中国建设银行
China Construction Bank

2011 Annual Report

China Construction Bank Corporation

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

Stock Code: 939

Contents

INTRODUCTION

Headquartered in Beijing, China Construction Bank Corporation has an operating history of over 50 years. The Bank was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and listed on the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2011, the market capitalisation of the Bank reached US$174.7 billion, ranking 2nd among listed banks in the world. At the end of 2011, the Bank had a network of 13,581 branches and sub-branches in Mainland China, maintained overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Ho Chi Minh City and Sydney, and representative offices in Taipei and Moscow, and owned multiple subsidiaries, such as CCB Asia, CCB Financial Leasing, CCB International, CCB Trust, Sino-German Bausparkasse, CCB London, CCB Principal Asset Management, and CCB Life. The Group provides comprehensive financial services to its customers.

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. We use words such as “will”, “may”, “expect”, “try”, “strive”, and similar expressions to identify forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statements. These factors include, among others: changes in general economic conditions in the markets in which the Group operates, changes in the government’s adjustments and control policies and in laws and regulations, and factors specific to the Group.

1 FINANCIAL HIGHLIGHTS

The financial information set forth in this annual report is prepared on a consolidated basis in accordance with the IFRS, and expressed in RMB unless otherwise stated.

(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.

2 CORPORATE INFORMATION

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as “中國建設銀行”)
Legal name and abbreviation in English	China Construction Bank Corporation (abbreviated as “CCB”)
Legal representative	Wang Hongzhang
Authorised representatives	Zhang Jianguo Chan Mei Sheung
Secretary to the Board	Chen Caihong Contact Address: No. 25, Financial Street, Xicheng District, Beijing Telephone: 86-10-66215533 Facsimile: 86-10-66218888 Email: ir@ccb.com
Representative of securities affairs	Xu Manxia
Company secretary	Chan Mei Sheung
Qualified accountant	Yuen Yiu Leung
Registered address and postcode	No. 25, Financial Street, Xicheng District, Beijing 100033
Internet website	www.ccb.com
Email address	ir@ccb.com
Principal place of business in Hong Kong	12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Newspapers for information disclosure	China Securities Journal and Shanghai Securities News
Website of the Shanghai Stock Exchange for publishing the annual report prepared in accordance with PRC GAAP	www.sse.com.cn
Website of Hong Kong Stock Exchange for publishing the annual report prepared in accordance with IFRS	www.hkex.com.hk
Place where copies of this annual report are kept	Board of Directors Office of the Bank
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939 H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939
Date and place of registration change	13 February 2012 State Administration for Industry & Commerce of the People’s Republic of China
Registration number of the corporate legal person business license	100000000039122
Organisation code	10000444-7

Financial license institution number	B0004H111000001
Taxation registration number	京税證字 110102100004447
Certified public accountants	PricewaterhouseCoopers Zhong Tian CPAs Limited Company Address: 11/F, PricewaterhouseCoopers Centre, 202 Hu Bin Road, Shanghai PricewaterhouseCoopers Address: 22/F, Prince's Building, Central, Hong Kong
Legal advisor as to PRC laws	Jun He Law Offices Address: China Resources Building, 20/F, 8 Jianguomenbei Avenue, Dongcheng District, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 28/F, Jardine House, One Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Rankings and Awards

The Banker	Ranked 10th in "Top 500 Banking Brands" Ranked 3rd in "Top 10 Most Valuable Commercial Banking Brands" Ranked 8th in "Top 1000 World Banks"
Financial Times	Ranked 24th in the "BrandZ Top 100" Ranked 7th in the "FT Global 500"
Forbes	Ranked 17th in "Global 2000"
Fortune	Ranked 108th in the "Fortune Global 500" Ranked 9th in the "Fortune China 500" Ranked 1st in the banking sector in the "China Corporate Social Responsibility Ranking"
Euromoney	The Best Private Bank, China
Global Finance	Star of China – Best Corporate Governance Bank World's Best Trade Finance Bank, China
International Data Group	Global Competitive Brands – Top 10 in China
FinanceAsia	Best Bank in China Ranked 7th in the "Best managed companies in China" Vote Ranked 4th in the "Best Corporate Governance" Vote Ranked 7th in the "Most Committed to a Strong Dividend Policy" Vote
AsiaRisk	House of the Year, China

The Asset	The Asset Corporate Governance Gold Award for Social Responsibility and Investor Relations
The Asian Banker	Best SMEs Banking Products in China Ranked 4th in "The Asian Banker 500 – Asia Pacific Largest Banks"
The Capital	Outstanding Retail Banking Corporation in China
Corporate Governance Asia	2nd Corporate Governance Asia Recognition Awards Asian Corporate Director Recognition Awards, China Best Investor Relations Website/Promotion Best Investor Relations (China company)
China Enterprise Confederation	Ranked 8th in "Top 500 Chinese Corporations"
China Business News	Bank of the Year
Financial News	Best Commercial Bank of the Year
People.com.cn	People's Social Responsibility Award
The 21st Century Business Herald	The Asian Bank with Best Prudent Operation Best Service of the Year
China Business Journal	Stated-owned Commercial Bank with Best Competitiveness
The Chinese Banker	The Bank with Best Profitability The Best Corporate Social Responsibility Award

Stock Prices

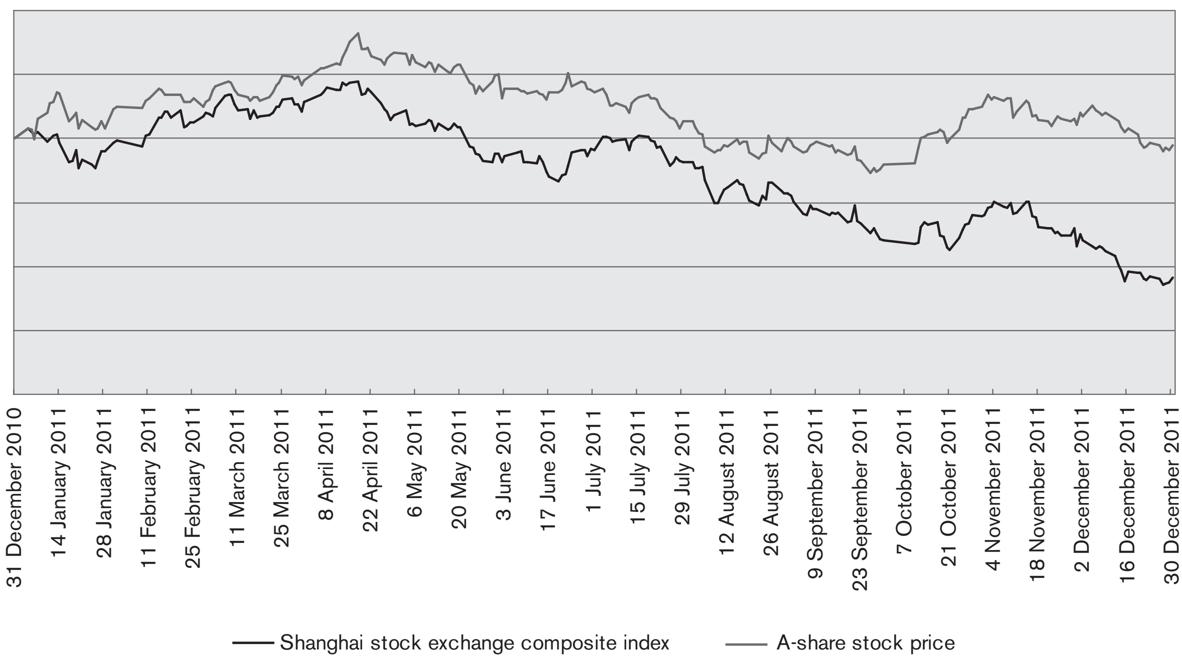
	H-shares (HKD)			A-shares (RMB)		
	Year end closing price	Maximum Price in the Year	Minimum Price in the Year	Year end closing price	Maximum Price in the Year	Minimum Price in the Year
2011	5.42	7.58	4.41	4.54	5.34	4.32
2010	6.97	8.30	5.77	4.59	6.21	4.51
2009	6.67	7.46	3.62	6.19	6.75	3.67
2008	4.25	7.29	2.50	3.83	10.21	3.46
2007	6.61	8.97	3.96	9.85	11.58	6.45

Dividend Records

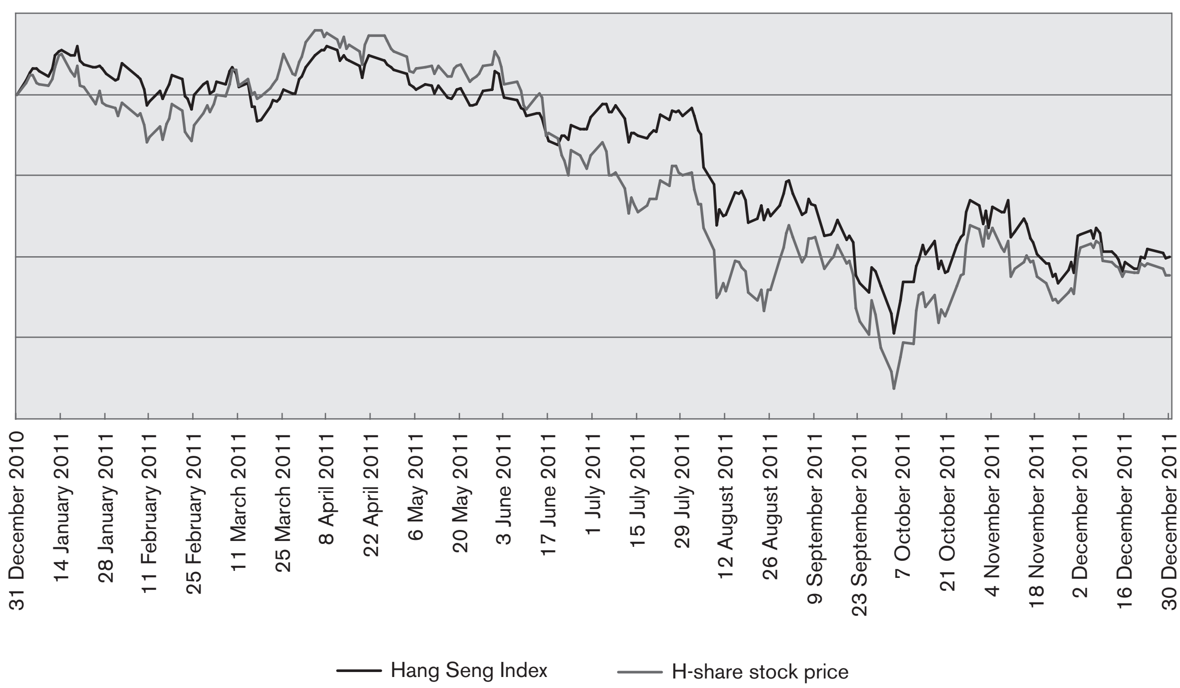
	H-share Holders (RMB/Share)			A-share Holders (RMB/Share)		
	Interim Dividend	Final Dividend	Special Dividend	Interim Dividend	Final Dividend	Special Dividend
2011	–	0.2365	–	–	0.2365	–
2010	–	0.2122	–	–	0.2122	–
2009	–	0.202	–	–	0.202	–
2008	0.1105	0.0837	–	0.1105	0.0837	–
2007	0.067	0.065	0.072716	–	0.065	–

Stock Price Performance Chart

Comparison between A-share stock price and Shanghai stock exchange composite index



Comparison between H-share stock price and Hang Seng Index



3 CHAIRMAN'S STATEMENT

Dear shareholders,

In 2011, facing the complex and fast-changing economic environment, the Group stringently complied with the government's macroeconomic control measures and regulatory requirements by continuing to promote structural adjustments and business transformation. Risk management and internal control were strengthened, and various businesses maintained a stable and rapid growth. Business results were excellent. With stable performance in the capital market, our comprehensive competitiveness and brand value rose substantially.

In 2011, the Group's total assets exceeded RMB12 trillion, while net profit for the year rose to RMB169,439 million, up 25.48% year-on-year. The return on average assets and the return on average equity were 1.47% and 22.51% respectively. The net interest margin was 2.70% while the cost-to-income ratio was 36.19%. Our key financial indicators continued to lead the market. The Board has recommended a final cash dividend of RMB0.2365 per share.

We continued to improve credit structure with more stable credit grants. In 2011, facing the complex and fast-changing external operating environment, the Group maintained its proactive and prudent operational philosophy, imposed reasonable controls over credit amount, and further improved its credit structure. At the end of 2011, loans and advances to customers increased by RMB827,283 million over 2010 to RMB6,496,411 million. The total increase in loans, pace of lending and lending direction were in compliance with regulatory requirements. We continued to consolidate our traditional competitive advantages. Infrastructure loans were mainly granted to support ongoing or continued projects, and increased by RMB194,362 million, accounting for 41.42% of the increase in corporate loans. We continued to maintain the leading position in terms of loan balance and increase of residential mortgage loans, with best asset quality in the market. Loan grants to key livelihood sectors such as small and micro enterprises, agriculture-related and indemnificatory housing construction, increased rapidly. In areas including government financing vehicles, real estate and industries with excess capacity, loan balances continued to either decrease or maintain a slower growth rate.

We continued to improve our income structure, with rapid development of strategic emerging businesses. Net fee and commission income for the year rose to RMB86,994 million, an increase of 31.55% over 2010. Net fee and commission income accounted for 21.78% of total operating income, representing an increase of 1.48 percentage points over the previous year. The cumulative number of our credit cards issued was 32.25 million, and we outperformed our peers in terms of multiple core business indicators, including the number of customers, credit card spending amount, and asset quality. The scale of our investment banking services continued to expand, with the underwriting of short-term commercial papers, private placement bonds and other businesses achieving first position in the market. In addition, we led the market in terms of wealth management income and profit margin. The wealth management and private banking business developed rapidly. Lastly, our electronic banking business achieved extraordinary expansion, with a number of indicators leading in the market, such as the total number of customers of online banking, mobile phone banking and SMS banking and the usage of products. The ratio of the number of transactions through electronic banking to that through front desk was 206.72%, up 65 percentage points over 2010.

We maintained steady progress in integrated operations, working toward the direction of becoming a multi-functional bank. In 2011, the total assets of our overseas entities reached RMB443,188 million, with decreases in both NPL and NPL ratio. Our Taipei and Moscow representative offices were opened in succession, while the work related to applications to open a branch in Toronto and subsidiary banks in Dubai and Brazil, and to upgrade Moscow and Taipei representative offices, progressed smoothly. CCB Life was also officially set up, becoming the pilot foray of domestic banks entering the insurance industry. Our subsidiaries, including investment bank, fund, trust, financial leasing and housing savings, all maintained stable growth, further reinforcing the Group's capability to provide comprehensive financial solutions to our customers.

We continued to tighten our risk controls and asset quality remained good. In 2011, the Group comprehensively promoted implementation of the New Basel Accord, and deepened the practical application of the related work results. It strengthened comprehensive risk management, including risk management of off-balance sheet items, overseas business, wealth management business and consolidation. At the end of 2011, the NPL ratio was 1.09%, a decrease of 0.05 percentage points from the previous year. The ratio of allowances for impairment losses to non-performing loans and that of allowances for impairment losses to gross loans were 241.44% and 2.64% respectively, higher than regulatory requirements.

The Group continued to promote public welfare, and proactively fulfil its corporate social responsibilities. In 2011, the Group continued to promote long-term public welfare projects such as "Programme for Impoverished High School Students", "Sponsorship Programme for Impoverished Mothers of Heroes & Exemplary Workers", "CCB Scholarships and Grants for College Students from Ethnic Minorities" and CCB Hope Primary Schools. In addition, we proactively explored innovative online channels to promote public welfare projects, and actively supported projects such as education, medical and health care, policy research, disaster relief work and environmental protection. In 2011, the Group won numerous honours for its social responsibility efforts including "Best Corporate Social Responsibility Institution Award" from China Banking Association, "Most Responsible Corporate Citizen" award from *China Newsweek*, the "People's Social Responsibility Award" from people.com.cn, and "Best Corporate Social Responsibility Award" from *The Chinese Banker* magazine. In addition, in the "China Corporate Social Responsibility Ranking" published by *Fortune China*, the Bank ranked first in the banking sector.

In 2011, the Group delivered a satisfactory report card to our investors with outstanding results and stable capital market performance, and won wide recognition from the market and community. We received accolades from over 50 domestic and foreign professional bodies, enhancing our international image and brand value. All these hard-earned achievements are attributable to the support of our customers, shareholders and the wide business community, and the concerted hard work of all our staff. To these people, I would like to express my sincere gratitude.

Looking ahead, the domestic and international economic and financial situation seems more complex with growing uncertainty in 2012, and market competition tends to be more intensive. The Group will adhere to our customer-focused and market-oriented policies, and proactively expand our customer base. We will focus on large industries, large systems, large cities and high net worth customers, while trying to attract more small and medium enterprises and ordinary customers. While we will continue to leverage on our traditional advantages in infrastructure finance, cost advisory services and residential mortgage finance, we will also proactively develop our emerging businesses such as retail business, small and micro enterprise business, electronic banking, consumer finance and pension business. Further efforts will be made in strengthening our infrastructure such as distribution channels, marketing and IT. Bearing in mind the requirements for a comprehensive and multi-functional bank that develops in an intensive manner, we will work hard towards the goal of becoming a modern bank that is "best domestically, and excellent internationally", and owns global influence and competitiveness.

Wang Hongzhang

Chairman

23 March 2012

Dear shareholders,

In 2011, the Group actively responded to the complex and fast-changing domestic and global economic environment by continuing to promote structural adjustments and business transformation. Traditional advantage businesses grew steadily, while emerging businesses achieved healthy and rapid growth. Good business results were attained with stable asset quality, continuous product innovation and improving customer service capabilities.

EXCELLENT BUSINESS PERFORMANCE AND STABLE ASSET QUALITY

Business performance was good. In 2011, the Group achieved a net profit of RMB169,439 million, up 25.48% over 2010. Net interest income increased by 21.10%. Net fee and commission income increased by 31.55% to RMB86,994 million, accounting for 21.78% of the operating income, 1.48 percentage points higher than 2010, with improving income structure. The cost-to-income ratio was kept at a low level, and fell to 36.19% from 2010.

Assets and liabilities grew steadily. At the end of 2011, total assets rose by 13.61% to RMB12,281,834 million from 2010. Gross loans and advances to customers rose by 14.59% to RMB6,496,411 million, and deposits from customers increased by 10.05% to RMB9,987,450 million. The loan-to-deposit ratio was 65.05% with ample liquidity.

Asset quality remained stable. At the end of 2011, the Group's non-performing loans increased by RMB6,203 million to RMB70,915 million, while the non-performing loan ratio dropped by 0.05 percentage points to 1.09% from 2010. The ratio of allowances for impairment losses to non-performing loans rose to 241.44%, while that of allowances for impairment losses to gross loans was 2.64%, representing stronger risk resistance ability.

FURTHER STRUCTURE ADJUSTMENTS AND STRONG DEVELOPMENT OF EMERGING BUSINESSES

Corporate loans were granted in a sound manner with deepening structure adjustments. At the end of 2011, corporate loans and advances totalled RMB4,446,168 million, an increase of 11.80%. Loans to industries with excess capacity decreased by RMB1,607 million from 2010. The number and loan balance of government financing vehicles dropped by 158 and RMB112,160 million respectively. Property development loans increased only by 0.16%. On the other hand, infrastructure loans increased by RMB194,362 million over 2010, 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%. The advances of domestic factoring business were RMB127,936 million, an increase of 89.54%. Agriculture-related loans increased by 27.71%. Loans to small enterprises increased by 24.60%, due to numerous innovative products and continuously improving service capability, which brought the Bank the "Best SMEs Banking Products in China" award from *The Asian Banker* magazine.

Personal loans grew rapidly while maintaining good asset quality. At the end of 2011, personal loans totalled RMB1,683,855 million, an increase of 23.02%. In this amount, personal residential mortgage loans were RMB1,317,444 million, an increase of 20.74%, ranking first in the market in terms of both loan balance and the increase. The Group continued to strengthen post-loan management, with asset quality maintaining its first position among its peers. At the end of 2011, the non-performing loan ratio for personal loans was 0.31% while that for residential mortgage loans was 0.20%.

Credit card business gained stronger market influence. At the end of 2011, the cumulative number of credit cards issued totalled 32.25 million, with loan balance of RMB97,553 million, and the spending amount in 2011 reached RMB588,901 million. The Bank maintained its leading position on key indicators such as the number of credit card users, average card spending and asset quality. The Bank's installments business gained in market competitiveness, and car installments in particular, became a major attraction in the market. Brand influence continued to rise, with numerous compliments from competitions organised by mainstream media and professional organisations.

Institutional, custodial and pension businesses maintained good growth momentum. The Bank expanded on its "Minben Tongda" branded comprehensive financial services, with the launch of a sub-brand focusing on services for cultural sectors, which had won 3,037 customers in the sectors on a cumulative basis since the launch. In various areas, including the number of civil cards issued to budget units on public finance, the number of "Xincunguan" customers, income from the fund collection and payment agency service for trust plans, and the number of contracted customers of the Futures-Bank System (FBS), the Bank ranked first in the market. Assets under custody exceeded RMB2 trillion, an increase of 57.50%. As for the securities investment funds under custody, the Bank ranked first among its peers in terms of the increase in the number of funds, and second in terms of total amount. The amount and number of securities companies' collective assets management plans under custody continued to rank first in the market. There was an increase of 5,484 in the number of contracted enterprise annuity clients, an increase of 1.38 million in the number of contracted personal accounts, and an increase of 37.93% in the amount of contracted assets under custody.

Financial market business led the market in multiple indicators. The Bank adhered to its prudent investment and trading philosophy in the financial market business, and reaped fast growth in operating revenue through proactive adjustments to operational strategies. The Bank achieved substantial increase in the yields of RMB-denominated debt securities investments, commanded the largest market share in book-entry treasury bonds underwriting for the third consecutive year, and ranked second in the over-the-counter trading volume of book-entry treasury bonds. The trading volume of precious metals increased by 759% over the previous year. CCB brand physical gold continued to command the largest market share. The foreign exchange trading business improved steadily.

Investment banking made greater profit contribution. With the support of its financial total solutions, the Group proactively promoted the establishment of comprehensive long-term business relationship with customers. The contribution from new financial advisory services such as M&A and restructuring, debt restructuring, listing and refinancing rose substantially. The accumulated underwriting volume of short-term commercial papers ranked first in the market for the sixth consecutive year. Wealth management business developed rapidly, bringing in an income of RMB7,907 million.

STRONGER CUSTOMER BASE AND BETTER CHANNEL DEPLOYMENT

Efforts in customer expansion produced fruit and led to stronger customer base. Corporate and institutional customers increased by 265,000, leading to substantial increase in corporate settlement accounts. Small business credit customers totalled 72,091, representing an increase of 10,392. The number of personal customers with non-zero asset under management (AUM) increased by 18.17 million, and the number of high-end customers with more than RMB3 million of AUM increased by 25,000.

Specialised business structure made progress, and emerging distribution channels developed rapidly. At the end of 2011, 245 private banks and wealth management centres, and 240 small business operating centres in "Credit factory" model were in operation; 940 personal loan centres had been established. The application level of electronic banking channels was improved significantly. The ratio of the number of transactions through electronic banking to that through the front desk reached 206.72%, an increase of 65 percentage points over 2010.

UPGRADED FUNDAMENTAL MANAGEMENT AND STEADY IMPROVEMENT IN RISK MANAGEMENT CAPABILITY

Overall risk management was enhanced. The Group strengthened risk control in key areas such as government financing vehicles, real estate, and industries with excess capacity. Fundamental risk management in areas including off-balance sheet items, overseas business, country risk, collaterals and consolidation was also strengthened. The economic capital, industry limits and credit approval management systems were enhanced, and the use of credit risk measurement tools was greatly promoted. The Bank adopted a proactive attitude in responding to the volatility in the global financial markets, by actively promoting the building of market risk measurement system and tools. Operational risk controls was strengthened through active identification of critical risk points, ensuring safe and stable operations. Steady progress was made in implementing the New Basel Capital Accord, including smooth progress in implementing the three pillars.

Capital management improved steadily. Capitalising on the implementation of Pillar II under the New Basel Capital Accord, the Bank optimised the capital measurement system, improved the related systems, and continuously refined capital management. Greater efforts were made on the management of off-balance sheet business and the capital occupation of off-balance sheet business continued to decline, leading to rising capital adequacy ratio.

Management of service quality, product innovation and process optimisation was strengthened. The Group continued to monitor the personal and corporate customer satisfaction, and the overall customer satisfaction steadily improved in 2011. It further developed its service quality management system, and established a service quality survey and evaluation system covering various channels, including branch outlets, wealth management centres and the 95533 telephone customer service centre. It finished 531 process optimisation projects with the Lean Six Sigma management approach, enhancing its capability of product operation, fundamental management and risk control. In 2011, the Group established four new product innovation laboratories, and completed 372 product innovations. The Group continued to work with Bank of America on various cooperative projects including site selection for bank outlet, post management and counterparty risk management.

Information technology (IT) tasks progressed steadily. The Bank finalised the implementation road map of the new generation core banking system for the next three years. It intensified application system development to support business and product innovation. The core and peripheral business systems for overseas branches were rolled out to support overseas business expansion. The Bank established and improved the production safety target and responsibility system, the technical code and standard system to strengthen its capability of system operation assurance. The contingency plans and risk factors for the information system were reviewed, and response strategies for different risks and severity were established to improve emergency response efficiency.

FURTHER INTEGRATED OPERATIONS AND CONTINUED OVERSEAS EXPANSION

Integrated operations made significant progress. The Group actively and prudently promoted integrated operations, in order to enhance the core competitiveness of the Group as a whole. The Group became the first among the four state-owned banks to own controlling interests in a life insurance company, after its successful acquisition of a 51% stake in Pacific-Antai in June 2011, which was subsequently renamed as CCB Life. The Group actively promoted the new types of rural financial institutions, and 16 of its rural banks were in operation at the end of 2011.

Overseas network achieved steady expansion. The Taipei and Moscow representative offices were opened in May 2011, and the establishment of entities in other regions are also in progress.

OUTLOOK FOR 2012

In 2012, against the expected complications of global economy coupled with slower domestic economic growth, China's pace of economic structural adjustments and transformation of development patterns will be accelerated. Competition in the banking industry will become more intense, increasing the pressure on risk prevention and control. We will strengthen our research and judgement on policies and markets, support real economy in line with our five-year development plan, and try to achieve stable progress and comprehensive development.

- We will maintain steady deposit business development, consolidate market share and improve deposit structure.
- We will optimise loan structure, by focusing on infrastructure, livelihood areas, energy saving and emission reduction, emerging manufacturing and service industries. We will continue to provide good financial services to SMEs and micro-enterprises, and promote intensive operations.
- We will promote the sound development of fee-based business to enhance our market competitiveness.
- We will promote initiatives to grow customers and improve customer structure, and try to increase the profit contribution per customer.
- We will accelerate the establishment of our operating outlets, strengthen the development of the electronic banking channels, and promote the coordinated development of the various channels.

Facing the challenges, the Group will seize every growth opportunity with steadfast confidence, and will make full efforts to deliver excellent services and operating results to reward our customers and shareholders. Last but not least, I sincerely appreciate the support from our customers and I am indebted to the staff for their hard work and efforts.

Zhang Jianguo

Vice chairman, executive director and president

23 March 2012

5.1 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.

5.1.1 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.

	Year ended 31 December 2011			Year ended 31 December 2010		
(In millions of RMB, except percentages)	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	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.

	Year ended 31 December 2011			Year ended 31 December 2010		
(In millions of RMB, except percentages)	**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.

5.1.2 Statement of Financial Position Analysis

Assets

The following table shows the composition of the Group's total assets 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
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

	As at 31 December 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	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.

	As at 31 December 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	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		
		which are collectively assessed	which are individually assessed	Total
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.

	As at 31 December 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	**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.

	As at 31 December 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	**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 RMB51,207 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.

(In millions of RMB, except percentages)	As at 31 December 2011		As at 31 December 2010	
	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.

	As at 31 December 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	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.

	As at 31 December 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	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.

5.1.3 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.

	As at 31 December 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	**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.

	As at 31 December 2011			As at 31 December 2010		
(In millions of RMB, except percentages)	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.

	As at 31 December 2011				As at 31 December 2010			
(In millions of RMB, except percentages)	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.

Rescheduled Loans and Advances to Customers

The following table sets forth the Group's rescheduled loans and advances to customers as at the dates indicated.

	As at 31 December 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Rescheduled loans and advances to customers	2,692	0.04	2,070	0.04

Overdue Loans and Advances to Customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

	As at 31 December 2011		As at 31 December 2010	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Overdue for no more than 3 months	21,815	0.34	18,607	0.33
Overdue for 3 months to 1 year	9,739	0.15	6,595	0.12
Overdue for 1 to 3 years	11,885	0.18	19,066	0.34
Overdue for over 3 years	13,553	0.21	11,987	0.20
Total overdue loans and advances to customers	56,992	0.88	56,255	0.99

5.1.4 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The major areas affected by the estimates and judgements include: impairment losses on loans and advances to customers, available-for-sale debt securities and held-to-maturity investments, impairment of available-for-sale equity instruments, fair value of financial instruments, reclassification of held-to-maturity investments, and income taxes. Please refer to Note "Significant Accounting Policies and Estimates" in the "Financial Statements" of this annual report.

5.1.5 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.

5.2 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:

	Year ended 31 December 2011		Year ended 31 December 2010	
(In millions of RMB, except percentages)	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

5.2.1 Corporate Banking

The following table sets forth the major operating information and changes related to corporate banking:

(In millions of RMB, except percentages)	**Year ended 31 December 2011**	Year ended 31 December 2010	Change (%)
Net interest income	**159,396**	135,559	17.58
Net fee and commission income	**39,170**	28,563	37.14
Other operating income	**789**	753	4.78
Operating income	**199,355**	164,875	20.91
Operating expenses	**(60,023)**	(50,151)	19.68
Impairment losses	**(28,291)**	(23,557)	20.10
Profit before tax	**111,041**	91,167	21.80
	As at 31 December 2011	As at 31 December 2010	
Segment assets	**4,643,350**	4,343,277	6.91

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 RMB34,747 million. 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*.

5.2.2 Personal Banking

The following table sets forth the major operating information and changes related to personal banking:

(In millions of RMB, except percentages)	**Year ended 31 December 2011**	Year ended 31 December 2010	Change (%)
Net interest income	**84,918**	70,497	20.46
Net fee and commission income	**29,061**	23,919	21.50
Other operating income	**976**	628	55.41
Operating income	**114,955**	95,044	20.95
Operating expenses	**(73,361)**	(62,278)	17.80
Impairment losses	**(3,967)**	(2,176)	82.31
Profit before tax	**37,627**	30,590	23.00
	As at 31 December 2011	As at 31 December 2010	
Segment assets	**1,662,434**	1,361,904	22.07

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.

5.2.3 Treasury Business

The following table sets forth the major operating information and changes related to treasury business:

(In millions of RMB, except percentages)	**Year ended 31 December 2011**	Year ended 31 December 2010	Change (%)
Net interest income	**59,298**	42,675	38.95
Net fee and commission income	**16,841**	11,898	41.54
Net trading gain	**2,047**	1,940	5.52
Net income arising from investment securities	**824**	504	63.49
Other operating loss	**(524)**	(1,591)	(67.06)
Operating income	**78,486**	55,426	41.61
Operating expenses	**(4,309)**	(3,573)	20.60
Impairment losses	**(3,118)**	(655)	376.03
Profit before tax	**71,059**	51,198	38.79
	As at 31 December 2011	As at 31 December 2010	
Segment assets	**5,411,041**	4,684,227	15.52

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.

5.2.4 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 RMB500 million.

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.

5.2.5 Analysed by Geographical Segment

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

	For the year ended 31 December 2011		For the year ended 31 December 2010	
(In millions of RMB, except percentages)	**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:

	For the year ended 31 December 2011		For the year ended 31 December 2010	
(In millions of RMB, except percentages)	**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:

	For the year ended 31 December 2011		For the year ended 31 December 2010	
(In millions of RMB, except percentages)	**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.

5.2.6 Distribution Channels

The Bank has an extensive distribution network. Through branches, customer self-service equipment, specialised service entities across the country and electronic banking service platform, the Bank provides customers with convenient and high-quality banking services.

At the end of 2011, the Bank had a total of 13,581 operating outlets in the PRC, including the head office, 38 tier-one branches, 304 tier-two branches, 8,835 sub-branches, 4,402 entities under the sub-branches and a specialised credit card centre at the head office. The number of operating outlets increased by 166 over the previous year. The distribution of operating outlets was prioritised towards super large cities, major cities and key economic counties and towns. By the end of 2011, a total of 7,800 retail outlets had completed the second phase of retail outlet transformation, which wound up nicely. A total of 10,482 dedicated account managers work in transformed retail outlets, leading to remarkable improvement in service capability and customer satisfaction. The Bank also implemented a star rating system, and 181 outlets were rated as "five-star banking store", 676 outlets as "four-star banking store" and 1,105 outlets as "three-star banking store".

Self-service channel was the Bank's largest banking transaction channel, with 45,645 ATMs in operation, an increase of 5,771 over the previous year. There were 10,681 self-service banks in operation, an increase of 1,004 over the previous year.

By the end of 2011, a total of 245 private banking centres and wealth management centres had opened business, 940 personal loan centres and 240 small business centres have been established. The network of specialised service entities covered all major cities and the top hundred counties.

The Bank's electronic banking channel developed rapidly, with significant increase in usage level. At the end of 2011, the personal online banking customers increased by 48.19% to 84.54 million; corporate online banking customers reached 1.39 million, an increase of 49.46% over the previous year; mobile phone banking customers reached 46.95 million, an increase of 109.22%. The number of transactions for personal online banking customers was 4.04 billion, up 40.78% over the previous year; that for corporate online banking customers was 970 million, up 46.97%; that for mobile phone banking customers was 206 million, up 93.25% year-on-year. Telephone banking customers rose to 96.21 million, an increase of 33.77% over the previous year. The ratio of the number of transactions through electronic banking to that through the front desk reached 206.72%, an increase of 65 percentage points over the previous year. The Bank has introduced various new electronic banking services and products such as dynamic passwords through SMS, separately managed accounts, E-Shangmaotong, account silver, account platinum and medical banking services. Products such as electronic mobile terminal was further promoted for wider use, and 21 batches of exclusive wealth management products were introduced to online banking customers. Through the introduction of a personal loan board "House-E-Tong" at the Bank's website, the electronic personal loan service channel was initially established. In addition, the Bank has established an interactive online customer service platform, and built a customer experience database and continuously strived to solve all issues. Lastly, the influence of CCB E-Route official microblog at Sina has also expanded.

5.2.7 Information Technology

In 2011, the Group intensified the implementation of application systems, enhanced system-related risk management capability, developed an IT basic architecture planning, and set the direction and objectives for IT infrastructure for the next five years.

Intensifying the implementation of application systems to support business development. The Bank actively cooperated with China UnionPay, China Mobile and Shanghai Gold Exchange to launch various systems such as the financial IC card, mobile payment, gold trading agency service, and E-Shangmaotong. Improvements were made in the system functions including telephone payment, personal foreign exchange purchase and sale, cash management and electronic banking. The system for the segregation between the front and back office was rolled out, effectively enhancing business processing efficiency while preventing operational risks. The overseas core and peripheral business systems were rolled out to the existing overseas institutions to support the expansion of overseas business.

