

2010 Business Performance Review

30 March 2011, Hong Kong – Industrial and Commercial Bank of China (Asia) Limited (“ICBC (Asia)”) has achieved a consolidated profit after tax of HK\$3,003 million in 2010, representing a significant increase of 19% over the previous year and making a record of the highest profit of the Bank.

In 2010, ICBC (Asia)’s net interest income increased by 19% to HK\$3,587 million as compared to 2009. The growth was mainly contributed by the 24% increase in average interest-earning assets. Net fee and commission income amounted to HK\$705 million. The ratio of non-interest income to total operating income was 24%.

Operating expenses increased by 8% to HK\$1,472 million as compared to the same period of 2009. The cost to income ratio decreased from 32.4% in 2009 to 31.2% in 2010, mainly due to the increase in total operating income and the effective cost control over the year.

The consolidated impairment losses decreased by HK\$316 million to HK\$262 million in 2010. For 2010, impairment losses of HK\$262 million were made on loans and advances to customers as compared to HK\$386 million in 2009. There was no impairment loss on available-for-sale financial investments in 2010, as compared to HK\$195 million in 2009.

As at 31 December 2010, ICBC (Asia)’s total asset amounted to HK\$266.9 billion, representing an increase of 24% as compared to 31 December 2009.

Loans and customers’ deposits reached HK\$185.1 billion and HK\$193.5 billion respectively, representing an increase of 26% and 20% respectively as compared to the end of 2009.

As at 31 December 2010, total certificates of deposits issued amounted to HK\$10.6 billion, representing an increase of 344% as compared to 31 December 2009.

Under the Bank's prudent risk management policy, the asset quality continuously remained at a satisfactory level. As at the end of 2010, impaired loans amounted to HK\$1,008 million while the impaired loan ratio was only 0.54%, which represented a decrease of 0.38% from 0.92% at the end of 2009 and was better than the average level of the industry. The capital adequacy ratio remained at a relatively high level of 14.9% at the end of 2010. The average liquidity ratio was 42.9% (2009: an average of 40.2%).

During the year, the Bank continued implementing the branch network restructuring project by relocating the Kwun Tong Branch and establishing the new Lok Ma Chau Branch. As at 31 December 2010, the total number of branches increased to 45. In addition, the Bank started to renovate the branches progressively in order to enhance the overall appearance of the branches.

In order to meet the huge demands for RMB financial services from the customers, ICBC (Asia) launched a series of innovative RMB financial products and services. It leveraged on the leading market position and the distinguished business strength of its parent company ICBC in the Mainland China, in order to advocate product innovation and service enhancement with synergy effect. The launch of "Cross Border Renminbi Service" during the year provided all-round financial services to customers, including RMB cross-border settlement, RMB fund exchange, RMB trade finance, RMB loan and cross-border cash management services. Meanwhile, RMB certificate of deposit and RMB life insurance plan also enriched the variety of wealth management services for customers. The Bank has now become one of the major RMB financial service providers in Hong Kong market.

During the year, the parent company ICBC completed the privatization of ICBC (Asia), which was officially delisted from the Stock Exchange of Hong Kong on 21 December 2010 and became a wholly-owned subsidiary of ICBC. The management of the Bank stated that the privatization represented ICBC Group's another significant strategic plan on the long-term development in Hong Kong market. It would further accelerate the synergy between ICBC (Asia) and ICBC and also enable ICBC (Asia) to expand its business developments.

Looking ahead, Mr. Chen Aiping, Managing Director and Chief Executive Officer of ICBC (Asia), stated "ICBC (Asia) will continuously strengthen itself in order to fully develop its roles of the bridgehead of overseas businesses and the pioneer in internationalization of ICBC. Meanwhile, we are dedicated to offering comprehensive and quality financial services to our customers."

Consolidated Income Statement
For the year ended 31 December 2010

	2010 HK\$'000	Restated 2009 HK\$'000	Change %
Interest income	5,504,458	4,479,068	23%
Interest expense	<u>(1,917,115)</u>	<u>(1,469,872)</u>	30%
Net interest income	3,587,343	3,009,196	19%
Fee and commission income	<u>852,164</u>	<u>831,606</u>	2%
Fee and commission expense	<u>(147,245)</u>	<u>(87,395)</u>	68%
Net fee and commission income	704,919	744,211	-5%
Net trading income	369,299	214,338	72%
Net gain on financial assets and liabilities designated at fair value through profit or loss	27,338	193,215	-86%
Dividend income from financial investments	4,590	6,476	-29%
Other operating income	<u>20,690</u>	<u>22,745</u>	-9%
Operating income	4,714,179	4,190,181	13%
Operating expenses	<u>(1,472,482)</u>	<u>(1,360,943)</u>	8%
Operating profit before impairment losses	3,241,697	2,829,238	15%
Charge for impairment losses on loans and advances	(261,770)	(385,536)	-32%
Write-back of impairment losses on held-to-maturity financial investments	234	2,145	-89%
Charge for impairment losses on available-for-sale financial investments	-	<u>(195,058)</u>	-100%
Operating profit after impairment losses	2,980,161	2,250,789	32%
Revaluation gain on investment properties	7,552	6,087	24%
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment	2,039	3,850	-47%
Gain on disposal of loans and advances	30,543	-	-
Net gain on disposal of available-for-sale financial investments	615,908	782,300	-21%
Gain on disposal of subsidiaries and an associate	-	<u>1,328</u>	-100%
Operating profit	3,636,203	3,044,354	19%
Share of profits of associates	17,810	23,243	-23%
Profit before tax	3,654,013	3,067,597	19%
Income tax expense	<u>(650,797)</u>	<u>(544,059)</u>	20%
Profit for the year and attributable to equity holders	3,003,216	2,523,538	19%
Earnings per share	HK\$2.25	HK\$1.95	15%

