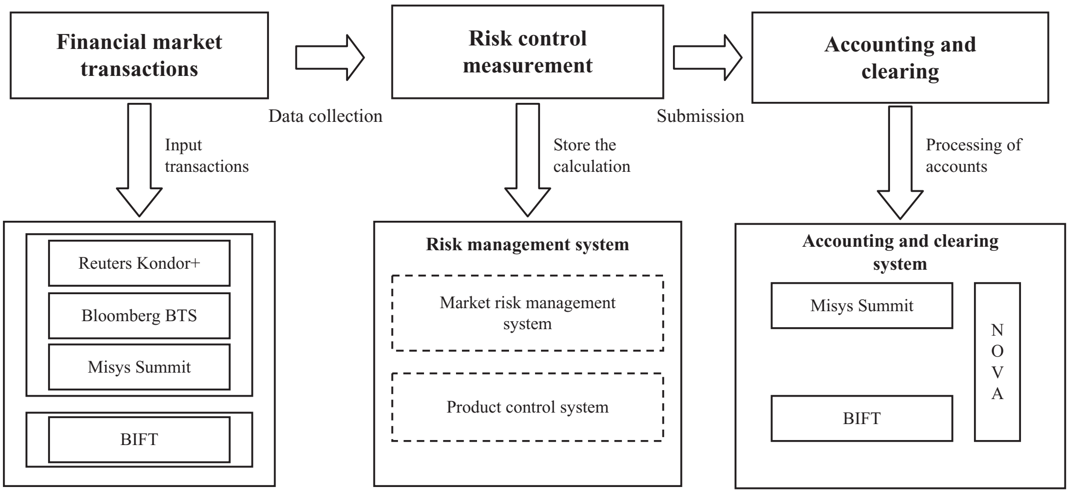
(1) We are among the first in China to establish a unified asset management system (CM2002/PCM2003), covering the entire credit business for all of our corporate and individual customers. Through centralised data management, we have achieved automation, standardisation and strict control on our credit business process and promoted the reform and innovation in our internal management for credit business and improved our risk control capabilities;

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

(3) In terms of risk measurement and monitoring, we have established a unified bank-wide measurement and management system for non-retail and retail credit risk. Our credit risk management has transformed from a simple function of risk control and monitoring to an integrated risk management process consisting of risk identification, measurement, monitoring and control. The sophistication of our risk management has been constantly improving. At the same time, we have applied the quantitative results into the risk management process, achieving a linked system with our front office credit system and credit card system; and

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

2. Market Risk Management System



To integrate all types of fund business in the financial market trading system into a unified market risk management platform and to accurately report risk management information to the Board of Directors and management in a timely manner, we have established a full process market risk management system framework comprising of transaction bookkeeping at the front office, risk measurement control at the middle office and clearing systems at the back office.

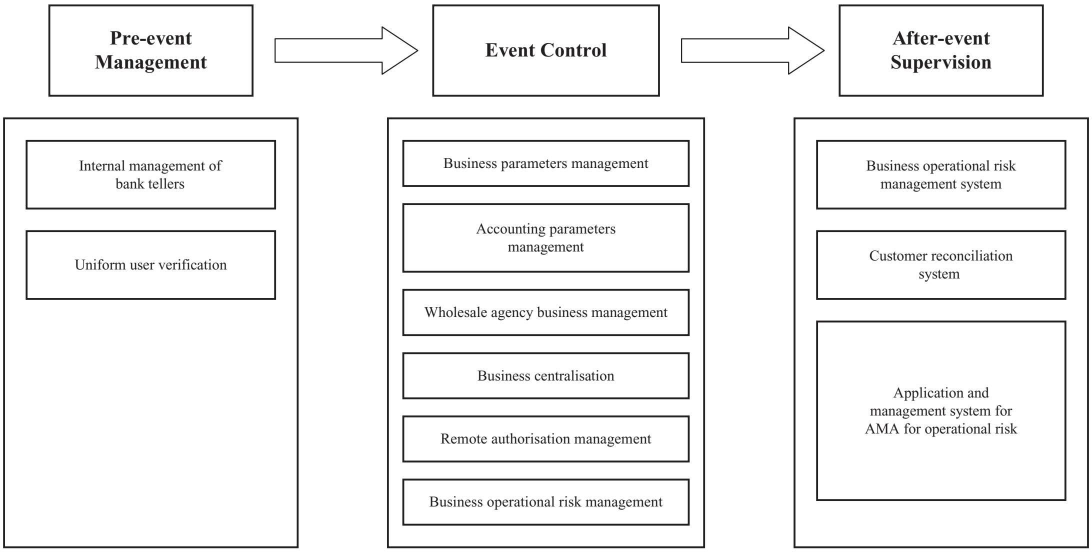
(1) At the front office financial market transaction level, RMB fixed income and bond business are managed through BIFT system independently developed by us; foreign currency transactions and foreign money market transactions are managed through the Kondor+ system; foreign currency fixed income business is managed through the BTS system; and complex foreign currency derivatives are managed through the Summit system;

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

(3) At the back office accounting and clearing level, we conduct account clearing through the BIFT system and the Summit system. In addition, we manage accounts clearing and handling by linking the above systems to our core application system, NOVA. At the same time, we have achieved the reconciliation function for our front, middle and back offices.

3. Operational Risk Management System

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



(1) For internal management of our bank tellers, we have established strict control over job functions, scope of business and business operation through managing several parameters on tellers' authority cards and authorized limits. Through our unified authentication system, we have achieved flexible definitions and strict control over the interaction between users of the open platform system and our professional systems, job authority limits and business operations;

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

(3) We have developed systems for reconciliation between banks and corporations, credit cards reconciliation and personal consolidated account reconciliation, providing our customers with information related to their accounts and transactions through various channels so that they could verify and confirm, and as a result enhanced customer supervision on the Bank's operations; and

(4) At present, we are further promoting the construction and application of AMA for operational risk. Through the quantitative model, we could have integrated evaluation of our internal and external loss data on operational risk, the results of scenario analysis and internal risk control and business environment factors. In addition, we have achieved measurement and allocation on our operational

risk regulatory capital. These efforts help us to effectively identify, assess, monitor, control and mitigate the Bank's operational risks. Through the refinement of the measurement, we have enhanced the Bank's risk management and capital utilisation and set up a solid foundation for comprehensive capital adequacy management.

(IV) Further enhancing our credit risk management capabilities

1. Improvement on our credit management system

(1) We have reformed our credit management system on a bank-wide basis, separated the operation of our front, middle and back offices, optimised business processes and achieved independent and vertical operation of our credit approval processes; and

(2) We have improved our system on post-disbursement management, standardised credit risk criteria, and centrally managed the credit business risks in local and foreign currency exposure, on-balance sheet and off-balance sheet lending, domestic and overseas lending. In addition, we have established a new credit management system to meet the needs of modern commercial banking operations.

2. Establishment of our centralised and standardised management system

In 2009, we initiated the development of our centralised and standardised credit risk management system on a bank-wide basis, which covers all of our business activities, expanded the scope of our credit risk management and refined our institutional and overseas risk management.

(1) In terms of institutional credit risk management, we have established an overall credit risk management framework for domestic institutional customers; and

(2) In terms of overseas credit risk management, we have established a credit risk reporting system for overseas business and have standardised relevant fundamental management work.

3. Continuous improvement on our credit policy management framework

We have continued to enhance the unification of our credit strategy, management criteria and control criteria and gradually established a network-based, chained credit policy system led by our Head Office. This credit policy system covers different dimensions including industry sectors, regions, products and customers:

(1) In terms of industry sectors, we have continued to expand the coverage of credit policy and limit management. In 2009, the industry sectors subject to our industry credit policy coverage and limit management have expanded to 35 and 15 respectively and have further increased to 43 and 30 respectively in 2010; we have implemented a credit extension policy system with the following categories: active extension, moderate extension, conservative extension and restricted extension, according to the credit structure in different industry sectors;

(2) In terms of regions, based on the progress of the State's regional development strategy, we have developed relevant regional credit policies regarding key development areas, enhanced regional credit competition and facilitated the coordinated development of regional lending. Meanwhile, we have strictly controlled credit extension in high-risk areas;

(3) In terms of products, in accordance with the changes in the economy, regulatory policies and the needs for internal risk control, we have implemented the new rules on lending set by regulatory bodies, formulated stricter rules on the management of our loan products, refined loan extension and payment processes and emphasised the use of loan proceeds to ensure loans would effectively support economic development; and

(4) In terms of customers, in addition to our industry credit policy, we have applied a differentiated credit policy to different customers within an industry sector, which contains five classifications: significant, moderate, maintained, restricted and exit. In addition, we have strengthened our post-disbursement management for group related loans and key customers, enhanced management accountability and improved our ability to address major credit risk events.

4. Establishment of an advanced risk warning system

(1) Our asset management system has created a bank-wide unified credit business risk profile for each customer and any credit business conducted by our customers at any of our branches will be under unified control. We have also established a bank-wide unified database for information regarding relationships among customers and achieved a general risk control on group customers, affiliated customers and related parties; and

(2) The system has a series of warning indicators, which automatically engages in identification, judgment and alert towards relevant risks in our business processes. Threshold values of warning indicators are determined through our parametric management. The system automatically delivers risk warnings and implements systematic control.

5. Enhancement of our credit risk management information system

We have proactively brought in technique on risk quantification management and have devoted efforts on the establishment of our risk measurement methodology and full process management mechanism for risks, which combines quantitative and qualitative analyses, to ensure a refined credit management and scientific decision making on lending.

(1) Improve the existing legal person / individual credit management system (CM2002/PCM2003)

The system is the first large-scale centralised application system based on open platform database independently developed by us, which covers all credit businesses related to our corporate and individual customers. We have achieved centralised management of credit business data as well as credit customer information sharing among all the sub-branches of our domestic branches.

The system uses our credit business processes as the core theme, we have developed and designed a series of refined management functions including business authorisation management, customer rating and credit authorisation, collateral appraisal, loan assessment and approval and loan pricing management, and have fully included and integrated our credit policy, system and management requirements into the system control and operational processes. This has provided technological support to our credit business management, business risk control, loan business accounting and decision making, and has resulted in a centralised, integrated, refined, streamlined and quantitative credit risk management system, which enhance data centralisation and understanding as well as standardisation and rigid control of our credit business processes.

(2) Develop and establish our new generation asset management system (overseas version)

We started developing our new generation asset management system (overseas version) in the first half of 2009 to comprehensively strengthen the centralised control and management of overseas institutional asset business risks. The new system will cover all asset businesses of all of our overseas branches involving credit risk related to individual customers, corporate customers, institutional customers and counterparties as well as all on-balance sheet and off-balance sheet asset businesses. The system can provide a unified round-the-clock support for asset business operations, risk control and operational management of our overseas institutions.

II. INITIATIVES TO FURTHER IMPROVE OUR RISK MANAGEMENT

(I) Improve our risk management system on consolidated group level and risk control

According to the principle of "classified management, focused implementation and combination of consistency and flexibility", we will enhance our risk management system at the group level, further improve the management system in the entities to be consolidated with us as well as the management of the consolidation, strengthen our internal transaction management and gradually develop our risk management evaluation for our overseas branches.

Adhering to the principle of independent risk management, we will further improve the separation of our front, middle and back office functions for risk management to clarify responsibilities and accountability. We will further develop our reporting system for risk management and strengthen the vertical reporting line to achieve better management and supervision by our Head Office, as the management and decision-making level, on our branches, as the operation level, and to increase the timeliness and accuracy of risk management during transmission of information.

(II) Further implementation of Basel II

With the goal of fulfilling regulatory requirements and our internal needs and achieving world class standard on risk management, we will accelerate the implementation of the three pillars of Basel II. We constantly and vigorously promote the results of our non-retail credit risk project, accelerate the development and application of our system for retail project and continue to facilitate the development of market risk and operational risk measurement projects. We will also establish our internal capital adequacy evaluation procedures and set up a capital adequacy disclosure system aiming to become one of the first batch of domestic banks recognised by the CBRC to be in compliance with Basel II.

(III) Enhance our stress test

Through standardising our stress test operations and improving our stress test technology and system, we will increase the frequency of our stress test and expand the application of our stress test to achieve a systematic, comprehensive and automatic stress test system suitable for daily use.

(IV) Improve our economic capital management

We will further improve our economic capital measurement and allocation system and introduce the loss given default (LGD) indicator based on the quantitative results of the probability of default (PD) indicator which is already in use. We will upgrade our economic capital measurement criteria and implement the requirement of return on capital in all branches and products. We will also control risk and return through economic capital limits and risk-adjusted return on capital in order to facilitate optimal allocation of resources on a bank-wide basis and to improve capital return.

(V) Expand and strengthen our risk management

In addition to our credit, market, operational and liquidity risk management, we will further enhance our management of other substantive risks:

1. We will further optimise the process of identification, monitoring, evaluation, warning and disposal for reputational risks;

2. We will establish a strategic risk management system in line with our business scale and product complexity and will take initiatives to effectively identify, evaluate, monitor, report and control strategic risks; and

3. We will enhance product risk management, standardise the procedures for product innovation and risk evaluation, design appropriate products and services targeting at different customer groups, and establish our management rules for on-balance sheet and off-balance sheet securitisation businesses.

III. IMPLEMENTATION OF BASEL II

The CBRC issued "The Guidelines on the Implementation of Basel II by China's Banking Sector" in February 2007 and made an official decision to regulate the first batch of commercial banks under Basel II from 2010, in any case no later than 2013. To strive to be among the first batch of domestic banks to be approved to implement Basel II, we have established a project team in 2007 for the implementation of Basel II on top of the existing project team for our IRB project. This project team is responsible for making decisions on important matters in relation to the implementation of Basel II.

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

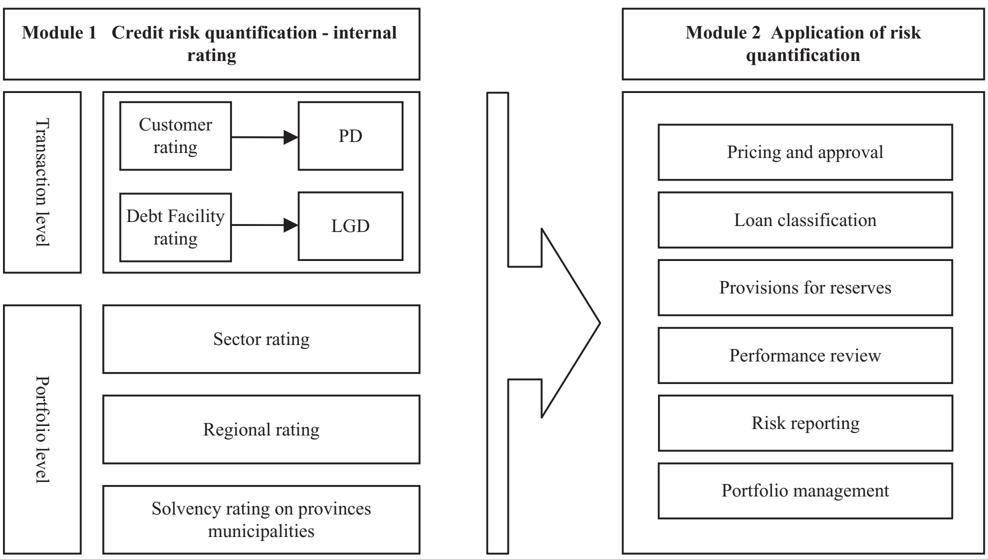
(I) Implementation of the First Pillar

1. Our credit risk has generally satisfied the requirements of the IRB Approach

(1) IRB Approach for non-retail business

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

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



(2) IRB Approach for retail business

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

In the first half of 2009, the individual loan and credit card modules of our individual customer internal rating system were put into operation. At the end of 2009, we launched individual customer RAROC rating system and achieved the RAROC projection and minimum lending interest rate calculation functions on new loan applications.

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

(3) Advanced measurement of credit risk

In 2008, we launched our credit risk advanced measurement project to solve portfolio risk measurement and derivatives EAD measurement and we have established stress test scenarios and methodologies, which has further improved our credit risk management.

(4) Verification of credit risk measurement

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

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

2. Construction of our market risk internal model project

We are striving to construct a market risk internal model to implement Basel II. In 2009, we comprehensively launched independent research and development projects for our financial market business and risk management, targeting the establishment of a market risk internal model. The core tasks are to develop the independent research and development system for market risk management, establish and improve market risk management system and procedures as well as risk measurement methods and valuation models to improve our market risk management according to international first class standards. The application and operation of these systems and models are expected to fully commence in 2011, which will generally satisfy the quantitative requirements of the market risk internal model approach.

3. Our operational risk has basically satisfied the requirement of the standardised approach

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

(II) Implementation of the Second Pillar

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

Particulars of Directors, Supervisors and Senior Management

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

Name	Business Address	Nationality
Other Senior Management Members		
Mr. LUO Xi	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. LIU Lixian	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. YI Huiman	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. ZHANG Hongli	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. WANG Xiquan	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. WEI Guoxiong	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. HU Hao[1]	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese
Mr. LIN Xiaoxuan[2]	No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC, 100140	Chinese

Biographies of Directors, Supervisors and Senior Management

Jiang Jianqing, Chairman of the Board of Directors, Executive Director

Mr. Jiang, aged 57, has served as Chairman of the Board of Directors and Executive Director of Industrial and Commercial Bank of China Limited since October 2005. He joined ICBC in 1984, and was appointed as President in February 2000. Mr. Jiang previously served in several positions including Vice President of ICBC Shanghai Branch, President of Shanghai Urban Cooperation Commercial Bank (now known as Bank of Shanghai), President of ICBC Shanghai Branch and Vice President of ICBC. At present, he is concurrently Chairman of the board of directors of Industrial and Commercial Bank of China (Asia) Limited, a member of the Monetary Policy Committee of the People's Bank of China, Chairman of China Banking Association, Vice Chairman of China Society for Finance and Banking, and a tutor to PhD students of Shanghai Jiao Tong University. He graduated from Shanghai University of Finance and Economics and Shanghai Jiao Tong University, and received a Master's degree in Engineering and a Doctorate degree in Management from Shanghai Jiao Tong University.

Yang Kaisheng, Vice Chairman, Executive Director, President

Mr. Yang, aged 60, has served as Vice Chairman of the Board of Directors, Executive Director and President of Industrial and Commercial Bank of China Limited since October 2005. He joined ICBC in 1985, and served in several positions including Deputy General Manager of ICBC Discipline Enforcement Office, General Manager of ICBC Planning and Information Department, President of ICBC Shenzhen Branch, Vice President of ICBC, President of China Huarong Asset Management Corporation. He concurrently serves as Chairman of the board of ICBC Credit Suisse Asset Management Co., Ltd., and Consultant of the 17th Committee of China International Economic and Trade Arbitration Commission. He graduated from Wuhan University with a Doctorate degree in Economics.

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1 On 28 October 2010, Mr. Hu Hao has been appointed by the Board at the Board meeting as Board Secretary of the Bank, and to concurrently serve as the Company Secretary and Authorised Representative of the Bank. His qualification as Board Secretary of the Bank is subject to the approval by the CBRC. Due to change of job assignment, Mr. Gu Shu has tendered his resignation from his positions as Board Secretary, Company Secretary and Authorised Representative of the Bank with effect from 28 October 2010.

2 On 28 October 2010, Mr. Lin Xiaoxuan has been appointed by the Board at the Board meeting as Chief Information Officer of the Bank, and his qualification is subject to the approval by the CBRC.

Zhao Lin, Chairman of the Board of Supervisors

Mr. Zhao, aged 56, has served as Chairman of the Board of Supervisors of Industrial and Commercial Bank of China Limited since June 2008. He was appointed as Executive Director and Vice President of China Construction Bank (CCB) in September 2004, and previously was Vice President of Hubei Branch, Deputy General Manager and General Manager of the Administrative Office of the Head Office, Chief Auditor, and Vice President of CCB. He graduated from Zhongnan University of Finance and Economics and received the Executive Master of Business Administration (EMBA) degree from Tsinghua University. He is a senior economist.

Wang Lili (Female), Executive Director, Senior Executive Vice President

Ms. Wang, aged 59, has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since October 2005, and Executive Director since April 2010. She was appointed as Vice President upon joining ICBC in November 2000. She previously served in several positions including General Manager of the Credit Management Department, General Manager of the Risk Management Department, and Assistant to President of Bank of China. She once also served as Chairperson of Bank of China (Canada) and Yien Yieh Commercial Bank Ltd. (Hong Kong), respectively. Currently she is China's representative of APEC Business Advisory Council, a member of APEC Women Leaders' Network, a board member of International Swaps and Derivatives Association, Vice Chairperson of China Chamber of International Commerce, Vice Chairperson of the Board of Directors of Industrial and Commercial Bank of China (Asia) Limited, Chairperson of the Board of Directors of ICBC (London) Limited, Vice Chairperson of China Society of International Finance, Vice Chairperson of National Debt Association of China, and Non-executive Director of Hong Kong Mercantile Exchange. She graduated from Nankai University and received an MBA degree in International Finance from University of Birmingham, UK.

Li Xiaopeng, Executive Director and Senior Executive Vice President

Mr. Li, aged 51, has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since October 2005, and Executive Director since October 2010. He joined ICBC in 1984, and was appointed as Vice President of ICBC in September 2004. He previously served in several positions including Vice President of ICBC Henan Branch, General Manager of the Banking Department of ICBC Head Office, President of ICBC Sichuan Branch, Vice President of China Huarong Asset Management Corporation, and Assistant to President of ICBC and President of ICBC Beijing Branch. He is concurrently serving as Chairman of Industrial and Commercial Bank of China (Almaty) Joint Stock Company, Chairman of Industrial and Commercial Bank of China (Middle East) Limited, Chairman of ICBC Financial Leasing Co., Ltd., Vice Chairman of China Urban Financial Society, Vice Chairman of China Society of Agricultural Finance, Head of the Financial Leasing Committee and the Development and Research Committee of China Banking Association. He graduated from Zhengzhou University and received a Doctorate degree in Economics from Wuhan University.

Huan Huiwu, Non-executive Director

Mr. Huan, aged 57, has served as Non-executive Director of Industrial and Commercial Bank of China Limited since February 2009. He joined the MOF in 1982, and served as Chief of the Cadre Deployment Division of the Department of Human Resources, Chief of the Cadre Deployment Division of the Department of Human Resources and Education, Deputy Director-General of the Department of Human Resources and Education, and Executive Deputy Secretary of the Party Committee (at the rank of Director-General). He graduated from the Party School of the Central Committee of the Communist Party of China as a postgraduate in Economics and Administration.

Gao Jianhong, Non-executive Director

Mr. Gao, aged 46, has served as Non-executive Director of Industrial and Commercial Bank of China Limited since December 2008. He joined Central Huijin Investment Ltd. in 2005 and previously served as Deputy Chief of the Finance Division of Macro-economic Control Department of the State Commission for Restructuring Economy, Deputy Chief of the Investment Business Department of China Development Bank, Deputy General Manager of the International Business Department of Everbright Securities Co., Ltd., and Senior Manager and research analyst of the Securities Offering Division of the Investment Banking Department of China Galaxy Securities Co., Ltd. He graduated from Peking University, and subsequently pursued advanced studies in the Graduate School of the People's Bank of China and University of Reading in England, and he received a Master's degree in Economics and a degree of Master of Science in International Securities and Investment Banking.

Li Chunxiang (Female), Non-executive Director

Ms. Li, aged 55, has served as Non-executive Director of Industrial and Commercial Bank of China Limited since February 2009. She joined the MOF in 1982, and served in several positions including Chief of the Township Finance Division of the Local Department and Chief of the Office of the Foreign Exchange and Foreign Affairs Department. Beginning in 1999, she joined the State Agricultural Comprehensive Development Office, and served as Chief of the Finance Planning Division and Assistant Inspector (at the rank of Deputy Director-General) of the State Agricultural Comprehensive Development Office. She graduated from Dongbei University of Finance and Economics with a Bachelor's degree.

Li Jun, Non-executive Director

Mr. Li, aged 51, has served as Non-executive Director of Industrial and Commercial Bank of China Limited since December 2008. He previously served as Assistant Representative of Beijing Representative Office of the Bank of Credit and Commerce International, Deputy Representative of BNP Paribas China Representative Office, Consultant of the International Banking Department of Banco Bilbao Vizcaya Argentaria (BBVA), Deputy General Manager of the Research Centre of China Technology Trust and Investment Company, General Manager of the Research Department of China Sci-Tech Securities, and Professor of the Finance Department of the School of Economics and Management of the University of Science and Technology Beijing. At present, he serves in Central Huijin Investment Ltd., and is concurrently Independent Director of Beijing Capital Tourism Co., Ltd.. He graduated from University of Madrid in Spain and received a Doctorate degree in Business Management.

Li Xiwen, Non-executive Director

Mr. Li, aged 62, has served as Non-executive Director of Industrial and Commercial Bank of China Limited since December 2008. He previously served as Chief of the Finance and Investment Division of the Planning Department, Deputy General Manager of the Fund Planning Department, General Manager of the Credit Card Department, Vice President of Shandong Branch, General Manager of the Credit Risk Management Department of the Head Office, Vice Chairman of the Risk and Internal Control Management Committee of the Head Office, President of Gansu Branch, and General Manager of the Compliance Department of the Head Office of China Construction Bank. At present, he serves in Central Huijin Investment Ltd., and concurrently as Deputy Secretary-General of China Society for Finance and Banking and Executive Director of China Investment Society. He graduated from Hubei Finance and Economics College and received a Bachelor's degree in Economics.

Wei Fusheng, Non-executive Director

Mr. Wei, aged 55, has served as Non-executive Director of Industrial and Commercial Bank of China Limited since February 2009. He joined Xinhua News Agency in 1994, and served as Chief of the Economics

Department of Macau Branch. He was transferred to the MOF in 1996, and served as Chief of the Education Division and Chief of the Policy and Legislation Division in the Cultural and Educational Department, Chief of the Policy and Legislation Division of the Public Expenditure Department, and Assistant Inspector (at the rank of Deputy Director-General). He graduated from Tianjin Finance and Economics College with a Bachelor's degree.

Leung Kam Chung, Antony, Independent Non-executive Director

Mr. Leung, aged 58, has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since October 2005. He is currently Chairman of the Greater China operations of Blackstone Group (China) and Chairman and Senior Executive Director of Blackstone Group (Hong Kong). He was Financial Secretary of Hong Kong from 2001 to 2003. He was also the Chairman of the Asia-Pacific Region of JPMorgan Chase Bank and worked for Citicorp. He had been Regional Chief of the Treasury Department, Corporate Banking Department, Investment Banking Department and Private Banking Department of Citibank in Hong Kong, Singapore, Manila and New York. Mr. Leung graduated from The University of Hong Kong.

Qian Yingyi, Independent Non-executive Director

Mr. Qian, aged 54, has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since October 2005. He had taught at the Department of Economics at Stanford University and University of Maryland, and served as Independent Non-executive Director of China Netcom Group Corporation (Hong Kong) Limited. He is a Professor in Department of Economics at the University of California, Berkeley and Dean of the School of Economics and Management of Tsinghua University. Concurrently, he is the Chairman of the Board of Supervisors of Vtion Wireless Technology AG. He graduated from Tsinghua University and received a Doctorate degree in Economics from Harvard University.

Xu Shanda, Independent Non-executive Director

Mr. Xu, aged 63, has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since September 2007. From January 2000 to 2007, he was appointed as Deputy Commissioner of the State Administration of Taxation (SAT). He worked as Deputy Director-General of the Tax System Reformation Department of SAT, Deputy Director-General and Director-General of the Policy and Legislation Department of SAT, Director-General of Local Taxes Department of SAT, and Director-General of Supervisory Bureau of SAT. He is currently member of the National Committee of the Chinese People's Political Consultative Conference, Chairman of the China Certified Tax Agents Association, member of the Auditing Standards Commission of the Chinese Institute of Certified Public Accountants, a member of the Accounting Standards Commission of the MOF, consultant to the China Public Finance Society, member of the Chinese Economist 50 Forum and member of the Academic Committee. He is the Independent Director of China Pacific Insurance (Group) Co., Ltd., part-time professor and invited researcher of Tsinghua University, Peking University, National School of Administration, Xi'an Jiaotong University, University of Science & Technology of China, Nankai University, Central University of Finance and Economics and Zhejiang Engineering University. He received his Bachelor's degree from Department of Automation, Tsinghua University, Master's degree in Agricultural Economics & Management from the Chinese Academy of Agricultural Sciences, and Master's degree in Finance from the University of Bath in UK.

Wong Kwong Shing, Frank, Independent Non-executive Director

Mr. Wong, aged 62, has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since January 2009. He previously held a number of senior positions with regional responsibility at financial institutions including Citibank, JPMorgan and NatWest, and took positions as Chairman of Hong Kong Futures Exchange Limited, Chairman of the Leveraged Foreign Exchange Trading Ordinance Arbitration Panel and a member of the Foreign Exchange and Money Market Practices Committee of Hong Kong Association of Banks. He joined DBS Bank in 1999, and served as Vice Chairman of DBS Bank

Ltd., Director and Chief Operating Officer of DBS Bank Ltd. and DBS Group Holdings, and Chairman of DBS Bank (Hong Kong) and Chairman of DBS Bank (China). He also served as the Independent Non-executive Director of the National Healthcare Group Pte Ltd. under the Ministry of Health of Singapore, Non-executive Director of Mapletree Investments Pte Ltd. and Chairman of Galleon Asia Pte Ltd. At present, he is a Non-executive Director of PSA International Pte Ltd. and an Independent Non-executive Director of China Mobile Limited, and a member of the University Court of The University of Hong Kong.

Malcolm Christopher McCarthy, Independent Non-executive Director

Sir M.C. McCarthy, aged 66, has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since December 2009. He worked as an economist for ICI before joining the UK Department of Trade and Industry where he held various posts from economic adviser to undersecretary between 1972 and 1985. He subsequently worked as an investment banker for Kleinwort Benson and Barclays Bank, acting as the senior executive for the latter in first Japan and then North America. He served as Chairman and Chief Executive Officer of Ofgem from November 1998 to September 2003, and Chairman of the Financial Services Authority (FSA) from September 2003 to September 2008. Currently Sir M.C. McCarthy serves as a non-executive director of HM Treasury, and also Chairman of the board of directors of J.C. Flowers & Co. UK Ltd., a non-executive director of Intercontinental Exchange, Trustee of Said Business School and Governor of University of Greenwich. He is also an Honorary Fellow of Merton College, an Honorary Doctor of the University of Stirling, and the Freeman of the City of London. Sir M.C. McCarthy was a MA History at Merton College of Oxford University, PhD Economics of Stirling University, and MS Business at Graduate School of Business of Stanford University.

Kenneth Patrick Chung, Independent Non-executive Director

Mr. Chung, aged 53, has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since December 2009. He joined Deloitte Haskins and Sells London Office in 1980. Mr. Chung became a partner of PricewaterhouseCoopers in 1992, and was a financial service specialist of PricewaterhouseCoopers (Hong Kong and Mainland China) since 1996. He was the human resources partner of PricewaterhouseCoopers (Hong Kong), the responsible partner of the audit department of PricewaterhouseCoopers (Hong Kong and Mainland China), the global responsible partner of the audit engagement team for Bank of China Limited, the honorary treasurer of Community Chest of Hong Kong, and was a member of the Ethics Committee, Limitation of Professional Liability Committee and Communications Committee, and the Investigation Panel of the Hong Kong Institute of Certified Public Accountants. Mr. Chung has also served as the audit partner for the restructurings and initial public offerings of Bank of China Limited, Bank of China (Hong Kong) Limited and Bank of Communications Co., Ltd.. Currently, Mr. Chung serves as the honorary treasurer of International Social Service Hong Kong Branch. He is a member of the Institute of Chartered Accountants in England and Wales, a practising member of the Hong Kong Institute of Certified Public Accountants and a member of the Macau Society of Certified Practising Accountants. He received his Bachelor's degree in Economics from the University of Durham.

Wang Chixi (Female), Shareholder Supervisor

Ms. Wang, aged 55, has served as Supervisor of Industrial and Commercial Bank of China Limited since October 2005. In 2003, she was appointed as full-time Supervisor (at the rank of Director-General) and General Manager of the Board of Supervisors' Office of ICBC as designated by the State Council. She joined ICBC in 2005. She had taken several positions including Deputy Director-General of the Financial Audit Department of the National Audit Office, Deputy Director-General of the Agricultural, Forestry and Sea Products Audit Bureau and was appointed as full-time Supervisor (at the rank of Director-General) and General Manager of the Board of Supervisors' Office of Agricultural Bank of China as designated by the State Council. She graduated from Shenyang Agricultural College, and is a PRC Certified Public Accountant (as a non-practising member).

Dong Juan (Female), External Supervisor

Ms. Dong, aged 58, has served as External Supervisor of Industrial and Commercial Bank of China Limited since May 2009. She is currently Chairperson of the Board of Directors of Grandchina International Consulting Co., Ltd.. She previously served as Deputy Chief and Chief of the Foreign Trade Division of Commerce and Trade Department of the MOF, as Director-General of the Enterprise Affairs Department of the State Administration of State-owned Assets, as Director-General of the Evaluation Department of the MOF, and as the independent director of The Ming An (Holdings) Company Limited and Sinotex Investment & Development Co., Ltd.. At present, Ms. Dong concurrently serves as an independent director of Shanghai Qiangsheng Holding Co., Ltd. and Huda Technology & Education Development Co., Ltd. Ms. Dong graduated from Shanxi Finance and Economics Institute and from Dongbei University of Finance and Economics with a Master's degree in Economics. Ms. Dong is also a PRC Certified Public Accountant (as a non-practising member).