Enhancing system-related risk management capability to ensure secure and stable operations. The Bank completed the review of risk points for key systems, established and improved the production safety target and responsibility system, the technical code and standard system. The contingency plans and risk factors for the information system were reviewed, response strategies for different risks and severity were established, and emergency drill management was enhanced. The Bank reviewed and optimised the operating monitoring indicators, and accelerated the deployment of automated operation and maintenance tools, further improving the level of automated management. The Bank standardised the service support procedures, integrated resources, continued to promote the application system integration of branches and overseas entities, in order to simplify the application system environment for the whole bank. Despite the growth of the transaction volume, the Bank achieved the 99.99% availability target set for the key business systems.

5.2.8 Staff and Human Resources Management

At the end of 2011, the Bank had 329,438 staff members (besides, the Bank had 29,610 workers dispatched by labour leasing companies). The staff members with academic qualifications of bachelor's degrees or above were 160,112, or 48.6%, and local employees in overseas branches and representative offices were 432. In addition, the Bank had to assume the expenses of 40,037 retired employees. The subsidiaries had 5,229 employees (besides, the subsidiaries had 141 workers dispatched by labour leasing companies).

The composition of employees by age, academic qualifications and responsibilities is as follows:

Category	Classification	Number of employees	% of total
Age	Below 30	79,353	24.09
	31 to 40	103,045	31.28
	41 to 50	114,845	34.86
	51 to 59	32,065	9.73
	Over 60	130	0.04
Academic qualification	Doctor's degree	359	0.11
	Master's degree	12,187	3.70
	Bachelor's degree	147,566	44.79
	Associate degree	121,589	36.91
	Post-secondary	24,526	7.44
	High school and below	23,211	7.05
Responsibilities	Corporate banking	49,959	15.17
	Personal banking	158,772	48.20
	Financial market business	324	0.10
	Finance and accounting	26,558	8.06
	Management	17,563	5.33
	Risk management, internal audit, legal and compliance	11,697	3.55
	Information technology	20,572	6.24
	Others	43,993	13.35
Total		329,438	100.00

In 2011, the Bank continued to deepen the reform of human resources management mechanism, and made great efforts to optimise the allocation of human resources, while exploring global best practices for post and performance management. The Bank actively attracted, cultivated and retained world-class talents, and strengthened the efforts to select talents through competition. It pushed forward team building for business management talents, professional and technical talents, and overseas business talents on a coordinated basis, in order to enhance the contribution of human capital value and promote staff career development.

Adhering to the philosophy of standardising the remuneration mechanism and harmonious remuneration relationship, the Bank continued to make innovative efforts in its remuneration management system, and optimised the incentive and disciplinary mechanisms by integrating its overall payroll policies, adopting the concept of target-orientated remuneration management mechanism, and strengthening the guidance to the remuneration policies for frontline employees and key positions. The Bank's major allocation rules and other significant matters relating to staff remuneration need to be proposed to the Board for assessment and approval. The nomination and compensation committee under the Board is responsible for considering the proposals concerning of the Bank's remuneration system and plans, the principle for control on the total annual compensation amount, and the remuneration allocation plan, annual remuneration standards, performance appraisal plan and annual appraisal results for directors, supervisors and senior management. Material proposals relating to remuneration allocation shall be voted and approved by the shareholders' general meeting, or reported to higher authority for approval and filing. The Bank implemented deferred payment for performance compensation of its directors, supervisors and senior management pursuant to relevant government policies. In addition, the Bank established a compensation deduction mechanism for staff who are facing disciplinary actions or other penalties due to violation of rules or breach of duty, and those who are subject to performance score deductions due to minor irregular acts.

The Bank continued to increase its investment in training resources, and delivered large-scale staff training. It not only provided general training programmes for all employees, but also organised specific training programmes for different groups of employees. Trainings for managerial staff were the major focus, and those for backup leaders were also strengthened. In 2011, the Bank conducted 29,166 local and overseas training sessions, with a total enrolment of 1,318,000.

5.3 RISK MANAGEMENT

In 2011, in response to the changes in the macroeconomic environment, the Bank re-examined and optimised its credit policies, and strengthened its credit structure adjustments, leading to enhanced risk resistance ability of its credit portfolio. The risk management of key credit areas such as local government financing vehicles, real estate, industries with excess capacity was strengthened with continuous improvement of customer quality and credit structure. The Bank strengthened the fundamental risk management of areas including off-balance sheet activities, overseas business, country-specific risk, collaterals, and consolidation, raising the standard of comprehensive risk management. The optimisation and usage of risk management techniques and tools was promoted to support business development and innovation. The Bank strengthened market risk management by proactively responding to the volatility in the global financial markets. Operational risk controls were strengthened through special attention on critical risk points, ensuring safe and stable business operations.

In 2011, the Bank continued to push forward the implementation of the New Basel Capital Accord, with steady progress in implementing the three pillars. Great efforts were made to improve fundamentals including risk management mechanism, rules and processes, IT systems, data, and personnel, and a framework for comprehensive risk management required by the New Basel Capital Accord came into shape. The Bank started the implementation of the New Basel Capital Accord in overseas entities, and facilitated the on-site assessment by the CBRC assessment team. According to the assessment, the Bank has basically met the requirements to submit the application for implementing the New Basel Capital Accord.

5.3.1 Risk Management Structure

The risk management committee under the Board of the Bank is responsible for formulating the Bank's risk strategy and risk management policies, supervising their implementation, and evaluating the overall risk profile on a regular basis.

The Bank has established a centralised and vertical risk management structure at the management level, with a vertical risk management line, consisting of "chief risk officer – risk supervisors – risk heads – risk managers".

At the head office level, the chief risk officer is responsible for comprehensive risk management under the direct leadership of the president. The Risk Management Department, under the supervision of the chief risk officer, is responsible for formulating risk management policies, performing risk measurement and analysis and other issues. There are a market risk management department and a risk management team for overseas entities under the Risk Management Department. The Credit Management Department is responsible for credit approval and credit risk monitoring. Other departments at the head office perform their risk management duties within their respective scopes of duty.

At branch level, there are risk supervisors in tier-one branches, who report to the chief risk officer, and are responsible for organising risk management and credit approval within the branch. There are risk heads at tier-two branches and risk managers at sub-branches, responsible for risk management in their respective branch or sub-branch. The risk management personnel have two reporting lines: the first reporting line is to risk management officers at higher levels, and the second is to managers of their respective entities or business units. In 2011, the Bank introduced a risk supervisor at the Hong Kong branch as an exploration, and implemented the dual reporting line mechanism similar to the existing system at the domestic branches.

At subsidiary level, through the general meetings of shareholders and board of directors of each subsidiary, the Bank guides and supervises the subsidiaries in improving their risk management and internal control mechanism so as to control potential risks effectively. In addition, the Bank establishes an internal "firewall" system and a large exposure reporting system, and makes continuous improvements to them, in order to prevent the internal transmission of risks, and strengthen the Group's overall risk controls.

5.3.2 Credit Risk Management

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

In 2011, the Bank focused on deepening the credit structure adjustments, and strengthened the risk management of key credit areas such as local government financing vehicles, real estate, and industries with excess capacity. The Bank strengthened the fundamental risk management of areas including off-balance sheet activities, overseas business, country-specific risk, collaterals and consolidation. The economic capital and industry limits systems were enhanced, and the usage of risk measurement techniques and tools was deepened. Monitoring methods and mechanism were improved, and the credit approval management system was optimised. All these led to the continuous improvement of the credit risk management standard.

Timely re-examination of credit policies and intensified credit structure adjustments. The Bank refined its policy requirements of "promoting, securing, controlling, curtailing and exiting", in order to guide the whole bank in intensifying the structure adjustments. With a close watch on the macroeconomic situation and market changes as well as the latest regulatory requirements, the Bank made timely re-examination to its credit policies for different industries and products to enhance the adaptability and market responsiveness of the policies.

Strengthening risk controls with respect to key business areas. The Bank carried out detailed risk investigation and evaluation of each government financial vehicle customer, and raised the cash flow coverage level with sound risk mitigation arrangements. With a close watch on the trend of changes in risks, the Bank conducted risk inspections on key areas such as property development loans, loans to industries with high energy consumption and excess capacity, and issued risk reminders for the purpose of early risk detection and disposal. The Bank fully complied with the counter-cyclical regulatory requirements by setting stringent risk classification standards, and proactively consolidating the credit asset quality base.

Strengthening fundamental management in areas including off-balance sheet activities, overseas business, country-specific risk, collaterals and consolidation. The Bank set the policy directions and relevant requirements for risk management of off-balance sheet activities, and established provisioning mechanism for off-balance sheet activities. It also enhanced the risk management structure of overseas entities, promoted the research and development of overseas business risk rating tools, and standardised post-lending risk monitoring of overseas entities. To strengthen country-specific risk management, the Bank started a country-specific risk management advisory project to explore the establishment of a country-specific risk rating system. The bottom line for collateral management policies was established, the collateral system was refined, and the collateral coverage level was raised, further strengthening the risk mitigation ability of the Bank. The internal risk isolation controls and large exposure management of the Group was strengthened, and the major risk reporting mechanism at subsidiaries was standardised.

Optimising the credit approval management system. The Bank designed differentiated credit approval management processes based on the different characteristics of customers and products, in order to improve the efficiency of credit approval. In light of the credit characteristics of small enterprises, the Bank reviewed and revised credit approval documentation requirements specific to small enterprises, steadily promoting the collective credit approval method for small enterprises.

Promotion of the refinement, upgrade and application of risk management tools. Economic capital and industry limits management was refined, through the promotion of the use of risk-adjusted return on capital in the allocation of credit resources, the design of credit approval plans and product pricing. Rating management was standardised with the refinement of the customer rating model and customer evaluation scorecard. The Bank conducted stress tests in areas such as macroeconomic fluctuations and real estate industry, with its stress testing system completed and launched into operation. The third phase development of the system of allowances for impairment losses on loans and advances was actively promoted, and the system function for credit approval risk monitoring was refined.

Concentration of credit risks

In 2011, in line with regulatory requirements, the Group proactively adopted a series of measures to prevent large exposure concentration risk, including tightening lending criteria, adjusting business structure, controlling the granting pace, revitalising existing credit assets and innovating products.

At the end of 2011, the gross loans to the largest single borrower accounted for 3.30% of the net capital of the Group, while those to the ten largest customers accounted for 15.18% of the net capital.

Concentration of loans

Concentration indicator	**Regulatory standard**	**As at 31 December 2011**	As at 31 December 2010	As at 31 December 2009
Ratio of loans to the largest single customer (%)	≤10	**3.30**	2.76	3.09
Ratio of loans to the ten largest customers (%)		**15.18**	16.00	18.94

The Group's ten largest single borrowers as at the date indicated are as follows:

		As at 31 December 2011	
(In millions of RMB, except percentages)	Industry	Amount	% of total loans
Customer A	Railway transport	30,517	0.47
Customer B	Production and supply of electricity and heat	14,810	0.23
Customer C	Road transport	14,480	0.22
Customer D	Road transport	13,056	0.20
Customer E	Railway transport	11,950	0.18
Customer F	Road transport	11,880	0.18
Customer G	Public utility management	11,408	0.18
Customer H	Road transport	10,922	0.17
Customer I	Road transport	10,858	0.17
Customer J	Road transport	10,467	0.16
Total		**140,348**	**2.16**

5.3.3 Liquidity Risk Management

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Group cannot obtain sufficient funds in time, or at a reasonable cost, to meet the needs of asset growth or repay liabilities as they are due. The Group's objective for liquidity management is to maintain a reasonable level of liquidity, and ensure the payment and settlement security in compliance with the regulatory requirements, while striving to enhance fund yields by deploying its funds in an effective and reasonable way.

In 2011, the PBC raised the statutory reserve ratio six times, and included margin deposit into the statutory reserve requirement. Although the ratio was lowered once in December 2011, the liquidity in the interbank market remained tight. As a result, the surplus reserve rate of the Group declined. In response to its liquidity situation, the Group took timely measures, including actively attracting deposits, raising the frequency of adjustments to the liquidity risk limit, and making adjustments to products with close relation to liquidity, such as debt securities, financial assets held under resale agreements, and deposits with banks and non-bank financial institutions, to make appropriate arrangements according to its fund position. Through these effective measures, the Group continued to maintain a reasonable level of liquidity, and ensured safe payment and settlement. The Group conducted regular stress tests on liquidity risk, in order to gauge the Bank's risk tolerance in extreme scenarios of low probability and other adverse circumstances. The results showed that under stress scenarios, although liquidity risk did increase, it stayed within a tolerable limit.

The analysis of the remaining maturity of the Group's assets and liabilities as at the balance sheet date is set out below:

	As at 31 December 2011							
(In millions of RMB)	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	**1,996,932**	**382,877**	**–**	**–**	**–**	**–**	**–**	**2,379,809**
Deposits and placements with banks and non-bank financial institutions	**–**	**32,603**	**151,071**	**95,405**	**98,454**	**8,183**	**76**	**385,792**
Financial assets held under resale agreements	**–**	**–**	**185,613**	**13,353**	**1,079**	**–**	**–**	**200,045**
Loans and advances to customers	**33,363**	**104,292**	**236,117**	**456,647**	**1,647,945**	**1,674,416**	**2,172,414**	**6,325,194**
Investments	**35,471**	**–**	**31,820**	**66,655**	**317,496**	**1,289,446**	**1,002,931**	**2,743,819**
Other assets	**138,347**	**31,518**	**14,631**	**25,221**	**28,087**	**4,689**	**4,682**	**247,175**
Total assets	**2,204,113**	**551,290**	**619,252**	**657,281**	**2,093,061**	**2,976,734**	**3,180,103**	**12,281,834**
Liabilities								
Borrowings from central banks	**–**	**2,220**	**–**	**–**	**–**	**–**	**–**	**2,220**
Deposits and placements from banks and non-bank financial institutions	**–**	**445,029**	**320,833**	**156,922**	**57,350**	**64,820**	**–**	**1,044,954**
Financial liabilities at fair value through profit or loss	**–**	**12,682**	**8,460**	**3,182**	**9,304**	**–**	**28**	**33,656**
Financial liabilities sold under repurchase agreements	**–**	**–**	**2,469**	**7,074**	**918**	**–**	**–**	**10,461**
Deposits from customers	**–**	**5,396,360**	**844,136**	**896,678**	**2,145,634**	**694,911**	**9,731**	**9,987,450**
Debt securities issued	**–**	**–**	**7,258**	**10,842**	**20,518**	**31,123**	**98,571**	**168,312**
Other liabilities	**358**	**134,242**	**11,632**	**14,833**	**40,171**	**12,495**	**4,389**	**218,120**
Total Liabilities	**358**	**5,990,533**	**1,194,788**	**1,089,531**	**2,273,895**	**803,349**	**112,719**	**11,465,173**
Long/(short) position in 2011	**2,203,755**	**(5,439,243)**	**(575,536)**	**(432,250)**	**(180,834)**	**2,173,385**	**3,067,384**	**816,661**
Long/(short) position in 2010	1,823,563	(5,374,529)	(458,072)	(15,972)	(245,271)	2,041,271	2,929,915	700,905

The Group regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different periods. As at 31 December 2011, the accumulated gap of various maturities of the Group was RMB816,661 million, an increase of RMB115,756 million over 2010. Despite the negative gap for repayment on demand totalling RMB5,439,243 million, the Group is expected to enjoy a stable funding source and maintain stable liquidity in the future given its strong and expansive deposit customer base, relatively stable core demand deposits, and steady growth in deposits.

5.3.4 Market Risk Management

Market risk is the risk of loss in respect of the Group's on- and off-balance sheet activities, arising from adverse movements in market rates, including interest rates, foreign exchange rates, commodity prices and stock prices.

In 2011, the Bank proactively responded to the volatility in the global financial markets, refined its market risk management rules and policies, strengthened the monitoring and reporting of market risk, and promoted the development of risk measurement system and tools, further enhancing its market risk management capability.

Improvement of the market risk management rules and policies. The Bank made timely review on the risk policy and limit scheme for its financial market business. An investment approval process and post-investment management mechanism was established for credit-related debt securities investments. The internal control rules and process in financial markets activities were also reviewed, in order to strengthen risk management controls on the whole process.

Strengthening the monitoring and reporting of market risk. The Bank continued to increase its on-site inspections, strengthened the daily monitoring and reporting of the financial market business, and kept close watch on the performance of credit approval, authorisation and risk limits. Early risk warning and reminders were improved, and an early warning feedback mechanism was established.

Promoting the development of market risk measurement system and tools. The Bank continued to employ its financial market business risk management information system to conduct daily risk measurement and management, and rolled out treasury operations trading management system in overseas branches. The analysis and practical application of risk measurement methods including duration, VaR and stress value at risk were enhanced to raise the sophistication of the bank-wide market risk management.

Value at Risk analysis

The Bank has separated all the on- and off-balance sheet activities into two major categories, trading book and banking book. The Bank performs VaR analysis on its trading book to measure and monitor potential losses on positions due to movements in market interest rates, exchange rates and prices. The Bank calculates the VaR of RMB and foreign currency trading book on a daily basis (with a 99% confidence level and a one-day holding period). The VaR analysis on the Bank's trading book as at the balance sheet date and for the respective period is as follows:

	2011				2010			
(In millions of RMB)	**As at 31 December**	**Average**	**Maximum**	**Minimum**	As at 31 December	Average	Maximum	Minimum
VaR of trading book	**57**	**90**	**263**	**12**	43	39	95	8
– Interest rate risk	**18**	**25**	**67**	**7**	10	17	47	2
– Exchange rate risk	**49**	**84**	**260**	**8**	44	36	97	4

Interest rate risk management

Interest rate risk is the risk of loss in the overall income and economic value of the banking book as a result of adverse movements in interest rates, term structure and other interest-related factors. Repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities are the primary sources of interest rate risk for the Group. The overall objective of the Group's interest rate risk management is to maintain steady growth of net interest income, while keeping interest rate risk within a tolerable risk level in accordance with the risk appetite and risk management parameters.

In 2011, CCB comprehensively revised the interest rate risk measurement rules for its banking book. It used multiple tools such as interest rate sensitivity gap, net interest income sensitivity analysis, scenario simulation analysis and stress testing to enhance daily monitoring and regular reporting of interest rate risk. CCB actively carried out interest rate liberalisation research, standardised the management of interest calculation and settlement, and consolidated the interest rate risk management fundamentals. In 2011, the PBC lifted the benchmark deposits and lending interest rates three times. In response to the changing market conditions, CCB adopted flexible pricing techniques to improve assets and liabilities management with enhanced loan pricing levels, adjusted the maturity structure of the investment portfolio with higher portfolio returns, and facilitated the balanced development of funding and use of funds. In 2011, the overall interest rate risk of the Group was kept within the set tolerable level.

Interest rate sensitivity gap analysis

The analysis of the next expected repricing dates or maturity dates (whichever are earlier) of the Group's assets and liabilities as at the balance sheet date is set out below:

	As at 31 December 2011					
(In millions of RMB)	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with central banks	**2,379,809**	**197,288**	**2,182,521**	**–**	**–**	**–**
Deposits and placements with banks and non-bank financial institutions	**385,792**	**–**	**279,079**	**105,486**	**1,151**	**76**
Financial assets held under resale agreements	**200,045**	**–**	**198,966**	**1,079**	**–**	**–**
Loans and advances to customers	**6,325,194**	**–**	**3,485,517**	**2,746,432**	**26,964**	**66,281**
Investments	**2,743,819**	**24,811**	**258,463**	**465,984**	**1,098,204**	**896,357**
Other assets	**247,175**	**247,175**	**–**	**–**	**–**	**–**
Total assets	**12,281,834**	**469,274**	**6,404,546**	**3,318,981**	**1,126,319**	**962,714**
Liabilities						
Borrowings from central banks	**2,220**	**–**	**2,220**	**–**	**–**	**–**
Deposits and placements from banks and non-bank financial institutions	**1,044,954**	**–**	**948,479**	**58,520**	**37,955**	**–**
Financial liabilities at fair value through profit or loss	**33,656**	**12,683**	**11,669**	**9,304**	**–**	**–**
Financial assets sold under repurchase agreements	**10,461**	**–**	**9,543**	**918**	**–**	**–**
Deposits from customers	**9,987,450**	**44,435**	**7,185,234**	**2,057,323**	**692,825**	**7,633**
Debt securities issued	**168,312**	**–**	**18,100**	**20,518**	**31,123**	**98,571**
Other liabilities	**218,120**	**218,120**	**–**	**–**	**–**	**–**
Total Liabilities	**11,465,173**	**275,238**	**8,175,245**	**2,146,583**	**761,903**	**106,204**
Interest rate sensitivity gap in 2011	**816,661**	**194,036**	**(1,770,699)**	**1,172,398**	**364,416**	**856,510**
Accumulated interest rate sensitivity gap in 2011			**(1,770,699)**	**(598,301)**	**(233,885)**	**622,625**
Interest rate sensitivity gap in 2010	**700,905**	**89,594**	**(1,981,441)**	**1,381,678**	**475,411**	**735,663**
Accumulated interest rate sensitivity gap in 2010			**(1,981,441)**	**(599,763)**	**(124,352)**	**611,311**

As at 31 December 2011, the repricing structure of the Group's assets and liabilities remained stable. The accumulated negative gap for a period less than one year was RMB598,301 million, which narrowed by RMB1,462 million compared to 2010, and continued to be liabilities sensitive. The Group's positive gap for a period more than one year was RMB1,220,926 million, which widened by RMB9,852 million, mainly because of longer duration of investment portfolio in debt securities, but partially offset by the rapid growth of time deposits.

Net interest income sensitivity analysis

Net interest income sensitivity analysis is based on two scenarios. The first is to assume that all yield curves fall or rise by 100 basis points in a parallel way; the second is to assume that the yield curve for demand deposits stays constant, while the other yield curves fall or rise by 100 basis points in a parallel way. The interest rate sensitivity of the Group's net interest income is set out below.

	Change in net interest income			
(In millions of RMB)	Increase by 100 basis points	Decrease by 100 basis points	Increase by 100 basis points (demand deposit rates being constant)	Decrease by 100 basis points (demand deposit rates being constant)
As at 31 December 2011	(37,516)	37,516	21,061	(21,061)
As at 31 December 2010	(34,771)	34,771	21,214	(21,214)

Foreign exchange risk management

Foreign exchange rate risk is the risk of there being an impact on the Bank's financial position arising from adverse movement in foreign exchange rates. The Bank is exposed to foreign exchange rate risks primarily because it holds loans, deposits, marketable securities and financial derivatives that are denominated in currencies other than RMB.

In 2011, CCB established the foreign exchange risk management policies for its banking book. The policies set the management objectives and principles, management techniques and methods, as well as risk identification, measurement, monitoring and control rules, covering major management components including risk limits, scenario analysis, stress testing, contingency planning and risk reporting. The foreign exchange risk management module of the asset and liability management system was optimised, and the data of overseas branches were included into the measurement system. This enabled the Bank to gain the initial capabilities for daily automated measurement, monitoring and reporting of foreign exchange risk exposures.

In the second half of 2011, the Group's net exposure of the foreign exchange risk decreased sharply, down by RMB21,325 million over the previous year. This was mainly because with the approval of SAFE, the Bank settled foreign exchange-denominated proceeds of US$3,500 million from its A-share and H-share rights issue in 2010, to avoid the risk of RMB exchange rate fluctuation.

5.3.5 Operational and Reputation Risk Management and Consolidated Management

Operational risk is the potential of losses resulting from inadequate or flawed internal processes, people and systems, or from external events.

In 2011, focusing on key elements in respect of people, processes, systems, and external events, the Bank strengthened its operational risk management. It promoted the use of tools such as self-assessment, key risk points and loss data, conducted intensive monitoring and inspections on key risk points, and carried forward its business continuity management to secure the safe and stable operation of various businesses. This led to a marked improvement in operational risk management.

Strengthening the use of operational risk management tools. The Bank focused on conducting self-assessment of operational risk in areas such as off-balance sheet activities. This helped improve and optimise the corresponding rules, processes and service standards. The management of key risk indicators was promoted, the comprehensiveness and accuracy of loss data collection was enhanced, further strengthening the monitoring and early warning of key risks.

Deepened monitoring and examination of key risk points. The Bank re-examined, adjusted and extended the scope and contents of monitoring and examination. Increased focus was placed on operational risk controls over key business areas and key positions.

Strengthening the management of incompatible positions. The Bank reviewed the rules for segregation of incompatible positions and responsibilities, optimised the checks and balances over different departments and positions, and strengthened the rigid constraints of position checks and balances.

Refined management of employee behaviour. The Bank strengthened the regulation and management of the restrictive trading acts for specific staff positions in order to prevent insider trading. In addition, it paid increased focus on staff training and quality improvement, in order to prevent operational risks resulting from human factors.

Steadily promoting business continuity management. The Bank further promoted the contingency drills at pilot branches, refined the contingency strategy and mechanism towards natural disasters and emergencies in sub-branches and outlets. It also regulated and improved the contingency response system and mechanism for the major production systems, to enhance the Bank's response capability in case of sudden safety issues with regards to production systems.

Strengthening the reporting management of major risks and emergencies. The Bank regulated the monitoring, information collection and reporting related to major risks and emergencies to ensure the smooth information reporting channel and cultivate quick response capability.

Commencement of the advanced operational risk measurement method project. The Bank set to establish an appropriate advanced measurement approach, in order to enhance the effectiveness and sensitivity of operational risk management through scientific measurement of operational risk.

Improving internal control and operational risk management evaluation system for tier-one branches. The Bank strengthened the guiding role of appraisal and evaluation, in order to further improve the overall internal control and operational risk management.

Reporting and Monitoring of Non-compliance

By the end of 2011, four criminal offences committed by employees who attempted to encroach on the Bank's or customers' fund had been reported to the Bank's head office, involving an amount of RMB7.11 million. Of these, two cases involved an amount of RMB1 million or above, totalling RMB5.36 million. After investigation by the police, all the amount involved has now been recovered.

Anti-money Laundering

In 2011, CCB strengthened the building of anti-money laundering (AML) management rules and policies. The data collection programme in the AML system was optimised, and the rules for the filtering of suspicious transactions was refined, to improve the quality of anti-money laundering data. It developed an AML customer risk classification system, implemented money laundering risk classification for customers, and actively prevented money laundering risks. CCB also earnestly assisted relevant departments with AML investigations in combating money laundering and terrorist financing activities. In addition, it carried out AML audits and reinforced trainings and information-sharing. This helped enhance the compliance of business operations and raised the level of anti-money laundering operations.

Reputation Risk Management

In 2011, CCB attached great importance to reputation risk management. A bank-wide video conference was held to strengthen the reputation risk awareness among all levels of management and staff, and a specialist was invited to share the knowledge on reputation risks. CCB improved its reputation risk management policies, regulated the media crisis response procedures, clarified duties and requirements, and improved accountability management. It adhered to the press spokesman mechanism, and persisted in monitoring media coverage, so as to gain positive public perception. Efforts in reputation risk management for subsidiaries and overseas entities were also intensified. In addition, educational trainings and emergency response exercises were organised to enhance the reputation risk management capabilities.

Consolidated Management

Consolidated management refers to the Bank's comprehensive and continuous management over the Group's capital, finance and risks, besides the Bank's single legal person management, so as to identify, measure, monitor and assess the overall risks of the Group as a whole. The consolidated management covers capital adequacy, large exposure, internal transactions, liquidity risk, operational risk, market risk, reputation risk and cross-border risk.

In 2011, CCB further improved its group consolidated management system, carried out on-site inspections, strengthened consolidated risk management, and promoted the development of a consolidated information system, with the consolidated management capabilities greatly improved.

Refinement of group consolidated management system. CCB formulated rules to strengthen the large exposure management and internal risk isolation and control, laying ground for sound consolidated management.

Conducting consolidated management inspections and assessment. In 2011, after in-depth analysis on its consolidated management status and the regulatory requirements, CCB established a consolidated management plan, and carried out comprehensive assessment of its subsidiaries' operations, and inspections of concurrent posts and related businesses. In addition, CCB assisted the CBRC with the consolidated management research and on-site inspections.

Reinforcement of the consolidated management of large exposure. CCB included its subsidiaries into the scope of large exposure management. It established an identification, monitoring, early warning and reporting system for large exposures, further strengthening the comprehensive management for large exposures.

Launch of a consolidated management information system project. CCB developed a information submission platform for its subsidiaries, in order to integrate the financial statements and the underlying data submitted by the subsidiaries, and enhance the completeness and accuracy of the data, which will provide strong IT support to raising the consolidated management standard.

5.3.6 Internal Audit

In order to promote the establishment of a sound and effective risk management mechanism, internal control system and corporate governance procedures, the Group's internal audit department puts forward suggestions for improvement on the basis of its audit. The department evaluates the effectiveness of the internal controls and risk management, the effect of corporate governance procedures, the efficiency of business operations, and the economic responsibilities of key managers. The department works in a relatively independent manner, and is managed vertically. It is responsible to and reports to the Board and the audit committee, as well as reports to the board of supervisors and senior management. There is an audit department at the head office, and 39 audit offices are at tier-one branches, responsible for managing and conducting audit projects.

In 2011, the internal audit department focused on important areas while taking a comprehensive view, and launched targeted audit projects by adhering to the philosophy of "concentrating on key issues, considering the overall situation, promoting development and creating value". In addition, great efforts were taken to enhance the quality of audit work and strengthen the internal audit capability.

Launch of targeted audit projects. For compliance audit, focus was placed on important areas that drew regulators' attention and the Bank's key tasks. For evaluation audit, focus was placed on the refinement of responsibilities. For audit analysis and research, focus was placed on the key issues in operational management. For application of audit results, focus was placed on the effectiveness. The department launched a total of 25 categories of audit or audit investigation projects across the Group, including audits of certain off-balance sheet products, and the New Basel Capital Accord related issues, audit investigation of personal customer relationship management, and audits of corporate liabilities business, credit approvals for certain corporate clients, IT operations at the branches, operations and management at overseas branches and subsidiaries. Audit offices conducted selected audit projects based on the specific operation, management and risk characteristics of respective branches, further supplementing the coverage and depth of the audits. The Board, board of supervisors and senior management attached great importance to the audit findings, actively urged the rectifications, and pushed branches and departments in the head office to reinforce risk controls and optimise related rules, business processes, and IT systems.

Enhancement of internal audit standard. The internal audit department developed various rules and standards with regard to the quality of audit work, focusing on the overall requirements and specific standards for audit quality. A pilot internal assessment programme was implemented to promote work quality and ability of audit offices.

Strengthening the internal audit team. Adopting various flexible methods, the department advocated job rotation, recruited staff, and optimised the staff structure. It also implemented various types of trainings targeted at different groups in order to build a professional and high-quality audit team.

Further specialisation of the internal audit. With refined mechanisms and intensified professional research, the department continued to maintain and develop its fundamental audit programmes. It also facilitated experience-sharing and promoted application of research findings.

Optimisation of audit technology and methods. The department continued to expand the application of its off-site audit system, optimise its audit model, and improve the monitoring system. It enhanced the internal audit evaluation tools, and optimised the management process for audit of economic responsibility during the term of office.

5.4 PROSPECTS

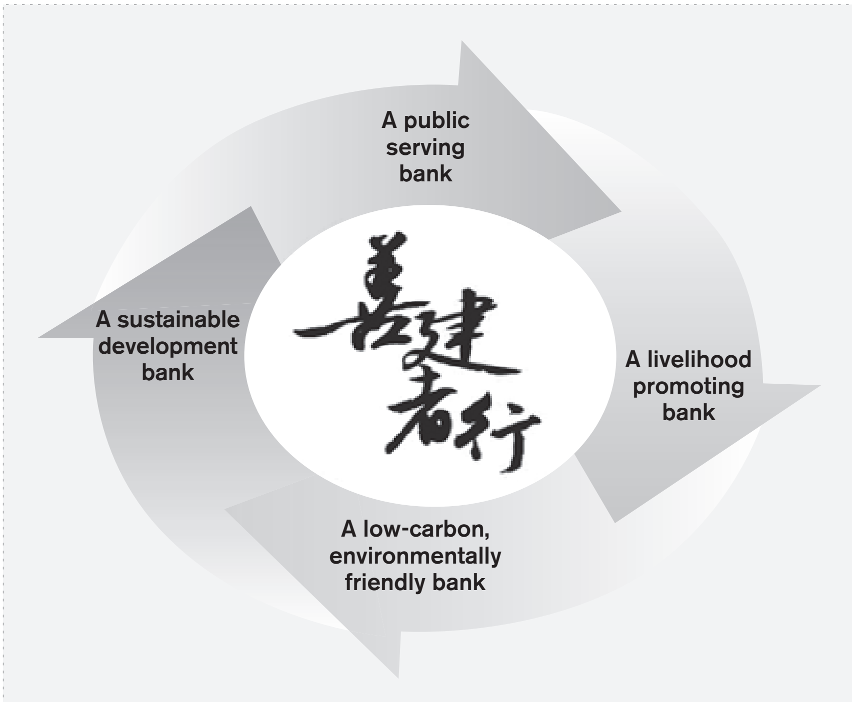
In 2012, the global economic environment is expected to become more severe, and China's economic development faces numerous challenges. With the influence of the weak global economic recovery and domestic economic restructuring, China's economic growth momentum will slow down. The growth rate of investment 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.

6 CORPORATE SOCIAL RESPONSIBILITY

In 2011, the Bank upheld its social responsibility strategies of becoming "a bank that strives to serve the public, improve people's life, stick to the principle of low carbon and environmental protection, and achieve sustainable development", and proactively fulfilled its social responsibilities, demonstrating a good corporate citizen image.



- The Group strives to serve the public better. It continued to deepen the "customer-focused" philosophy, and respond actively to the experience and requirements of its customers. There were continuous innovation and improvements in business processes to raise its customer service capability, leading to improved customer satisfaction.
- The Group is committed to developing itself into a bank that improves people's life. National infrastructure and key investment projects were enthusiastically supported. Loans granted to livelihood sectors such as small enterprises, "agriculture, farmers and rural areas" businesses, and indemnificatory housing construction substantially increased. Great focus was placed on improving the financial services to small and micro-enterprises.
- The Group works hard to become a bank that sticks to the principle of low carbon and environmental protection. It proactively fulfilled its environmental responsibilities, by supporting the development of emerging industries, and expanding the credit granted to green sectors such as energy saving and emission reduction, low-carbon economy, clean energy, green ecology and cyclic economy, making unrelenting efforts towards environmental protection and ecological infrastructure.
- The Group strives to achieve sustainable development. With full attention on meeting the expectations of its stakeholders, it well balanced factors such as current and long-term goals, the relationship between part and the whole, and speed and quality. Its various businesses maintained healthy development, making new contributions to national economic and social development.

In 2011, the Group contributed a total of RMB46.25 million to 15 key public welfare projects.