Consolidated Statement of Financial Position

As at 31 December 2010

	31 December 2010 HK\$'000	Restated 31 December 2009 HK\$'000	Change %
Assets			
Cash and balances with banks and other financial institutions	33,921,821	27,910,582	22%
Placements with and advances to banks and other financial institutions	3,900,683	1,663,286	135%
Financial assets held for trading	205,666	190,246	8%
Financial assets designated at fair value through profit or loss	951,345	1,162,149	-18%
Derivative financial instruments	1,884,841	1,134,116	66%
Loans and advances to customers, banks and other financial institutions	185,058,428	147,024,582	26%
Financial investments:	36,808,071	33,653,175	9%
- Available-for-sale	35,644,015	32,361,666	10%
- Held-to-maturity	1,164,056	1,291,509	-10%
Investment in an associate	192,987	175,177	10%
Goodwill and other intangible assets	1,016,647	1,020,893	0%
Investment properties	53,765	46,213	16%
Property, plant and equipment	501,851	514,191	-2%
Other assets	2,442,348	1,305,150	87%
Total assets	266,938,453	215,799,760	24%
Liabilities			
Deposits from banks and other financial institutions	27,878,692	20,176,700	38%
Derivative financial instruments	2,429,252	1,252,642	94%
Deposits from customers at amortised cost	193,543,551	161,161,561	20%
Certificates of deposit issued	10,637,832	2,394,546	344%
- Designated at fair value through profit or loss	884,795	1,419,077	-38%
- At amortised cost	9,753,037	975,469	900%
Debt securities in issue	217,393	159,526	36%
- Designated at fair value through profit or loss	108,799	-	-
- At amortised cost	108,594	159,526	-32%
Current income tax liabilities	249,108	1,531,204	-84%
Deferred income tax liabilities	114,831	224,386	-49%
Subordinated debts measured at amortised cost	9,519,448	8,561,125	11%
Other liabilities	2,199,515	2,070,476	6%
Total liabilities	246,789,622	197,532,166	25%
Equity			
Share capital	2,704,123	2,636,681	3%
Retained earnings	6,823,447	5,172,225	32%
Other reserves	10,621,261	10,458,688	2%
Total equity	20,148,831	18,267,594	10%
Total equity and liabilities	266,938,453	215,799,760	24%

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Industrial and Commercial Bank of China (Asia) Limited

Industrial and Commercial Bank of China (Asia) Limited (“ICBC (Asia)”) is a licensed bank incorporated in Hong Kong. It has 45 branches, 11 “Elite Club” Wealth Management Centres and 4 commercial business centres in Hong Kong. It is principally engaged in banking, financial and other financial related services with focus on retail banking, commercial banking as well as corporate banking business. Chinese Mercantile Bank and ICBC (Asia) Investment Management Company Limited, the wholly-owned subsidiaries of ICBC (Asia), are specialized in the RMB services in Mainland China and the investment management businesses with a focus on Asia respectively. ICBC (Asia) is the flagship of Hong Kong banking business of Industrial and Commercial Bank of China Limited, the largest commercial bank in the Mainland China (in terms of total assets). Up to 7 May 2010, ICBC (Asia) was assigned A2/Prime-1 long-term/short-term deposit ratings and C– Bank Financial Strength Rating (BFSR) by Moody’s Investors Service while the outlook on all ratings is stable. On 5 May 2010, Fitch Ratings assigned ‘1’ Support Rating and ‘C’ Individual Rating to ICBC (Asia).

Industrial and Commercial Bank of China Limited

Industrial and Commercial Bank of China Limited, previously known as Industrial and Commercial Bank of China, was established in Beijing on 1 January 1984. ICBC was wholly restructured to a joint-stock limited company on 28 October 2005. On 27 October 2006, it was listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong (SSE Stock Code: 601398, HKEx Stock Code: 1398), which was the largest scale of IPO in the capital market at that time.