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中国建设银行
China Construction Bank

中國建設銀行股份有限公司

CHINA CONSTRUCTION BANK CORPORATION

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

(Stock Code: 939)

ANNOUNCEMENT OF ANNUAL RESULTS 2011

SUMMARY OF RESULTS

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the audited results, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board, of the Bank and its subsidiaries (collectively the "Group") for the year ended 31 December 2011. The annual results have been reviewed by the audit committee of the Bank's board of directors.

FINANCIAL HIGHLIGHTS

(Expressed in millions of RMB unless otherwise stated)	2011	2010	Change (%)	2009	2008	2007
For the year						
Net interest income	304,572	251,500	21.10	211,885	224,920	192,775
Net fee and commission income	86,994	66,132	31.55	48,059	38,446	31,313
Other operating income	7,837	8,148	(3.82)	9,370	6,381	(3,371)
Operating income	399,403	325,780	22.60	269,314	269,747	220,717
Operating expenses	(144,537)	(121,366)	19.09	(105,146)	(99,193)	(92,327)
Impairment losses	(35,783)	(29,292)	22.16	(25,460)	(50,829)	(27,595)
Profit before tax	219,107	175,156	25.09	138,725	119,741	100,816
Net profit	169,439	135,031	25.48	106,836	92,642	69,142
Net profit attributable to equity shareholders of the Bank	169,258	134,844	25.52	106,756	92,599	69,053
As at 31 December						
Net loans and advances to customers	6,325,194	5,526,026	14.46	4,692,947	3,683,575	3,183,229
Total assets	12,281,834	10,810,317	13.61	9,623,355	7,555,452	6,598,177
Deposits from customers	9,987,450	9,075,369	10.05	8,001,323	6,375,915	5,329,507
Total liabilities	11,465,173	10,109,412	13.41	9,064,335	7,087,890	6,175,896
Total equity attributable to equity shareholders of the Bank	811,141	696,792	16.41	555,475	465,966	420,977
Share capital	250,011	250,011	-	233,689	233,689	233,689
Core capital	750,660	634,683	18.27	491,452	431,353	386,403
Supplementary capital	189,855	144,906	31.02	139,278	86,794	83,900
Net capital	924,506	762,449	21.25	608,233	510,416	463,182
Risk-weighted assets	6,760,117	6,015,329	12.38	5,197,545	4,196,493	3,683,123
Per share (In RMB)						
Basic and diluted earnings per share	0.68	0.56	21.43	0.45	0.40	0.30
Interim cash dividend declared during the year	-	-	NA	-	0.1105	0.067
Final cash dividend proposed after the reporting period	0.2365	0.2122	11.45	0.202	0.0837	0.065
Special cash dividend declared during the year	-	-	NA	-	-	0.072716
Net assets per share	3.27	2.80	16.79	2.39	2.00	1.81

Financial ratios (%)	2011	2010	Change +/(-)	2009	2008	2007
Profitability indicators						
Return on average assets[1]	1.47	1.32	0.15	1.24	1.31	1.15
Return on average equity	22.51	22.61	(0.10)	20.87	20.68	19.50
Net interest spread	2.57	2.40	0.17	2.30	3.10	3.07
Net interest margin	2.70	2.49	0.21	2.41	3.24	3.18
Net fee and commission income to operating income	21.78	20.30	1.48	17.84	14.25	14.19
Cost-to-income ratio	36.19	37.25	(1.06)	39.04	36.77	41.83
Loan-to-deposit ratio	65.05	62.47	2.58	60.24	59.50	61.40
Capital adequacy indicators						
Core capital adequacy ratio[2]	10.97	10.40	0.57	9.31	10.17	10.37
Capital adequacy ratio[2]	13.68	12.68	1.00	11.70	12.16	12.58
Total equity to total assets	6.65	6.48	0.17	5.81	6.19	6.40
Asset quality indicators						
Non-performing loan ratio	1.09	1.14	(0.05)	1.50	2.21	2.60
Allowances to non-performing loans	241.44	221.14	20.30	175.77	131.58	104.41
Allowances to total loans	2.64	2.52	0.12	2.63	2.91	2.72

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the year.
2. Calculated in accordance with the guidelines issued by the CBRC.

Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	2011	2010	Variance(%)
Interest income	**482,247**	377,783	27.65
Interest expense	**(177,675)**	(126,283)	40.70
Net interest income	**304,572**	251,500	21.10
Fee and commission income	**89,494**	68,156	31.31
Fee and commission expense	**(2,500)**	(2,024)	23.52
Net fee and commission income	**86,994**	66,132	31.55
Net trading gain	**388**	3,509	(88.94)
Dividend income	**158**	228	(30.70)
Net gain arising from investment securities	**1,756**	1,903	(7.72)
Other operating income, net	**5,535**	2,508	120.69
Operating income	**399,403**	325,780	22.60
Operating expenses	**(144,537)**	(121,366)	19.09
	254,866	204,414	24.68
Impairment losses on:			
– Loans and advances to customers	**(32,403)**	(25,641)	26.37
– Others	**(3,380)**	(3,651)	(7.42)
Impairment losses	**(35,783)**	(29,292)	22.16
Share of profits less losses of associates and jointly controlled entities	**24**	34	(29.41)
Profit before tax	**219,107**	175,156	25.09
Income tax expense	**(49,668)**	(40,125)	23.78
Net profit	**169,439**	135,031	25.48

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2011	2010	Variance(%)
Other comprehensive income:			
Loss of available-for-sale financial assets arising during the year	**(966)**	(8,183)	(88.20)
Less: Income tax relating to available-for-sale financial assets	**318**	1,995	(84.06)
Reclassification adjustments for loss/(gain) included in profit or loss	**265**	(288)	(192.01)
	(383)	(6,476)	(94.09)
Exchange difference on translating foreign operations	**(1,577)**	(1,057)	49.20
Others	**42**	33	27.27
Other comprehensive income for the year, net of tax	**(1,918)**	(7,500)	(74.43)
Total comprehensive income for the year	**167,521**	127,531	31.36
Net profit attributable to:			
Equity shareholders of the Bank	**169,258**	134,844	25.52
Non-controlling interests	**181**	187	(3.21)
	169,439	135,031	25.48
Total comprehensive income attributable to:			
Equity shareholders of the Bank	**167,401**	127,363	31.44
Non-controlling interests	**120**	168	(28.57)
	167,521	127,531	31.36
Basic and diluted earnings per share (in RMB Yuan)	**0.68**	0.56	21.43

Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	2011	2010	Variance(%)
Assets:			
Cash and deposits with central banks	**2,379,809**	1,848,029	28.78
Deposits with banks and non-bank financial institutions	**276,752**	78,318	253.37
Precious metals	**22,718**	14,495	56.73
Placements with banks and non-bank financial institutions	**109,040**	63,962	70.48
Financial assets at fair value through profit or loss	**23,096**	17,344	33.16
Positive fair value of derivatives	**14,127**	11,224	25.86
Financial assets held under resale agreements	**200,045**	181,075	10.48
Interest receivable	**56,776**	44,088	28.78
Loans and advances to customers	**6,325,194**	5,526,026	14.46
Available-for-sale financial assets	**675,058**	696,848	(3.13)
Held-to-maturity investments	**1,743,569**	1,884,057	(7.46)
Debt securities classified as receivables	**300,027**	306,748	(2.19)
Interests in associates and jointly controlled entities	**2,069**	1,777	16.43
Fixed assets	**94,222**	83,434	12.93
Land use rights	**16,457**	16,922	(2.75)
Intangible assets	**1,660**	1,310	26.72
Goodwill	**1,662**	1,534	8.34
Deferred tax assets	**21,410**	17,825	20.11
Other assets	**18,143**	15,301	18.57
Total assets	**12,281,834**	10,810,317	13.61

Consolidated statement of financial position (continued)

(Expressed in millions of RMB, unless otherwise stated)

	2011	2010	Variance(%)
Liabilities:			
Borrowings from central banks	**2,220**	1,781	24.65
Deposits from banks and non-bank financial institutions	**966,229**	683,537	41.36
Placements from banks and non-bank financial institutions	**78,725**	66,272	18.79
Financial liabilities at fair value through profit or loss	**33,656**	15,287	120.16
Negative fair value of derivatives	**13,310**	9,358	42.23
Financial assets sold under repurchase agreements	**10,461**	4,922	112.54
Deposits from customers	**9,987,450**	9,075,369	10.05
Accrued staff costs	**35,931**	31,369	14.54
Taxes payable	**47,189**	34,241	37.81
Interest payable	**80,554**	65,659	22.69
Provisions	**5,180**	3,399	52.40
Debt securities issued	**168,312**	93,315	80.37
Deferred tax liabilities	**358**	243	47.33
Other liabilities	**35,598**	24,660	44.36
Total liabilities	**11,465,173**	10,109,412	13.41
Equity:			
Share capital	**250,011**	250,011	-
Capital reserve	**135,178**	135,136	0.03
Investment revaluation reserve	**6,383**	6,706	(4.82)
Surplus reserve	**67,576**	50,681	33.34
General reserve	**67,342**	61,347	9.77
Retained earnings	**289,266**	195,950	47.62
Exchange reserve	**(4,615)**	(3,039)	51.86
Total equity attributable to equity shareholders of the Bank	**811,141**	696,792	16.41
Non-controlling interests	**5,520**	4,113	34.21
Total equity	**816,661**	700,905	16.52
Total liabilities and equity	**12,281,834**	10,810,317	13.61

Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 1 January 2011	**250,011**	**135,136**	**6,706**	**50,681**	**61,347**	**195,950**	**(3,039)**	**4,113**	**700,905**
Movements during the year	**-**	**42**	**(323)**	**16,895**	**5,995**	**93,316**	**(1,576)**	**1,407**	**115,756**
(1) Total comprehensive income for the year	**-**	**42**	**(323)**	**-**	**-**	**169,258**	**(1,576)**	**120**	**167,521**
(2) Changes in share capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,325**	**1,325**
i Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**599**	**599**
ii Capital injection by non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**435**	**435**
iii Non-controlling interests of new subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**315**	**315**
iv Change in shareholdings in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(24)**	**(24)**
(3) Profit distribution	**-**	**-**	**-**	**16,895**	**5,995**	**(75,942)**	**-**	**(38)**	**(53,090)**
i Appropriation to surplus reserve	**-**	**-**	**-**	**16,895**	**-**	**(16,895)**	**-**	**-**	**-**
ii Appropriation to general reserve	**-**	**-**	**-**	**-**	**5,995**	**(5,995)**	**-**	**-**	**-**
iii Appropriation to equity shareholders	**-**	**-**	**-**	**-**	**-**	**(53,052)**	**-**	**(38)**	**(53,090)**
As at 31 December 2011	**250,011**	**135,178**	**6,383**	**67,576**	**67,342**	**289,266**	**(4,615)**	**5,520**	**816,661**

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 1 January 2010	233,689	90,266	13,163	37,421	46,806	136,112	(1,982)	3,545	559,020
Movements during the year	16,322	44,870	(6,457)	13,260	14,541	59,838	(1,057)	568	141,885
(1) Total comprehensive income for the year	-	33	(6,457)	-	-	134,844	(1,057)	168	127,531
(2) Changes in share capital	16,322	44,837	-	-	-	-	-	440	61,599
i Rights issue	16,322	44,837	-	-	-	-	-	-	61,159
ii Capital injection by non-controlling interests	-	-	-	-	-	-	-	106	106
iii Non-controlling interests of new subsidiaries	-	-	-	-	-	-	-	334	334
(3) Profit distribution	-	-	-	13,260	14,541	(75,006)	-	(40)	(47,245)
i Appropriation to surplus reserve	-	-	-	13,260	-	(13,260)	-	-	-
ii Appropriation to general reserve	-	-	-	-	14,541	(14,541)	-	-	-
iii Appropriation to equity shareholders	-	-	-	-	-	(47,205)	-	(40)	(47,245)
As at 31 December 2010	250,011	135,136	6,706	50,681	61,347	195,950	(3,039)	4,113	700,905

Consolidated statement of cash flows

(Expressed in millions of RMB, unless otherwise stated)

	2011	2010
Cash flows from operating activities		
Profit before tax	**219,107**	175,156
Adjustments for:		
– Impairment losses	**35,783**	29,292
– Depreciation and amortisation	**12,497**	11,827
– Unwinding of discount	**(1,413)**	(799)
– Revaluation loss/(gain) on financial instruments at fair value through profit or loss	**1,396**	(1,659)
– Share of profit less losses of associates and jointly controlled entities	**(24)**	(34)
– Dividend income	**(158)**	(228)
– Unrealised foreign exchange loss	**3,013**	1,847
– Interest expense on subordinated bonds issued	**3,561**	3,282
– Net gain on disposal of investment securities	**(1,756)**	(1,903)
– Net gain on disposal of fixed assets and other long-term assets	**(489)**	(455)
	271,517	216,326
Changes in operating assets:		
Net increase in deposits with central banks and with banks and non-bank financial institutions	**(479,504)**	(485,985)
Net increase in placements with banks and non-bank financial institutions	**(39,399)**	(2,490)
Net increase in loans and advances to customers	**(849,238)**	(869,732)
Net (increase)/decrease in financial assets held under resale agreements	**(18,952)**	408,498
Increase in other operating assets	**(35,472)**	(19,954)
	(1,422,565)	(969,663)
Changes in operating liabilities:		
Net increase in borrowings from central banks	**530**	1,806
Net increase in placements from banks and non-bank financial institutions	**14,509**	29,407
Net increase in deposits from customers and from banks and non-bank financial institutions	**1,212,274**	992,829
Net increase in financial assets sold under repurchase agreements	**5,540**	4,899
Net increase/(decrease) in certificates of deposit issued	**36,447**	(1,967)
Income tax paid	**(41,897)**	(37,921)
Increase in other operating liabilities	**48,659**	23,645
	1,276,062	1,012,698
Net cash from operating activities	**125,014**	259,361

Consolidated statement of cash flows(continued)

(Expressed in millions of RMB, unless otherwise stated)

	2011	2010
Cash flows from investing activities		
Proceeds from sale and redemption of investments	**1,146,554**	1,371,120
Dividends received	**160**	229
Proceeds from disposal of fixed assets and other long-term assets	**1,409**	713
Purchase of investment securities	**(971,164)**	(1,696,728)
Purchase of fixed assets and other long-term assets	**(23,312)**	(20,452)
Acquisition of subsidiaries, associates and jointly controlled entities	**(1,063)**	(18)
Net cash from/(used in) investing activities	**152,584**	(345,136)
Cash flows from financing activities		
Rights issue	**-**	61,159
Issue of subordinated bonds	**39,945**	-
Capital contribution by non-controlling interests	**750**	440
Dividends paid	**(53,078)**	(47,232)
Repayments of debt securities issued	**-**	(2,870)
Interest paid on bonds issued	**(3,200)**	(3,298)
Cash paid relating to other financing activities	**(51)**	-
Net cash (used in)/from financing activities	**(15,634)**	8,199
Effect of exchange rate changes on cash and cash equivalents	**(4,800)**	(1,374)
Net increase/(decrease) in cash and cash equivalents	**257,164**	(78,950)
Cash and cash equivalents as at 1 January	**301,299**	380,249
Cash and cash equivalents as at 31 December	**558,463**	301,299
Cash flows from operating activities include:		
Interest received	**461,477**	362,523
Interest paid, excluding interest expense on bonds issued	**(159,565)**	(116,793)

Notes:

1 The IFRS financial statements of the Group for the year ended 31 December 2011 will be available on the website of The Stock Exchange of Hong Kong Limited. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.*

2 Except for the new IFRS and amendments effective for the year ended 31 December 2011 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2010.