Promoting long-term public welfare projects. The Group continued to promote long-term public welfare projects such as CCB Hope Primary Schools, "Passion to Tibet – Scholarships and Grants", "Programme for Impoverished High School Students", "Scholarships and Grants for College Students from Ethnic Minorities" and "Sponsorship Programme for Impoverished Mothers of Heroes & Exemplary Workers". By the end of 2011, the Group had built and maintained a total of 38 CCB Hope Primary Schools, built 73 sports grounds and libraries, and sponsored training courses for 118 teachers on an accumulative basis. The "Passion to Tibet – CCB & Jianyin Scholarships and Grants" had extended financial support of RMB920,000 to 440 impoverished students in Tibet. "Programme for Impoverished High School Students" had granted RMB89 million to 64,000 impoverished high school students. Through the "CCB Scholarships and Grants for College Students from Ethnic Minorities", the Group had granted RMB22 million to 7,833 impoverished ethnic minority college students on a cumulative basis. The Group also granted RMB20.17 million to 7,238 impoverished mothers of heroes and exemplary workers.

Implementing innovative public welfare projects. The Group initiated the implementation of the online public welfare campaign "The public welfare donation is up to you – CCB invites you to join the action" and contributed a total of RMB5 million to five public welfare organisations. This donation was used to start the entrepreneurial assistance programme for migrant workers, support the education and teaching costs of BN vocational school, provide treatment for blind children and orphans, help support treatment of autistic children, and help the orphans in disaster stricken areas such as Yushu, Qinghai province.

Fully committed to the disaster rescue and relief efforts and post-disaster reconstruction. To help the people in areas stricken by earthquakes, severe droughts, floods and other natural disasters, our staff demonstrated their concern by donating of their own accord, besides the full support of financial services. A total of RMB16.20 million was raised for disaster-stricken areas such as Yunnan and Guizhou provinces to help people there fight against earthquakes and severe droughts.

Actively involved in campaigns promoting environmental protection, energy saving and emission reduction. It supported the "Greening the Yangtze River – Chongqing Action", a reforestation charity initiative to restore and preserve the ecological environment along the Yangtze River and Three Gorges reservoir. In 2011, the Bank organised all branches to participate in the global campaign of "Earth Hour", in order to advocate the concept of low carbon life and raise the awareness of environmental protection among its employees.

Actively supporting public welfare causes including health care, policy research and academic exchange. The Group donated RMB7 million to China Women's Development Foundation in support of the "Mothers' Health Express – CCB Sponsorship Programme". It also contributed RMB3 million to China Institute for Reform and Development to establish a "Fund for Doctoral and Post-Doctoral Studies in Economic and Social Reform".

In 2011, the Bank won numerous honours for its social responsibility efforts including the "People's Social Responsibility Award" by people.com.cn, "Most Responsible Corporate Citizen "award from China Newsweek, "Best Social Responsibility Institution Award" from China Banking Association, and "Best Corporate Social Responsibility Award" from *The Chinese Banker* magazine. The Bank ranked first in the banking sector in the "Top 100 China Corporate Social Responsibility" released by Fortune China.

7 CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

7.1 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

7.2 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.

7.3 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. In 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.

7.4 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.

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.

8.1 SHAREHOLDERS' GENERAL MEETING

Powers of shareholders' general meeting

The shareholders' general meeting is the authoritative body of the Bank and mainly exercises the following powers:

- determining the operating guidelines and investment plans of the Bank;
- electing and changing directors and supervisors (except for employee representative supervisors), and determining the remuneration of relevant directors and supervisors;
- considering and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss recovery plans;
- adopting resolutions related to the increase or reduction of registered capital, and merger, split, dissolution and liquidation of the Bank;
- adopting resolutions related to the issuance and listing of corporate bonds or other marketable securities;
- adopting resolutions related to material acquisitions and repurchase of the Bank's shares;
- adopting resolutions to engage, dismiss or cease to retain certified public accountants;
- amending the Articles of Association and other basic corporate governance documents of the Bank.

Details of shareholders' general meetings convened

On 9 June 2011, the Bank held the 2010 annual general meeting, which considered and approved the 2010 report of the board of directors, report of the board of supervisors, final financial accounts, profit distribution plan, 2011 fixed assets investment budget, appointment of auditors of the Bank for 2011, purchase of a business processing centre for the head office and election of directors. The executive directors Mr. Guo Shuqing, Mr. Zhang Jianguo, Mr. Chen Zuofu and Mr. Zhu Xiaohuang, the non-executive directors Mr. Wang Yong, Ms. Wang Shumin, Mr. Zhu Zhenmin, Ms. Li Xiaoling, Ms. Sue Yang, Mr. Lu Xiaoma and Ms. Chen Yuanling, and the independent non-executive directors Lord Peter Levene, Mr. Yam Chi Kwong, Joseph, Rt Hon Dame Jenny Shipley, Ms. Elaine La Roche, Mr. Zhao Xijun and Mr. Wong Kai-Man attended the 2010 annual general meeting. The attendance rate of directors was 100%. The domestic and international auditors of the Bank also attended the meeting.

On 18 August 2011, the Bank held the first extraordinary general meeting of 2011, which considered and approved the issuance of RMB-denominated subordinated bonds and the election of a shareholder representative supervisor. The executive directors Mr. Guo Shuqing, Mr. Zhang Jianguo, Mr. Chen Zuofu and Mr. Zhu Xiaohuang, the non-executive directors Mr. Wang Yong, Mr. Zhu Zhenmin, Ms. Li Xiaoling, Mr. Lu Xiaoma and Ms. Chen Yuanling, and the independent non-executive directors Mr. Yam Chi Kwong, Joseph, Rt Hon Dame Jenny Shipley, Mr. Zhao Xijun and Mr. Wong Kai-Man attended the first extraordinary general meeting of 2011.

The above shareholders' general meetings were held in compliance with relevant legal procedures, the resolutions of which were published on the websites of the stock exchanges, and on the China Securities Journal and Shanghai Securities News.

8.2 BOARD OF DIRECTORS

Responsibilities of the Board

The Board is the executive body of the shareholders' general meeting, which is responsible to the general meeting of shareholders, and performs the following duties in accordance with relevant laws:

- convening the general meeting of shareholders and reporting to the general meeting of shareholders;
- implementing the resolutions of the general meeting of shareholders;
- determining the Bank's development strategy, and supervising the implementation of the development strategy;
- deciding on operational plans, investment plans and risk capital allocation plans of the Bank;
- preparing annual financial budget plans, final accounting plans, profit distribution plans and loss recovery plans;
- preparing plans related to the increase or reduction of registered capital, the issuance and listing of convertible bonds, subordinated bonds, corporate bonds or other marketable securities; and plans related to merger, split, dissolution and liquidation of the Bank;
- preparing plans related to material acquisitions and repurchase of the Bank's shares;
- exercising other powers under the Articles of Association of the Bank and authorised by the general meeting of shareholders.

The Board's implementation of resolutions of the general meeting of shareholders

In 2011, the Board strictly implemented the resolutions of shareholders' general meeting and matters authorised by the shareholders' general meeting to the Board, earnestly implementing the proposals approved by the shareholders' general meeting, including the profit distribution plan for 2010, appointment of annual auditors for 2011, and the issuance of RMB-denominated subordinated bonds.

Composition of the Board

Currently the Board comprises 15 directors, including four executive directors, namely, Mr. Wang Hongzhang, Mr. Zhang Jianguo, Mr. Chen Zuofu and Mr. Zhu Xiaohuang; six non-executive directors, namely, Mr. Wang Yong, Mr. Zhu Zhenmin, Ms. Li Xiaoling, Mr. Lu Xiaoma, Ms. Chen Yuanling and Mr. Dong Shi; and five independent non-executive directors, namely, Lord Peter Levene, Mr. Yam Chi Kwong, Joseph, Rt Hon Dame Jenny Shipley, Mr. Zhao Xijun and Mr. Wong Kai-Man.

Chairman and president

Mr. Wang Hongzhang is the chairman of the Board and the legal representative of the Bank, and is responsible for the business strategy and overall development of the Bank.

Mr. Zhang Jianguo is the president of the Bank, and is responsible for the daily management of the Bank's business operations. The president is appointed by the Board, responsible to the Board, and performs his duties in accordance with provisions of the Articles of Association and authorisation of the Board.

The roles of the chairman of the Board and the president are separate, each with clearly defined duties.

Appointment and re-election of directors

The term of office of directors of the Bank is three years (ending on the date of the annual general meeting of the final year in their term of office), and directors may be re-elected upon expiration of their term of office.

Upon election at the Bank's first extraordinary general meeting and Board meeting in 2012 and the approval of the CBRC, Mr. Wang Hongzhang commenced his position as chairman and executive director of the Bank from January 2012.

Upon election at the Bank's 2010 annual general meeting and approval of the CBRC, Mr. Dong Shi commenced his position as non-executive director of the Bank from September 2011.

Operation of the Board

The Board convenes regular meetings, generally no less than four times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for regular board meetings are scheduled upon consultation with each director. Board meeting documents and relevant materials are usually circulated to all directors and supervisors 14 days in advance of board meetings.

All directors keep contact with the secretary to the Board and the company secretary, to ensure compliance with board procedures and all applicable rules and regulations. Detailed minutes of board meetings are kept, and minutes are circulated to all attending directors for review after the meeting. Directors will provide revising suggestions after receiving the minutes. After the minutes are finalised, the secretary to the Board will circulate the minutes to all directors as soon as possible. Minutes of the board meetings are kept by the secretary to the Board, and are available for review by directors at any time.

Communication and reporting mechanism has been established between the Board, directors and senior management. The president reports his work to the Board on a regular basis, and is supervised by the Board. Relevant senior executives are invited to attend board meetings from time to time to provide explanations or reply to enquiries.

At board meetings, directors can put forward their opinions freely, and major decisions shall only be made after deliberate discussions. Directors may also engage external advisers following certain procedures, at the Bank's expense, to provide independent professional advice if they deem necessary. If any director has material interests in a proposal to be considered by the Board, the director to whom it concerns must abstain from the discussion and voting of the relevant proposal, and will not counted in the quorum of the relevant proposal.

Induction programmes are organised to provide new directors with basic information of the Bank, and relevant rules and regulations which the directors shall abide by in performing their functions and duties, and to assist them getting familiar with the management, operations and governance practices. The Bank also periodically organises trainings for all directors, and encourages them to participate in professional development seminars and courses organised by professional institutions, in order to help them understand the latest development of or changes to the laws and regulations relevant to performing their duties.

The Bank effected directors' liability insurance policy for all directors in 2011.

Compliance with Model Code for 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.

Board meetings

In 2011, the Board convened eight meetings in total on 25 March, 28 April, 16 May, 10 June, 19 August, 28 October, 29 November and 16 December respectively, all of which were convened by means of on-site conference. Major resolutions approved by the board meetings included the Bank's operational plan, fixed assets investment budget, financial reports, profit distribution, election of director candidates and appointment of senior management personnel, etc. Relevant information was disclosed pursuant to the provisions in relevant laws, regulations and listing rules of the listing venues. Individual attendance records of the directors in board meetings in 2011 are set out as follows:

Board members	Number of meetings attended in person/Number of meetings during term of office	Number of meetings attended by proxy/Number of meetings during term of office	Attendance rate (%)
Executive directors			
Mr. Wang Hongzhang	–	–	–
Mr. Zhang Jianguo	8/8	0/8	100
Mr. Chen Zuofu	8/8	0/8	100
Mr. Zhu Xiaohuang	6/8	2/8	100
Non-executive directors			
Mr. Wang Yong	8/8	0/8	100
Mr. Zhu Zhenmin	8/8	0/8	100
Ms. Li Xiaoling	8/8	0/8	100
Mr. Lu Xiaoma	7/8	1/8	100
Ms. Chen Yuanling	8/8	0/8	100
Mr. Dong Shi	3/3	0/3	100
Independent non-executive directors			
Lord Peter Levene	3/8	4/8	87.5
Mr. Yam Chi Kwong, Joseph	6/8	2/8	100
Rt Hon Dame Jenny Shipley	6/8	2/8	100
Mr. Zhao Xijun	8/8	0/8	100
Mr. Wong Kai-Man	8/8	0/8	100
Resigned directors			
Mr. Guo Shuqing	6/6	0/6	100
Ms. Wang Shumin	2/3	1/3	100
Ms. Sue Yang	4/5	1/5	100
Ms. Elaine La Roche	3/3	0/3	100

Performance of duties by independent directors

Currently the Bank has five independent non-executive directors, representing one third of the total number of directors of the Bank, which is in compliance with the provisions of relevant laws, regulations and Articles of Association of the Bank. The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, neither do they assume any management positions in the Bank, both of which effectively ensure their independence. The independence of non-executive directors of the Bank was in compliance with the relevant regulatory requirements.

Currently, the audit committee, risk management committee, nomination and compensation committee and related party transactions committee under the Board are all chaired by independent non-executive directors. In 2011, the independent non-executive directors actively attend the board meetings and relevant special committees. During the session of meetings, our independent non-executive directors enhanced their understanding about business development of branches and subsidiaries by means of on-site investigation and informal discussion. The independent non-executive directors of the Bank gave their opinions actively on board meetings, and provided suggestions on the business development and significant decisions of the Bank, which promoted the scientific decision-making of the Board. During the reporting period, the Bank's independent non-executive directors did not raise any objections to the relevant matters reviewed by the Board.

Special statement and independent opinion given by the independent directors regarding the external guarantees provided by the Bank

Pursuant to the relevant provisions and requirements under the circular of Zheng Jian Fa [2003] No. 56 issued by the CSRC, the independent directors of the Bank, including Lord Peter Levene, Mr. Yam Chi Kwong, Joseph, Rt Hon Dame Jenny Shipley, Mr. Zhao Xijun and Mr. Wong Kai-Man made the following statements on external guarantees provided by the Bank based on the principles of fairness, justice, and objectiveness.

The external guarantee business provided by the Bank has been approved by the PBC and the CBRC, and is part of the ordinary business of the Bank. With regard to the risks arising from guarantee business, the Bank formulated specific management measures, operational processes and approval procedures, and carried out the business accordingly. The guarantee business of the Bank is mainly in the form of letter of guarantees. As at 31 December 2011, the balance of letter of guarantees issued by the Group was approximately RMB628,600 million.

Delegation by the Board

The division of power between the Board and senior management is implemented in strict compliance with the Articles of Association of the Bank and other corporate governance documents. By virtue of the authorization conferred by the Articles of Association and the Board, the president makes decisions within his scope of authority on operations, management and other issues to be decided, including:

- presiding over the operation and management of the Bank and initiating the implementation of board resolutions;
- submitting operational plans and investment proposals of the Bank to the Board and implementing the proposals upon approval of the Board;
- formulating proposals for the establishment of internal management departments;
- formulating the basic management system of the Bank;
- formulating specific rules and regulations of the Bank;
- proposing to the Board the appointment or dismissal of executive vice presidents and other senior management officers (excluding the chief audit officer and the secretary to the Board);
- exercising other powers conferred by the Articles of Association of the Bank and the Board.

Accountability of the directors in relation to the financial report

The directors are responsible for overseeing the preparation of the financial report for each financial period to give a true and fair view of the Group's state of affairs, performance results and cash flow for that period. In preparing the financial report for the year ended 31 December 2011, the directors have selected appropriate accounting policies, applied them consistently, and made judgements and estimates that are prudent and reasonable.

During the reporting period, in accordance with the provisions of relevant laws, regulations and listing rules, the Bank has released 2010 annual report, the report for the first quarter of 2011, half-year report 2011, and the report for the third quarter of 2011 on time.

Independent operating capability of the Bank

The Bank is independent from its controlling shareholder Huijin with respect to business, personnel, assets, organisations and finance. The Bank has independent and complete operating assets, independent operating capability and the ability to survive in the market on its own strength.

Internal transactions

The internal transactions of the Bank cover credit and guarantees, asset transfer, receivables and payables, service charges, and agency transactions between the Bank and subsidiaries as well as between the subsidiaries. The internal transactions of the Bank were in line with regulatory requirements, and did not bring about the negative impact upon the Group's sound operation.

Please refer to Note "the relationship among related parties and the transactions" – "the Trading between the Bank and the Subsidiaries" in the "Financial Statements" of this annual report for details of the internal transactions as defined by domestic laws and regulations.

Impact of restructuring, reorganization and others on peer competition and related party transaction

During its restructuring, the former China Construction Bank was split into the Bank and Jianyin. Jianyin is positioned as a company for investment and disposal of financial assets, which has no conflict with the positioning of the Bank and would not lead to the problem of peer competition.

In July 2009, Jianyin transferred all of its shares of the Bank to Huijin. According to provisions of the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, transactions between Jianyin and the Bank would not be regarded as related party transactions.

The Bank had no issues of peer competition or related party transactions caused by character of the industry, state policies, or mergers and acquisitions.

Internal control

The Board is responsible for establishing and maintaining an adequate internal control system for financial reports. The internal control of financial reports aims to assure the truthfulness, completeness and reliability of financial reports, and to prevent significant misreporting risk. The Board has evaluated the internal control relating to financial reports pursuant to the *Basic Standard for Enterprises Internal Control*, and deemed that it was effective on 31 December 2011.

In the process of the internal control evaluation, the Bank has not found material and important internal control defects in areas that are not related to financial reports. And the matters that need to be improved did not constitute material impact on the Bank's operations and management. The Bank has paid keen attention to such matters and will take further action for continuing improvement.

According to the regulatory requirements, the Bank thoroughly implemented the *Basic Standard for Enterprises Internal Control* and the guidelines ancillary thereto issued by five ministries/commissions including the Ministry of Finance. With the direct guidance of the Board, the board of supervisors and the senior management, the Internal Control Management Committee Office functions as the main body for organisation, promotion, coordination, instruction and training, with the participation of all employees. The internal control standard was implemented throughout the bank on a gradual basis, with the head office first, and branches next; pilot first, and rolling-out next.

In 2011, five parts of work were conducted for the internal control construction of the Bank, namely, the clearing up of internal controls, building of the system of management rules, self-evaluation of the effectiveness of the operations, rectification and improvement, and promotion and training. The Bank focused on overall internal control, which embraces the reorganisation and self-evaluation of the effectiveness of financial reports internal control and as well as internal control that is not related to financial reports.

According to the standard and requirement of the *Basic Standard for Enterprises Internal Control*, the Bank also developed a set of unified reorganisation tools and methods suitable for the Bank, focusing on the framework of five elements, which includes the internal environment, risk evaluation, control activity, information and communication and internal supervision. The Bank took the duties of departments as the starting point, and the process flow as the orientation, and reorganised, consolidated, improved and completed the internal control in full swing. It made the handbook of internal control for the head office and branches, and completed the chart for risk control of the main business processes of the Bank, establishing the basic framework of the internal control for the Bank. In addition, the Bank improved the internal control management system by formulating a series of documents including the Basic Regulations for Internal Control, which provided the management mechanism and regulation support for on-going internal control.

In addition, the Bank formulated a proposal for the standardisation of evaluation of effectiveness of the operation of internal control, based on the rules for evaluation of internal control. It organised the testing and evaluation of the effectiveness of the operation of internal control throughout the Bank. By finding out and correcting the problems within internal control, the Bank has established the management mechanism for self-correction, self-improvement and constant improvement.

The five-year development plan of internal control of the Bank makes the objective, task, responsibility and timeline clear, setting the path for the Bank to develop its internal control system effectively and continuously with specific plans and steps.

In August 2011, the Board approved the Measures on Accountability of Major Mistakes in Disclosure of Annual Report Information and established the rules for the accountability of major mistakes.

8.3 COMMITTEES UNDER THE BOARD

There are five committees established under the Board: the strategy development committee, audit committee, risk management committee, nomination and compensation committee and related party transactions committee. Among these committees, more than half of the members of the audit committee, nomination and compensation committee and related party transactions committee are independent non-executive directors.

Strategy development committee

The strategy development committee consists of 13 directors. Mr. Wang Hongzhang, chairman of the Board, currently serves as chairman of the strategy development committee. Members include Mr. Wang Yong, Lord Peter Levene, Mr. Zhu Xiaohuang, Mr. Zhu Zhenmin, Mr. Yam Chi Kwong, Joseph, Ms. Li Xiaoling, Rt Hon Dame Jenny Shipley, Mr. Zhang Jianguo, Mr. Lu Xiaoma, Ms. Chen Yuanling, Mr. Chen Zuofu and Mr. Dong Shi.

The primary responsibilities of the strategy development committee include:

- drafting strategic development plans, supervising and assessing implementation thereof;
- reviewing annual operational plans and financial budgets of the Bank;
- reviewing strategic capital allocation plans and asset and liability management targets;
- evaluating the coordinated development of various businesses;
- reviewing material restructuring and re-organisation plans; and
- reviewing significant investment and financing projects.

In 2011, the strategy development committee convened four meetings in total, strengthening the analysis and judgement of the macroeconomic and financial situation, promoting the compilation and implementation of the overall strategic plan of the Bank, improving the business structure adjustment and strategic emerging business development and promoting the continuous improvement of service and supporting capability from the middle and back offices.

Members of strategy development committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Wang Hongzhang	–	–	–
Mr. Wang Yong	4/4	0/4	100
Lord Peter Levene	3/4	1/4	100
Mr. Zhu Xiaohuang	4/4	0/4	100
Mr. Zhu Zhenmin	4/4	0/4	100
Mr. Yam Chi Kwong, Joseph	4/4	0/4	100
Ms. Li Xiaoling	4/4	0/4	100
Rt Hon Dame Jenny Shipley	3/4	1/4	100
Mr. Zhang Jianguo	4/4	0/4	100
Mr. Lu Xiaoma	4/4	0/4	100
Ms. Chen Yuanling	4/4	0/4	100
Mr. Chen Zuofu	4/4	0/4	100
Mr. Dong Shi	1/1	0/1	100
Resigned members			
Mr. Guo Shuqing	3/3	0/3	100
Ms. Wang Shumin	1/1	0/1	100
Ms. Sue Yang	2/3	1/3	100
Ms. Elaine La Roche	1/1	0/1	100

In 2012, the strategy development committee shall improve the research on the macroeconomic and financial situation, continuously accelerate the transformation of development mode, deepen business structure and income structure adjustments, implement the development plan for 2011 to 2015, and strengthen supervision and valuation, continue to consolidate traditional business advantage, improve strategic emerging business development, mainly focusing on the fundamental construction, including customers, products and channels, improving the long-term competitiveness and future development capability.

Audit committee

The audit committee consists of five directors. Mr. Wong Kai-Man, an independent non-executive director, currently serves as chairman of the audit committee. Members include Ms. Li Xiaoling, Rt Hon Dame Jenny Shipley, Mr. Zhao Xijun and Mr. Dong Shi.

The composition of the audit committee of the Bank is in compliance with domestic and overseas regulatory requirements. The primary responsibilities of the audit committee include:

- monitoring the financial report, reviewing the disclosure of accounting information and significant events;
- monitoring and assessing the internal controls;
- monitoring the compliance level of the core businesses, management systems and principal business activities;
- monitoring and assessing the internal audit; and
- monitoring and assessing the external audit, etc.

In 2011, the audit committee convened seven meetings in total, reviewing the financial reports for 2010, the first half of 2011, and the first and third quarter of 2011. The audit committee actively pushed forward the implementation and assessment of enterprise internal control standards, tracked the rectification against audit results found by internal and external audit. The audit committee reviewed the internal audit working plan and monitored and assessed the internal audit periodically. The audit committee seriously monitored and evaluated the external audit work, reviewed the working plan for annual financial report audit and the audit results, and urged the external auditors to issue audit report on time.

Pursuant to requirements by the CSRC and the annual report working rules of the audit committee, the audit committee reviewed the financial report of the Bank, and communicated and discussed with the management as to the major accounting policies and accounting estimates and formed written opinions. The audit committee reviewed the Bank's financial report again in respect to the initial audit opinions given by the external auditors, communicated with the management and external auditors, discussed matters such as the accounting standards and methods adopted in the financial statements, internal monitoring and financial report, and urged the auditors to submit the summary audit report to the Board. The audit committee reviewed and approved the 2011 financial report of the Bank, and submitted the proposal to the Board for consideration.

Members of audit committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Wong Kai-Man	7/7	0/7	100
Ms. Li Xiaoling	7/7	0/7	100
Rt Hon Dame Jenny Shipley	6/7	1/7	100
Mr. Zhao Xijun	7/7	0/7	100
Mr. Dong Shi	3/3	0/3	100
Resigned members			
Ms. Wang Shumin	1/2	1/2	100
Ms. Sue Yang	3/4	1/4	100
Ms. Elaine La Roche	2/2	0/2	100

In 2012, the audit committee shall deepen the monitoring of the regular financial reports, push forward the implementation and assessment of enterprise internal control standards in 2011, supervise and evaluate the internal and external audits, improve the effectiveness of communication and cooperation between internal and external auditors, and cooperate with external regulations.

Risk management committee

The risk management committee consists of nine directors. Mr. Yam Chi Kwong, Joseph, an independent non-executive director, currently serves as chairman of the risk management committee. Members include Mr. Wang Yong, Mr. Zhu Xiaohuang, Mr. Zhang Jianguo, Mr. Lu Xiaoma, Ms. Chen Yuanling, Mr. Chen Zuofu, Mr. Zhao Xijun and Mr. Wong Kai-Man.

The primary responsibilities of the risk management committee include:

- reviewing the risk management and internal control policies in accordance with the overall strategy of the Bank, monitoring and assessing their implementation and effectiveness;
- providing guidance on establishing the risk management and internal control systems;
- monitoring and assessing the organisational structure, working procedures and effectiveness for risk management department, and proposing changes for improvements;
- reviewing the risk and internal control report, conducting periodic assessments of the risk management and internal control system, and providing their opinions in relation to further improvements to the risk management and internal control; and
- evaluating the performance of the Bank's senior management personnel responsible for risk management.

In 2011, the risk management committee convened four meetings in total. The risk management committee paid close attention to the impact of the international and domestic economic and financial situations on the Bank, fulfilled the regulatory requirements, continuously improved risk management system and strengthened comprehensive risk management; followed and assessed the comprehensive risk conditions of the Bank periodically; continuously promoted various tasks for the implementation of New Basel Capital Accord; attached high importance to the risk management of government financing vehicles loans, significant risk exposure, real estate loans, financial market business, off-balance sheet business, overseas business, wealth management business and information technology, instructed and promoted post-lending management; promoted the compliance management culture and strengthened the prevention and control of non-compliance cases.

Members of risk management committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Yam Chi Kwong, Joseph	4/4	0/4	100
Mr. Wang Yong	4/4	0/4	100
Mr. Zhu Xiaohuang	4/4	0/4	100
Mr. Zhang Jianguo	4/4	0/4	100
Mr. Lu Xiaoma	4/4	0/4	100
Ms. Chen Yuanling	4/4	0/4	100
Mr. Chen Zuofu	4/4	0/4	100
Mr. Zhao Xijun	4/4	0/4	100
Mr. Wong Kai-Man	4/4	0/4	100
Resigned member			
Ms. Elaine La Roche	1/1	0/1	100

In 2012, the risk management committee will continue to conscientiously perform their duties, promote the fulfilment of various regulatory requirements, further improve comprehensive risk management system, further push forward the implementation of the New Basel Capital Accord, pay close attention to such substantial risks as credit risk, market risk, operational risk and compliance risk, and emphasize on enhancing the risk management level of off-balance sheet business, overseas business and financial market business.

Nomination and compensation committee

The nomination and compensation committee consists of five directors. Rt Hon Dame Jenny Shipley, an independent non-executive director, currently serves as chairperson of the nomination and compensation committee. Members include Mr. Wang Yong, Lord Peter Levene, Mr. Zhu Zhenmin and Mr. Wong Kai-Man.

The primary responsibilities of the nomination and compensation committee include:

- formulating criteria and procedures for the selection and appointment of directors and senior management;
- proposing candidates for directors, presidents, chief audit officer, secretary to the Board and board committee members to the Board;
- evaluating candidates for senior management nominated by the president;
- formulating development plans for senior management and back-up personnel for key positions;
- formulating performance evaluation measures for directors and senior management, and compensation plans for directors, supervisors and senior management;
- reviewing the compensation system submitted by the president;
- proposing advice to the compensation plan for supervisors in accordance with the performance assessment of the supervisors by the board of supervisors; and
- monitoring the implementation of the Bank's performance assessment and compensation system.

In 2011, the nomination and compensation committee convened five meetings in total. Regarding nomination, the nomination and compensation committee reviewed proposals for electing director candidates, appointing senior management personnel and electing the chairperson of the nomination and compensation committee. Regarding compensation, the nomination and compensation committee organised the settlement scheme of the compensation to directors, supervisors and senior management for 2010, studied detailed implementation rules for the distribution of compensation for directors, supervisors and senior management for 2011. Regarding the fundamental work, the nomination and compensation committee debriefed the latest changes of the remuneration policy of the state and the target and plan of the cooperative training with Bank of America in 2011, and provided their opinions and suggestions.

Members of nomination and compensation committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Rt Hon Dame Jenny Shipley	4/5	1/5	100
Mr. Wang Yong	5/5	0/5	100
Lord Peter Levene	3/5	1/5	80
Mr. Zhu Zhenmin	5/5	0/5	100
Mr. Wong Kai-Man	4/5	1/5	100
Resigned members			
Ms. Elaine La Roche	2/2	0/2	100
Ms. Sue Yang	3/3	0/3	100

In 2012, the nomination and compensation committee will continue to accomplish the work in connection with nomination, further advance the remuneration and appraisal measures for directors, supervisors and senior management of the Bank in accordance with the national remuneration policies. The committee will propose the settlement of compensation for directors, supervisors and senior management for 2011 according to the operation results of the Bank and comprehensive consideration of various factors, and pay attention to the remuneration system and the training for the personnel of the Bank.

Related party transactions committee

The related party transactions committee consists of five directors. The independent non-executive director Mr. Zhao Xijun currently serves as chairman of the related party transactions committee. Members include: Mr. Zhu Xiaohuang, Rt Hon Dame Jenny Shipley, Mr. Chen Zuofu and Mr. Wong Kai-Man.

The primary responsibilities of the related party transactions committee include:

- formulating and proposing standards for material related party transactions and the system for management of related party transactions, as well as the internal approval and filing system of the Bank, and submitting the above standards for approval to the Board;
- identifying the related parties of the Bank;
- receiving filings on general related party transactions; and
- reviewing material related party transactions.

In 2011, the related party transactions committee convened four meetings in total. The committee fulfilled the new regulatory requirements and guide business compliance development; debriefed reports on related party transaction and its management, considered the variation of main associated parties and related party transactions, provided early warning on the compliance risk; engaged external advisors to provide special consultations on the management of related party transactions in achieving predictor control of the related party transactions in the system.

Members of related party transactions committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Zhao Xijun	4/4	0/4	100
Mr. Zhu Xiaohuang	4/4	0/4	100
Rt Hon Dame Jenny Shipley	3/4	1/4	100
Mr. Chen Zuofu	4/4	0/4	100
Mr. Wong Kai-Man	4/4	0/4	100

In 2012, the related party transactions committee will continue to focus on the progress of the management consultation of related party transactions, study and urge to implement the advisory opinion; monitor to enhance the bank-wide awareness of related party transactions risk, strengthen the fundamental management of related party transactions.

8.4 BOARD OF SUPERVISORS

Responsibilities of the board of supervisors

The board of supervisors, being the supervisory body of the Bank, is accountable to the shareholders' general meeting and performs the following duties in accordance with relevant laws:

- supervising the performance of the Board, senior management and their members;
- requiring the directors and senior management personnel to correct their acts when their acts infringe the interests of the Bank;
- inspecting and supervising the financial activities of the Bank;
- verifying the financial information, including the financial report, business report and profit distribution proposal that are proposed to the shareholders' general meeting by the Board; and
- exercising other powers authorised by the shareholders' general meeting and the Articles of Association of the Bank.

Composition of the board of supervisors

The board of supervisors currently consists of nine supervisors, including four shareholder representative supervisors, namely Mr. Zhang Furong, Ms. Liu Jin, Mr. Song Fengming and Mr. Zhang Huajian, three employee representative supervisors, namely Mr. Jin Panshi, Mr. Li Weiping and Ms. Huang Shuping, and two external supervisors, namely Mr. Guo Feng and Mr. Dai Deming.

The term of office of the supervisors is three years, and they may be re-elected upon expiration of their term of office. The shareholder representative supervisors and the external supervisors of the Bank are elected by the shareholders' general meeting, and the employee representative supervisors are elected by the employee representative organisation.

Chairman of the board of supervisors

Mr. Zhang Furong is the chairman of the board of supervisors of the Bank and is responsible for organisation and performance of duties of the board of supervisors.

Appointment and re-election of supervisors

Upon appointment by the first extraordinary general meeting of 2011, Mr. Zhang Huajian commenced his position as a shareholder representative supervisor of the Bank from August 2011.

Operation of the board of supervisors

The board of supervisors convenes regular meetings, generally not less than four times a year, and extraordinary meetings are convened, if and when required. Meetings of the board of supervisors may be convened by on-site conference or written resolutions. Supervisors are generally notified in written 10 days prior to the convening of the board of supervisors' meeting. Matters concerning such meeting are specified in the written notice. During the meeting, the supervisors are free to express their opinions, and decisions on important matters are only made after detailed discussions.

Detailed minutes are prepared for the meetings of the board of supervisors. At the end of each meeting, minutes will be circulated to all attending supervisors for review and comments. After finalising the minutes, the board of supervisors' office shall be responsible for distributing the final version of the minutes to all supervisors.

The board of supervisors may engage external legal advisors or certified public accountants when necessary to discharge its duties, and the Bank will bear all related expenses. The Bank takes necessary measures and methods to ensure supervisors' right to information, and provides relevant information and materials to them in accordance with related regulations.

Members of the board of supervisors may attend board meetings as non-voting attendees, and the board of supervisors may, as it considers appropriate, assign supervisors to attend as non-voting attendees such meetings of the Bank as board committees, annual work conference, symposia of general managers of branches, analytic meetings on operating conditions, and president executive meetings. The board of supervisors of the Bank conducts supervisory work through measures such as inspection and review of information, off-site monitoring and analysis and on-site specific inspection, visits and symposia, and performance and due diligence evaluation.

The Bank effected supervisors' liability insurance policy for all the supervisors in 2011.

Meetings of the board of supervisors

The board of supervisors convened seven meetings during the year 2011, among which, six were convened by on-site conference and one was convened by written resolutions. For details, please refer to the "Report of the Board of Supervisors" of this annual report.

The following table sets forth the attendance records of each of the supervisors in the meetings of the board of supervisors in 2011:

Members of the board of supervisors	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Shareholder representative supervisors			
Mr. Zhang Furong	7/7	0/7	100
Ms. Liu Jin	7/7	0/7	100
Mr. Song Fengming	7/7	0/7	100
Mr. Zhang Huajian	2/2	0/2	100
Employee representative supervisors			
Mr. Jin Panshi	7/7	0/7	100
Mr. Li Weiping	7/7	0/7	100
Ms. Huang Shuping	7/7	0/7	100
External supervisors			
Mr. Guo Feng	6/7	1/7	100
Mr. Dai Deming	7/7	0/7	100

8.5 COMMITTEES UNDER THE BOARD OF SUPERVISORS

Two committees, namely the performance and due diligence supervision committee and the finance and internal control supervision committee, are established under the board of supervisors.

Performance and due diligence supervision committee

The performance and due diligence supervision committee consists of six supervisors. Mr. Zhang Furong, chairman of the board of supervisors, serves as chairman of the performance and due diligence supervision committee. Members include Ms. Liu Jin, Mr. Song Fengming, Mr. Jin Panshi, Mr. Li Weiping and Mr. Guo Feng.