Meng Yan, External Supervisor

Mr. Meng, aged 55, has served as External Supervisor of Industrial and Commercial Bank of China Limited since May 2009. Currently, he is the Dean, Professor and Tutor to doctoral students in the School of Accountancy of Central University of Finance and Economics (CUFE). He is also an Executive Council Member of the Accounting Society of China, a Council Member of the China Audit Society, an Executive Council Member of the Banking Accounting Society of China, a member of the Steering Committee on Teaching and Learning of Business Administration Disciplines of Higher Education Institutions under the Ministry of Education, and a member of the National Accounting Master Education Steering Committee. Mr. Meng served as Head of the Department of Accountancy of CUFE. He was also the Expert Consultant of the Accounting Standards Committee of the MOF for accounting standards, the Expert Consultant of the MOF for independent auditing standards, and an Expert Consultant of the MOF for enterprise performance evaluation and an independent director of Beijing North Star Company Limited. At present, he concurrently serves as an independent director of China Merchants Property Development Co., Ltd., Yantai Wanhua Polyurethane Co., Ltd., Beijing Bashi Media Co., Ltd. and Jolimark Holdings Limited. Mr. Meng obtained his Doctorate degree in Economics from the Research Institute for Fiscal Science of the MOF.

Zhang Wei, Employee Supervisor

Mr. Zhang, aged 48, has served as Employee Supervisor of Industrial and Commercial Bank of China Limited since August 2006. He joined ICBC in 1994, and has served as General Manager of ICBC Legal Affairs Department since 2004. Currently, he is also Vice Chairman and Arbitrator of the Finance Committee of China International Economic and Trade Arbitration Commission, Vice Chairman of the Banking Law Research Institute and an executive council member of the Securities Law Research Institute of China Law Society, a council member of China Society for Finance and Banking and a professor of China University of Political Science and Law. He graduated from Peking University with a Doctorate degree in Law and is a research fellow.

Zhu Lifei, Employee Supervisor

Mr. Zhu, aged 56, has served as the Employee Supervisor of Industrial and Commercial Bank of China Limited since September 2010. He joined ICBC in 1984 and has served the Executive Deputy General Manager of the Working Committee of the Bank's Trade Union since 2010. He has previously served in several positions including Vice President of ICBC Heilongjiang Branch from 1995 to 1998, President of ICBC Anhui Branch from 1998 to 2001, President of ICBC Heilongjiang Branch from 2001 to 2005 and President of ICBC Liaoning Branch from 2005 to 2010. He graduated from Northeast Institute of Technology in 1982 and is a senior economist.

Luo Xi, Senior Executive Vice President

Mr. Luo, aged 49, has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since December 2009. He joined Agricultural Bank of China (ABC) in December 1987, and was appointed as Assistant to President and General Manager of the International Department in January 2002, Vice President of ABC in March 2004, and Executive Director and Vice President of Agricultural Bank of China Limited in January 2009. He previously served several positions including Assistant to President of ABC Hainan Branch and General Manager of Agricultural Bank of China Hainan Trust Investment Company, Vice President of ABC Hainan Branch, Vice President of ABC Fujian Branch, General Manager of ABC Assets Preservation Department, General Manager of ABC Asset Risk Supervision Department, General Manager of ABC International Department and Chairman of the Board of Directors of China Agricultural International Finance Co., Ltd. in Hong Kong and Chairman of Hainan International Finance Co., Ltd.. He is concurrently the Chairman of ZAO Industrial and Commercial Bank of China (Moscow) and Industrial and Commercial Bank of China (Canada) Limited and an Executive Director of China Society of Agricultural Finance and Vice Chairman of China Society of International Finance. He graduated from the Graduate School of the People's Bank of China and received a Master's degree in Economics.

Liu Lixian, Secretary of Party Discipline Committee

Mr. Liu, aged 56, has served as Secretary of Party Discipline Committee of Industrial and Commercial Bank of China Limited since October 2005. He was appointed as Deputy Chief Officer of China Huarong Asset Management Corporation in September 2003, and joined ICBC in 2005. He previously served in several positions including Deputy Director of the Bribery and Corruption Inspection Department, Deputy Commissioner of the General Bureau of Anti-bribery and Corruption, Commissioner of the Inspection Technology Bureau, and Director of the Inspection Theory Research Institute of the Supreme People's Procuratorate. He graduated from Jilin University.

Yi Huiman, Senior Executive Vice President

Mr. Yi, aged 45, has served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited since July 2008. He joined ICBC in 1985, and was appointed as member of the Senior Management in October 2005. He served in several positions at ICBC including Vice President of Zhejiang Branch, Vice President and President of Jiangsu Branch, and President of Beijing Branch. He is concurrently the Chairman of Industrial and Commercial Bank of China (Thai) Public Company Limited and Industrial and Commercial Bank of China (Malaysia) Berhad. He obtained a Master's degree in Executive Business Administration from Guanghua School of Management of Peking University.

Zhang Hongli, Senior Executive Vice President

Mr. Zhang, aged 45, has served as Senior Executive Vice President of Industrial and Commercial Bank of China since May 2010. Previously, he had been serving as a member of the Global Banking Management Committee and Head of Asia-Pacific of Deutsche Bank Global Banking and Chairman of Deutsche Bank (China) Co., Ltd. since October 2004. He worked as Financial Manager at the headquarters of Hewlett-Packard since July 1991, a Director and the Head of the China operations of Schroders PLC since July 1994, an Executive Director of Goldman Sachs Asia and the Chief Representative of Goldman Sachs (China) LLC Beijing Representative Office since June 1998, and Head of Deutsche Bank Investment Banking Greater China, Vice Chairman of Deutsche Bank Asia and Chairman of Deutsche Bank China from March 2001 to September 2004. He is concurrently the Chairman of ICBC International and Vice Chairman of Standard Bank Group Limited (SBG). Mr. Zhang received a Bachelor's degree from Heilongjiang Bayi Agricultural University and a Master's degree in Plant Genetics from the University of Alberta, Canada, as well as a Master's degree in Business Administration (MBA) from the Santa Clara University in California, USA.

Wang Xiquan, Senior Management and General Manager of the Human Resource Department

Mr. Wang, aged 50, has served as a member of the Senior Management and the General Manager of the Human Resource Department of Industrial and Commercial Bank of China Limited since April 2010. He joined ICBC in 1985 and has served as the General Manager of the Human Resource Department of Industrial and Commercial Bank of China Limited since February 2009. He has previously served in several positions at ICBC, including President of Yangquan Branch in Shanxi Province, Vice President of Hebei Branch, General Manager of the Asset Risk Management Department and Director General of the Internal Audit Department. He graduated from Nanjing University, and received a Doctorate degree in Management.

Wei Guoxiong, Chief Risk Officer

Mr. Wei, aged 55, has served as Chief Risk Officer of Industrial and Commercial Bank of China Limited since August 2006. He joined ICBC in 1987, and was appointed as General Manager of the Credit Management Department in 2001. He previously served in several positions at ICBC including Acting President of Wenzhou Branch, Vice President of Zhejiang Branch and General Manager of the Industrial and Commercial Credit Department of the Head Office. He graduated from Tianjin University of Finance and Economics, and received a Master's degree in Economics.

Hu Hao, Board Secretary and Company Secretary

Mr. Hu, aged 48, has been appointed by the Board at the Board meeting on 28 October 2010 as Board Secretary of the Bank and to concurrently serve as the Company Secretary and Authorised Representative of the Bank[3]. He has served as General Manager of the International Business Department of Industrial and Commercial Bank of China Limited since July 2008. Mr. Hu joined Industrial and Commercial Bank of China in 1984, serving successively as the Deputy General Manager of the Corporate and Commercial Loan Department, the Deputy General Manager of the Credit Management Department and the General Manager of the Institution Operations Department. He previously served as the President of Chinese Mercantile Bank, the Chairman of Industrial and Commercial Bank of China Luxembourg S.A. and Deputy Director General of Construction and Administration Bureau of South-to-North Water Diversion Middle Route Project. Currently, Mr. Hu is also a Director of Industrial and Commercial Bank of China (Asia) Limited, Xiamen International Bank, Taiping General Insurance Company Limited, Taiping Life Insurance Company Limited. Mr. Hu expects to resign from the position of the director of Taiping General Insurance Company Limited and Taiping Life Insurance Company Limited in due course. Mr. Hu Hao graduated from Hunan University with a Bachelor's degree in Economics and received a Doctorate degree in Economics from the Graduate School of the Chinese Academy of Social Sciences. He holds a qualification certificate of senior economist.

Mr. Hu will be assisted by Ms. Tsang Mei Kuen in discharging his functions as a Company Secretary of the Bank. Ms. Tsang is an associate member of each of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators, U.K.. The Bank has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.17 and 19A.16 of the Hong Kong Listing Rules for a period of three years in respect of the appointment of Mr. Hu as a Company Secretary of the Bank.

Lin Xiaoxuan, Chief Information Officer

Mr. Lin, aged 45, has been appointed by the Board at the Board meeting on 28 October 2010 as Chief Information Officer of the Bank[4]. He has served as General Manager of Information and Technology Department

3 Mr. Hu Hao's qualification as Board Secretary of the Bank is subject to the approval by the CBRC.

4 Mr. Lin Xiaoxuan's qualification as Chief Information Officer of the Bank is subject to the approval by the CBRC.

Note The age of the Directors, Supervisors and members of senior management as set out in this section is determined as of 19 November 2010.

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

Sole Global Coordinator	ICBC International Capital Limited Level 17 & 18, Three Pacific Place 1 Queen's Road East Hong Kong
Joint Lead Underwriters (in alphabetical order)	BNP Paribas Capital (Asia Pacific) Limited 59/F-63/F, Two International Finance Centre 8 Finance Street Central, Hong Kong
	BOCI Asia Limited 26/F Bank of China Tower 1 Garden Road Central, Hong Kong
	ICBC International Securities Limited Level 17 & 18, Three Pacific Place 1 Queen's Road East Hong Kong
	UBS AG, Hong Kong Branch 52nd Floor, Two International Finance Centre 8 Finance Street Central, Hong Kong
Co-Lead Underwriters (in alphabetical order)	Credit Suisse (Hong Kong) Limited 45th Floor, Two Exchange Square 8 Connaught Place Central, Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
	Merrill Lynch Far East Limited 15/F Citibank Tower 3 Garden Road Hong Kong
	Nomura International (Hong Kong) Limited 30/F, Two International Finance Centre 8 Finance Street Central, Hong Kong

Legal Advisers to the Bank	*As to Hong Kong law and United States law* Linklaters 10/F, Alexandra House Chater Road Central Hong Kong *As to PRC law* King & Wood PRC Lawyers, Beijing Office 40/F, Office Tower A Beijing Fortune Plaza 7 East 3rd Ring Middle Road Chaoyang District Beijing, PRC, 100020
Legal Advisers to the Sole Global Coordinator and Underwriters	*As to Hong Kong law and United States law* Herbert Smith 23rd Floor Gloucester Tower 15 Queen's Road Central Hong Kong *As to PRC law* Haiwen & Partners 21/F Beijing Silver Tower No.2 Dong San Huan North Road Chaoyang District Beijing , PRC, 100027
Auditors and Reporting Accountants	Ernst & Young Certified Public Accountants 18/F, Two International Finance Centre 8 Finance Street, Central Hong Kong
Receiving Banks	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central, Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central, Hong Kong

CORPORATE INFORMATION

Registered office of the Bank	No. 55 Fuxingmennei Avenue Xicheng District, Beijing People's Republic of China, 100140
Principal place of business in Hong Kong	33/F, ICBC Tower 3 Garden Road Central Hong Kong
Company Secretary	Mr. HU Hao (Please refer to the section headed "Directors, Supervisors and Senior Management" for information on Mr. Hu)
Qualified accountant	Mr. YEUNG Manhin
Authorised representatives	Mr. YANG Kaisheng No. 55 Fuxingmennei Avenue Xicheng District, Beijing People's Republic of China, 100140 Mr. HU Hao No. 55 Fuxingmennei Avenue Xicheng District, Beijing People's Republic of China, 100140
H share registrar and transfer office	Computershare Hong Kong Investor Services Limited 1712 – 1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Banker	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central, Hong Kong

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)

Executive Directors:

Mr. JIANG Jianqing
Mr. YANG Kaisheng
Ms. WANG Lili
Mr. LI Xiaopeng

Non-executive Directors:

Mr. HUAN Huiwu
Mr. GAO Jianhong
Ms. LI Chunxiang
Mr. LI Jun
Mr. LI Xiwen
Mr. WEI Fusheng

Independent Non-executive Directors:

Mr. LEUNG Kam Chung, Antony
Mr. QIAN Yingyi
Mr. XU Shanda
Mr. WONG Kwong Shing, Frank
Sir Malcolm Christopher McCARTHY
Mr. Kenneth Patrick CHUNG

Registered address:

No. 55 Fuxingmennei Avenue, Xicheng District
Beijing, People's Republic of China, 100140

Principal place of business in Hong Kong:

33/F, ICBC Tower
3 Garden Road
Central
Hong Kong

29 November 2010

To the Qualified H Shareholders and, for information purposes only, the Excluded Shareholders other than U.S. persons

Dear Sirs,

PROPOSED H SHARE RIGHTS ISSUE OF 3,737,542,588 H SHARES ON THE BASIS OF 0.45 H RIGHTS SHARES FOR EVERY 10 EXISTING H SHARES AT HK$3.49 PER H RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE

I. INTRODUCTION

Reference is made to the Second Extraordinary General Meeting of 2010, the First A Shareholders Class Meeting of 2010 and First H Shareholders Class Meeting of 2010 held on Tuesday, 21 September 2010 on which, among other matters, the Rights Issue, the A Share Rights Issue and the H Share Rights Issue were considered, respectively. As disclosed in the Voting Results Announcement, the resolutions to approve the Rights Issue, the A Share Rights Issue and the H Share Rights Issue were duly passed at the Second Extraordinary General Meeting of 2010, the First A Shareholders Class Meeting of 2010 and First H Shareholders Class Meeting of 2010, respectively.

On 29 September 2010, the CBRC has given its written approval in respect of the Rights Issue. On 9 and 10 November 2010, the CSRC has given its written approval (Zheng Jian Xu Ke [2010] No. 1579) in respect of the A Share Rights Issue and written approval (Zheng Jian Xu Ke [2010] No. 1583) in respect of the H Share Rights Issue, respectively.

Pursuant to the authorisation granted to the Board at the Second Extraordinary General Meeting of 2010, the First A Shareholders Class Meeting of 2010 and the First H Shareholders Class Meeting of 2010, respectively, the Authorised Directors have finalised the terms of the Rights Issue as set out in this prospectus.

A summary of the major terms and the expected timetable of the H Share Rights Issue are set forth in this prospectus. The H Shareholders' register was closed from Wednesday, 24 November 2010 to Friday, 26 November 2010, both days inclusive. The last day of dealings in the H Shares on a cum-right basis was Friday, 19 November 2010 and the H Shares were dealt with on an ex-rights basis from Monday, 22 November 2010. To qualify for the subscription of the H Rights Shares, an H Shareholder must be registered as a member of the Bank at the close of business on Friday, 26 November 2010 and must not be an Excluded Shareholder.

The H Share Rights Issue will be fully underwritten by the Underwriters on the terms and conditions set out under the Underwriting Agreement.

The Chinese version of the A Share Rights Issue Prospectus, containing the detailed terms of the A Share Rights Issue, has been made available on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and Shanghai Stock Exchange (www.sse.com.cn) from 11 November 2010. Neither the Chinese version of the A Share Rights Issue Prospectus nor any other information on either of the above websites is incorporated in this prospectus. A summary of the major terms and the expected timetable of the A Share Rights Issue are set forth herein for information purposes only.

The H Share Rights Issue is conditional upon the fulfilment of the conditions set out under the section below headed "III. H Share Rights Issue — Conditions of the H Share Rights Issue". **If the conditions of the H Share Rights Issue are not fulfilled, the H Share Rights Issue may not proceed. The Underwriting Agreement contains provisions entitling the Majority Underwriters by notice in writing to the Bank to terminate the Underwriting Agreement upon occurrence of certain events. In the event that the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed. Shareholders' and potential investors' attention is drawn to the section below headed "III. H Share Rights Issue — Warning of the Risks of Dealing in the H Rights Shares and the Nil Paid H Rights". If in any doubt, Shareholders and investors are recommended to consult their professional advisers. Any H Shareholder or other person dealing in H Shares up to the date on which all the conditions to which the H Share Rights Issue is subject are fulfilled (and the date on which the Majority Underwriters' right of termination of the Underwriting Agreement ceases) and any person dealing in the Nil Paid H Rights during the period from Wednesday, 1 December 2010 to Monday, 13 December 2010 (both days inclusive) will bear the risk that the H Share Rights Issue may not become unconditional or may not proceed. If in any doubt, investors are recommended to consult their professional advisers.**

The purpose of this prospectus is to provide you with, among other matters, further details of the H Share Rights Issue including information on dealing in, transfer and acceptance of the Nil Paid H Rights and the H Rights Shares, the procedure for the acceptance of provisional allotments of the H Rights Shares and application for excess H Rights Shares, and certain financial and other information in respect of the Bank.

II. RIGHTS ISSUE

The Rights Issue is conducted on the basis of 0.45 Rights Shares for every 10 existing Shares held by the Shareholders on the Record Date. The Subscription Price of the A Rights Shares and the H Rights Shares will be the same after exchange rate adjustment.

The Subscription Price of RMB2.99 (equivalent to approximately HK$3.49) per A Rights Share and HK$3.49 per H Rights Share were determined by the Authorised Directors in consultation with the joint sponsors for the A Share Rights Issue and the Joint Lead Underwriters for the H Share Rights Issue on the Price Determination Date based on a discount to market trading prices of A Shares and H Shares before the publication of the Announcement, including but not limited to, the trading prices of the A Shares and the H Shares on the secondary markets, the Bank's core capital adequacy requirement in the coming three years, the price to earnings ratio and the price to book ratio.

The Subscription Price of RMB2.99 (equivalent to approximately HK$3.49) per A Rights Share and HK$3.49 per H Rights Share is more than RMB2.02 (equivalent to approximately HK$2.36), being the latest audited net asset value per Share as stated in the audited consolidated financial statements of the Bank as at 31 December 2009 prepared under PRC GAAP (on the basis of the total number of Shares in issue as at 31 December 2009).

Proceeds from the Rights Issue

The Rights Issue, consisting of the A Share Rights Issue and the H Share Rights Issue, will raise (i) gross proceeds in an aggregate amount of approximately RMB44,948 million (equivalent to approximately HK$52,437 million) (assuming full subscription for the A Rights Shares) or RMB34,818 million (equivalent to approximately HK$40,619 million) (assuming 70% subscription for the A Rights Shares); and (ii) net proceeds (after deducting all estimated costs and expenses incidental to the Rights Issue) in an aggregate amount of approximately RMB44,708 million (equivalent to approximately HK$52,157 million) (assuming full subscription for the A Rights Shares) or RMB34,608 million (equivalent to approximately HK$40,374 million) (assuming 70% subscription for the A Rights Shares), on the basis of the Subscription Price of RMB2.99 (equivalent to approximately HK$3.49) per A Rights Share and HK$3.49 per H Rights Share. The A Share Rights Issue and the H Share Rights Issue are not interconditional.

III. H SHARE RIGHTS ISSUE

The H Share Rights Issue is subject to the fulfilment of the conditions as set out under the section below headed "Conditions of the H Share Rights Issue".

Details of the H Share Rights Issue are as follows:

H Share Rights Issue Statistics

Basis of H Share Rights Issue:	0.45 H Rights Shares for every 10 existing H Shares held at the close of business on the H Share Record Date by the Qualified H Shareholders
Number of H Shares in issue as at the Latest Practicable Date:	83,056,501,962
Number of H Rights Shares proposed to be issued (assuming the number of H Shares in issue on the H Share Record Date remains the same as the Latest Practicable Date):	3,737,542,588
Subscription Price for the H Rights Shares:	HK$3.49
Sole Global Coordinator:	ICBC International Capital Limited
Joint Lead Underwriters:	ICBC International Securities Limited ("**ICBCI Securities**") UBS AG, Hong Kong Branch ("**UBS**") BNP Paribas Capital (Asia Pacific) Limited ("**BNP**") BOCI Asia Limited ("**BOCI**")
Co-Lead Underwriters (in alphabetical order):	Credit Suisse (Hong Kong) Limited ("**CS**") The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") Merrill Lynch Far East Limited ("**ML**") Nomura International (Hong Kong) Limited ("**Nomura**")

As at the Latest Practicable Date, the Bank has no outstanding convertible securities or warrants in issue which confer any right to subscribe for, convert or exchange into H Shares.

The A Share Convertible Corporate Bonds were issued on 31 August 2010 and are listed on the Shanghai Stock Exchange (Convertible Corporate Bond Code: 113002). The A Share Convertible Corporate Bonds have a total face value of RMB25 billion, with a total number of 250 million bonds and a nominal value of RMB100 each. The net proceeds from the issuance of the A Share Convertible Corporate Bonds after deduction of the expenses relating to the issuance amounted to RMB24.87 billion and, as approved by the CBRC, have been used to replenish the Bank's supplementary capital, and upon conversion into A Shares by the holders of the A Share Convertible Corporate Bonds, the entire amount which has been converted into A Shares will be used to replenish the Bank's core capital. The A Share Convertible Corporate Bonds have a term of six years, from 31 August 2010 to 31 August 2016. The conversion period of the A Share Convertible Corporate Bonds shall commence on 1 March 2011 and end on 31 August 2016.

Basis of Entitlement

Subject to the fulfilment of the conditions set out under the section below headed "Conditions of the H Share Rights Issue", Qualified H Shareholders will be entitled to Nil Paid H Rights to subscribe for 0.45 H Rights Shares for every 10 existing H Shares held on the H Share Record Date at the Subscription Price of HK$3.49 for each H Rights Share payable in full on acceptance, constituting a total of 3,737,542,588 H Shares, representing approximately 4.50% of the Bank's existing issued H Shares capital as at the Latest Practicable Date and approximately 4.31% of the enlarged issued H Share capital of the Bank immediately after the H Share Rights Issue (assuming the number of H Shares in issue on the H Share Record Date remains the same as the Latest Practicable Date).

Qualified H Shareholders

To qualify for the subscription of the H Rights Shares, an H Shareholder must be registered as a member of the Bank at the close of business on the H Share Record Date and must not be an Excluded Shareholder (see section below headed "Excluded Shareholders").

Distribution of this prospectus and the other Prospectus Documents

The Bank will only send this prospectus accompanied by the other Prospectus Documents to the Qualified H Shareholders. However, to the extent reasonably practicable and legally permitted, the Bank will send this prospectus, for information purposes only, to the Excluded Shareholders. The Bank will not send any Provisional Allotment Letter or Excess Application Form to the Excluded Shareholders.

This prospectus will not be sent to any H Shareholders or Beneficial H Shareholders in the Specified Territories except to those H Shareholders or Beneficial H Shareholders who satisfy relevant requirements to the satisfaction of the Bank.

Distribution of this prospectus and the other Prospectus Documents into jurisdiction other than Hong Kong may be restricted by laws. Persons who come into possession of the Prospectus Documents (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of and observe any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. Any H Shareholder or Beneficial H Shareholder who is in any doubt as of his/her/its position should consult an appropriate professional adviser without delay. In particular, subject to certain exceptions as determined by the Bank, persons in possession of this prospectus should not distribute, forward to or transmit in, into or from any of the Specified Territories with or without the Provisional Allotment Letter or the Excess Application Form.

It is the responsibility of any person (including but not limited to agent, custodian, nominee and trustee) outside Hong Kong wishing to make an application for the H Rights Shares to satisfy himself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Bank that these local laws and requirements have been fully complied with. Shareholders should consult their professional advisers if in doubt.

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Excluded Shareholders

Excluded Shareholders are those H Shareholders with registered addresses in, or who are otherwise known by the Bank to be residents of, places outside Hong Kong and in respect of whom the Directors, based on enquiries made by the Directors, consider it necessary or expedient not to offer the H Rights Shares on account either of the legal restrictions under the laws of the relevant place in which the H Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that place.

The Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the Specific Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the H Rights Shares to the H Shareholders in those territories. Having considered the circumstances, the Directors have formed the view that, other than subject to certain limited exceptions as described below, it is necessary or expedient to restrict the ability of H Shareholders in the Specified Territories to take up their rights under the H Share Rights Issue due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps the Bank and H Shareholders need to take to comply with the local legal requirements and/or other requirements to be satisfied in order to comply with relevant local legal or regulatory requirements in those territories.

Accordingly, for the purposes of the H Share Rights Issue, the Excluded Shareholders are:

(1) H Shareholders whose name(s) appeared in the register of members of the Bank at the close of business on the H Share Record Date and whose address(es) as shown in such register is/are in any of the Specified Territories, except for those H Shareholders with addresses in the US, Australia, PRC, Japan or Switzerland who fulfil the relevant requirements to the satisfaction of the Bank; and

(2) any H Shareholders or Beneficial H Shareholders at that time who are otherwise known by the Bank to be resident in any of the Specified Territories, except for those H Shareholders or Beneficial H Shareholders resident in the U.S., Australia, PRC, Japan or Switzerland who fulfil the relevant requirements to the satisfaction of the Bank.

Notwithstanding any other provision in this prospectus or the Provisional Allotment Letter or the Excess Application Form, the Bank reserves the right to permit any H Shareholder to take up his/her/its rights if the Bank, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

Receipt of this prospectus and/or a Provisional Allotment Letter and/or an Excess Application Form or the crediting of Nil Paid H Rights to a stock account in CCASS does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or a Provisional Allotment Letter and/or an Excess Application Form must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, custodians, nominees and trustees) who receive a copy of this prospectus and/or a Provisional Allotment Letter and/or an Excess Application Form or whose stock account in CCASS is credited with Nil Paid H Rights should not, in connection with the H Shares Rights Issue, distribute or send the same in, into or from, or transfer Nil Paid H Rights to any person in, into or from, any of the Specified Territories. If a Provisional Allotment Letter or an Excess Application Form or a credit of Nil Paid H Rights to a stock account in CCASS is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not seek to take up the rights referred to in the Provisional Allotment Letter or transfer the Provisional Allotment Letter (or apply for any excess H Rights Shares under the Excess Application Form) or transfer the Nil Paid H Rights in CCASS unless the Bank determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this prospectus or a Provisional Allotment Letter or an Excess Application Form in, into or from any of the Specified Territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

Arrangements will be made for the Nil Paid H Rights of Excluded Shareholders who hold their existing H Shares in certificated form to be provisionally allotted to a nominee or nominees appointed by the Bank for the benefit of the Excluded Shareholders and, if a premium (net of expenses) can be obtained, to be sold by the nominee on such Excluded Shareholders' behalf on the Hong Kong Stock Exchange as soon as practicable after the commencement of the dealings in the Nil Paid H Rights. The proceeds of such sale, less expenses, will be divided on a pro rata basis and paid to the Excluded Shareholders, provided that individual amounts of HK$100 or less will be paid to the Bank for its own benefit. With respect to Excluded Shareholders who hold interests in H Shares through CCASS, their nominees, custodians or other intermediaries may sell, on such Excluded Shareholders' behalf, their entitlements to the Nil Paid H Rights in compliance with applicable securities laws and distribute the proceeds thereof as appropriate. Any H Rights Shares in respect of unsold entitlements of Excluded Shareholders, any unsold fractional entitlements to the H Rights Shares together with any H Rights Shares in respect of Nil Paid H Rights not taken up by the Qualified H Shareholders or otherwise not subscribed for by transferees of Nil Paid H Rights, will be made available for excess application on Excess Application Forms by Qualified H Shareholders.

Limited categories of persons in the Specified Territories who may be able to take up their Nil Paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue

Notwithstanding what is said in the section headed "Excluded Shareholders" above, the following limited categories of persons in the Specified Territories may be able to take up their rights under the H Share Rights Issue:

(1) H Shareholders or Beneficial H Shareholders in the United States are generally Excluded Shareholders. However, a limited number of H Shareholders and Beneficial H Shareholders in the U.S. who the Bank reasonably believes are QIBs may be able to take up their Nil Paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue in transactions exempt from registration requirements under the U.S. Securities Act, provided that they fulfil relevant requirements to the satisfaction of the Bank.

(2) H Shareholders or Beneficial H Shareholders in Australia are generally Excluded Shareholders. However, a limited number of H Shareholders and Beneficial H Shareholders in Australia who the Bank reasonably believes are exempted investors for the purposes of the Australian Corporations Act may be able to take up their Nil Paid H Rights to subscribe for the H Rights Shares being offered in the H Share Rights Issue in transactions exempt from registration or disclosure requirement under the Australian Corporations Act or other applicable Australian laws and regulations, provided that they fulfil the relevant requirements to the satisfaction of the Bank.

(3) H Shareholders or Beneficial H Shareholders in the PRC are generally Excluded Shareholders. However, MOF, SSF and QDIIs may be able to take up their Nil Paid H Rights to subscribe for H Rights Shares being offered under the H Share Rights Issue, provided that they fulfil the requirements under the relevant PRC laws and regulations to the satisfaction of the Bank.

(4) H Shareholders or Beneficial H Shareholders in Japan are generally Excluded Shareholders, except for those H Shareholders with addresses in Japan who fulfil the relevant requirements to the satisfaction of the Bank.

(5) H Shareholders or Beneficial H Shareholders in Switzerland are generally Excluded Shareholders. However, the Nil Paid H Rights and/or H Rights Shares may be offered or sold to a small number of selected investors in Switzerland, without any public offer and only to investors who do not purchase the Nil Paid H Rights and/or H Rights Shares with the intention to distribute them to the public, provided that they fulfil the relevant requirements to the satisfaction of the Bank.

In each case, the Bank reserves the absolute discretion in determining whether to allow such participation as well as the identity of the persons who may be allowed to do so.

Procedures for Acceptance or Transfer

General

Any person (including, without limitation, agents, nominees and trustees) wishing to take up his/her/its rights under the H Share Rights Issue must satisfy himself/herself/itself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The attention of H Shareholders with registered addresses in any of the Specified Territories or holding H Shares on behalf of persons with such addresses is drawn to the sections above headed “Excluded Shareholders” and “Limited categories of persons in the Specified Territories who may be able to take up their Nil Paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue”.

Each subscriber (including, without limitation, agents, nominees and trustees) of H Rights Shares being offered and sold outside the U.S. will be deemed (by accepting delivery of this prospectus) to have given each of the following representations and warranties to the Bank and the Underwriters and to any person acting on their behalf, unless in their sole discretion the Bank and the Underwriters waive such requirement:

- He/she/it was a H Shareholder as at the H Share Record Date, or he/she/it lawfully acquired or may lawfully acquire the Nil Paid H Rights, directly or indirectly, from such a person;
- He/she/it may lawfully be offered, take up, obtain, subscribe for and receive the Nil Paid H Rights and/or the H Rights Shares in the jurisdiction in which he/she/it resides or is currently located;
- Subject to certain exceptions, he/she/it is not resident or located in, or a citizen of, the U.S.;
- Subject to certain exceptions, he/she/it is not accepting an offer to acquire or take up the Nil Paid H Rights or H Rights Shares on a non-discretionary basis for a person who is resident or located in, or a citizen of the U.S. at the time the instruction to accept was given;
- He/she/it is not taking up for the account of any person who is located in the U.S., unless:
    (1) the instruction to take up was received from a person outside the U.S.; and
    (2) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, and (y) either (A) has investment discretion over such account or (B) is an investment manager or investment company that it is acquiring the H Rights Shares in an “offshore transaction” within the meaning of Regulation S under the U.S. Securities Act;
- He/she/it is acquiring the Nil Paid H Rights and/or the H Rights Shares in an “offshore transaction” as defined in Regulation S under the U.S. Securities Act;
- He/she/it has not been offered the H Rights Shares by means of any “directed selling efforts” as defined in Regulation S under the U.S. Securities Act;
- He/she/it is not acquiring Nil Paid H Rights or H Rights Shares with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of such Nil Paid H Rights or H Rights Shares into the U.S.; and
- He/she/it understands that neither the Nil Paid H Rights nor the H Rights Shares have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any state, territory, or possession of the U.S. and the Nil Paid H Rights or H Rights Shares are being distributed and offered outside the U.S. in reliance on Regulation S of the U.S. Securities Act. Consequently he/she/it understands the Nil Paid H Rights or H Rights Shares may not be offered, sold, pledged or otherwise transferred in or into the U.S., except in reliance on an exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act.

Action to be taken by Qualified H Shareholders

Subscription for all H Rights Shares provisionally allotted

For each Qualified H Shareholder, a Provisional Allotment Letter is enclosed with this prospectus which entitles the Qualified H Shareholder(s) to whom it is addressed to subscribe for the number of the H Rights Shares shown thereon. If a Qualified H Shareholder wishes to take up his/her/its right to subscribe for any or all the H Rights Shares provisionally allotted to him/her/it as specified in the Provisional Allotment Letter, he/she/it must lodge the Provisional Allotment Letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, at any particular branches of Industrial and Commercial Bank of China (Asia) Limited or Bank of Communications Co., Ltd. Hong Kong Branch as mentioned below by no later than 4:00 p.m. on Thursday, 16 December 2010.

(1) Industrial and Commercial Bank of China (Asia) Limited

	Branch Name	Address
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central
	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan
	Wan Chai Road Branch	G/F, 103-103A Wan Chai Road
	North Point Branch	G/F, 436-438 King's Road, North Point
Kowloon	Mongkok Branch	G/F., Belgian Bank Building, 721-725 Nathan Road, Mongkok
	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom
	Kwun Tong Branch	Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong
New Territories	Yuen Long Branch	G/F., 197-199 Castle Peak Road, Yuen Long

(2) Bank of Communications Co., Ltd. Hong Kong Branch

	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Wanchai Sub-Branch	G/F., 32-34 Johnston Road
Kowloon	Tsimshatsui Sub-Branch	Shop 1-3, G/F., 22-28 Mody Road
New Territories	Tuen Mun Sub-Branch	Shop 7-8, G/F, Castle Peak Lin Won Building, 2-4 Yan Ching Street
	Tseung Kwan O Sub-Branch	Shop 253-255, Metro City Shopping Arcade, Phase I
	Tsuen Wan Sub-Branch	G/F., Shop G9B-G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road
	Shatin Sub-Branch	Shop No.193, Level 3, Lucky Plaza

A Provisional Allotment Letter can be lodged from Monday, 29 November 2010 to Thursday, 16 December 2010 (both days inclusive) at these times:

Monday to Friday:	9:00 a.m. to 5:00 p.m.;
Saturday:	9:00 a.m. to 1:00 p.m.; and
Acceptance Date (Thursday, 16 December 2010):	9:00 a.m. to 4:00 p.m.