3 Unless otherwise stated, the financial figures are expressed in millions of RMB.

4 For the purpose of this results announcement, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC and Taiwan.

5 Net gain arising from investment securities

	2011	2010
Net gain on sale of available-for-sale financial assets	**813**	1,103
Net revaluation gain reclassified from other comprehensive income on disposal	**810**	735
Net gain on sale of held-to-maturity investments	**133**	65
Total	**1,756**	1,903

6 Operating expenses

	2011	2010
Staff costs		
– Salaries, bonuses, allowances and subsidies	**49,703**	42,652
– Defined contribution retirement schemes	**8,495**	7,206
– Other social insurance and welfare	**6,581**	5,311
– Housing funds	**3,989**	3,409
– Union running costs and employee education costs	**2,013**	1,695
– Supplementary retirement benefits	**387**	432
– Early retirement expenses	**210**	685
– Compensation to employees for termination of employment relationship	**10**	19
	71,388	61,409
Premises and equipment expenses		
– Depreciation charges	**10,397**	9,855
– Rent and property management expenses	**5,177**	4,578
– Maintenance	**2,149**	1,673
– Utilities	**1,643**	1,545
– Others	**1,031**	879
	20,397	18,530
Business taxes and surcharges	**24,229**	18,364
Amortisation expenses	**2,100**	1,972
Audit fees	**153**	148
Other general and administrative expenses	**26,270**	20,943
Total	**144,537**	121,366

7 Income tax expense

(1) Income tax expense

	2011	2010
Current tax	**55,325**	44,846
– Mainland China	**54,812**	44,386
– Hong Kong	**401**	374
– Other countries and regions	**112**	86
Adjustments for prior years	**(2,277)**	196
Deferred tax	**(3,380)**	(4,917)
Total	**49,668**	40,125

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the year respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	2011	2010
Profit before tax	**219,107**	175,156
Income tax calculated at statutory tax rate	**54,777**	43,789
Non-deductible expenses		
– Staff costs	**586**	365
– Others	**678**	632
	1,264	997
Non-taxable income		
– Interest income from PRC government bonds	**(6,606)**	(4,701)
– Others	**(260)**	(156)
	(6,866)	(4,857)
Total	**49,175**	39,929
Adjustments on income tax for prior years which affect profit or loss	**493**	196
Income tax expense	**49,668**	40,125

8 Earnings per share

Basic earnings per share for the year ended 31 December 2011 and 2010 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year ended 31 December 2011 and 2010.

	Note	**2011**	2010
Net profit attributable to shareholders of the Bank		**169,258**	134,844
Weighted average number of shares after Rights Issue (in million shares)	(a)	**250,011**	240,977
Basic and diluted earnings per share attributable to shareholders of the Bank after Rights Issue (in RMB Yuan)		**0.68**	0.56

(a) Weighted average number of ordinary shares after Rights Issue (in million shares)

	2011	2010
Issued ordinary shares	**250,011**	233,689
Weighted average number of shares for Rights Issue		7,288
Weighted average number of shares in issue	**250,011**	240,977

9 Derivatives

(1) Analysed by type of contract

	2011			2010		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**183,660**	**4,252**	**4,434**	181,130	3,493	3,706
Exchange rate contracts	**740,737**	**9,344**	**8,480**	619,449	7,054	5,414
Other contracts	**5,011**	**531**	**396**	3,875	677	238
Total	**929,408**	**14,127**	**13,310**	804,454	11,224	9,358

(2) Analysed by credit risk-weighted amount

	2011	2010
Interest rate contracts	**4,004**	3,491
Exchange rate contracts	**11,900**	7,868
Other contracts	**685**	830
Total	**16,589**	12,189

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period. They do not represent the amounts at risk. The credit risk-weighted amount was computed in accordance with the rules set out by the CBRC and depended on the status of the counterparty and the maturity characteristics. It included customer driven transactions, which were hedged back to back.

10 Deposits from customers

	2011	2010
Demand deposits		
– Corporate customers	**3,576,929**	3,412,050
– Personal customers	**1,839,812**	1,726,159
Subtotal	**5,416,741**	5,138,209
Time deposits (including call deposits)		
– Corporate customers	**1,949,188**	1,608,186
– Personal customers	**2,621,521**	2,328,974
Subtotal	**4,570,709**	3,937,160
Total	**9,987,450**	9,075,369

Deposits from customers include:

		2011	2010
(1)	Pledged deposits		
	– Deposits for acceptance	**104,880**	118,172
	– Deposits for guarantee	**40,570**	34,103
	– Deposits for letter of credit	**59,445**	39,692
	– Others	**158,088**	104,779
	Total	**362,983**	296,746
(2)	Outward remittance and remittance payables	**9,508**	15,895

(3) As at 31 December 2011, the deposits arising from wealth management products with principal guaranteed by the Group were RMB 154,062 million.

11 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows.

	2011	2010
Loan commitments		
– with an original maturity under one year	**129,745**	123,092
– with an original maturity of one year or over	**349,032**	461,785
Credit card commitments	**266,447**	227,478
	745,224	812,355
Bank acceptances	**335,517**	393,671
Financing guarantees	**189,258**	162,824
Non-financing guarantees	**439,322**	446,010
Sight letters of credit	**42,778**	58,135
Usance letters of credit	**203,810**	131,045
Others	**26,040**	31,780
Total	**1,981,949**	2,035,820

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% of contingent liabilities and commitments.

	2011	2010
Credit risk-weighted amount of contingent liabilities and commitments	**929,681**	954,706

(3) Operating lease commitments

The Group leases certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	2011	2010
Within one year	**3,363**	3,002
After one year but within two years	**2,640**	2,319
After two years but within three years	**1,836**	1,766
After three years but within five years	**2,130**	2,171
After five years	**1,467**	1,388
Total	**11,436**	10,646

(4) Capital commitments

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

	2011	2010
Contracted for	**4,793**	3,815
Authorised but not contracted for	**5,802**	1,619
Total	**10,595**	5,434

(5) Underwriting obligations

As at 31 December 2011, there was no unexpired underwriting commitments of the Group (2010: RMB51,846 million).

(6) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2011, were RMB72,205 million (2010: RMB91,578 million).

(7) Outstanding litigation and disputes

As at 31 December 2011, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,173 million (2010: RMB1,976 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with their accounting policies.

12 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group’s accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as “internal net interest income/expense”. Interest income and expense earned from third parties are referred to as “external net interest income/expense”.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, results, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney and Ho Chi Minh City and certain subsidiaries operating in Hong Kong and London.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

– "Yangtze River Delta" refers to the following areas serviced by the subsidiary and tier-1 branches of the Bank: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

– "Pearl River Delta" refers to the following areas serviced by the tier-1 branches of the Bank: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

– "Bohai Rim" refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

– the "Central" region refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area;

– the "Western" region refers to the following areas serviced by the tier-1 branches of the Bank: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

– the "Northeastern" region refers to the following areas serviced by the tier-1 branches of the Bank: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

	2011								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	46,645	24,815	27,473	32,486	36,034	11,469	123,007	2,643	304,572
Internal net interest income/(expense)	7,534	12,700	18,169	12,322	10,936	7,055	(69,224)	508	-
Net interest income	54,179	37,515	45,642	44,808	46,970	18,524	53,783	3,151	304,572
Net fee and commission income	21,011	15,556	13,917	13,360	11,845	5,467	4,692	1,146	86,994
Net trading gain/(loss)	507	465	290	257	259	121	957	(2,468)	388
Dividend income	7	-	-	48	11	-	43	49	158
Net gain arising from investment securities	64	-	5	434	17	41	1,147	48	1,756
Other operating income, net	1,436	378	209	547	863	122	340	1,640	5,535
Operating income	77,204	53,914	60,063	59,454	59,965	24,275	60,962	3,566	399,403
Operating expenses	(27,277)	(19,330)	(22,096)	(24,795)	(23,856)	(10,622)	(13,634)	(2,927)	(144,537)
Impairment losses	(8,811)	(5,611)	(4,218)	(4,780)	(4,666)	(1,604)	(5,727)	(366)	(35,783)
Share of profits less losses of associates and jointly controlled entities	-	-	-	(7)	-	-	-	31	24
Profit before tax	41,116	28,973	33,749	29,872	31,443	12,049	41,601	304	219,107
Capital expenditure	3,631	2,690	3,224	4,522	4,166	1,932	2,546	93	22,804
Depreciation and amortization	2,107	1,451	1,847	2,259	1,978	1,020	1,727	108	12,497
Segment assets	2,309,626	1,773,562	2,241,298	1,874,631	1,982,662	769,288	5,140,899	441,119	16,533,085
Interests in associates and jointly controlled entities	-	-	-	-	-	-	-	2,069	2,069
	2,309,626	1,773,562	2,241,298	1,874,631	1,982,662	769,288	5,140,899	443,188	16,535,154
Deferred tax assets									21,410
Elimination									(4,274,730)
Total assets									12,281,834
Segment liabilities	2,304,167	1,769,903	2,232,283	1,869,614	1,976,095	766,375	4,402,281	418,827	15,739,545
Deferred tax liabilities									358
Elimination									(4,274,730)
Total liabilities									11,465,173
Off-balance sheet credit commitments	565,867	365,648	406,115	245,292	233,361	103,085	12,002	50,579	1,981,949

	2010								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	36,485	19,546	23,000	25,777	30,198	8,368	104,896	3,230	251,500
Internal net interest income/(expense)	8,994	12,488	14,741	11,886	9,638	6,282	(63,899)	(130)	-
Net interest income	45,479	32,034	37,741	37,663	39,836	14,650	40,997	3,100	251,500
Net fee and commission income	16,101	12,173	10,097	9,770	8,799	3,752	4,091	1,349	66,132
Net trading gain	313	362	209	59	143	90	1,124	1,209	3,509
Dividend income	2	-	25	51	64	-	34	52	228
Net gain arising from investment securities	41	8	69	463	102	258	845	117	1,903
Other operating income/(loss), net	487	457	494	451	897	174	(1,601)	1,149	2,508
Operating income	62,423	45,034	48,635	48,457	49,841	18,924	45,490	6,976	325,780
Operating expenses	(21,601)	(16,109)	(18,330)	(20,617)	(20,204)	(8,821)	(12,864)	(2,820)	(121,366)
Impairment losses	(7,596)	(4,289)	(3,119)	(5,547)	(5,580)	(1,689)	(495)	(977)	(29,292)
Share of profits less losses of associates and jointly controlled entities	-	-	-	-	-	-	-	34	34
Profit before tax	33,226	24,636	27,186	22,293	24,057	8,414	32,131	3,213	175,156
Capital expenditure	3,204	1,876	2,563	3,424	3,483	1,962	3,573	74	20,159
Depreciation and amortization	1,966	1,409	1,736	2,098	1,845	915	1,752	106	11,827
Segment assets	2,054,133	1,663,001	1,913,481	1,672,191	1,717,538	694,294	4,781,069	271,052	14,766,759
Interests in associates and jointly controlled entities	-	-	-	-	-	-	-	1,777	1,777
	2,054,133	1,663,001	1,913,481	1,672,191	1,717,538	694,294	4,781,069	272,829	14,768,536
Deferred tax assets									17,825
Elimination									(3,976,044)
Total assets									10,810,317
Segment liabilities	2,050,953	1,659,607	1,907,041	1,669,392	1,715,699	692,888	4,142,555	247,078	14,085,213
Deferred tax liabilities									243
Elimination									(3,976,044)
Total liabilities									10,109,412
Off-balance sheet credit commitments	559,761	322,547	430,258	270,124	265,379	126,394	12,002	49,355	2,035,820

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking activities, card business, personal wealth management services, remittance services and securities agency services, etc.

Treasury business

This segment covers the Group’s treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currency for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group’s overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

	2011				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	181,180	(3,644)	122,483	4,553	304,572
Internal net interest income/(expense)	(21,784)	88,562	(63,185)	(3,593)	-
Net interest income	159,396	84,918	59,298	960	304,572
Net fee and commission income	39,170	29,061	16,841	1,922	86,994
Net trading gain/(loss)	7	688	2,047	(2,354)	388
Dividend income	-	-	-	158	158
Net gain arising from investment securities	-	-	824	932	1,756
Other operating income/(loss), net	782	288	(524)	4,989	5,535
Operating income	199,355	114,955	78,486	6,607	399,403
Operating expenses	(60,023)	(73,361)	(4,309)	(6,844)	(144,537)
Impairment losses	(28,291)	(3,967)	(3,118)	(407)	(35,783)
Share of profits less losses of associates and jointly controlled entities	-	-	-	24	24
Profit before tax	111,041	37,627	71,059	(620)	219,107
Capital expenditure	6,783	14,818	826	377	22,804
Depreciation and amortization	3,717	8,120	453	207	12,497
Segment assets	4,643,350	1,662,434	5,411,041	700,464	12,417,289
Interests in associates and jointly controlled entities	-	-	-	2,069	2,069
	4,643,350	1,662,434	5,411,041	702,533	12,419,358
Deferred tax assets					21,410
Elimination					(158,934)
Total assets					12,281,834
Segment liabilities	5,911,337	4,981,889	160,905	569,618	11,623,749
Deferred tax liabilities					358
Elimination					(158,934)
Total liabilities					11,465,173
Off-balance sheet credit commitments	1,689,179	242,191	-	50,579	1,981,949

	2010				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	150,070	(3,659)	101,116	3,973	251,500
Internal net interest income/(expense)	(14,511)	74,156	(58,441)	(1,204)	-
Net interest income	135,559	70,497	42,675	2,769	251,500
Net fee and commission income	28,563	23,919	11,898	1,752	66,132
Net trading (loss)/gain	(1)	350	1,940	1,220	3,509
Dividend income	-	-	-	228	228
Net gain arising from investment securities	-	-	504	1,399	1,903
Other operating income/(loss), net	754	278	(1,591)	3,067	2,508
Operating income	164,875	95,044	55,426	10,435	325,780
Operating expenses	(50,151)	(62,278)	(3,573)	(5,364)	(121,366)
Impairment losses	(23,557)	(2,176)	(655)	(2,904)	(29,292)
Share of profits less losses of associates and jointly controlled entities	-	-	-	34	34
Profit before tax	91,167	30,590	51,198	2,201	175,156
Capital expenditure	6,065	13,048	777	269	20,159
Depreciation and amortization	3,558	7,655	456	158	11,827
Segment assets	4,343,277	1,361,904	4,684,227	487,968	10,877,376
Interests in associates and jointly controlled entities	-	-	-	1,777	1,777
	4,343,277	1,361,904	4,684,227	489,745	10,879,153
Deferred tax assets					17,825
Elimination					(86,661)
Total assets					10,810,317
Segment liabilities	5,238,032	4,489,333	110,697	357,768	10,195,830
Deferred tax liabilities					243
Elimination					(86,661)
Total liabilities					10,109,412
Off-balance sheet credit commitments	1,781,695	205,092	-	49,033	2,035,820

Unaudited supplementary financial information

(a) Liquidity ratios

	As at 31 December 2011	**Average for the year ended 31 December 2011**	As at 31 December 2010	Average for the year ended 31 December 2010
RMB current assets to RMB current liabilities	**53.70%**	**52.33%**	51.96%	51.66%
Foreign currency current assets to foreign currency current liabilities	**53.54%**	**51.40%**	57.20%	55.70%

The above liquidity ratios are calculated in accordance with the formula promulgated by the China Banking Regulatory Commission.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January, 2007. It requires the disclosure of average liquidity ratio, which being the arithmetic mean of each calendar month's liquidity ratio. The Group prepared liquidity ratio on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

(b) Currency concentrations

	2011			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**358,091**	**181,021**	**119,685**	**658,797**
Spot liabilities	**(276,244)**	**(179,624)**	**(139,599)**	**(595,467)**
Forward purchases	**303,678**	**11,648**	**107,787**	**423,113**
Forward sales	**(383,693)**	**(3,648)**	**(79,593)**	**(466,934)**
Net long position	**1,832**	**9,397**	**8,280**	**19,509**
Net structural position	**15**	**(74)**	**64**	**5**

	2010			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	308,292	130,700	93,394	532,386
Spot liabilities	(225,572)	(125,218)	(86,053)	(436,843)
Forward purchases	254,778	25,861	60,516	341,155
Forward sales	(320,109)	(11,472)	(64,283)	(395,864)
Net long position	17,389	19,871	3,574	40,834
Net structural position	22	173	167	361

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the “HKMA”). The net structural position of the Group includes the structural positions of the Bank’s overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- investments in property and equipment, net of accumulated depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

(c) Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on overseas third parties as cross-border claims.