The primary responsibilities of the performance and due diligence supervision committee include:

- formulating the rules, work plans and proposals and implementation plan for supervision and examination in connection with the supervision of the performance and degree of diligence of the board of directors, senior management and their members; and implementing and organising the implementation of such rules, plans and proposals after the board of supervisors' approval;
- giving valuation report on the performance of duties by the board of directors and senior management as well as their members; and
- formulating performance evaluation measures for the supervisors and organising the implementation of such measures.

In 2011, the performance and due diligence supervision committee convened four meetings in total. The performance and due diligence supervision committee improved the annual supervision plan regarding performance and due diligence and revised the due diligence supervision and valuation rules; formulated the annual work plan for performance supervision and evaluation, proposed opinions on the performance and due diligence of the Board, senior management and their members; examined the position qualifications and conditions of supervisor candidates.

Members of the Performance and Due Diligence Supervision Committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Zhang Furong	4/4	0/4	100
Ms. Liu Jin	4/4	0/4	100
Mr. Song Fengming	4/4	0/4	100
Mr. Jin Panshi	4/4	0/4	100
Mr. Li Weiping	2/4	2/4	100
Mr. Guo Feng	3/4	1/4	100

In 2012, the performance and due diligence supervision committee will, in accordance with the requirements of external regulatory systems, further improve the ways and means of performance and due diligence supervision, and strengthen the performance and due diligence supervision and valuation of the board of directors, senior management and their members.

Finance and internal control supervision committee

The finance and internal control supervision committee consists of six supervisors. Mr. Dai Deming, external supervisor, serves as chairman of the finance and internal control supervision committee. Members include Ms. Liu Jin, Mr. Song Fengming, Mr. Zhang Huajian, Mr. Jin Panshi and Ms. Huang Shuping.

The primary responsibilities of the finance and internal control supervision committee include:

- formulating the rules, work plans and proposals in connection with the finance and internal control; and implementing or organising the implementation of such rules, plans, and proposals upon the approval of the board of supervisors;
- examining the annual financial reports and the profit distribution proposals, and providing suggestions on such reports to the board of supervisors; and
- assisting the board of supervisors in organising the implementation of supervision and inspections on the finance and internal control of the Bank, as required by circumstances.

In 2011, the finance and internal control supervision committee convened five meetings in total, researched and formulated the annual work plan for finance and internal control supervision; reviewed the periodic financial reports, profit distribution plans and internal control valuation report; debriefed reports including internal audit findings, internal control self-assessment, and the working progress of the implementation of internal control standards; conducted supervision on the internal control, acquisition and disposal of material assets, and related party transactions of the Bank; strengthened the Bank's risk management and finance and internal control supervision by ways of materials analysis, interviews and discussion, debriefing specific reports, communicating with the headquarter departments and the external auditors, etc.

Members of the Finance and Internal Control Supervision Committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Dai Deming	5/5	0/5	100
Ms. Liu Jin	5/5	0/5	100
Mr. Song Fengming	5/5	0/5	100
Mr. Zhang Huajian	1/1	0/1	100
Mr. Jin Panshi	5/5	0/5	100
Ms. Huang Shuping	5/5	0/5	100

In 2012, the finance and internal control supervision committee will pay close attention to the key issues and in the area of the finance and internal control of the Bank, make more efforts in research and investigation, and continue the supervisory work for the risk management and the finance and internal control of the Bank.

8.6 AUDITORS' REMUNERATION

PricewaterhouseCoopers Zhongtian is appointed as the domestic auditors of the Bank and its major domestic subsidiaries for the year of 2011 and PricewaterhouseCoopers is appointed as the international auditors of the Bank and its overseas subsidiaries for the year of 2011.

Auditors' fees for the audit of the financial report of the Group and other services paid to PricewaterhouseCoopers Zhong Tian CPAs Limited Company, PricewaterhouseCoopers and other PricewaterhouseCoopers member firms by the Group for the year ended 31 December 2011 are set out as follows:

(In millions of RMB)	2011	2010
Fees for the audit of the financial statements	**140.00**	140.40
Other service fees	**2.43**	7.18

8.7 FURTHER INFORMATION

Shareholders' rights

- *Right to convene an extraordinary general meeting.* The extraordinary general meeting shall be convened within two months, if any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, requests the Bank in written.
- *Right to convene an extraordinary meeting of the Board.* The chairman of the Board shall sign the notice of the extraordinary meeting of the Board within seven business days, if any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, requests the Bank in written.

- *Right to raise proposals to the shareholders' general meeting.* Shareholders, who individually or jointly hold more than 3% of the shares of the Bank, have the right to raise proposals to the shareholders' general meeting; Shareholders, who individually or jointly hold more than 5% of the total issued voting shares of the Bank, have the right to raise proposals regarding the nomination of the candidates for directors (including independent directors) and non-employee representative supervisors (including external supervisors).
- *Right to raise enquiries to the Board.* In accordance with the provisions of the Articles of Association of the Bank, the shareholders have the right to obtain relevant information, including the Articles of Association, status of the share capital, financial report, report of the board of directors and report of the board of supervisors.

Effective communication with shareholders

The Bank attaches great importance to the communication with the shareholders, and exchanges opinions with the shareholders through many channels such as the shareholders' general meetings, results announcement conferences, road shows, receptions of visitors and telephone enquiries. In 2011, the Bank organised and arranged results announcement conferences and analysts' on-site briefings and conference calls during the period of annual and interim results publication. Relevant announcements of results are published on designated newspapers and websites for shareholders' review.

Shareholder enquiries

Any enquiries related to your shareholding, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to our share registrar at:

A-share:
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36th Floor
China Insurance Building
166 Lujiazui East Road, Pudong District
Shanghai, China
Telephone: (8621) 5870-8888
Facsimile: (8621) 5889-9400

H-share:
Computershare Hong Kong Investor Services Limited
Rooms 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone: (852) 2862-2863
Facsimile: (852) 2865-0990/(852) 2529-6087

Investor relations

Enquiries to the Board may be directed to:
Board of directors office
China Construction Bank Corporation
No. 25, Financial Street, Xicheng District, Beijing, China
Telephone: (8610) 6621-5533
Facsimile: (8610) 6621-8888
Email: ir@ccb.com

Board of directors office – Hong Kong Office
China Construction Bank Corporation
12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Telephone: (852) 2532-9637
Facsimile: (852) 2523-8185

This annual report is available on the following websites of the Bank (www.ccb.com), Shanghai Stock Exchange (www.sse.com.cn) and Hong Kong Stock Exchange (www.hkex.com.hk). If you have any queries on reading this annual report, please call our hotline at (8610) 6621-5533 or (852) 2532-9637. If you have any comments or advice on the annual report, please send email to ir@ccb.com.

9.1 PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Name	Position	Gender	Age	Term of Office
Wang Hongzhang	Chairman, executive director	Male	57	January 2012 to 2014 annual general meeting
Zhang Jianguo	Vice chairman, executive director, president	Male	57	June 2010 to 2012 annual general meeting
Chen Zuofu	Executive director, executive vice president	Male	57	July 2009 to 2011 annual general meeting
Zhu Xiaohuang	Executive director, executive vice president	Male	55	July 2010 to 2012 annual general meeting
Wang Yong	Non-executive director	Male	50	June 2010 to 2012 annual general meeting
Zhu Zhenmin	Non-executive director	Male	62	August 2010 to 2012 annual general meeting
Li Xiaoling	Non-executive director	Female	54	June 2010 to 2012 annual general meeting
Lu Xiaoma	Non-executive director	Male	45	August 2010 to 2012 annual general meeting
Chen Yuanling	Non-executive director	Female	48	August 2010 to 2012 annual general meeting
Dong Shi	Non-executive director	Male	46	September 2011 to 2013 annual general meeting
Lord Peter Levene	Independent non-executive director	Male	70	June 2010 to 2011 annual general meeting
Yam Chi Kwong, Joseph	Independent non-executive director	Male	63	August 2010 to 2012 annual general meeting
Rt Hon Dame Jenny Shipley	Independent non-executive director	Female	60	June 2010 to 2012 annual general meeting
Zhao Xijun	Independent non-executive director	Male	48	August 2010 to 2012 annual general meeting
Wong Kai-Man	Independent non-executive director	Male	61	June 2010 to 2012 annual general meeting

Supervisors of the Bank

Name	Position	Gender	Age	Term of Office
Zhang Furong	Chairman of the board of supervisors	Male	59	September 2010 to 2012 annual general meeting
Liu Jin	Shareholder representative supervisor	Female	47	June 2010 to 2012 annual general meeting
Song Fengming	Shareholder representative supervisor	Male	65	June 2010 to 2012 annual general meeting
Zhang Huajian	Shareholder representative supervisor	Male	56	August 2011 to 2013 annual general meeting
Jin Panshi	Employee representative supervisor	Male	47	June 2010 to 2012 annual general meeting
Li Weiping	Employee representative supervisor	Male	58	June 2010 to 2012 annual general meeting
Huang Shuping	Employee representative supervisor	Female	58	June 2010 to 2012 annual general meeting
Guo Feng	External supervisor	Male	49	June 2010 to 2012 annual general meeting
Dai Deming	External supervisor	Male	49	June 2010 to 2012 annual general meeting

Senior management of the Bank

Name	Position	Gender	Age	Term of Office
Zhang Jianguo	President	Male	57	July 2006-
Chen Zuofu	Executive vice president	Male	57	July 2005 -
Zhu Xiaohuang	Executive vice president	Male	55	June 2008 -
Zhu Hongbo	Executive vice president	Male	49	February 2012-
Hu Zheyi	Executive vice president	Male	57	March 2009 -
Pang Xiusheng	Executive vice president	Male	53	February 2010 -
Zhao Huan	Executive vice president	Male	48	May 2011-
Zhang Gengsheng	Member of senior management	Male	51	December 2010 -
Zeng Jianhua	Chief financial officer	Male	54	March 2011-
Huang Zhiling	Chief risk officer	Male	51	February 2011 -
Yu Jingbo	Chief audit officer	Male	54	March 2011-
Chen Caihong	Secretary to the Board	Male	55	August 2007 -
Xu Huibin	Controller of wholesale banking	Male	54	March 2011-
Tian Huiyu	Controller of retail banking	Male	46	March 2011-
Wang Guiya	Controller of investment and wealth management banking	Male	47	March 2011-

During the reporting period, some of the Bank's supervisors and senior executives indirectly held H-shares of the Bank via employee stock incentive plan before they assumed duties of their current positions. Mr. Zhang Huajian held 18,999 H-shares, Mr. Li Weiping held 20,446 H-shares, Ms. Huang Shuping 21,910 H-shares, Mr. Zhao Huan 18,292 H-shares, Mr. Zhang Gengsheng 19,304 H-shares, Mr. Zeng Jianhua 25,838 H-shares, Mr. Huang Zhiling 18,751 H-shares, Mr. Yu Jingbo 22,567 H-shares and Mr. Chen Caihong 19,417 H-shares, Mr. Xu Huibin 20,004 H-shares, Mr. Wang Guiya 19,724 H-shares. Apart from these, the directors, supervisors and senior executives do not hold any shares of the Bank.

Compensation for directors, supervisors and senior management in 2011

Unit: RMB’000

Name	Fees	Remuneration paid	Contribution by the employer to compulsory insurances, housing allowances, etc	Total (before tax)[1]	Other compensation or allowances from corporate shareholders or other connected entities
Wang Hongzhang	–	–	–	–	None
Zhang Jianguo	–	668	333	1,001	None
Chen Zuofu	–	589	287	876	None
Zhu Xiaohuang	–	589	287	876	None
Wang Yong	–	–	–	–	Yes
Zhu Zhenmin	–	–	–	–	Yes
Li Xiaoling	–	–	–	–	Yes
Lu Xiaoma	–	–	–	–	Yes
Chen Yuanling	–	–	–	–	Yes
Dong Shi	–	–	–	–	Yes
Lord Peter Levene	360	–	–	360	None
Yam Chi Kwong, Joseph	380	–	–	380	None
Rt Hon Dame Jenny Shipley	432	–	–	432	None
Zhao Xijun	410	–	–	410	None
Wong Kai-Man	440	–	–	440	None
Zhang Furong	–	651	333	984	None
Liu Jin	–	432	249	681	None
Song Fengming	360	–	–	360	None
Zhang Huajian	–	158	82	240	None
Jin Panshi[2]	50	–	–	50	None
Li Weiping[2]	50	–	–	50	None
Huang Shuping[2]	50	–	–	50	None
Guo Feng	330	–	–	330	None
Dai Deming	350	–	–	350	None
Zhu Hongbo	–	–	–	–	None
Hu Zheyi	–	589	287	876	None
Pang Xiusheng	–	589	283	872	None
Zhao Huan	–	589	278	867	None
Zhang Gengsheng	–	571	272	843	None
Zeng Jianhua	–	414	185	599	None
Huang Zhiling	–	455	205	660	None
Yu Jingbo	–	414	184	598	None
Chen Caihong	–	538	249	787	None
Xu Huibin	–	414	185	599	None
Tian Huiyu	–	414	176	590	None
Wang Guiya	–	414	184	598	None

1. Full compensations for Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, Executive Directors, some Supervisors and Senior Management members have not been finalised in accordance with the latest policies. Their remaining compensation details will be disclosed when determined.

2. Compensation before tax paid for working as the supervisor of the Bank.

9.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Upon election at the first extraordinary general meeting and Board meeting of the Bank in 2012 and approval of the CBRC, Mr. Wang Hongzhang commenced his position as chairman and executive director of the Bank from January 2012.

Upon election at the 2010 Annual General Meeting and approval of the CBRC, Mr. Dong Shi commenced his position as non-executive director of the Bank from September 2011.

Upon the conclusion of the 2010 Annual General Meeting of the Bank, Ms. Elaine La Roche ceased to serve as independent non-executive director of the Bank due to the expiration of her term of office.

Upon the following day of the conclusion of the 2010 Annual General Meeting of the Bank, Ms. Wang Shumin ceased to serve as non-executive director of the Bank due to her personal variation of work.

Ms. Sue Yang ceased to serve as non-executive director of the Bank due to personal reasons since 11 October 2011.

Mr. Guo Shuqing ceased to serve as the chairman and executive director of the Bank due to the arrangement of the national finance work since 28 October 2011.

Supervisors of the Bank

Upon election at the first extraordinary general meeting of the Bank in 2011, Mr. Zhang Huajian commenced his position as shareholder representative supervisor of the Bank.

Senior management of the Bank

Upon appointment at the tenth meeting of the Board in 2010 and approval of the CBRC, Mr. Huang Zhiling commenced his position as chief risk officer of the Bank from February 2011, and Mr. Zhu Xiaohuang no longer served as chief risk officer of the Bank.

Upon appointment at the tenth meeting of the Board in 2010 and approval of the CBRC, Mr. Zeng Jianhua commenced his position as chief financial officer of the Bank from March 2011, and Mr. Pang Xiusheng no longer served as chief financial officer of the Bank.

Upon appointment at the tenth meeting of the Board in 2010 and approval of the CBRC, Mr. Yu Jingbo commenced his position as chief audit officer of the Bank from March 2011.

Upon approval of the CBRC, Mr. Xu Huibin commenced his position as controller of wholesale banking from March 2011, and Mr. Gu Jingpu no longer served as controller of wholesale banking of the Bank.

Upon approval of the CBRC, Mr. Tian Huiyu commenced his position as controller of retail banking from March 2011, and Mr. Du Yajun no longer served as controller of retail banking of the Bank.

Upon approval of the CBRC, Mr. Wang Guiya commenced his position as controller of investment and wealth management banking from March 2011, and Mr. Mao Yumin no longer served as controller of investment and wealth management banking of the Bank.

Upon appointment at the first meeting of the Board in 2011 and approval of the CBRC, Mr. Zhao Huan commenced his position as executive vice president of the Bank from May 2011.

Upon appointment at the first meeting of the Board in 2012 and approval of the CBRC, Mr. Zhu Hongbo commenced his position as executive vice president of the Bank from February 2012.

9.3 BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Wang Hongzhang	Chairman, executive director	Mr. Wang commenced his position as chairman and executive director from January 2012. From November 2003 to January 2012, Mr. Wang was chief disciplinary officer of the PBC. From June 2000 to November 2003, Mr. Wang was the president of Chengdu Branch of the PBC and administrator of Sichuan Branch of the State Administration of Foreign Exchange. From April 1996 to June 2000, Mr. Wang was deputy director-general of the Supervision Bureau and director-general of the internal auditing department of the PBC. From November 1989 to April 1996, Mr. Wang served on various positions including assistant president of Qingdao Branch, deputy director of the General Administration Office, deputy director of the Finance Planning Department and general manager of the banking business department of Industrial and Commercial Bank of China. From January 1984 to November 1989, Mr. Wang worked in the Industrial and Commercial Credit Department and the General Administration Office of ICBC. From September 1978 to January 1984, Mr. Wang worked in the Credit Bureau, Savings Bureau and Industrial and Commercial Credit Department of the PBC. Mr. Wang is a senior economist and a certified public accountant. Mr. Wang majored in finance and graduated from Liaoning Finance and Economics College in 1978, and obtained his master's degree in economics from Dongbei University of Finance Economics.
Zhang Jianguo	Vice chairman, executive director, president	Mr. Zhang has served as vice chairman and executive director of the Bank since October 2006, president of the Bank since July 2006. Mr. Zhang was vice chairman of the board of directors and president of Bank of Communications Co., Ltd. from May 2004 to July 2006, executive vice president of Bank of Communications Co., Ltd from September 2001 to May 2004. From September 1984 to September 2001, Mr. Zhang served several positions in Industrial and Commercial Bank of China, including deputy general manager and general manager of the international banking department, and deputy general manager of Tianjin Branch. From November 1987 to December 1988, Mr. Zhang studied international financial business in Canadian Imperial Bank of Commerce and Ryerson Institute of Technology. Mr. Zhang graduated from Tianjin College of Finance and Economics with a bachelor's degree in Finance in 1982 and a master's degree in economics in 1995.
Chen Zuofu	Executive director, executive vice president	Mr. Chen has served as a director since July 2009 and executive vice president since July 2005. Mr. Chen was assistant president of the Bank from September 2004 to July 2005, and assistant president of China Construction Bank from July 1997 to September 2004. Mr. Chen was a visiting scholar to Stanford University from June 1999 to May 2000. Mr. Chen graduated from Southwest University of Politics and Law with a bachelor's degree in law in 1983. He obtained his master's degree in management and engineering from Central South University in 1996.
Zhu Xiaohuang	Executive director, executive vice president	Mr. Zhu has served as a director since July 2010 and executive vice president since June 2008. Mr. Zhu served as the Bank's chief risk officer from April 2006 to February 2011. He was executive vice chairman of the Bank's risk management and internal control committee from March 2006 to April 2006. Mr. Zhu was general manager of the Bank's corporate banking business department from October 2004 to March 2006; general manager of Guangdong Branch of China Construction Bank from May 2001 to October 2004. He served consecutively as deputy director of administrative office, deputy director of head office's No.1 credit department, deputy general manager of credit management department, deputy general manager of Liaoning Branch, and general manager of banking department of China Construction Bank from September 1993 to May 2001. Mr. Zhu is a senior economist, and a recipient of a special grant by PRC government. He obtained his bachelor's degree in infrastructure finance and credit from Hubei Finance and Economics College in 1982 and obtained an associate degree in economic law from Peking University in October 1985. He also obtained his doctorate degree in world economics from Sun Yat-Sen University in 2006.

Wang Yong	Non-executive director	Mr. Wang has served as a director since June 2007. Mr. Wang was an inspector of the Balance of Payments Department of the SAFE from August 2004 to March 2007, and served consecutively as deputy director-general of the Foreign Investment Administration Department, deputy director-general of the Capital Account Management Department and director general of the Balance of Payments Department of the SAFE from January 1997 to August 2004. Mr. Wang is a senior economist. He graduated from Jilin University with a bachelor's degree in world economics in 1984 and a master's degree in world economics in 1987. Mr. Wang is currently an employee of the Bank's substantial shareholder, Huijin.
Zhu Zhenmin	Non-executive director	Mr. Zhu has served as a director since August 2010. He was an inspector of the Tax Bureau of the MOF from October 2007 to October 2009, a director of the Bank from September 2004 to June 2007, director-general of the Tax Bureau of the MOF from December 2003 to September 2004, director-general of the Tax Bureau of the MOF and concurrently director of the General Office of Customs Tariff Commission under the State Council from September 2002 to December 2003, and deputy director-general of the Tax Bureau of the MOF from August 1997 to September 2002. Mr. Zhu graduated with a degree in finance from the Central Institute of Finance Administration in 1987. Mr. Zhu is currently an employee of the Bank's substantial shareholder, Huijin.
Li Xiaoling	Non-executive director	Ms. Li has served as a director since June 2007. Ms. Li was a deputy inspector of Budget Department of the MOF from January 2006 to June 2007, and an assistant inspector of Budget Department of the MOF from May 2001 to January 2006. Ms. Li is an economist and graduated from Beijing Normal University in 2003 with a master's degree in political economics. Ms. Li is currently an employee of the Bank's substantial shareholder, Huijin.
Lu Xiaoma	Non-executive director	Mr. Lu has served as a director since August 2010. Mr. Lu served several positions for the State Street Bank & Trust Company from May 1999 to August 2010 and he had been serving as the Chief Representative of the State Street Bank & Trust Company in China since August 2007. From March 1993 to December 1997, Mr. Lu was a lecturer of the Department of Thermal Engineering of Tsinghua University. In 1988, he graduated with a bachelor's degree from the Department of Thermal Engineering of Tsinghua University and a master's degree from the Department of Thermal Engineering of Tsinghua University in 1993. He obtained his MBA degree from Boston College in 1999. Mr. Lu is currently an employee of the Bank's substantial shareholder, Huijin.
Chen Yuanling	Non-executive director	Ms. Chen has served as a director since August 2010. She was a partner of Beijing Kang Da Law Firm from November 2007 to August 2010. Previously, she was a partner and lawyer of Beijing DeHeng Law Offices from May 2005 to November 2007, a lawyer of Beijing JunZeJun Law Offices from May 2002 to May 2005 and a senior manager of the Legal Department of China Securities Corporation from March 2001 to May 2002. Ms. Chen is a first-grade lawyer. She graduated with a bachelor's degree in law from the law faculty of Peking University in 1985 and graduated from post-graduate level class in accounting at the Business School of Jilin University in 2000. Ms. Chen is currently an employee of the Bank's substantial shareholder, Huijin.
Dong Shi	Non-executive director	Mr. Dong has served as a director since September 2011. He has served as a director of both China Reinsurance (Group) Corporation and China Reinsurance Asset Management Co., Ltd. since October 2008. Mr. Dong served consecutively as Assistant Special Inspector of the State Council, Division-Chief of the Supervisory Committee of Central Enterprises Working Commission and Deputy Director-General of the Foreign Affairs Bureau under the State-owned Assets Supervision and Administration Commission from August 1998 to September 2008. Mr. Dong made a study visit to the Federal Reserve of the United States in 1994 and studied at RMIT University in Australia in 1996. Mr. Dong is a senior economist and accountant. Mr. Dong graduated from Zhengzhou University with a bachelor's degree in finance in 1988 and obtained his master's degree in economic law from the Renmin University of China in 2002. Mr. Dong is currently an employee of the Bank's substantial shareholder, Huijin.

Lord Peter Levene	Independent non-executive director	Lord Peter Levene has served as a director since June 2006. He is currently the chairman of NBNK plc, General Dynamics UK Limited, and director of EUROTUNNEL SA, and Haymarket Group Ltd. Before that, he served as Chairman of Lloyd's and held directorships in various other listed companies including director of J Sainsbury plc from 2001 to 2004, and member of the board of directors of Deutsche Boerse from 2004 to 2005. Lord Peter Levene was awarded a bachelor's degree in economics and politics from the University of Manchester.
Yam Chi Kwong, Joseph	Independent non-executive director	Mr. Yam Chi Kwong, Joseph, has served as a director since August 2010. He was Chief Executive of the Hong Kong Monetary Authority from 1993 to September 2009 and Director of the Office of the Exchange Fund of Hong Kong from 1991 to 1993. Mr. Yam held a number of positions in the Hong Kong Government from 1971 to 1991. Mr. Yam is Executive Vice President of the China Society for Finance and Banking in the PRC, a Distinguished Research Fellow of the Institute of Global Economics and Finance at the Chinese University of Hong Kong and Chairman of Macroprudential Consultancy Limited. Mr. Yam is also a member of the advisory committees of a number of academic and private institutions focusing in finance. Mr. Yam graduated from the University of Hong Kong with first class honours in 1970, receiving a Bachelor of Social Sciences degree. He also obtained his post-graduate diploma in Statistics and National Accounting from the Institute of Social Studies of the Hague, the Netherlands in 1974. Over the years, he was conferred a number of honorary doctorate degrees and professorships from universities in Hong Kong and overseas. Mr. Yam was awarded the Commander of the Most Excellent Order of the British Empire in 1995, the Gold Bauhinia Star by the Hong Kong Special Administrative Region Government in 2001, and the highest honour of the Grand Bauhinia Medal by the Hong Kong Special Administrative Region Government in 2009.
Rt Hon Dame Jenny Shipley	Independent non-executive director	Rt Hon Dame Jenny Shipley has served as a director since November 2007. She is currently Chairman of Mainzeal Construction and Development, Momentum Consulting, Senior Money International, the Financial Services Council of New Zealand and Genesis Energy, a New Zealand state owned energy company. Dame Jenny is Managing Director in her consultancy company Jenny Shipley New Zealand Limited. She had served as a Director of Richina Pacific, a listed company from 2004 to 2009. As a professional director, keynote speaker and advisor, she tracks economic, social and geo-political mega trends globally. She was a Member of the New Zealand Parliament from 1987 to 2002 and held the key role of Prime Minister of New Zealand from 1997 to 1999. She held a range of other key leadership positions including Minister of Women's Affairs, Minister of Social Welfare, Minister of Health, Minister responsible for Radio New Zealand, Minister of Transport, Minister of Accident & Compensation, Minister of State Owned Enterprises, and Minister of State Services from 1990 to 1997.
Zhao Xijun	Independent non-executive director	Mr. Zhao has served as a director since August 2010. As a professor, he is currently Deputy Dean of the School of Finance of Renmin University of China. Mr. Zhao was Director of International Office of Renmin University of China from 2001 to 2005, Department Head of the Finance Department of the School of Finance of Renmin University of China from 1995 to 2001 and a research fellow of the International Department of China Securities Regulatory Commission from 1994 to 1995. Mr. Zhao currently serves as an external director of China Coal Technology & Engineering Group Corporation (an unlisted company), an independent director of Xuchang Bank Corporation (an unlisted company) and an independent director of Beijing Gate-guard Information Security Technology Stock Co., Ltd (an unlisted company). Mr. Zhao was a visiting scholar in University of Sherbrooke and McGill University, Canada from 1989 to 1990 and Nijenrode University, Netherlands from 1995 to 1996. Mr. Zhao graduated from Wuhan University with a bachelor's degree in Scientific French in 1985, a master's degree in finance from the Finance Department of Renmin University of China in 1987 and a PhD in finance from the School of Finance of Renmin University of China in 1999.

Wong Kai-Man	Independent non-executive director	Mr. Wong has served as a director since November 2007 and is currently a director of Victor and William Fung Foundation Limited and Li & Fung (1906) Foundation Ltd, an honorary associate professor of the School of Business of the University of Hong Kong, and an independent non-executive director of Shangri-la Asia Limited, SCMP Group Limited and SUNeVision Holdings Ltd., which are listed on the Hong Kong Stock Exchange. He is a non-executive director of the Securities and Futures Commission. In addition, he serves in a number of government committees and the boards of non-governmental organisations. Mr. Wong was a partner of PricewaterhouseCoopers Hong Kong and retired from that post in June 2005 with 32 years of experience in accounting. Mr. Wong was a member of the GEM Listing Committee of the Hong Kong Stock Exchange from 1999 to 2003. Mr. Wong obtained his bachelor degree in Physics from the University of Hong Kong and his master degree in Business Administration from the Chinese University of Hong Kong. Mr. Wong is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Wong was appointed as a Justice of the Peace in 2002 and awarded Bronze Bauhinia Star in 2007 by the Government of the Hong Kong Special Administrative Region, and awarded an honorary fellow by Lingnan University, Hong Kong in 2007.

Supervisors of the Bank

Zhang Furong	Chairman of the board of supervisors	Mr. Zhang has served as Chairman of the board of supervisors since September 2010. He served as executive director and executive vice president of Industrial and Commercial Bank of China Limited (ICBC) from October 2005 to July 2010. Mr. Zhang served as executive vice president of ICBC from 2000, assistant president of ICBC, general manager of Human Resources Department from 1997, deputy general manager of ICBC Liaoning Branch and general manager of ICBC Dalian Branch from 1994, chief of the Accounting Division and deputy general manager of ICBC Liaoning Branch from 1986. Mr. Zhang joined ICBC in 1984, and joined the People's Bank of China in 1971. Mr. Zhang is also vice chairman of the Banking Accounting Society of China and vice chairman of Financial Planning Standards Council of China. Mr. Zhang graduated from Liaoning Finance and Economics College and obtained a Master's degree in economics and a Doctorate degree in finance from Dongbei University of Finance and Economics.
Liu Jin	Shareholder representative supervisor	Ms. Liu has served as a supervisor since September 2004 and served concurrently as director of board of supervisors office since November 2004. Ms. Liu was a dedicated supervisor of deputy director-general level at the board of supervisors of China Construction Bank from July 2003 to September 2004, dedicated supervisor of deputy director-general level at the board of supervisors of the People's Insurance Company of China and China Reinsurance Company from November 2001 to July 2003. Ms. Liu is a senior economist and graduated from Hunan Finance and Economics College with a bachelor's degree in finance in 1984. She graduated from postgraduate finance program of Shaanxi Finance and Economics College in 1999 and from the Research Institute for Fiscal Science of the MOF with a doctorate degree in public finance in 2008.
Song Fengming	Shareholder representative supervisor	Mr. Song has served as a supervisor since June 2010. He served as an independent non-executive director of the Bank from September 2004 to June 2010. Mr. Song is a professor and supervisor for doctorate students and co-chairman of China Centre for Financial Research at Tsinghua University. Mr. Song has been the dean of the department of finance and international trade of School of Economics and Management at Tsinghua University from 1995 to 2006. He was an associate professor and director of the Division of International Trade and Finance of the same school from 1988 to 1992, and served as a lecturer and the dean of the management department of Jiangsu University of Science and Technology from 1982 to 1988. Mr. Song obtained his bachelor's degree in computational mathematics from Peking University in 1970, his master's degree in enterprise management from Shanghai Jiaotong University in 1982, and his Ph.D. degree in systems engineering from Tsinghua University in 1988. He pursued his post-doctorate research at the University of California, Riverside, from 1992 to 1995.

Zhang Huajian	Shareholder representative supervisor	Mr. Zhang has served as a supervisor since August 2011. He has served as general manager of the disciplinary and supervisory department of the Bank since March 2007. He served as deputy general manager of the human resources department of the Bank from June 2005 to March 2007(general manager level at the head office), deputy general manager of the human resources department of China Construction Bank from February 2001 to June 2005, and deputy general manager of the personnel and education department of China Construction Bank from December 1996 to February 2001. Mr. Zhang is a senior economist. He graduated from Hubei Finance and Economics College with a bachelor's degree in infrastructure finance and credit in 1984.
Jin Panshi	Employee representative supervisor	Mr. Jin has served as an employee representative supervisor since June 2010. He served as a shareholder representative supervisor from September 2004 to June 2010. He has been general manager of the information technology management department of the Bank since January 2010. Mr. Jin was general manager of the audit department of the Bank from December 2007 to January 2010. Mr. Jin was deputy general manager of the audit department of China Construction Bank from June 2001 to September 2004. Mr. Jin is a senior engineer and a Certified Information Systems Auditor and graduated from Jilin University of Technology with a bachelor's degree in computer application in 1986, and a master's degree in computer application from the same university in 1989. Mr. Jin graduated from Tsinghua University with an EMBA degree in 2010.
Li Weiping	Employee representative supervisor	Mr. Li has served as a supervisor since June 2010. He has served as general manager of the human resources department of the Bank since August 2008. Mr. Li was acting as general manager of the human resources department of the Bank from May 2008 to August 2008, the deputy general manager of Beijing Branch from August 2005 to May 2008, deputy general manager of Guangdong Branch from July 2001 to August 2005, and deputy general manager of Shenzhen Branch from February 1995 to July 2001. Mr. Li is a senior economist and graduated from Zhongnan University of Economics and Law with a bachelor's degree in finance.
Huang Shuping	Employee representative supervisor	Ms. Huang has served as a supervisor since June 2010. She has served as director of Chengdu Audit Sub-Bureau of the Bank since December 2010. Ms. Huang served as general manager of Chongqing Branch from September 2001 to December 2010. Ms. Huang was deputy general manager of Sichuan Branch from March 1993 to September 2001. Ms. Huang is a senior economist. Ms. Huang graduated from Sichuan Provincial Fiscal School majoring in Finance and Accounting in 1975, and graduated from Harbin Advanced Investment Specialized School majoring in Infrastructure Finance and Credit in 1991, and graduated from Wuhan University with a bachelor's degree in International Finance in 1997.
Guo Feng	External supervisor	Mr. Guo has served as a supervisor since March 2005. Mr. Guo has been dean of the law school of Central University of Finance and Economics since January 2007. Mr. Guo has been a professor at the law school of Central University of Finance and Economics and director of the Research Institute of Financial and Economic Law of the same university since December 2004. He was an associate professor at the law school of Renmin University of China from June 1993 to December 2004, and deputy director of the Institute of Financial Law of the same university from February 1993 to December 2004. Mr. Guo was a visiting scholar at the law school of the City Polytechnic of Hong Kong from January 1993 to June 1993. He obtained his master's degree in civil and commercial law from Renmin University of China in 1986 and his Ph.D. degree in civil and commercial law from the same university in 1995.

Dai Deming	External supervisor	Mr. Dai has served as a supervisor since June 2007. Mr. Dai has served as a professor of accounting department of Renmin University of China since June 1996, dean of accounting department of Business School at Renmin University of China from October 2001 to September 2010. Mr. Dai pursued his post-doctorate research at Hitotsubashi University from October 1997 to September 1999, and served as deputy director of accounting department of Renmin University of China from May 1996 to October 1997, and associate professor of accounting department of the same University from June 1993 to May 1996. At present, Mr. Dai serves as an independent director of China South Locomotive & Rolling Stock Corporation Limited and Shanxi Taigang Stainless Steel Co., Ltd. Mr. Dai obtained his bachelor's degree in industry accounting from Hunan College of Finance and Economics in 1983, master's degree in accounting from Zhongnan University of Economics in 1986 and Ph.D. degree in accounting from Renmin University of China in 1991.