All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "ICBC (Asia) Nominee Limited - ICBC – PAL" and crossed "Account Payee Only".

It should be noted that unless the Provisional Allotment Letter, together with the appropriate remittance, has been lodged at the particular branches of Industrial and Commercial Bank of China (Asia) Limited or Bank of Communications Co., Ltd. Hong Kong Branch, by 4:00 p.m. on the Acceptance Date, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Bank may, at its discretion, treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

All cheques and cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Bank. Any Provisional Allotment Letter in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. If the Majority Underwriters exercise their right to terminate the Underwriting Agreement before the Latest Time for Termination and the H Share Rights Issue does not proceed, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest and by means of cheques despatched by ordinary post at the risk of such persons on or about Friday, 24 December 2010.

Transfers and "splitting" of Nil Paid H Rights

The Nil Paid H Rights can be traded on the Hong Kong Stock Exchange. A Qualified H Shareholder can accept all of his/her/its provisional allotment of H Rights Shares, or sell all of his/her/its provisional allotment on the Hong Kong Stock Exchange or accept only part of his/her/its provisional allotment and sell the remaining part on the Hong Kong Stock Exchange.

If a Qualified H Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its Nil Paid H Rights provisionally allotted to him/her/it under the Provisional Allotment Letter or to transfer his/her/their Nil Paid H Rights to more than one person, the entire Provisional Allotment Letter must be surrendered and lodged for cancellation together with a covering letter stating clearly the number of split Provisional Allotment Letters required and the number of Nil Paid H Rights to be comprised in each split Provisional Allotment Letter (which, in aggregate, should be equal to the number of H Rights Shares provisionally allotted to such holder as stated in Box B of the original Provisional Allotment Letter), by no later than 4:30 p.m. on Wednesday, 8 December 2010 to the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, who will cancel the original Provisional Allotment Letter and issue new Provisional Allotment Letters in the denominations required. This process is commonly known as "splitting" the Nil Paid H Rights.

Having "split" the Nil Paid H Rights, a Qualified H Shareholder who wishes to accept the provisional allotment of H Rights Shares represented by a new Provisional Allotment Letter should do so in accordance with the instructions given above in relation to the subscription for all the H Rights Shares provisionally allotted.

If a Qualified H Shareholder wishes to transfer all of his/her/its Nil Paid H Rights under a Provisional Allotment Letter (or a split Provisional Allotment Letter, as the case may be) to another person, he/she/it should complete and sign the "Form of Transfer and Nomination" (Form B) in the Provisional Allotment Letter and hand the Provisional Allotment Letter to the person to or through whom he/she/it is transferring his/her/its Nil Paid H Rights. The transferee must then complete and sign the "Registration Application Form" (Form C) in the Provisional Allotment Letter and lodge the Provisional Allotment Letter intact together with a remittance for the full amount payable on acceptance with the particular branches of Industrial and Commercial Bank of China (Asia) Limited or Bank of Communications Co., Ltd. Hong Kong Branch by no later than 4:00 p.m. on the Acceptance Date.

It should be noted that Hong Kong stamp duty is payable in connection with the transfer of your Nil Paid H Rights to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Bank reserves the right to refuse to register any transfer in favour of any person in respect of which the Bank believes such transfer may violate applicable legal or regulatory requirements.

Important notice and representations and warranties relating to Qualified H Shareholders in the Specified Territories

As described above, H Shareholders with registered addresses in the Specified Territories are only permitted to take up their rights under the H Share Rights Issue if they fulfil relevant requirements to the satisfaction of the Bank.

Any Qualified H Shareholder accepting and/or transferring a Provisional Allotment Letter or requesting registration of the H Rights Shares comprised therein represents and warrants to the Bank that, except where proof has been provided to the satisfaction of the Bank that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/ or transferring the Provisional Allotment Letter, or requesting registration of the relevant Nil Paid H Rights or the H Rights Shares from within any of the Specified Territories; (ii) such person is not in any of the Specified Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire the Nil Paid H Rights or the H Rights Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person resident in any of the Specified Territories at the time the instruction to accept or transfer was given; and (iv) such person is not acquiring the Nil Paid H Rights or the H Rights Shares with a view to offer, sale, allot, take up, exercise, resale, renounce, pledge, transfer or deliver, directly or indirectly, of any such Nil Paid H Rights or H Rights Shares into any of the Specified Territories.

The Bank may treat as invalid any acceptance or purported acceptance of the allotment of H Rights Shares comprised in, or transfer or purported transfer of, a Provisional Allotment Letter if it: (a) appears to the Bank to have been executed in, or despatched from, any of the Specified Territories and the acceptance may involve a breach of the laws of the relevant Specified Territory or the acceptance is otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement; (b) provides an address in any of the Specified Territories for delivery of definitive share certificates for H Rights Shares and such delivery would be unlawful or provides an address for delivery of definitive share certificates in any other jurisdiction outside Hong Kong in which it would be unlawful to deliver such certificates; or (c) purports to exclude the representation and/or warranty required by the paragraph immediately above.

Action to be taken by Beneficial H Shareholders whose H Shares are held by a registered H Shareholder (other than in CCASS)

Subscription for H Rights Shares provisionally allotted and transfers and "splitting" of Nil Paid H Rights

If you are a Beneficial H Shareholder whose H Shares are registered in the name of a registered H Shareholder and you wish to subscribe for the H Rights Shares provisionally allotted to you, or sell your Nil Paid H Rights or "split" your Nil Paid H Rights and accept part of your provisional allotment and sell the remaining part, you should contact the registered H Shareholder and provide the registered H Shareholder with instructions or make arrangements with the registered H Shareholder in relation to the acceptance, transfer and/or "splitting" of the rights to subscribe for the H Rights Shares which have been provisionally allotted in respect of the H Shares in which you are beneficially interested.

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed "Expected Timetable" and otherwise in accordance with the requirements of the registered H Shareholder in order to allow the registered H Shareholder sufficient time to ensure that your instructions are given effect.

Important notice and representations and warranties relating to Beneficial H Shareholders in the Specified Territories whose H Shares are held by a registered H Shareholder (other than CCASS)

As described above, Beneficial H Shareholders resident in the Specified Territories are only permitted to take up their rights under the H Share Rights Issue if they fulfil relevant requirements to the satisfaction of the Bank.

Any Beneficial H Shareholder accepting and/or transferring a Provisional Allotment Letter or requesting registration of the H Rights Shares comprised therein represents and warrants to the Bank that, except where proof has been provided to the satisfaction of the Bank that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/ or renouncing the Provisional Allotment Letter, or requesting registration of the relevant Nil Paid H Rights or the H Rights Shares from within any of the Specified Territories; (ii) such person is not in any of the Specified Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire the Nil Paid H Rights or the H Rights Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person resident in any of the Specified Territories at the time the instruction to accept or transfer was given; and (iv) such person is not acquiring the Nil Paid H Rights or the H Rights Shares with a view to offer, sale, allot, take up, exercise, resale, renounce, pledge, transfer or deliver, directly or indirectly, of any such Nil Paid H Rights or H Rights Shares into any of the Specified Territories.

The Bank may treat as invalid any acceptance or purported acceptance of the allotment of H Rights Shares comprised in, or transfer or purported transfer of, a Provisional Allotment Letter if it: (a) appears to the Bank to have been executed in, or despatched from, any of the Specified Territories and the acceptance may involve a breach of the laws of the relevant Specified Territory or the acceptance is otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement; (b) provides an address in any of the Specified Territories for delivery of definitive share certificates for H Rights Shares and such delivery would be unlawful or provides an address for delivery of definitive share certificates in any other jurisdiction outside Hong Kong in which it would be unlawful to deliver such certificates; or (c) purports to exclude the representation and/or warranty required by the paragraph immediately above.

Action to be taken by Beneficial H Shareholders holding interests in H Shares through CCASS

Subscription for H Rights Shares provisionally allotted and transfers and "splitting" of Nil Paid H Rights

If you are a Beneficial H Shareholder whose H Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, and you wish to subscribe for the H Rights Shares provisionally allotted to you, or sell your Nil Paid H Rights or "split" your Nil Paid H Rights and accept part of your provisional allotment and sell the remaining part, you should (unless you are a CCASS Investor Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the acceptance, transfer and/ or "splitting" of the Nil Paid H Rights.

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed "Expected Timetable" and otherwise in accordance with the requirements of your Intermediary in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for acceptance, transfer and/or "splitting" by CCASS Participants of the H Rights Shares provisionally allotted to CCASS stock accounts in respect of the H Shares registered in the name of HKSCC Nominees Limited shall be in accordance with the "General Rules of CCASS", the "CCASS Operational Procedures" and any other requirements of CCASS.

Beneficial H Shareholders who are CCASS Investor Participants should contact CCASS and provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such Beneficial H Shareholders' interests in H Rights Shares should be dealt with.

Important notice and representations and warranties relating to Beneficial H Shareholders in the Specified Territories holding interests in H Shares through CCASS

As described above, Beneficial H Shareholders resident in any of the Specified Territories are only permitted to take up their rights under the H Share Rights Issue if they fulfil relevant requirements to the satisfaction of the Bank.

Any Beneficial H Shareholder holding interests in H Shares through CCASS and any CCASS Investor Participant who makes a valid acceptance and/or transfer in accordance with the procedures set out above represents and warrants to the Bank that, except where proof has been provided to the satisfaction of the Bank that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not in any of the Specified Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire the Nil Paid H Rights or the H Rights Shares; (ii) such person is not acting on a non-discretionary basis for a person located within any of the Specified Territories at the time the instruction to accept was given; and (iii) such person is not acquiring the Nil Paid H Rights or the H Rights Shares with a view to offer, sale, allot, take up, exercise, resale, renounce, pledge, transfer or deliver, directly or indirectly, of any such Nil Paid H Rights or the H Rights Shares into any of the Specified Territories.

The Bank may treat as invalid any instruction which appears to the Bank to have been despatched from any of the Specified Territories and which may involve a breach of the laws of the relevant Specified Territory or any instruction which otherwise appears to the Bank may involve a breach of the laws of any jurisdiction; or if the Bank or its agents believes the same may violate any applicable legal or regulatory requirement; or which purports to exclude the representation and/or warranty required by the paragraph immediately above.

Contingency Plan

In the event that subscription level of the H Share Rights Issue is substantially higher than expected, Industrial and Commercial Bank of China (Asia) Limited and Bank of Communications Co., Ltd. Hong Kong

Branch will extend the opening hours during the weekends within the offer period for the H Share Rights Issue, or open up to 5 additional branches to collect and process the applications and subscription money. The Bank will make a separate announcement if such arrangement is made.

If necessary, the H Share Registrar will assign additional trained staff at the designated branches of Industrial and Commercial Bank of China (Asia) Limited and Bank of Communications Co., Ltd. Hong Kong Branch to assist the H Shareholders to fill in the applications for the H Rights Shares or the excess H Rights Shares and to answer their enquiries.

The Bank, with the assistance of the Sole Global Coordinator, the Underwriters and the H Share Registrar, will monitor the H Share Rights Issue and ensure that the H Share Rights Issue will be conducted in a fair and orderly manner. In the event any special circumstances arise, the Board may extend, or make adjustment to, the timetable of the H Share Rights Issue if it considers appropriate.

Effect of Bad Weather on Latest Time for Acceptance of and Payment for H Rights Shares and Application for Excess H Rights Shares

The latest time for acceptance of and payment for H Rights Shares and application for excess H Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning:

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 16 December 2010. Instead the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will be extended to 5:00 p.m. on the same Business Day;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 16 December 2010. Instead the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares does not take place on the 16 December 2010, the dates mentioned in the section headed "Expected Timetable" above may be affected. An announcement will be made by the Bank in such event.

H Shareholder Hotline

If you have questions in relation to the H Share Rights Issue, please telephone the H Shareholder hotline on (852) 2862 8666 during business hours from 9:00 a.m. to 6:00 p.m., Monday to Friday (other than public holidays).

Subscription Price for the H Rights Shares

The Subscription Price of HK$3.49 per H Rights Share is payable in full when a Qualified H Shareholder accepts the relevant provisional allotment of H Rights Shares or applies for excess H Rights Shares or when a transferee of the Nil Paid H Rights subscribes for the H Rights Shares.

The Subscription Price of HK$3.49 per H Rights Share represents:

(1) a discount of approximately 47.4% to the closing price of HK$6.63 per H Share as quoted on the Hong Kong Stock Exchange on the Price Determination Date;

(2) a discount of approximately 48.3% to the average closing price of HK$6.75 per H Share as quoted on the Hong Kong Stock Exchange for the five consecutive trading days up to and including the Price Determination Date;

(3) a discount of approximately 46.8% to the average closing price of HK$6.56 per H Share as quoted on the Hong Kong Stock Exchange for the ten consecutive trading days up to and including the Price Determination Date;

(4) a discount of approximately 45.6% to the average closing price of HK$6.42 per H Share as quoted on the Hong Kong Stock Exchange for the 20 consecutive trading days up to and including the Price Determination Date; and

(5) a discount of approximately 46.2% to the theoretical ex-right price of HK$6.49 per H Share based on the closing price of HK$6.63 per H Share as quoted on the Hong Kong Stock Exchange on the Price Determination Date.

Status of the H Rights Shares

The H Rights Shares, when subscribed for and fully paid, will rank pari passu in all respects with the H Shares then in issue. Holders of fully paid H Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the H Rights Shares.

Fractional Entitlements

The entitlements of H Shareholders will be rounded down to the nearest whole number and fractional entitlements to H Rights Shares will not be provisionally allotted to the H Shareholders. The Nil Paid H Rights representing the aggregate of all the fractions of H Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a nominee appointed by the Bank and, if a premium (net of expenses) can be obtained, will be sold by the nominee on the Bank's behalf in the market as soon as practicable after the commencement of dealing in the Nil Paid H Rights and the net proceeds of such sale will be retained by the Bank for its own benefit. Any H Rights Shares in respect of the unsold fractional entitlements will be made available for excess application by the Qualified H Shareholders.

Application for Excess H Rights Shares

Qualified H Shareholders may apply, by way of excess applications, for H Rights Shares in respect of any unsold entitlements of the Excluded Shareholders, any unsold fractional entitlements to the H Rights Shares and Nil Paid H Rights not taken up by Qualified H Shareholders or otherwise subscribed for by transferees of the Nil Paid H Rights.

Action to be taken by Qualified H Shareholders who wish to apply for excess H Rights Shares

Excess H Rights Shares application procedures

Applications for excess H Rights Shares should be made only by Qualified H Shareholders and only by completing an Excess Application Form and lodging the same with a separate remittance for the amount payable on application in respect of the excess H Rights Shares being applied for at the particular branches of Industrial and Commercial Bank of China (Asia) Limited or Bank of Communications Co., Ltd. Hong Kong Branch as mentioned below no later than 4:00 p.m. on Thursday, 16 December 2010 or such later time and/or date as may be agreed between the Bank and the Underwriters.

(1) Industrial and Commercial Bank of China (Asia) Limited

	Branch Name	Address
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central
	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan
	Wan Chai Road Branch	G/F, 103-103A Wan Chai Road
	North Point Branch	G/F, 436-438 King's Road, North Point
Kowloon	Mongkok Branch	G/F., Belgian Bank Building, 721-725 Nathan Road, Mongkok
	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom
	Kwun Tong Branch	Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong
New Territories	Yuen Long Branch	G/F., 197-199 Castle Peak Road, Yuen Long

(2) Bank of Communications Co., Ltd. Hong Kong Branch

	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Wanchai Sub-Branch	G/F., 32-34 Johnston Road
Kowloon	Tsimshatsui Sub-Branch	Shop 1-3, G/F., 22-28 Mody Road
New Territories	Tuen Mun Sub-Branch	Shop 7-8, G/F, Castle Peak Lin Won Building, 2-4 Yan Ching Street
	Tseung Kwan O Sub-Branch	Shop 253-255, Metro City Shopping Arcade, Phase I
	Tsuen Wan Sub-Branch	G/F., Shop G9B-G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road
	Shatin Sub-Branch	Shop No.193, Level 3, Lucky Plaza

An Excess Application Form can be lodged from Monday, 29 November 2010 to Thursday, 16 December 2010 (both days inclusive) at these times:

Monday to Friday:	9:00 a.m. to 5:00 p.m.;
Saturday:	9:00 a.m. to 1:00 p.m.; and
Acceptance Date (Thursday, 16 December 2010):	9:00 a.m. to 4:00 p.m.

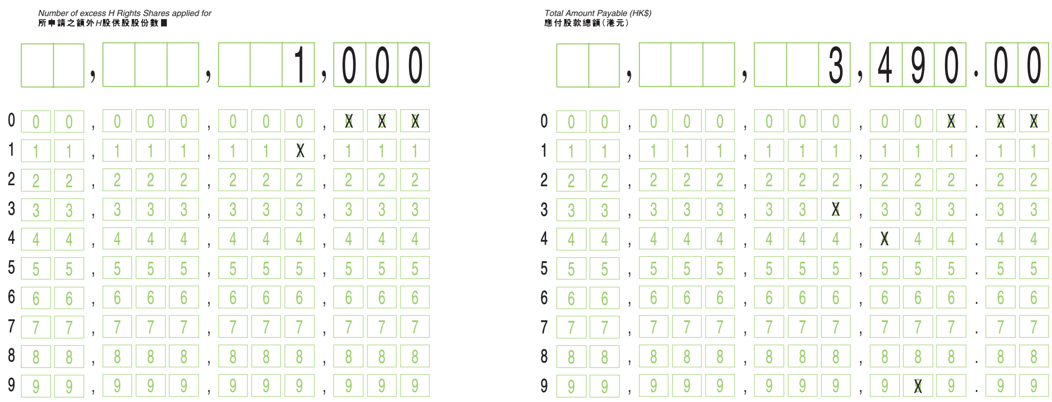
All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "ICBC (Asia) Nominee Limited – ICBC - EAF" and crossed "Account Payee Only". Any excess H Rights Shares will, at the sole discretion of the Directors, be allocated and allotted on a fair and reasonable basis and as far as practicable, (i) preference will be given to those applications that will top-up odd lots to whole board lots, unless the total number of excess H Rights Shares are not sufficient to top up all odd lots into whole board lots, and (ii) after applying the principle in (i) above, the remaining excess H Rights Shares (if preference will be given) or all excess H Rights Shares (if no preference will be given) will be allocated to Qualified H Shareholders who have applied for excess H Rights Shares on a pro rata basis with reference to their number of excess H Rights Shares applied for.

H Shareholders with their H Shares held by a nominee company should note that the Board will regard the nominee company as a single H Shareholder in accordance with the H Shareholders' register of the Bank.

Accordingly, the H Shareholders should note that the arrangement in relation to the top-up of odd lots for allocation of excess H Rights Shares as mentioned above will not be extended to beneficial owners individually.

Applications for excess H Rights Shares should be made only by Qualified H Shareholders and by completing an Excess Application Form.

Below is an example for illustration purpose. If you are a Qualified H Shareholder and would like to apply for 1,000 excess H Rights Shares, please complete the Excess Application Form in the following order.



Excess Application Forms with a separate remittance for the amount payable on application in respect of the excess H Rights Shares being applied for shall be lodged at the particular branches of Industrial and Commercial Bank of China (Asia) Limited or Bank of Communications Co., Ltd. Hong Kong Branch as mentioned above no later than 4:00 p.m. on Thursday, 16 December 2010 or such later time and/or date as may be agreed between the Bank and the Underwriters.

If no excess H Rights Shares are allotted and issued to a Qualified H Shareholder, the amount tendered on application is expected to be refunded to that Qualified H Shareholder in full without any interest by means of cheque(s) despatched by ordinary post and at the risk of such shareholder on or about Friday, 24 December 2010. If the number of excess H Rights Shares allotted and issued to a Qualified H Shareholder is less than that applied for, the surplus application monies are also expected to be refunded to such shareholder without any interest by means of cheque(s) despatched by ordinary post and at the risk of such shareholder on or about Friday, 24 December 2010.

If the Majority Underwriters exercise the right to terminate their obligations or if the conditions precedent under the Underwriting Agreement are not fulfilled before the Latest Time for Termination and that the H Share Rights Issue does not proceed, the monies received in respect of relevant applications for excess H Rights Shares will be returned to the relevant persons without interest, by means of cheque(s) to be despatched by ordinary post at the risk of such persons on or about Friday, 24 December 2010.

All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Bank. Any Excess Application Form in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected. The Excess Application Form is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the H Share Registrar. The Bank may, at its discretion, treat an Excess Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

Important notice and representations and warranties relating to Qualified H Shareholders in the Specified Territories

Please note that the section above headed "Procedures for Acceptance or Transfer — Important notice and representations and warranties relating to Qualified H Shareholders in the Specified Territories" also applies to applications for excess H Rights Shares, with appropriate changes to reflect that the context is an application for excess H Rights Shares.

Action to be taken by Beneficial H Shareholders whose H Shares are held by a registered H Shareholder (other than H Shares deposited in CCASS) who wish to apply for excess H Rights Shares

Excess H Rights Shares application procedures

If you are a Beneficial H Shareholder whose H Shares are registered in the name of a registered H Shareholder and you wish to apply for excess H Rights Shares, you should contact the registered H Shareholder and provide the registered H Shareholder with instructions or make arrangements with the registered H Shareholder in relation to such application. Such instructions and/or arrangements should be given or made in advance of the latest time for application and payment for excess H Rights Shares stated in the section headed "Expected Timetable" and otherwise in accordance with the requirements of the registered H Shareholder, in order to allow the registered H Shareholder sufficient time to ensure that your instructions are given effect.

Important notice and representations and warranties relating to Beneficial H Shareholders in the Specified Territories whose H Shares are held by a registered H Shareholder (other than CCASS)

Please note that the section above headed "Procedures for Acceptance or Transfer — Important notice and representations and warranties relating to Beneficial H Shareholders in the Specified Territories whose H Shares are held by a registered H Shareholder (other than CCASS)" also applies to applications for excess H Rights Shares, with appropriate changes to reflect that the context is an application for excess H Rights Shares.

Action to be taken by Beneficial H Shareholders holding interest in H Shares through CCASS who wish to apply for excess H Rights Shares

Excess H Rights Shares application procedures

If you are a Beneficial H Shareholder whose H Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, and you wish to apply for excess H Rights Shares, you should (unless you are a CCASS Investor Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the application for excess H Rights Shares. Such instructions and/or arrangements should be given or made in advance of the date stated in the section headed "Expected Timetable" as the latest time for application and payment for excess H Rights Shares and otherwise in accordance with the requirements of your Intermediary, in order to allow your Intermediary sufficient time to ensure that your instructions are given effect.

The procedures for application for excess H Rights Shares by Beneficial H Shareholders who are CCASS Investor Participants shall be in accordance with the "General Rules of CCASS", the "CCASS Operational Procedures" and any other requirements of CCASS. Beneficial H Shareholders who are CCASS Investor Participants should contact CCASS to provide CCASS with instructions or make arrangements with CCASS in relation to any applications for excess H Rights Shares.

Important notice and representations and warranties relating to Beneficial H Shareholders in the Specified Territories holding interests in H Shares through CCASS

Please note that the section above headed "Procedures for Acceptance or Transfer — Important notice and representations and warranties relating to Beneficial H Shareholders in the Specified Territories holding interests in H Shares through CCASS" also applies to applications for excess H Rights Shares, with appropriate changes to reflect that the context is an application for excess H Rights Shares.

Conditions of the H Share Rights Issue

The H Share Rights Issue is conditional upon the fulfilment of the following matters:

(1) the approval of the Rights Issue by the Shareholders at the extraordinary general meeting;

(2) the approval of the Rights Issue at the H Shareholders' class meeting and the A Shareholders' class meeting, respectively;

(3) the approval of the Rights Issue by the CBRC;

(4) the approval of the Rights Issue by the CSRC;

(5) the Listing Committee of the Hong Kong Stock Exchange agreeing to grant approval for the listing of, and permission to deal in, the Nil Paid H Rights and the H Rights Shares, either unconditionally or subject to such conditions which the Bank accepts; and

(6) the delivery to the Hong Kong Stock Exchange and filing and registration of all documents in relation to the H Share Rights Issue as required by law to be filed and registered with the Registrar of Companies in Hong Kong.

None of the above conditions for completion of the H Share Rights Issue may be waived by the Bank. As at the Latest Practicable Date, the conditions under (1) to (4) above have been fulfilled. If any of the above conditions is not satisfied, the H Share Rights Issue may not proceed.

Please note that the H Share Rights Issue will proceed on a fully underwritten basis in accordance with Rule 7.19 of the Hong Kong Listing Rules. Please refer to the section below headed "H Share Underwriting Arrangement" for details of the underwriting arrangement. **In the event that the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed.**

Application for Listing/Dealing arrangements

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Nil Paid H Rights and the H Rights Shares. Dealings in the Nil Paid H Rights and the H Rights Shares will be subject to the payment of stamp duty, Hong Kong Stock Exchange trading fee, Securities and Futures Commission transaction levy or any other applicable fees and charges in Hong Kong. The board lot size of Nil Paid H Rights and the H Rights Shares is 1,000 Nil Paid H Rights and 1,000 H Rights Shares, respectively.

Subject to the granting of listing of, and permission to deal in, the Nil Paid H Rights and the H Rights Shares on the Hong Kong Stock Exchange, and subject to compliance with the stock admission requirements of HKSCC, the Nil Paid H Rights and the H Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Nil Paid H Rights and the H Rights Shares on the Hong Kong Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time.

Please note that the H Rights Shares and the A Rights Shares are neither interchangeable nor fungible, and there is no trading or settlement between the A share and the H share markets.

H Share Underwriting Arrangement

The H Share Rights Issue will be conducted on a fully underwritten basis in accordance with Rule 7.19 of the Hong Kong Listing Rules. Details on the underwriting arrangements in relation to the H Share Rights Issue are set out below:

The Underwriting Agreement

Date:	Wednesday, 10 November 2010
Sole Global Coordinator	ICBC International Capital Limited
Joint Lead Underwriters:	ICBCI Securities, UBS, BNP and BOCI
Co-Lead Underwriters: (in alphabetical order)	CS, HSBC, ML and Nomura
Total number of H Rights Shares underwritten:	The Underwriters have agreed to fully underwrite up to 3,737,542,588 H Rights Shares not taken up by the Qualified H Shareholders pursuant to the terms of the Underwriting Agreement.

Conditions of the Underwriting Agreement

The underwriting obligations of the Underwriters under the Underwriting Agreement are conditional upon the following conditions:

(a) the H Rights Shares being duly issued and provisionally allotted by the Bank on the terms set out in the Prospectus Documents to the Qualified H Shareholders;

(b) the Sole Global Coordinator (on behalf of the Underwriters) receiving from the Bank (in form and substance reasonably satisfactory to the Underwriters) all the documents specified therein by the dates and time specified therein;

(c) the approval of the H Share Rights Issue granted by the CBRC being valid and not having been withdrawn, amended or revoked;

(d) the approval of the H Share Rights Issue granted by CSRC being valid and not having been withdrawn, amended or revoked;

(e) the delivery of the Prospectus Documents and all the documents required by the provisions of section 342C of the Companies Ordinance to be delivered to the Registrar of Companies in Hong Kong to the Hong Kong Stock Exchange and the issue by the Hong Kong Stock Exchange of a certificate of authorisation of registration before 3:00 p.m. or such later time as agreed by the Hong Kong Stock Exchange on the Business Day before the date of issue of the H Share Rights Issue Prospectus;

(f) the Registrar of Companies in Hong Kong registering the Prospectus Documents and all the documents required by the provisions of section 342C of the Companies Ordinance on or before the despatch of the H Share Rights Issue Prospectus;

(g) the grant of listing of and permission to deal in the Nil Paid H Rights and the H Rights Shares (either unconditional or subject only to allotment and despatch of the share certificates in respect thereof) by the Hong Kong Stock Exchange and dealings in the Nil Paid H Rights and the H Rights Shares being allowed by the Hong Kong Stock Exchange (and such listing and permission not subsequently being withdrawn or revoked); and

(h) posting of the Prospectus Documents to the Qualified H Shareholders on or before 29 November 2010 (or such later date to be agreed with the Sole Global Coordinator on behalf of the Underwriters).

If the conditions of the Underwriting Agreement are not duly satisfied and/or waived (where applicable) by the Sole Global Coordinator (on behalf of the Underwriters), when and as required by the Underwriting Agreement to be satisfied (unless otherwise waived or modified by the Sole Global Coordinator (on behalf of the Underwriters), or if the Underwriting Agreement shall be terminated as described below, save in respect of certain rights and obligations under the Underwriting Agreement, all liabilities of the parties under the Underwriting Agreement will cease. In such circumstances, the Bank shall, pursuant to the Underwriting Agreement and subject to certain deduction or limitation specified thereunder, remain liable to pay certain expenses incurred by the Bank or on behalf of the Bank but shall not be liable to pay to any of the Underwriters the underwriting commissions thereunder.

Any of the conditions set out above (except conditions (a), (c), (d), (e), (f), (g) and (h) disclosed above) may be waived at any time by all of the Sole Global Coordinator (on behalf of the Underwriters), in its sole discretion, and such waiver may be in whole or in part and made subject to such terms and conditions as are determined by all of the Sole Global Coordinator (on behalf of the Underwriters).

If the Underwriting Agreement does not become unconditional or is terminated, the H Share Rights Issue may not proceed.

Termination of the Underwriting Agreement

If any of the termination events set out in the Underwriting Agreement occurs at any time prior to 4:00 p.m. on Monday, 20 December 2010, the Majority Underwriters may, in their sole opinion and after consultation with the Bank, terminate the underwriting arrangements set out under the Underwriting Agreement by notice in writing to the Bank at any time prior to the Latest Time for Termination, upon the occurrence of any of the following matters set out in the Underwriting Agreement:

(a) there shall have developed, occurred, happened or come into effect any change (whether permanent or not) in the assets, liabilities, conditions, business, general affairs, management, prospects, profits, losses or financial or trading position or performance of the Bank and its subsidiaries taken as a whole, in the aggregate, in the sole and absolute judgment of the Majority Underwriters, so material and adverse as to make it impracticable to proceed with the H Share Rights Issue or the delivery of the H Rights Shares on the terms and in the manner contemplated in the H Share Rights Issue Prospectus or is likely to have a material adverse effect on the success of the H Share Rights Issue or the level of the H Rights Shares taken up;

(b) there has been any breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement, or there has been a breach on the part of the Bank of any other provision of the Underwriting Agreement, in either case which is material in the context of the H Share Rights Issue; or

(c) there shall have developed, occurred, happened or come into effect any of the following:

   (i) a suspension or limitation (including, without limitation, any minimum or maximum price limit or range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, or the Shanghai Stock Exchange;

   (ii) a suspension or limitation (including, without limitation, any minimum or maximum price limit or range) in or on trading in any securities of the Bank listed or quoted on a stock exchange;

   (iii) a general moratorium on commercial banking activities declared by relevant Authorities in Hong Kong, the PRC, the United States or a disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in Hong Kong, the PRC and the United States;

   (iv) any event or circumstance in the nature of force majeure (including, without limitation, any act of government, economic sanctions, riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in each case, involving or affecting Hong Kong or the PRC; or

   (v) there shall have occurred any outbreak or escalation of hostilities, or any change in any financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, interbank markets and credit markets) in or affecting Hong Kong, the PRC or the United States,

if the effect of any such event or circumstance specified above, individually or in the aggregate, in the judgment of the Majority Underwriters is so material and adverse as to make it impracticable or inadvisable to proceed with the H Share Rights Issue or the delivery of the H Rights Shares on the terms and in the manner contemplated in the H Share Rights Issue Prospectus.

In the event that the Majority Underwriters exercise their right under the Underwriting Agreement to terminate the Underwriting Agreement, their underwriting obligations will cease and the H Share Rights Issue may not proceed, in which case, a further announcement will be made by the Bank at the relevant time.

Lock-up Undertakings

The Bank has undertaken in the Underwriting Agreement that, except for the H Rights Shares and the A Rights Shares and the issue of Shares pursuant to existing obligations in respect of convertible or debt securities (including the A Share Convertible Corporate Bonds), it will not at any time prior to the date that is 30 days after the Acceptance Date undertake any consolidation or subdivision of its share capital or any capitalisation issue or allot, issue (or contract to allot or issue), pledge or grant any rights in respect of the Shares or enter into any arrangement which transfers to another, in whole or in part, any of the economic consequences of any such securities or agree to do any of the foregoing unless it has obtained the prior consent of the Sole Global Coordinator (such consent not to be unreasonably withheld or delayed).

Warning of the Risks of Dealing in the H Rights Shares and the Nil Paid H Rights

Existing H Shares have been dealt on an ex-rights basis from Monday, 22 November 2010. Dealings in the Nil Paid H Rights are expected to take place from Wednesday, 1 December 2010 to Monday, 13 December 2010 (both days inclusive). If the conditions of the H Share Rights Issue (please refer to the section above headed "Conditions of the H Share Rights Issue") are not fulfilled, the H Share Rights Issue may not proceed.

The Underwriting Agreement contains provisions entitling the Majority Underwriters by notice in writing to terminate the Underwriting Agreement upon occurrence of certain events described above. In the event that the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed.

Any H Shareholder or other person dealing in H Shares up to the date on which all the conditions to which the H Share Rights Issue is subject are fulfilled (and the date on which the Majority Underwriters' right of termination of the Underwriting Agreement ceases) and any person dealing in the Nil Paid H Rights during the period from Wednesday, 1 December 2010 to Monday, 13 December 2010 (both days inclusive) will bear the risk that the H Share Rights Issue may not become unconditional or may not proceed. If in any doubt, investors are recommended to consult their professional advisers.