For the purpose of this unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

Cross-border claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	2011			
	Banks and non-bank financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**19,327**	**675**	**171,002**	**191,004**
– of which attributed to Hong Kong	12,**190**	**-**	142,**388**	154,**578**
Europe	**3,390**	**112**	**66,528**	**70,030**
North and South America	**24,361**	**84**	**57,448**	**81,893**
Total	**47,078**	**871**	**294,978**	**342,927**

	2010			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	43,815	758	114,959	159,532
– of which attributed to Hong Kong	34,712	670	83,822	119,204
Europe	15,738	134	32,845	48,717
North and South America	35,377	1,068	18,927	55,372
Total	94,930	1,960	166,731	263,621

The above cross-border claims are disclosed in accordance with the requirements of the Rules. According to these requirements, "others" includes the transactions with sovereign counterparties.

(d) Overdue loans and advances to customers by geographical sector

	2011	2010
Yangtze River Delta	**8,361**	9,152
Bohai Rim	**6,596**	6,894
Central	**6,331**	5,992
Pearl River Delta	**5,056**	5,278
Western	**3,789**	5,246
Northeastern	**3,116**	3,345
Head office	**1,736**	1,619
Overseas	**192**	122
Total	**35,177**	37,648

The above analysis represents the gross amount of loans and advances overdue for more than 90 days as required by the Rules.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In 2011, the instability and uncertainty over the global economy recovery continues to increase. Recovery in some of the developed economies stagnated with fiscal and financial risks alternately rising, leading to further instability and uncertainty in the economy. Growth has generally slowed down in emerging economies, with some countries facing the challenges of curbing inflation and preventing large inflows and outflows of short-term cross-border capital, hence increasing the difficulty of macro-controls. Against gloomy growth prospects, the major developed economies adopted or maintained loose monetary policies. To cope with new uncertainties in the global economic recovery, there have been divergences in macroeconomic policies at the major emerging economies. According to the International Monetary Fund's report, the global economy grew at 3.8% in 2011, a drop of 1.2 percentage points year-on-year.

The global economic situation remains complex and capricious, with the deeper impact of the global financial crisis continuing to appear. The domestic economic development also faces numerous new situations, new changes and new challenges. However, the inherent power behind the steady growth of China's economy continues to be strong, and there is high possibility that the macro-economy will continue to maintain steady and relatively fast growth. In 2011, China's GDP was RMB47.1 trillion, up 9.2% over 2010, while the consumer price index rose by 5.4% over the previous year.

In 2011, China's economy experienced an orderly transition from policy-driven growth to self-sustained growth. The effect of prudent monetary policies appeared gradually, while monetary credit growth returned to normal levels, compatible with the stable and relatively fast economic growth. The PBC employed a combination of monetary policy tools in order to optimise liquidity management in the banking system, guide the steady re-adjustment of monetary credit growth, maintain a reasonable social financing size, and guide financial institutions to optimise credit structure, including raising the benchmark deposit and lending interest rates three times, raising the statutory deposit reserve ratio six times, and lowering the statutory deposit reserve ratio once. China's financial market operated soundly. Money market transactions were active, with the overall interest rates higher over the previous year. The bond market index moved upward amid fluctuations, alongside a steady expanding bond issuance size. Share market indices fell with declining share trading turnover. Foreign exchange market transactions were active with greater flexibility in RMB exchange rates. Growth in the total money supply slowed down. At the end of 2011, the outstanding broad money M2 rose by 13.6% to RMB85.2 trillion, and the narrow money M1 increased by 7.9% to RMB29.0 trillion. Loans made in RMB increased by 15.8% to RMB54.8 trillion year-on-year.

In line with China's macroeconomic policies and financial business development trend, the Group firmly adhered to its customer-focused operating philosophy, expedited its business transformation, and continued to enhance its core competitiveness and value creation capability.

Statement of Comprehensive Income Analysis

In 2011, the Group recorded profit before tax of RMB219,107 million, up 25.09% over 2010. Net profit was RMB169,439 million, up 25.48% over 2010. The rapid growth of profit before tax and net profit were brought about mainly by the following reasons. First, the net interest margin rose steadily and interest-bearing assets expanded moderately, pushing up net interest income by RMB53,072 million, or 21.10%, year-on-year; second, we were actively engaged in service and product innovation, and as a result, net fee and commission income continued to rise, with an increase of RMB20,862 million, or 31.55%, over 2010; third, operating expenses were controlled at a reasonable level, with the cost-to-income ratio decreasing by 1.06 percentage points over 2010 to 36.19%.

(In millions of RMB, except percentages)	Year ended 31 December 2011	Year ended 31 December 2010	Change (%)
Net interest income	304,572	251,500	21.10
Net fee and commission income	86,994	66,132	31.55
Other operating income	7,837	8,148	(3.82)
Operating income	399,403	325,780	22.60
Operating expenses	(144,537)	(121,366)	19.09
Impairment losses	(35,783)	(29,292)	22.16
Share of profits less losses of associates and jointly controlled entities	24	34	(29.41)
Profit before tax	219,107	175,156	25.09
Income tax expense	(49,668)	(40,125)	23.78
Net profit	169,439	135,031	25.48
Other comprehensive income for the year, net of tax	(1,918)	(7,500)	(74.43)
Total comprehensive income for the year	167,521	127,531	31.36

Net interest income

In 2011, the Group's net interest income was RMB304,572 million, an increase of RMB53,072 million, or 21.10%, over the previous year. The net interest income accounted for 76.26% of the operating income.

The following table shows the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

(In millions of RMB, except percentages)	Year ended 31 December 2011 Average balance	Year ended 31 December 2011 Interest income/ expense	Year ended 31 December 2011 Average yield/cost (%)	Year ended 31 December 2010 Average balance	Year ended 31 December 2010 Interest income/ expense	Year ended 31 December 2010 Average yield/cost (%)
Assets						
Gross loans and advances to customers	6,108,983	347,520	5.69	5,268,333	267,006	5.07
Investments in debt securities	2,745,520	89,716	3.27	2,798,062	79,317	2.83
Deposits with central banks	2,030,564	31,282	1.54	1,530,883	23,226	1.52
Deposits and placements with banks and non-bank financial institutions	212,038	5,841	2.75	125,514	1,810	1.44
Financial assets held under resale agreements	195,695	7,888	4.03	382,047	6,424	1.68
Total interest-earning assets	11,292,800	482,247	4.27	10,104,839	377,783	3.74
Total allowances for impairment losses	(164,389)			(144,792)		
Non-interest-earning assets	383,077			246,530		
Total assets	11,511,488	482,247		10,206,577	377,783	
Liabilities						
Deposits from customers	9,442,374	151,972	1.61	8,482,558	108,199	1.28
Deposits and placements from banks and non-bank financial institutions	870,192	20,464	2.35	840,950	14,367	1.71
Financial assets sold under repurchase agreements	21,724	1,233	5.68	9,676	176	1.82
Debt securities issued	116,807	3,987	3.41	93,425	3,526	3.77
Other interest-bearing liabilities	1,704	19	1.12	674	15	2.23
Total interest-bearing liabilities	10,452,801	177,675	1.70	9,427,283	126,283	1.34
Non-interest-bearing liabilities	282,713			159,658		
Total liabilities	10,735,514	177,675		9,586,941	126,283	
Net interest income		**304,572**			**251,500**	
Net interest spread			**2.57**			**2.40**
Net interest margin			**2.70**			**2.49**

In 2011, the Group's net interest spread and net interest margin were 2.57% and 2.70%, up 17 and 21 basis points respectively, year-on-year.

In 2011, the Group's net interest margin picked up every quarter, largely due to the following reasons. First, loan yields improved steadily, as the pricing level was driven up by the tightening credit resources and the existing loans were repriced based on higher benchmark rates. Second, the yields of discounted bills, placements and financial assets held under resale agreements increased significantly, prompted by a rapid rise in market interest rates over the previous year against the backdrop of the tight market funding situation. Third, bond yields maintained a stable growth trend, through moderately extending bond investment duration and increasing the proportion of credit bonds. The cost of deposits from customers increased due to repricing of existing deposits and increased proportion of time deposits, partially offsetting the effects of the above factors.

The following table shows the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income or expense for 2011 versus 2010.

(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	45,582	34,932	80,514
Investment in debt securities	(1,534)	11,933	10,399
Deposits with central banks	7,744	312	8,056
Deposits and placements with banks and non-bank financial institutions	1,738	2,293	4,031
Financial assets held under resale agreements	(4,264)	5,728	1,464
Change in interest income	49,266	55,198	104,464
Liabilities			
Deposits from customers	13,352	30,421	43,773
Deposits and placements from banks and non-bank financial institutions	518	5,579	6,097
Financial assets sold under repurchase agreements	391	666	1,057
Debt securities issued	821	(360)	461
Other interest-bearing liabilities	14	(10)	4
Change in interest expenses	15,096	36,296	51,392
Change in net interest income	34,170	18,902	53,072

1. Change caused by both average balances and average interest rates was allocated to volume factor and interest rate factor respectively based on the respective proportions of absolute values of volume factor and interest rate factor.

Net interest income increased by RMB53,072 million over the previous year, in which an increase of RMB34,170 million was due to the movement of average balances of assets and liabilities, and an increase of RMB18,902 million was due to the movement of average yields or costs. The proportion of contribution of volume factor and interest rate factor to the increase in net interest income was 64.38% and 35.62% respectively.

Interest income

The Group's interest income in 2011 was RMB482,247 million, an increase of RMB104,464 million, or 27.65%, over 2010. In this amount, the proportion of interest income from loans and advances to customers, investments in debt securities, deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements was 72.06%, 18.60%, 6.49%, 1.21% and 1.64% respectively.

Interest income from loans and advances to customers

The table below shows the average balance, interest income and average yield of each component of the Group's loans and advances to customers.

(In millions of RMB, except percentages)	Year ended 31 December 2011			Year ended 31 December 2010		
	Average balance	**Interest income**	**Average yield (%)**	**Average balance**	**Interest income**	**Average yield (%)**
Corporate loans and advances	4,235,536	251,367	5.93	3,685,105	196,614	5.34
Short-term loans	1,324,473	76,765	5.80	1,073,523	53,226	4.96
Medium to long-term loans	2,911,063	174,602	6.00	2,611,582	143,388	5.49
Personal loans and advances	1,542,583	82,998	5.38	1,241,639	59,929	4.83
Discounted bills	103,349	7,500	7.26	191,771	6,491	3.38
Overseas operations	227,515	5,655	2.49	149,818	3,972	2.65
Gross loans and advances to customers	6,108,983	347,520	5.69	5,268,333	267,006	5.07

Interest income from loans and advances to customers rose by RMB80,514 million, or 30.15%, year-on-year to RMB347,520 million, mainly because the average balance increased steadily by 15.96%, and the average yield increased by 62 basis points over the previous year. The average yield increased largely because of the following reasons. First, from the second half of 2010, the PBC increased benchmark lending rates five times, and the existing loans were repriced based on higher rates, leading to the steady increase in the yields of major loan products. Second, the tight funding situation created positive environment for the improvement in loan pricing, and the Group continued to strengthen the loan pricing management, leading to higher weighted interest rates of newly granted loans. Third, due to various factors including the rising money market interest rates and credit resources scarcity, the average yield of discounted bills rose substantially.

Interest income from investments in debt securities

Interest income from investments in debt securities grew by RMB10,399 million, or 13.11%, to RMB89,716 million over 2010, largely because the Bank seized the favourable opportunity presented by the rising interest rates to improve the duration and structure of RMB-denominated debt securities investments, which resulted in the increase in the average yield of investments in debt securities.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB31,282 million, a year-on-year increase of RMB8,056 million, or 34.69%. This was mainly because the average balance of deposits with central banks rose by 32.64%, in line with increases in the statutory deposit reserve ratio and deposits from customers.

Interest income from deposits and placements with banks and non-bank financial institutions

Interest income from deposits and placements with banks and non-bank financial institutions grew by RMB4,031 million to RMB5,841 million over 2010. This was primarily due to the increase of 1.31 percentage points in average yield of deposits and placements with banks and non-bank financial institutions over the previous year as a result of the tight situation of market funding, and the increase of 68.94% in average balance of deposits and placements with banks and non-bank financial institutions.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements increased by RMB1,464 million, or 22.79%, year-on-year to RMB7,888 million. This mainly resulted from the sharp increase of 2.35 percentage points in average yield of financial assets held under resale agreements due to the rising market rates, partially offset by the decrease in the average balance.

Interest expense

In 2011, the Group's interest expense was RMB177,675 million, a year-on-year increase of RMB51,392 million, or 40.70%.

Interest expense on deposits from customers

The table below shows the average balance, interest expense and average cost of each component of the Group's deposits from customers.

	Year ended 31 December 2011			**Year ended 31 December 2010**		
(In millions of RMB, except percentages)	**Average balance**	**Interest expense**	**Average cost (%)**	**Average balance**	**Interest expense**	**Average cost (%)**
Corporate deposits	5,081,199	75,863	1.49	4,559,265	51,834	1.14
Demand deposits	3,302,701	26,317	0.80	3,059,899	19,380	0.63
Time deposits	1,778,498	49,546	2.79	1,499,366	32,454	2.16
Personal deposits	4,233,097	74,537	1.76	3,835,609	55,519	1.45
Demand deposits	1,725,956	8,508	0.49	1,532,189	5,693	0.37
Time deposits	2,507,141	66,029	2.63	2,303,420	49,826	2.16
Overseas operations	128,078	1,572	1.23	87,684	846	0.96
Total deposits from customers	9,442,374	151,972	1.61	8,482,558	108,199	1.28

Interest expense on deposits from customers stood at RMB151,972 million, an increase of RMB43,773 million, or 40.46%, over 2010. This resulted mainly from the 11.32% increase in the average balance and the increase of 33 basis points in the average cost over the previous year. The average cost increased largely due to the following reasons. First, from the second half of 2010, the PBC consecutively increased benchmark rates. In 2011, in particular, the interest rate of demand deposits was raised twice. Second, due to lowered expectation of interest hikes, the proportion of time deposits continued to rise.