Senior management of the Bank

Zhang Jianguo	Vice chairman, executive director, president	See "Directors of the Bank".
Chen Zuofu	Executive director, executive vice president	See "Directors of the Bank".
Zhu Xiaohuang	Executive director, executive vice president	See "Directors of the Bank".
Zhu Hongbo	Executive vice president	Mr. Zhu has served as executive vice president since February 2012. He has served as executive vice president and chief disciplinary officer of Agricultural Bank of China Limited since February 2010. He was the chief disciplinary officer of Agricultural Bank of China from April 2008 to February 2010. Mr. Zhu served as a member of senior management of Agricultural Bank of China and general manager of Beijing Branch of Agricultural Bank of China from June 2006 to April 2008. Mr. Zhu previously served consecutively as deputy director and director of the general office of Agricultural Bank of China, general manager of Hainan Branch, Jiangsu Branch and Beijing Branch of Agricultural Bank of China from November 1995 to June 2006. Mr. Zhu is a senior economist. He obtained a bachelor's degree in finance from Central University of Finance and Economics in 1983 and received a PhD degree in management science and engineering from Nanjing University in 2008.
Hu Zheyi	Executive vice president	Mr. Hu has served as executive vice president since March 2009. Mr. Hu was director-general of the macro-economy research department of the Research Office of the State Council from September 2004 to December 2008. He worked at macro-economy research department of the Research Office of the State Council as division chief and deputy director-general successively from October 1998 to September 2004. From March 1992 to September 1998, Mr. Hu worked in the head office of the PBC as deputy division chief and division chief successively. Mr. Hu graduated from South China University of Technology in 1982 with a bachelor's degree in chemical automation and instruments. He then obtained his master's degree in technological economics and system engineering from the Management School of Tianjin University in 1988. Mr. Hu graduated from School of Economics and Management of Tsinghua University with a Ph. D. degree in technological economics in 1992.
Pang Xiusheng	Executive vice president	Mr. Pang has served as executive vice president since February 2010, and chief financial officer from April 2006 to March 2011. Mr. Pang was executive vice chairman of the Bank's asset and liability committee from March 2006 to April 2006, director of the Bank's restructuring office from April 2005 to March 2006, general manager of Zhejiang Branch of China Construction Bank from June 2003 to April 2005, and acting as general manager of Zhejiang Branch of China Construction Bank from April 2003 to June 2003. Mr. Pang served consecutively as deputy general manager of treasury and planning department, deputy general manager of planning and finance department, and general manager of planning and finance department of China Construction Bank from September 1995 to April 2003. Mr. Pang is a senior economist, and a recipient of a special grant by PRC government. He graduated from postgraduate programme in technological economics from Harbin Industrial University in 1995.

Zhao Huan	Executive vice president	Mr. Zhao has served as executive vice president of the Bank since May 2011. Mr. Zhao Huan has served as member of senior management of the Bank from December 2010. He was general manager of Shanghai Branch of the Bank from September 2007, head of Shanghai Branch of the Bank from July 2007 to September 2007, general manger of the Bank's corporate banking department from June 2006 to July 2007, deputy general manger of the Bank's corporate banking department from April 2004 to June 2006, deputy general manger of the Bank's Xiamen Branch from July 2003 to April 2004, and deputy general manger of the Bank's corporate banking department from March 2001 to May 2003. Mr. Zhao is a senior economist. He obtained his bachelor's degree in industrial management and engineering from Xi'an Jiaotong University in 1986.
Zhang Gengsheng	Member of senior management	Mr. Zhang has served as member of senior management of the Bank since December 2010. Mr. Zhang was general manager of the group clients department and deputy general manger of Beijing Branch of the Bank from October 2006, general manager of the banking business department and the group clients department from March 2004 to October 2006, deputy general manger of the banking business department from June 2000 to March 2004 (in charge of overall management from March 2003), general manager of the Three Gorges Branch from September 1998 to June 2000, and deputy general manger of Three Gorges Branch from December 1996 to September 1998. Mr. Zhang is a senior economist. He obtained his bachelor's degree in infrastructure finance and credit from Liaoning Finance and Economics College in 1984 and an Executive MBA degree from Peking University in 2010.
Zeng Jianhua	Chief Financial Officer	Mr. Zeng has served as the Bank's Chief Financial Officer since March 2011. He served as general manager of Guangdong Branch of the Bank from September 2007. Mr. Zeng was consecutively the head of Guangdong Branch from July 2007 to September 2007, general manager of Shenzhen Branch of the Bank from October 2004 to July 2007, deputy general manager of the asset and liability management department of China Construction Bank from July 2003 to October 2004, and deputy general manager of Hunan Branch of China Construction Bank from February 1996 to July 2003. Mr. Zeng is a senior economist and obtained his Ph.D. degree in enterprise management from Hunan University in 2005.
Huang Zhiling	Chief Risk Officer	Mr. Huang has served as the Bank's Chief Risk Officer since February 2011. He served as general manager of the risk management department of the Bank from April 2006. Mr. Huang was consecutively the director of the asset disposal review committee of China Cinda Asset Management Corporation from December 2000 to April 2006, director of asset disposal decision-making committee office of China Cinda Asset Management Corporation from November 2000 to December 2000, director of president office and director of the party committee office of China Cinda Asset Management Corporation from August 1999 to November 2000, deputy general manager of administrative office and secretary to the party team of China Construction Bank from June 1997 to August 1999. Mr. Huang is a researcher and a recipient of a special grant by PRC government. He obtained his Ph.D. degree in finance from Shaanxi Institute of Finance and Economics in 1991.
Yu Jingbo	Chief Audit Officer	Mr. Yu has served as the Bank's Chief Audit Officer since March 2011. He was general manager of Zhejiang Branch of the Bank from March 2005. Mr. Yu was consecutively deputy general manager (in charge) of Zhejiang Branch of China Construction Bank from July 2004 to March 2005, deputy general manager of Zhejiang Branch of China Construction Bank from August 1999 to July 2004, and general manager of Hangzhou Branch from April 1997 to August 1999. Mr. Yu is a senior engineer. Mr. Yu obtained his bachelor's degree in industrial and civil architecture from Tongji University in 1985 and his master's degree in enterprise management from Hangzhou University in 1998.

Chen Caihong	Secretary to the Board	Mr. Chen has served as secretary to the Board since August 2007. Mr. Chen was general manager of Seoul Branch of China Construction Bank from December 2003 to July 2007. Mr. Chen served consecutively as deputy director, director of administrative office, deputy general manager of Fujian Branch, and head of preparation team for Seoul Branch of China Construction Bank from March 1997 to December 2003. Mr. Chen is a senior economist. He graduated from Hubei Finance and Economics College with a bachelor's degree in infrastructure economics in 1982 and obtained his master's degree in public finance from the Research Institute for Fiscal Science of the MOF in 1986.
Xu Huibin	Controller of wholesale banking	Mr. Xu has served as controller of the Bank's wholesale banking since March 2011. Mr. Xu served as general manager of Henan Branch of the Bank from May 2006 to March 2011. Mr. Xu served consecutively as deputy director of fund raising and savings department, deputy general manager of retail business department, deputy general manager of personal banking department, general manager of banking business department, general manager of personal banking business department, deputy director of personal banking business committee, and general manager of personal finance department of China Construction Bank. Mr Xu is a senior economist, and a recipient of a special grant by PRC government. He obtained the Excellent Contribution Award of China Construction Bank and May 1st Labour Medal of Henan Province. Mr. Xu obtained his bachelor's degree in infrastructure finance and credit from Liaoning Finance and Economics College in 1983.
Tian Huiyu	Controller of retail banking	Mr. Tian has served as controller of the Bank's retail banking since March 2011. Mr. Tian has served concurrently as general manager of Beijing Branch of the Bank since April 2011. He served as the head of Beijing Branch from March 2011 to April 2011. He served consecutively as deputy general manager of Shanghai Branch, head and general manager of Shenzhen Branch from December 2006 to March 2011, vice president of Shanghai Bank from July 2003 to December 2006; vice president of Trust Investment Branch of China Cinda Asset Management Co., Ltd from July 1998 to July 2003. Mr. Tian is a senior economist. He obtained his bachelor's degree in infrastructure finance and credit from Shanghai University of Finance and Economics and his master's degree in public management from Columbia University in 2002.
Wang Guiya	Controller of investment and wealth management banking	Mr. Wang has served as controller of investment and wealth management banking since March 2011. He served as general manager of the investment banking department of the Bank from August 2006 and served concurrently as chairman of CCB International from January 2007 to August 2010, deputy general manager and general manager of planning and finance department of China Construction Bank from July 2000 to August 2006. Mr. Wang is a senior economist. He obtained his bachelor's degree in application mathematics from Anhui University in 1984 and an Executive MBA degree from Peking University in 2005.

Company secretary and qualified accountant of the Bank

Chan Mei Sheung	Company secretary	Ms. Chan has served as the Bank's company secretary since October 2007. She has been head of legal & compliance division of CCB International and acted as company secretary since then. Ms. Chan was group legal counsel and head of Legal Department in China Everbright Limited from July 2006 to October 2007. She also served as company secretary of China Everbright Limited during this period. She has been a member of the Mainland Legal Affairs Committee of the Law Society of Hong Kong from 2006 to 2010. She was group legal counsel and company secretary of Sing Tao News Corporation Limited from 2003 to 2005. She was the partner in charge of Corporate Finance and China Services Department of Hastings & Co. from 1999 to 2003. Ms. Chan is a member of the Law Society of Hong Kong and a Ministry of Justice of China-Appointed Attesting Officer. She is also a qualified solicitor in Hong Kong, England and Wales, and is a qualified solicitor and barrister in the Australian Capital Territory. She graduated from the University of Hong Kong with an honorary bachelor's degree in law in 1987.
Yuen Yiu Leung	Qualified Accountant	Mr. Yuen has served as the Bank's qualified accountant since August 2005. Mr. Yuen has been head of finance department of Hong Kong Branch of the Bank since September 2004, and has also been head of finance department of CCB International from January 2006 to May 2011. Prior to that, Mr. Yuen held the same position in the Hong Kong Branch of China Construction Bank from October 1995 to September 2004 and he served in several capacities at the internal control, finance and accounting functions of Standard Chartered Bank. Mr. Yuen is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, UK and the Chartered Institute of Management Accountants, UK and an associate of the Institute of Chartered Accountants in England & Wales. Mr. Yuen graduated from Hong Kong Polytechnic University with a professional diploma in management accountancy in 1988 and obtained a master's degree in business administration from University of Wales in cooperation with Manchester Business School in 1998.

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2011.

Principal activities

The Group is engaged in a range of banking services and related financial services.

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.

Reserves

Please refer to the consolidated statement of changes in equity for details of the movements in the reserves of the Group for the year ended 31 December 2011.

Summary of financial information

Please refer to the "Financial Highlights" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2011.

Donations

Donations made by the Group for the year ended 31 December 2011 were RMB47 million.

Property and equipment

Please refer to Note "Fixed Assets" in the "Financial Statements" of this annual report for details of movements in the property and equipment of the Group for the year ended 31 December 2011.

Retirement benefits

Please refer to Note "Accrued Staff Costs" in the "Financial Statements" of this annual report for details of the retirement benefits provided to employees of the Group.

Major customers

For the year ended 31 December 2011, the aggregate amount of interest income and other operating income generated from the five largest customers of the Group represented an amount not exceeding 30% of the total interest income and other operating income of the Group.

Ultimate parent company and its subsidiaries

Please refer to "Changes in Share Capital and Particulars of Shareholders-Substantial Shareholders of the Bank" and Note "Investments in Subsidiaries" in the "Financial Statements" for details of the Bank's ultimate parent company and its subsidiaries respectively as at 31 December 2011.

Share capital and public float

The Bank completed the rights issue of A-shares and H-shares in 2010. As of 31 December 2011, the Bank issued 250,010,977,486 shares in total (including 240,417,319,880 H-shares and 9,593,657,606 A-shares) and had 887,132 registered shareholders. The Bank was in compliance with the relevant requirements regarding public float under relevant laws and regulations as well as the listing rules of its listing venues.

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.

Pre-emptive rights

The Articles of Association of the Bank and the relevant PRC laws do not have such provisions under which the Bank's shareholders have pre-emptive rights. The Articles of Association provide that if the Bank wishes to increase its capital, it may issue new shares to non-specified investors, may issue shares to existing shareholders or issue shares by way of distribution to existing shareholders, may transfer its capital reserve to share capital, or by other means permitted by laws and regulations.

Use of proceeds

The proceeds raised from the rights issue of A-shares and H-shares in 2010 are all used to strengthen the capital base of the Bank.

The Bank issued subordinated bonds amounted to RMB40 billion in November 2011, the proceeds raised from which are used to replenish the supplementary capital of the Bank.

Top ten shareholders and their shareholdings

The top ten shareholders of the Bank and their respective shareholdings at the end of 2011 are stated in "Changes in Share Capital and Particulars of Shareholders" of this annual report.

Directors, supervisors and senior management

Please refer to the "Profiles of Directors, Supervisors and Senior Management" of this annual report for details of directors, supervisors and senior management of the Bank.

Independence of the independent non-executive directors

All the independent non-executive directors of the Bank are independent, and their independence is in compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.

Material interests and short positions

As at 31 December 2011, the interests and short positions of substantial shareholders and other persons in the shares of the Bank as recorded in the register required to be kept under section 336 of the SFO of Hong Kong were as follows:

Name	Interests in H-shares and short positions	Nature	% of issued H-shares	% of total issued shares
CIC[1]	145,350,494,651	Long position	60.46	58.14
Temasek	22,655,348,797	Long position	9.42	9.06

1. On 14 November 2011, CIC declared interests on the website of the Hong Kong Stock Exchange. It disclosed that it indirectly held the interests of 145,350,494,651 H-shares of the Bank, accounting for 60.46% and 58.14% of the H-shares issued (240,417,319,880 shares) and total shares issued (250,010,977,486 shares) respectively. In this amount, Huijin held 142,590,494,651 H-shares of the Bank and Best Investment Corporation (a subsidiary engaged in overseas investment, which is indirectly held by CIC through CIC International) held 2,760,000,000 H-shares. In pursuant to the Articles of Association and internal system of CIC, there exists strict information isolation between CIC's overseas investment and Huijin, and Huijin does not participate in the decision-making of CIC's overseas investment.

Directors' and supervisors' interests and short positions in shares, underlying shares and debentures of the Bank

Except for the fact that Mr. Zhang Huajian, Mr. Li Weiping and Ms. Huang Shuping, the supervisors of the Bank, indirectly held 18,999 H-shares, 20,446 H-shares and 21,910 H-shares of the Bank, respectively, by participating in the employee stock incentive plan before they were appointed as supervisors, as at 31 December 2011, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules.

As of 31 December 2011, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children below the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

Directors' financial, business and family relationships

There are no relationships among the directors of the Bank, including financial, business, family or other material relationships.

Directors' and supervisors' interests in contracts and service contracts

For the year 2011, no director or supervisor of the Bank had any interest, whether directly or indirectly, in any contract of significance in relation to the Group's business with the Bank or any of its holding companies or subsidiaries or subsidiaries of the Bank's holding companies, apart from their respective service contracts.

None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

Directors' interests in competing businesses

None of the directors of the Bank directly or indirectly has any interest that constitutes or may constitute a competing business of the Bank.

Corporate governance

The Bank is committed to maintaining the highest level of corporate governance practice. Please refer to the "Corporate Governance Report" of this annual report for details of corporate governance practices adopted by the Bank and its compliance with the *Code on Corporate Governance Practices*.

Connected transactions

Continuing connected transactions as defined by the Listing Rules of Hong Kong Stock Exchange of the Bank are as follows:

Taking deposits from connected persons

The Bank provides commercial banking services and products to its customers. Such services and products include taking deposits. Customers who place deposits with the Bank include the Bank's connected persons under the Listing Rules of Hong Kong Stock Exchange. Therefore, such deposit activities are continuing connected transactions under the Listing Rules of Hong Kong Stock Exchange.

The Bank takes deposits from its connected persons on normal commercial terms that are comparable to or no more favourable than those offered to independent third parties, without using any assets of the Bank as mortgages. These transactions are exempt continuing connected transactions under rule 14A.65 (4) of the Listing Rules of Hong Kong Stock Exchange, and thus are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules of Hong Kong Stock Exchange.

Loans and credit facilities granted by the Bank to connected persons

The Bank extends loans and credit facilities (including long-term loans, short-term loans, consumption credit, credit card loans, mortgages, guarantees, mortgages for third party loans, comfort letters and discounted bills) to its customers in the ordinary and usual course of its business on normal commercial terms with reference to prevailing market rates. Customers who utilise the loans and credit facilities of the Bank include its connected persons defined in the Listing Rules of Hong Kong Stock Exchange. Therefore, these loans and credit facilities are continuing connected transactions under the Listing Rules of Hong Kong Stock Exchange.

The loans and credit facilities extended by the Bank to its connected persons in the ordinary and usual course of its business are based on normal commercial terms that are comparable to or no more favourable than those offered to independent third parties. These transactions are exempt continuing connected transactions under rule 14A.65 (1) of the Listing Rules of Hong Kong Stock Exchange, and thus are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules of Hong Kong Stock Exchange.

Service contracts between the Bank and its directors and supervisors

The Bank entered into service contracts and indemnification agreements with each of its directors and supervisors. These contracts are exempt connected transactions under the Listing Rules of Hong Kong Stock Exchange, and thus are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules of Hong Kong Stock Exchange.

Please refer to the "Financial Statements" of this annual report and the notes therein for details of the related party transactions as defined by domestic laws and regulations.

Remuneration policy for the directors, supervisors and senior management

The Bank has endeavored to improve its remuneration management measures and performance assessment systems for its directors, supervisors and senior management as guided by the relevant policies of China.

The Bank's remuneration policy for directors, supervisors and senior management is based on the principle of combining incentives and disciplines, short-term incentives and long-term incentives, and governmental regulations and market adjustment, and has defined a structured remuneration system compromising basic annual salary, performance annual salary, mid-term and long-term incentives, allowances and welfare income. The Bank participates in the relevant PRC mandatory retirement schemes for its directors, supervisors and senior management and other employees. Since the state has not issued relevant policies, the Bank does not implement mid-term and long-term incentive plan for directors, supervisors and senior management.

Registration and management of insiders

In 2010, the Bank formulated the *Provisional Management Measures on Insider of Insider Information*, which was reviewed and approved by the Board meeting of the Bank. During the reporting period, pursuant to the *Provisional Management Measures on Insider of Insider Information*, relevant laws and regulations, and other rules and requirements of the Bank, the Bank strictly conducted the secrecy system regarding insider information, standardised the information transfer process, strengthened insider information management and controlled scope of insider of insider information.

The Bank is not aware of any insider trading of the shares of the Bank on the basis of insider information during the reporting period.

Compliance with Hong Kong Banking (Disclosure) Rules

In preparing the financial report for 2011, the Bank has complied with the *Banking (Disclosure) Rules*, which is chapter 155M of the Banking Ordinance of Hong Kong.

Auditors

The Bank's domestic auditors were PricewaterhouseCoopers Zhong Tian and its international auditors were PricewaterhouseCoopers for the year 2011. A proposal in relation to engage such two auditors as auditors of the Bank for the year 2011 was reviewed and approved on the annual general meeting of 2010. The engagement term is one year from the date of the annual general meeting of 2010 to the date of the annual general meeting of 2011.

Environmental protection and other social security issues

There is no material environmental protection or other social security issues of the Bank.

By order of the board of directors
Wang Hongzhang
Chairman

23 March 2012

In 2011, pursuant to the provisions the Company Law and the Articles of Association of the Bank, the board of supervisors earnestly performed its duties, strengthened its efforts in internal risk control, finance supervision, and performance and due diligence supervision, made contributions proactively and safeguarded the interest of the shareholders and the Bank.

Convening of the meetings

During the reporting period, the board of supervisors convened seven meetings in total, the details of which are as follows:

On 26 January 2011, it convened the 1st session of the board of supervisors in 2011, where it reviewed and adopted the 2010 Board of Supervisors' Performance Summary as well as its 2011 Work Plan, studied and discussed *Measures for Appraising Performance of Directors of Commercial Banks (Trial Implementation)*.

On 16 March 2011, it convened the 2nd session of the board of supervisors in 2011, where it studied and discussed the 2010 Board of Supervisors Report, 2010 annual work and relevant supervisory opinions of board of supervisors.

On 25 March 2011, it convened the 3rd session of the board of supervisors in 2011, where it reviewed and adopted the 2010 Annual Report and the summary thereof, the 2010 Profit Distribution Plan, specific report on deposit and actual use of proceeds from the rights issue of A-shares, the 2010 Social Responsibility Report and the 2010 Internal Control Assessment Report and the 2010 Board of Supervisors Report.

On 28 April 2011, it convened the 4th session of the board of supervisors in 2011, where it reviewed and adopted the Report for the First Quarter of 2011, studied and discussed directors' performance assessment report, and implemented matters relating to the *Measures for Appraising Performance of Directors of Commercial Banks (Trial Implementation)*.

On 22 June 2011, it convened the 5th session of the board of supervisors in 2011 by means of written proposals, where it reviewed and adopted the proposals on the nomination of shareholder representative supervisor candidates.

On 19 August 2011, it convened the 6th session of the board of supervisors in 2011, where it reviewed and adopted the Half-Year Report 2011 and the summary thereof, the proposals on the nomination of members of the finance and internal control supervision committee under the board of supervisors, studied and discussed *Measures for Performance Supervision and Assessment of Board of Directors, Senior Management and their members by Board of Supervisors,* debriefed supervision and survey work.

On 28 October 2011, it convened the 7th session of the board of supervisors in 2011, where it reviewed and adopted the Report for the Third Quarter of 2011, *Measures for Performance Supervision and Assessment of Board of Directors, Senior Management and their members by Board of Supervisors* and the 2011 Supervisory Work Programme of the board of supervisors.

During the reporting period, the performance and due diligence supervision committee under the board of supervisors convened four sessions and reviewed four proposals. The finance and internal control supervision committee under the board of supervisors convened five sessions and reviewed ten proposals.

Major work

- The board of supervisors actively focused on matters of strategic and overall importance. On matters regarding strategy planning and implementation, integrated operation, building of development capacity, and internal control and risk management, the board of supervisors provided opinions and suggestions actively, and thus pushed forward relevant work. Through holding surveys and seminars, onsite inspections and other means, the board of supervisors also developed in-depth understanding of the present operation and development situation of branches and outlets, urged relevant parties to study the bottom needs and promoted solutions to actual difficulties and problems.
- The board of supervisors strengthened the supervision over key business fields, listened to submissions regarding loan management of government financing vehicles, off-balance sheet business, overseas business, risk management, case prevention and control, operation and development of rural banks, etc. It also indicated relevant risks at proper time and presented opinions and suggestions. The board of supervisors conducted five specified surveys covering operation and management of banking outlets, implementation of internal control regulations, risk analysis of land mortgage loans, operation of overseas entities, and post-lending management of corporate business, during which it presented opinions and suggestions, and as a result prompted the improvement of relevant work.

- Further regulated the assessment of performance supervision, the board of supervisors revised and optimised *Measures for Performance Supervision and Assessment of Board of Directors, Senior Management and their members by Board of Supervisors.* Through attending meetings, reviewing analysis materials and performance report, holding interviews and seminars and making performance ratings, the board of supervisors strongly supervised the corporate governance practice of the Bank, material decision-making and implementation, and performance of directors and senior management members. They also seriously implemented the annual performance assessment, presented annual performance assessment reports of the Board, senior management and their members with reporting and disclosing in accordance with relevant rules.
- The board of supervisors focused on compilation, review and disclosure of regular reports, continuously conducted qualified finance supervision, timely analysed new regulations and new changes of accounting standards, strengthened the relationship with functional departments, regularly communicated with external auditors to follow up the audit development, report compilation and reviewing work and presented opinions and requirements. It also focused on matters affecting the authenticity and fairness of financial reports. It supervised the implementation of insider registration and management of insider information as well as fund raising and reviewed regular reports and profit distribution plan, and presented the opinions.
- The board of supervisors promoted the implementation of the basic standard for internal control of the Bank, conducted specific survey in respect of the implementation of the basic standard for internal control, reviewed analysis materials, interviewed with departments, conducted onsite surveys in several branches and drafted specific survey report and presented opinions and suggestions. Through attending meetings, listening to submissions, the board of supervisors conducted supervision over the establishment of implementation of internal control and the internal control assessment by the board of directors of the Bank, reviewed the assessment report of the internal control of the Bank and presented opinions in compliance with regulatory requirements.
- The board of supervisors focused on self-improvement, consistently regulated the internal operation, created new working methods, enhanced communication and discussion, organised business training and dedicatedly improved the overall supervision level. All members of the board of supervisors performed their duties in a diligent, legitimate and compliant manner, attended sessions of the board of supervisors, participated in the research, review and voting regarding relevant motions and topics. They attended the meetings of the Board and the senior management and reviewed and analysed financial reports and operation materials, consistently focused on the reform and development of the Bank as well as the operation of corporate governance, participated in the various supervision work and surveys organised by the board of supervisors and diligently fulfilled the obligations.

Independent opinions on relevant matters of the Bank

Operations in compliance with laws and regulations

During the reporting period, the Bank carried out its operations in compliance with the law and its decision-making procedure was in compliance with the provisions of applicable laws and regulations as well as the Articles of Association of the Bank. Its directors and senior executives fulfilled their duties in a diligent manner. The board of supervisors did not find any of their acts in the performance of their duties that were in breach of applicable laws and regulations as well as the Articles of Association of the Bank or damaged the Bank's interest.

Financial reporting

The 2011 financial report of the Bank accurately and fairly reflected the financial position and operating results of the Bank.

Use of proceeds

During the reporting period, the Bank issued RMB40 billion subordinated bonds. All of the proceeds were used to supplement the capital base of the Bank in accordance with the undertaking of the Bank.

Acquisition and sale of assets

During the reporting period, the board of supervisors was not aware of any insider transactions or any acts in acquisition or sale of assets detrimental to the interests of the shareholders or leading to a drain on the Bank's assets.

Connected transactions

The board of supervisors was not aware of any connected transactions that were detrimental to the interests of the Bank during the reporting period.

Internal control

During the reporting period, the Bank consistently enhanced and improved its internal control. The board of supervisors had no objection to the *2011 Internal Control Assessment Report*.

Performance of social responsibilities

During the reporting period, the Bank performed its social responsibilities in a proactive manner. The board of supervisors had no objection to the *2011 Social Responsibility Report*.

Opinions on performance assessment of directors of the Bank

All directors were evaluated as qualified in the 2011 performance assessment process.

By order of the board of supervisors
Zhang Furong
Chairman of the board of supervisors

23 March 2012

Material litigations and arbitrations

There were no material litigations or arbitrations during the reporting period.

Debt and claim between related parties

There was no non-operational capital occupation by the controlling shareholder or other related parties of the Bank during the reporting period.

Acquisition and disposal of assets and merger of enterprises

In June 2011, the Bank completed the equity transfer of the 50% stake in Pacific-Antai held by ING, and completed the equity transfer of the 50% stake in Pacific-Antai held by China Pacific Insurance (Group) Company, Limited together with the co-investors. Thereafter, the shareholders of Pacific-Antai have been changed to the Bank (51%), China Life Insurance Co., Ltd. (Taiwan) (19.90%), Jianyin (19.35%), Shanghai Jin Jiang International Investment and Management Company Limited (4.90%) and Shanghai China-Sunlight Investment Co., Ltd. (4.85%). The Bank becomes the controlling shareholder of Pacific-Antai. Besides, Pacific-Antai has been renamed as CCB Life Insurance Company Ltd.

Progress of implementation of employee stock incentive plan

Pursuant to the relevant PRC policies, the Bank did not implement a new round of stock incentive plan during the reporting period.

Material related party transactions

There were no material related party transactions during the reporting period. All related party transactions were conducted on the basis of commercial principles and just, fair and open principles and at prices no more favourable than those offered to independent third parties in similar transactions.

Material contracts and their performance

During the reporting period, the Bank did not enter into any material arrangements for custody, contracting or lease of other companies' assets, or allow its assets to be subject to such arrangements by other companies. The guarantee business is an off-balance sheet service in the ordinary course of the Bank's business, and the Bank did not have any material guarantees that need to be disclosed except for the financial guarantee services within its business scope as approved by the regulators. The Bank did not entrust any material cash assets to others for management during the reporting period.

Performance of undertakings given by the Bank or shareholders holding 5% or more of the shares

The Bank was notified by its controlling shareholder Huijin on 10 October 2011 that Huijin increased its shareholding of the Bank by 7,384,369 shares through the trading system of the Shanghai Stock Exchange, and undertook to continue to increase its shareholdings in the Bank on the secondary market in its own name in the following 12 months. Other than the above, the Bank's shareholders did not give new undertakings in the reporting period. All undertakings given by the shareholders had been fulfilled by the end of the reporting period.

Penalties

During the reporting period, the Bank, the directors, the supervisors, the senior management and the actual controller had no record of being subject to investigations by relevant authorities, coercive measures by judicial or disciplinary departments, transfer to judicial organs or criminal investigation and punishment. The Bank, the Board, the directors, the supervisors and the senior management had no record of being subject to inspections, administrative penalties and public censures by the CSRC or public censures by the stock exchanges of the Bank's listing venues. The directors and supervisors of the Bank had no record of being subject to any civil judgements for conducting fraud, breach of responsibilities or other inappropriate behaviors against honesty.

Other shareholding or share participations

Investments in securities

Number	Type of securities	Stock code	Stock abbreviation	Initial investment amount (RMB)	Number of shares held	Carrying amount at the end of the period (RMB)	% of total securities investments at the end of the period	Gain/Loss during the reporting period (RMB)
1	Listed stock	600537.CH	EGING PV	202,607,016	48,936,822	690,044,546	7.91	(196,211,332)
2	Listed stock	1115.HK	Tibet 5100	194,502,735	163,257,000	276,523,834	3.17	82,021,098
3	Listed stock	000906.CH	SBM	270,702,118	46,552,901	259,615,341	2.98	(112,940,091)
4	Listed stock	1259.HK	Prince Frog	63,073,185	70,609,000	106,664,632	1.22	43,621,659
5	Listed stock	871.HK	Xiangyu Dredg	186,398,455	69,000,000	103,451,142	1.19	(82,947,312)
6	Listed stock	300117.CH	Jiayu Stock	25,082,379	12,638,381	97,194,219	1.11	(73,535,799)
7	Listed stock	325.HK	Trauson Hldgs	106,983,312	55,940,625	79,791,100	0.92	(84,324,685)
8	Listed stock	1104.HK	APAC Resources	117,512,069	290,000,000	77,557,966	0.89	(14,911,876)
9	Listed stock	1231.HK	Newton Res	119,328,644	84,138,000	63,414,651	0.73	(58,659,363)
10	Listed stock	803.HK	Prosperity Intl	64,972,805	167,022,858	59,558,405	0.68	(6,096,063)
Other securities investments held at the end of the period				6,937,829,715		6,907,023,008	79.20	(987,847,861)
Gain/Loss from disposal of securities investments during the reporting period								(527,615,600)
Total				8,288,992,433		8,720,838,844	100.00	(2,019,447,225)

1. The top ten listed securities held by the Group at the end of the period are arranged according to the percentage of the carrying amount in total securities investments of the Group at the end of the period.
2. Investments in securities in this table refer to stocks, warrants, convertible bonds and other investments, in which the investments in stocks represent those classified as financial assets at fair value through profit or loss of the Group.
3. Other securities investments refer to the securities investments other than the top ten securities.

Interests of the Bank in shares of other listed companies

Stock code	Stock abbreviation	Initial investment amount (RMB)	% of shareholding in the company	Carrying amount at the end of the period (RMB)	Gain/Loss during the reporting period (RMB)	Changes in equity during the reporting period (RMB)	Accounting item	Sources of shares
601600	CHALCO	855,216,651	5.08	4,409,870,375	245,765,813	(2,755,301,199)	Available-for-sale financial assets	Investment held through debt equity swap
000792	QINGHAI SALT LAKE	136,572,470	3.94	1,995,723,446	9,327,061	(2,854,649,246)	Available-for-sale financial assets	Investment held through debt equity swap
600068	G.C.L	345,324,902	6.39	1,716,460,376	54,773,907	(899,880,458)	Available-for-sale financial assets	Investment held through debt equity swap
601989	CSIC	340,290,000	1.30	906,258,735	–	906,258,735	Available-for-sale financial assets	Investment held through debt equity swap
600984	SCMC	35,320,486	13.75	97,515,031	38,974,306	(94,093,678)	Available-for-sale financial assets	Investment held through debt equity swap
600462	Y.S.B.P	13,030,622	3.89	62,955,605	32,913,217	(39,202,222)	Available-for-sale financial assets	Investment held through debt equity swap
Total		1,725,755,131		9,188,783,568	381,754,304	(5,736,868,068)		

1. The table shows the shares of other listed companies which are 1% or more than 1% held by the Group and classified as available-for-sale financial assets.
2. Gain/Loss during the reporting period refers to the effect of the investment on the consolidated net profit of the Group for the reporting period.