Any dealing in the H Rights Shares or the Nil Paid H Rights is at the investor's own risk. If in any doubt, investors are recommended to consult their professional advisers.

Despatch of H Share Certificates and the Refund Cheques for the H Rights Shares

Subject to the fulfilment of the conditions of the H Share Rights Issue, it is expected that the certificates for the H Rights Shares and the refund cheque(s) in respect of wholly or partly unsuccessful applications for excess H Rights Shares (if any) will be despatched by ordinary post to the allottees and those entitled thereto, at their own risk, to their registered addresses by the H Share Registrar on or about Friday, 24 December 2010.

Taxation

Qualified H Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of holding the receipt, purchasing, holding, exercising, disposing of or dealing in the Nil

Paid H Rights or the H Rights Shares and, regarding the Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the Nil Paid H Rights on their behalf.

It is emphasised that none of the Bank, the Directors or any other parties involved in the H Share Rights Issue accepts responsibility for any tax effects or liabilities of holders of the H Shares resulting from the receipt, purchasing, holding, exercising, disposing of, or dealing in the Nil Paid H Rights or the H Rights Shares or receipt of such net proceeds.

Proceeds from the H Share Rights Issue

The H Share Rights Issue will raise (i) gross proceeds in an aggregate amount of approximately HK$13,044 million and (ii) net proceeds (after deducting all estimated costs and expenses incidental to the H Share Rights Issue) in an aggregate amount of approximately HK$12,884 million.

IV. A SHARE RIGHTS ISSUE

Details of the A Share Rights Issue are as follows:

A Share Rights Issue Statistics

Basis of A Share Rights Issue	:	0.45 A Rights Shares for every 10 existing A Shares held at the close of business on the A Share Record Date by all A Shareholders
Number of A Shares in issue prior to the A Share Rights Issue	:	250,962,348,064
Number of A Shares proposed to be allotted and issued	:	11,293,305,662
Joint A Share Sponsors	:	UBS Securities Co. Ltd. China International Capital Corporation Limited
Joint A Share Lead Underwriters	:	UBS Securities Co. Ltd. China International Capital Corporation Limited
Auditors	:	Ernst & Young Hua Ming
Subscription Price for the A Rights Shares	:	RMB2.99

Basis of Entitlement

Subject to the fulfilment of the conditions set out under the section below headed “Conditions of the A Share Rights Issue”, Qualified A Shareholders will be entitled to subscribe for 0.45 A Rights Shares for every 10 existing A Shares held on the A Share Record Date at the Subscription Price of RMB2.99, for each A Rights Share payable in full on acceptance.

Qualified A Shareholders

In order to qualify for the A Share Rights Issue, an A Shareholder must be a registered A Shareholder of the Bank on the A Share Record Date.

Timetable of A Share Rights Issue

• CBRC granting approval for the A Share Rights Issue	Wednesday, 29 September 2010
• CSRC granting approval for the A Share Rights Issue	Tuesday, 9 November 2010
• Publication of the A Share Rights Issue Prospectus and its summary on the website of the Shanghai Stock Exchange	Thursday, 11 November 2010
• A Share Record Date	Monday, 15 November 2010
• Commencement of the A Share Rights Issue	Tuesday, 16 November 2010
• Suspension of trading in the A Shares on the Shanghai Stock Exchange	Tuesday, 16 November 2010 to Tuesday, 23 November 2010
• First day for acceptance of and payment for the A Rights Shares	Tuesday, 16 November 2010
• Close of the A Share Rights Issue	Monday, 22 November 2010
• Last day for payment for the A Rights Shares	Monday, 22 November 2010
• Verification of the payment for subscription for the A Rights Shares	Tuesday, 23 November 2010
• Announcement of results of the A Share Rights Issue	Wednesday, 24 November 2010
• Ex-Rights date and resumption of trading in the A Shares on the Shanghai Stock Exchange	Wednesday, 24 November 2010

The online subscription and payment for the A Rights Shares under the A Share Rights Issue were completed on 22 November 2010 with a valid subscription rate of 99.72%. The Bank has issued an announcement dated 24 November 2010 containing the results of the A Share Rights Issue and other relevant information, which is available on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Shanghai Stock Exchange (www.sse.com.cn).

The listing of, and the date of commencement of dealings in, the A Rights Shares will be subject to further determination by relevant PRC regulatory authorities. A further announcement will be made by the Bank as and when such details are available.

Conditions of the A Share Rights Issue

The A Share Rights Issue is conditional upon the fulfilment of the following matters:

(1) the approval of the Rights Issue by the Shareholders at the extraordinary general meeting;

(2) the approval of the Rights Issue at the A Shareholders' class meeting and H Shareholders' class meeting, respectively;

(3) the approval of the Rights Issue by the CBRC;

(4) the approval of the Rights Issue by the CSRC;

(5) the subscription of the A Rights Shares by the A Shareholders being at least 70% of the A Share Rights Issue; and

(6) the fulfilment by the controlling shareholders of the Bank of its public undertaking to be made prior to the convening of the Second Extraordinary General Meeting of 2010 with respect to the number of Rights Shares it will subscribe.

None of the above conditions for the completion of the A Share Rights Issue may be waived by the Bank. As at the Latest Practicable Date, the conditions set out in (1) to (4) above have been fulfilled. If any of the above conditions is not fulfilled, the A Share Rights Issue will not proceed.

MOF and Huijin have provided to the Bank undertakings to subscribe the Rights Shares to be issued by the Bank such that they will subscribe in cash all the entitled Rights Shares, which will be allotted to them in proportion to their respective shareholdings in the Bank according to the Rights Issue plan considered and approved by the Board on 28 July 2010. The Rights Issue plan was approved at the Bank's Second Extraordinary General Meeting of 2010, the First A Shareholders Class Meeting of 2010 and the First H Shareholders Class Meeting of 2010 on 21 September 2010. Such subscription undertakings shall only become exercisable upon approval from relevant regulatory authorities.

A Share Rights Issue will be sold by selling agents

The A Share Rights Issue will be sold by selling agents on behalf of the Bank as required under applicable PRC laws and regulations. Under applicable PRC laws and regulations and as classified by the CSRC, the A Share Rights Issue may only proceed if the subscription level of the A Rights Shares is at least 70% of the A Share Rights Issue. The rights to subscribe for the A Shares which are not taken up will lapse and no new A Shares will be issued or allotted pursuant to such rights.

Application for Listing

Application has been made to the Shanghai Stock Exchange for the listing of the A Rights Shares.

Proceeds from the A Share Rights Issue

The A Share Rights Issue will raise (i) gross proceeds in an aggregate amount of approximately RMB33,767 million (assuming full subscription for the A Rights Shares) or RMB23,637 million (assuming 70% subscription for the A Rights Shares); and (ii) net proceeds (after deducting all estimated costs and expenses incidental to the A Share Rights Issue) in an aggregate amount of approximately RMB33,664 million (assuming full subscription for the A Rights Shares) or RMB23,564 million (assuming 70% subscription for the A Rights Shares).

A Share Rights Issue Prospectus

The Chinese version of the A Share Rights Issue Prospectus is available for public inspection on the websites of Hong Kong Stock Exchange (www.hkexnews.hk) and Shanghai Stock Exchange (www.sse.com.cn) from 11 November 2010. Neither the Chinese version of the A Share Rights Issue Prospectus nor any other information on either of the above websites is incorporated in this prospectus.

V. SHAREHOLDING STRUCTURE OF THE BANK PRIOR TO AND UPON COMPLETION OF THE RIGHTS ISSUE

The following table sets out the Bank's shareholding structure prior to and upon completion of the Rights Issue (assuming the Rights Issue is conducted on the basis of 0.45 Rights Shares for every 10 existing Shares with full subscription for the Rights Shares and assuming there will be no change in the issued share capital of the Bank between the Latest Practicable Date and the Record Date):

Share class	Total number of issued Shares before the Rights Issue as at the Latest Practicable Date	Percentage of the total number of issued Shares	Number of Shares to be issued under the Rights Issue	Total number of issued Shares immediately after the Rights Issue	Percentage of the total number of issued Shares immediately after the Rights Issue
H Shares	83,056,501,962	24.87%	3,737,542,588	86,794,044,550	24.87%
A Shares	250,962,348,064	75.13%	11,293,305,662	262,255,653,726	75.13%
Total	334,018,850,026	100.00%	15,030,848,250	349,049,698,276	100.00%

The following table sets out the Bank's shareholding structure prior to and upon completion of the Rights Issue (assuming the Rights Issue is conducted on the basis of 0.45 Rights Shares for every 10 existing Shares with 70% subscription level for the A Rights Shares and full subscription for the H Rights Shares and assuming there will be no change in the issued share capital of the Bank between the Latest Practicable Date and the Record Date):

Share class	Total number of issued Shares before the Rights Issue as at the Latest Practicable Date	Percentage of the total number of issued Shares	Number of Shares to be issued under the Rights Issue	Total number of issued Shares immediately after the Rights Issue	Percentage of the total number of issued Shares immediately after the Rights Issue
H Shares	83,056,501,962	24.87%	3,737,542,588	86,794,044,550	25.11%
A Shares	250,962,348,064	75.13%	7,905,313,963	258,867,662,027	74.89%
Total	334,018,850,026	100.00%	11,642,856,551	345,661,706,577	100.00%

At all times during the process of the Rights Issue and upon completion of the Rights Issue, the Bank expects to be able to maintain the minimum public float of 23.45% pursuant to the discretion exercised by the Hong Kong Stock Exchange under Rule 8.08(1)(d) of the Hong Kong Listing Rules at the time of the initial public offering of H Shares of the Bank in 2006 to accept a lower public float percentage.

Except for the issue of the A Share Convertible Corporate Bonds, the Bank has not engaged in any equity fund raising activities in the past 12 months from the Latest Practicable Date.

VI. REASONS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The proceeds from the Rights Issue, after deduction of the expenses relating to the issuance, will be used to strengthen the capital base of the Bank.

VII. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this prospectus.

Yours faithfully,

By Order of the Board
Industrial and Commercial Bank of China Limited
Jiang Jianqing
Chairman

A. Summary of Financial Information

An unqualified opinion in respect of the audit of the financial statements of the Bank has been issued for each of the years ended 31 December 2007, 31 December 2008 and 31 December 2009. A summary of the results, assets and liabilities of the Bank prepared under IFRS as extracted from the annual reports of the Bank for the years ended 31 December 2007, 31 December 2008 and 31 December 2009, the unaudited financial statements of the Bank for the six months ended 30 June 2010 and 30 June 2009 and the unaudited financial statements of the Bank for the nine months ended 30 September 2010 are set out below:

	(Audited) For the year ended 31 December 2007	(Audited) For the year ended 31 December 2008	(Audited) For the year ended 31 December 2009	(Unaudited) Six months ended 30 June 2009	(Unaudited) Six months ended 30 June 2010	(Unaudited) Nine months ended 30 September 2010
Operating results (in RMB millions)						
Net interest income	224,465	263,037	245,821	116,038	143,312	221,663
Net fee and commission income	38,359	44,002	55,147	27,744	36,889	54,563
Operating income	257,428	310,195	309,411	148,082	180,928	277,685
Operating expenses	104,660	111,335	120,819	53,048	61,869	95,418
Impairment losses	37,406	55,462	23,285	10,212	9,693	17,820
Operating profit	115,362	143,398	165,307	84,822	109,366	164,447
Profit before tax	115,378	145,376	167,294	85,788	110,616	166,324
Net profit	82,254	111,226	129,396	66,724	84,965	127,795
Net profit for the period attributable to equity holders of the parent company	81,520	110,841	128,645	66,424	84,603	127,216
Net cash inflow/(outflow) from operating activities	296,129	370,913	403,862	(67,265)	483,477	627,856
As at the end of the reporting period (in RMB millions)						
Total assets	8,683,712	9,757,146	11,785,053	11,434,607	12,960,381	13,417,887
Total loans and advances to customers	4,073,229	4,571,994	5,728,626	5,436,469	6,354,384	6,571,512
Allowance for impairment losses on loans	115,687	135,983	145,452	136,353	151,990	159,158
Net investment in securities	3,107,328	3,048,310	3,599,173	3,116,441	3,729,253	3,750,638
Total liabilities	8,140,036	9,150,516	11,106,119	10,814,166	12,250,781	12,658,382
Due to customers	6,898,413	8,223,446	9,771,277	9,533,117	10,832,789	11,282,590
Due to banks and other financial institutions	805,174	646,254	1,001,634	1,011,258	1,100,955	1,009,438
Equity attributable to equity holders of the parent company	538,371	602,675	673,893	615,937	704,279	753,832

	(Audited) For the year ended 31 December 2007	(Audited) For the year ended 31 December 2008	(Audited) For the year ended 31 December 2009	(Unaudited) Six months ended 30 June 2009	(Unaudited) Six months ended 30 June 2010	(Unaudited) Nine months ended 30 September 2010
Capital adequacy (%)						
Core capital adequacy ratio(1)	10.99	10.75	9.90	9.97	9.41	9.33
Capital adequacy ratio(1)	13.09	13.06	12.36	12.09	11.34	11.57
Total equity to total assets ratio	6.26	6.22	5.76	5.43	5.48	5.66
Per share data (in RMB yuan)						
Net assets per share(2)	1.61	1.80	2.02	1.84	2.11	2.26
Basic earnings per share	0.24	0.33	0.39	0.20	0.25	0.38
Diluted earnings per share	0.24	0.33	0.39	0.20	0.25	0.38
Net cash flow per share from operating activities	0.89	1.11	1.21	(0.20)	1.45	1.88

Notes:

(1) The Bank calculates the relevant data in accordance with the "Regulations Governing Capital Adequacy of Commercial Banks" and related regulations promulgated by the CBRC, and based on PRC GAAP.

(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.

B. Audited Consolidated Financial Statements for the Years Ended 31 December 2009 and 31 December 2008

The audited consolidated financial statements of the Bank prepared in accordance with IFRS for the years ended 31 December 2009 and 31 December 2008, together with the accompanying notes (the "**2009 and 2008 Financial Statements**"), are included on pages 142 to 271 in our annual report for the year of 2009 (the "**2009 Annual Report**"). The 2009 and 2008 Financial Statements (but not any other part of our 2009 Annual Report) are incorporated by reference into this prospectus and forms part of this prospectus. The 2009 Annual Report has been released on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com) under "Investor Relations — Financial Information — Financial Reports" on 25 April 2010 and has also been despatched to holders of H Shares of the Bank.

C. Unaudited Financials for the Six Months Ended 30 June 2010

The unaudited consolidated financial statements of the Bank prepared in accordance with IFRS for the six months ended 30 June 2010, together with the accompanying notes (the "**2010 Interim Financial Statements**"), are included on pages 79 to 160 in our interim report for the year of 2010 (the "**2010 Interim Report**"). The 2010 Interim Financial Statements (but not any other part of our 2010 Interim Report) are incorporated by reference into this prospectus and forms part of this prospectus. The 2010 Interim Report has been released on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com) under "Investor Relations — Financial Information — Financial Reports" on 26 September 2010 and has also been despatched to holders of H Shares of the Bank.

D. Management Discussion and Analysis of Results of the Bank

The following discussions and analysis should be read in conjunction with our consolidated financial statements at and for the years ended 31 December 2008 and 2009, and our unaudited consolidated financial statements at and for the six months ended 30 June 2010, together with the accompanying notes, are incorporated by reference into this prospectus as set out in Appendix IB and IC in this prospectus and our audited consolidated financial statements at and for the year ended 31 December 2007, together with the accompanying notes, included on pages 147 to 267 in our annual report for the year of 2008 published on 27 April 2009 (the "2007 Financial Statements"). The 2007 Financial Statements (but not any other part of our annual report for the year of 2008) are also incorporated by reference into this prospectus and forms part of this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS. Unless otherwise stated, all financial data discussed in this section are consolidated financial data and the capital adequacy ratios discussed in this section are calculated in accordance with applicable CBRC guidelines and regulations, and based on PRC GAAP. For the purpose of this section, unless the context otherwise requires, references to 2007, 2008 and 2009 refer to our financial year ended 31 December of such year.

I. OVERVIEW OF OPERATIONS

During the reporting period, ICBC continued to press ahead with the strategic transformation of its asset structure and growth model, and all business lines experienced sustainable and healthy development. The economies of scale continued to strengthen with assets and liabilities, earnings, distribution channels and customer mix further optimised. Stringent risk management and cost control capabilities were further enhanced, leading to a reasonable rate of credit supply which supported the rapid profit growth. As a result, operating results showed significant improvement.

During the reporting period, the Bank steadily expanded its asset scale and further optimised its asset and liability mix, with its deposit and loan businesses continued to develop healthily. As at 30 June 2010, total assets amounted to RMB12,960,381 million. As at 31 December 2009, total assets amounted to RMB11,785,053 million, representing a CAGR of 16.5% from the end of 2007. Leveraging on its competitive advantages in the market, the Bank achieved a steady growth of deposits by guiding its customers to adjust their financial assets allocation. As at 30 June 2010, total due to customers amounted RMB10,832,789 million, representing an increase of 10.9% from the end of 2009. Total due to customers increased from RMB6,898,413 million as at the end of 2007 to RMB9,771,277 million as at the end of 2009, representing a CAGR of 19.0%. The Bank also pursued a prudent credit policy and reasonably adjusted the aggregate credit volume and credit disbursement on the premise of proper risk controls. As at 30 June 2010, total loans amounted to RMB6,354,384 million, representing an increase of 10.9% from the end of 2009. Total loans increased from RMB4,073,229 million as at the end of 2007 to RMB5,728,626 million as at the end of 2009, representing a CAGR of 18.6%. As its business scale continued to expand, the Bank also focused on the acceleration of the transformation and development of its assets and liabilities business. As at the end of June 2010, the end of 2009, the end of 2008 and the end of 2007, the Bank's risk-weighted assets accounted for 51.7%, 50.2%, 48.7% and 50.7% of total assets, respectively, with the loan-to-deposit ratio maintained at a reasonable level, demonstrating the Bank's operating strategy of stable development. In terms of credit structure, the distribution of loans by product lines, by industries and by customers have all improved and the proportion of businesses such as personal loans, loans to small enterprises and trade finance continued to increase, of which, the proportion of domestic personal loans to total loans increased from 18.4% as at the end of 2007 to 22.9% as at the end of June 2010. Deposit structure continued to optimise, with the proportion of domestic demand deposits to total domestic corporate and personal deposits reaching 52.6% as at the end of June 2010.

During the reporting period, the Bank accelerated business innovation and further diversified its sources of earnings, leading to stable improvement in its profitability. Net interest income for the six months ended 30 June 2010 amounted to RMB143,312 million, representing an increase of 23.5% over the same period of last year. From 2007 to 2009, despite the increased fluctuation of interest rates, net interest income maintained an overall steady growth. The Bank's intermediary businesses surged forward. Net fee and commission income amounted to RMB36,889 million for the six months ended 30 June 2010, representing an increase of 33.0% over the same period of last year, and grew at a CAGR of 19.9% from 2007 to 2009. Net fee and commission income as a percentage of total operating income rose from 14.9% in 2007 to 20.4% in the first half of 2010, driven by significant increase in income from intermediary businesses, including settlement and clearance, cash management, investment banking, personal wealth management, private banking as well as bank cards. Meanwhile, the Bank also continued to improve cost control management capabilities. The CAGR of operating expenses from 2007 to 2009 stood at 7.4%, lower than the CAGR of operating income for the same period. Cost-to-income ratio maintained at a sound level. During the reporting period, the Bank's profitability continued to rise and net profit amounted to RMB84,965 million for the six months ended 30 June 2010, representing an increase of 27.3% over the same period of the previous year. Net profit increased from RMB82,254 million in 2007 to RMB129,396 million in 2009, representing a CAGR of 25.4%, with return on weighted average equity rose from 16.23% in 2007 to 20.15% in 2009 and return on risk-weighted assets increased from 2.01% to 2.43%.

Moreover, the quality of the Bank's assets has continued to improve, with risk monitoring capacity further enhanced. During the reporting period, the Bank promoted the coordinated business development and risk prevention, optimised the quality of assets, adopted prudent provisional policies to ensure secured and reliable operations. During the reporting period, the Bank's non-performing loans (NPL) balance dropped from RMB111,774 million as at 31 December 2007 to RMB80,073 million as at 30 June 2010, NPL ratio declined from 2.74% to 1.26% and the allowance to NPL rose from 103.50% to 189.81%.

II. ANALYSIS OF IMPORTANT ITEMS OF ASSETS AND LIABILITIES

(I) Analysis of Changes in Asset Structure

As at 30 June 2010, the Bank's total assets amounted to RMB12,960,381 million, representing an increase of 10.0% from the end of 2009. As at 31 December 2009, 31 December 2008 and 31 December 2007, the Bank's total assets amounted to RMB11,785,053 million, RMB9,757,146 million and RMB8,683,712 million, respectively. Total assets increased by 20.8% from the end of 2008 to the end of 2009 and 12.4% from the end of 2007 to the end of 2008, with a CAGR of 16.5% from 2007 to 2009. The steady growth of total assets is largely attributable to the stable and sustained growth of funding sources such as customer deposits, contributing to the expansion of the scale of the Bank's businesses such as lending and investment. The following table sets out a breakdown of the Bank's total assets as at the indicated dates.

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		(%)		(%)		(%)		(%)
Total loans to customers	6,354,384	—	5,728,626	—	4,571,994	—	4,073,229	—
Less: Allowance for impairment losses on loans	151,990	—	145,452	—	135,983	—	115,687	—
Loans to customers, net	6,202,394	47.9	5,583,174	47.4	4,436,011	45.5	3,957,542	45.6
Investment in securities, net	3,729,253	28.8	3,599,173	30.5	3,048,310	31.2	3,107,328	35.8
Cash and balances with central banks	2,111,745	16.3	1,693,048	14.4	1,693,024	17.4	1,142,346	13.1
Due from banks and other financial institutions, net	349,263	2.7	235,301	2.0	168,363	1.7	199,758	2.3
Reverse repurchase agreements	279,136	2.1	408,826	3.5	163,493	1.7	75,880	0.9
Others	288,590	2.2	265,531	2.2	247,945	2.5	200,858	2.3
Total assets	**12,960,381**	**100.0**	**11,785,053**	**100.0**	**9,757,146**	**100.0**	**8,683,712**	**100.0**

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

1. Loans to customers

During the reporting period, in response to international and domestic macro economic and financial conditions and the national macro economic policies, the Bank has maintained control on its credit policy in relation to the total amount of credit outstanding and the pace of credit disbursement to achieve proper risk control. The total amount of loans to customers has maintained a steady growth.

As at 30 June 2010, the Bank's total loans to customers amounted to RMB6,354,384 million, representing an increase of 10.9% from the end of 2009. As at 31 December 2009, 31 December 2008 and 31 December 2007, the Bank's total loans to customers amounted to RMB5,728,626 million, RMB4,571,994 million and RMB4,073,229 million, respectively. Total loans to customers increased by 25.3% from the end of 2008 to the end of 2009 and 12.2% from the end of 2007 to the end of 2008, with a CAGR of 18.6% from 2007 to 2009.

As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, the Bank's total net loans to customers accounted for 47.9%, 47.4%, 45.5% and 45.6% of its total assets, respectively.

(1) Distribution of Loans by Business Line

For a description of the Bank's loan products, please refer to the section headed "Business — II. Business Operation" in this prospectus. For the ease of reference, "corporate loans", "discounted bills" and "personal loans" in this section exclude the amount attributed from the Bank's overseas branches and domestic and overseas subsidiaries.

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

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**Percentage** (%)	**Amount**	**Percentage** (%)	**Amount**	**Percentage** (%)	**Amount**	**Percentage** (%)
Loans of domestic operations	**6,036,262**	**95.0**	**5,494,428**	**95.9**	**4,387,759**	**96.0**	**3,919,209**	**96.2**
Corporate loans	4,384,464	69.0	3,957,786	69.1	3,232,102	70.7	2,914,993	71.6
Discounted bills	193,900	3.1	329,792	5.7	326,315	7.1	252,103	6.2
Personal loans	1,457,898	22.9	1,206,850	21.1	829,342	18.2	752,113	18.4
Overseas and others[(1)]	**318,122**	**5.0**	**234,198**	**4.1**	**184,235**	**4.0**	**154,020**	**3.8**
Total	**6,354,384**	**100.0**	**5,728,626**	**100.0**	**4,571,994**	**100.0**	**4,073,229**	**100.0**

Note:

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

Corporate loans constituted a major portion of the Bank's loan portfolio. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, corporate loans accounted for 69.0%, 69.1%, 70.7% and 71.6% of the Bank's total loans to customers respectively.

The Bank has timely adjusted the scale of its discounted bills business in accordance with its disbursement of loans and the demand in the credit market. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, discounted bills accounted for 3.1%, 5.7%, 7.1% and 6.2% of the Bank's total loans and advances.

In recent years, the Bank has proactively tapped into the high-quality personal loan market and has expanded the scale of its personal loan business. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, personal loans accounted for 22.9%, 21.1%, 18.2% and 18.4% of the Bank's total loans and advances. The continuously rising proportion of personal loans is largely attributable to the fact that the Bank has proactively adjusted its loan structure to strategically support the growth of personal loans. The Bank has strengthened its innovation of personal loan products and adhered to the national policy of boosting domestic demand, the Bank has effectively supported the reasonable demand for loans in relation to personal housing, consumption and business development.

As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, overseas and other loans accounted for 5.0%, 4.1%, 4.0% and 3.8% of the Bank's total loans and advances.

- **Corporate Loans**

For a description of the corporate loan products provided by the Bank, please refer to the section headed "Business — II. Business Operation — Corporate Banking Business" in this prospectus.

As at 30 June 2010, the Bank's corporate loans amounted to RMB4,384,464 million, representing an increase of 10.8% from the end of 2009. As at 31 December 2009, 31 December 2008 and 31 December 2007, the Bank's corporate loans amounted to RMB3,957,786 million, RMB3,232,102 million and RMB2,914,993 million, respectively. Corporate loans increased by 22.5% from the end of 2008 to the end of 2009 and 10.9% from the end of 2007 to the end of 2008, with a CAGR of 16.5% from 2007 to 2009. The steady increase in corporate loans is largely attributable to the followings: (1) the Bank proactively coped with the impact of macro economic fluctuations and macro-control policy and promoted an effective demand for loans; (2) the Bank actively developed high quality corporate clients, solidifying the customer base to support its corporate credit business; (3) the Bank has launched a range of innovative credit products and has continued to improve its competitiveness and service standards; (4) the Bank has made significant effort in developing direct financing business, building a comprehensive line of services to meet customers' financing needs; and (5) the Bank has constantly enhanced the standard of its loan portfolio management and has continued to improve its system of credit policies, steadily increasing the coverage of its policies and its capacity to sustain the expansion of its credit business.

Distribution of Corporate Loans by Maturity

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

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
		(%)		(%)		(%)		(%)
Short-term corporate loans	1,275,662	29.1	1,190,417	30.1	1,133,303	35.1	1,126,851	38.7
Medium to long-term corporate loans	3,108,802	70.9	2,767,369	69.9	2,098,799	64.9	1,788,142	61.3
Total	**4,384,464**	**100.0**	**3,957,786**	**100.0**	**3,232,102**	**100.0**	**2,914,993**	**100.0**

As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, short-term loans accounted for 29.1%, 30.1%, 35.1% and 38.7% of the Bank's total corporate loans, respectively. The majority of the short-term loans are working capital loans.

As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, medium to long-term loans accounted for 70.9%, 69.9%, 64.9% and 61.3% of the Bank's total corporate loans, respectively. The increasing proportion of medium to long-term loans was mainly attributable to the national policies that encourage domestic demand, where the Bank has increased its supply of loans to key customers and high-quality medium to long-term projects in the infrastructure sector in line with such policies.

Distribution of Corporate Loans by Product Line

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

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
		(%)		(%)		(%)		(%)
Working capital loans	1,391,738	31.7	1,265,782	32.0	1,208,683	37.4	1,201,582	41.2
Of which: Trade finance	388,775	8.9	311,354	7.9	122,152	3.8	87,000	3.0
Project loans	2,460,807	56.1	2,254,893	57.0	1,681,445	52.0	1,414,000	48.5
Property loans	531,919	12.2	437,111	11.0	341,974	10.6	299,411	10.3
Total	**4,384,464**	**100.0**	**3,957,786**	**100.0**	**3,232,102**	**100.0**	**2,914,993**	**100.0**

The proportion of working capital loans during the reporting period shows a declining trend. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, working capital loans accounted for 31.7%, 32.0%, 37.4% and 41.2% of the Bank's total corporate loans, respectively. Among the working capital loans, trade finance loans have shown significant growth, with a CAGR of 89.2% from 2007 to 2009. Trade finance loans as a percentage of corporate loans surged from 3.0% as at the end of 2007 to 8.9% as at the end of June 2010. This is largely attributable to the fact that the Bank has continuously strengthened the allocation and transformation of general working capital loans and has vigorously expanded the scale of trade finance business. The Bank has also gradually increased the proportion of trade finance in new loans for small and medium-sized enterprises and has further optimised the structure of working capital loans.

Project loans constituted the biggest portion of the Bank's corporate loans. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, project loans accounted for 56.1%, 57.0%, 52.0% and 48.5% of the Bank's total corporate loans, respectively. As at 30 June 2010, the balance of project loans amounted to RMB2,460,807 million, and the CAGR from 2007 to 2009 was 26.3%. The rapid growth in project loans is largely attributable to the fact that the Bank has accelerated its adjustment of credit policies and product innovation, and has proactively supported the demand for loans from high-quality medium to long-term projects and major customers in key infrastructure industries. The Bank provided substantial amounts of loans to industries such as water, environment and public utility management, transportation, storage and postal services, as well as industries such as production and supply of electrical power, gas and water. Historically, the NPL ratio of these industries has been substantially lower than the average NPL ratio of the Bank's corporate loans. Therefore, lending to these industries provides satisfactory risk adjusted returns.

The percentage of property loans in the Bank's total corporate loans remained stable. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, property loans accounted for 12.2%, 11.0%, 10.6% and 10.3% of the Bank's total corporate loans, respectively. As at 30 June 2010, the balance of property loans amounted to RMB531,919 million, representing an increase of 21.7% from the end of 2009, and the CAGR from 2007 to 2009 was 20.8%. The increase in property loans is largely attributable to the fact that on the premise of controlling risk, the Bank has timely adjusted its credit disbursement policy in accordance with the macro economy, the macro-control policies, and property market conditions. The Bank has increased lending to reputable quality customers and has continued to optimise the structure of property loan products. Meanwhile, the Bank closely monitors the risks involved in the property market in the following ways: (1) the Bank has implemented a property developer name list system and selects high-quality property developers who have extensive experience, high creditability, solid financial resources and strong capacity from the list to mitigate risks; (2) the Bank supplied the majority of its property loans to general commodity housing projects that conform to the national macro policies on the property industry and which are strategically located and possess quality brand names; (3) the Bank has introduced a project based risk monitoring and warning mechanism and extended the monitoring of property loans to corresponding loan projects to cover the funding status, construction progress, sales and changes in collateral value of such loan projects, thereby protecting the Bank against potential project risks; and (4) the Bank closely monitors adjustments of the macro-control policies on the property industry and the trends in the property market. The Bank adjusts its property credit policies to reflect policy and market changes and to strengthen protection against potential property credit risks.

Distribution of Corporate Loans by Industry

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

Unit: In RMB millions, except for percentages

Item	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Transportation, storage and postal services	896,999	20.5	800,244	20.2	690,809	21.4	602,103	20.7
Manufacturing	848,494	19.4	793,233	20.0	758,764	23.5	738,121	25.3
Chemicals	136,539	3.1	133,243	3.4	124,981	3.9	121,243	4.1
Machinery	120,871	2.8	106,198	2.7	102,747	3.2	95,709	3.3
Metal processing	105,016	2.4	95,682	2.4	79,876	2.5	77,808	2.7
Textiles and apparels	89,498	2.0	84,590	2.1	78,072	2.4	79,112	2.7
Iron and steel	87,796	2.0	83,816	2.1	87,686	2.7	84,357	2.9
Transportation equipment	47,037	1.1	44,522	1.1	46,888	1.4	42,496	1.4
Telecommunications equipment, computer and other electronic equipment	43,331	1.0	41,067	1.0	40,831	1.3	43,181	1.5
Petroleum processing, coking and nuclear fuel	39,414	0.9	38,226	1.0	41,709	1.3	35,761	1.2
Non-metallic mineral	37,588	0.9	35,471	0.9	33,591	1.0	30,963	1.1
Others	141,404	3.2	130,418	3.3	122,383	3.8	127,491	4.4
Production and supply of electricity, gas and water	548,581	12.5	531,562	13.4	501,411	15.5	404,873	13.9
Water, environment and public utility management	554,699	12.6	510,721	12.9	275,469	8.5	230,156	7.9
Real estate	503,436	11.5	421,804	10.7	343,895	10.6	303,984	10.4
Leasing and commercial services	334,065	7.6	290,410	7.3	188,120	5.8	159,877	5.5
Wholesale, retail and lodging	323,511	7.4	261,261	6.6	188,831	5.8	186,988	6.4
Science, education, culture and sanitation	70,556	1.6	66,809	1.7	70,148	2.2	69,742	2.4
Construction	73,122	1.7	62,403	1.6	61,006	1.9	52,639	1.8
Others	231,001	5.2	219,339	5.6	153,649	4.8	166,510	5.7
Total	**4,384,464**	**100.0**	**3,957,786**	**100.0**	**3,232,102**	**100.0**	**2,914,993**	**100.0**

During the reporting period, the Bank followed the national macro-control policies and industry policies and further strengthened its guidance on industry credit policy to proactively provide support to key infrastructure industries such as energy and transportation, and to support high-quality enterprises in modern manufacturing, logistics, emerging services, and cultural industries. The Bank also implemented and promoted the “green credit” policy, proactively supported areas such as independent innovation, energy conservation and environmental protection, strictly controlled credit disbursement to industries with high energy consumption, high pollution and excess capacity, and continued to improve its industry credit structure.