Interest expense on deposits and placements from banks and non-bank financial institutions

Interest expense on deposits and placements from banks and non-bank financial institutions reached RMB20,464 million, an increase of RMB6,097 million, or 42.44%, over 2010, largely because the average cost of deposits from banks and non-bank financial institutions increased due to the influence of rising market rates.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by RMB1,057 million year-on-year to RMB1,233 million. This was primarily because of a sharp rise in both the average balance and average cost of financial assets sold under repurchase agreements.

Net fee and commission income

(In millions of RMB, except percentages)	Year ended 31 December 2011	Year ended 31 December 2010	Change (%)
Fee and commission income	89,494	68,156	31.31
Consultancy and advisory fees	17,488	12,816	36.45
Bank card fees	14,910	12,344	20.79
Agency service fees	14,210	12,115	17.29
Settlement and clearing fees	13,484	9,614	40.25
Wealth management fees	7,907	5,611	40.92
Commission on trust and fiduciary activities	7,732	6,720	15.06
Electronic banking fees	4,246	2,879	47.48
Guarantee handling fees	2,495	1,857	34.36
Credit commitment fees	2,369	1,605	47.60
Others	4,653	2,595	79.31
Fee and commission expenses	(2,500)	(2,024)	23.52
Net fee and commission income	86,994	66,132	31.55

The Group's net fee and commission income rose by 31.55% to RMB86,994 million over 2010, while the ratio of net fee and commission income to operating income rose by 1.48 percentage points to 21.78%.

Consultancy and advisory fees increased by 36.45% to RMB17,488 million, accounting for the largest share of the net fee and commission income. The Group put special emphasis on various product and customer-focused products such as financial advisory services for M&A and restructuring. Our traditionally advantageous cost advisory business also grew steadily.

Bank card fees grew by 20.79% to RMB14,910 million, which was mainly because fees from credit cards increased by nearly 30%. As the Group made greater efforts on widening the personal customer base and exploring business potential, the number of cards issued and consumer spending per card reaped fast growth.

Agency service fees rose by 17.29% to RMB14,210 million. Agency service fees from customer-driven precious metals transactions doubled as the Group leveraged on its sales channel strength and continuously improved its product functions. Entrusted loans and entrusted provident fund housing finance business maintained steady growth. However, fees from fund agency services and insurance agency services decreased partly due to the gloomy stock market.

Settlement and clearing fees rose by 40.25% to RMB13,484 million. This was largely because of a marked increase in income from RMB-denominated corporate settlements due to the proactive release and promotion of products including the cash management system, all-in-one corporate account, real time cash pool, domestic letter of credit, and corporate settlement card, coupled with product innovation and service upgrade.

Wealth management fees increased by 40.92% to RMB7,907 million. With the increasing wealth management awareness of the general public, the sales of the Group's multiple products based on customers' various risk appetites and preferences were robust.

Commission on trust and fiduciary business rose by 15.06% to RMB7,732 million, showing signs of slower growth. This was mainly because fees from our custodial services for securities investment funds decreased amid the gloomy stock market.

Electronic banking fees grew by 47.48% to RMB4,246 million. This was mainly due to the domestic promotion of mobile phone banking and financial services through SMS by the Group, and the proactive expansion of online banking services scope, including agency payment and medical banking services. Meanwhile, through encouraging customers to use electronic banking services, the number of electronic banking customers exceeded 80 million.

Net gain on trading activities

Net gain on trading activities decreased by RMB3,121 million, or 88.94%, to RMB388 million, chiefly because of the sharp decrease in the fair value of financial assets at fair value through profit or loss held by subsidiaries.

Net gain on investment securities

The Group realised a net gain on investment securities of RMB1,756 million, a decrease of RMB147 million, or 7.72%, over the previous year. This was mainly due to decreased capital gains as the sales of available-for-sale financial assets declined.

Other net operating income

In 2011, the Group reaped other net operating income of RMB5,535 million, including a net foreign exchange gain of RMB1,451 million, a net gain of RMB489 million on disposals of fixed assets, a net gain of RMB172 million on disposals of repossessed assets, and other income of RMB3,423 million.

Operating expenses

(In millions of RMB, except percentages)	Year ended 31 December 2011	Year ended 31 December 2010
Staff costs	71,388	61,409
Premises and equipment expenses	20,397	18,530
Business taxes and surcharges	24,229	18,364
Others	28,523	23,063
Total operating expenses	144,537	121,366
Cost-to-income ratio	36.19%	37.25%

In 2011, the Group continued to strengthen cost management and improve cost structure. The total operating expenses increased by RMB23,171 million, or 19.09%, year-on-year to RMB144,537 million, while the cost-to-income ratio fell by 1.06 percentage points to 36.19% over 2010.

Staff costs rose by RMB9,979 million, or 16.25%, year-on-year to RMB71,388 million. Premises and equipment expenses rose by RMB1,867 million, or 10.08%, to RMB20,397 million. Business taxes and surcharges were RMB24,229 million, up RMB5,865 million, or 31.94%, in line with higher taxable income. The Group's other operating expenses increased by RMB5,460 million, or 23.67%, to RMB28,523 million, mainly because the Group increased its marketing efforts to support business development with increased marketing expenses such as entertainment expenses and promotion expenses.

Impairment losses

(In millions of RMB)	Year ended 31 December 2011	Year ended 31 December 2010
Loans and advances to customers	32,403	25,641
Investments	1,610	1,460
Available-for-sale financial assets	1,130	1,817
Held-to-maturity investments	(15)	(381)
Debt securities classified as receivables	495	24
Fixed assets	1	2
Others	1,769	2,189
Total impairment losses	35,783	29,292

In 2011, total impairment losses were RMB35,783 million, an increase of RMB6,491 million or 22.16%, over 2010. In this amount, impairment losses on loans and advances to customers were RMB32,403 million, an increase of RMB6,762 million. Impairment losses on investments were RMB1,610 million, mainly on certain available-for-sale debt securities. Other impairment losses were RMB1,769 million, mainly on certain off-balance sheet business items.

Income tax expense

In 2011, the Group's income tax expense reached RMB49,668 million, an increase of RMB9,543 million, or 23.78%, over 2010. The Group's effective income tax rate was 22.67%, lower than the 25% statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with tax regulations. Income tax expense details are set out in the Note "Income Tax Expense" of the "Financial Statements" in this report.

Other comprehensive income

In 2011, the Group recorded a negative value of RMB1,918 million in other comprehensive income, mainly resulting from a fall in the fair value of available-for-sale equity instruments, partially offset by the rise in the fair value of available-for-sale debt securities.

Statement of Financial Position Analysis

Assets

The following table shows the composition of the Group's total assets as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2011		As at 31 December 2010	
	Amount	% of total	Amount	% of total
Gross loans and advances to customers	6,496,411		5,669,128	
Allowances for impairment losses on loans	(171,217)		(143,102)	
Net loans and advances to customers	6,325,194	51.50	5,526,026	51.12
Investments[1]	2,741,750	22.32	2,904,997	26.87
Cash and deposits with central banks	2,379,809	19.38	1,848,029	17.09
Deposits and placements with banks and non-bank financial institutions	385,792	3.14	142,280	1.32
Financial assets held under resale agreements	200,045	1.63	181,075	1.68
Interest receivable	56,776	0.46	44,088	0.41
Other assets[2]	192,468	1.57	163,822	1.51
Total assets	12,281,834	100.00	10,810,317	100.00

1. These comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.
2. These comprise precious metals, positive fair value of derivatives, investments in associate and jointly controlled entities, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

As at 31 December 2011, the Group's total assets stood at RMB12,281,834 million, a rise of RMB1,471,517 million, or 13.61%, over 2010. This was mainly due to increases in loans and advances to customers, cash and deposits with central banks, and deposits and placements with banks and non-bank financial institutions. Net loans and advances to customers accounted for 51.50% of total assets, an increase of 0.38 percentage points over 2010. Cash and deposits with central banks accounted for 19.38% of total assets, an increase of 2.29 percentage points over 2010. Deposits and placements with banks and non-bank financial institutions accounted for 3.14% of total assets, an increase of 1.82 percentage points. Investments decreased by 4.55 percentage points, accounting for 22.32% of total assets. Financial assets held under resale agreements decreased by 0.05 percentage points, accounting for 1.63% of total assets.

Loans and advances to customers

(In millions of RMB, except percentages)	As at 31 December 2011		As at 31 December 2010	
	Amount	% of total	Amount	% of total
Corporate loans and advances	4,446,168	68.44	3,976,865	70.15
Short-term loans	1,384,456	21.31	1,160,747	20.47
Medium to long-term loans	3,061,712	47.13	2,816,118	49.68
Personal loans and advances	1,683,855	25.92	1,368,811	24.15
Residential mortgage loans	1,317,444	20.28	1,091,116	19.25
Personal consumer loans	76,788	1.18	78,881	1.39
Personal business loans	80,075	1.23	48,658	0.86
Other loans[1]	209,548	3.23	150,156	2.65
Discounted bills	111,271	1.71	142,835	2.52
Overseas operations	255,117	3.93	180,617	3.18
Gross loans and advances to customers	6,496,411	100.00	5,669,128	100.00

1. These comprise individual commercial property mortgage loans, home equity loans, credit card loans and education loans.

As at 31 December 2011, the Group's gross loans and advances to customers rose by RMB827,283 million, or 14.59%, over 2010, to RMB6,496,411 million.

Domestic corporate loans reached RMB4,446,168 million, an increase of RMB469,303 million, or 11.80%, over 2010. In this amount, infrastructure loans rose by RMB194,362 million, or 10.98%, to RMB1,964,806 million, mainly targeting quality infrastructure projects. Small business loans increased by 24.60% to RMB913,758 million, 12.80 percentage points higher than corporate loan growth.

The Group continued to reinforce credit structure adjustment. In response to the latest changes to the real estate market, the Group took the initiative to control property development loans, which grew by only 0.16% year-on-year, much lower compared to the 11.80% corporate loan growth. In addition, the Group continued to improve its customer base, with new loans principally targeting prime customers with solid financial strengths and high business qualifications in regions where property prices were stable. The Group also focused on extending loans to state-backed residential projects including ordinary residential and affordable housing projects. The balance of corporate loans under the "exit" category decreased by RMB103,500 million over 2010. Furthermore, loan balance of "6+1" industries with excess capacity dropped by RMB1,607 million, in line with the state's macroeconomic control measures.

Domestic personal loans increased by RMB315,044 million, or 23.02%, over 2010, to RMB1,683,855 million, which accounted for 25.92% of the gross loans and advances to customers, up 1.77 percentage points. In this amount, residential mortgage loans rose by RMB226,328 million, or 20.74%, to RMB1,317,444 million, mainly to support the financing needs for self-occupied home purchases; personal consumer loans were RMB76,788 million, a slight decrease of 2.65% over 2010; personal business loans increased by RMB31,417 million, or 64.57%, to RMB80,075 million; other loans rose by RMB59,392 million, or 39.55%, mainly due to the rapid growth of credit card loans.

Discounted bills declined by RMB31,564 million to RMB111,271 million year-on-year, and were chiefly used to meet the short-term financing needs of targeted prime customers.

Loans and advances to overseas customers rose by RMB74,500 million, or 41.25%, over 2010, to RMB255,117 million, which was largely attributable to the rapid loan increase in Hong Kong and other regions.

Distribution of loans by type of collateral

The table below sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Unsecured loans	1,655,537	25.48	1,520,613	26.82
Guaranteed loans	1,422,349	21.89	1,180,113	20.82
Loans secured by tangible assets other than monetary assets	2,787,776	42.92	2,412,285	42.55
Loans secured by monetary assets	630,749	9.71	556,117	9.81
Gross loans and advances to customers	6,496,411	100.00	5,669,128	100.00

Allowances for impairment losses on loans and advances to customers

(In millions of RMB)	Year ended 31 December 2011			
	Allowances for loans and advances which are collectively assessed	**Allowances for impaired loans and advances**		**Total**
		which are collectively assessed	**which are individually assessed**	
As at 1 January	102,093	3,657	37,352	143,102
Charge for the year	27,806	217	14,605	42,628
Release during the year	-	-	(10,225)	(10,225)
Unwinding of discount	-	-	(1,413)	(1,413)
Transfers out	(67)	(8)	(718)	(793)
Write-offs	-	(676)	(2,654)	(3,330)
Recoveries	-	86	1,162	1,248
As at 31 December	129,832	3,276	38,109	171,217

In 2011, the Group maintained its prudent approach by making full provisions for impairment losses on loans and advances to customers, after fully considering the impact of external environmental changes on credit asset quality including the macro-economy and government control policies. As at 31 December 2011, the allowances for impairment losses on loans and advances to customers increased by RMB28,115 million year-on-year to RMB171,217 million, while the ratio of allowances to non-performing loans was 241.44%, up 20.30 percentage points over 2010. The ratio of allowances to total loans stood at 2.64%, up 0.12 percentage points over 2010.

Investments

The following table shows the composition of the Group's investments as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Financial assets at fair value through profit or loss	23,096	0.84	17,344	0.60
Available-for-sale financial assets	675,058	24.62	696,848	23.98
Held-to-maturity investments	1,743,569	63.60	1,884,057	64.86
Debt securities classified as receivables	300,027	10.94	306,748	10.56
Total investments	2,741,750	100.00	2,904,997	100.00

As at 31 December 2011, total investments decreased by RMB163,247 million, or 5.62%, over 2010 to RMB2,741,750 million. In this amount, available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables decreased by RMB21,790 million, RMB140,488 million and RMB6,721 million respectively.

The following table sets forth the composition of the Group's investments by nature as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Debt securities investments	2,719,007	99.17	2,875,505	98.98
Equity instruments	22,451	0.82	28,971	1.00
Funds	292	0.01	521	0.02
Total investments	2,741,750	100.00	2,904,997	100.00

Debt securities investments

The following table sets forth the composition of the Group's debt securities investments by currency as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
RMB	2,667,800	98.12	2,814,711	97.89
USD	27,885	1.02	35,262	1.22
HKD	8,638	0.32	16,401	0.57
Other foreign currencies	14,684	0.54	9,131	0.32
Total debt securities investments	2,719,007	100.00	2,875,505	100.00

As at 31 December 2011, debt securities investments of the Group decreased by RMB156,498 or 5.44%, over 2010, to RMB2,719,007 million. In this amount, RMB-denominated debt securities investments were RMB2,667,800 million, a decrease of RMB146,911 million or 5.22% year-on-year, largely due to the proactive reduction of investment scale to maintain ample liquidity amid the backdrop of tightening monetary policy. The carrying amount of foreign currency debt securities investment portfolio totalled US$8,135 million (or RMB 51,207 million), a decrease of US$1,091 million, or 11.83%, over 2010. This was mainly because the Group reduced the high-risk debt securities as appropriate in response to the changes of global financial market environment.

As at 31 December 2011, the carrying amount of US sub-prime mortgage loan backed securities held by the Group was US$87 million (or RMB546 million), accounting for 1.07% of the foreign currency debt securities investment portfolio. The carrying amount of the Alt-A bonds held by the Group was US$173 million (or RMB1,088 million), accounting for 2.12% of the foreign currency debt securities investment portfolio.

As at 31 December 2011, the carrying amount of debt securities issued by Spanish government and institutions held by the Group was US$13 million (or RMB82 million), accounting for 0.16% of the foreign currency debt securities investment portfolio. The above debt securities matured at the end of January 2012. The Group does not hold any debt securities issued by the governments and institutions of Greece, Portugal and Italy.