Interests in non-listed financial institutions

Name of the company	Initial investment amount (RMB)	Number of shares held	% of shareholding in the company	Carrying amount at the end of the period (RMB)	Gain/Loss during the reporting period (RMB)	Changes in equity during the reporting period (RMB)	Accounting item	Sources of shares
HuiShang Bank Corporation Ltd.	228,835,900	225,548,176	2.76	228,835,900	22,554,818	–	Available-for-sale financial assets	Establishment, increase in share capital
China UnionPay Co., Ltd.	221,250,000	142,500,000	4.87	220,718,981	3,920,000	–	Available-for-sale financial assets	Establishment, increase in share capital
QBE Hongkong and Shanghai Insurance Limited	98,758,409	19,939,016	25.50	123,602,594	22,717,532	–	Interests in associates and jointly controlled entities	Share purchase and sale
Guangdong Development Bank Ltd.	48,558,031	13,423,847	0.09	48,558,031	–	–	Available-for-sale financial assets	Establishment of investment
Evergrowing Bank Co., Ltd.	41,125,000	95,823,000	1.58	41,125,000	–	–	Available-for-sale financial assets	Establishment of investment
Huarong Xiangjiang Bank	3,500,000	3,536,400	0.09	980,000	–	–	Available-for-sale financial assets	Establishment of investment

1. These do not include subsidiaries contained in the consolidated statements.

2. Allowances for impairment losses have been deducted from the carrying amount at the end of the period.

Purchase and disposal of shares of other listed companies

Stock name	Number of shares at the beginning of the period	Number of shares purchased during the reporting period	Number of shares disposed during the reporting period	Number of shares at the end of the period	Amount of funds used (RMB)	Investment gain/(loss) (RMB)
Total	3,384,810,849	1,628,209,054	(2,601,021,694)	2,411,998,209	3,055,252,908	(536,066,233)

羅兵咸永道

To the shareholders of China Construction Bank Corporation
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (together, the "Group") set out on pages 90 to 207, which comprise the consolidated and Bank statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated and Bank statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2011, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2012

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011
(Expressed in millions of RMB, unless otherwise stated)

	Note	2011	2010
Interest income		**482,247**	377,783
Interest expense		**(177,675)**	(126,283)
Net interest income	6	**304,572**	251,500
Fee and commission income		**89,494**	68,156
Fee and commission expense		**(2,500)**	(2,024)
Net fee and commission income	7	**86,994**	66,132
Net trading gain	8	**388**	3,509
Dividend income	9	**158**	228
Net gain arising from investment securities	10	**1,756**	1,903
Other operating income, net	11	**5,535**	2,508
Operating income		**399,403**	325,780
Operating expenses	12	**(144,537)**	(121,366)
		254,866	204,414
Impairment losses on:			
– Loans and advances to customers		**(32,403)**	(25,641)
– Others		**(3,380)**	(3,651)
Impairment losses	13	**(35,783)**	(29,292)
Share of profits less losses of associates and jointly controlled entities		**24**	34
Profit before tax		**219,107**	175,156
Income tax expense	16	**(49,668)**	(40,125)
Net profit		**169,439**	135,031
Other comprehensive income:			
Loss of available-for-sale financial assets arising during the year		**(966)**	(8,183)
Less: Income tax relating to available-for-sale financial assets		**318**	1,995
Reclassification adjustments for loss/(gain) included in profit or loss		**265**	(288)
		(383)	(6,476)
Exchange difference on translating foreign operations		**(1,577)**	(1,057)
Others		**42**	33
Other comprehensive income for the year, net of tax		**(1,918)**	(7,500)
Total comprehensive income for the year		**167,521**	127,531
Net profit attributable to:			
Equity shareholders of the Bank		**169,258**	134,844
Non-controlling interests		**181**	187
		169,439	135,031
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**167,401**	127,363
Non-controlling interests		**120**	168
		167,521	127,531
Basic and diluted earnings per share (in RMB Yuan)	17	**0.68**	0.56

The notes on pages 97 to 207 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011
(Expressed in millions of RMB, unless otherwise stated)

	Note	2011	2010
Assets:			
Cash and deposits with central banks	18	**2,379,809**	1,848,029
Deposits with banks and non-bank financial institutions	19	**276,752**	78,318
Precious metals		**22,718**	14,495
Placements with banks and non-bank financial institutions	20	**109,040**	63,962
Financial assets at fair value through profit or loss	21	**23,096**	17,344
Positive fair value of derivatives	22	**14,127**	11,224
Financial assets held under resale agreements	23	**200,045**	181,075
Interest receivable	24	**56,776**	44,088
Loans and advances to customers	25	**6,325,194**	5,526,026
Available-for-sale financial assets	26	**675,058**	696,848
Held-to-maturity investments	27	**1,743,569**	1,884,057
Debt securities classified as receivables	28	**300,027**	306,748
Interests in associates and jointly controlled entities	30	**2,069**	1,777
Fixed assets	31	**94,222**	83,434
Land use rights	32	**16,457**	16,922
Intangible assets	33	**1,660**	1,310
Goodwill	34	**1,662**	1,534
Deferred tax assets	35	**21,410**	17,825
Other assets	36	**18,143**	15,301
Total assets		**12,281,834**	10,810,317
Liabilities:			
Borrowings from central banks		**2,220**	1,781
Deposits from banks and non-bank financial institutions	39	**966,229**	683,537
Placements from banks and non-bank financial institutions	40	**78,725**	66,272
Financial liabilities at fair value through profit or loss	41	**33,656**	15,287
Negative fair value of derivatives	22	**13,310**	9,358
Financial assets sold under repurchase agreements	42	**10,461**	4,922
Deposits from customers	43	**9,987,450**	9,075,369
Accrued staff costs	44	**35,931**	31,369
Taxes payable	45	**47,189**	34,241
Interest payable	46	**80,554**	65,659
Provisions	47	**5,180**	3,399
Debt securities issued	48	**168,312**	93,315
Deferred tax liabilities	35	**358**	243
Other liabilities	49	**35,598**	24,660
Total liabilities		**11,465,173**	10,109,412
Equity:			
Share capital	50	**250,011**	250,011
Capital reserve	51	**135,178**	135,136
Investment revaluation reserve	52	**6,383**	6,706
Surplus reserve	53	**67,576**	50,681
General reserve	54	**67,342**	61,347
Retained earnings	55	**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
Total liabilities and equity		**12,281,834**	10,810,317

Approved and authorised for issue by the Board of Directors on 23 March 2012.

Zhang Jianguo	**Wong Kai-Man**	**Zhao Xijun**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 97 to 207 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011
(Expressed in millions of RMB, unless otherwise stated)

	Note	2011	2010
Assets:			
Cash and deposits with central banks	18	**2,373,493**	1,841,867
Deposits with banks and non-bank financial institutions	19	**279,861**	78,198
Precious metals		**22,718**	14,495
Placements with banks and non-bank financial institutions	20	**110,533**	68,528
Financial assets at fair value through profit or loss	21	**8,715**	3,044
Positive fair value of derivatives	22	**13,073**	10,153
Financial assets held under resale agreements	23	**200,045**	181,075
Interest receivable	24	**56,420**	43,861
Loans and advances to customers	25	**6,189,363**	5,428,279
Available-for-sale financial assets	26	**663,583**	693,031
Held-to-maturity investments	27	**1,742,342**	1,883,927
Debt securities classified as receivables	28	**299,765**	306,748
Investments in subsidiaries	29	**11,950**	9,869
Fixed assets	31	**93,369**	82,696
Land use rights	32	**16,404**	16,865
Intangible assets	33	**1,176**	1,273
Deferred tax assets	35	**22,003**	18,774
Other assets	36	**34,077**	32,122
Total assets		**12,138,890**	10,714,805
Liabilities:			
Borrowings from central banks		**2,210**	1,781
Deposits from banks and non-bank financial institutions	39	**970,033**	685,238
Placements from banks and non-bank financial institutions	40	**45,654**	41,664
Financial liabilities at fair value through profit or loss	41	**30,966**	12,940
Negative fair value of derivatives	22	**12,354**	8,734
Financial assets sold under repurchase agreements	42	**11,594**	11,089
Deposits from customers	43	**9,906,093**	9,014,646
Accrued staff costs	44	**35,182**	30,522
Taxes payable	45	**46,950**	33,945
Interest payable	46	**80,312**	65,592
Provisions	47	**5,180**	3,399
Debt securities issued	48	**158,050**	91,431
Deferred tax liabilities	35	**23**	4
Other liabilities	49	**27,712**	22,455
Total liabilities		**11,332,313**	10,023,440
Equity:			
Share capital	50	**250,011**	250,011
Capital reserve	51	**135,178**	135,136
Investment revaluation reserve	52	**6,472**	6,743
Surplus reserve	53	**67,576**	50,681
General reserve	54	**66,645**	60,608
Retained earnings	55	**281,491**	188,525
Exchange reserve		**(796)**	(339)
Total equity		**806,577**	691,365
Total liabilities and equity		**12,138,890**	10,714,805

Approved and authorised for issue by the Board of Directors on 23 March 2012.

Zhang Jianguo	**Wong Kai-Man**	**Zhao Xijun**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 97 to 207 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011
(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**
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

The notes on pages 97 to 207 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011
(Expressed in millions of RMB, unless otherwise stated)

	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 1 January 2011	**250,011**	**135,136**	**6,743**	**50,681**	**60,608**	**188,525**	**(339)**	**691,365**
Movements during the year	**–**	**42**	**(271)**	**16,895**	**6,037**	**92,966**	**(457)**	**115,212**
(1) Total comprehensive income for the year	**–**	**42**	**(271)**	**–**	**–**	**168,950**	**(457)**	**168,264**
(2) Profit distribution	**–**	**–**	**–**	**16,895**	**6,037**	**(75,984)**	**–**	**(53,052)**
i Appropriation to surplus reserve	**–**	**–**	**–**	**16,895**	**–**	**(16,895)**	**–**	**–**
ii Appropriation to general reserve	**–**	**–**	**–**	**–**	**6,037**	**(6,037)**	**–**	**–**
iii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**(53,052)**	**–**	**(53,052)**
As at 31 December 2011	**250,011**	**135,178**	**6,472**	**67,576**	**66,645**	**281,491**	**(796)**	**806,577**
As at 1 January 2010	233,689	90,266	13,213	37,421	46,209	130,785	(264)	551,319
Movements during the year	16,322	44,870	(6,470)	13,260	14,399	57,740	(75)	140,046
(1) Total comprehensive income for the year	–	33	(6,470)	–	–	132,604	(75)	126,092
(2) Changes in share capital	16,322	44,837	–	–	–	–	–	61,159
i Rights issue	16,322	44,837	–	–	–	–	–	61,159
(3) Profit distribution	–	–	–	13,260	14,399	(74,864)	–	(47,205)
i Appropriation to surplus reserve	–	–	–	13,260	–	(13,260)	–	–
ii Appropriation to general reserve	–	–	–	–	14,399	(14,399)	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(47,205)	–	(47,205)
As at 31 December 2010	250,011	135,136	6,743	50,681	60,608	188,525	(339)	691,365

The notes on pages 97 to 207 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011
(Expressed in millions of RMB, unless otherwise stated)

	Note	2011	2010
Cash flows from operating activities			
Profit before tax		**219,107**	175,156
Adjustments for:			
– Impairment losses	13	**35,783**	29,292
– Depreciation and amortisation	12	**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	9	**(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	10	**(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

The notes on pages 97 to 207 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011
(Expressed in millions of RMB, unless otherwise stated)

	Note	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	56(1)	**301,299**	380,249
Cash and cash equivalents as at 31 December	56(1)	**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)

The notes on pages 97 to 207 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

1 COMPANY INFORMATION

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by our predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H-shares and A-shares were listed on Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939) respectively.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission (the "CBRC") of the PRC. The Bank obtained its business license No.100000000039122 from the State Administration for Industry and Commerce of the PRC. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group mainly operates in Mainland China and also has several overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC and Taiwan. Overseas refers to countries and regions other than Mainland China.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial operations of the Bank are under the supervision of their respective local jurisdictions. Central Huijin Investments Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"), exercises the rights and obligations as an investor on behalf of the PRC government.

These financial statements were authorised for issue by the board of directors of the Bank on 23 March 2012.

2 BASIS OF PREPARATION

The group used the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements for the year ended 31 December 2011 comprise the Bank and its subsidiaries and the Group's interests in associates and jointly controlled entities.

(1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivative financial instruments are measured at fair value; (iii) available-for-sale financial assets are measured at fair value; and (iv) certain non-financial assets are measured at deemed cost. The measurement basis of major assets and liabilities are further explained in Note 4.

(2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

(3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(22).

(Expressed in millions of RMB, unless otherwise stated)

3 STATEMENT OF COMPLIANCE

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.

The Group has adopted new or revised IFRSs effective for the current year. There is no early adoption of any new IFRSs not yet effective for the year ended 31 December 2011. The following revised IFRSs adopted are relevant to these financial statements:

- IAS 24 (revised), *Related Party Disclosures* – It introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government related entities and with the government. Those disclosures are replaced with a requirement to disclose:
  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

The adoption of new or revised IFRSs has no significant impact on the accounting policies of the Group. The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where the cost of a business combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill in accordance with the accounting policies set out in Note 4(9); where the cost of a business combination is less than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date that the Group effectively obtains control of the acquiree.

(b) Subsidiaries and non-controlling interests

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at: the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination; or the capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(11).

The results and affairs of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit.

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) Consolidated financial statements (continued)

(c) Special purpose entities

The Group has established a number of Special Purpose Entities ("SPEs") for investment and securitisation purposes. The Group evaluates the substance of its relationship with the SPEs as well as the SPEs' risks and rewards to determine whether the Group controls the SPEs. The following circumstances, which may indicate a relationship in which the Group controls a SPE are taken into account: (i) in substance, the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operations; (ii) in substance, the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE; (iii) in substance, the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; and (iv) in substance, the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities. Where the evaluation result indicates that control exists, the Group will consolidate the SPE.

(d) Associates and jointly controlled entities

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

A jointly controlled entity is an enterprise which operates under joint control between the Group and other parties. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control.

Investments in associate or jointly controlled entity are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate or jointly controlled entity. The Group's share of the post-acquisition, post-tax results of the associate or jointly controlled entity for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associate or jointly controlled entity is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associate or jointly controlled entity are eliminated to the extent of the Group's interest in the associate or jointly controlled entity.

The Group discontinues recognising its share of net losses of the associate or jointly controlled entity after the carrying amount of investments in associate and jointly controlled entity together with any long-term interests that in substance form part of the Group's net investment in the associate or jointly controlled entity are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associate or jointly controlled entity makes net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

(b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as "exchange reserve" in the shareholder's equity in the statement of financial position. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments

(a) Categorisation

The Group classifies financial instruments into different categories at inception, depending on the purposes for which the assets were acquired or the liabilities were incurred. The categories are: financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss include those classified as held for trading, and those designated as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

Financial assets or financial liabilities are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement basis of the financial assets or financial liabilities; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless: the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than: (i) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (ii) those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; (ii) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (iii) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, and debt securities classified as receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity investments; or (iii) loans and receivables.

Other financial liabilities

Other financial liabilities are financial liabilities other than those designated as at fair value through profit or loss and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Investment securities in the financial statements comprise the securities classified as held-to-maturity investments, available-for-sale financial assets and debt securities classified as receivables.

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(b) Derivatives and embedded derivatives

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as an asset while the negative fair value is recognized as a liability. The gain or loss on re-measurement to fair value is recognised in profit or loss.

Certain derivatives are embedded into non-derivative hybrid instruments (the host contracts). The embedded derivatives are separated from the host contract and accounted for as a separate derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss. When the embedded derivative is separated, the host contract is accounted for as a financial instrument in accordance with the accounting policies as set out in Note 4(3).

(c) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

The difference between the carrying amount of the financial asset derecognised and the consideration received and the cumulative changes in fair value previously recognised in equity are recognised in profit or loss.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(d) Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost, while other categories of financial instruments are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment losses, if any.

Gains and losses from changes in the fair value of financial instruments at fair value through profit or loss are recognised in profit or loss.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

When the available-for-sale financial assets are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income and reclassified into the profit or loss.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised, impaired, or through the amortisation process.

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(e) Impairment

At the end of each reporting period, the Group assesses the carrying amount of financial assets (except for those at fair value through profit or loss). If there is any objective evidence that a financial asset is impaired, the Group will recognise the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired includes one or more events that occurred after the initial recognition of the asset where the event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence includes the following loss event:

– significant financial difficulty of the borrower or issuer;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– disappearance of an active market for financial assets because of financial difficulties;

– observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and

– other objective evidence indicating there is an impairment of the financial asset.

Loans and receivables and held-to-maturity investments

Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed loans and receivables and held-to-maturity investments with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in profit or loss.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a flow rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(e) Impairment (continued)

Loans and receivables and held-to-maturity investments (continued)

Collective assessment (continued)

Loans and receivables and held-to-maturity investments which are individually significant and therefore have been individually assessed but for which no impairment can be identified, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual losses level is likely to be greater or less than that suggested by historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

Impairment losses recognised on a collective basis represent an interim step pending the identification of impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

At the end of each reporting period, collective assessment covers those loans and receivables and held-to-maturity investments that were impaired but was not individually identified as such until some time in the future. As soon as information is available to specifically identify objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of collectively assessed financial assets.

Impairment reversal and loan write-off

If, in a subsequent period, the amount of the impairment loss on loans and receivables and held-to-maturity investments decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans and advances upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan has met specific conditions by the end of the observation period of normally 6 months, with the approval from management, they would no longer be considered as impaired.

Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. For available-for-sale investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be treated in accordance with the following principles: (i) the impairment loss on debt instruments classified as available-for-sale shall be reversed, with the amount of the reversal recognised in profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale shall not be reversed through the profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income; or (iii) the impairment loss in respect of available-for-sale equity investments carried at cost shall not be reversed.

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on quoted market prices without any deduction for transaction costs that may occur on sales or disposals. The appropriate quoted price in an active market for financial assets held or liabilities to be issued is usually the current bid price and for financial assets to be acquired or liabilities held, the asking price. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring market transactions on an arm's length basis.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include recent arm's length market transactions between knowledgeable and willing parties, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(g) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(h) Securitisations

The Group securitises certain loans, which generally involves the sale of these assets to SPEs, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Retained interests are carried at fair value on inception date on the Group's statement of financial position. Gains or losses on securitisation are the difference between the carrying amount of the transferred financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

(i) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell. The changes in fair value less cost to sell are included in the statement of comprehensive income. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(5) Fixed assets

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from CCB by the Bank which were recognised at the revalued amount as deemed cost on the Restructuring Date. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual components of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as separate fixed assets.

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss.

(b) Depreciation and impairment

Depreciation is calculated to write off to the profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual values and annual depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Bank premises	30-35 years	3%	2.8%-3.2%
Equipment	3-8 years	3%	12.1%-32.3%
Others	4-11 years	3%	8.8%-24.3%

The Group reviews the estimated useful life and estimated residual value of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

(c) Disposal

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the fixed asset and are recognised in profit or loss on the date of retirement or disposal.

(6) Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

(a) Finance lease

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease receivables and initial direct costs at the commencement of the lease term, is included in “loans and advances to customers” on statement of financial position as a lease receivable. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses on lease receivables are accounted for in accordance with the accounting policies as set out in Note 4(3)(e).

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease (continued)

(b) Operating lease

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss, using the straight-line method, over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit or loss in the accounting period in which they are incurred.

(7) Land use rights

Land use rights are initially recognised at cost. The land use rights obtained from CCB by the Bank on the date of Restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorized useful lives, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(11).

(8) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

(9) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(11).

(10) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets are recognised and reported in "other assets" in the statement of financial position when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivable, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses (Note 4(11)).

(11) Allowances for impairment losses on non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) Allowances for impairment losses on non-financial assets (continued)

(a) Testing CGU with goodwill for impairment

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group semi-annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognized impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(12) Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

(a) Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organisations. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

In addition to the statutory provision schemes, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

(b) Housing fund and other social insurance

In accordance with the related laws, regulations and policies of the PRC, the Group participates in mandatory social insurance programmes, including housing fund, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance etc. The Group makes housing fund and social insurance contributions to government agencies in proportion to each employees' salary and expenses monthly and recognises them in profit or loss on an accrual basis.

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(12) Employee benefits (continued)

(c) Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. In calculating the Group's obligations, to the extent that any cumulative unrecognised gains or losses exceed 10% of the present value of the obligation at the end of each reporting period, that portion is recognised in profit or loss. Otherwise, the gain or loss is not recognised.

(d) Early retirement expenses

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the normal retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

(e) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the profit or loss for the current period, when both of the following conditions are satisfied: (i) the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy, which will be implemented immediately; (ii) the Group cannot unilaterally withdraw from the termination plan or the redundancy offer.

(f) Staff incentive plan

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

(13) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or nonoccurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

(14) Financial guarantees

Financial guarantees are contracts that require the Group as the guarantor (the "issuer") to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in "other liabilities". The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statement of financial position if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(15) Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(15) Fiduciary activities (continued)

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(16) Income recognition

Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(a) Interest income

Interest income for interest bearing financial instruments is recognised in profit or loss based on effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

The effective interest basis is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as commission on expiry.

(c) Finance income from finance leases and hire purchase contracts

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(d) Dividend income

Dividend income from unlisted equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

(17) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(17) Income tax (continued)

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

(18) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(19) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(20) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a jointly controlled entity of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals; and

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(21) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments etc., which the management has chosen for organisation. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

(Expressed in millions of RMB, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(22) Significant accounting estimates and judgements

(a) Impairment losses on loans and advances, and available-for-sale and held-to-maturity debt investments

The Group reviews the portfolios of loans and advances, and available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan and advance, an available-for-sale or a held-to-maturity debt investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flows. Same principle is adopted for impairment loss on a held-to-maturity debt investment which is individually assessed, except that as a practical expedient, the Group may measure the impairment loss on the basis of the instrument's fair value using an observable market price at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition cost (net off any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in profit or loss at the measurement date.

When loans and advances and held-to-maturity debt investments are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances and held-to-maturity debt investments that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

(b) Impairment of available-for-sale equity instruments

For available-for-sale equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group considers historical market volatility and share price data of the specific equity instrument as well as other factors, such as sector performance, and financial information regarding the investee.

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring market transactions on an arm's length basis.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on maximised observable market data at the end of each reporting period. However, where market data are not available, the Group needs to make the best estimates on such unobservable market data.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

(d) Classification of held-to-maturity investments

In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Change of the Group in sustaining the intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(e) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(f) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits payable to certain retired employees. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. Actual results that differ from the assumptions are recognised to the extent that any cumulative unrecognised gains or losses exceed 10% of the present value of the obligation at the end of each reporting period. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's expense and liability related to its employee retirement benefit obligations.

(Expressed in millions of RMB, unless otherwise stated)

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Business tax

Business tax is charged at 5% on taxable income.

City construction tax

City construction tax is calculated as 1% – 7% of business tax.

Education surcharge

Education surcharge is calculated as 3% of business tax.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent which is allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

Current liabilities arising from the above taxes are presented as "taxes payable" in the statement of financial position.

6 NET INTEREST INCOME

	2011	2010
Interest income arising from:		
Deposits with central banks	**31,282**	23,226
Deposits with banks and non-bank financial institutions	**4,302**	1,360
Placements with banks and non-bank financial institutions	**1,539**	450
Financial assets at fair value through profit or loss	**577**	706
Financial assets held under resale agreements	**7,888**	6,424
Investment securities	**89,139**	78,611
Loans and advances to customers		
– Corporate loans and advances	**255,718**	199,623
– Personal loans and advances	**84,302**	60,848
– Discounted bills	**7,500**	6,535
Total	**482,247**	377,783
Interest expense arising from:		
Borrowings from central banks	**(17)**	(14)
Deposits from banks and non-bank financial institutions	**(17,990)**	(13,626)
Placements from banks and non-bank financial institutions	**(2,474)**	(741)
Financial liabilities at fair value through profit or loss	**(2)**	(1)
Financial assets sold under repurchase agreements	**(1,233)**	(176)
Debt securities issued	**(3,987)**	(3,526)
Deposits from customers		
– Corporate deposits	**(77,086)**	(52,524)
– Personal deposits	**(74,886)**	(55,675)
Total	**(177,675)**	(126,283)
Net interest income	**304,572**	251,500

Notes:

(1) Interest income from impaired financial assets is listed as follows:

	2011	2010
Impaired loans and advances	**1,413**	799
Other impaired financial assets	**423**	446
Total	**1,836**	1,245

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

(Expressed in millions of RMB, unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	2011	2010
Fee and commission income		
Consultancy and advisory fees	**17,488**	12,816
Bank card fees	**14,910**	12,344
Agency service fees	**14,210**	12,115
Settlement and clearing fees	**13,484**	9,614
Wealth management service fees	**7,907**	5,611
Commission on trust and fiduciary activities	**7,732**	6,720
Electronic banking service fees	**4,246**	2,879
Guarantee fees	**2,495**	1,857
Credit commitment fees	**2,369**	1,605
Others	**4,653**	2,595
Total	**89,494**	68,156
Fee and commission expense		
Bank card transaction fees	**(1,540)**	(1,302)
Inter-bank transaction fees	**(342)**	(341)
Others	**(618)**	(381)
Total	**(2,500)**	(2,024)
Net fee and commission income	**86,994**	66,132

8 NET TRADING GAIN

	2011	2010
Debt securities	**(89)**	(11)
Derivatives	**1,102**	1,587
Equity investments	**(2,019)**	1,232
Others	**1,394**	701
Total	**388**	3,509

For the year ended 31 December 2011, trading loss related to financial assets designated at fair value through profit or loss of the Group amounted to RMB1,547 million (2010: gain RMB1,017 million). Trading gain related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB2,011 million (2010: loss RMB807 million).

9 DIVIDEND INCOME

	2011	2010
Dividend income from listed trading equity investments	**46**	29
Dividend income from available-for-sale equity investments		
– Listed	**26**	83
– Unlisted	**86**	116
Total	**158**	228

(Expressed in millions of RMB, unless otherwise stated)

10 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

11 OTHER OPERATING INCOME, NET

	2011	2010
Net foreign exchange gain/(loss)	**1,451**	(611)
Net gain on disposal of fixed assets	**489**	455
Net gain on disposal of repossessed assets	**172**	140
Others	**3,423**	2,524
Total	**5,535**	2,508

Net foreign exchange gain or loss includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge long positions in foreign currency assets).

12 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

(Expressed in millions of RMB, unless otherwise stated)

13 IMPAIRMENT LOSSES

	2011	2010
Loans and advances to customers		
– Additions	**42,628**	38,425
– Releases	**(10,225)**	(12,784)
Available-for-sale debt securities	**1,106**	139
Available-for-sale equity investments	**24**	1,678
Held-to-maturity investments	**(15)**	(381)
Debt securities classified as receivables	**495**	24
Fixed assets	**1**	2
Others	**1,769**	2,189
Total	**35,783**	29,292

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

	2011				
	Fees RMB'000	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note (vi)) RMB'000	Total (note (i)) RMB'000
Executive directors					
Wang Hongzhang (note (ii))	–	–	–	–	–
Zhang Jianguo (note (vii))	–	668	30	303	1,001
Chen Zuofu (note (vii))	–	589	30	257	876
Zhu Xiaohuang (note (ii)&(vii))	–	589	30	257	876
Non-executive directors					
Wang Yong (note (iii))	–	–	–	–	–
Zhu Zhenmin (note (ii)&(iii))	–	–	–	–	–
Li Xiaoling (note (iii))	–	–	–	–	–
Lu Xiaoma (note (ii)&(iii))	–	–	–	–	–
Chen Yuanling (note (ii)&(iii))	–	–	–	–	–
Dong Shi (note (ii)&(iii))	–	–	–	–	–
Independent non-executive directors					
Lord Peter Levene	360	–	–	–	360
Yam Chi Kwong, Joseph (note (ii))	380	–	–	–	380
Dame Jenny Shipley	432	–	–	–	432
Zhao Xijun (note (ii))	410	–	–	–	410
Wong Kai-Man	440	–	–	–	440
Supervisors					
Zhang Furong (note (ii)&(vii))	–	651	30	303	984
Liu Jin (note (vii))	–	432	30	219	681
Song Fengming (note (ii))	360	–	–	–	360
Zhang Huajian (note (ii), (v)&(vii))	–	158	10	72	240
Jin Panshi (note (ii))	50	–	–	–	50
Li Weiping (note (ii)&(v))	50	–	–	–	50
Huang Shuping (note (ii)&(v))	50	–	–	–	50
Guo Feng	330	–	–	–	330
Dai Deming	350	–	–	–	350

(Expressed in millions of RMB, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	2011				
	Fees	Remuneration paid	Contributions to defined contribution retirement schemes	Other benefits in kind (note (vi))	Total (note (i))
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Former executive director					
Guo Shuqing (note (ii)&(vii))	–	575	25	253	853
Former non-executive directors					
Wang Shumin (note (ii)&(iii))	–	–	–	–	–
Sue Yang (note (ii)&(iv))	325	–	–	–	325
Former independent non-executive directors					
Elaine La Roche (note (ii))	220	–	–	–	220
	3,757	3,662	185	1,664	9,268

	2010						
	Basic annual salaries	Annual performance bonus	Allowance	Welfare	Total (before tax) (note (viii))	Including: deferral payment	The actual payment in 2010 (before tax)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Guo Shuqing (note (ii))	427	1,080	–	319	1,826	540	1,286
Zhang Jianguo	385	1,062	–	319	1,766	531	1,235
Chen Zuofu	363	1,002	–	276	1,641	501	1,140
Zhu Xiaohuang (note (ii))	363	1,002	–	276	1,641	501	1,140
Non-executive directors							
Wang Yong (note (iii))	–	–	–	–	–	–	–
Wang Shumin (note (ii)&(iii))	–	–	–	–	–	–	–
Zhu Zhenmin (note (ii)&(iii))	–	–	–	–	–	–	–
Li Xiaoling (note (iii))	–	–	–	–	–	–	–
Sue Yang (note (ii)&(iv))	–	–	163	–	163	–	163
Lu Xiaoma (note (ii)&(iii))	–	–	–	–	–	–	–
Chen Yuanling (note (ii)&(iii))	–	–	–	–	–	–	–
Independent non-executive directors							
Lord Peter Levene	–	–	360	–	360	–	360
Yam Chi Kwong, Joseph (note (ii))	–	–	158	–	158	–	158
Dame Jenny Shipley	–	–	390	–	390	–	390
Elaine La Roche (note (ii))	–	–	425	–	425	–	425
Zhao Xijun (note (ii))	–	–	171	–	171	–	171
Wong Kai-Man	–	–	415	–	415	–	415

(Expressed in millions of RMB, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	2010						
	Basic annual salaries	Annual performance bonus	Allowance	Welfare	Total (before tax) (note (viii))	Including: deferral payment	The actual payment in 2010 (before tax)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Supervisors							
Zhang Furong (note (ii))	157	432	–	139	728	216	512
Liu Jin	278	766	–	237	1,281	383	898
Song Fengming (note (ii))	–	–	135	–	135	–	135
Jin Panshi (note (ii))	139	383	13	114	649	191	458
Li Weiping (note (ii)&(v))	–	–	13	–	13	–	13
Huang Shuping (note (ii)&(v))	–	–	13	–	13	–	13
Guo Feng	–	–	250	–	250	–	250
Dai Deming	–	–	270	–	270	–	270
Former non-executive directors							
Wang Yonggang (note (ii)&(iii))	–	–	–	–	–	–	–
Liu Xianghui (note (ii)&(iii))	–	–	–	–	–	–	–
Zhang Xiangdong (note (ii)&(iii))	–	–	–	–	–	–	–
Gregory L. Curl (note (ii)&(iv))	–	–	195	–	195	–	195
Former independent non-executive directors							
Song Fengming (note (ii))	–	–	220	–	220	–	220
Tse Hau Yin, Aloysius (note (ii))	–	–	220	–	220	–	220
Former supervisors							
Xie Duyang (note (ii))	282	779	–	236	1,297	389	908
Cheng Meifen (note (ii)&(v))	–	–	13	–	13	–	13
Sun Zhixin (note (ii)&(v))	–	–	13	–	13	–	13
Shuai Jinkun (note (ii)&(v))	–	–	13	–	13	–	13
	2,394	6,506	3,450	1,916	14,266	3,252	11,014

Notes:

(i) The amounts of emoluments for the year ended 31 December 2011 in respect of the services rendered by the directors and supervisors are subject to the approval of the Bank's shareholders in 2011 Annual General Meeting.

(ii) Upon election at the first extraordinary general meeting and Board meeting of the Bank in 2012 and approval of the CBRC, Mr, Wang Hongzhang commenced his position as the chairman and executive director of the Bank since January 2012.

Upon the election at the 2009 Annual General Meeting of the Bank and the approval of the CBRC, Mr. Zhu Xiaohuang commenced his position as an executive director of the Bank from July 2010; Mr. Zhu Zhenmin, Ms. Sue Yang, Mr. Lu Xiaoma and Ms. Chen Yuanling commenced their positions as non-executive directors of the Bank from August 2010; and Mr. Yam Chi Kwong, Joseph and Mr. Zhao Xijun commenced their positions as independent non-executive directors of the Bank from August 2010.

Upon election at the 2010 Annual General Meeting and approval of the CBRC, Mr. Dong Shi commenced his position as non-executive director of the Bank since September 2011.

Mr. Guo Shuqing ceased to serve as the chairman and executive director of the Bank due to the arrangement of the national finance work since 28 October 2011.

Upon the next day of the conclusion of the 2010 Annual General Meeting of the Bank, Ms. Wang Shumin ceased to serve as non-executive director of the Bank due to her personal variation of work.

Ms. Sue Yang ceased to serve as non-executive director of the Bank due to personal reasons since 11 October 2011.

Upon the conclusion of the 2010 Annual General Meeting of the Bank, Ms. Elaine La Roche ceased to serve as independent non-executive director of the Bank due to the expiration of her term of office.

Upon the conclusion of the 2009 Annual General Meeting of the Bank, Mr. Wang Yonggang, Mr. Liu Xianghui, Mr. Zhang Xiangdong, Mr. Gregory L. Curl., Mr. Song Fengming and Mr. Tse Hau Yin, Aloysius ceased to serve as directors of the Bank.

Upon the election at the first Extraordinary General Meeting in 2010, Mr. Zhang Furong commenced his position as a shareholder representative supervisor. Upon election at the sixth meeting of the board of supervisors in 2010, Mr. Zhang Furong was elected the chairman of the board of supervisors.

Upon the election at the 2009 Annual General Meeting of the Bank, Mr. Song Fengming commenced his position as a shareholder representative supervisor of the Bank; and at the second joint session of the second staff representative conference of the Bank, Mr. Jin Panshi, Mr. Li Weiping and Ms. Huang Shuping were elected as the employee representative supervisors the Bank.

Upon election at the first extraordinary general meeting of the Bank in 2011, Mr. Zhang Huajian commenced his position as shareholder representative supervisor of the Bank.

In accordance with relevant regulations and due to his age, Mr. Xie Duyang resigned on 15 September 2010 from the positions of supervisor and chairman of the board of supervisors of the Bank.

Upon the conclusion of the 2009 Annual General Meeting of the Bank, Ms. Cheng Meifen, Mr. Sun Zhixin and Mr. Shuai Jinkun ceased to serve as supervisors of the Bank; Mr. Jin Panshi ceased to serve as the shareholder representative supervisor of the Bank.

(Expressed in millions of RMB, unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes: (continued)

(iii) The Bank does not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2011 and 2010.

(iv) The amount will be payable to Bank of America Corporation ("BOA") for their services as director after the approval of the Bank's shareholders as mentioned in note (i).

(v) The amounts only included fees for their services as supervisors.

(vi) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2010 and 2011.

(vii) The total compensation package for these directors and supervisors for the year ended 31 December 2011 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2011. The final compensation will be disclosed in a separate announcement when determined.

(viii) The total compensation package for certain directors and supervisors for the year ended 31 December 2010 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2010 financial statements were announced. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2010 was the final amount and the Bank made the relevant supplementary announcement on 18 May 2011.

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 14. The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals during the year is as follows:

	2011 RMB'000	2010 RMB'000
Salaries and allowance	**12,781**	5,137
Variable compensation	**32,452**	43,149
Contributions to defined contribution retirement schemes	**902**	425
Other benefit in kind	**186**	85
	46,321	48,796

The number of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2011	2010
RMB7,000,001 – RMB7,500,000	**–**	1
RMB7,500,001 – RMB8,000,000	**–**	1
RMB8,000,001 – RMB8,500,000	**1**	1
RMB8,500,001 – RMB9,000,000	**1**	–
RMB9,000,001 – RMB9,500,000	**1**	1
RMB9,500,001 – RMB10,000,000	**1**	–
RMB10,000,001 – RMB10,500,000	**1**	–
RMB16,000,001 – RMB16,500,000	**–**	1

None of these individuals received any inducements, or compensation for loss of office, or waived any emoluments during the year ended 31 December 2011 and 2010.

16 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.