Industries that accounted for a considerable portion of the Bank’s balance of corporate loans include: (1) transportation, storage and postal services; (2) manufacturing; (3) production and supply of electricity, gas and water; and (4) water, environment and public utility management. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, loans for the four industries listed above accounted for 65.0%, 66.5%, 68.9% and 67.8% of the Bank’s corporate loans, respectively. The proportion of loans to these major industries to total loans has generally remained stable.

The Bank adopts a flexible approach for industry credit policies. The Bank timely adjusts its industry credit structure, implements a differentiated credit policy, and actively promotes the adjustment and optimisation of its credit structure. During the reporting period, the Bank’s corporate loans were primarily concentrated in the following industries: transportation, storage and postal services; production and supply of electricity, gas and water; and water, environment and public utility management. The balance of the Bank’s new corporate loans to these three industries together accounted for 58.1% of the balance of the Bank’s new corporate loans from 2007 to 2009. Meanwhile, the Bank continued to implement its “green credit” policy and strictly controlled credit disbursement to industries with high energy consumption, high pollution and excess capacity.

- **Discounted Bills**

For a description of the discounted bills products provided by the Bank, please refer to the section headed “Business — II. Business Operation — Corporate Banking Business” in this prospectus.

As at 30 June 2010, the Bank’s discounted bills amounted to RMB193,900 million, representing a decrease of 41.2% from the end of 2009. As at 31 December 2009, 31 December 2008 and 31 December 2007, the Bank’s discounted bills amounted to RMB329,792 million, RMB326,315 million and RMB252,103 million, respectively. Discounted bills increased by 1.1% from the end of 2008 to the end of 2009 and 29.4% from the end of 2007 to the end of 2008, with a CAGR of 14.4% from 2007 to 2009. The considerable fluctuations in discounted bills were largely attributable to the fact that the Bank responded to changes in macro economic conditions, leveraged on the advantages of discounted bills including high liquidity and quality, and promptly adjusted the relevant quantity of discounted bills to fully utilise the features of discounted bills in balancing overall credit supply.

- **Personal Loans**

For a description of the personal loan products provided by the Bank, please refer to the section headed “Business — II. Business Operation — Personal Financing” in this prospectus.

As at 30 June 2010, the Bank’s personal loans amounted to RMB1,457,898 million, representing an increase of 20.8% from the end of 2009. As at 31 December 2009, 31 December 2008 and 31 December 2007, the Bank’s personal loans amounted to RMB1,206,850 million, RMB829,342 million and RMB752,113 million, respectively. Personal loans increased by 45.5% from the end of 2008 to the end of 2009 and 10.3% from the end of 2007 to the end of 2008, with a CAGR of 26.7% from 2007 to 2009. The rapid growth in personal loans was largely attributable to the followings: (1) the Bank has proactively conformed to the national policies on promoting consumption and stimulating domestic demand and has promptly adjusted its credit policy and accelerated the innovation of personal financing products, thus effectively enhancing its market competitiveness and driving the rapid growth of its personal loan business; (2) personal housing loans have shown a rapid increase due to an increasing desire to improve on living conditions, and in particular, there has been strong demand in the nation's property market in recent years; and (3) national policies to encourage consumption, such as making home appliances available in rural areas and tax deduction for the purchase of automobiles, have led to the increase in consumer loans.

Distribution of Personal Loans by Product Line

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

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
		(%)		(%)		(%)		(%)
Personal housing loans	1,037,764	71.2	874,244	72.4	597,374	72.0	536,331	71.3
Personal consumption loans	209,653	14.4	157,635	13.1	101,145	12.2	91,066	12.1
Personal business loans	158,618	10.9	138,095	11.4	113,726	13.7	116,475	15.5
Credit card overdrafts	51,863	3.5	36,876	3.1	17,097	2.1	8,241	1.1
Total	**1,457,898**	**100.0**	**1,206,850**	**100.0**	**829,342**	**100.0**	**752,113**	**100.0**

Personal housing loans represent the largest proportion of personal loans granted by the Bank, and such proportion has remained stable during the reporting period. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, personal housing loans accounted for 71.2%, 72.4%, 72.0% and 71.3% of the total personal loans respectively. During the reporting period, the Bank actively optimised the structure of the personal credit products to satisfy the financing demand of the residents to purchase residential properties for their own use, on the premise that risks are being controlled. Meanwhile, the Bank also adopted a series of measures to strengthen the risk management of personal housing loans. These include stringent lending standards for borrowers, extensive credit investigation and review prior to the granting of loans, refined post-lending management techniques, and differentiated management based on the classification of credit risk. While maintaining the quality of personal housing loans, the Bank has adopted a differentiated pricing strategy to match its loan risks with returns.

As at 30 June 2010, the collateral rate for personal loans[1] was 52.8% and the average balance of personal housing loans per household was RMB209,900. Housing loans taken out by a single household with an average balance below RMB0.5 million (inclusive) and below RMB1 million (inclusive) accounted for 67.8% and 83.6% of total personal housing loans respectively, which are all at prudent levels.

The proportion of personal consumption loans increased during the reporting period. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, personal consumption loans accounted for 14.4%, 13.1%, 12.2% and 12.1% of the total personal loans respectively. The increase in the proportion of

1 Collateral rate is calculated by dividing personal housing loan balance by collateral value

personal consumption loans was principally due to the fact that: (1) there was a substantial increase in the residents' demand for personal consumption loans due to national policies aiming at boosting consumption, such as making home appliances available in rural areas and tax deduction for the purchase of automobiles; (2) the Bank granted new types of consumption loans such as personal housing mortgage loans and personal commercial vehicle loans, which has extended the personal credit product line, strengthened the Bank's competitiveness in the market and fostered the growth of personal consumption loans.

The proportion of personal business loans decreased during the reporting period. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, personal business loans accounted for 10.9%, 11.4%, 13.7% and 15.5% of the total personal loans respectively. The decline of the proportion of personal business loans was principally due to the rapid growth of personal housing loans and personal consumption loans, and the decrease of individual and private sector demand for financing as a result of the financial crisis.

The proportion of credit card overdrafts increased slightly during the reporting period. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, credit card overdrafts accounted for 3.5%, 3.1%, 2.1% and 1.1% of the total personal loans respectively. The increase in credit card overdrafts was mainly due to the continuous growth of the number of credit cards issued and the transaction amount along with the relatively rapid development of the credit card instalment payment business.

(2) Distribution of Loans by Geographic Area

The Bank classifies the loans by geographic area based on the location of the sub-branches that granted the loans. Generally, there is a high correlation between the location of the borrower and that of the lender (with the exception of the loans granted by the Bank's Head Office). The table below shows the distribution of the Bank's total loans granted to customers by geographic area as at the indicated dates. Please refer to the section headed "Definitions" in this prospectus for the definition of the quoted regions.

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
		(%)		(%)		(%)		(%)
Head Office	120,021	1.9	104,203	1.8	124,156	2.7	172,490	4.2
Yangtze River Delta	1,505,849	23.7	1,388,853	24.2	1,137,693	24.9	1,040,412	25.6
Pearl River Delta	915,306	14.4	844,690	14.8	667,171	14.6	611,726	15.0
Bohai Rim	1,185,215	18.6	1,076,820	18.8	838,494	18.3	730,965	18.0
Central China	861,685	13.6	777,925	13.6	606,368	13.3	526,306	12.9
Western China	1,066,415	16.8	952,011	16.6	732,625	16.0	612,635	15.0
Northeastern China	381,771	6.0	349,926	6.1	281,252	6.2	224,675	5.5
Overseas and others[1]	318,122	5.0	234,198	4.1	184,235	4.0	154,020	3.8
Total	**6,354,384**	**100.0**	**5,728,626**	**100.0**	**4,571,994**	**100.0**	**4,073,229**	**100.0**

Note:

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

The Bank has continued to optimise the regional structure of credit allocation to promote a balanced allocation of credit resources to different geographic areas. During the reporting period, the Bank gave particular support to key regions that have been listed in the national development plan, which is in line with the central government's strategies for regional development.

The Yangtze River Delta, Pearl River Delta and Bohai Rim have always been key geographic areas for the disbursement of the Bank's loans. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, the percentages of loans granted by the Bank to the Yangtze River Delta, Pearl River Delta and Bohai Rim remained stable and accounted for 56.7%, 57.8%, 57.8% and 58.6% of the total loans respectively.

Meanwhile, the Bank played an active role in implementing the national government's plan to develop Western and Central China and to rejuvenate the old industrial bases in Northeastern China by increasing the allocation of credit resource to Western, Northeastern and Central China to fund infrastructure constructions and to finance small and medium-sized enterprises. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, the percentages of loans granted by the Bank to Western, Northeastern and Central China in total accounted for 36.4%, 36.3%, 35.5% and 33.4% of the total loans respectively, increasing continuously.

(3) Distribution of Loans by Collateral

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

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Loans secured by mortgages	2,567,093	40.4	2,191,909	38.3	1,688,435	36.9	1,519,748	37.3
Including: Personal housing loans[1]	1,037,764	16.3	874,244	15.3	597,374	13.1	536,331	13.2
Pledged loans	704,019	11.1	786,739	13.7	676,129	14.8	575,598	14.1
Including: Discounted bills[1]	193,900	3.1	329,792	5.8	326,315	7.1	252,103	6.2
Guaranteed loans	1,011,604	15.9	933,853	16.3	866,129	18.9	836,476	20.6
Unsecured loans	2,071,668	32.6	1,816,125	31.7	1,341,301	29.4	1,141,407	28.0
Total	**6,354,384**	**100.0**	**5,728,626**	**100.0**	**4,571,994**	**100.0**	**4,073,229**	**100.0**

Note:

(1) Data for domestic branches.

During the reporting period, the proportion of loans secured by mortgages and unsecured loans demonstrated an increasing trend. Meanwhile, the proportion of guaranteed loans declined on a yearly basis. The Bank has continued to optimise its loan structure.

Loans secured by mortgages contributed to the largest part of the loans granted by the Bank. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, loans secured by mortgages constituted 40.4%, 38.3%, 36.9% and 37.3% of the total loans respectively.

The proportion of guaranteed loans has declined during the reporting period. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, guaranteed loans accounted for 15.9%, 16.3%, 18.9% and 20.6% of the total loans respectively. The decrease in the proportion of guaranteed loans is the result of the Bank's implementation of a more prudent and stringent credit policy.

The proportion of unsecured loans has increased during the reporting period. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, unsecured loans accounted for 32.6%, 31.7%, 29.4% and 28.0% of the total loans respectively. The increase in the proportion of unsecured loans is due to the increase in loans granted by the Bank to the customers with high credit rating and high quality projects.

(4) Borrower Concentration

Pursuant to the "Core Indicators of the Risk Management of Commercial Banks (for Trial Implementation)" promulgated by the CBRC, the maximum loan granted by the Bank to any single borrower is limited to 10% of the Bank's net capital. The following table sets out, as at 30 June 2010, the Bank's loan exposure in terms of outstanding loan balances to the Bank's top ten single borrowers, all of which were classified as performing loans.

Unit: In RMB millions, except for percentages

	30 June 2010			
Item	**Industry**	**Amount**	**% of total loans**	**% of net capital[(1)]**
Borrower A	Transportation, storage and postal services	22,861	0.36	3.0
Borrower B	Transportation, storage and postal services	22,334	0.35	2.9
Borrower C	Transportation, storage and postal services	22,153	0.35	2.9
Borrower D	Transportation, storage and postal services	19,617	0.31	2.6
Borrower E	Transportation, storage and postal services	18,424	0.29	2.4
Borrower F	Transportation, storage and postal services	14,790	0.23	2.0
Borrower G	Water, environment and public utility management	14,037	0.22	1.9
Borrower H	Production and supply of electricity, gas and water	13,217	0.21	1.7
Borrower I	Mining	13,000	0.20	1.7
Borrower J	Transportation, storage and postal services	12,567	0.20	1.7
Total		**173,000**	**2.72**	**22.8**

Note:

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

(5) Distribution of Loans by Remaining Maturity

Unit: In RMB millions, except for percentages

Remaining maturity	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Impaired or overdue[(1)]	90,667	1.4	95,442	1.7	115,742	2.5	122,308	3.0
Less than 1 year	2,170,439	34.2	2,089,594	36.5	1,916,991	42.0	1,760,563	43.2
1-5 years	1,843,874	29.0	1,633,587	28.5	1,202,882	26.3	1,066,759	26.2
Over 5 years	2,249,404	35.4	1,910,003	33.3	1,336,379	29.2	1,123,599	27.6
Total	**6,354,384**	**100.0**	**5,728,626**	**100.0**	**4,571,994**	**100.0**	**4,073,229**	**100.0**

Note:

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

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

2. The Asset Quality of the Bank's Loan Portfolio

In order to implement refined management of credit asset quality and improve risk management, the Bank has implemented the twelve-tier internal classification system for corporate loans since October 2005.

(1) Distribution of Loans by Five-Tier Classification

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

Unit: In RMB millions, except for percentages

Item	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Pass	**6,041,165**	**95.07**	**5,411,226**	**94.46**	**4,229,609**	**92.51**	**3,728,576**	**91.54**
Special mention	**233,146**	**3.67**	**228,933**	**4.00**	**237,903**	**5.20**	**232,879**	**5.72**
Non-performing loans (NPL)	**80,073**	**1.26**	**88,467**	**1.54**	**104,482**	**2.29**	**111,774**	**2.74**
Substandard	25,971	0.41	31,842	0.55	37,694	0.83	38,149	0.94
Doubtful	42,003	0.66	43,413	0.76	55,641	1.22	62,042	1.52
Loss	12,099	0.19	13,212	0.23	11,147	0.24	11,583	0.28
Total	**6,354,384**	**100.0**	**5,728,626**	**100.00**	**4,571,994**	**100.00**	**4,073,229**	**100.00**
NPL ratio[(1)]		**1.26%**		**1.54%**		**2.29%**		**2.74%**

Note:

(1) Calculated by dividing the balance of non-performing loans by total balance of loans.

During the reporting period, the Bank effectively and efficiently responded to the impact of economic fluctuations and continued to enhance its risk control and credit quality management, resulting in a continuous improvement of its loan quality. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, the non-performing loans of the Bank reached RMB80,073 million, RMB88,467 million, RMB104,482 million and RMB111,774 million, respectively. Meanwhile, the non-performing loans ratios were 1.26%, 1.54%, 2.29% and 2.74%, respectively.

Due to its leadership in the industry in terms of credit and risk management, the Bank managed to reduce both the balance of non-performing loans and NPL ratio while going through the negative fluctuations of the economic cycle. Such reduction was mainly attributed to: (1) the Bank implemented differentiated credit policies and strictly controlled the quality of the loans by an integrated credit risk management system, which helped to maintain a low level of NPL ratio for new loans; (2) the Bank constantly strengthened the management of special mention loans, continuously strengthened the monitoring and exit of loans with high risk profile and ceased to provide loans to high-risk clients, which effectively reduced the downward spiral of loan quality. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, special mention loans accounted for 3.67%, 4.00%, 5.20% and 5.72% of the total loans granted by the Bank, which shows that the loan structure has continued to optimise; (3) the percentages of substandard, doubtful and loss loans decreased year by year. Meanwhile, the Bank comprehensively used different methods such as cash recovery, repossession of assets, reorganisation and bad-debt write-off to intensify its efforts to collect and dispose non-performing loans.

(2) Distribution of Non-Performing Loans by Business Line

For ease of reference, "corporate non-performing loans" and "personal non-performing loans" in this section exclude the amount attributed from the Bank's overseas branches and domestic and overseas subsidiaries.

The following table shows the distribution of the Bank's non-performing loans by business line as at the indicated dates.

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**NPL ratio**	**Amount**	**NPL ratio**	**Amount**	**NPL ratio**	**Amount**	**NPL ratio**
		(%)		(%)		(%)		(%)
Corporate loans	67,988	1.55	76,792	1.94	93,747	2.90	102,198	3.51
Discounted bills	—	—	—	—	—	—	—	—
Personal loans	9,973	0.68	10,029	0.83	9,593	1.16	8,610	1.14
Overseas and others[(1)]	2,112	0.66	1,646	0.70	1,142	0.62	966	0.63
Total	**80,073**	**1.26**	**88,467**	**1.54**	**104,482**	**2.29**	**111,774**	**2.74**

Note:

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

During the reporting period, both the balance of non-performing loans and NPL ratio of corporate loans showed a decreasing trend. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, the non-performing corporate loans of the Bank reached RMB67,988 million, RMB76,792 million, RMB93,747 million and RMB102,198 million, respectively. Meanwhile, the NPL ratios of corporate loans were 1.55%, 1.94%, 2.90% and 3.51%, respectively. The reduction of both the balance of non-performing loans and the NPL ratio for corporate loans was mainly attributed to the fact that: (1) the Bank has further strengthened its management of corporate credit and its proactive risk prevention and control efforts, which enables the Bank to identify the loans with certain risk features in advance, and has established an effective system of joint review by all departments; (2) the Bank has implemented adjustment in the structure of credit products, increased the amount of credit to quality clients, mitigated credit risk for industries with high energy consumption, high pollution or excess capacity, and enhanced the entry standards for credit based on factors such as entry thresholds, customer positioning and types of financing products; (3) the Bank has continuously upgraded its risk monitoring and alert mechanism, which regularly generates alerts on risks involved with customers with high credit allowance and timely risk alerts and financing control in relation to defaulting enterprises and their affiliates; and (4) the Bank has constantly strengthened its refined management, intensifying the efforts to collect and dispose of non-performing loans.

There was a downward trend for the NPL ratio of personal loans, while the balance of non-performing loans showed a slight increase. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, the NPL ratios were 0.68%, 0.83%, 1.16% and 1.14%, respectively, whereas the balance of non-performing personal loans reached RMB9,973 million, RMB10,029 million, RMB9,593 million and RMB8,610 million, respectively. The slight increase in non-performing personal loans was mainly attributed to the rapid growth of personal loans of the Bank, and partly due to failure for some borrowers to make loan repayments because of the economic slowdown and natural disasters during the reporting period. The Bank has taken active measures to strictly control the risk of personal loans. These measures include: (1) the Bank's timely adjustment of its policies on personal loans in line with regulatory and market changes, and the updating of the Bank's system, procedures and measures on personal loan products to effectively reduce credit risk; (2) the Bank's independent approval system involving the segregation of the front office, middle office and back office, which not only effectively improved the execution of policies but also reduced operational risks; (3) the Bank's intensified efforts to dispose of non-performing assets, the introduction of a series of rules and regulations on the disposal of fraudulent mortgage loans and writing-off of bad debt, and effective broadening of the channels for disposal of non-performing loans.

(3) Distribution of Non-Performing Loans by Type

The table below shows the distribution of the Bank's non-performing loans by type as at the indicated dates.

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**NPL ratio**	**Amount**	**NPL ratio**	**Amount**	**NPL ratio**	**Amount**	**NPL ratio**
		(%)		(%)		(%)		(%)
Working capital loans	42,295	3.04	47,810	3.78	61,691	5.10	74,611	6.21
Of which: trade finance	931	0.24	792	0.25	716	0.59	288	0.33
Project loans	21,419	0.87	24,248	1.08	26,426	1.57	21,232	1.50
Property loans	4,274	0.80	4,734	1.08	5,630	1.65	6,355	2.12
Total Non-performing Corporate Loans	**67,988**	**1.55**	**76,792**	**1.94**	**93,747**	**2.90**	**102,198**	**3.51**

The table below shows the distribution of the Bank's non-performing personal loans by type as at the indicated dates.

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**NPL ratio**	**Amount**	**NPL ratio**	**Amount**	**NPL ratio**	**Amount**	**NPL ratio**
		(%)		(%)		(%)		(%)
Personal housing loans	4,559	0.44	4,662	0.53	4,728	0.79	4,182	0.78
Personal consumption loans	1,880	0.90	1,883	1.19	2,003	1.98	2,213	2.43
Personal business loans	2,796	1.76	2,917	2.11	2,520	2.22	2,026	1.74
Credit card overdrafts	738	1.42	567	1.54	342	2.00	189	2.29
Total Non-performing Personal Loans	**9,973**	**0.68**	**10,029**	**0.83**	**9,593**	**1.16**	**8,610**	**1.14**

(4) Distribution of Non-Performing Loans by Geographic Area

The table below shows the distribution of the Bank's non-performing loans by geographic area as at the indicated dates.

Unit: In RMB millions, except for percentages

Item	30 June 2010			31 December 2009			31 December 2008			31 December 2007		
	Amount	Percentage	NPL ratio(1)	Amount	Percentage	NPL ratio(1)	Amount	Percentage	NPL ratio(1)	Amount	Percentage	NPL ratio(1)
		(%)	(%)		(%)	(%)		(%)	(%)		(%)	(%)
Head Office	914	1.1	0.76	678	0.8	0.65	662	0.6	0.53	603	0.5	0.35
Yangtze River Delta	12,365	15.5	0.82	13,734	15.5	0.99	15,019	14.4	1.32	11,135	10.0	1.07
Pearl River Delta	9,718	12.1	1.06	9,976	11.3	1.18	14,025	13.4	2.10	17,108	15.3	2.80
Bohai Rim	14,908	18.6	1.26	16,848	19.0	1.56	18,777	18.0	2.24	22,972	20.6	3.14
Central China	13,096	16.4	1.52	15,482	17.5	1.99	15,887	15.2	2.62	17,709	15.8	3.36
Western China	16,834	21.0	1.58	18,557	20.9	1.95	23,902	22.9	3.26	20,127	18.0	3.29
Northeastern China	10,126	12.7	2.65	11,546	13.1	3.30	15,068	14.4	5.36	21,154	18.9	9.42
Overseas and others(2)	2,112	2.6	0.66	1,646	1.9	0.70	1,142	1.1	0.62	966	0.9	0.63
Total	**80,073**	**100.0**	**1.26**	**88,467**	**100.0**	**1.54**	**104,482**	**100.0**	**2.29**	**111,774**	**100.0**	**2.74**

Notes:

(1) Calculated by dividing non-performing loans in each category by total loans in that category.

(2) "Overseas and others" includes overseas branch and domestic and overseas subsidiaries.

During the reporting period, the NPL ratios in the Head Office, Yangtze River Delta, Pearl River Delta, Bohai Rim, and in Overseas and other regions (including overseas branches and domestic and overseas subsidiaries) remained at a low level. The balance of non-performing loans and NPL ratios in Central China, Northeastern China and Western China dropped by a large margin and the quality of the assets improved significantly. Such trends were due to the improvement of the Bank's quality of credit management and due to the collection and disposal of non-performing loans in these regions.

(5) Distribution of Non-Performing Corporate Loans by Industry

The table below shows the distribution of the Bank's non-performing corporate loans by industry as at the indicated dates.

Unit: In RMB millions, except for percentages

Item	30 June 2010			31 December 2009			31 December 2008			31 December 2007		
	Amount	Percentage	NPL ratio(1)	Amount	Percentage	NPL ratio(1)	Amount	Percentage	NPL ratio(1)	Amount	Percentage	NPL ratio(1)
		(%)	(%)		(%)	(%)		(%)	(%)		(%)	(%)
Transportation, storage and postal services	10,428	15.3	1.16	11,178	14.6	1.40	9,480	10.1	1.37	6,320	6.2	1.05
Manufacturing	29,994	44.1	3.53	34,571	45.0	4.36	44,974	48.0	5.93	55,766	54.6	7.56
Chemicals	4,883	7.2	3.58	6,132	8.0	4.60	8,126	8.7	6.50	9,940	9.7	8.20
Machinery	3,268	4.8	2.70	4,680	6.1	4.41	6,285	6.7	6.12	8,411	8.2	8.79
Metal processing	1,717	2.5	1.63	1,887	2.5	1.97	2,720	2.9	3.41	3,377	3.3	4.34
Textiles and apparels	5,215	7.7	5.83	5,794	7.5	6.85	7,343	7.8	9.41	6,864	6.7	8.68
Iron and steel	578	0.9	0.66	489	0.6	0.58	975	1.0	1.11	1,601	1.6	1.90
Transportation equipment	1,576	2.3	3.35	994	1.3	2.23	1,301	1.4	2.77	1,837	1.8	4.32
Telecommu-nications, equipment, computer and other electronic equipment	2,747	4.0	6.34	2,716	3.5	6.61	3,201	3.4	7.84	3,659	3.6	8.47
Petroleum processing, coking and nuclear fuel	293	0.4	0.74	346	0.5	0.91	721	0.8	1.73	1,031	1.0	2.88
Non-metallic mineral	2,431	3.6	6.47	2,943	3.8	8.30	3,497	3.7	10.41	4,467	4.4	14.43
Others	7,286	10.7	5.15	8,590	11.2	6.59	10,805	11.6	8.83	14,579	14.3	11.44
Production and supply of electricity, gas and water	5,333	7.8	0.97	6,541	8.5	1.23	7,672	8.2	1.53	5,344	5.2	1.32
Water, environment and public utility management	250	0.4	0.05	333	0.4	0.07	1,781	1.9	0.65	1,118	1.1	0.49
Real estate	5,624	8.3	1.12	6,348	8.3	1.50	7,600	8.1	2.21	8,559	8.4	2.82
Leasing and commercial services	1,208	1.8	0.36	1,316	1.7	0.45	1,887	2.0	1.00	1,349	1.3	0.84
Wholesale, retail and lodging	11,265	16.6	3.48	12,135	15.8	4.64	13,720	14.6	7.27	15,949	15.6	8.53
Science, education, culture and sanitation	949	1.4	1.35	1,132	1.5	1.69	1,963	2.1	2.80	1,876	1.8	2.69
Construction	1,161	1.7	1.59	1,330	1.7	2.13	1,574	1.7	2.58	1,351	1.3	2.57
Others	1,776	2.6	0.77	1,908	2.5	0.87	3,096	3.3	2.01	4,566	4.5	2.74
Total	**67,988**	**100.0**	**1.55**	**76,792**	**100.0**	**1.94**	**93,747**	**100.0**	**2.90**	**102,198**	**100.0**	**3.51**

Note:

(1) Calculated by dividing non-performing corporate loans in each category by total corporate loans in that category.

During the reporting period, the asset quality of the Bank has further improved, with the NPL ratio and balance both declining. The NPL ratios for water, environment and public utility management, leasing and commercial services industries have been kept at a relatively low level. The NPL balance and ratios for manufacturing and wholesale, retail and lodging industries have both declined.

From the end of 2007 to the end of 2009, the Bank's NPL balance and ratio of transportation, storage and postal services industries increased to some extent. The main reason for this is that the quality of some road construction loans had been unstable for a temporary period, influenced by macro economic fluctuations and relevant policy changes. In general, the Bank implements prudent loan policy for transportation, storage and postal services industry. The Bank mainly focuses on backbone and key provincial highways included in the national highway network and gives preference to state-owned highway projects pledged with approved fares rights. As at 30 June 2010, the Bank's NPL balance and ratio for transportation, storage and postal services industry have evidently decreased. The overall risks are controllable.

On loan distribution, the borrowers of the Bank's government financing platform loans are mainly the investment and financing platforms of various economic development zones, state asset management companies, land reserve centre companies and municipal investment and construction companies. These clients belong to different industries, including water, environment and public utility management, transportation, storage and postal services, as well as leasing and commercial service. The Bank has already established credit policies for relevant industries and credit product policies to effectively control the risk of government financing platform loans. The Bank has strict control of the risk of government financing platform loans through stringent region entrance policy, tight monitoring on project risk and prudent credit policies. In addition, state-owned land use rights mortgage, project fare-charging rights pledge, establishing account supervision system, real estate mortgage and procuring the inclusion of government repayment plan into the People's Congress budgeting are considered risk buffering factors to protect the loan asset of the Bank. As at the end of 30 June 2010, 92% of the Bank's government financing platform loans were distributed to provincial and prefecture levels or above; 91% of the government financing platform loans were distributed to water, environment and public utility management and leasing and commercial services industries; 69% of the government financing platform loans were distributed to the Yangtze River Delta, Pearl River Delta and Bohai Rim regions; 61% of the government financing platform loans have maturity of less than 5 years.

(6) Overdue Loans

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

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Overdue Periods	**Amount(1)**	**% of total loans**	**Amount(1)**	**% of total loans**	**Amount(1)**	**% of total loans**	**Amount(1)**	**% of total loans**
3 to 6 months	4,452	0.1	4,175	0.1	9,231	0.2	4,631	0.1
6 to 12 months	5,128	0.1	11,090	0.2	8,487	0.2	10,150	0.3
Over 12 months	62,640	1.0	61,823	1.1	70,162	1.5	86,771	2.1
Total	**72,220**	**1.2**	**77,088**	**1.4**	**87,880**	**1.9**	**101,552**	**2.5**

Note:

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

During the reporting period, the percentage of overdue loans in the total loan amount has maintained a downward trend. The percentages of overdue loans in the total loan amount as at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007 were 1.2%, 1.4%, 1.9% and 2.5% respectively. The percentage of loans which have been overdue for a period within 1 year dropped most dramatically, which indicated a significant decrease of newly increased overdue loans and an evident reduction of loan credit risks.

3. Allowance for Impairment Losses on Loans

During the reporting period, the Bank maintains a prudent policy of making provisions for impairment losses on loans. Provisions for impairment losses on loans are made based on collective assessment and individual assessment. With collective assessment, the percentage of provision shall be determined mainly by considering the historical loan loss ratio as well as other factors such as the macro economic conditions; while with individual assessment, the provision for impairment losses on loans shall be calculated based on the difference between book value of the loan and the expected recoverable amount.

(1) Distribution of allowance for impairment losses by product type

The table below indicates the distribution of allowance for impairment losses by product type of the Bank as at the dates below.

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**Allowance to NPLs[1]**	**Amount**	**Allowance to NPLs[1]**	**Amount**	**Allowance to NPLs[1]**	**Amount**	**Allowance to NPLs[1]**
		(%)		(%)		(%)		(%)
Corporate loans (including discounted bills)								
Collectively assessed	80,288		74,375		62,847		43,382	
Individually assessed	40,385	59.40	44,735	58.25	53,627	57.20	58,570	57.31
Total allowance for corporate loans	**120,673**	**177.49**	**119,110**	**155.11**	**116,474**	**124.24**	**101,952**	**99.76**
Personal loans[2]	**28,998**	**290.77**	**24,590**	**245.19**	**18,386**	**191.66**	**12,923**	**150.09**
Overseas and others								
Collectively assessed	1,437		987		691		438	
Individually assessed	882	43.56	765	46.48	432	37.83	374	38.72
Total allowance for overseas and others	**2,319**	**109.80**	**1,752**	**106.44**	**1,123**	**98.34**	**812**	**84.06**
Total allowance for loans to customers	**151,990**	**189.81**	**145,452**	**164.41**	**135,983**	**130.15**	**115,687**	**103.50**

Notes:

(1) For corporate loans, calculated by dividing the amount of the allowance for impairment losses on loans in each category by the total amount of non-performing loans in that category. For personal loans, calculated by dividing the total amount of the allowance for impairment losses on personal loans by the amount of non-performing personal loans.

(2) All personal loans are collectively assessed.

The Bank cautiously made the provision for impairment losses on loans based on the results of credit risks assessment. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, the balance of allowances for impairment losses on loans of the Bank are RMB151,990 million, RMB145,452 million, RMB135,983 million and RMB115,687 million respectively; the NPL coverage ratios are 189.81%, 164.41%, 130.15% and 103.50% respectively, among which the percentages of collectively assessed allowances in total amount of allowances for impairment losses on loans are 72.8%, 68.7%, 60.2% and 49.0% respectively. The rising trend indicates a more conservative policy of making provisions for impairment losses on loans and the continuous improvement of operational safety and reliability.

(2) Changes in Allowance for Impairment Losses

Unit: In RMB millions

Items	January to June 2010			2009			2008			2007		
	Individually Assessed	Collectively Assessed	Total	Individually Assessed	Collectively Assessed	Total	Individually Assessed	Collectively Assessed	Total	Individually Assessed	Collectively Assessed	Total
At the beginning of the period/ year	**45,500**	**99,952**	**145,452**	**54,059**	**81,924**	**135,983**	**58,944**	**56,743**	**115,687**	**56,991**	**40,202**	**97,193**
Charge for the period/ year	(1,039)	10,782	9,743	3,179	18,503	21,682	10,955	25,557	36,512	15,928	17,133	33,061
Including:												
— Impairment allowances charged	4,551	40,202	44,753	20,056	61,557	81,613	25,045	54,683	79,728	36,869	38,439	75,308
— Impairment allowances transferred	24	(24)	—	242	(242)	—	443	(443)	—	371	(371)	—
— Reversal of impairment allowances	(5,614)	(29,396)	(35,010)	(17,119)	(42,812)	(59,931)	(14,533)	(28,683)	(43,216)	(21,312)	(20,935)	(42,247)
Accreted interest on impaired loans	(506)	—	(506)	(1,021)	—	(1,021)	(1,538)	—	(1,538)	(1,430)	—	(1,430)
Write-offs	(3,333)	(213)	(3,546)	(11,259)	(607)	(11,866)	(11,917)	(456)	(12,373)	(7,579)	(592)	(8,171)
Recoveries of loans previously written off	417	67	484	774	142	916	83	146	229	295	—	295
Transfer in from acquisition/ (Transfer out)	228	135	363	(232)	(10)	(242)	(2,468)	(66)	(2,534)	(5,261)	—	(5,261)
At the end of the period/ year	**41,267**	**110,723**	**151,990**	**45,500**	**99,952**	**145,452**	**54,059**	**81,924**	**135,983**	**58,944**	**56,743**	**115,687**

In the first half of 2010 and the years 2009, 2008 and 2007, the charge for the period/year are RMB9,743 million, RMB21,682 million, RMB36,512 million and RMB33,061 million respectively. The amount of provision in 2009 was lower than that of 2008. The main reason for this is that the large amount of reversal of impairment allowance in 2009 partly offsets the amount of provision increased in the year. The main reasons for the increase in the amount of reversal of impairment allowance of the Bank are that the loans for which provisions for impairment losses have been made in previous years are upgraded due to the obvious reduction of risks and that the Bank has greatly strengthened its collection of non-performing loans.