As foreign currency debt securities represent only a very small proportion of the Group's total assets, market value fluctuations for such debt securities will not have a significant effect on earnings.

The following table sets forth the composition of the Group's debt securities investments by issuer as at the dates indicated.

	As at 31 December 2011		**As at 31 December 2010**	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
Government	901,187	33.14	811,493	28.22
Central banks	435,726	16.02	954,800	33.20
Policy banks	285,767	10.51	183,904	6.40
Banks and non-bank financial institutions	712,053	26.19	542,664	18.87
Public sector entities	196	0.01	1,587	0.06
Cinda	131,761	4.85	206,261	7.17
Other enterprises	252,317	9.28	174,796	6.08
Total debt securities investments	2,719,007	100.00	2,875,505	100.00

The Group maintained its prudent investment and trading philosophy, and proactively adjusted its operational strategy by balancing risks and returns, and ensuring liquidity safety. As at 31 December 2011, government debt securities were RMB901,187 million, an increase of RMB89,694 million or 11.05%, over 2010. Debt securities issued by policy banks increased by RMB101,863 million, or 55.39%, over 2010 to RMB285,767 million. Debt securities issued by banks and non-bank financial institutions increased by RMB169,389 million or 31.21%, over 2010 to RMB712,053 million. Debt securities issued by central banks decreased by RMB519,074 million, or 54.36% over 2010 to RMB435,726 million. Cinda debt securities decreased by

RMB74,500 million over 2010 to RMB131,761 million, as part of the principal was repaid to the Bank.

Interest receivable

As at 31 December 2011, the Group's interest receivable was RMB56,776 million, an increase of RMB12,688 million, or 28.78%, over 2010. This was mainly due to the combination effect of the PBC's three hikes of interest rates in 2011 and the loan growth.

Liabilities

The following table shows the composition of the Group's total liabilities as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Deposits from customers	9,987,450	87.11	9,075,369	89.77
Deposits and placements from banks and non-bank financial institutions	1,044,954	9.11	749,809	7.42
Financial assets sold under repurchase agreements	10,461	0.09	4,922	0.05
Debt securities issued	168,312	1.47	93,315	0.92
Others[1]	253,996	2.22	185,997	1.84
Total liabilities	11,465,173	100.00	10,109,412	100.00

1. These comprise borrowings from central banks, financial liabilities at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, interest payable, provisions, deferred tax liabilities and other liabilities.

As at 31 December 2011, the Group's total liabilities were RMB11,465,173 million, an increase of RMB1,355,761 million, or 13.41%, over 2010. In this amount, deposits from customers accounted for 87.11% of total liabilities, a decrease of 2.66 percentage points over 2010. Deposits and placements from banks and non-bank financial institutions increased by RMB295,145 million, or 39.36%, accounting for 9.11% of total liabilities, representing an increase of 1.69 percentage points over 2010. Debt securities issued increased by RMB74,997 million over 2010, mainly because the Bank issued subordinated debt securities of RMB40 billion and the overseas branches and CCB Asia issued more certificates of deposit.

Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2011		As at 31 December 2010	
	Amount	% of total	Amount	% of total
Corporate deposits	5,415,019	54.22	4,948,152	54.52
Demand deposits	3,495,094	35.00	3,368,425	37.12
Time deposits	1,919,925	19.22	1,579,727	17.41
Personal deposits	4,419,398	44.25	4,022,813	44.33
Demand deposits	1,829,861	18.32	1,714,952	18.90
Time deposits	2,589,537	25.93	2,307,861	25.43
Overseas operations	153,033	1.53	104,404	1.15
Total deposits from customers	9,987,450	100.00	9,075,369	100.00

As at 31 December 2011, the Group's total deposits from customers reached RMB9,987,450 million, an increase of RMB912,081 million, or 10.05%, year-on-year. Domestic time deposits increased by RMB621,874 million, or 16.00%, higher than the 4.75% growth in demand deposits, and accounted for 45.15% of total deposits from customers, an increase of 2.31 percentage points over 2010.

Shareholders' Equity

(In millions of RMB)	As at 31 December 2011	As at 31 December 2010
Share capital	250,011	250,011
Capital reserve	135,178	135,136
Investment revaluation reserve	6,383	6,706
Surplus reserve	67,576	50,681
General reserve	67,342	61,347
Retained earnings	289,266	195,950
Exchange reserve	(4,615)	(3,039)
Total equity attributable to equity shareholders of the Bank	811,141	696,792
Non-controlling interests	5,520	4,113
Total equity	816,661	700,905

As at 31 December 2011, the Group's total equity reached RMB816,661 million, an increase of RMB115,756 million year-on-year. The ratio of total equity to total assets for the Group was 6.65%, up 0.17 percentage points compared to 2010. The daily average loan-to-deposit ratio for 2011 was 64.70%, up 2.59 percentage points over 2010.

Capital Adequacy Ratio

The following table sets forth the information related to the Group's capital adequacy ratio as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2011	As at 31 December 2010
Core capital adequacy ratio[1]	10.97%	10.40%
Capital adequacy ratio[2]	13.68%	12.68%
Components of capital base		
Core capital:		
Share capital	250,011	250,011
Capital reserve, investment revaluation reserve and exchange reserve[4]	130,562	127,536
Surplus reserve and general reserve	134,918	112,028
Retained earnings[3,4]	229,649	140,995
Non-controlling interests	5,520	4,113
	750,660	634,683
Supplementary capital:		
General provision for doubtful debts	66,180	57,359
Positive changes in fair value of financial instruments at fair value through profit or loss	3,675	7,547
Subordinated bonds issued	120,000	80,000
	189,855	144,906
Total capital base before deductions	940,515	779,589
Deductions:		
Goodwill	(1,662)	(1,534)
Unconsolidated equity investments	(12,402)	(13,695)
Others[5]	(1,945)	(1,911)
Net capital	924,506	762,449
Risk-weighted assets[6]	6,760,117	6,015,329

1. Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 100% of goodwill and 50% of unconsolidated equity investments and other items, by risk-weighted assets.
2. Capital adequacy ratio is calculated by dividing the net capital by risk-weighted assets.
3. The dividend proposed after the balance sheet date has been deducted from retained earnings.

4. The investment revaluation reserve arising from the accumulated net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital, and 50% of the balance is included in the supplementary capital. In addition, the unrealised accumulated net positive changes in fair value of financial instruments at fair value through profit or loss, net of income tax, are excluded from the core capital and included in the supplementary capital.

5. Others mainly represent investments in those asset backed securities which required reduction as specified by the CBRC.

6. The balance of risk-weighted assets includes an amount equal to 12.5 times the Group's market risk capital.

The Group calculates its capital adequacy ratio in accordance with the *Administration Measures for Capital Adequacy Ratios of Commercial Banks* and related regulations promulgated by the CBRC. As at 31 December 2011, the Group's capital adequacy ratio was 13.68% and the core capital adequacy ratio was 10.97%, up 1.00 and 0.57 percentage points respectively over 2010, largely due to the following reasons. First, the increase in profits pushed the growth rate of core capital to outrun that of risk-weighted assets. Second, the proposed dividend payout ratio decreased from the previous year, and retained earnings increased as a result. Third, in November 2011, the issuance of RMB40 billion subordinated debt securities has consolidated the capital base. Fourth, the Group strengthened optimisation and adjustments to its business structure and management of its off-balance sheet businesses, leading to less use of capital.

Analysis of Off-Balance Sheet Items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts, equity instrument contracts and credit risk mitigation contracts. Please refer to Note "Derivatives" in the "Financial Statements" of this annual report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, outstanding litigation and disputes. Among these, credit commitments were the largest component, with an amount of RMB1,981,949 million as at 31 December 2011, a decrease of RMB53,871 million over 2010. Its credit risk-weighted amount was RMB929,681 million, a decrease of RMB25,025 million from the previous year, largely because the Group strengthened off-balance sheet business management, by imposing reasonable controls on the growth of off-balance sheet assets and clearing out ineffective risk assets. Please refer to Note "Commitments and Contingent Liabilities" in the "Financial Statements" of this annual report for details on commitments and contingent liabilities.

Loan Quality Analysis

Distribution of Loans by the Five-Category Classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss categories.

(In millions of RMB, except percentages)	As at 31 December 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Normal	6,227,770	95.87	5,405,694	95.35
Special mention	197,726	3.04	198,722	3.51
Substandard	38,974	0.60	28,718	0.51
Doubtful	23,075	0.35	28,923	0.51
Loss	8,866	0.14	7,071	0.12
Gross loans and advances to customers	6,496,411	100.00	5,669,128	100.00
Non-performing loans	70,915		64,712	
Non-performing loan ratio		1.09		1.14

In 2011, the Group stepped up credit structure adjustments, strengthened comprehensive post-lending management and surveillance of potential risk areas to prevent and mitigate associated risks, and expedited NPL disposal. Credit asset quality continued to be stable. As at 31 December 2011, the Group's NPLs were RMB70,915 million, an increase of RMB6,203 million from 2010, while the NPL ratio dropped by 0.05 percentage points to 1.09%. The proportion of special mention loans slid to 3.04%, 0.47 percentage points lower from 2010.

Distribution of Loans and NPLs by Product Type

The following table sets forth loans and NPLs by product type as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2011			As at 31 December 2010		
	Loans	**NPLs**	**NPL ratio (%)**	**Loans**	**NPLs**	**NPL ratio (%)**
Corporate loans and advances	4,446,168	63,758	1.43	3,976,865	56,090	1.41
Short-term loans	1,384,456	24,969	1.80	1,160,747	22,373	1.93
Medium to long-term loans	3,061,712	38,789	1.27	2,816,118	33,717	1.20
Personal loans and advances	1,683,855	5,179	0.31	1,368,811	5,920	0.43
Residential mortgage loans	1,317,444	2,631	0.20	1,091,116	2,966	0.27
Personal consumer loans	76,788	797	1.04	78,881	962	1.22
Personal business loans	80,075	198	0.25	48,658	189	0.39
Other loans	209,548	1,553	0.74	150,156	1,803	1.20
Discounted bills	111,271	-	-	142,835	-	-
Overseas operations	255,117	1,978	0.78	180,617	2,702	1.50
Total	6,496,411	70,915	1.09	5,669,128	64,712	1.14

As at 31 December 2011, the NPL ratio for corporate loans increased by 0.02 percentage points year-on-year to 1.43%, and that for personal loans was 0.31%, 0.12 percentage points lower than in 2010. By launching a yearlong risk management campaign for overseas business, the Group strengthened overseas risk management, and speeded up the mitigation of significant risk exposures, leading to lower NPLs at overseas operations.

Distribution of Loans and NPLs by Industry

The following table sets forth the loans and NPLs by industry as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2011				As at 31 December 2010			
	Loans	**% of total**	**NPLs**	**NPL ratio (%)**	**Loans**	**% of total**	**NPLs**	**NPL ratio (%)**
Corporate loans	4,446,168	68.44	63,758	1.43	3,976,865	70.15	56,090	1.41
Manufacturing	1,098,890	16.92	25,577	2.33	978,816	17.27	22,193	2.27
Transportation, storage and postal services	753,565	11.60	7,104	0.94	647,332	11.42	6,219	0.96
Production and supply of electric power, gas and water	579,127	8.91	3,929	0.68	518,327	9.14	4,424	0.85
Real estate	432,775	6.66	8,005	1.85	402,922	7.11	6,624	1.64
Leasing and commercial services	383,397	5.90	3,369	0.88	359,612	6.34	1,997	0.56
- Commercial services	373,145	5.74	3,347	0.90	353,326	6.23	1,979	0.56
Wholesale and retail trade	267,539	4.12	6,811	2.55	214,800	3.79	5,080	2.36
Water, environment and public utilities management	226,561	3.49	1,065	0.47	216,168	3.81	1,909	0.88
Construction	188,341	2.90	1,908	1.01	149,676	2.64	1,799	1.20
Mining	167,474	2.58	599	0.36	143,432	2.53	769	0.54
- Exploitation of petroleum and natural gas	15,400	0.24	39	0.25	13,422	0.24	41	0.31
Education	85,016	1.31	734	0.86	100,050	1.76	1,219	1.22
Telecommunications, computer services and software	21,621	0.33	783	3.62	25,686	0.45	795	3.10
- Telecommunications and other information transmission services	17,008	0.26	155	0.91	21,869	0.39	92	0.42
Others	241,862	3.72	3,874	1.60	220,044	3.89	3,062	1.39
Personal loans	1,683,855	25.92	5,179	0.31	1,368,811	24.15	5,920	0.43
Discounted bills	111,271	1.71	-	-	142,835	2.52	-	-
Overseas operations	255,117	3.93	1,978	0.78	180,617	3.18	2,702	1.50
Total	6,496,411	100.00	70,915	1.09	5,669,128	100.00	64,712	1.14

In 2011, in line with the 12th Five-Year Plan and changes in other external policies, the Group made timely adjustment to its credit policies and further improved its credit structural adjustment plan, and refined its risk criteria in customer selection. It adhered to the limit management for various industries, and steadily promoted credit structural adjustments. Based on the changes in macroeconomic situation, the Group took initiative to strengthen surveillance in key risk areas. The NPL ratios for industries such as manufacturing, wholesale and retail trade and real estate increased as affected by macroeconomic fluctuations, and the asset quality base was further consolidated through early detection of risks and early disposal.

BUSINESS REVIEW

The Group's major business segments are corporate banking, personal banking, treasury business, and others including equity investments and overseas operations.

The following table sets forth, in the periods indicated, the profit before tax of each major business segment:

(In millions of RMB, except percentages)	Year ended 31 December 2011		Year ended 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Corporate banking	111,041	50.68	91,167	52.05
Personal banking	37,627	17.17	30,590	17.46
Treasury business	71,059	32.43	51,198	29.23
Others	(620)	(0.28)	2,201	1.26
Profit before tax	219,107	100.00	175,156	100.00

Corporate Banking

Profit before tax from corporate banking segment increased by 21.80% over the previous year to RMB111,041 million, accounting for 50.68% of the Group's profit before tax as the Group's primary profit source. Operating income rose by RMB34,480 million over the previous year. In this amount, net interest income from corporate banking increased by RMB23,837 million over the previous year, as a result of the growth of corporate loans and the increase in net interest margin; net fee and commission income rose by RMB10,607 million, or 37.14%, benefiting from the rising income from products such as corporate settlement, domestic factoring and international settlement. Operating expenses grew by 19.68%, due to fast business growth and greater marketing efforts. Impairment losses increased by 20.10% over the previous year, as a result of the corporate loan growth and more prudent provisioning policy adopted by the Group.

Corporate loans were granted in a sound manner with enhanced quality. The Group's corporate loans and advances totalled RMB4,446,168 million, an increase of 11.80% over the previous year. Discounted bills totalled RMB111,271 million, a decrease of RMB31,564 million over the previous year. Differentiated credit policies were adopted, which supported certain areas and controlled others, in compliance with the government's macroeconomic control policies. The Group focused on meeting the needs of its strength areas and strategic businesses including infrastructure sectors, small enterprises, internet merchant business, domestic factoring, businesses related to "agriculture, farmers and rural areas", and indemnificatory housing construction. In addition, the Group continued to strengthen internal control management, and the corporate loan quality remained stable with an NPL ratio of 1.43%.