(Expressed in millions of RMB, unless otherwise stated)

16 INCOME TAX EXPENSE (CONTINUED)

(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

17 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

(Expressed in millions of RMB, unless otherwise stated)

18 CASH AND DEPOSITS WITH CENTRAL BANKS

		Group		Bank	
	Note	**2011**	2010	**2011**	2010
Cash		**58,308**	48,201	**58,061**	47,960
Deposits with central banks					
– Statutory deposit reserves	(1)	**1,982,150**	1,611,442	**1,980,915**	1,610,924
– Surplus deposit reserves	(2)	**324,568**	170,938	**319,734**	165,535
– Fiscal deposits		**14,783**	17,448	**14,783**	17,448
Subtotal		**2,321,501**	1,799,828	**2,315,432**	1,793,907
Total		**2,379,809**	1,848,029	**2,373,493**	1,841,867

Notes:

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates in Mainland China of the Bank were as follows:

	2011	2010
Reserve rate for RMB deposits	**21.0%**	19.0%
Reserve rate for foreign currency deposits	**5.0%**	5.0%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

19 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2011	2010	**2011**	2010
Banks	**274,228**	77,838	**277,427**	77,772
Non-bank financial institutions	**2,533**	491	**2,443**	437
Gross balances	**276,761**	78,329	**279,870**	78,209
Allowances for impairment losses (Note 37)	**(9)**	(11)	**(9)**	(11)
Net balances	**276,752**	78,318	**279,861**	78,198

(2) Analysed by geographical sectors

	Group		Bank	
	2011	2010	**2011**	2010
Mainland China	**252,409**	62,660	**257,902**	66,033
Overseas	**24,352**	15,669	**21,968**	12,176
Gross balances	**276,761**	78,329	**279,870**	78,209
Allowances for impairment losses (Note 37)	**(9)**	(11)	**(9)**	(11)
Net balances	**276,752**	78,318	**279,861**	78,198

(Expressed in millions of RMB, unless otherwise stated)

20 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2011	2010	**2011**	2010
Banks	**77,946**	61,039	**76,380**	63,219
Non-bank financial institutions	**31,159**	3,007	**34,218**	5,393
Gross balances	**109,105**	64,046	**110,598**	68,612
Allowances for impairment losses (Note 37)	**(65)**	(84)	**(65)**	(84)
Net balances	**109,040**	63,962	**110,533**	68,528

(2) Analysed by geographical sectors

	Group		Bank	
	2011	2010	**2011**	2010
Mainland China	**86,244**	14,600	**87,844**	14,600
Overseas	**22,861**	49,446	**22,754**	54,012
Gross balances	**109,105**	64,046	**110,598**	68,612
Allowances for impairment losses (Note 37)	**(65)**	(84)	**(65)**	(84)
Net balances	**109,040**	63,962	**110,533**	68,528

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Bank	
	Note	**2011**	2010	**2011**	2010
Held for trading purpose	(1)				
– Debt securities		**8,715**	3,044	**8,715**	3,044
– Equity instruments		**515**	1,191	**–**	–
– Funds		**34**	350	**–**	–
		9,264	4,585	**8,715**	3,044
Designated at fair value through profit or loss	(2)				
– Debt securities		**5,660**	4,816	**–**	–
– Equity instruments		**8,172**	7,943	**–**	–
		13,832	12,759	**–**	–
Total		**23,096**	17,344	**8,715**	3,044

(Expressed in millions of RMB, unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(1) Held for trading purpose

(a) Debt securities

	Group		Bank	
	2011	2010	**2011**	2010
Government	**950**	618	**950**	618
Central banks	**2,830**	1,093	**2,830**	1,093
Policy banks	**752**	110	**752**	110
Banks and non-bank financial institutions	**1,369**	1,064	**1,369**	1,064
Others	**2,814**	159	**2,814**	159
Total	**8,715**	3,044	**8,715**	3,044
Listed outside Hong Kong	**–**	51	**–**	51
Unlisted	**8,715**	2,993	**8,715**	2,993
Total	**8,715**	3,044	**8,715**	3,044

(b) Equity instruments and Funds

	Group	
	2011	2010
Banks and non-bank financial institutions	**–**	4
Others	**549**	1,537
Total	**549**	1,541
Listed	**549**	1,541
– of which in Hong Kong	**488**	1,151

(2) Designated at fair value through profit or loss

(a) Debt securities

	Group	
	2011	2010
Policy banks	**264**	281
Banks and non-bank financial institutions	**633**	1,184
Others	**4,763**	3,351
Total	**5,660**	4,816
Listed	**280**	535
– of which in Hong Kong	**31**	411
Unlisted	**5,380**	4,281
Total	**5,660**	4,816

(Expressed in millions of RMB, unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(2) Designated at fair value through profit or loss (continued)

(b) Equity instruments

	Group	
	2011	2010
Banks and non-bank financial institutions	**618**	–
Others	**7,554**	7,943
Total	**8,172**	7,943
Listed	**1,961**	2,379
– of which in Hong Kong	**1,141**	2,003
Unlisted	**6,211**	5,564
Total	**8,172**	7,943

There was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss.

22 DERIVATIVES

(1) Analysed by type of contract

Group

	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

Bank

	2011			2010		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**172,652**	**4,203**	**4,356**	172,667	3,512	3,682
Exchange rate contracts	**631,047**	**8,851**	**7,941**	550,524	6,631	5,042
Other contracts	**3,137**	**19**	**57**	1,625	10	10
Total	**806,836**	**13,073**	**12,354**	724,816	10,153	8,734

(2) Analysed by credit risk-weighted amount

	Group		Bank	
	2011	2010	**2011**	2010
Interest rate contracts	**4,004**	3,491	**3,979**	3,485
Exchange rate contracts	**11,900**	7,868	**10,909**	7,195
Other contracts	**685**	830	**49**	22
Total	**16,589**	12,189	**14,937**	10,702

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.

(Expressed in millions of RMB, unless otherwise stated)

23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	Group		Bank	
	2011	2010	**2011**	2010
Securities				
– Government bonds	**63,787**	98,288	**63,787**	98,288
– Bills issued by the PBOC	**14,810**	2,490	**14,810**	2,490
– Debt securities issued by banks and non-bank financial institutions	**107,467**	13,541	**107,467**	13,541
Subtotal	**186,064**	114,319	**186,064**	114,319
Discounted bills	**5,811**	44,689	**5,811**	44,689
Loans and advances to customers	**8,170**	22,067	**8,170**	22,067
Total and net balances	**200,045**	181,075	**200,045**	181,075

24 INTEREST RECEIVABLE

	Group		Bank	
	2011	2010	**2011**	2010
Deposits with central banks	**919**	757	**919**	757
Deposits with banks and non-bank financial institutions	**1,055**	176	**1,070**	176
Financial assets held under resale agreements	**580**	704	**580**	704
Loans and advances to customers	**16,674**	11,575	**16,334**	11,442
Debt securities	**37,060**	30,703	**36,978**	30,609
Others	**489**	174	**540**	174
Gross balances	**56,777**	44,089	**56,421**	43,862
Allowances for impairment losses (Note 37)	**(1)**	(1)	**(1)**	(1)
Net balances	**56,776**	44,088	**56,420**	43,861

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	Group		Bank	
	2011	2010	**2011**	2010
Corporate loans and advances				
– Loans	**4,636,821**	4,111,613	**4,563,855**	4,061,698
– Finance leases	**36,095**	23,382	**–**	–
	4,672,916	4,134,995	**4,563,855**	4,061,698
Personal loans and advances				
– Residential mortgages	**1,330,198**	1,105,431	**1,312,974**	1,088,603
– Personal consumer loans	**79,515**	81,118	**76,692**	78,844
– Personal business loans	**80,075**	48,659	**78,716**	48,185
– Credit cards	**101,694**	59,562	**97,553**	55,440
– Others	**114,140**	96,187	**111,975**	94,612
	1,705,622	1,390,957	**1,677,910**	1,365,684
Discounted bills	**117,873**	143,176	**117,781**	143,158
Gross loans and advances to customers	**6,496,411**	5,669,128	**6,359,546**	5,570,540
Allowances for impairment losses (Note 37)	**(171,217)**	(143,102)	**(170,183)**	(142,261)
– Individual assessment	**(38,109)**	(37,352)	**(38,020)**	(37,278)
– Collective assessment	**(133,108)**	(105,750)	**(132,163)**	(104,983)
Net loans and advances to customers	**6,325,194**	5,526,026	**6,189,363**	5,428,279

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) Analysed by assessment method of allowances for impairment losses

	(note (a)) Loans and advances for which collectively assessed	(note (b)) Impaired loans and advances		Total
		for which allowances are collectively assessed	for which allowances are individually assessed	
Group				
As at 31 December 2011				
Gross loans and advances to customers	**6,425,496**	**5,290**	**65,625**	**6,496,411**
Allowances for impairment losses	**(129,832)**	**(3,276)**	**(38,109)**	**(171,217)**
Net loans and advances to customers	**6,295,664**	**2,014**	**27,516**	**6,325,194**
As at 31 December 2010				
Gross loans and advances to customers	5,604,416	6,054	58,658	5,669,128
Allowances for impairment losses	(102,093)	(3,657)	(37,352)	(143,102)
Net loans and advances to customers	5,502,323	2,397	21,306	5,526,026
Bank				
As at 31 December 2011				
Gross loans and advances to customers	6,288,878	5,178	65,490	6,359,546
Allowances for impairment losses	(128,898)	(3,265)	(38,020)	(170,183)
Net loans and advances to customers	6,159,980	1,913	27,470	6,189,363
As at 31 December 2010				
Gross loans and advances to customers	5,506,036	5,920	58,584	5,570,540
Allowances for impairment losses	(101,335)	(3,648)	(37,278)	(142,261)
Net loans and advances to customers	5,404,701	2,272	21,306	5,428,279

(a) Loans and advances assessed on a collective basis for impairment are those graded normal or special mention.

(b) Impaired loans and advances include loans for which objective evidence of impairment exists and assessed:

- individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
- collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

The proportion of impaired loans and advances of the Group to gross loans and advances as at 31 December 2011 is 1.09% (2010: 1.14%).

The proportion of impaired loans and advances of the Bank to gross loans and advances as at 31 December 2011 is 1.11% (2010: 1.16%).

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 62(1).

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses

Group

	Note	2011			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
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	(a)	(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

	Note	2010			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January		75,628	4,838	46,360	126,826
Charge for the year		26,465	103	11,857	38,425
Release during the year		–	(261)	(12,523)	(12,784)
Unwinding of discount		–	–	(799)	(799)
Transfers out	(a)	–	(18)	(383)	(401)
Write-offs		–	(1,084)	(8,193)	(9,277)
Recoveries		–	79	1,033	1,112
As at 31 December		102,093	3,657	37,352	143,102

Bank

	Note	2011			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January		101,335	3,648	37,278	142,261
Charge for the year		27,630	144	14,567	42,341
Release during the year		–	–	(10,220)	(10,220)
Unwinding of discount		–	–	(1,413)	(1,413)
Transfers out	(a)	(67)	(8)	(698)	(773)
Write-offs		–	(582)	(2,653)	(3,235)
Recoveries		–	63	1,159	1,222
As at 31 December		128,898	3,265	38,020	170,183

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses (continued)

Bank (continued)

		2010			
			Allowances for impaired loans and advances		
	Note	Allowances for loans and advances which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		74,971	4,832	46,308	126,111
Charge for the year		26,364	–	11,817	38,181
Release during the year		–	(261)	(12,520)	(12,781)
Unwinding of discount		–	–	(799)	(799)
Transfers out	(a)	–	(14)	(366)	(380)
Write-offs		–	(966)	(8,193)	(9,159)
Recoveries		–	57	1,031	1,088
As at 31 December		101,335	3,648	37,278	142,261

(a) Transfers out include the transfer of allowances for impairment losses to repossessed assets.

(4) Overdue loans analysed by overdue period

Group

	2011				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**2,515**	**603**	**938**	**1,209**	**5,265**
Guaranteed loans	**2,732**	**2,958**	**2,781**	**4,558**	**13,029**
Loans secured by tangible assets other than monetary assets	**15,585**	**5,585**	**7,525**	**6,989**	**35,684**
Loans secured by monetary assets	**983**	**593**	**641**	**797**	**3,014**
Total	**21,815**	**9,739**	**11,885**	**13,553**	**56,992**
As a percentage of gross loans and advances to customers	**0.34%**	**0.15%**	**0.18%**	**0.21%**	**0.88%**

	2010				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	2,141	529	1,486	1,081	5,237
Guaranteed loans	943	833	5,275	4,243	11,294
Loans secured by tangible assets other than monetary assets	15,095	3,926	11,141	5,842	36,004
Loans secured by monetary assets	428	1,307	1,164	821	3,720
Total	18,607	6,595	19,066	11,987	56,255
As a percentage of gross loans and advances to customers	0.33%	0.12%	0.34%	0.20%	0.99%

(Expressed in millions of RMB, unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period (continued)

Bank

	2011				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**2,444**	**595**	**896**	**1,203**	**5,138**
Guaranteed loans	**2,731**	**2,892**	**2,781**	**4,558**	**12,962**
Loans secured by tangible assets other than monetary assets	**15,302**	**5,585**	**7,525**	**6,987**	**35,399**
Loans secured by monetary assets	**983**	**593**	**641**	**797**	**3,014**
Total	**21,460**	**9,665**	**11,843**	**13,545**	**56,513**
As a percentage of gross loans and advances to customers	**0.34%**	**0.15%**	**0.19%**	**0.21%**	**0.89%**

	2010				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	2,068	520	1,436	1,080	5,104
Guaranteed loans	942	833	5,275	4,243	11,293
Loans secured by tangible assets other than monetary assets	14,889	3,925	11,141	5,840	35,795
Loans secured by monetary assets	428	1,307	1,164	821	3,720
Total	18,327	6,585	19,016	11,984	55,912
As a percentage of gross loans and advances to customers	0.33%	0.11%	0.34%	0.22%	1.00%

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

(Expressed in millions of RMB, unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

		Group		Bank	
	Note	**2011**	2010	**2011**	2010
Debt securities	(1)	**661,036**	676,840	**651,585**	675,277
Equity instruments	(2)	**13,764**	19,837	**11,998**	17,754
Funds	(2)	**258**	171	**–**	–
Total		**675,058**	696,848	**663,583**	693,031

(1) Debt securities

	Group		Bank	
	2011	2010	**2011**	2010
Government	**84,591**	87,556	**84,015**	87,226
Central banks	**144,830**	284,706	**141,810**	284,029
Policy banks	**59,175**	31,770	**59,165**	31,760
Banks and non-bank financial institutions	**156,185**	110,678	**151,626**	110,552
Public sector entities	**196**	1,458	**196**	1,458
Other enterprises	**216,059**	160,672	**214,773**	160,252
Total	**661,036**	676,840	**651,585**	675,277
Listed	**18,666**	23,012	**18,312**	22,576
– of which in Hong Kong	**1,906**	2,287	**1,906**	2,254
Unlisted	**642,370**	653,828	**633,273**	652,701
Total	**661,036**	676,840	**651,585**	675,277

(2) Equity instruments and funds

	Group		Bank	
	2011	2010	**2011**	2010
Debt equity swap (“DES”) investments	**10,607**	16,467	**10,607**	16,467
Other equity instruments	**3,157**	3,370	**1,391**	1,287
Funds	**258**	171	**–**	–
Total	**14,022**	20,008	**11,998**	17,754
Listed	**10,251**	16,550	**10,064**	15,953
– of which in Hong Kong	**632**	1,011	**617**	740
Unlisted	**3,771**	3,458	**1,934**	1,801
Total	**14,022**	20,008	**11,998**	17,754

Pursuant to the DES arrangement by the PRC government in 1999, the Group obtained equity interests of certain entities in lieu of repayments of loans granted to them. According to relevant requirements, the Group is prohibited from being involved in management of the operations of these entities. In substance, the Group does not have any control or significant influence over these entities.

(Expressed in millions of RMB, unless otherwise stated)

27 HELD-TO-MATURITY INVESTMENTS

	Group		Bank	
	2011	2010	**2011**	2010
Government	**765,747**	673,620	**764,969**	673,490
Central banks	**270,122**	668,407	**270,122**	668,407
Policy banks	**225,576**	151,743	**225,576**	151,743
Banks and non-bank financial institutions	**475,703**	385,708	**475,504**	385,708
Public sector entities	**–**	198	**–**	198
Other enterprises	**10,415**	9,384	**10,165**	9,384
Gross balances	**1,747,563**	1,889,060	**1,746,336**	1,888,930
Allowances for impairment losses (Note 37)	**(3,994)**	(5,003)	**(3,994)**	(5,003)
Net balances	**1,743,569**	1,884,057	**1,742,342**	1,883,927
Listed outside Hong Kong	**4,126**	4,684	**4,115**	4,684
Unlisted	**1,739,443**	1,879,373	**1,738,227**	1,879,243
Total	**1,743,569**	1,884,057	**1,742,342**	1,883,927
Market value of listed securities	**4,627**	5,341	**4,616**	5,341

28 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

All debt securities classified as receivables are unlisted and issued by the following entities in Mainland China:

		Group		Bank	
	Note	**2011**	2010	**2011**	2010
Government					
– Special government bond	(1)	**49,200**	49,200	**49,200**	49,200
– Others		**742**	530	**530**	530
The PBOC	(2)	**17,944**	593	**17,944**	593
Banks and non-bank financial institutions		**82,336**	48,925	**82,286**	48,925
China Cinda Assets Management Co., Ltd. ("Cinda")	(3)	**131,761**	206,261	**131,761**	206,261
Other enterprises		**18,659**	1,359	**18,659**	1,359
Gross balances		**300,642**	306,868	**300,380**	306,868
Allowance for impairment losses (Note 37)		**(615)**	(120)	**(615)**	(120)
Net balances		**300,027**	306,748	**299,765**	306,748

(1) This represents a non-negotiable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance ("MOF") in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum. The PBOC approved the Bank's use of the special government bond as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(2) Debt securities issued by the PBOC mainly refer to PBOC bills issued specifically to the Bank.

(3) China Cinda Assets Management Co., Ltd. (formerly known as China Cinda Asset Management Corporation) ("Cinda") issued a bond ("Cinda Bond") with a nominal value of RMB247 billion specifically to CCB in 1999 with a fixed coupon rate of 2.25%. Cinda Bond was extended for 10 years upon its expiry and the interest rate remained unchanged from 2009.

(Expressed in millions of RMB, unless otherwise stated)

29 INVESTMENTS IN SUBSIDIARIES

(1) Investment cost

	2011	2010
Sing Jian Development Company Limited ("SJDCL")	**383**	383
Sino-German Bausparkasse Corporation Limited ("Sino-German")	**1,502**	751
CCB Principal Asset Management Corporation Limited ("CCB Principal")	**130**	130
CCB International Group Holdings Limited ("CCBIG")	**–**	–
CCB Financial Leasing Corporation Limited ("CCBFLCL")	**3,380**	3,380
China Construction Bank (London) Limited ("CCB London")	**1,361**	1,361
Jianxin Trust Corporation Limited ("Jianxin Trust")	**3,409**	3,409
CCB Life Insurance Company Limited ("CCB Life")	**1,010**	–
Rural Banks	**775**	455
Total	**11,950**	9,869

The total amount of investment costs of rural banks consists 16 rural banks in total, which are established and controlled by the Bank in substance.

(2) Major subsidiaries of the Group are unlisted enterprises; details of the investments in subsidiaries are as follows:

Name of company	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank
SJDCL	Hong Kong, the PRC	300 million shares of HK$1 each	Investment	100%	–	100%
Sino-German	Tianjin, the PRC	RMB2,000 million	Loan and deposit taking business	75.1%	–	75.1%
CCB Principal	Beijing, the PRC	RMB200 million	Fund management services	65%	–	65%
CCBIG	Hong Kong, the PRC	1 share of HK$1 each	Investment	100%	–	100%
CCBFLCL	Beijing, the PRC	4,500 million shares of RMB1 each	Financial leasing	75.1%	–	75.1%
CCB London	London, United Kingdom	200 million shares of US$1 each	Commercial banking	100%	–	100%
Jianxin Trust	Anhui, the PRC	RMB1,527 million	Trust business	67%	–	67%
CCB Life	Shanghai, the PRC	RMB1,180 million	Insurance	51%	–	51%
Lanhye Investment Holdings Limited	British Virgin Islands	1 share of US$1 each	Investment	–	100%	100%
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	601 million shares of US$1 each	Investment	–	100%	100%
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	163 million shares of HK$40 each	Commercial banking	–	100%	100%

(Expressed in millions of RMB, unless otherwise stated)

30 INTERESTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(1) The movement of the Group's interests in associates and jointly controlled entities is as follows:

	2011	2010
As at 1 January	**1,777**	1,791
Acquisition during the year	**348**	18
Share of profits less losses	**24**	34
Cash dividend receivable	**(3)**	–
Effect of exchange difference and others	**(77)**	(66)
Total	**2,069**	1,777

(2) Details of the interests in major associate and jointly controlled entity are as follows:

Name of Company	Place of incorporation	Particulars of issued and paid up capital	Principal activity	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
QBE Hong Kong and Shanghai Insurance Limited	Hong Kong, the PRC	78,192,220 ordinary shares of HK$1 each	Insurance	25.5%	25.5%	1,400	896	659	89
Diamond String Limited	Hong Kong, the PRC	10,000 ordinary shares of HK$1 each	Property investment	50%	50%	1,232	1,230	–	–

31 FIXED ASSETS

Group

	Bank premises	Construction in progress	Equipments	Others	Total
Cost/deemed cost					
As at 1 January 2011	57,848	15,639	26,724	19,375	119,586
Additions through acquisition	–	–	10	52	62
Additions	3,808	10,150	5,053	3,158	22,169
Transfer in/(out)	4,396	(6,233)	62	1,775	–
Disposals	(361)	(623)	(1,774)	(1,127)	(3,885)
As at 31 December 2011	65,691	18,933	30,075	23,233	137,932
Accumulated depreciation					
As at 1 January 2011	(11,646)	–	(16,360)	(7,661)	(35,667)
Additions through acquisition	–	–	(8)	(45)	(53)
Charge for the year	(2,212)	–	(4,264)	(3,921)	(10,397)
Disposals	97	–	1,667	1,110	2,874
As at 31 December 2011	(13,761)	–	(18,965)	(10,517)	(43,243)
Allowances for impairment losses (Note 37)					
As at 1 January 2011	(476)	–	(3)	(6)	(485)
Charge for the year	–	–	–	(1)	(1)
Disposals	17	–	2	–	19
As at 31 December 2011	(459)	–	(1)	(7)	(467)
Net carrying value					
As at 1 January 2011	45,726	15,639	10,361	11,708	83,434
As at 31 December 2011	51,471	18,933	11,109	12,709	94,222

(Expressed in millions of RMB, unless otherwise stated)

31 FIXED ASSETS (CONTINUED)

Group (continued)

	Bank premises	Construction in progress	Equipments	Others	Total
Cost/deemed cost					
As at 1 January 2010	51,305	11,349	24,030	16,351	103,035
Additions	3,506	8,940	3,928	2,505	18,879
Transfer in/(out)	3,174	(4,546)	29	1,343	–
Disposals	(137)	(104)	(1,263)	(824)	(2,328)
As at 31 December 2010	57,848	15,639	26,724	19,375	119,586
Accumulated depreciation					
As at 1 January 2010	(9,701)	–	(13,286)	(4,852)	(27,839)
Charge for the year	(2,009)	–	(4,285)	(3,561)	(9,855)
Disposals	64	–	1,211	752	2,027
As at 31 December 2010	(11,646)	–	(16,360)	(7,661)	(35,667)
Allowances for impairment losses (Note 37)					
As at 1 January 2010	(489)	(5)	(3)	(6)	(503)
Charge for the year	(2)	–	–	–	(2)
Disposals	15	5	–	–	20
As at 31 December 2010	(476)	–	(3)	(6)	(485)
Net carrying value					
As at 1 January 2010	41,115	11,344	10,741	11,493	74,693
As at 31 December 2010	45,726	15,639	10,361	11,708	83,434

Bank

	Bank premises	**Construction in progress**	**Equipments**	**Others**	**Total**
Cost/deemed cost					
As at 1 January 2011	**57,296**	**15,636**	**26,458**	**19,083**	**118,473**
Additions	**3,806**	**10,131**	**5,006**	**2,978**	**21,921**
Transfer in/(out)	**4,395**	**(6,225)**	**62**	**1,768**	**–**
Disposals	**(357)**	**(614)**	**(1,761)**	**(1,113)**	**(3,845)**
As at 31 December 2011	**65,140**	**18,928**	**29,765**	**22,716**	**136,549**
Accumulated depreciation					
As at 1 January 2011	**(11,585)**	**–**	**(16,201)**	**(7,506)**	**(35,292)**
Charge for the year	**(2,192)**	**–**	**(4,216)**	**(3,869)**	**(10,277)**
Disposals	**97**	**–**	**1,655**	**1,103**	**2,855**
As at 31 December 2011	**(13,680)**	**–**	**(18,762)**	**(10,272)**	**(42,714)**
Allowances for impairment losses (Note 37)					
As at 1 January 2011	**(476)**	**–**	**(3)**	**(6)**	**(485)**
Disposals	**17**	**–**	**2**	**–**	**19**
As at 31 December 2011	**(459)**	**–**	**(1)**	**(6)**	**(466)**
Net carrying value					
As at 1 January 2011	**45,235**	**15,636**	**10,254**	**11,571**	**82,696**
As at 31 December 2011	**51,001**	**18,928**	**11,002**	**12,438**	**93,369**

(Expressed in millions of RMB, unless otherwise stated)

31 FIXED ASSETS (CONTINUED)

Bank (continued)

	Bank premises	Construction in progress	Equipments	Others	Total
Cost/deemed cost					
As at 1 January 2010	51,072	11,139	23,818	16,109	102,138
Additions	3,462	8,838	3,877	2,442	18,619
Transfer in/(out)	2,894	(4,237)	15	1,328	–
Disposals	(132)	(104)	(1,252)	(796)	(2,284)
As at 31 December 2010	57,296	15,636	26,458	19,083	118,473
Accumulated depreciation					
As at 1 January 2010	(9,648)	–	(13,157)	(4,732)	(27,537)
Charge for the year	(1,998)	–	(4,245)	(3,510)	(9,753)
Disposals	61	–	1,201	736	1,998
As at 31 December 2010	(11,585)	–	(16,201)	(7,506)	(35,292)
Allowances for impairment losses (Note 37)					
As at 1 January 2010	(489)	(5)	(3)	(6)	(503)
Charge for the year	(2)	–	–	–	(2)
Disposals	15	5	–	–	20
As at 31 December 2010	(476)	–	(3)	(6)	(485)
Net carrying value					
As at 1 January 2010	40,935	11,134	10,658	11,371	74,098
As at 31 December 2010	45,235	15,636	10,254	11,571	82,696

Notes:

(1) As at 31 December 2011, the ownership documentation for the Group's and the Bank's bank premises with a net carrying value of RMB11,222 million (2010: RMB9,790 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group and the Bank to these assets nor have any significant impact on the business operation of the Group and the Bank.

(2) Analysed by remaining terms of the leases

The net carrying values of bank premises of the Group and the Bank as at the end of the reporting period are analysed by the remaining terms of the leases as follows:

	Group		Bank	
	2011	2010	**2011**	2010
Long term leases (over 50 years) held overseas	**37**	72	**–**	38
Medium term leases (10-50 years) held overseas	**125**	168	**111**	147
Short term leases (less than 10 years) held overseas	**6**	1	**6**	1
Long term leases (over 50 years) held in Mainland China	**3,836**	3,687	**3,834**	3,684
Medium term leases (10-50 years) held in Mainland China	**45,990**	40,058	**45,573**	39,625
Short term leases (less than 10 years) held in Mainland China	**1,477**	1,740	**1,477**	1,740
Total	**51,471**	45,726	**51,001**	45,235

(Expressed in millions of RMB, unless otherwise stated)

32 LAND USE RIGHTS

Group

	2011	2010
Cost/deemed cost		
As at 1 January	**20,458**	20,173
Additions	**172**	375
Disposals	**(155)**	(90)
As at 31 December	**20,475**	20,458
Amortisation		
As at 1 January	**(3,387)**	(2,900)
Charge for the year	**(508)**	(503)
Disposals	**23**	16
As at 31 December	**(3,872)**	(3,387)
Allowances for impairment losses (Note 37)		
As at 1 January	**(149)**	(151)
Disposals	**3**	2
As at 31 December	**(146)**	(149)
Net carrying value		
As at 1 January	**16,922**	17,122
As at 31 December	**16,457**	16,922

Bank

	2011	2010
Cost/deemed cost		
As at 1 January	**20,397**	20,110
Additions	**172**	375
Disposals	**(152)**	(88)
As at 31 December	**20,417**	20,397
Amortisation		
As at 1 January	**(3,383)**	(2,897)
Charge for the year	**(507)**	(502)
Disposals	**23**	16
As at 31 December	**(3,867)**	(3,383)
Allowances for impairment losses (Note 37)		
As at 1 January	**(149)**	(151)
Disposals	**3**	2
As at 31 December	**(146)**	(149)
Net carrying value		
As at 1 January	**16,865**	17,062
As at 31 December	**16,404**	16,865

(Expressed in millions of RMB, unless otherwise stated)

33 INTANGIBLE ASSETS

Group

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2011	3,906	49	3,955
Additions through acquisition	48	424	472
Additions	409	71	480
Disposals	(118)	(5)	(123)
As at 31 December 2011	4,245	539	4,784
Amortisation			
As at 1 January 2011	(2,626)	(11)	(2,637)
Additions through acquisition	(27)	–	(27)
Charge for the year	(491)	(74)	(565)
Disposals	111	2	113
As at 31 December 2011	(3,033)	(83)	(3,116)
Allowances for impairment losses (Note 37)			
As at 1 January 2011	(1)	(7)	(8)
As at 31 December 2011	(1)	(7)	(8)
Net carrying value			
As at 1 January 2011	1,279	31	1,310
As at 31 December 2011	1,211	449	1,660
Cost/deemed cost			
As at 1 January 2010	3,433	58	3,491
Additions	502	14	516
Disposals	(29)	(23)	(52)
As at 31 December 2010	3,906	49	3,955
Amortisation			
As at 1 January 2010	(2,183)	(30)	(2,213)
Charge for the year	(467)	(1)	(468)
Disposals	24	20	44
As at 31 December 2010	(2,626)	(11)	(2,637)
Allowances for impairment losses (Note 37)			
As at 1 January 2010	(1)	(7)	(8)
As at 31 December 2010	(1)	(7)	(8)
Net carrying value			
As at 1 January 2010	1,249	21	1,270
As at 31 December 2010	1,279	31	1,310

(Expressed in millions of RMB, unless otherwise stated)

33 INTANGIBLE ASSETS (CONTINUED)

Bank

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2011	**3,858**	**38**	**3,896**
Additions	**386**	**69**	**455**
Disposals	**(117)**	**(5)**	**(122)**
As at 31 December 2011	**4,127**	**102**	**4,229**
Amortisation			
As at 1 January 2011	**(2,604)**	**(11)**	**(2,615)**
Charge for the year	**(477)**	**(66)**	**(543)**
Disposals	**111**	**2**	**113**
As at 31 December 2011	**(2,970)**	**(75)**	**(3,045)**
Allowances for impairment losses (Note 37)			
As at 1 January 2011	**(1)**	**(7)**	**(8)**
As at 31 December 2011	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2011	**1,253**	**20**	**1,273**
As at 31 December 2011	**1,156**	**20**	**1,176**
Cost/deemed cost			
As at 1 January 2010	3,400	49	3,449
Additions	482	10	492
Disposals	(24)	(21)	(45)
As at 31 December 2010	3,858	38	3,896
Amortisation			
As at 1 January 2010	(2,170)	(29)	(2,199)
Charge for the year	(458)	(1)	(459)
Disposals	24	19	43
As at 31 December 2010	(2,604)	(11)	(2,615)
Allowances for impairment losses (Note 37)			
As at 1 January 2010	(1)	(7)	(8)
As at 31 December 2010	(1)	(7)	(8)
Net carrying value			
As at 1 January 2010	1,229	13	1,242
As at 31 December 2010	1,253	20	1,273

(Expressed in millions of RMB, unless otherwise stated)

34 GOODWILL

(1) The goodwill is attributable to the expected synergies arising from the acquisition of CCB Asia on 29 December 2006, Jianxin Trust on 29 July 2009 and CCB Life on 29 June 2011. Movement of the goodwill is as follows:

	2011	2010
As at 1 January	**1,534**	1,590
Additions through acquisitions	**194**	–
Effect of exchange difference	**(66)**	(56)
As at 31 December	**1,662**	1,534

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment test, no impairment losses on goodwill were recognised as at 31 December 2011 (2010: nil).

35 DEFERRED TAX

	Group		Bank	
	2011	2010	2011	2010
Deferred tax assets	**21,410**	17,825	**22,003**	18,774
Deferred tax liabilities	**(358)**	(243)	**(23)**	(4)
Total	**21,052**	17,582	**21,980**	18,770

(1) Analysed by nature

Group

	2011		2010	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(9,066)**	**(2,271)**	(10,685)	(2,683)
– Allowances for impairment losses	**86,022**	**21,386**	63,559	15,736
– Early retirement benefits and accrued salaries	**22,755**	**5,689**	18,772	4,694
– Others	**(12,758)**	**(3,394)**	469	78
Total	**86,953**	**21,410**	72,115	17,825
Deferred tax liabilities				
– Fair value adjustments	**(1,323)**	**(309)**	(1,034)	(236)
– Allowances for impairment losses	**(46)**	**(11)**	73	24
– Accrued salaries	**–**	**–**	(34)	(6)
– Others	**(148)**	**(38)**	(77)	(25)
Total	**(1,517)**	**(358)**	(1,072)	(243)

(Expressed in millions of RMB, unless otherwise stated)

35 DEFERRED TAX (CONTINUED)

(1) Analysed by nature (continued)

Bank

	2011		2010	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(9,106)**	**(2,281)**	(10,752)	(2,692)
– Allowances for impairment losses	**85,634**	**21,320**	63,143	15,665
– Early retirement benefits and accrued salaries	**22,606**	**5,651**	18,627	4,657
– Others	**(7,268)**	**(2,687)**	7,840	1,144
Total	**91,866**	**22,003**	78,858	18,774
Deferred tax liabilities				
– Fair value adjustments	**(55)**	**(13)**	(7)	(2)
– Allowances for impairment losses	**(46)**	**(11)**	73	24
– Others	**4**	**1**	(80)	(26)
Total	**(97)**	**(23)**	(14)	(4)

(2) Movements of deferred tax

Group

	Early retirement benefits and accrued salaries	Fair value adjustments	Allowances for impairment losses	Others	Total
As at 1 January 2011	**4,688**	**(2,919)**	**15,760**	**53**	**17,582**
Recognised in profit or loss	**998**	**210**	**5,615**	**(3,443)**	**3,380**
Recognised in other comprehensive income	**–**	**229**	**–**	**–**	**229**
Addition through acquisition	**3**	**(100)**	**–**	**(42)**	**(139)**
As at 31 December 2011	**5,689**	**(2,580)**	**21,375**	**(3,432)**	**21,052**
As at 1 January 2010	3,809	(4,565)	11,249	81	10,574
Recognised in profit or loss	879	(445)	4,511	(28)	4,917
Recognised in other comprehensive income	–	2,091	–	–	2,091
As at 31 December 2010	4,688	(2,919)	15,760	53	17,582

Bank

	Early retirement benefits and accrued salaries	Fair value adjustments	Allowances for impairment losses	Others	Total
As at 1 January 2011	**4,657**	**(2,694)**	**15,689**	**1,118**	**18,770**
Recognised in profit or loss	**994**	**198**	**5,620**	**(3,804)**	**3,008**
Recognised in other comprehensive income	**–**	**202**	**–**	**–**	**202**
As at 31 December 2011	**5,651**	**(2,294)**	**21,309**	**(2,686)**	**21,980**
As at 1 January 2010	3,802	(4,405)	11,164	740	11,301
Recognised in profit or loss	855	(409)	4,525	378	5,349
Recognised in other comprehensive income	–	2,120	–	–	2,120
As at 31 December 2010	4,657	(2,694)	15,689	1,118	18,770

The Group and the Bank did not have significant unrecognised deferred tax as at the end of the reporting period.