4. Investment in Securities

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

As at 30 June 2010, the total amount of investment in securities of the Bank was RMB3,729,253 million, representing an increase of 3.6% over 2009. The investment in securities of the Bank as at 31 December 2009, 31 December 2008 and 31 December 2007 were RMB3,599,173 million, RMB3,048,310 million and RMB3,107,328 million respectively. Investment in securities as at the end of 2009 represents an increase of 18.1% over the end of 2008. Investment in securities as at the end of 2008 represents a decrease of 1.9% from the end of 2007. The CAGR from 2007 to 2009 was 7.6%. The main reason for the increase of investment in securities of the Bank in 2009 is that the Bank increased its holding of debt instruments using increased funds arising from customer deposits. The main reasons for the decrease of investment in securities of the Bank in 2008 are that MOF repaid the Bank the principal of MOF receivables and that the Bank timely divested some foreign currency bonds in order to mitigate risks.

The Bank's investment in securities as at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007 accounted for 28.8%, 30.5%, 31.2% and 35.8% of the total assets of the Bank respectively.

The table below indicates the status of investment in securities of the Bank as at the dates below.

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
		(%)		(%)		(%)		(%)
Investment in securities not related to restructuring	3,321,961	89.1	2,699,254	75.0	2,063,981	67.7	2,074,094	66.7
Investment in securities related to restructuring(1)	402,321	10.8	895,306	24.9	975,559	32.0	1,026,767	33.1
Equity instruments	4,971	0.1	4,613	0.1	8,770	0.3	6,467	0.2
Total	**3,729,253**	**100.0**	**3,599,173**	**100.0**	**3,048,310**	**100.0**	**3,107,328**	**100.0**

Note:

(1) Investment in securities related to restructuring includes investment in Huarong bonds, special government bonds, MOF receivables and special PBOC bills.

Investment in securities not related to restructuring accounts for the largest proportion in the investment portfolio. Investment in securities not related to restructuring of the Bank as at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007 accounted for 89.1%, 75.0%, 67.7% and 66.7% of the total investment in securities respectively. The main reasons for the increase of investment in securities not related to restructuring are that the Bank has paid close attention to the financial market trends domestically and abroad, actively revised its investment strategies and optimised its investment asset classes, duration and currency structure and that securities related to restructuring have gradually decreased.

Investment in securities related to restructuring is also an important part of the investment portfolio of the Bank. Investment in securities related to restructuring of the Bank as at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007 accounted for 10.8%, 24.9%, 32.0% and 33.1% of the total investment in securities respectively. The decrease of investment in securities related to restructuring was mainly attributable to the annual repayment of part of the principal of MOF receivables and the retirement of non-negotiable special PBOC bills with a nominal value of RMB430,465 million in June 2010.

(1) Securities Unrelated to Restructuring

Securities unrelated to restructuring of the Bank include listed and unlisted securities mainly issued by the government, the central bank, policy banks, other banks and financial institutions as well as corporate. During the reporting period, the Bank has paid close attention to the financial market trends domestically and abroad, and actively adjusted its investment strategies in order to rationally arrange the investment timing and progress. As at 30 June 2010, the total amount of securities not related to restructuring of the Bank was RMB3,321,961 million, representing an increase of 23.1% compared to 2009. Investment in securities not related to restructuring of the Bank as at 31 December 2009, 31 December 2008 and 31 December 2007 were RMB2,699,254 million, RMB2,063,981 million and RMB2,074,094 million respectively; investment in securities not related to restructuring as at the end of 2009 represented an increase of 30.8% compared to the end of 2008; investment in securities not related to restructuring as at the end of 2008 represented a decrease of 0.5% compared to the end of 2007; and the CAGR from 2007 to 2009 was 14.1%.

Distribution of Investment in Securities Not Related to Restructuring by Issuer

The following table indicates the distribution of investment in securities not related to restructuring by issuer as at the dates below.

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
		(%)		(%)		(%)		(%)
Government bonds	602,740	18.1	570,952	21.2	422,585	20.5	431,917	20.8
Central bank bills and bonds	1,424,841	42.9	967,146	35.8	797,024	38.6	783,929	37.8
Policy bank bonds	873,173	26.3	759,010	28.1	601,127	29.1	554,311	26.7
Other bonds	421,207	12.7	402,146	14.9	243,245	11.8	303,937	14.7
Total	**3,321,961**	**100.0**	**2,699,254**	**100.0**	**2,063,981**	**100.0**	**2,074,094**	**100.0**

During the reporting period, the proportion of central bank bills and bonds increased significantly. The proportion of central bank bills and bonds of the Bank as at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007 accounted for 42.9%, 35.8%, 38.6% and 37.8% of the total investment in securities not related to restructuring of the Bank respectively. The main reason for the increase in the proportion of central bank bills and bonds in the first half of 2010 is mainly attributable to the appropriate arrangements made by the Bank on the investment proposal in relation to matured funds and increase in investment in securities not related to restructuring based on operational needs of the Bank upon the maturity of the special PBOC bills.

Distribution of Investment in Securities Not Related to Restructuring by Remaining Maturity

The table below indicates the distribution of investment in securities not related to restructuring by remaining maturity as at the dates below.

Unit: In RMB millions, except for percentages

Item	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		(%)		(%)		(%)		(%)
Undated[(1)]	9,116	0.3	10,489	0.4	31,474	1.5	6,175	0.3
Less than 3 months	421,034	12.7	315,543	11.7	153,839	7.5	208,092	10.0
3 to 12 months	998,432	30.0	780,720	28.9	299,819	14.5	384,079	18.5
1 to 5 years	1,231,777	37.1	1,011,601	37.5	1,180,561	57.2	967,982	46.7
Over 5 years	661,602	19.9	580,901	21.5	398,288	19.3	507,766	24.5
Total	**3,321,961**	**100.0**	**2,699,254**	**100.0**	**2,063,981**	**100.0**	**2,074,094**	**100.0**

Note:

(1) Includes those which were impaired or overdue for more than one month.

During the reporting period, the Bank actively adjusted its maturity structure of securities not related to restructuring according to the trend in the money market, the bond market and the maturity structure of other interest-generating assets and interest-bearing liabilities of the Bank. The proportion of investment securities of the Bank maturing within one year as at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007 accounted for 42.7%, 40.6%, 22.0% and 28.5% of the total investment in securities not related to restructuring of the Bank respectively. The main reason for the increase in the proportion of investment in securities maturing within one year in 2009 is that the Bank actively adjusted its investment strategies in a market environment with relatively lower bond yields and appropriately shortened the duration of investment portfolio to avoid interest rate risks.

Distribution of Investment in Securities Not Related to Restructuring by Currency

The table below indicates the distribution of investment in securities not related to restructuring by currency as at the dates below.

Unit: In RMB millions, except for percentages

Item	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		(%)		(%)		(%)		(%)
RMB	3,227,382	97.2	2,593,342	96.1	1,936,467	93.8	1,863,203	89.9
USD	70,527	2.1	76,346	2.8	88,186	4.3	193,584	9.3
Other foreign currencies	24,052	0.7	29,566	1.1	39,328	1.9	17,307	0.8
Total	**3,321,961**	**100.0**	**2,699,254**	**100.0**	**2,063,981**	**100.0**	**2,074,094**	**100.0**

The securities not related to restructuring of the Bank mainly consist of securities in RMB. The proportion of securities in RMB of the Bank as at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007 accounted for 97.2%, 96.1%, 93.8% and 89.9% of the total investment in securities unrelated to restructuring of the Bank respectively.

The proportion of USD bonds demonstrates a downward trend during the reporting period. The proportion of US dollar bonds of the Bank as at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007 accounted for 2.1%, 2.8%, 4.3% and 9.3% of the total investment in securities unrelated to restructuring of the Bank respectively. The decrease in USD bonds is mainly because that the Bank reduced its holding of USD bonds, including sub-prime residential mortgage-backed securities, securities backed by Alt-A mortgages, Structured Investment Vehicles (SIVs), corporate CDOs and relevant securities of Lehman Brothers Holdings to mitigate the influence of the financial crisis and to avoid potential risks of bonds in foreign currency, and dramatically increased its provisions for impairment losses on bonds to avoid investment risks.

(2) Securities Related to Restructuring

Securities related to restructuring were generated from the financial restructuring of the Bank in 2005 and the disposal of non-performing assets in previous years, which mainly consisted of Huarong bonds, special government bonds, MOF receivables and special PBOC bills. As at 30 June 2010, the total amount of securities related to restructuring of the Bank was RMB402,321 million, representing a decrease of 55.1% compared to 2009, mainly as a result of non-negotiable special PBOC bills with nominal value of RMB430,465 million was matured and repaid in June 2010. The investment in securities related to restructuring of the Bank as at 31 December 2009, 31 December 2008 and 31 December 2007 were RMB895,306 million, RMB975,559 million and RMB1,026,767 million respectively, representing a decrease of 8.2% from the end of 2008 to the end of 2009 and a decrease of 5.0% from the end of 2007 to the end of 2008, mainly as a result of the partial repayment of MOF receivables by MOF on an annual basis.

The table below indicates the structure of securities related to restructuring of the Bank as at the dates below.

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
		(%)		(%)		(%)		(%)
Huarong bonds	312,996	77.8	312,996	35.0	312,996	32.1	312,996	30.5
Special government bonds	85,000	21.1	85,000	9.5	85,000	8.7	85,000	8.3
MOF receivables	—	—	62,520	7.0	142,773	14.6	193,981	18.9
Special PBOC bills	4,325	1.1	434,790	48.5	434,790	44.6	434,790	42.3
Total investment in securities related to restructuring	**402,321**	**100.0**	**895,306**	**100.0**	**975,559**	**100.0**	**1,026,767**	**100.0**

(3) Distribution of Investment in Securities by Holding Purpose

The table below indicates the distribution of investment in securities by holding purpose as at the dates below.

Unit: In RMB millions, except for percentages

Item	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	15,704	0.4	20,147	0.6	33,641	1.1	34,321	1.1
Available-for-sale financial assets	1,027,881	27.6	949,909	26.4	537,580	17.6	531,155	17.1
Held-to-maturity investments	2,075,392	55.7	1,496,738	41.6	1,314,320	43.1	1,330,085	42.8
Receivables	610,276	16.3	1,132,379	31.4	1,162,769	38.2	1,211,767	39.0
Total	**3,729,253**	**100.0**	**3,599,173**	**100.0**	**3,048,310**	**100.0**	**3,107,328**	**100.0**

5. Other Components of the Bank's Assets

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

Cash and balances with central banks mainly include cash on hand, mandatory deposit reserve, cash surplus with central banks other than mandatory deposits and other restricted deposits. As at 30 June 2010, the total amount of cash and balances with central banks of the Bank was RMB2,111,745 million, representing an increase of 24.7% over the end of 2009. The cash and balances with central banks of the Bank as at 31 December 2009, 31 December 2008 and 31 December 2007 were RMB1,693,048 million, RMB1,693,024 million and RMB1,142,346 million respectively, where the amount as at the end of 2009 remained fairly consistent with the amount as at the end of 2008, and with an increase of 48.2% from the end of 2007 to the end of 2008 and that the CAGR from 2007 to 2009 was 21.7%. The cash and balances with the central Bank of the Bank as at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007 accounted for 16.3%, 14.4%, 17.4% and 13.1% of the total assets of the Bank respectively.

Due from banks and other financial institutions consist primarily of Renminbi-denominated and foreign currency-denominated inter-bank deposits and money-market placements with banks and other financial institutions. As at 30 June 2010, the amount due from banks and other financial institutions was RMB349,263 million, representing an increase of 48.4% from the end of 2009. The amount due from banks and other financial institutions as at 31 December 2009, 31 December 2008 and 31 December 2007 were RMB235,301 million, RMB168,363 million and RMB199,758 million respectively, representing an increase of 39.8% from the end of 2008 to the end of 2009 and a decrease of 15.7% from the end of 2007 to the end of 2008. Changes in the percentage of the amount due from banks and other financial institutions of the Bank indicate that the Bank makes flexible capital allocation according to market conditions to improve the efficiency of capital utilisation.

Reverse repurchase agreements of the Bank mainly include purchases of assets under agreements to resell equivalent assets. As at 30 June 2010, reverse repurchase agreements of the Bank amounted to RMB279,136 million, representing a decrease of 31.7% from the end of 2009. Reverse repurchase agreements of the Bank as at 31 December 2009, 31 December 2008 and 31 December 2007 amounted to RMB408,826 million, RMB163,493 million and RMB75,880 million respectively, representing an increase of 150.1% from the end of 2008 to the end of 2009 and an increase of 115.5% from the end of 2007 to the end of 2008. The increase of reverse repurchase agreements is because the Bank enhanced the treasury operation with a view to increase the efficiency and yield of funds utilisation.

The interest receivables of the Bank include interest on securities investment, interest on loans and interest on reverse repurchase agreements. As at 30 June 2010, the total amount of interest receivables of the Bank was RMB57,652 million, representing an increase of 4.6% from the end of 2009. The total amount of interest receivables of the Bank as at 31 December 2009, 31 December 2008 and 31 December 2007 was RMB55,124 million, RMB52,584 million and RMB43,265 million respectively; representing an increase of 4.8% from the end of 2008 to the end of 2009 and an increase of 21.5% from the end of 2007 to the end of 2008; and the CAGR from 2007 to 2009 was 12.9%. The table below indicates the structure of interest receivables of the Bank as at the dates below.

Unit: In RMB millions, except for percentages

Item	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Investment securities	43,312	75.1	43,639	79.1	40,983	77.9	32,988	76.2
Loans	11,493	19.9	9,144	16.6	10,123	19.3	8,245	19.1
Reverse repurchase agreements	948	1.7	1,035	1.9	122	0.2	32	0.1
Others	1,899	3.3	1,306	2.4	1,356	2.6	2,000	4.6
Total	**57,652**	**100.0**	**55,124**	**100.0**	**52,584**	**100.0**	**43,265**	**100.0**

(II) Liabilities and Sources of Funds

As at 30 June 2010, the total liabilities of the Bank were RMB12,250,781 million, representing an increase of 10.3% compared to the end of 2009. The total amount of liabilities of the Bank as at 31 December 2009, 31 December 2008 and 31 December 2007 were RMB11,106,119 million, RMB9,150,516 million and RMB8,140,036 million respectively; representing an increase of 21.4% from the end of 2008 to the end of 2009 and an increase of 12.4% from the end of 2007 to the end of 2008; and the CAGR from 2007 to 2009 was 16.8%.

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

Unit: In RMB millions, except for percentages

Item	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	10,832,789	88.4	9,771,277	88.0	8,223,446	89.9	6,898,413	84.7
Due to banks and other financial institutions	1,100,955	9.0	1,001,634	9.0	646,254	7.0	805,174	9.9
Repurchase agreements	9,100	0.1	36,060	0.3	4,648	0.1	193,508	2.4
Subordinated bonds	75,000	0.6	75,000	0.7	35,000	0.4	35,000	0.4
Others	232,937	1.9	222,148	2.0	241,168	2.6	207,941	2.6
Total liabilities	**12,250,781**	**100.0**	**11,106,119**	**100.0**	**9,150,516**	**100.0**	**8,140,036**	**100.0**

1. Due to Customers

Customer deposits have always been the Bank's main source of fund. Leveraging on its competitive advantages in the aspects of customer base and distribution channel and in accordance with the macro economic environment and conditions and development trends of the money market and capital market, the Bank achieved steady growth of deposits during the reporting period by actively guiding the customers to adjust their financial assets allocation.

As at 30 June 2010, the balance of due to customers of the Bank was RMB10,832,789 million, representing an increase of 10.9% as compared with that of the end of 2009. As at 31 December 2009, 31 December 2008 and 31 December 2007, the balance of due to customers of the Bank were RMB9,771,277 million, RMB8,223,446 million and RMB6,898,413 million respectively, representing an increase of 18.8% from the end of 2008 to the end of 2009 and an increase of 19.2% from the end of 2007 to the end of 2008 respectively. The CAGR from 2007 to 2009 stood at 19.0%, which was higher than the CAGR of the total customer loans in the corresponding period.

As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, total customer deposits of the Bank accounted for 88.4%, 88.0%, 89.9% and 84.7% of total liabilities of the Bank.

Please see the section headed "Business — II. Business Operation" in this prospectus for the introduction of the deposit products provided by the Bank.

(1) Distribution of Due to Customers by Business Line

The Bank may provide companies and individuals with two deposit products, demand deposits and time deposits.

The following table shows customer deposits by product type and business line as at the dates indicated.

Unit: In RMB millions, except for percentages

Item	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits								
Time deposits	1,914,605	17.7	1,625,829	16.6	1,380,907	16.8	1,039,853	15.1
Demand deposits	3,448,278	31.9	3,162,661	32.4	2,558,060	31.1	2,362,830	34.2
Sub-total	5,362,883	49.6	4,788,490	49.0	3,938,967	47.9	3,402,683	49.3
Personal deposits								
Time deposits	3,038,107	28.0	2,852,197	29.2	2,578,265	31.4	2,069,506	30.0
Demand deposits	2,054,883	19.0	1,808,235	18.5	1,431,983	17.4	1,174,568	17.0
Sub-total	5,092,990	47.0	4,660,432	47.7	4,010,248	48.8	3,244,074	47.0
Overseas and others(1)	221,591	2.0	185,640	1.9	158,222	1.9	136,707	2.0
Others(2)	155,325	1.4	136,715	1.4	116,009	1.4	114,949	1.7
Total	**10,832,789**	**100.0**	**9,771,277**	**100.0**	**8,223,446**	**100.0**	**6,898,413**	**100.0**

Notes:

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

(2) Mainly includes outward remittance and remittance payables.

The percentage accounted by corporate deposits is roughly the equivalent of personal deposits during the reporting period with slight fluctuation. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, corporate deposits of the Bank accounted for 49.6%, 49.0%, 47.9% and 49.3% of total customer deposits respectively, and personal deposits of the Bank accounted for 47.0%, 47.7%, 48.8% and 47.0% of total customer deposits respectively.

The percentage accounted by demand deposits during the reporting period is slightly higher than that of time deposits. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, time deposits of the Bank accounted for 47.4%, 47.4%, 49.8% and 46.8% of the sum of corporate deposits and personal deposits, and demand deposits accounted for 52.6%, 52.6%, 50.2% and 53.2% of the sum of corporate deposits and personal deposits. The increase of the percentage accounted by demand deposits in 2009 is due to the active promotion by the Bank of the innovation and development of the combination and interaction between wealth management products and savings deposits, turning passive liabilities into active liabilities. The decrease of the percentage accounted by demand deposits in 2008 is mainly due to the emerging trend towards time deposits under the impact of the continuous downturn of the capital market and the consecutive reduction of interest rate.

(2) Distribution of Due to Customers by Geographical Area

The Bank has classified customer deposits in accordance with the geographical locations of receiving branches. Under normal circumstances, there is a high correlation between the geographical locations of the depositors and the geographical locations of the branches. The following table shows the distribution of deposits by geographical region on the dates indicated.

Unit: In RMB millions, except for percentages

	30 June 2010		**31 December 2009**		**31 December 2008**		**31 December 2007**	
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
		(%)		(%)		(%)		(%)
Head Office	150,509	1.4	148,757	1.5	204,034	2.5	141,033	2.0
Yangtze River Delta	2,271,943	21.0	2,038,077	20.9	1,695,156	20.6	1,422,829	20.6
Pearl River Delta	1,405,651	13.0	1,234,464	12.6	1,036,594	12.6	902,871	13.1
Bohai Rim	2,833,878	26.2	2,567,898	26.3	2,138,473	26.0	1,798,664	26.1
Central China	1,543,132	14.2	1,376,586	14.1	1,145,525	13.9	947,394	13.7
Western China	1,678,320	15.5	1,533,885	15.7	1,264,649	15.4	1,032,526	15.0
Northeastern China	727,765	6.7	685,970	7.0	580,793	7.1	516,389	7.5
Overseas and others(1)	221,591	2.0	185,640	1.9	158,222	1.9	136,707	2.0
Total	**10,832,789**	**100.0**	**9,771,277**	**100.0**	**8,223,446**	**100.0**	**6,898,413**	**100.0**

Note:

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

The geographical structure of deposits was stable during the reporting period. The Bohai Rim and the Yangtze River Delta are the major sources of customer deposits. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, the sum of customer deposits from the Bohai Rim and Yangtze River Delta accounted for 47.2%, 47.2%, 46.6% and 46.7% of total deposits respectively.

The percentages accounted by customer deposits from Central China and Western China demonstrated a growing trend. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, the sum of customer deposits of the Bank from Central China and Western China accounted for 29.7%, 29.8%, 29.3% and 28.7% of the total customer deposits respectively. The increase is mainly because that the Bank has brought its competitive advantages in the region into full play, capitalised the opportunity of the implementation of national policies on strategic regional development (Western Development, Rise of Central China, etc.) and actively attracted customer deposits. At the same time, the development of the local economy and the growth of income of local residents were also underlying reasons behind the rapid increase of customer deposits of the Bank in the aforementioned regions.

(3) Distribution of Due to Customers by Remaining Maturity

The following table shows the distribution of deposits by remaining maturity as at the dates indicated.

Unit: In RMB millions, except for percentages

	30 June 2010		31 December 2009		31 December 2008		31 December 2007	
Item	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
		(%)		**(%)**		**(%)**		**(%)**
Demand[1]	5,809,325	53.6	5,227,043	53.5	4,177,866	50.8	3,817,479	55.3
Less than 3 months	1,626,280	15.0	1,519,544	15.6	1,350,735	16.4	1,098,218	15.9
3 to 12 months	2,869,767	26.5	2,359,489	24.1	2,098,624	25.5	1,506,322	21.8
1 to 5 years	524,966	4.9	655,590	6.7	590,151	7.2	472,861	6.9
Over 5 years	2,451	0.0	9,611	0.1	6,070	0.1	3,533	0.1
Total	**10,832,789**	**100.0**	**9,771,277**	**100.0**	**8,223,446**	**100.0**	**6,898,413**	**100.0**

Note:

(1) Includes the time deposits payable on demand.

During the reporting period, the remaining maturity of most of the customer deposits of the Bank was within 1 year. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, customer deposits which had a remaining maturity of less than 1 year accounted for 95.1%, 93.2%, 92.7% and 93.0% of customer deposits respectively, among which, demand deposits accounted for 53.6%, 53.5%, 50.8% and 55.3% of customer deposits respectively.

2. Other Components of the Bank's Liabilities

Other components of the Bank's liabilities are primarily composed of (1) due to banks and other financial institutions; (2) repurchase agreements; (3) subordinated bonds payable.

Due to banks and other financial institutions are mainly RMB deposits from banks and other financial institutions. As at 30 June 2010, the balance of due to banks and other financial institutions of the Bank was RMB1,100,955 million, representing an increase of 9.9% compared to the end of 2009. As at 31 December 2009, 31 December 2008 and 31 December 2007, the balance of due to banks and other financial institutions of the Bank were RMB1,001,634 million, RMB646,254 million and RMB805,174 million respectively, representing an increase of 55.0% from the end of 2008 to the end of 2009 and a decrease of 19.7% from the end of 2007 to the end of 2008. The CAGR from 2007 to 2009 stood at 11.5%. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, the balance of due to banks and other financial institutions of the Bank accounted for 9.0%, 9.0%, 7.0% and 9.9% of the total liabilities of the Bank respectively. The main reasons behind the increase of the percentage accounted by due to banks and other financial institutions of the Bank in 2009 are that the financial sector is highly capitalised; meanwhile, the Bank has capitalised the opportunity presented by the recovery of the capital market, actively promoted third party depository services and facilitated the rapid growth of due to banks and other financial institutions of the Bank. The decrease of the percentage accounted by due to banks and other financial institutions of the Bank in 2008 is mainly because that the deposits from banks and other financial institutions associated with securities trading were decreasing due to the impact of the in-depth adjustment of capital market.

Repurchase agreements mainly include the assets sales in accordance with the agreement to repurchase the same assets. As at 30 June 2010, repurchase agreements of the Bank stood at RMB9,100 million, representing a decrease of 74.8% compared to the end of 2009. As at 31 December 2009, 31 December 2008 and 31 December 2007, repurchase agreements of the Bank stood at RMB36,060 million, RMB4,648 million and RMB193,508 million respectively, representing an increase of 675.8% from the end of 2008 to the end of 2009 and a decrease of 97.6% from the end of 2007 to the end of 2008. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, repurchase agreements of the Bank accounted for 0.1%, 0.3%, 0.1% and 2.4% of the total liabilities of the Bank respectively. The Bank tried to obtain short-term funds with low interest rates through repurchase agreements and tried to determine the amount of repurchase agreement in accordance with the market interest rate. The foregoing changes reflected the normal fluctuations of the short-term liquidity positions of the Bank.

The Bank has replenished the supplementary capital by issuing subordinated bonds. As at 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007, subordinated bonds of the Bank stood at RMB75,000 million, RMB75,000 million, RMB35,000 million and RMB35,000 million respectively, accounting for 0.6%, 0.7%, 0.4% and 0.4% of total liabilities respectively. The increase of subordinated bonds in 2009 was mainly because that the Bank issued subordinated bonds with a nominal value of RMB40 billion in July 2009.

III. INCOME STATEMENT ANALYSIS

Net profit for the six months ended 30 June 2010 reached RMB84,965 million, representing an increase of 27.3% from RMB66,724 million for the six months ended 30 June 2009. Net profit of the Bank for each of 2009, 2008 and 2007 were RMB129,396 million, RMB111,226 million and RMB82,254 million, respectively, representing an increase of 16.3% from 2008 to 2009 and an increase of 35.2% from 2007 to 2008, and a CAGR of 25.4% from 2007 to 2009. The continuous growth in net profit was mainly attributable to the Bank's effort in continuously pushing forward the strategic transformation of business structure and growth pattern, accelerating product innovation and market exploration and actively broadening its source of income. Meanwhile, the Bank has implemented strict risk management and cost control measures, thereby maintaining a healthy development trend of the Bank's level of profitability. The following table sets out key income statement items of the Bank for the periods indicated.

Unit: In RMB millions

Item	**Six months ended 30 June 2010**	**Six months ended 30 June 2009**	**Year ended 31 December 2009**	**Year ended 31 December 2008**	**Year ended 31 December 2007**
Net interest income	143,312	116,038	245,821	263,037	224,465
Non-interest income	37,616	32,044	63,590	47,158	32,963
Operating income	180,928	148,082	309,411	310,195	257,428
Less: Operating expenses	61,869	53,048	120,819	111,335	104,660
Less: Impairment losses	9,693	10,212	23,285	55,462	37,406
Operating profit	109,366	84,822	165,307	143,398	115,362
Add: Share of profits and losses of associates and jointly-controlled entities	1,250	966	1,987	1,978	16
Profit before tax	110,616	85,788	167,294	145,376	115,378
Less: Income tax expenses	25,651	19,064	37,898	34,150	33,124
Profit for the period/year	84,965	66,724	129,396	111,226	82,254
Attributable to: Equity holders of the parent company	84,603	66,424	128,645	110,841	81,520
Non-controlling interests	362	300	751	385	734

(I) Net Interest Income

Net interest income is a major component of the Bank's operating income. Net interest income for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 accounted for 79.2%, 79.4%, 78.4%, 84.8% and 87.2% of the Bank's operating income, respectively. The following table sets out interest income, interest expense and net interest income as at the dates indicated.

Unit: In RMB millions

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Interest income	219,865	199,277	405,878	440,574	357,287
Interest expense	76,553	83,239	160,057	177,537	132,822
Net interest income	**143,312**	**116,038**	**245,821**	**263,037**	**224,465**

Net interest income of the Bank for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 were RMB143,312 million, RMB245,821 million, RMB116,038 million, RMB263,037 million and RMB224,465 million, respectively.

Net interest income for the six months ended 30 June 2010 increased by 23.5% over the same period of the previous year. Such increase was mainly attributable to the proactive fiscal policy and moderately loose monetary policy carried forward by the state in the first half of 2010. In addition, the Bank seized the market opportunities, properly arranged the credit disbursement, optimised the allocation of credit resources, timely adjusted the investment strategy and structure and also adopted various measures to proactively expand the low-cost liability business and realised a rapid growth of net interest income.

Net interest income of the Bank for 2009 dropped 6.5% from 2008, mainly due to the adverse impact on net interest income from the downward revision of the benchmark interest rates and low money market interest rates. In response to the austere operating environment, the Bank actively adapted to the changes in market environment. On one hand, the Bank optimised the credit structure, adjusted its investment strategy and structure timely, and increased the efficiency of fund utilisation; on the other hand, the Bank adopted measures to actively expand the low-cost liability business to reduce the interest cost and endeavoured to minimise the adverse impact on net interest income from the downward revision of the benchmark interest rates.

Net interest income for 2008 increased 17.2% over the previous year, mainly due to the steady growth of the scale of the Bank's interest-generating assets. The average balance of interest-generating assets in 2008 increased 11.1% from the previous year. The Bank adjusted and optimised the asset structure timely, improved interest rate management and enhanced the pricing power in loan transactions, seized market opportunities, adjusted investment portfolio and achieved an increase in the yield on bonds. In addition, the Bank closely followed the trend of capital markets, guided customers to reasonably adjust their portfolio of financial assets, turned passive liabilities into active liabilities, reasonably controlled interest cost, further improved the profitability of assets and liabilities operations, and achieved an increase in net interest margin from 2.80% in 2007 to 2.95% in 2008.

The following table sets out the average balance of interest-generating assets and interest-bearing liabilities, interest income (or expense) and average yield (or cost) as at the indicated dates.

Unit: In RMB millions, except for percentages

Item	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Average balance[(1)]	Interest income / expense	Average yield/cost[(2)]	Average balance[(1)]	Interest income / expense	Average yield/cost[(2)]
			(%)			(%)
Assets						
Loans to customers	6,120,030	149,722	4.89	5,029,763	137,488	5.47
Investment in securities	3,581,321	51,114	2.85	2,985,050	46,599	3.12
Investment in securities not related to restructuring	2,740,756	42,255	3.08	2,009,491	35,901	3.57
Investment in securities related to restructuring	840,565	8,859	2.11	975,559	10,698	2.19
Due from central banks	1,745,274	13,494	1.55	1,507,535	11,221	1.49
Due from banks and other financial institutions	637,708	5,535	1.74	810,664	3,969	0.98
Total interest-generating assets	**12,084,333**	**219,865**	**3.64**	**10,333,012**	**199,277**	**3.86**
Non-interest-generating assets	498,887			512,468		
Allowance for impairment losses	(153,695)			(141,187)		
Total assets	**12,429,525**			**10,704,293**		
Liabilities						
Deposits	10,095,715	67,982	1.35	8,701,598	76,391	1.76
Due to banks and other financial institutions	1,110,332	7,282	1.31	907,904	6,276	1.38
Subordinated bonds	75,000	1,289	3.44	35,000	572	3.27
Total interest-bearing liabilities	**11,281,047**	**76,553**	**1.36**	**9,644,502**	**83,239**	**1.73**
Non-interest bearing liabilities	**384,513**			**273,424**		
Total liabilities	**11,665,560**			**9,917,926**		
Net interest income		**143,312**			**116,038**	
Net interest spread			**2.28**			**2.13**
Net interest margin			**2.37**			**2.25**

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 and that at the end of the period.

(2) The average yield and average cost for the six months ended 30 June 2010 and for the six months ended 30 June 2009 were on an annualised basis.

Unit: In RMB millions, except for percentages

Item	Year ended 31 December 2009 Average balance(1)	Interest income / expense	Average yield/cost (%)	Year ended 31 December 2008 Average balance(1)	Interest income / expense	Average yield/cost (%)	Year ended 31 December 2007 Average balance(1)	Interest income / expense	Average yield/cost (%)
Assets									
Loans to customers	5,318,554	277,139	5.21	4,341,052	307,103	7.07	3,893,311	237,880	6.11
Investment in securities	3,183,562	96,230	3.02	3,072,444	102,688	3.34	3,001,210	91,724	3.06
Investment in securities not related to restructuring	2,227,043	75,294	3.38	2,066,299	80,222	3.88	1,958,873	68,175	3.48
Investment in securities related to restructuring	956,519	20,936	2.19	1,006,145	22,466	2.23	1,042,337	23,549	2.26
Due from central banks	1,519,055	23,361	1.54	1,254,668	22,634	1.80	827,014	14,805	1.79
Due from banks and other financial institutions	837,673	9,148	1.09	252,565	8,149	3.23	307,887	12,878	4.18
Total interest-generating assets	**10,858,844**	**405,878**	**3.74**	**8,920,729**	**440,574**	**4.94**	**8,029,422**	**357,287**	**4.45**
Non-interest-generating assets	438,737			392,892			316,639		
Allowance for impairment losses	(145,825)			(130,132)			(110,063)		
Total assets	**11,151,756**			**9,183,489**			**8,235,998**		
Liabilities									
Deposits	9,103,898	145,246	1.60	7,380,312	160,253	2.17	6,559,635	116,336	1.77
Due to banks and other financial institutions	1,002,534	13,021	1.30	897,473	16,043	1.79	886,071	15,305	1.73
Subordinated bonds	53,087	1,790	3.37	35,000	1,241	3.55	35,000	1,181	3.37
Total interest-bearing liabilities	**10,159,519**	**160,057**	**1.58**	**8,312,785**	**177,537**	**2.14**	**7,480,706**	**132,822**	**1.78**
Non-interest bearing liabilities	350,840			316,547			277,293		
Total liabilities	**10,510,359**			**8,629,332**			**7,757,999**		
Net interest income		**245,821**			**263,037**			**224,465**	
Net interest spread			**2.16**			**2.80**			**2.67**
Net interest margin			**2.26**			**2.95**			**2.80**

Note:

(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 and that at the end of the year.