Lending to industries with excess capacity and government financing vehicles were under effective control and scrutiny. Loans to the "6+1" industries with excess capacity, including iron and steel, cement, coal chemical industries, plate glass, wind power equipment, polysilicon as well as the shipbuilding sector, decreased by RMB1,607 million from 2010. Regulatory requirements in respect of lending to government financing vehicles were stringently complied with, including greater efforts in rectifications of contracts, restructuring of collaterals, and supplementation of cash flows. In addition, credit approval of lending to government financing vehicles was restricted to the head office. Customer identification marks were also made in the IT system for continuous tracking and monitoring of customers of government financing vehicles. Customers with inadequate cash flows and fiscal support at lower level were included in the exit plan for the year. Lastly, capital constraints on the lending to government financing vehicles were tightened. At the end of 2011, loans to government financing vehicles were RMB429,764 million, which decreased by RMB112,160 million from 2010, with full cash flow coverage accounting for 85.69% of such loans. The number of government financing vehicle customers dropped to 924, a decrease of 158 from 2010.

The growth of property development loans slowed with the increase being the lowest in recent five years. The Group strengthened market research, and conducted real estate loan business prudently in line with its analysis and projection. The Group also strengthened internal control and compliance management, strictly implemented the loan customer list management and put effective risk controls on customer access. Focus was placed on customers with high credit rating and qualification and related projects in large and medium-sized cities and major cities where the real estate market development has been relatively stable, housing prices relatively low and where sale restriction policies have not been implemented. Key support has been given to general residential projects and indemnificatory housing projects. At the end of 2011, the property development loans of the Bank totalled RMB419,160 million, up only 0.16%, or RMB650 million, which was the lowest increase in the past five years.

Traditional advantage businesses and emerging businesses both achieved rapid growth, with continuous expansion of services scope. Loans to infrastructure sectors increased by RMB194,362 million, accounting for 41.42% of the increase in corporate loans. The Group is the market leader in internet merchant business with the loan balance up by 80.45% to RMB34,747million. The number of internet merchant customers grew to 9,416, an increase of 2,771 customers from the previous year. After attracting three e-commerce platforms, Tader Coal SCM, ChinaEC and CNCotton, the number of platforms the Bank cooperated with rose to nine. In terms of domestic factoring, the Group advanced RMB127,936 million, an increase of 89.54%; the NPL ratio was 0.14%, representing sound risk control on the whole. Agriculture-related loans increased by 27.71% to RMB1,049,912 million, in which the loans for supporting new countryside construction were RMB31,647 million. Loans for indemnificatory housing projects increased rapidly to RMB25,730 million. The growth of electronic negotiable instrument business was robust, with the accumulated discounting amount of electronic negotiable instruments reaching RMB31,549 million. Loans to small enterprises increased by 24.60% to RMB913,758 million, outpacing the corporate loan growth by 12.80 percentage points. The number of small enterprise customers grew to 72,091, an increase of 10,392 customers from the previous year; product innovation made remarkable progress with the four major product categories, including “Growing Path”, “Easy Loan”, “Easy Petty Loan”, “Loan on Credit”, which covered multiple risk mitigation measures such as mortgage, pledge, third-party guarantee and credit guarantee, continuously improving customer service capabilities. In addition, the NPL ratio for small enterprises continued to decline due to strict risk controls. Lastly, the Bank won the award of "Best SMEs Banking Products in China” in the China Awards Programme 2011 held by *The Asian Banker* magazine.

Corporate deposits grew steadily. The Group attached great importance to the compliance of operations, with a steady increase in corporate deposits. Corporate deposits rose by RMB466,867 million from 2010 to RMB5,415,019 million. In this amount, time deposits increased by RMB340,198 million, accounting for 72.87% of the increase in corporate deposits; demand deposits increased by RMB126,669 million, accounting for 27.13% of the increase in corporate deposits. The foreign exchange deposits totalled US$25,850 million with deposit growth ranking first among peers.

Income from fee-based business in corporate banking grew fast. Net fee and commission income for the year rose by 37.14% to RMB39,170 million, accounting for 45.03% of the fee-based business income of the Group. Multiple key products made substantial contributions, including corporate RMB settlement income of RMB7,431 million, cost advisory services income of RMB5,474 million and domestic factoring income of RMB3,191 million.

- *Institutional business continued to develop rapidly, with its various products holding market-leading positions.* The Bank expanded on its "Minben Tongda" brand, with the launch of a sub-brand focused on integrated financial services for cultural sectors. The Bank was ranked first in the comprehensive evaluation of the agency service of the central finance authorised payment. In addition, in terms of the number of budget units it served, the volume of agency disbursement, and related fee income, the Bank continued to be the market leader. The civil card business for the budget units maintained strong development momentum, with the total number of cards issued reaching 2,892,800, ranking first in terms of market share. The Bank issued 4.58 million social security cards in total, expanding its social security product coverage. The third-party deposit custody service for securities settlement funds which is branded as "Xincunguan" had 21,252,200 customers, ranking first in terms of the number of customers in the market for the seventh year in a row. The "Safe Deal" custodial service for trading funds achieved a fee income of RMB2,316 million, up 31.14%. Income from the fund collection and payment agency service for funds trust plans totalled RMB1,645 million. The Bank continued to enjoy close to 50% market share in the provision of through-train banking services for futures in terms of the number of customers, maintaining leading position in the market. Lastly, the Bank set up fund settlement network or provided cash management services for a total of 106 finance companies, leading to fund settlement network coverage of more than 90%.
- *International business developed rapidly, actively meeting the global financial needs of corporate customers.* International settlement volume reached US$842,076 million, an increase of 26.24%, and the related income increased by 47.85% from 2010 to RMB4,505 million. With the rapid growth of cross-border RMB business, the cross-border RMB settlement volume totalled RMB315,673 million, 6.54 times of that for the previous year. Trade financing recorded a 40.90% increase with on and off-balance sheet balance of RMB369,444 million. The international guarantee business continued its healthy growth, in which the "Overseas Financing Guarantee" branded financing guarantee business was well received by the market with its distinctive features. To enhance its comprehensive service in support of the global financial needs of its customers, the Bank actively expanded its range of services including the direct connection mode between the Bank and the enterprise for foreign exchange cash pooling, foreign currency clearing service for other banks and overseas fund-raising transferred loan-related business.
- *Asset custodial business made rapid progress, with rising market position.* At the end of 2011, the Bank's assets under custody increased by 57.50% to RMB2.06 trillion, generating a fee income of RMB1,911 million, an increase of 11.36%. Securities investment funds under custody totalled RMB495,229 million, commanding the second largest market share. The number of securities investments funds under custody increased by 46, and the units of funds under custody increased by 50,200 million. Insurance assets under custody doubled to RMB270,848 million. The Bank continued to command the largest market share in terms of the number and amount of collective assets management plans under custody for securities companies. Enterprise annuity funds under custody grew steadily to RMB48,137 million,

ranking second in the industry. Recognised by domestic and international professionals for its outstanding custodial ability, the Bank won the "Best Custodian Bank in China" award for 2011 by the *Global Custodian*.

- *Pension business experienced rapid growth.* At the end of 2011, the Bank had 4.04 million contracted personal accounts of enterprise annuities, up by 1.38 million from 2010. The personal accounts in operation totalled 2.04 million, up by 360,000 from 2010. The contracted assets under custody amounted to RMB19,407 million, up 37.93% from 2010. The size of assets under custody in operation amounted to RMB16,575 million, up 38.90%. The Bank had a total of 9,966 contracted corporate customers of enterprise annuity, an increase of 5,484 from 2010. The asset size of "Yangyisifang" branded employee compensation deferred payment plan amounted to over RMB1 billion, providing more than 300 enterprises with comprehensive services including welfare plan consulting, account information management, fund management and fund preservation and appreciation.
- *Fund settlement business continued to maintain rapid growth.* At the end of 2011, the Bank had 430,900 cash management customers, up by 202,900 year-on-year, with the RMB settlement business generating an income of RMB9,460 million, up 46.89%. The Bank launched various innovative products such as transaction information customisation, batch collection service, and custodial service for customers' provisions at third-party payment agencies. Competitive advantages were achieved with the Bank's corporate banking products including all-in-one corporate account, settlement card, multiple-mode cash pool and domestic letter of credit. The Bank's excellent cash management services branded as "Yudao" were recognised with special awards on cash management from various media including *FinanceAsia*, *CFO World* and *Treasury China*.

Personal Banking

Personal banking segment achieved profit before tax of RMB37,627 million with a year-on-year increase of 23.00%, accounting for 17.17% of the Group's profit before tax, at a level comparable to its contribution in 2010. Operating income rose by RMB19,911 million over the previous year. In this amount, net interest income increased by RMB14,421 million as a result of the rapid growth of personal loans and the increase in net interest margin; net fee and commission income increased by RMB5,142 million, benefiting from the growth of income from bank card and other services. Operating expenses increased by 17.80%, due to greater resources invested in the personal banking business. Impairment losses increased by RMB1,791 million, mainly as a result of the fast growth of personal loans, and more prudent provisioning policy adopted by the Group based on its judgement on the property market.

Personal deposits achieved stable growth. At the end of 2011, personal deposits rose to RMB4,419,398 million, an increase of RMB396,585 million, or 9.86% over 2010. Demand deposits accounted for 41.41% of the personal deposits, and time deposits accounted for 58.59%.

Personal loans grew rapidly with asset quality ranking first in the market. At the end of 2011, personal loans totalled RMB1,683,855 million, an increase of 23.02% from the previous year. Residential mortgage loans were primarily granted to support people to buy ordinary self-occupied apartments, and the loan balance rose by 20.74% to RMB1,317,444 million, ranking first in the market in terms of both loan balance and the increase. The brand image of the Bank's housing finance was heightened with the award of "Best Mortgage Loan Bank in China" from the *Moneyweek* magazine. The Bank's "Happy Home" brand also won a golden influential brand award from *Financial Money* magazine. The Bank persisted in its standard of "quality customers + effective pledged assets" for personal business loans, with accelerated development in the direction of community finance and specialised markets, and achieved a rapid growth of 64.57% to

RMB80,075 million. Personal agriculture-related loans focused on promoting pilot loans to the planting and breeding industry, up 47.40% to RMB5,424 million. The Bank continued to strengthen post-loan management, maintaining the best asset quality among its peers. Personal non-performing loans decreased to RMB5,179 million by RMB741 million from 2010, with an NPL ratio of 0.31%. For residential mortgage loans, the NPL ratio was 0.20%, a decrease of 0.07 percentage points from 2010.

The Bank continued to command the largest market share of the entrusted housing finance business. At the end of 2011, housing fund deposits were RMB506,955 million, up by RMB89,057 million from 2010, while personal provident housing loans were RMB616,207 million, up by RMB99,474 million from 2010. The Bank enhanced the research and development of technology, continuously improved products and services, and heavily promoted cooperation and contract signing with regard to co-branded provident fund cards, housing maintenance fund and housing finance technology services. The Bank enhanced products portfolio, and actively supported the housing financing needs of low and middle-income residents, by disbursing a total of RMB11,621 million worth of commercial and provident fund housing loans to 69,400 low income residents during the year. The indemnificatory individual housing loans totalled RMB38,194 million at the end of the year. The Bank actively supported the government's indemnificatory housing construction, and earnestly promoted financial services for indemnificatory housing. It gained the commitments of qualification to provide services to all the 29 pilot cities under the first pilot programme, and granted entrusted provident fund loans of RMB18,876 million on an accumulative basis.

Credit card business maintained sustainable and healthy development, with further improvement of brand influence. At the end of 2011, the Bank recorded 32.25 million credit cards and the spending amount reached RMB588,901 million, an increase of 44.86% from the previous year. Loans rose by 75.96% to RMB97,553 million, with loan quality remaining good. The product range of credit cards became more complete. The "Excellent", "€uro" and "Barbie" cards were well received by the market, and the number of department store cards, civil cards and auto cards issued all exceeded 2.70 million respectively. In order to meet customers' differentiated consumption credit needs, the Bank introduced the "Long Card installment payment" product series with five categories covering car, home refurbishment, shopping at department stores, mail order and billing, providing multiple convenient consumption credit channels including the Bank's outlets, POS at shopping malls, internet and telephone. The car installments, in particular, became a major attraction of the Bank, with 28 cars out of every 1000 family cars in China using its service in 2011. The Bank's "Long" brand credit card has been conferred numerous honours by mainstream media and professional organisations. The Bank won the "Most influential brand marketing award in 2011" by the Organising Committee of the 21st Century AD International Summit. "My Love" credit card competition series of the Bank's marketing campaign, won the "Best Marketing Award for Financial Brand in China" by *The Chinese Banker* magazine.

Debit cards and other fee-based businesses enjoyed good development. By the end of 2011, the Bank had issued a total of 364 million debit cards, an increase of 72.09 million cards from 2010. Spending via debit cards totalled RMB1,792,757 million, generating a fee income of RMB8,477 million. Innovative products, such as the Social Security IC Card with financial functions and Healthy Long Card, were also launched. A total of 1.98 million express settlement cards targeted at individual industrial and commercial households had been issued, an increase of 1.39 million cards compared to 2010. Fees generated from the emerging investment and wealth management business increased considerably. Fees from fund agency sales(including collective plans) and personal physical gold sales amounting to RMB2,735 million and RMB673 million respectively, leading in the market; and fees from life insurance agency services were RMB2,730 million. Lastly, the Bank took the lead in the market to launch mobile payment services.

High-end customers were further expanded with diversified financial services. At the end of 2011, the number of customers with financial assets of more than RMB3 million under the Bank's management recorded a 20.43% increase, while those with more than RMB10 million increased by 27.99%; the financial assets of high-end customers increased by 25.03%. The number of private banking cards and wealth management cards issued grew substantially. Based on the diverse needs of high-end customers, the Bank adopted a wide-angled and multi-dimensional reorganisation and innovation approach with regards to product services, related processes and pricing. For example, a large-sum term deposits service for its private banking customers, and innovative product projects such as cash management, consumption and community financial service, and comprehensive credit approval for private banking customers, were introduced. The Bank has accomplished a wealth transaction model, which enables private banking customers to perform transactions such as transfers, remittances, purchase of government bonds and wealth management products by directly calling their account managers with their orders being confirmed through pre-determined telephone passwords.

Treasury Business

Treasury business segment generated a profit before tax of RMB71,059 million, an increase of 38.79% over 2010, accounting for 32.43% of the Group's profit before tax, which was 3.20 percentage points higher than its contribution in 2010. Operating income rose by RMB23,060 million, or 41.61% over the previous year. In this amount, net interest income rose by RMB16,623 million, or 38.95% with the rise of market interest rate; as a result of fast development of services such as financial advisory service, wealth management products, and customer-driven treasury business, net fee and commission income grew by RMB4,943 million, or 41.54% over the previous year. Impairment losses increased by RMB2,463 million, mainly as a result of large increase in the balance of wealth management products, and increased provisions for debt securities investments.

Financial markets business

The Group persisted with prudent investment and trading strategies, and sought an overall balance between risks and yields, leading to improved operating revenue and consolidated market position. With regards to the utilisation of RMB funds, the Bank managed to achieve substantial increase in the yields of RMB debt securities investments while maintaining safe liquidity, by seizing opportunities of interest rate trends and actively adjusting the investment portfolio. The Bank commanded the largest market share in book-entry treasury bonds underwriting for the third consecutive year, consolidating its market influence. The Bank actively carried out band operations in the trading book, strengthening its market making ability, leading to significantly higher trading bond yields than the benchmark index, and the Bank ranked second in terms of over-the-counter transaction volume of book-entry treasury bonds. In terms of foreign currency funds utilisation, the Bank supported the development of its overseas institutions, carried out interbank lending with prudent counterparty credit risk prevention measures. The Bank proactively responded to the Europe debt crisis by reducing its holdings of high risk bonds timely and optimising the country and industry structure of foreign currency debt securities investments.