1. Net Interest Margin and Net Interest Spread

(1) Net Interest Margin

Net interest margin achieved in the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 amounted to 2.37%, 2.26%, 2.25%, 2.95% and 2.80% respectively.

The net interest margin for the six months ended 30 June 2010 increased by 12 basis points as compared to the six months ended 30 June 2009, mainly due to the Bank's continuous measures to adjust the structure of assets and liabilities when the benchmark interest rates for RMB deposits and loans remain unadjusted. The average yield of interest-generating assets decreased by 22 basis points as compared to the same period of the previous year, which is lower than the decrease of 37 basis points of the average cost of interest-bearing liabilities. Net interest margin increased slightly as a result of (1) the optimisation of the loan structure had led to the continuous reduction in the proportion of discounted bills, the rapid growth in personal loans and loans to SMEs, and the enhancement in the pricing power of loans; (2) reasonable selection of investment products and improvement in return on investment and efficient utilisation of funds; (3) continuous optimisation of the deposit structure, maintenance of yield on deposits from other banks and financial institutions at a relatively low level and rising proportion of demand deposits and corporate deposits.

Net interest margin decreased 69 basis points in 2009 as compared to 2008, mainly due to the downward revision of benchmark interest rates and low money market interest rates, as a result of which, the average yield of interest-generating assets declined by 120 basis points, a decline greater than that in the average cost on interest-bearing liabilities, which decreased by 56 basis points. The Bank responded to the change of domestic and international economic and financial environment as well as the change of domestic monetary policy actively and properly, optimised the allocation of credit resources, enhanced the operation of funds, and actively expanded the low-cost liability business. The net interest margin has stabilised and started to increase in the second half of 2009 mainly due to the following factors: (1) benefited from the credit structure adjustment and the enhancement of loan pricing management, the downward trend of loan yield has slowed down; (2) return from fund operations increased, and the additional investments made in bonds performed better than the market average; (3) time deposits started shifting to demand deposits, and the proportion of increased demand deposits as a percentage of the total increased deposits grew gradually.

The net interest margin increased 15 basis points in 2008 compared to 2007, mainly due to the cumulative effects of rising interest rates as a result of monetary policy, and the Bank's timely adjustment and optimisation in asset and business structures, improvement in interest rate management and pricing power of loans. Meanwhile, the Bank also closely followed the capital market trend, proactively adjusted the liability structure, reduced interest cost, and significantly increased the net interest income and the average yield of interest-generating assets.

(2) Net Interest Spread

Due to the above mentioned reasons, the net interest spread achieved in the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 was 2.28%, 2.16%, 2.13%, 2.80% and 2.67%, respectively.

2. Interest Income

Interest income of the Bank includes interest income on loans to customers, interest income on investment in securities, interest income on due from central banks and interest income on due from banks and other financial institutions. For the six months ended 30 June 2010, the Bank's interest income amounted to RMB219,865 million, representing an increase of 10.3% from RMB199,277 million for the six months ended 30 June 2009, mainly because the Bank continuously took measures to adjust the structure of assets and liabilities when the benchmark interest rates for RMB deposits and loans remain unadjusted. The Bank's interest income in 2009, 2008 and 2007 were RMB405,878 million, RMB440,574 million and RMB357,287 million, respectively. The interest income dropped by 7.9% in 2009 from 2008, mainly due to the decrease of average yield on loans to customers caused by the cumulative effect of the benchmark interest rate reduction on loans. The Bank has actively taken various effective measures to minimise the adverse impact on interest income from the benchmark interest rate reduction and low money market interest rates. The interest income in 2008 increased by 23.3% from 2007, mainly due to the increase of the average yield and average balance of loans to customers as well as the increase of the average yield on investment in securities not related to restructuring.

(1) Interest Income on Loans to customers

Interest income on loans to customers is a major component of the Bank's interest income. For the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007, the Bank's interest income on loans to customers accounted for 68.1%, 68.3%, 69.0%, 69.7% and 66.6% of the Bank's interest income, respectively.

The following table sets out the average balance, interest income and average yield on each category of loans to customers classified by the Bank according to business line.

Unit: In RMB millions, except for percentages

Item	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Average balance	Interest income	Average yield[(1)]	Average balance	Interest income	Average yield[(1)]
			(%)			(%)
Corporate loans	4,250,234	110,729	5.21	3,491,692	105,854	6.06
Discounted bills	247,836	3,945	3.18	499,948	6,054	2.42
Personal loans	1,349,622	32,049	4.75	879,054	22,646	5.15
Overseas and others	272,338	2,999	2.20	159,069	2,934	3.69
Total loans to customers	6,120,030	149,722	4.89	5,029,763	137,488	5.47

Note:

(1) The average yield for the six months ended 30 June 2010 and the six months ended 30 June 2009 were on an annualised basis.

Unit: In RMB millions, except for percentages

Item	Year ended 31 December 2009			Year ended 31 December 2008			Year ended 31 December 2007		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
			(%)			(%)			(%)
Corporate loans	3,698,346	213,084	5.76	3,135,615	226,646	7.23	2,743,088	174,441	6.36
Discounted bills	457,609	10,625	2.32	230,444	15,529	6.74	354,253	14,343	4.05
Personal loans	983,203	48,445	4.93	796,763	56,776	7.13	664,134	41,869	6.30
Overseas and others	179,396	4,985	2.78	178,230	8,152	4.57	131,836	7,227	5.48
Total loans to customers	**5,318,554**	**277,139**	**5.21**	**4,341,052**	**307,103**	**7.07**	**3,893,311**	**237,880**	**6.11**

The Bank's interest income on loans to customers amounted to RMB149,722 million and RMB137,488 million for the six months ended 30 June 2010 and the six months ended 30 June 2009, respectively. The interest income on loans to customers in 2009, 2008 and 2007 amounted to RMB277,139 million, RMB307,103 million and RMB237,880 million, respectively.

For the six months ended 30 June 2010, interest income on loans to customers increased by 8.9%, over the same period of the previous year. This was mainly attributable to the fact that the growth in scale has contributed to an increase of RMB26,820 million in interest income, but the decrease of 58 basis points in yield has led to a decrease of RMB14,586 million in interest income. Accordingly, the growth in scale offset the decrease in yield, resulting in the small growth of interest income on loans to customers. Compared with the first quarter of 2010, the average yield of loans to customers rose in the second quarter.

The Bank's interest income on loans to customers in 2009 dropped by 9.8% from 2008. The decrease was mainly because the growth of the Bank's loan volume could not offset the adverse impact on interest income caused by the decline of the loan yield. More specifically, the scale of the Bank's loan grew rapidly in 2009 with the average balance increased by RMB977,502 million or 22.5% as compared to the previous year. The increase of interest income caused by the increase of loan volume was RMB50,780 million. However, the decrease of loan yield reduced the interest income by RMB80,744 million, which surpassed the impact caused by the increase of loan volume.

The Bank's interest income on loans to customers in 2008 increased by 29.1% as compared with that of 2007, mainly attributable to the rise of average yield of loans to customers from 6.11% in 2007 to 7.07%, and the increase of RMB447,741 million in the average balance. The increase of average yields was mainly due to: (1) the cumulative effect of rising interests as a result of monetary policy in 2007, the higher interest rate was applied to the loans granted by the bank in the first three quarters of 2008; (2) loan re-pricing. The increased interest rates announced by PBOC in 2007 became effective for certain loans since 1 January 2008; (3) the improvement of interest rate management and pricing power, which resulted in improvement in the pricing of loan interest rate.

- **Interest Income on Corporate Loans**

Interest income on corporate loans was a major component of the Bank's interest income on loans to customers. The Bank's interest income on corporate loans for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 amounted to RMB110,729 million, RMB213,084 million, RMB105,854 million, RMB226,646 million and RMB174,441 million, which accounted for 74.0%, 76.9%, 77.0%, 73.8% and 73.3% of the interest income on loans to customers, respectively.

For the six months ended 30 June 2010, interest income on corporate loans increased by 4.6% over the same period of the previous year. The increase was caused by the expansion in the scale of corporate loans.

The Bank's interest income on corporate loans dropped by 6.0% in 2009 as compared with that of 2008, mainly due to the decrease of average yield from 7.23% in 2008 to 5.76%, partially offset by the increase of the average balance of the corporate loans.

The Bank's interest income on corporate loans increased by 29.9% in 2008 as compared with that of 2007, mainly due to the increase of the average balance and average yield of the corporate loans.

- **Interest Income on Discounted Bills**

The Bank's interest income on discounted bills for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 amounted to RMB3,945 million, RMB10,625 million, RMB6,054 million, RMB15,529 million and RMB14,343 million, which accounted for 2.6%, 3.8%, 4.4%, 5.1% and 6.0% of the Bank's interest income on loans to customers, respectively, representing a gradual decreasing trend.

For the six months ended 30 June 2010, interest income on discounted bills decreased by 34.8% over the same period of the previous year. The decrease was mainly caused by the downsizing of discounted bills by the Bank to prop up other credit businesses, which led to a significant decrease in average balance.

The Bank's interest income on discounted bills for 2009 dropped by 31.6% as compared with that of 2008. The decrease in interest income on discounted bills was due to the decline in average yield from 6.74% in 2008 to 2.32%, partially offset by the growth in average balance of the discounted bills.

The Bank's interest income on discounted bills for 2008 increased by 8.3% as compared with that of 2007. The growth of interest income was due to the increase in the average yield from 4.05% to 6.74%, partially offset by the decrease of the average balance of discounted bills.

- **Interest Income on Personal Loans**

During the reporting period, the Bank's personal loans grew rapidly. Interest income on personal loans is a major source of the Bank's interest income on loans. Interest income on personal loans for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 amounted to RMB32,049 million, RMB48,445 million, RMB22,646 million, RMB56,776 million and RMB41,869 million, which accounted for 21.4%, 17.5%, 16.5%, 18.5% and 17.6% of interest income on loans to customers, respectively.

For the six months ended 30 June 2010, the interest income on personal loans increased by 41.5% over the same period of the previous year. The increase was mainly caused by the rise in personal loans.

The Bank's interest income on personal loans for 2009 decreased by 14.7% as compared with that of 2008, mainly due to the decrease in average yield from 7.13% in 2008 to 4.93%, partially offset by the growth in average balance. The decline in average yield was principally due to the cumulative effect of the decreasing interest rates as a result of monetary policy. In addition, the Bank applied favourable interest rates to the qualified personal housing loans in order to implement the macro economic policy of stimulating household consumption.

The Bank's interest income on personal loans for 2008 increased by 35.6% as compared with that of 2007, mainly because the average balance of personal loans grew steadily and rapidly and average yield increased.

- **Interest Income on Overseas and Other Loans**

The interest income on overseas and other loans for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 amounted to RMB2,999 million, RMB4,985 million, RMB2,934 million, RMB8,152 million and RMB7,227 million, which accounted for 2.0%, 1.8%, 2.1%, 2.7% and 3.0% of the interest income on loans to customers, respectively.

For the six months ended 30 June 2010, interest income on overseas and others increased by 2.2% over the same period of the previous year. The increase was mainly caused by the expansion of overseas loans.

The interest income on overseas and other loans for 2009 decreased by 38.8% as compared with that of 2008, mainly due to the decline in the average yield from 4.57% in 2008 to 2.78%, partially offset by the increase of the average balance.

The interest income on overseas and other loans for 2008 increased by 12.8% as compared with that of 2007, mainly due to the growth of trade finance business of the Bank's overseas institutions, the incorporation of Seng Heng Bank into the consolidated financial statements and the increase of average loan balance.

(2) Interest Income on Investment in Securities

Interest income on investment in securities represents the second largest component of the Bank's interest income. The interest income on investment securities for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 accounted for 23.2%, 23.7%, 23.4%, 23.3% and 25.7% of the interest income, respectively.

For the six months ended 30 June 2010, interest income on investment in securities was RMB51,114 million, representing an increase of 9.7% from RMB46,599 million for the six months ended 30 June 2009. Interest income on investment in securities not related to restructuring increased by 17.7% to RMB42,255 million, and the rise was because the Bank properly increased investment in central bank bills, policy bank debentures and quality corporate bonds which led to a rapid increase in the average balance. The decline in the average yield of investment in securities not related to restructuring was principally because some existing bonds with higher interest rates matured during the reporting period while the average yield of re-investment in RMB bonds was relatively low. Interest income on investment in securities related to restructuring decreased by RMB1,839 million or 17.2%, which was mainly attributable to the repayment of MOF receivables with relatively higher yield in the first quarter, which resulted in the decrease in the average balance and average yield of investment in securities relating to restructuring.

Interest income on investment in securities amounted to RMB96,230 million for 2009, representing a decrease of 6.3% as compared with that of 2008. The interest income on investment in securities not related to restructuring decreased by RMB4,928 million or 6.1%, which was because of the decline in the average yield from 3.88% in 2008 to 3.38%, partially offset by the increase in the average balance. The decline in the average yield on investments in securities not related to restructuring was mainly due to: (1) the yield curve for the RMB-denominated bonds moved down remarkably as compared to the previous year, thereby reducing the yield of the new investments; (2) the yield of the Bank's investment in RMB-denominated floating rate bonds dropped as such bonds were linked to the benchmark interest rate for deposits and the benchmark interest rate for deposits was reduced. Despite of the abovementioned unfavourable factors, the bank has closely monitored the trend of the RMB bonds market, arranged for reasonable investment schedule and timely adjusted the investment strategy and investment structure, thus the Bank managed to limit the decline in the average yield of investment in securities not related to restructuring to 50 basis points. Interest income on investment in securities related to restructuring decreased by RMB1,530 million or 6.8%, which was mainly attributable to the partial repayment of MOF receivables as yield on MOF receivables was higher than that of the remaining investment in securities related to restructuring.

Interest income on investment in securities for 2008 amounted to RMB102,688 million, representing an increase of 12.0% as compared with that of 2007. Interest income on investment in securities not related to restructuring increased by RMB12,047 million, mainly due to the increase of the average yield from 3.48% to 3.88%, and the increase of average balance by RMB107,426 million. The increase of average yield on investment in securities not related to restructuring was mainly because (1) the Bank closely monitored the trend of the RMB bonds market, increased investment in debt securities during the period when the yield of RMB debt was high, which led to a significant growth on the return from new investments; (2) in response to changes in the domestic and global macro economic environment and financial markets, the Bank adjusted the investment portfolio on a timely basis, increased investment in medium to long-term debt securities denominated in RMB and reduced the investment in debt securities denominated in foreign currencies, thereby improving the currency mix and maturity structure of investment portfolios.

(3) Interest Income on Due from Central Banks

Due from central banks mainly includes mandatory reserve deposits and the excess reserve deposits with central banks. The Bank's interest income on due from central banks for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 accounted for 6.2%, 5.8%, 5.6%, 5.1% and 4.1% of the interest income, respectively.

For the six months ended 30 June 2010, interest income on due from central banks reached RMB13,494 million, representing an increase of 20.3% from RMB11,221 million for the six months ended 30 June 2009. The growth was due to (1) the increase of customer deposits and rise of mandatory reserve deposit ratio by PBOC in the first half of 2010, leading to a fast increase of mandatory reserve deposits; and (2) the increasingly stronger liquidity management of the Bank, leading to a falling proportion of excess reserve with a lower interest rate within deposits with central banks.

The Bank's interest income on due from central banks was RMB23,361 million for 2009, representing an increase of 3.2% as compared with that of 2008. The increase was attributable to the growth in the average balance by RMB264,387 million, partially offset by the decline in the average yield. The increase in the average balance was mainly due to the growth in the deposits of customers. The decrease in average yield was mainly because PBOC reduced the interest rate for reserve deposits by 27 basis points in November 2008.

The Bank's interest income on due from central banks was RMB22,634 million for 2008, representing an increase of 52.9% as compared with that of 2007. The increase was caused by the increase of the average balance by RMB427,654 million as well as the slight increase of the average yield from 1.79% to 1.80%. The increase in the average balance was mainly due to the increase in deposits from customers and in the mandatory deposit reserve ratio by PBOC. Increase in the average yield was mainly due to the continuous improvement of the Bank's liquidity management and the decrease in the excess reserve deposits with the central banks that generate relatively low interest.

(4) Interest Income on Due from Banks and Other Financial Institutions

Interest income on due from banks and other financial institutions includes interest income on due from banks and other financial institutions, interest income on inter-bank lending and interest income on reverse repurchase agreements. Interest income on due from banks and other financial institutions for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 accounted for 2.5%, 2.3%, 2.0%, 1.8% and 3.6% of the interest income, respectively.

For the six months ended 30 June 2010, interest income on due from banks and other financial institutions was RMB5,535 million, representing an increase of 39.5% from RMB3,969 million from the six months ended 30 June 2009. The increase was mainly caused by the hike of average interest rate in the domestic money market in the first half of 2010 as compared with the same period of the previous year. In addition, the Bank actively seizes this favourable market opportunity, made more efforts on lending and improved the pricing level, which resulted in the rise of average yield of due from banks and other financial institutions by 76 basis points.

Interest income on due from banks and other financial institutions for 2009 was RMB9,148 million, representing an increase of 12.3% as compared with that of 2008. The increase was mainly because the Bank enhanced the operation of reverse repurchase agreements, while the yield of funds and the average balance increased.

Interest income on due from banks and other financial institutions for 2008 was RMB8,149 million, representing a decrease of 36.7% as compared with that of 2007. The decrease was mainly due to the relatively high proportion of the amount due from banks denominated in foreign currency, which had a lower yield due to the decrease of LIBOR and HIBOR.

3. Interest Expense

The Bank's interest expense includes interest expense on deposits, interest expense on due to banks and other financial institutions and interest expense on subordinated bonds. Interest expense of the Bank for the six months ended 30 June 2010 amounted to RMB76,553 million, representing a decrease of 8.0% from RMB83,239 million for the six months ended 30 June 2009. Interest expense in 2009, 2008 and 2007 amounted to RMB160,057 million, RMB177,537 million and RMB132,822 million, respectively. Interest expense for 2009 decreased by 9.8% from 2008 and increased by 33.7% in 2008 from 2007. The fluctuations of the Bank's interest expenses were mainly due to the combined impacts of the change in RMB benchmark interest rate and the Bank's adjustment of liability structure.

(1) Interest Expense on Deposits

Deposits are the major source of funds for the Bank. Interest expense on deposits of the Bank for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 accounted for 88.8%, 90.7%, 91.8%, 90.3% and 87.6% of the interest expense, respectively.

The following table sets out the average balance of deposits, interest expense and average cost.

Unit: In RMB millions, except for percentages

Item	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Average balance	Interest expense	Average cost(2)	Average balance	Interest expense	Average cost(2)
			(%)			(%)
Corporate deposits						
Time deposits	1,763,274	18,629	2.11	1,560,086	21,377	2.74
Demand deposits(1)	3,291,916	10,287	0.62	2,676,108	8,232	0.62
Sub-total	**5,055,190**	**28,916**	**1.14**	**4,236,194**	**29,609**	**1.40**
Personal deposits						
Time deposits	2,884,005	34,810	2.41	2,877,417	43,380	3.02
Demand deposits	1,919,444	3,455	0.36	1,447,515	2,638	0.36
Sub-total	**4,803,449**	**38,265**	**1.59**	**4,324,932**	**46,018**	**2.13**
Overseas deposits	**237,076**	**801**	**0.68**	**140,472**	**764**	**1.09**
Total deposits	**10,095,715**	**67,982**	**1.35**	**8,701,598**	**76,391**	**1.76**

Notes:

(1) Includes outward remittance and remittance payables.

(2) The average cost for the six months ended 30 June 2010 and the six months ended 30 June 2009 were on an annualised basis.

Unit: In RMB millions, except for percentages

Item	Year ended 31 December 2009			Year ended 31 December 2008			Year ended 31 December 2007		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
			(%)			(%)			(%)
Corporate deposits									
Time deposits	1,618,171	39,705	2.45	1,227,435	41,938	3.42	979,717	25,445	2.60
Demand deposits(1)	2,911,786	18,456	0.63	2,439,832	24,721	1.01	2,192,679	21,607	0.99
Sub-total	**4,529,957**	**58,161**	**1.28**	**3,667,267**	**66,659**	**1.82**	**3,172,396**	**47,052**	**1.48**
Personal deposits									
Time deposits	2,869,428	80,094	2.79	2,276,616	82,313	3.62	2,131,112	54,892	2.58
Demand deposits	1,537,701	5,568	0.36	1,281,000	7,590	0.59	1,136,852	9,150	0.80
Sub-total	**4,407,129**	**85,662**	**1.94**	**3,557,616**	**89,903**	**2.53**	**3,267,964**	**64,042**	**1.96**
Overseas deposits	**166,812**	**1,423**	**0.85**	**155,429**	**3,691**	**2.37**	**119,275**	**5,242**	**4.39**
Total deposits	**9,103,898**	**145,246**	**1.60**	**7,380,312**	**160,253**	**2.17**	**6,559,635**	**116,336**	**1.77**

Note:

(1) Includes outward remittance and remittance payables.

The interest expense on the deposits for the six months ended 30 June 2010 and the six months ended 30 June 2009 amounted to RMB67,982 million and RMB76,391 million, respectively. The interest expense of the deposits of the Bank for 2009, 2008 and 2007 amounted to RMB145,246 million, RMB160,253 million and RMB116,336 million, respectively.

For the six months ended 30 June 2010, interest expense on deposits decreased by 11.0% over the same period of the previous year. The decrease was mainly due to the decrease in average cost from 1.76% in the first half of 2009 to 1.35%. The decrease in the average cost was mainly attributed to that (1) the Bank actively adjusted the maturity structure of deposits, improved the internal and external interest rate pricing mechanism, expanded the source of low-interest rate deposits and the proportion of average daily balance of demand deposits increased by 4.2 percentage points over the same period of the previous year; and (2) some of time deposits with relatively higher interest rates matured.

The interest expense on the deposits of the Bank for 2009 decreased by 9.4% as compared with that of 2008, mainly due to the cumulative effect of interest rate reduction policy. PBOC reduced the benchmark interest rate for RMB-denominated deposits for four times during the second half of 2008, as a result of which the benchmark interest rate for 1-year RMB-denominated deposits decreased by 189 basis points to 2.25% and the benchmark interest rate for demand deposits decreased by 36 basis points to 0.36%. Due to the fact that the Bank has maintained a high proportion of demand deposits and the re-pricing of time deposits lagged slightly behind, the average cost of deposits dropped by merely 57 basis points.

The interest expense on deposits for 2008 increased by 37.8% as compared with that of 2007. The increase in the interest expense on deposits was mainly due to the increase in the average cost and the increase in the average balance. Increase in the average cost and average balance of deposits was mainly due to: (1) the cumulative effect of six benchmark interest rate hikes for time deposits announced by PBOC during 2007, which increased the benchmark interest rate of 1-year RMB-denominated deposits to 4.14% from the beginning of 2008 till 8 October 2008, representing an increase of 162 basis points from the beginning of 2007; (2) the extensive adjustment of the capital markets, high interest rate and the abolishment of interest income tax on saving deposits led to an upsurge of personal deposits, and increased the proportion of time deposits in the total customer deposits. In 2008, the Bank actively adjusted the maturity structure of deposits, shortened the average term of time deposits and increased the proportion of time deposits with a term of less than one year, which partially offset the rising cost incurred on deposits.

(2) Interest Expense on Due to Banks and Other Financial Institutions

Interest expense on due to banks and other financial institutions includes interest expense on due to banks and other financial institutions, interest expense on inter-bank borrowing and interest expense on repurchase agreements. Interest expense on due to banks and other financial institutions for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008 and 2007 accounted for 9.5%, 8.1%, 7.5%, 9.0% and 11.5% of the interest expense, respectively.

For the six months ended 30 June 2010, interest expense on due to banks and other financial institutions was RMB7,282 million, representing an increase of 16.0% from RMB6,276 million for the six months ended 30 June 2009. By capitalising market opportunities arising from funds deposited in relation to new stock issuances, the Bank vigorously developed third-party fiduciary services, improved the internal and external pricing mechanism of interest rates, actively absorbed the low-cost liabilities and increased the average balance of due to banks and other financial institutions, and thus effectively lowered the average cost.

Interest expense on due to banks and other financial institutions of the Bank amounted to RMB13,021 million for 2009, representing a decrease of 18.8% as compared with that of 2008. The decrease was mainly due to the decrease in average cost from 1.79% in 2008 to 1.30%, partially offset by the increase in the average balance. By capitalising the ample liquidity in the inter-bank market and the brisk trades on the capital market, the Bank actively absorbed low-cost liabilities and increased the proportion of the deposits with relatively low interest rate in due to banks and other financial institutions, thus effectively lowered the average cost.

Interest expense on due to banks and other financial institutions for 2008 amounted to RMB16,043 million, representing an increase of 4.8% as compared with that of 2007. The increase was due to the slight increase in the average cost from 1.73% in 2007 to 1.79% and the increase in average balance by RMB11,402 million. The increase in the average cost was mainly due to the in-depth adjustment of capital markets in 2008, which decreased the proportion of due to banks and other financial institutions with relatively low average cost. The decrease of average LIBOR in 2008 dragged down the average interest cost incurred on the repurchase agreements, and partially offset the rise in the average cost of the due to banks and other financial institutions.

(3) Interest Expense on Subordinated Bonds

The Bank's interest expense on subordinated bonds for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008, and 2007 accounted for 1.7%, 1.1%, 0.7%, 0.7%, and 0.9% of interest expense, respectively.

For the six months ended 30 June 2010, interest expense on subordinated bonds was RMB1,289 million, representing an increase of 125.3% from RMB572 million for the six months ended 30 June 2009. The increase was mainly attributable to the issuance of RMB40 billion subordinated bonds by the Bank in July 2009, of which RMB24 billion applied a fixed interest rate of 4.00%.

In 2009, the Bank's interest expense on subordinated bonds amounted to RMB1,790 million, representing an increase of 44.2% as compared with that of 2008, mainly due to the growth of average balance by RMB18,087 million, partially offset by the decrease of 18 basis points in the average cost. The increase in the average balance was attributable to the Bank's issuance of RMB40 billion subordinated bonds in July 2009.

In 2008, the Bank's interest expense on subordinated bonds amounted to RMB1,241 million, representing an increase of 5.1% as compared with that of 2007, mainly due to the average cost increased from 3.37% to 3.55%. The increase in the average cost is mainly due to the increase in the coupon rate for the floating-rate subordinate bonds issued by the Bank in 2005 compared to the previous year.

(II) Non-interest Income

The Bank is dedicated to diversifying its sources of income, and has been proactively developing intermediary business in recent years. Non-interest income primarily includes net fee and commission income and other non-interest related gains. For the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008, and 2007, the Bank's non-interest income accounted for 20.8%, 20.6%, 21.6%, 15.2%, and 12.8% of operating income, respectively. The percentage of non-interest income increased consecutively in recent years, which implied a continuous improvement in the revenue structure. The following table illustrates the major components of the Bank's non-interest income during the period indicated.

Unit: In RMB millions

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Fee and commission income	39,055	29,291	59,042	46,711	40,015
Less: Fee and commission expense	2,166	1,547	3,895	2,709	1,656
Net fee and commission income	36,889	27,744	55,147	44,002	38,359
Other non-interest related gain/(loss)	727	4,300	8,443	3,156	(5,396)
Total	**37,616**	**32,044**	**63,590**	**47,158**	**32,963**

For the six months ended 30 June 2010, the Bank's non-interest income amounted to RMB37,616 million, representing an increase of 17.4% compared to the RMB32,044 million in the same period of last year. The Bank's non-interest income for 2009, 2008, and 2007 were RMB63,590 million, RMB47,158 million, and RMB32,963 million, respectively, representing an increase of 34.8% from 2008 to 2009 and an increase of 43.1% from 2007 to 2008. The CAGR from 2007 to 2009 was 38.9%. The primary driver of the significant growth in non-interest income was the Bank's steadfast adherence to the income structure diversification strategy, accelerating innovated development, adjustment of the operating structure, and the parallel development of traditional intermediary business and emerging intermediary business, which all achieved obvious results.

1. Net Fee and Commission Income

Net fee and commission income is the largest component of the Bank's non-interest income. The Bank's net fee and commission income for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008, and 2007 accounted for 98.1%, 86.7%, 86.6%, 93.3%, and 116.4% of non-interest income, respectively. The following table illustrates the major components of the Bank's net fee and commission income during the period indicated.

Unit: In RMB millions

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Settlement, clearing business and cash management	9,546	7,102	14,587	13,002	9,215
Investment banking business	8,666	7,143	12,539	8,028	4,505
Personal wealth management and private banking services	7,166	5,546	12,059	10,327	15,994
Bank card business	6,186	4,355	9,408	7,199	5,372
Corporate wealth management services	3,436	1,836	4,442	2,788	1,949
Guarantee and commitment business	1,518	1,460	2,396	1,849	563
Asset custody business	1,499	1,034	2,212	2,066	1,465
Trust and agency services	524	431	882	756	584
Others	514	384	517	696	368
Fee and commission income	**39,055**	**29,291**	**59,042**	**46,711**	**40,015**
Less: Fee and commission expense	**2,166**	**1,547**	**3,895**	**2,709**	**1,656**
Net fee and commission income	**36,889**	**27,744**	**55,147**	**44,002**	**38,359**

For the six months ended 30 June 2010, the Bank's net fee and commission income was RMB36,889 million, representing an increase of 33.0% over RMB27,744 million in the same period of last year. The Bank's 2009, 2008, and 2007 net fee and commission income were RMB55,147 million, RMB44,002 million, and RMB38,359 million, respectively, representing a 25.3% increase in 2009 compared to 2008, and a 14.7% increase in 2008 compared to 2007, and a CAGR from 2007 to 2009 was 19.9%.

During the reporting period, the Bank followed the paradigm of diversified and balanced development of intermediary businesses, in line with the changes in market environment and in the customer demands, vigorously expedited the innovation of products and services, accelerated the channel building, extended the customer resources and enhanced the management level, pushed to expand in the intermediary business market, and fee and commission income realised a trend of rapid growth.

(1) Settlement, Clearing Business and Cash Management

Settlement, clearing business and cash management income primarily includes the income from settlement, clearing and cash management services. For the six months ended 30 June 2010, the Bank's income from settlement, clearing business and cash management was RMB9,546 million, representing an increase of 34.4% over RMB7,102 million for the six months ended 30 June 2009, which was mainly because the Bank sustained rapid growth of income from RMB settlement, cash and account management business and trade finance. An increase of 12.2% for 2009 compared to 2008 mainly because of the steady growth of income from RMB settlement and cash and account management. The 41.1% increase for 2008 compared to 2007 primarily resulted from increased income from RMB settlement, international settlement, and corporate account management business.

(2) Investment Banking Business

Commission income for investment banking business primarily includes financial advisory services, investment and financing advisory services, restructuring and M&A consulting, syndicated loan arrangement services and undertaking of debt financing instruments on the interbank market. Commission from the Bank's investment banking business for the six months ended 30 June 2010 was RMB8,666 million, representing an increase of 21.3% over RMB7,143 million over the same period of the previous year, mainly because the Bank achieved rapid increase in income from innovative businesses such as M&A and reorganisation, equity finance, assets transfer and trading while seeing continuous growth of income from enterprise information service and management of syndicated loans. An increase of 56.2% in 2009 compared to 2008 is primarily because the Bank seized favourable opportunities and boosted the growth of income from businesses such as investment and financing advisory services, syndicated loan management, and undertaking of debt financing instruments on the interbank market. The growth in 2008 compared to 2007 was 78.2%, mainly due to the continuous increase in income from investment and financing advisory services, general financial advisory services, and enterprise information services, as well as the undertaking of debt financing instruments on the interbank market.

(3) Personal Wealth Management and Private Banking Services

For the six months ended 30 June 2010, the Bank's income from personal wealth management and private banking services was RMB7,166 million, representing an increase of 29.2% over RMB5,546 million in the same period of the previous year, which was mainly due to the rapid growth of income from life insurance products agency services, personal banking wealth management products and private banking. An increase of 16.8% in 2009 compared to 2008 mainly due to the rapid growth of income from personal wealth management products and life insurance products agency services. With the turnaround of the capital market and the intensified marketing efforts, the income from personal fund agency services increased by RMB373 million or 10.2%. Compared to 2007, the 2008 numbers showed a reduction of 35.4%, primarily due to the sharp decline of income from personal fund agency services caused by the downturn of capital markets.

(4) Bank Card Business

Commission income from bank card business primarily includes annual fees from the Bank's debit cards and credit cards, merchant transaction fees, instalment fees and transaction fees charged for services provided for bank cards issued by other banks. For the six months ended 30 June 2010, the Bank's income from bank card business was RMB6,186 million, representing an increase of 42.0% over RMB4,355 million in the same period of the previous year, mainly due to the notable growth of bank card issuance and consumption which raised the consumption rebate income, instalment payment and settlement charges on bank cards. With a 30.7% increase in 2009 compared to 2008, and a 34.0% increase in 2008 compared to 2007, the CAGR from 2007 to 2009 was 32.3%, maintaining a relatively fast growth, primarily due to the notable growth of the number of new cards issued and bank card consumption, which raised the settlement, consumption rebate income and the administrative charges on instalment payment, as well as an increase in the annual fee income charged on bank cards.

(5) Corporate Wealth Management Services

Income from corporate wealth management services primarily includes income generated from distributing government bonds and other debt securities, distributing property insurance and other insurance products, sales and management of corporate wealth management products and third party custodian services. For the six months ended 30 June 2010, the Bank's income from corporate wealth management services was RMB3,436 million, representing an increase of 87.1% over RMB1,836 million in the same period of the previous year. Such increase was mainly due to the increase in commission income, promotion fee and investment management fee resulted from the rapid growth in the sales volume of corporate wealth management products. With a 59.3% increase in 2009 compared to 2008, and a 43.0% increase in 2008 compared to 2007, the CAGR from 2007 to

2009 was 51.0%, primarily due to the increase of commission income and management fee resulted from the rapid growth in the sales volume of corporate wealth management products and the increase in operating income from treasury bond issuance agency services and the third party fiduciary services.