The Bank focused on the innovation of precious metal products with diversified product lines, and introduced new products including account silver, platinum and customer-driven forward gold transactions. At the end of 2011, the Bank's precious metal trading volume reached a total of 9,752.00 tonnes, representing an increase of 759% over the previous year. CCB brand physical gold continued to command the largest market share.

The foreign exchange trading business steadily improved. At the end of 2011, the volume of customer-driven foreign exchange trading reached US$388.4 billion, up 25.74% year-on-year. The Bank is also an active market maker in the onshore foreign exchange interbank market.

Investment banking

With the support of its financial total solutions, the Group proactively promoted the establishment of comprehensive long-term business cooperation relationship with government institutions, enterprises and individual customers. In 2011, the revenue from investment banking amounted to RMB18,949 million, an increase of 36.26% over the previous year.

Income from financial advisory services was RMB10,400 million. In this amount, income from new financial advisory services such as M&A and restructuring, debt restructuring, listing and refinancing amounted to RMB5,248 million, an increase of 101.85% year-on-year. The Bank's debt financing instrument underwriting business sustained its competitive advantage, achieving an income of RMB880 million. The underwriting amount of short-term commercial papers reached RMB121,410 million, ranking first among peers for the sixth consecutive year in terms of the accumulated underwriting volume. The underwriting amount of ultra-short-term commercial papers reached RMB46 billion, also leading the market.

In 2011, the Bank issued 4,036 batches of wealth management products, bringing an income of RMB7,570 million, up 39.62% year-on-year. The outstanding amount of products was RMB692,651 million, an increase of 112.34%. In light of changes in regulatory policies, the Bank strengthened its risk control over the wealth management business, adjusted the business development direction and enhanced product innovation. In line with the government policy of "safeguarding people's livelihood, and promoting harmony", the Bank actively channelled funds from wealth management products to support national indemnificatory housing construction projects, help resolve the financing problems of SMEs, and meet the diverse financing needs of customers, while keeping risks under control.

Overseas Business and Domestic Subsidiaries

Overseas business

The Group adheres to a positive and steady international operation and overseas development strategy, leading to a steady expansion of its overseas network. The Taipei and Moscow representative offices were opened in May 2011 consecutively, and the establishment of entities in other regions are also in progress. At the end of 2011, the Group's overseas entities covered 13 countries and regions, with nine overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Ho Chi Minh City and Sydney; two representative offices in Taipei and Moscow; two subsidiaries in Hong Kong, namely CCB Asia and CCB International, and CCB London in the UK. At the end of 2011, total assets of overseas entities were RMB443,188 million. In this amount, the total assets of overseas commercial banking entities (excluding CCB International and the overseas representative offices) were RMB421,212 million, up 67.74% from 2010; the profit before tax was RMB2,109 million, an increase of 64.00% year-on-year. Coordinated business operations continued to deepen, with coordinated assets being RMB125.9 billion, doubling that at the end of the previous year. The overseas entities continued to improve their asset structure, with the proportion of syndicated loans and debt securities in total assets decreasing to below 15%, and the non-performing loans and NPL ratio continued to fall. Lastly, the overseas core banking system was rolled out to the overseas branches and CCB London, providing strong support for the development of wholesale business overseas.

CCB Asia

China Construction Bank (Asia) Corporation Limited, as one of the 23 licensed banks registered in Hong Kong, is the Group's platform for retail and SME businesses in Hong Kong and Macau, with a total of 50 outlets in Hong Kong and Macau. CCB Asia has a long history of 100 years since 1912 and is the first Chinese-owned bank in Hong Kong. CCB Asia maintained positive development trend under stringent risk control. At the end of 2011, its total assets were RMB109,194 million, an increase of 25.62% from 2010. Loans to customers and deposits from customers were RMB81,429 million and RMB75,460 million, with an increase of 20.86% and 25.11% respectively. The NPL ratio was 0.22%. The net profit was RMB545 million, an increase of 11.68% over the previous year.

CCB Asia's localised operations progressed smoothly. At the end of 2011, the number of customers totalled 195,000, an increase of 55,000 customers over the previous year. The commercial loan structure continued to improve with strengthened coordination between the domestic and overseas members, and the loans granted to Chinese enterprises going overseas were RMB32,417 million. CCB Asia rapidly pushed forward its comprehensive RMB-related services, with its RMB deposits reaching RMB9,560 million, and the cross-border RMB settlement amount exceeding RMB30 billion at the end of 2011. CCB Asia became one of the first overseas banks approved by the PBC to invest in China's domestic interbank bond market, and one of the first banks in Hong Kong to provide RMB stock trading services to retail customers, and successfully acted as a co-lead bank and book-keeping bank for RMB government bonds. For its efforts, CCB Asia won the "2011 Capital Excellent RMB Services Award" by the Hong Kong magazine *Capital*. Much progress was made in the credit card business with an increase of 70,000 credit card accounts, and consumer spending nearly reaching RMB4,052 million.

CCB International

CCB International (Holdings) Limited is a wholly-owned investment bank subsidiary of the Bank in Hong Kong. Its business scope includes sponsorship and underwriting for initial public offerings (IPO), financial advisory services, M&A and restructuring, refinancing arrangements for listed companies, direct investment, fund raising and sales, asset management and investment consultancy service, securities brokerage, market research, secondary issue and placement, investment consultancy service in the Mainland and industry investment funds.

In 2011, CCB International continued in its business transformation efforts, and expanded its traditional investment banking business including IPO. The number of IPO projects and executed M&A projects led in Chinese-funded investment banks. The securities brokerage business grew despite the adverse economic environment with significant increase in the number of institutional and non-institutional clients, leading to a net fee and commission income of RMB585 million. The securities brokerage service platform continued to improve. At the end of 2011, CCB International's total assets were RMB17,398 million. However, due to the drastic fluctuations in the capital market, the value of the listed equity investments held for trading purpose fell sharply, leading to a net loss of RMB1,609 million.

CCB London

China Construction Bank (London) Limited is a wholly-owned subsidiary of the Bank registered in the UK. It is mainly engaged in corporate deposits and lending, international settlement and trade financing, British pound clearing, and treasury financial products.

CCB London proactively served the Chinese-funded institutions in the UK, British companies with investment in China, and corporate customers who focus on the Sino-British trade. It gradually became CCB's British pound clearing centre, and built an offshore RMB and foreign exchange transaction platform for the Group during Europe daytime. At the end of 2011, the total assets of CCB London were RMB5,024 million, an increase of 1.76% over the previous year. The net profit of CCB London in 2011 amounted to RMB37 million.

Domestic subsidiaries

The integrated operations of the Group achieved significant progress. By June 2011, the Bank had completed the equity transfer procedures for ING's 50% interests in Pacific-Antai, and completed those for China Pacific Insurance (Group) Co., Ltd's 50% interests in Pacific-Antai with joint investors as well. As a result, the Bank became the controlling shareholder of Pacific-Antai, which was subsequently renamed as CCB Life Insurance Company Limited. The Group became the first among the four state-owned banks to own controlling interests in a life insurance company, besides its subsidiary financial institutions covering fund, trust, financial leasing, and investment banking. The Group actively promoted new types of rural financial institutions, and had initiated the establishment of 16 rural banks in Hunan Taojiang and many other places by the end of 2011. The Group is committed to providing multi-functional, integrated and one-stop comprehensive financial services to its wide base of customers, through resource sharing, cross-selling and business coordination, while realising the joint development of all members of the Group. Currently, the overall development of the domestic subsidiaries is in good shape with steady business expansion and improved company quality. At the end of 2011, total assets of the domestic subsidiaries reached RMB67,444 million, up 66.92% over the previous year, and net profit amounted to RMB725 million, a 52.95% increase year-on-year.

CCB Financial Leasing

CCB Financial Leasing Corporation Limited was jointly established by the Bank and Bank of America. The corporation has a registered capital of RMB4.5 billion, of which 75.1% was contributed by the Bank and 24.9% by Bank of America. CCB Financial Leasing is one of the first innovative PRC financial leasing companies approved by the CBRC. It is mainly engaged in finance leasing, receiving security deposits from lessees, transferring rent receivables to commercial banks, issuing financial bonds, interbank lending, borrowing from financial institutions, and borrowing foreign exchange overseas.

The Company made steady progress in its leasing business, strengthened its fundamental management and internal risk control, and actively explored innovative leasing products. At the end of 2011, the total assets of CCB Financial Leasing amounted to RMB36,023 million, an increase of 48.07% over the previous year; net profit was RMB212 million, up 24.71% from the previous year.

CCB Trust

CCB Trust Co., Limited was established by the Bank together with Hefei Xingtai Holding Group Corporation Limited and Hefei Municipal State-owned Assets Holding Corporation Limited. It has a registered capital of RMB1,527 million, of which the Bank contributed 67%, and the two other parties contributed 27.5% and 5.5% respectively. CCB Trust is mainly engaged in trust services for fund, movable and immovable property, and marketable securities; fund investment; restructuring, M&A, project financing, corporate finance, and financial advisory services; securities underwriting; intermediary, consultancy, and credit investigation services; custody and safe deposit box services; and lending, investing and providing guarantees with equity funds.

In 2011, CCB Trust proactively pursued product innovation, and developed series of trust schemes including "Caifutong", "Daixintong", transfer of trust beneficiary rights and securities investment. At the end of 2011, the trust assets under management amounted to RMB190,726 million, up 188.91% from 2010. Net profit was RMB329 million, up 89.08% over 2010.

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. has a registered capital of RMB2 billion, with a 75.1% share held by the Bank and a 24.9% share held by Bausparkasse Schwaebisch Hall. Its business scope includes taking housing savings deposits, extending housing savings loans and residential mortgage loans, and extending development loans in support of the development and construction of economically affordable houses, low-rent houses, economically affordable rent houses and price-limited houses. This allowed it to establish itself as a full service commercial bank specialised in housing finance.

In 2011, Sino-German Bausparkasse's residential mortgage loans business developed rapidly. It achieved remarkable housing savings product sales figures, and exhibited obvious advantage in indemnificatory housing loans. At the end of 2011, the total assets of Sino-German Bausparkasse were RMB13,542 million, an increase of 64.88% over the previous year; its net profit rose to RMB59 million, up 136.00% over 2010.

CCB Principal Asset Management

CCB Principal Asset Management Co,. Ltd. has a registered capital of RMB200 million, of which the Bank contributed 65%, and two other parties, Principal Financial Services, Inc. and China Huadian Group Corporation, contributed 25% and 10% respectively. It is engaged in raising and sale of funds, asset management as well as other businesses permitted by the CSRC.

In 2011, CCB Principal Asset Management completed eight sessions of fundraising work, including the Jianxin Guaranteed Mixed Securities Investment Fund, and Jianxin Dual Income Strategy Grading Stock Investment Fund. All these funds operated smoothly. At the end of 2011, CCB Principal Asset Management managed 21 funds with a net asset value of RMB48,693 million. Its net profit was RMB113 million, up 11.88% over 2010.

CCB Life

CCB Life Insurance Company Limited has a registered capital of RMB1.18 billion, of which the Bank, China Life Insurance Co., Ltd. (Taiwan), China Jianyin Investment Limited, Shanghai Jin Jiang International Investment and Management Company Limited and Shanghai China-Sunlight Investment Co., Ltd contributed 51%, 19.9%, 19.35%, 4.9% and 4.85% respectively. Its business scope includes personal insurance such as life, health, accidental injury insurance, as well as reinsurance of the above-mentioned business.

In 2011, CCB Life adopted a balanced development strategy for its various distribution channels, each of which had a different focus. It expanded the bank insurance channel, actively developed group insurance channel, consolidated the development of its personal agency insurance business and actively expanded new distribution channels such as online and telephone sales. At the end of 2011, the total assets of the company rose to RMB5,459 million. Premium income amounted to RMB1,208 million, while the net profit for 2011 was RMB33 million.

Rural Banks

By the end of 2011, the Bank had sponsored the establishment of 16 rural banks in Hunan Taojiang and many other places. The registered capital of these rural banks totalled RMB1,540 million, of which RMB775 million was contributed by the Bank.

The rural banks introduced a wide range of measures supporting and benefiting farmers and rural area based on local economic characteristics while keeping an eye on risk control, and developed multiple credit products such as co-guaranteed loans and business loans for farmers. While providing efficient financial services for "agriculture, farmers and rural areas" and small and micro-enterprises in the counties, the rural banks achieved sound operating results as well. At the end of 2011, the assets of the 16 rural banks totalled RMB6,842 million, and deposits were RMB4,597 million. The loans totalled RMB4,128 million, of which agriculture-related loans accounted for 87.34%. The non-performing loans were kept at nil, due to effective controls on asset quality. The net profit for 2011 was RMB24 million.

Analysed by Geographical Segment

The following table sets forth the distribution of the Group's profit before tax by geographical segment:

(In millions of RMB, except percentages)	For the year ended 31 December 2011		For the year ended 31 December 2010	
	Amount	% of total	Amount	% of total
Yangtze River Delta	41,116	18.77	33,226	18.97
Pearl River Delta	28,973	13.22	24,636	14.07
Bohai Rim	33,749	15.40	27,186	15.52
Central	29,872	13.63	22,293	12.73
Western	31,443	14.35	24,057	13.74
Northeastern	12,049	5.50	8,414	4.80
Head office	41,601	18.99	32,131	18.34
Overseas	304	0.14	3,213	1.83
Profit before tax	219,107	100.00	175,156	100.00

The following table sets forth the distribution of the Group's loans and advances by geographical segment:

(In millions of RMB, except percentages)	For the year ended 31 December 2011		For the year ended 31 December 2010	
	Amount	% of total	Amount	% of total
Yangtze River Delta	1,476,118	22.72	1,321,708	23.31
Pearl River Delta	955,937	14.71	858,420	15.14
Bohai Rim	1,137,623	17.51	1,008,340	17.79
Central	1,051,837	16.19	922,185	16.27
Western	1,108,112	17.06	963,636	17.00
Northeastern	406,035	6.25	350,584	6.18
Head office	105,632	1.63	63,638	1.12
Overseas	255,117	3.93	180,617	3.19
Gross loans and advances to customers	6,496,411	100.00	5,669,128	100.00

The following table sets forth the distribution of the Group's deposits by geographical segment:

(In millions of RMB, except percentages)	For the year ended 31 December 2011		For the year ended 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	2,067,000	20.70	1,895,511	20.89
Pearl River Delta	1,539,667	15.42	1,435,742	15.82
Bohai Rim	1,825,388	18.28	1,662,231	18.32
Central	1,774,126	17.76	1,602,656	17.66
Western	1,873,139	18.75	1,645,659	18.13
Northeastern	733,876	7.35	668,217	7.36
Head office	21,221	0.21	60,949	0.67
Overseas	153,033	1.53	104,404	1.15
Deposits from customers	9,987,450	100.00	9,075,369	100.00

The following table sets forth the geographical distribution of the Group's assets, branches and staff:

	As at 31 December 2011					
	Assets (In millions of RMB)	**% of total**	**Number of branches**	**% of total**	**Number of staff [1]**	**% of total**
Yangtze River Delta	2,309,626	18.81	2,310	16.84	49,466	15.02
Pearl River Delta	1,773,562	14.44	1,708	12.45	39,357	11.95
Bohai Rim	2,241,298	18.25	2,215	16.15	55,812	16.94
Central	1,874,631	15.26	3,293	24.01	73,713	22.37
Western	1,982,662	16.14	2,749	20.05	65,899	20.00
Northeastern	769,288	6.26	1,366	9.96	35,796	10.87
Head office	5,140,899	41.86	3	0.02	8,874	2.69
Overseas	443,188	3.61	71	0.52	521	0.16
Deferred tax assets	21,410	0.17				
Elimination	(4,274,730)	(34.80)				
Total	12,281,834	100.00	13,715	100.00	329,438	100.00

1. This represents the number of the Bank's staff.

PROSPECTS

In 2012, the global economic environment is expected to become more severe, and China's economic development faces numerous challenges. With the influence of the weak global economic recovery and domestic economic restructuring, China's economic growth momentum will slow down. The growth rate of investment demand will decline, the actual growth rate of consumer demand will be relatively flat, and the growth rate of foreign trade economy will slow down further. Social financing and credit extension will grow steadily, and the effect of real estate control measures will become more apparent. The domestic economy will be operating steadily as a whole, but energy and environmental constraints are becoming increasingly severe. Commercial banks face various risks including possible bursting of the real estate bubble, increased risks involved in cross-border investment by enterprises, and operating difficulties of some enterprises. Meanwhile, the CBRC announced new requirements on bank supervision and reform in the regulatory work conference and large commercial bank supervision meetings in 2012. Reform of interest rate liberalisation is also progressing steadily. All these require commercial banks to enhance their capabilities in terms of risk control, pricing properly and service innovation.

For the Group, on one hand, the economic slowdown may affect the low-end export manufacturing enterprises, small real estate enterprises, and enterprises with high pollution, high energy consumption and excess capacity, increasing pressures on the risk control of the Group with relation to these industries. More stringent regulatory requirements including capital requirement and fiercer competition among peers will impose higher requirements on the Group's management capability. On the other hand, there are tremendous opportunities to be explored from the rapid growth in informatisation, industrialisation, urbanisation and agricultural modernisation. With the influence of government industrial policies, it is expected that credit needs in areas such as emerging industries, modern service industry and new countryside construction will increase. In addition, benefiting from rising income and policies encouraging consumption, the demand for personal consumer loans is expected to increase, which is favourable for the Group to promote credit structure adjustments.

In 2012, in light of the government macroeconomic policies and the development trend of the financial industry, the Group will steadily promote business transformation, mitigate business risks, make progress while maintaining stability, and strive to attain intensive development toward the direction of comprehensive operations and multi-functions. First, the Group will steadily develop its deposit business, consolidate its existing market share and improve the deposit structure. Second, the Group will deepen the credit structure adjustments, consolidate its traditional advantages in areas such as resources and infrastructure construction, strengthen its advantageous position in residential mortgage loans, support the credit card business development, maintain its leading position in the internet merchant loans and livelihood sector loans, and expand the scope of pilot schemes for new countryside construction loans. The growth rate of RMB-denominated loans for 2012 is expected to be around 12%. Third, the Group will promote the full development of its fee-based business with the support of the key products, and further enhance its market competitiveness. Fourth, the Group will strengthen its customer base by promoting the growth of customers, improving customer structure, and enhancing after-sale services to retain customers. Fifth, the Group will strengthen the development of its distribution channels, and promote the electronic banking business, in order to extend its financial services reach while constantly improving customer experience. Last but not least, the Group will improve its overall risk management capability, reinforce internal control, and mitigate its credit risks in key areas including government financing vehicles in order to prevent the rebound of non-performing loans.

DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER PRC GAAP AND THOSE PREPARED UNDER IFRS

There is no difference in the net profit for the year ended 31 December 2011 or total equity as at 31 December 2011 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

CHANGES IN SHARES

Unit: share

	1 January 2011		Increase/(Decrease) during the reporting period					31 December 2011	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to selling restrictions									
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	-	-	-	-	-	-	-	-	-
3. Shares held by foreign investors[1]	25,580,153,370	10.23	-	-	-	(25,580,153,370)	(25,580,153,370)	-	-
II. Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	-	-	-	-	-	9,593,657,606	3.84
2. Overseas listed foreign investment shares	65,070,889,129	26.03	-	-	-	26,034,540,370	26,034,540,370	91,105,429,499	36.44
3. Others[2]	149,766,277,381	59.90	-	-	-	(454,387,000)	(454,387,000)	149,311,890,381	59.72
III. Total number of shares	250,010,977,486	100.00	-	-	-	-	-	250,010,977,486	100.00

1. H-shares of the Bank held by Bank of America.
2. H-shares of the Bank free from selling restrictions held by the promoters of the Bank, i.e. Huijin, Baosteel Group, State Grid, and Yangtze Power.

Changes in Shares Subject to Selling Restrictions

Unit: share

Name of shareholder	Number of shares subject to restrictions at the beginning of the year	Number of shares released from restrictions during the year	Number of new shares subject to restrictions in the year	Number of shares subject to restrictions at the end of the year	Reason for restrictions	Date of release from restrictions
Bank of America	25,580,153,370	25,580,153,370	-	-	The 25,580,153,370 H-shares acquired by Bank of America through exercise of the call options in 2008 shall not be transferred without the Bank's written consent before 29 August 2011 unless under exceptional circumstances.	29 August 2011

DETAILS OF SECURITIES ISSUANCE AND LISTING

Pursuant to resolutions in the annual general meeting of 2009, the first A shareholders class meeting of 2010 and the first H shareholders class meeting of 2010, upon approvals by domestic and overseas regulatory bodies, the Bank implemented the rights issue plan of A-shares and H-shares in year 2010 and allotted the rights shares to A shareholders and H shareholders on the basis of 0.7 rights shares for every 10 existing shares. The Bank issued 593,657,606 A rights shares and 15,728,235,880 H rights shares at a price of RMB3.77 per share and HK$4.38 per share respectively, the dealings of which commenced on 19 November 2010 and 16 December 2010 respectively. After the completion of the rights issue, the total shares of the Bank increased to 250,010,977,486 shares, including 9,593,657,606 A-shares and 240,417,319,880 H-shares. The net proceeds raised from the rights issue are equivalent to RMB61,159 million, all of which are used to strengthen the capital base of the Bank.

Pursuant to the resolution of the first extraordinary general meeting of 2011, upon approvals of the CBRC and PBC, in November 2011, the Bank issued subordinated bonds of RMB40 billion in the national interbank bond market, with a term of 15 years and a fixed coupon rate of 5.70%. At the end of the tenth year, the issuer has an option to redeem the bonds with conditions. The proceeds from the issuance of subordinated bonds had been transferred to the account of the Bank, which are used to replenish the supplementary capital of the Bank.

NUMBER OF SHAREHOLDERS AND PARTICULARS OF SHAREHOLDINGS

At the end of the reporting period, the Bank had a total of 887,132 shareholders, of which 54,876 were holders of H-shares and 832,256 were holders of A-shares. At the end of February 2012, the Bank had a total of 875,700 shareholders, of which 54,595 were holders of H-shares and 821,105 were holders of A-shares.

Unit: share

Total number of shareholders	887,132 (Total number of registered holders of A-shares and H-shares as at 31 December 2011)				
Particulars of shareholdings of the top ten shareholders					
Name of shareholder	**Nature of shareholder**	**Shareholding percentage (%)**	**Total number of shares held**	**Number of shares subject to selling restrictions**	**Number of shares pledged or frozen**
Huijin [1]	State-owned	57.03	142,590,494,651 (H-shares)	None	None
	State-owned	0.10	245,375,672 (A-shares)	None	None
HKSCC Nominees Limited[2]	Foreign legal person	24.88	62,204,935,507 (H-shares)	None	Unknown
Temasek [2]	Foreign legal person	9.06	22,655,348,797(H-shares)	None	None
Baosteel Group	State-owned	1.12	2,810,000,000 (H-shares)	None	None
	State-owned	0.13	318,860,498 (A-shares)	None	None
State Grid [2、3]	State-owned	1.16	2,895,782,730 (H-shares)	None	None
Best Investment Corporation[2, 4]	State-owned	1.10	2,760,000,000 (H-shares)	None	None
Bank of America	Foreign legal person	0.80	2,000,000,000 (H-shares)	None	None
China Ping An Life Insurance Company Limited –Traditional – Ordinary insurance products	Domestic non-state-owned legal person	0.55	1,371,290,467 (A-shares)	None	None
Yangtze Power [2]	State-owned	0.41	1,015,613,000 (H-shares)	None	None
Reca Investment Limited	Foreign legal person	0.34	856,000,000 (H-shares)	None	None

1. Huijin is a wholly state-owned company, which is wholly owned by CIC. Huijin makes equity investment in key state-owned financial institutions as authorized by the State Council, and exercises the contributor's rights and obligations in the Bank up to its contribution on behalf of the state.

2. On 14 November 2011, Temasek declared interests on the website of the Hong Kong Stock Exchange. It disclosed that it held the interests of 22,655,348,797 H-shares of the Bank. As at 31 December 2011, State Grid, Best Investment Corporation, and Yangtze Power held 2,895,782,730 H-shares, 2,760,000,000 H-shares and 1,015,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Besides the H-shares of the Bank held by Temasek, State Grid, Best Investment Corporation, and Yangtze Power, another 62,204,935,507 H-shares of the Bank were held under the name of HKSCC Nominees Limited.

3. As at 31 December 2011, the holding of H-shares of the Bank by State Grid through its wholly-owned subsidiaries was as follows: Yingda International Holdings Group Co. Ltd. held 856,000,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Shandong Luneng Group Co., Ltd. held 374,500,000 shares and State Grid International Development Co., Ltd. held 350,000,000 shares.

4. Best Investment Corporation is a subsidiary engaged in overseas investment, which is indirectly held by CIC through CIC International.

SUBSTANTIAL SHAREHOLDERS OF THE BANK

At the end of the reporting period, Huijin held 57.13% of the shares of the Bank. Huijin is the controlling shareholder of the Bank. Huijin is a wholly state-owned investment company established in accordance with the Company Law on 16 December 2003 with the approval of the State Council. Its registered capital and paid-in capital are both RMB828,209 million. Its legal representative is Mr. Lou Jiwei. Huijin makes equity investment in key state-owned financial institutions as authorized by the State Council, and exercises the contributor's rights and obligations in the Bank up to its contribution on behalf of the state to achieve preservation and appreciation of state-owned financial assets.

Please refer to the *Announcement on Matters related to the Incorporation of China Investment Corporation* published by the Bank on 9 October 2007 for details of CIC.

At the end of the reporting period, there were no other institutional shareholders holding 10% or more of shares of the Bank (excluding HKSCC Nominees Limited). There were no internal staff shares.

OTHER INFORMATION

Purchase, Sale and Redemption of Shares

There was no purchase, sale or redemption by the Bank or any of its subsidiaries of the shares of the Bank during the reporting period.

Corporate Governance

The Bank is committed to maintaining high-level corporate governance practice. In strict compliance with China's Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the relevant stock exchanges, the Bank optimised its corporate governance structure and improved related rules based on its corporate governance practices. During the reporting period, the Bank elected new non-executive directors and a shareholder representative supervisor, and formulated the Internal Control Implementation Work Plan and Measures on Accountability of Major Mistakes in Disclosure of Annual Report Information.

The Bank has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange. The Bank has also substantially complied with the recommended best practices therein. During the reporting period, the Bank recorded and registered information of relevant insiders, and neither illegal insider trading nor abnormal movement of stock price caused by leaks of insider information was found.

Securities Transactions by Directors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code in the year ended 31 December 2011.

Profit and Dividends

The profit of the Group for the year ended 31 December 2011 and the Group's financial position as at that date are set out in the "Financial Statements" of this annual report.

In accordance with the resolutions passed at the annual general meeting 2010 held on 9 June 2011, the Bank paid an annual cash dividend for 2010 of RMB0.2122 per share (including tax), totalling approximately RMB53,052 million, to all of its shareholders whose names appeared on the register of members on 23 June 2011.

The Board recommends a cash dividend for 2011 of RMB0.2365 per share (including tax), subject to the approval of the annual general meeting 2011.

Pursuant to the *Articles of Association* of the Bank, the after-tax profits of the bank shall be distributed in accordance with the following order: making up for the losses of the previous years, allocating to the statutory reserve fund, allocating discretionary reserve fund and paying for the dividend of the shareholders. The dividend may be distributed in form of cash or shares.

The Bank has sound procedures and mechanism for the decision-making of profit distribution. During the process of preparing the profit distribution plan, the Board extensively collected the opinions and requirements from the shareholders, protected the legal rights and interests of the shareholders, and submitted the profit distribution plan to the general meeting for approval. The independent directors conducted due diligence and played their due roles in the decision-making process of the profit distribution plan. The Bank attaches great importance to the return of shareholders, and constantly pays cash dividends to the shareholders.

The amounts of cash dividends and ratios of cash dividends to net profit of the Bank for the previous three years are as follows:

(In millions of RMB)	2008	2009	2010
Cash dividends [1]	45,383	47,205	53,052
Ratio of cash dividends to net profit [2]	49.01%	44.22%	39.34%

1. Cash dividends include interim cash dividend and final cash dividend for the year.

2. The net profit refers to the net profit attributable to equity shareholders of the Bank on a consolidated basis. Please refer to Note "Profit Distributions" in the "Financial Statements" of annual reports of the related years for details of cash dividends.

Annual General Meeting and Closure of Register of Members

The 2011 annual general meeting will be held on 7 June 2012. In order to determine the holders of H-shares who are entitled to attend the annual general meeting, the Bank's register of members will be closed from 8 May 2012 to 7 June 2012, both days inclusive, during which period no transfer of shares will be effected. In order to attend the 2011 annual general meeting, holders of H-shares must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 7 May 2012. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Annual Report and Announcement

This results announcement is available on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk, Shanghai Stock Exchange at www.sse.com.cn and the Bank at www.ccb.com. The annual report prepared in accordance with IFRS and PRC GAAP will both be published on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk, Shanghai Stock Exchange at www.sse.com.cn and the Bank at www.ccb.com in due course.

Review of Annual Results

The audit committee has reviewed the Annual Report 2011 of the Bank. PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers, the Bank's external auditors, have audited the financial statements of the Bank prepared in accordance with PRC GAAP and those prepared in accordance with IFRS respectively, and have issued unqualified audit reports.

By order of the board of directors

CHINA CONSTRUCTION BANK CORPORATION

Zhang Jianguo

Vice chairman, executive director and president

23 March 2012

As of the date of this announcement, the Bank's executive directors are Mr. Wang Hongzhang, Mr. Zhang Jianguo, Mr. Chen Zuofu and Mr. Zhu Xiaohuang; independent non-executive directors are Lord Peter Levene, Mr. Yam Chi Kwong, Joseph, Rt Hon Dame Jenny Shipley, Mr. Zhao Xijun and Mr. Wong Kai-Man; and non-executive directors are Mr. Wang Yong, Mr. Zhu Zhenmin, Ms. Li Xiaoling, Mr. Lu Xiaoma, Ms. Chen Yuanling and Mr. Dong Shi.