2. Other Non-interest Related Gain/(Loss)

The following table illustrates the primary components of the Bank's other non-interest related gain/(loss) during the period indicated.

Unit: In RMB millions

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Net trading income/(expense)	(322)	488	(75)	1,883	1,351
Net loss on financial assets and liabilities designated at fair value through profit or loss	(124)	(117)	(129)	(699)	(1,415)
Net gain/(loss) on financial investments	89	3,349	7,339	(367)	499
Other operating income/(expense), net	1,084	580	1,308	2,339	(5,831)
Total	**727**	**4,300**	**8,443**	**3,156**	**(5,396)**

For the six months ended 30 June 2010, the Bank's other non-interest income was RMB727 million, representing a decrease of 83.1% compared to RMB4,300 million in the same period of the previous year, mainly because net gain on financial investments of the Bank fell by RMB3,260 million. In 2009, the Bank's other non-interest gain was RMB8,443 million, with an increase of 167.5% compared to RMB3,156 million in 2008, among which, the net gain on financial investments increased by RMB7,706 million. This is primarily because the Bank strengthened the treasury operation and enhanced the efficiency of funds deployment. Compared to a loss of RMB5,396 million for 2007, in 2008 there showed an increase of RMB8,552 million, turning net loss from 2007 to net gain, primarily due to the Bank's proactive adjustment of the currency mix of assets and liabilities, dramatically reducing net exposure to foreign currencies, thereby leading to dramatic reductions in net loss in foreign exchange and foreign exchange products.

(1) Net trading Income/(Expense)

The Bank's net trading expense for the six months ended 30 June 2010 was RMB322 million, representing a decrease of 166.0% compared to the net trading income of RMB488 million in the same period of the previous year. Such decrease was mainly attributable to the net trading income from derivatives of RMB134 million for the six months ended 30 June 2009 had turned into a net trading expense of RMB857 million for the six months ended 30 June 2010. Compared to 2008, in 2009 there showed a decrease of 104.0%, primarily due to the Bank's gain on debt securities decrease from RMB1,943 million in 2008 to RMB349 million in 2009. The 39.4% increase in 2008 compared to 2007 was primarily due to the sharp increase in gain on debt securities.

(2) Net Loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

The Bank's net loss on financial assets and liabilities designated at fair value through profit or loss for the six months ended 30 June 2010 was RMB124 million, representing an increase of 6.0% compared to RMB117 million for the same period last year. In 2009, 2008, and 2007, the Bank's net losses from changes at fair value was RMB129 million, RMB699 million, and RMB1,415 million, respectively.

(3) Net Gain/(Loss) on Financial Investments

Net gain or loss on financial investments includes dividend income from unlisted investments, dividend income from listed investments and net gain on disposal of available-for-sale investments. The Bank's net gain on financial investments for the six months ended 30 June 2010 was RMB89 million, while net gain for the six months ended 30 June 2009 was RMB3,349 million. In 2009, 2008, and 2007, the Bank's net gain or loss on financial investments were RMB7,339 million gain, RMB367 million loss, and RMB499 million gain, respectively.

(III) Operating Expenses

The Bank's operating expenses include premises and equipment expenses, staff costs, business tax and surcharges amortisation of assets, and other expenses. The following table illustrates the major items of the Bank's operating expenses during the periods shown.

Unit: In RMB millions

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Premises and equipment expenses	8,896	7,592	16,760	15,017	14,042
Staff costs	30,784	26,437	60,490	53,252	54,899
Business tax and surcharges	10,350	8,850	18,157	18,765	14,511
Amortisation	652	686	1,361	1,300	1,174
Others	11,187	9,483	24,051	23,001	20,034
Total	**61,869**	**53,048**	**120,819**	**111,335**	**104,660**

The Bank's operating expenses for the six months ended 30 June 2010 were RMB61,869 million, representing an increase of 16.6% over RMB53,048 million in the same period last year. In 2009, 2008, and 2007, the Bank's operating expenses were RMB120,819 million, RMB111,335 million, and RMB104,660 million respectively. With an 8.5% increase in 2009 compared to 2008, and a 6.4% increase in 2008 compared to 2007, the CAGR from 2007 to 2009 was 7.4%.

During the reporting period, the continued increases in the Bank's operating expenses were primarily attributed to meeting the Bank's ever-increasing business development needs; in particular, the Bank enhanced the investment in service channel building in order to upgrade the channel marketing competence and service level and improve the degree of customer satisfaction.

Staff costs were the primary component of the operating expenses. The following table illustrates the primary components of the Bank's staff costs during the period indicated.

Unit: In RMB million

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Salaries and bonuses	20,834	17,879	38,769	35,169	27,159
Staff benefits	5,749	5,050	11,187	10,846	10,679
Contributions to defined contribution schemes	4,023	3,508	6,334	5,237	4,561
Early retirement benefits	178	—	4,200	2,000	12,500
Total staff costs	**30,784**	**26,437**	**60,490**	**53,252**	**54,899**

The Bank's staff costs for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008, and 2007 were RMB30,784 million, RMB60,490 million, RMB26,437 million, RMB53,252 million, and RMB54,899 million, respectively, and the change remained reasonable.

(IV) Impairment Losses

Impairment losses primarily include impairment losses on loans and other assets. The following table illustrates the major items of the Bank's impairment losses during the period indicated.

Unit: In RMB millions

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Impairment losses on due from banks and other financial institutions	1	(1)	(3)	(121)	22
Impairment losses on loans and advances	9,743	9,248	21,682	36,512	33,061
Impairment losses on available-for-sale financial assets	(115)	693	781	16,485	3,135
Impairment losses on held-to-maturity investments	(86)	205	136	1,616	110
Impairment losses on property and equipment	—	—	—	16	536
Impairment losses on other assets	150	67	689	954	542
Total	**9,693**	**10,212**	**23,285**	**55,462**	**37,406**

1. Impairment Losses on Loans to Customers

Impairment losses on loans to customers are the largest component of the Bank's impairment losses. The Bank's impairment losses on loans to customers for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008, and 2007 accounted for 100.5%, 93.1%, 90.6%, 65.8%, and 88.4% of impairment losses, respectively. In the six months ended 30 June 2010, impairment losses increased by 5.4% over the same period of the previous year. The Bank's impairment losses on loans to customers in 2009 were 40.6% less than that in 2008, mainly because the Bank strengthened the control over loan risks, and intensified its efforts on the disposal and recovery of non-performing loans, thereby gradually improving the loan quality. The Bank's impairment losses on loans in 2008 increased by 10.4% compared to 2007, primarily due to the growth of outstanding loans and the impact of the macro-economic environment on credit risks.

2. Impairment Losses on Available-for-Sale Financial Assets

The Bank's impairment losses on available-for-sale financial assets for the six months ended 30 June 2010, 2009, the six months ended 30 June 2009, 2008, and 2007 were -1.2%, 3.4%, 6.8%, 29.7%, and 8.4% of impairment losses, respectively. The Bank's impairment losses on available-for-sale financial assets for 2009 were 95.3% less than that in 2008, primarily due to the decrease of impairment loss on foreign currency-denominated debt securities. The Bank's impairment losses on available-for-sale financial assets for 2008 grew by 425.8% than 2007, primarily due to the increase of impairment loss on foreign currency-denominated debt securities.

(V) Income Tax Expense

The following table illustrates the composition of the Bank's income tax expense during the period indicated.

Unit: In RMB millions

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Current income tax	25,292	18,627	38,405	42,289	40,572
Adjustments in respect of current income tax of prior year	474	—	3,765	400	(1,890)
Deferred income tax expense/(credit)	(115)	437	(4,272)	(8,539)	(5,558)
Total	**25,651**	**19,064**	**37,898**	**34,150**	**33,124**

The Bank's income tax expense for the six months ended 30 June 2010 was RMB25,651 million, representing an increase of RMB6,587 million or 34.6% from RMB19,064 million for the six months ended 30 June 2009, which was mainly attributable to the increase in profit before tax by approximately 28.9% as compared to the same period of the previous year. In 2009, the Bank's income tax expense increased by 11.0% over that for 2008, primarily due to growth in pre-tax income. The Bank's income tax expense for 2008 grew by 3.1% over that for 2007, primarily due to a 26.0% increase in the Bank's pre-tax income, as well as the implementation of the new income tax laws executed in 2008, reducing the income tax rate from 33% to 25%, which partially offset the impact of increased pre-tax income on income tax expense.

The following table illustrates the relationship between the Bank's income tax expense and accounting profits during the period indicated.

Unit: In RMB millions

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Profit before tax	**110,616**	**85,788**	**167,294**	**145,376**	**115,378**
Tax at the PRC statutory income tax rate [(1)]	27,654	21,447	41,824	36,344	38,075
Effects of different applicable rates of tax prevailing in other countries/regions	(50)	(58)	(161)	(112)	(371)
Non-deductible expenses [(2)]	320	336	3,307	2,049	1,906
Non-taxable income [(3)]	(2,593)	(2,445)	(5,271)	(4,335)	(6,446)
Profits and losses attributable to associates and jointly-controlled entities	(313)	(241)	(497)	(494)	—
Effects of change in tax rate on deferred income tax	—	—	—	—	1,636
Adjustments in respect of current and deferred income tax of prior years	474	—	(1,716)	400	(1,890)
Others	159	25	412	298	214
Tax expense at the Bank's effective income tax rate	**25,651**	**19,064**	**37,898**	**34,150**	**33,124**

Notes:

(1) Tax rate at the PRC statutory income tax rate in 2007 was 33%, while in 2008, 2009 and the six months ended 30 June 2010 was 25%.

(2) Non-deductible expenses mainly represent non-deductible impairment provision and write-offs.

(3) The non-taxable income mainly represents interest income arising from PRC government bonds, which is exempted from income tax.

(VI) Net Profit

The Bank's net profit increased by 27.3% from RMB66,724 million for the six months ended 30 June 2009 to RMB84,965 million in the six months ended 30 June 2010. It increased from RMB82,254 million in 2007 by 35.2% to RMB111,226 million in 2008, and further increased by 16.3% to RMB129,396 million in 2009.

E. Recent Development

The unaudited consolidated financial statements of the Bank prepared in accordance with IFRS for the nine months ended 30 September 2010 (the "**2010 Third Quarter Financial Statements**"), are included on pages 11 to 18 in our third quarterly report of 2010 published as an announcement by the Bank on 28 October 2010 (the "**2010 Third Quarterly Report**"). The 2010 Third Quarter Financial Statements (but not any other part of our 2010 Third Quarterly Report) are incorporated by reference into this prospectus and forms part of this prospectus. The 2010 Third Quarterly Report has been released on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com) under "Investor Relations – Financial Information – Financial Reports" on 28 October 2010.

I. BRIEF ANALYSIS ON OVERALL OPERATING ACTIVITIES IN THE THIRD QUARTER OF 2010

Set out below are the highlights of the operating results of the Bank for the nine months ended 30 September 2010:

For the nine months ended 30 September 2010, net profit amounted to RMB127,795 million, representing an increase of 27.10% over the same period of 2009. Net interest income was RMB221,663 million, representing an increase of 24.36% over the same period of 2009, principally due to the increase in the scale of interest-generating assets and the continuously slight rise in net interest margin. Net fee and commission income was RMB54,563 million, representing an increase of 32.88% over the same period of 2009. Net profit attributable to equity holders of the parent company was RMB127,216 million, representing an increase of 27.19% over the same period of 2009. Cost-to-income ratio was 28.69%.

As at 30 September 2010, total assets amounted to RMB13,417,887 million, representing an increase of RMB1,632,834 million or 13.86% as compared to the end of 2009. Total loans and advances to customers amounted to RMB6,571,512 million, representing an increase of RMB842,886 million or 14.71% from the end of the 2009. In terms of the structure of loans and advances to customers, corporate loans amounted to RMB4,547,045 million, personal loans amounted to RMB1,550,095 million, discounted bills amounted to RMB134,215 million, and overseas loans and others amounted to RMB340,157 million. Loan-to-deposit ratio was 59.15%.

Total liabilities amounted to RMB12,658,382 million, representing an increase of RMB1,552,263 million or 13.98% as compared to the end of 2009. Due to customers was RMB11,282,590 million, representing an increase of RMB1,511,313 million or 15.47% from the end of 2009. In terms of the structure of deposits, time deposits amounted to RMB5,417,228 million, demand deposits amounted to RMB5,689,355 million and others amounted to RMB176,007 million.

Shareholders' equity was RMB759,505 million, representing an increase of RMB80,571 million or 11.87% as compared to the end of 2009.

According to the five-tier classification of loans, the balance of non-performing loans (NPLs) amounted to RMB75,731 million, representing a decrease of RMB12,736 million as compared to the end of 2009. The NPL ratio was 1.15%, representing a decrease of 0.39 percentage point as compared to the end of 2009. The ratio of allowance to NPL was 210.16%, an increase of 45.75 percentage points as compared to the end of 2009.

The core capital adequacy ratio was 9.33% and the capital adequacy ratio was 11.57%, both meeting regulatory requirements. The capital adequacy ratio increased by 0.23 percentage point compared to the end of June 2010, primarily due to the replenishment of the Bank's supplementary capital by the issuance of convertible corporate bonds. In addition, the Bank successfully issued subordinated bonds in an amount of RMB22 billion in the China national inter-bank bond market during 10-14 September 2010. This issue of subordinated bonds was made on a revolving basis within the approved limit and is used to substitute for the redeemed portion of the subordinated bonds issued in 2005. The proceeds from this issue of subordinated bonds have been used to replenish the supplementary capital of the Bank in accordance with applicable laws and as approved by the regulatory authorities.

II. SIGNIFICANT CHANGES IN MAJOR FINANCIAL STATEMENT ITEMS AND FINANCIAL INDICATORS IN THE THIRD QUARTER OF 2010 AND THE REASONS THEREOF

Unit: In RMB millions, except for percentages

Item	30 September 2010	31 December 2009	Increase/ Decrease (%)	Main reasons for change
Cash and balances with central banks	2,266,208	1,693,048	33.85	Mandatory reserve deposits with central banks increased
Derivative financial assets	10,254	5,758	78.08	Valuation of derivative financial instruments increased
Other assets	156,848	109,115	43.75	Other receivables increased
Financial liabilities designated at fair value through profit or loss	8,340	15,831	(47.32)	Structured deposits designated at fair value decreased
Derivative financial liabilities	10,416	7,773	34.00	Valuation of derivative financial instruments increased
Repurchase agreements	2,999	36,060	(91.68)	Placement of pledged bonds decreased
Certificates of deposit and notes payable	8,406	1,472	471.06	Certificates of deposit and notes payable issued by overseas institutions increased
Retained profits	189,081	118,760	59.21	Profit for the period increased

Unit: In RMB millions, except for percentages

Item	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Increase/ Decrease (%)	Main reasons for change
Net fee and commission income	54,563	41,061	32.88	The volume of settlement, clearing and cash management, bank card business, wealth management and asset custody businesses increased
Net trading income/ (expense)	(566)	161	(451.55)	Losses on hedging derivatives increased
Net gain on financial investments	120	6,507	(98.16)	Gains on investment in bonds and other financial instruments decreased
Other operating income/(expense), net	2,048	275	644.73	Income from exchange rate and foreign exchange products increased
Share of profits and losses of associates and jointly-controlled entities	1,877	1,387	35.33	Income of associates for the period increased
Income tax expense	38,529	28,440	35.47	Income tax expense increased due to the increase in profit for the period

F. Indebtedness Statement

The following sets out the Bank's indebtedness at the close of business of 30 September 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus:

Indebtedness

As at 30 September 2010, the Bank had the following indebtedness:

Callable subordinated bonds in the aggregate amount of RMB13,000 million issued through open market bidding in 2005, which have a term of 15 years. We have the option to redeem all or part of the bonds at face value prior to their maturity dates;

Callable subordinated bonds in the aggregate amount of RMB40,000 million issued through open market bidding in 2009, of which RMB16,000 million have a term of 10 years and RMB24,000 million have a term of 15 years. We have the option to redeem all or part of the bonds at face value prior to their maturity dates;

Callable subordinated bonds in the aggregate amount of RMB22,000 million issued through open market bidding in 2010, of which RMB5,800 million have a term of 10 years and RMB16,200 million have a term of 15 years. We have the option to redeem all or part of the bonds at face value prior to their maturity dates;

A Share Convertible Corporate Bonds with a total face value of RMB25,000 million issued through the Shanghai Stock Exchange on 31 August 2010, which have a term of six years, from 31 August 2010 to 31 August 2016. The conversion period shall commence from 1 March 2011 and shall end on 31 August 2016; and

Notes issued in the aggregate principal amount of US$14.02 million (with a carrying value of RMB93.94 million).

In addition, as at 30 September 2010, we had deposits from customers, amounts due to banks and other financial institutions, certificates of deposits issued, balances under repurchase agreements, credit commitments, acceptance, issued letters of guarantee and letters of credit, other commitments and contingencies, including outstanding litigation, that arise from our ordinary course of business.

Except as disclosed above, as at 30 September 2010, the Bank did not have any outstanding mortgages, charges, debentures, or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees, or other material contingent liabilities.

The Bank's directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of the Bank since 30 September 2010.

G. Working Capital

Rule 9.20(1), Rule 11.06 and paragraph 30 of Appendix 1B of the Hong Kong Listing Rules require this prospectus to include a statement by the Directors that, in their opinion, the working capital available to the Bank is sufficient or, if not, how it is proposed to provide the additional working capital the Directors consider to be necessary.

The Bank is of the view that the traditional concept of "working capital" does not apply to banking businesses such as the Bank and such a statement on working capital sufficiency, if so included, would not provide significant information for Shareholders and the Bank's investors. For banking businesses, the capital adequacy ratio is a more appropriate indicator of solvency. The Bank, as a bank incorporated in the PRC, is regulated by, among others, the CBRC and the PBOC. The CBRC has imposed minimum capital adequacy requirements on commercial banks operating in the PRC. The Bank is subject to capital adequacy requirements as promulgated by the CBRC and the information disclosed in this prospectus clearly demonstrates that the Bank has complied with and remains in compliance with the capital adequacy requirements imposed by the Bank's regulators. Accordingly, the Bank is of the view that notwithstanding the absence of a statement on working capital sufficiency, the inclusion of information regarding the Bank's capital adequacy ratios for the three years ended 31 December 2009, the six months ended 30 June 2009 and 2010 and the nine months ended 30 September 2010 in this prospectus will provide sufficient information to Shareholders and the Bank's investors to properly assess the H Share Rights Issue. In view of the above and also the extensive resources the Bank will have to divert to provide such statement, the Hong Kong Stock Exchange has granted the Bank a waiver from complying with the working capital statement requirements under Rule 9.20(1), Rule 11.06 and paragraph 30 of Appendix 1B of the Hong Kong Listing Rules.

For illustrative purpose, the financial information prepared in accordance with paragraph 4.29 of the Hong Kong Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Bank might be affected by completion of the Rights Issue as if the Rights Issue had been completed on 30 June 2010. The statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the Bank's financial condition on the completion of the Rights Issue.

I. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Statement of unaudited pro forma consolidated net tangible assets of the Bank

The unaudited pro forma statement of adjusted consolidated net tangible assets ("the Unaudited Pro Forma Financial Information") of the Bank has been prepared by the Directors of the Bank in accordance with paragraph 4.29 of the Hong Kong Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Bank as if the Rights Issue had taken place on 30 June 2010.

The Unaudited Pro Forma Financial Information of the Bank is prepared based on the unaudited consolidated net assets as at 30 June 2010, as extracted from the unaudited consolidated financial statements of the Bank for the six months ended 30 June 2010 as set out in the Unaudited Financials for the Six Months Ended 30 June 2010 in Appendix I to this prospectus, with the pro forma adjustment described below.

The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Bank following the Rights Issue as at the date to which it is made up or at any future date.

		Rights shares to be issued of no more than RMB44,948 million on the basis of 0.45 shares for every 10 shares held		No. of Shares outstanding	
		RMB million	**RMB per share**	**(million)**	
Unaudited consolidated net assets of the Bank attributable to equity holders of the Bank as at 30 June 2010	*Note 1*	*704,279*	2.11	334,019	*Note 4*
Less: adjustment for goodwill and intangible assets	*Note 2*	*29,918*	—	—	
Adjusted consolidated net tangible assets of the Bank attributable to the equity holders of the Bank as at 30 June 2010		674,361	2.02	334,019	
Estimated net proceeds from Rights Issue	*Note 3*	*44,708*	—	15,031	*Note 5*
Unaudited pro forma adjusted consolidated net tangible assets of the Bank as at 30 June 2010 attributable to the equity holders of the Bank after completion of Rights Issue		719,069	2.06	349,050	

Note 1: The unaudited consolidated net assets of the Bank attributable to equity holders of the Bank as at 30 June 2010 is extracted from the financial report of the Bank for the six months ended 30 June 2010 as set out in the Unaudited Financials for the Six Months Ended 30 June 2010 in Appendix I to this prospectus.

Note 2: The unaudited consolidated intangible assets of the Bank attributable to the equity holders of the Bank as at 30 June 2010 represent goodwill (RMB6,546 million) and other intangible assets (RMB23,372 million), with no minority interests.

Note 3: The net proceeds from the Rights Issue have deducted the Bank's trading fee payable and other expense.

Note 4: The unaudited pro forma consolidated net tangible assets per share of the Bank attributable to the equity holders of the Bank as at 30 June 2010 and prior to completion of the Rights Issue is calculated based on the number of shares in issue of 334,018,850,026 on the Record Date.

Note 5: The number of shares used for calculation of unaudited pro forma adjusted consolidated net tangible assets per share attributable to the equity holders of the Bank immediately after completion of the Rights Issue is calculated based on 349,049,698,276 shares in issue (the issued shares number 15,030,848,250 is based on the 0.45 per every 10 share according to the issued share number 334,018,850,026 on the Record Date).

II. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Bank.

Accountants' Report on Unaudited Pro Forma Financial Information

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

TO THE DIRECTORS OF INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

We report on the unaudited pro forma adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group"), which have been prepared by the directors of the Bank (the "Directors") for illustrative purposes only, to provide information about how the rights issue on the basis of 0.45 rights shares for every 10 existing H Shares at HK$3.49 each in the capital of the Bank might have affected the financial information presented, for inclusion on pages II-1 and II-2 in Appendix II to the prospectus of the Bank dated 29 November 2010 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Part I of Appendix II to the Prospectus.

Responsibilities

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future dates.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong, 29 November 2010

I. RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Bank. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

II. SHARE CAPITAL

(I) The registered share capital of the Bank as at the Latest Practicable Date was RMB334,018,850,026 and does not include any of the A Rights Shares or H Rights Shares.

(II) The issued share capital of the Bank as at the Latest Practicable Date was, and immediately following completion of the Rights Issue (assuming no new Shares issued by the Bank between the Latest Practicable Date and the Record Date) will be as follows:

As at the Latest Practicable Date:	
A Shares	250,962,348,064
H Shares	83,056,501,962
Rights Shares to be issued upon completion of the Right Issue:	
A Shares	11,293,305,662(1)
H Shares	3,737,542,588(2)
Total:	349,049,698,276

Notes:

(1) Assuming the A Share Rights Issue becomes unconditional and the A Rights Shares are fully subscribed for.

(2) Assuming the H Share Rights Issue becomes unconditional and the H Rights Shares are fully subscribed for.

(III) All A Shares and H Shares presently in issue rank pari passu in all respects as regards voting, dividends, distributions and return of capital.

(IV) The H Rights Shares to be allotted and issued pursuant to the H Share Rights Issue will, when issued and fully paid, rank pari passu in all respects with the H Shares then in issue as regards voting, dividends, distributions and return of capital.

(V) The H Shares in issue are listed on the Hong Kong Stock Exchange. The A Shares in issue are listed on the Shanghai Stock Exchange. Save as disclosed above, no part of the share capital or any other securities of the Bank is listed or dealt in on any other stock exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Bank to be listed or dealt in on any other stock exchange.

(VI) As at the Latest Practicable Date, save for the A Share Convertible Corporate Bonds, the Bank was not a party to any agreement to issue new Shares and none of the members of the Bank had any other outstanding options or convertible securities.

III. DISCLOSURE OF INTERESTS

(I) Directors' and Supervisors' Interests

As at the Latest Practicable Date, the following supervisor is deemed to be interested in the A Shares of the Bank held by his spouse within the meaning of Part XV of the SFO:

Name of supervisor	Capacity	Number of A Shares held (share)	Nature of Interests	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
Zhu Lifei	Interest of spouse	18,000	Long position	0.000007	0.000005

Save as disclosed above in this section 3(a), as at the Latest Practicable Date, none of the directors or supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the SFO) which have to be notified to the Bank and the Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or any interests or short positions which have to be recorded in the register under Section 352 of the SFO, or any interests or short positions which have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

(II) Substantial shareholders and persons having notifiable interests or short positions pursuant to Divisions 2 and 3 of Part XV of the SFO

Save as disclosed in this section 3(b), the Directors, Supervisors and chief executive of the Bank are not aware of any other person (other than (i) the Directors, Supervisors and chief executives of the Bank, and (ii) members of the Bank) who, as at the Latest Practicable Date, had an interest or short position in the Shares, the underlying Shares which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Bank.

The following persons, as at the Latest Practicable Date, had an interest or short position in the Shares, the underlying Shares which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO:

HOLDER OF A SHARES

Name of substantial shareholder	Capacity	Number of A Shares held (share)	Nature of Interests	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
MOF	Beneficial owner	118,006,174,032	Long position	47.02	35.33
Huijin(1)	Beneficial owner	118,006,174,032	Long position	47.02	35.33

Note:

(1) According to the register of shareholders as at the Latest Practicable Date, Huijin held 118,316,816,139 shares in the Bank.

HOLDER OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
SSF	Beneficial owner	15,774,285,559	Long position	18.99	4.72
The Goldman Sachs Group, Inc.	Beneficial owner	10,139,783,324	Long position		
	Interest of controlled corporations	159,943,599	Long position		
	Total	10,299,726,923		12.40	3.08
Nomura Holdings, Inc.	Interest of controlled corporations	4,909,233,950	Long position	5.91	1.47
	Interest of controlled corporations	3,862,033,001	Short position	4.65	1.16
JPMorgan Chase & Co.	Beneficial owner	419,635,947	Long position		
	Investment manager	1,323,428,200	Long position		
	Custodian corporation / approved lending agent	2,421,908,503	Long position		
	Total	4,164,972,650		5.01	1.25
	Beneficial owner	359,910,249	Short position	0.43	0.11
Capital Research and Management Company	Investment manager	5,011,970,000	Long position	6.03	1.50

The following persons, as at the Latest Practicable Date, were interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Bank:

Member of the Bank	Name of the Shareholder	Percentage interest in share capital of group member (%)
Industrial and Commercial Bank of China (Canada) Limited	The Bank of East Asia, Limited	30
ICBC Credit Suisse Asset Management Co., Ltd.	Credit Suisse	25
ICBC Credit Suisse Asset Management Co., Ltd.	China Ocean Shipping (Group) Company	20
Industrial and Commercial Bank of China (Macau) Limited	Huen Wing Ming	10.634

(III) None of the Directors or Supervisors or experts named in the section headed "VII. Expert" in this Appendix, had any interest, direct or indirect, in any assets which have been, since the date to which the latest published audited accounts of the Bank were made up, acquired or disposed of by or leased to any member of the Bank, or are proposed to be acquired or disposed of by or leased to any member of the Bank.

(IV) As at the Latest Practicable Date, none of the Directors or Supervisors or experts named in the section headed "VII. Expert" in this Appendix, was materially interested in any contract or arrangement which was significant in relation to the business of the Bank taken as a whole.

(V) Upon completion of the Rights Issue, it is expected that both MOF and Huijin will be legal persons who hold domestic Shares which will constitute more than 10% of the existing issued share capital of the Bank.

MOF, being a constituent part of the State Council, is the department responsible for the macro control of various matters which includes overseeing the country's fiscal revenue, formulating expenditure and taxation policies and effecting financial supervision. Its address is No. 3, Nansanxiang, Sanlihe, Xi Cheng District, Beijing, the PRC. Assuming MOF will subscribe for all the Rights Shares to which it is entitled to pursuant to its undertaking to the Bank, MOF shall hold 123,316,451,864 A Shares upon completion of the Rights Issue. Huijin is a wholly state-owned company established under the PRC Company Law. Huijin, currently a wholly-owned subsidiary of China Investment Corporation, makes equity investment in key state-owned financial institutions pursuant to the authority granted by the State Council, and to the extent of its capital contribution, exercises the rights and fulfil the obligations as a contributor in such financial institutions on behalf of the state pursuant to applicable laws, to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial activities nor does it intervene the daily operations of the key state-owned financial institutions for which it has a controlling interest. Its address is New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing, the PRC. Assuming Huijin will subscribe for all the Rights Shares to which it is entitled to pursuant to its undertaking to the Bank, Huijin shall hold 123,641,072,864 A Shares upon completion of the Rights Issue.

IV. Foreign Exchange Restrictions

Set out below are restrictions affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong:

(I) PRC enterprises (including foreign-invested enterprises) which require foreign transactions relating to current account items may, without the approval of SAFE, effect payment into foreign exchange accounts at the designated foreign exchange banks if the enterprises have valid proof of such requirements. Foreign-invested enterprises which require foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which in accordance with regulations are required to pay dividends to shareholders in foreign exchange (like us), may, on the strength of shareholders' general meeting resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks; and

(II) convertibility of foreign exchange in respect of capital account items, including direct investments and capital contributions, is still subject to restrictions, and prior approval from SAFE must be obtained.

V. Litigation

As at the Latest Practicable Date, no member of the Bank was engaged in any material litigation or arbitration and there was no material litigation or claim known to the Directors to be pending or threatened by or against any member of the Bank.

VI. Service Contracts

As at the Latest Practicable Date, none of the Directors or Supervisors has entered into any existing or proposed service contracts with the Bank save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

VII. Expert

The following is the qualification of the expert who has given its opinion or advice which is contained in this prospectus:

Name	Qualification	Nature of report /advice	Date of report / advice
Ernst & Young	Certified Public Accountants	Report on the unaudited pro forma financial information	29 November 2010
King & Wood PRC Lawyers	Qualified PRC legal adviser	PRC legal opinion	30 September 2010

Ernst & Young has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Ernst & Young did not have any shareholding in any member of the Bank or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Bank.

VIII. Documents Delivered to the Registrar of Companies

The Prospectus Documents and the written consent of Ernst & Young as referred to under the paragraph headed "VII. Expert" in this appendix have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance.

IX. Material Contracts

Set out below is the information on the material contracts, not being contracts entered into in the ordinary course of business, which were entered into by the Bank during the two years immediately preceding the date of this prospectus and up to the Latest Practicable Date:

(I) a share sale agreement between the Bank and The Bank of East Asia, Limited dated 4 June 2009 pursuant to which the Bank agreed to purchase from The Bank of East Asia, Limited 70% of the issued and outstanding common shares of The Bank of East Asia (Canada), for a cash consideration of CAD80,249,120;

(II) a shareholders agreement among the Bank, The Bank of East Asia, Limited and The Bank of East Asia (Canada) dated 28 January 2010 in relation to The Bank of East Asia (Canada);

(III) a share purchase agreement between the Bank and The Bank of East Asia, Limited dated 4 June 2009, pursuant to which the Bank agreed to sell to The Bank of East Asia, Limited 15,000,000 ordinary shares in ICEA Finance Holdings Limited, representing 75% of the issued share capital of ICEA Finance Holdings Limited for a cash consideration of HK$372,154,045;

(IV) a sale and purchase agreement dated 29 September 2009 between the Bank and Bangkok Bank Public Company Limited, pursuant to which the Bank agreed to purchase from Bangkok Bank

Public Company Limited 306,264,561 ordinary shares of ACL BANK Public Company Limited, representing approximately 19.26% of all the issued shares of ACL BANK Public Company Limited, for 3,522,042,451.5 Baht;

(V) the Underwriting Agreement; and

(VI) the share purchase agreement dated 28 October 2010 between the Bank, AXA CHINA and China Minmetals Corporation, pursuant to which the Bank will purchase part of AXA CHINA's equity interest in AXAMinmetals Assurance Co., Ltd. (the "**Joint Venture Company**") and part of China Minmetals Corporation's equity interest in the Joint Venture Company, totalling 60% equity interest in the Joint Venture in consideration of RMB1.2 billion.

X. Material Adverse Change

The Directors are not aware of any material adverse change in the financial or trading position of the Bank since 31 December 2009, the date to which the latest published audited accounts of the Bank were made up.

XI. General

(I) The expenses in connection with the H Share Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges, are estimated to amount to approximately HK$160 million and will be payable by the Bank. The expenses in connection with the A Share Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges, are estimated to amount to approximately RMB103 million (equivalent to approximately HK$120 million) and will be payable by the Bank.

(II) As at the Latest Practicable Date, none of the Directors or Supervisors or Ernst & Young had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Bank since 31 December 2009 (being the date to which the latest published audited financial statements of the Bank were made up) or proposed to be so acquired, disposed of or leased to any member of the Bank.

(III) In the event of any inconsistency, the English language text of this document shall prevail over the Chinese language text.

XII. Documents Available for Inspection

Copies of the following documents will be available for inspection at the office of Linklaters at 10th Floor, Alexandra House, Chater Road, Hong Kong during normal business hours from the date of this prospectus up to and including 13 December 2010:

(I) the Articles;

(II) the audited financial statements for the three years ended 31 December 2007, 2008 and 2009;

(III) the unaudited financial statements of the Bank for the six months ended 30 June 2010;

(IV) the report on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(V) the material contracts referred to in the section headed "IX. Material Contracts" in this Appendix;

(VI) the written consent referred to in the section headed "VII. Expert" in this Appendix;

(VII) a circular of the Bank dated 29 July 2010 in relation to, among other things, the Rights Issue;

(VIII) the announcement of the Bank dated 10 November 2010 in relation to the Rights Issue; and

(IX) the legal opinion issued by King & Wood PRC Lawyers dated 30 September 2010.