(Expressed in millions of RMB, unless otherwise stated)

36 OTHER ASSETS

	Note	Group		Bank	
		2011	2010	**2011**	2010
Repossessed assets	(1)				
– Buildings		**1,553**	1,373	**1,549**	1,373
– Land use rights		**219**	243	**219**	243
– Others		**60**	230	**60**	230
		1,832	1,846	**1,828**	1,846
Long-term deferred expenses		**493**	351	**462**	344
Receivables from CCBIG	(2)	**–**	–	**18,205**	19,055
Other receivables		**15,920**	13,478	**13,696**	11,260
Leasehold improvements		**2,401**	2,607	**2,389**	2,595
Subtotal		**20,646**	18,282	**36,580**	35,100
Allowances for impairment losses (Note 37)		**(2,503)**	(2,981)	**(2,503)**	(2,978)
Total		**18,143**	15,301	**34,077**	32,122

(1) During the year ended 31 December 2011, the original cost of repossessed assets disposed of by the Group amounted to RMB473 million (2010: RMB1,764 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

(2) Receivables from CCBIG represent lending to CCBIG, a wholly owned subsidiary, for acquisition of equity investments and capital injection to other subsidiaries. The receivables are unsecured, non-interest bearing and without fixed repayment term.

37 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

Group

	Note	2011				
		As at 1 January	**Charge for the year/ (Write-back)**	**Transfer in/(out)**	**Write-offs**	**As at 31 December**
Deposits with banks and non-bank financial institutions	19	**11**	**(16)**	**14**	**–**	**9**
Placements with banks and non-bank financial institutions	20	**84**	**(37)**	**35**	**(17)**	**65**
Interest receivable	24	**1**	**–**	**–**	**–**	**1**
Loans and advances to customers	25(3)	**143,102**	**32,403**	**(958)**	**(3,330)**	**171,217**
Held-to-maturity investments	27	**5,003**	**(15)**	**(192)**	**(802)**	**3,994**
Debt securities classified as receivables	28	**120**	**495**	**–**	**–**	**615**
Fixed assets	31	**485**	**1**	**–**	**(19)**	**467**
Land use rights	32	**149**	**–**	**–**	**(3)**	**146**
Intangible assets	33	**8**	**–**	**–**	**–**	**8**
Other assets	36	**2,981**	**(169)**	**–**	**(309)**	**2,503**
Total		**151,944**	**32,662**	**(1,101)**	**(4,480)**	**179,025**

Transfer in/(out) includes the exchange difference; write-offs include disposals.

(Expressed in millions of RMB, unless otherwise stated)

37 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (CONTINUED)

Group (continued)

		2010				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer out	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	18	(3)	–	(4)	11
Placements with banks and non-bank financial institutions	20	131	(30)	–	(17)	84
Interest receivable	24	1	14	–	(14)	1
Loans and advances to customers	25(3)	126,826	25,641	(88)	(9,277)	143,102
Held-to-maturity investments	27	6,086	(381)	(173)	(529)	5,003
Debt securities classified as receivables	28	96	24	–	–	120
Fixed assets	31	503	2	–	(20)	485
Land use rights	32	151	–	–	(2)	149
Intangible assets	33	8	–	–	–	8
Other assets	36	3,288	226	–	(533)	2,981
Total		137,108	25,493	(261)	(10,396)	151,944

Bank

		2011				
	Note	**As at 1 January**	**Charge for the year/ (Write-back)**	**Transfer in/(out)**	**Write-offs**	**As at 31 December**
Deposits with banks and non-bank financial institutions	19	**11**	**(16)**	**14**	**–**	**9**
Placements with banks and non-bank financial institutions	20	**84**	**(37)**	**35**	**(17)**	**65**
Interest receivable	24	**1**	**–**	**–**	**–**	**1**
Loans and advances to customers	25(3)	**142,261**	**32,121**	**(964)**	**(3,235)**	**170,183**
Held-to-maturity investments	27	**5,003**	**(15)**	**(192)**	**(802)**	**3,994**
Debt securities classified as receivables	28	**120**	**495**	**–**	**–**	**615**
Fixed assets	31	**485**	**–**	**–**	**(19)**	**466**
Land use rights	32	**149**	**–**	**–**	**(3)**	**146**
Intangible assets	33	**8**	**–**	**–**	**–**	**8**
Other assets	36	**2,978**	**(242)**	**–**	**(233)**	**2,503**
Total		**151,100**	**32,306**	**(1,107)**	**(4,309)**	**177,990**

		2010				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer out	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	18	(3)	–	(4)	11
Placements with banks and non-bank financial institutions	20	131	(30)	–	(17)	84
Interest receivable	24	1	14	–	(14)	1
Loans and advances to customers	25(3)	126,111	25,400	(91)	(9,159)	142,261
Held-to-maturity investments	27	6,086	(381)	(173)	(529)	5,003
Debt securities classified as receivables	28	96	24	–	–	120
Fixed assets	31	503	2	–	(20)	485
Land use rights	32	151	–	–	(2)	149
Intangible assets	33	8	–	–	–	8
Other assets	36	3,283	228	–	(533)	2,978
Total		136,388	25,254	(264)	(10,278)	151,100

(Expressed in millions of RMB, unless otherwise stated)

38 AMOUNTS DUE FROM/TO SUBSIDIARIES

Amounts due from subsidiaries of the Bank are analysed by assets category as follows:

	2011	2010
Deposits with banks and non-bank financial institutions	**9,118**	4,771
Placements with banks and non-bank financial institutions	**7,750**	6,187
Positive fair value of derivatives	**–**	35
Interest receivable	**136**	20
Available-for-sale financial assets	**3,333**	3,955
Other assets	**18,394**	19,158
Total	**38,731**	34,126

Amounts due to subsidiaries of the Bank are analysed by liabilities category as follows:

	2011	2010
Deposits from banks and non-bank financial institutions	**4,587**	2,232
Placements from banks and non-bank financial institutions	**2,397**	2,563
Financial assets sold under repurchase agreements	**1,133**	6,222
Deposits from customers	**1,633**	2,716
Interest payable	**78**	97
Debt securities issued	**–**	848
Other liabilities	**42**	–
Total	**9,870**	14,678

39 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2011	2010	2011	2010
Banks	**461,574**	187,548	**464,173**	188,229
Non-bank financial institutions	**504,655**	495,989	**505,860**	497,009
Total	**966,229**	683,537	**970,033**	685,238

(2) Analysed by geographical sectors

	Group		Bank	
	2011	2010	2011	2010
Mainland China	**966,085**	682,885	**968,168**	683,783
Overseas	**144**	652	**1,865**	1,455
Total	**966,229**	683,537	**970,033**	685,238

(Expressed in millions of RMB, unless otherwise stated)

40 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2011	2010	**2011**	2010
Banks	**77,474**	65,895	**44,692**	41,334
Non-bank financial institutions	**1,251**	377	**962**	330
Total	**78,725**	66,272	**45,654**	41,664

(2) Analysed by geographical sectors

	Group		Bank	
	2011	2010	**2011**	2010
Mainland China	**33,045**	24,952	**5,745**	6,292
Overseas	**45,680**	41,320	**39,909**	35,372
Total	**78,725**	66,272	**45,654**	41,664

41 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	2011	2010	**2011**	2010
Structured financial instruments	**11,332**	2,422	**8,642**	75
Financial liabilities related to precious metals	**22,324**	12,865	**22,324**	12,865
Total	**33,656**	15,287	**30,966**	12,940

The Group's and the Bank's financial liabilities at fair value through profit or loss are those designated at fair value through profit or loss. As at the end of reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2011 and 2010.

42 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	Group		Bank	
	2011	2010	**2011**	2010
Securities				
– PBOC bills	**10,010**	2,867	**10,010**	2,867
– Other securities	**–**	55	**–**	–
	10,010	2,922	**10,010**	2,867
Discounted bills	**451**	–	**451**	–
Loans	**–**	2,000	**1,133**	8,222
Total	**10,461**	4,922	**11,594**	11,089

(Expressed in millions of RMB, unless otherwise stated)

43 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2011	2010	**2011**	2010
Demand deposits				
– Corporate customers	**3,576,929**	3,412,050	**3,569,524**	3,408,265
– Personal customers	**1,839,812**	1,726,159	**1,829,426**	1,714,764
Subtotal	**5,416,741**	5,138,209	**5,398,950**	5,123,029
Time deposits (including call deposits)				
– Corporate customers	**1,949,188**	1,608,186	**1,920,555**	1,585,294
– Personal customers	**2,621,521**	2,328,974	**2,586,588**	2,306,323
Subtotal	**4,570,709**	3,937,160	**4,507,143**	3,891,617
Total	**9,987,450**	9,075,369	**9,906,093**	9,014,646

Deposits from customers include:

		Group		Bank	
		2011	2010	**2011**	2010
(1)	Pledged deposits				
	– Deposits for acceptance	**104,880**	118,172	**104,699**	118,172
	– Deposits for guarantee	**40,570**	34,103	**40,570**	34,103
	– Deposits for letter of credit	**59,445**	39,692	**59,441**	39,692
	– Others	**158,088**	104,779	**157,986**	104,747
	Total	**362,983**	296,746	**362,696**	296,714
(2)	Outward remittance and remittance payables	**9,508**	15,895	**9,434**	15,864

(3) As at 31 December 2011, the deposits arising from wealth management products with principal guaranteed by the Group and the Bank were RMB154,062 million.

44 ACCRUED STAFF COSTS

Group

		2011			
	Note	As at 1 January	Accrued	Paid	As at 31 December
Salaries, bonuses, allowances and subsidies		**14,873**	**49,703**	**(44,705)**	**19,871**
Defined contribution retirement schemes		**492**	**8,495**	**(8,435)**	**552**
Other social insurance and welfare		**1,265**	**6,581**	**(6,216)**	**1,630**
Housing funds		**112**	**3,989**	**(3,977)**	**124**
Union running costs and employee education costs		**954**	**2,013**	**(1,793)**	**1,174**
Supplementary retirement benefits	(1)	**6,901**	**638**	**(507)**	**7,032**
Early retirement benefits		**6,765**	**409**	**(1,632)**	**5,542**
Compensation to employees for termination of employment relationship		**7**	**10**	**(11)**	**6**
Total		**31,369**	**71,838**	**(67,276)**	**35,931**

(Expressed in millions of RMB, unless otherwise stated)

44 ACCRUED STAFF COSTS (CONTINUED)

Group (continued)

		2010			
	Note	As at 1 January	Accrued	Paid	As at 31 December
Salaries, bonuses, allowances and subsidies		10,835	42,652	(38,614)	14,873
Defined contribution retirement schemes		459	7,206	(7,173)	492
Other social insurance and welfare		1,105	5,311	(5,151)	1,265
Housing funds		82	3,409	(3,379)	112
Union running costs and employee education costs		797	1,695	(1,538)	954
Supplementary retirement benefits	(1)	6,786	651	(536)	6,901
Early retirement benefits		7,353	841	(1,429)	6,765
Compensation to employees for termination of employment relationship		8	19	(20)	7
Total		27,425	61,784	(57,840)	31,369

Bank

		2011			
	Note	**As at 1 January**	**Accrued**	**Paid**	**As at 31 December**
Salaries, bonuses, allowances and subsidies		**14,133**	**48,153**	**(43,064)**	**19,222**
Defined contribution retirement schemes		**491**	**8,397**	**(8,338)**	**550**
Other social insurance and welfare		**1,169**	**6,525**	**(6,150)**	**1,544**
Housing funds		**111**	**3,968**	**(3,955)**	**124**
Union running costs and employee education costs		**945**	**1,997**	**(1,780)**	**1,162**
Supplementary retirement benefits	(1)	**6,901**	**638**	**(507)**	**7,032**
Early retirement benefits		**6,765**	**409**	**(1,632)**	**5,542**
Compensation to employees for termination of employment relationship		**7**	**10**	**(11)**	**6**
Total		**30,522**	**70,097**	**(65,437)**	**35,182**

		2010			
	Note	As at 1 January	Accrued	Paid	As at 31 December
Salaries, bonuses, allowances and subsidies		10,217	41,218	(37,302)	14,133
Defined contribution retirement schemes		458	7,142	(7,109)	491
Other social insurance and welfare		1,013	5,236	(5,080)	1,169
Housing funds		81	3,397	(3,367)	111
Union running costs and employee education costs		792	1,684	(1,531)	945
Supplementary retirement benefits	(1)	6,786	651	(536)	6,901
Early retirement benefits		7,353	841	(1,429)	6,765
Compensation to employees for termination of employment relationship		8	19	(20)	7
Total		26,708	60,188	(56,374)	30,522

(Expressed in millions of RMB, unless otherwise stated)

44 ACCRUED STAFF COSTS (CONTINUED)

(1) Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

(a) Breakdowns of supplementary retirement benefits of the Group and the Bank are as follows:

	2011	2010
Present value of supplementary retirement benefit obligations	**7,033**	6,646
Unrecognised actuarial (losses)/gains	**(1)**	255
As at 31 December	**7,032**	6,901

(b) Movements of supplementary retirement benefits of the Group and the Bank are as follows:

	2011	2010
As at 1 January	**6,901**	6,786
Payments made	**(507)**	(536)
Expenses recognised in profit or loss		
– Interest cost	**251**	219
– Past service costs	**387**	432
As at 31 December	**7,032**	6,901

Interest cost was recognised in other general and administrative expenses. Past service costs were recognised in staff costs.

(c) Principal actuarial assumptions of the Group and the Bank as at the end of the reporting period are as follows:

	2011	2010
Discount rate	**3.50%**	4.00%
Health care cost increases	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**13.6 years**	14.1 years

(2) The Group and the Bank had no overdue balance of accrued staff costs as at the end of the reporting period.

45 TAXES PAYABLE

	Group		Bank	
	2011	2010	2011	2010
Income tax	**38,899**	27,748	**38,747**	27,554
Business tax and surcharges	**7,752**	5,739	**7,688**	5,704
Others	**538**	754	**515**	687
Total	**47,189**	34,241	**46,950**	33,945

46 INTEREST PAYABLE

	Group		Bank	
	2011	2010	2011	2010
Deposits from banks and non-bank financial institutions	**1,405**	1,002	**1,392**	982
Deposits from customers	**76,850**	62,966	**76,665**	62,906
Debts securities issued	**1,921**	1,575	**1,921**	1,575
Others	**378**	116	**334**	129
Total	**80,554**	65,659	**80,312**	65,592

(Expressed in millions of RMB, unless otherwise stated)

47 PROVISIONS

	Group and Bank	
	2011	2010
Litigation provisions	**896**	691
Others	**4,284**	2,708
Total	**5,180**	3,399

48 DEBT SECURITIES ISSUED

		Group		Bank	
	Note	**2011**	2010	**2011**	2010
Certificates of deposit issued	(1)	**48,451**	13,414	**38,189**	11,530
Subordinated bonds issued	(2)	**119,861**	79,901	**119,861**	79,901
Total		**168,312**	93,315	**158,050**	91,431

(1) Certificates of deposit were mainly issued by overseas branches and CCB Asia and recognised at amortised cost.

(2) Subordinated bonds issued

The carrying value of the Group and the Bank's subordinated bonds issued upon the approval of the PBOC and the CBRC is as follows:

		Group and Bank	
	Note	**2011**	2010
3.20% subordinated fixed rate bonds maturing in February 2019	(a)	**12,000**	12,000
4.00% subordinated fixed rate bonds maturing in February 2024	(b)	**28,000**	28,000
3.32% subordinated fixed rate bonds maturing in August 2019	(c)	**10,000**	10,000
4.04% subordinated fixed rate bonds maturing in August 2024	(d)	**10,000**	10,000
4.80% subordinated fixed rate bonds maturing in December 2024	(e)	**20,000**	20,000
5.70% subordinated fixed rate bonds maturing in November 2026	(f)	**40,000**	–
Total nominal value		**120,000**	80,000
Less: Unamortised issuance cost		**(139)**	(99)
Carrying value as at 31 December		**119,861**	79,901

(a) The interest rate per annum on the subordinated fixed rate bonds issued in February 2009 is 3.20%. The Group has an option to redeem the bonds on 26 February 2014. If they are not redeemed by the Group, the interest rate will increase to 6.20% per annum from 26 February 2014 for the next five years.

(b) The interest rate per annum on the subordinated fixed rate bonds issued in February 2009 is 4.00%. The Group has an option to redeem the bonds on 26 February 2019. If they are not redeemed by the Group, the interest rate will increase to 7.00% per annum from 26 February 2019 for the next five years.

(c) The interest rate per annum on the subordinated fixed rate bonds issued in August 2009 is 3.32%. The Group has an option to redeem the bonds on 11 August 2014. If they are not redeemed by the Group, the interest rate will increase to 6.32% per annum from 11 August 2014 for the next five years.

(d) The interest rate per annum on the subordinated fixed rate bonds issued in August 2009 is 4.04%. The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.

(e) The interest rate per annum on the subordinated fixed rate bonds issued in December 2009 is 4.80%. The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.

(f) The interest rate per annum on the subordinated fixed rate bonds issued in November 2011 is 5.70%. The Group has an option to redeem the bonds on 7 November 2021, subject to an approval from relevant authority. The interest rate for these bonds will remain at 5.70% per annum for the next five years from 7 November 2021.

(Expressed in millions of RMB, unless otherwise stated)

49 OTHER LIABILITIES

	Group		Bank	
	2011	2010	**2011**	2010
Deferred income	**7,455**	4,049	**7,296**	3,956
Capital expenditure payable	**5,518**	5,332	**5,517**	5,332
Insurance reserve of CCB life	**2,670**	–	**–**	–
Dormant accounts	**2,193**	3,388	**2,193**	3,388
Securities underwriting and redemption payable	**2,000**	1,977	**2,000**	1,977
Payment and collection clearance accounts	**572**	491	**572**	487
Settlement accounts	**452**	555	**452**	555
Payables to China Jianyin Investment Limited (“Jianyin”)	**107**	150	**107**	150
Others	**14,631**	8,718	**9,575**	6,610
Total	**35,598**	24,660	**27,712**	22,455

50 SHARE CAPITAL

	Group and Bank	
	2011	2010
Listed in Hong Kong (H share)	**240,417**	240,417
Listed in Mainland China (A share)	**9,594**	9,594
Total	**250,011**	250,011

All H and A shares are ordinary shares and rank pari passu with the same rights and benefits.

51 CAPITAL RESERVE

	Group and Bank	
	2011	2010
Share premium	**135,047**	135,047
Others	**131**	89
Total	**135,178**	135,136

52 INVESTMENT REVALUATION RESERVE

The changes in fair value of available-for-sale financial assets were recognised in “investment revaluation reserve”. Movements of investment revaluation reserve are as follows:

Group

	2011		
	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
As at 1 January	**9,024**	**(2,318)**	**6,706**
Gains/(losses) during the year			
– Debt securities	**5,118**	**(1,203)**	**3,915**
– Equity instruments and funds	**(6,004)**	**1,501**	**(4,503)**
	(886)	**298**	**(588)**
Reclassification adjustments			
– Impairment	**1,106**	**(277)**	**829**
– Disposals	**(810)**	**202**	**(608)**
– Others	**58**	**(14)**	**44**
	354	**(89)**	**265**
As at 31 December	**8,492**	**(2,109)**	**6,383**

(Expressed in millions of RMB, unless otherwise stated)

52 INVESTMENT REVALUATION RESERVE (CONTINUED)

Group (continued)

	2010		
	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
As at 1 January	17,566	(4,403)	13,163
Losses during the year			
– Debt securities	(6,140)	1,485	(4,655)
– Equity instruments and funds	(2,018)	504	(1,514)
	(8,158)	1,989	(6,169)
Reclassification adjustments			
– Impairment	295	(74)	221
– Disposals	(735)	184	(551)
– Others	56	(14)	42
	(384)	96	(288)
As at 31 December	9,024	(2,318)	6,706

Bank

	2011		
	Before-tax amount	**Tax (expense)/ benefit**	**Net-of-tax amount**
As at 1 January	**9,039**	**(2,296)**	**6,743**
Gains/(losses) during the year			
– Debt securities	**4,942**	**(1,151)**	**3,791**
– Equity instruments	**(5,825)**	**1,456**	**(4,369)**
	(883)	**305**	**(578)**
Reclassification adjustments			
– Impairment	**1,106**	**(277)**	**829**
– Disposals	**(754)**	**188**	**(566)**
– Others	**58**	**(14)**	**44**
	410	**(103)**	**307**
As at 31 December	**8,566**	**(2,094)**	**6,472**

(Expressed in millions of RMB, unless otherwise stated)

52 INVESTMENT REVALUATION RESERVE (CONTINUED)

Bank (continued)

	2010		
	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
As at 1 January	17,629	(4,416)	13,213
Losses during the year			
– Debt securities	(6,017)	1,477	(4,540)
– Equity instruments	(2,056)	513	(1,543)
	(8,073)	1,990	(6,083)
Reclassification adjustments			
– Impairment	139	(34)	105
– Disposals	(712)	178	(534)
– Others	56	(14)	42
	(517)	130	(387)
As at 31 December	9,039	(2,296)	6,743

Others refer to the amortisation of accumulated losses previously recognised in revaluation reserve for the year. These accumulated losses were related to certain debt securities reclassified from available-for-sale financial assets to held-to-maturity investments in prior years.

53 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF ("PRC GAAP"), to the statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in annual general meetings.

54 GENERAL RESERVE

The general reserve of the Group and the Bank is set up based upon the requirements of:

		Group		Bank	
	Note	**2011**	2010	**2011**	2010
MOF	(1)	**66,458**	60,475	**66,458**	60,475
Hong Kong Banking Ordinance	(2)	**596**	692	**105**	105
Other regulatory bodies in Mainland China	(3)	**205**	151	**–**	–
Other overseas regulatory bodies		**83**	29	**82**	28
Total		**67,342**	61,347	**66,645**	60,608

(1) Pursuant to relevant regulations issued by the MOF, the Bank is required to set aside a general reserve through appropriations of profit after tax according to a certain provision ratio of the ending balance of gross risk-bearing assets to cover potential losses against their assets. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets.

(2) Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

(Expressed in millions of RMB, unless otherwise stated)

55 PROFIT DISTRIBUTION

In the Annual General Meeting held on 9 June 2011, the shareholders approved the profit distribution for the year ended 31 December 2010. The Bank appropriated cash dividend for the year ended 31 December 2010 in an aggregate amount of RMB53,052 million.

On 23 March 2012, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2011:

(1) Appropriate statutory surplus reserve amounted to RMB168,950 million, based on 10% of the net profit of the Bank amounted to RMB16,895 million. It has been recorded in “Surplus reserve” as at the end of the reporting period.

(2) Appropriate general reserve amounted to RMB12,723 million, pursuant to relevant regulations issued by MOF.

(3) Appropriate cash dividend RMB0.2365 per share before tax and in aggregation amount of RMB59,128 million to all shareholders. Proposed dividends at the end of the reporting period are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

56 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Cash and cash equivalents

	2011	2010
Cash	**58,308**	48,201
Surplus deposit reserves with central banks	**324,568**	170,938
Demand deposits with banks and non-bank financial institutions	**33,072**	17,910
Deposits with banks and non-bank financial institutions with original maturity with or within three months	**78,795**	7,000
Placements with banks and non-bank financial institutions with original maturity with or within three months	**63,720**	57,250
Total	**558,463**	301,299

(2) Acquisition of CCB Life

To acquire CCB Life, the Bank paid a cash consideration of RMB816 million, and acquired cash and cash equivalents of RMB99 million. The net cash outflow arising from the aforesaid acquisition was RMB717 million, which is analysed as follows:

	Recognised values	Fair value adjustments	Carrying amounts
Deposits with banks and non-bank financial institutions	1,096	–	1,096
Financial assets at fair value through profit or loss	6	–	6
Financial assets held under resale agreements	50	–	50
Interest receivable	75	–	75
Loans and advances to customers	10	–	10
Available-for-sale financial assets	1,678	–	1,678
Held-to-maturity investments	1,146	–	1,146
Debt securities classified as receivables	50	–	50
Fixed assets	9	–	9
Intangible assets	445	424	21
Other assets	250	–	250
Accrued staff costs	(9)	–	(9)
Taxes payable	(9)	–	(9)
Deferred tax liabilities	(139)	(106)	(33)
Other liabilities	(3,439)	–	(3,439)
Total	1,219	318	901
Non-controlling interests	(597)		
Net identifiable assets	622		
Goodwill on acquisition	194		
Consideration transferred	816		
Cash and cash equivalents acquired	99		
Cash consideration	(816)		
Net cash outflow from the acquisition	(717)		

Operating income and net profit of CCB Life contributed to the Group since the acquisition date did not result in significant impact to the consolidated statement of comprehensive income for the year ended 31 December 2011. Operating income and net profit of the Group for the year ended 31 December 2011 was not significantly impacted either had the acquisition occurred as at the beginning of the year.

(Expressed in millions of RMB, unless otherwise stated)

57 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.

(Expressed in millions of RMB, unless otherwise stated)

57 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	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 amortisation	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

(Expressed in millions of RMB, unless otherwise stated)

57 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	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 amortisation	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.

(Expressed in millions of RMB, unless otherwise stated)

57 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

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 amortisation	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

(Expressed in millions of RMB, unless otherwise stated)

57 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	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 amortisation	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

(Expressed in millions of RMB, unless otherwise stated)

58 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and funds were as follows:

	Group		Bank	
	2011	2010	**2011**	2010
Entrusted loans	**1,027,817**	778,349	**971,331**	776,418
Entrusted funds	**1,027,817**	778,349	**971,331**	776,418

59 PLEDGED ASSETS

(1) Assets pledged as security

(a) *Carrying value of pledged assets analysed by asset type*

	Group		Bank	
	2011	2010	**2011**	2010
Pledged deposits	**388**	559	**388**	559
Equity instruments	**–**	43	**–**	–
Loans	**–**	2,000	**1,133**	8,222
Discounted bills	**451**	–	**451**	–
Bonds	**597**	543	**597**	543
PBOC bills	**10,110**	2,860	**10,110**	2,860
Total	**11,546**	6,005	**12,679**	12,184

(b) *Carrying value of pledged assets analysed by classification*

	Group		Bank	
	2011	2010	**2011**	2010
Deposits with banks and non-bank financial institutions	**388**	559	**388**	559
Financial assets at fair value through profit or loss	**–**	43	**–**	–
Loans and advances to customers	**451**	2,000	**1,584**	8,222
Available-for-sale financial assets	**597**	543	**597**	543
Held-to-maturity investments	**10,110**	2,860	**10,110**	2,860
Total	**11,546**	6,005	**12,679**	12,184

(2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2011 and 2010, the Group did not hold any collateral for resale agreements, which it was permitted to sell or repledge in the absence of default for the transactions.

(Expressed in millions of RMB, unless otherwise stated)

60 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.

	Group		Bank	
	2011	2010	**2011**	2010
Loan commitments				
– with an original maturity under one year	**129,745**	123,092	**127,134**	120,071
– with an original maturity of one year or over	**349,032**	461,785	**348,992**	461,636
Credit card commitments	**266,447**	227,478	**242,191**	205,092
	745,224	812,355	**718,317**	786,799
Bank acceptances	**335,517**	393,671	**335,391**	393,522
Financing guarantees	**189,258**	162,824	**188,537**	162,410
Non-financing guarantees	**439,322**	446,010	**439,231**	445,936
Sight letters of credit	**42,778**	58,135	**42,778**	58,135
Usance letters of credit	**203,810**	131,045	**204,242**	130,710
Others	**26,040**	31,780	**28,288**	31,881
Total	**1,981,949**	2,035,820	**1,956,784**	2,009,393

(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.

	Group		Bank	
	2011	2010	**2011**	2010
Credit risk-weighted amount of contingent liabilities and commitments	**929,681**	954,706	**928,188**	953,856

(Expressed in millions of RMB, unless otherwise stated)

60 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(3) Operating lease commitments

The Group and the Bank lease 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:

	Group		Bank	
	2011	2010	**2011**	2010
Within one year	**3,363**	3,002	**3,130**	2,742
After one year but within two years	**2,640**	2,319	**2,503**	2,243
After two years but within three years	**1,836**	1,766	**1,770**	1,727
After three years but within five years	**2,130**	2,171	**2,113**	1,968
After five years	**1,467**	1,388	**1,461**	1,359
Total	**11,436**	10,646	**10,977**	10,039

(4) Capital commitments

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

	Group		Bank	
	2011	2010	**2011**	2010
Contracted for	**4,793**	3,815	**4,759**	3,726
Authorised but not contracted for	**5,802**	1,619	**5,782**	1,603
Total	**10,595**	5,434	**10,541**	5,329

(5) Underwriting obligations

As at 31 December 2011, there was no unexpired underwriting commitments of the Group and the Bank (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 and the Bank, 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 (Note 47). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group and the Bank 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 (Note 4 (13)).

(Expressed in millions of RMB, unless otherwise stated)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of RMB1,550 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of PRC government.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company with the approval of the State Council. It was registered in Beijing with a registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2011, Huijin directly held 57.13% shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and jointly controlled entities.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under general commercial terms.

The Group has issued subordinated debts with a nominal value of RMB120 billion (2010: RMB80 billion). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group and the Bank entered into with parent companies are as follows:

Amounts

	2011		2010	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**578**	**0.12%**	185	0.05%
Interest expense	**113**	**0.06%**	68	0.05%
Fee and commission income	**–**	**–**	2	0.00%

Balances outstanding as at the end of the reporting period

	2011		2010	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Interest receivable	**186**	**0.33%**	185	0.42%
Held-to-maturity investments	**16,680**	**0.96%**	16,680	0.89%
Deposits from customers	**3,559**	**0.04%**	4,934	0.05%
Interest payable	**22**	**0.03%**	1	0.00%
Credit commitments	**288**	**0.01%**	–	–

(Expressed in millions of RMB, unless otherwise stated)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group and the Bank entered into with the affiliates of parent companies are as follows:

Amounts

		2011		2010	
	Note	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income		27,761	5.76%	15,123	4.00%
Interest expense		2,372	1.34%	1,670	1.32%
Fee and commission income		495	0.55%	201	0.29%
Fee and commission expense		56	2.24%	113	5.58%
Other operating income, net		–	–	10	0.40%
Operating expenses	(i)	1,025	0.71%	967	0.80%

Balances outstanding as at the end of the reporting period

		2011		2010	
	Note	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		41,033	14.83%	9,436	12.05%
Placements with banks and non-bank financial institutions		21,941	20.12%	19,478	30.45%
Financial assets at fair value through profit or loss		2,106	9.12%	1,353	7.80%
Positive fair value of derivatives		529	3.74%	830	7.39%
Financial assets held under resale agreements		10,007	5.00%	1,401	0.77%
Interest receivable		11,358	20.00%	5,875	13.33%
Loans and advances to customers		33,244	0.53%	15,306	0.28%
Available for sale financial assets		134,765	19.96%	85,682	12.30%
Held-to-maturity investments		443,695	25.45%	372,605	19.78%
Debt securities classified as receivables		64,549	21.51%	34,049	11.10%
Other assets	(ii)	32	0.18%	157	1.03%
Deposits from banks and non-bank financial institutions	(iii)	67,006	6.93%	53,529	7.83%
Placements from banks and non-bank financial institutions		33,744	42.86%	14,018	21.15%
Negative fair value of derivatives		514	3.86%	628	6.71%
Deposits from customers		40,238	0.40%	13,597	0.15%
Interest payable		163	0.20%	69	0.11%
Other liabilities		234	0.66%	150	0.61%
Credit commitments		7,822	0.39%	6,878	0.34%

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.

(ii) Other assets mainly represent other receivables from the affiliates of parent companies.

(iii) Deposits from the affiliates of parent companies are unsecured and are repayable under general commercial terms.

(Expressed in millions of RMB, unless otherwise stated)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(2) Transactions with associates and jointly controlled entities of the Group

Transactions between the Group and its associates and jointly controlled entities are conducted in the normal and ordinary course of the business and under general commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and jointly controlled entities are as follows:

Amounts

	2011	2010
Interest income	**6**	3
Interest expense	**2**	–

Balances outstanding as at the end of the reporting period

	2011	2010
Loans and advances to customers	**497**	567
Deposits from customers	**824**	–

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	2011	2010
Interest income	**412**	128
Interest expense	**418**	169
Fee and commission income	**268**	260
Fee and commission expense	**32**	28
Dividend income	**85**	65
Net trading gain	**22**	60
Other operating income, net	**5**	13
Credit commitment	**35**	62

Balances outstanding as at the end of the reporting period are presented in Note 38.

As at 31 December 2011, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB3,416 million (2010: RMB4,262 million).

For the year ended 31 December 2011, the transactions between subsidiaries of the Group are mainly deposit taking and ordinary receivables and payables. As at 31 December, 2011, the balances of the above transactions were RMB783 million (2010: RMB737 million) and RMB148 million (2010: RMB220 million) respectively.

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(Expressed in millions of RMB, unless otherwise stated)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(5) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

The compensation of directors and supervisors is disclosed in Note 14. The senior executives' annual compensation before individual income tax during the year is as follows:

	2011			
	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note (i)) RMB'000	Total RMB'000
Executive vice president				
Zhu Hongbo	–	–	–	–
Hu Zheyi (Note (ii))	589	30	257	876
Pang Xiusheng (Note (ii))	589	30	253	872
Zhao Huan (Note (ii))	589	30	248	867
Member of senior management				
Zhang Gengsheng (Note (ii))	571	30	242	843
Chief Financial Officer				
Zeng Jianhua (Note (ii))	414	23	162	599
Chief Risk Officer				
Huang Zhiling (Note (ii))	455	25	180	660
Chief Audit Officer				
Yu Jingbo (Note (ii))	414	23	161	598
Secretary to the board of directors				
Chen Caihong (Note (ii))	538	30	219	787
Controller of wholesale banking				
Xu Huibin (Note (ii))	414	23	162	599
Controller of retail banking				
Tian Huiyu (Note (ii))	414	23	153	590
Controller of investment and wealth management banking				
Wang Guiya (Note (ii))	414	23	161	598
Former controller of wholesale banking				
Gu Jingpu (Note (ii))	125	7	54	186
Former controller of retail banking				
Du Yajun	–	–	–	–
Former controller of investment and wealth management banking				
Mao Yumin	975	2	6	983
	6,501	299	2,258	9,058

(Expressed in millions of RMB, unless otherwise stated)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(5) Key management personnel (continued)

	2011				
	Salaries and allowance RMB'000	**Variable compensation RMB'000**	**Contributions to defined contribution retirement schemes RMB'000**	**Other benefits in kind (Note (i)) RMB'000**	**Total RMB'000**
Company Secretary					
Chan Mei Sheung	**2,297**	**1,823**	**184**	**13**	**4,317**
Qualified accountant					
Yuen Yiu Leung	**2,085**	**564**	**152**	**22**	**2,823**
	4,382	**2,387**	**336**	**35**	**7,140**

	2010						
	Basic annual salaries RMB'000	Annual performance bonus RMB'000	Allowance RMB'000	Welfare RMB'000	Total (before tax) (Note (iii)) RMB'000	Including: deferral payment RMB'000	The actual payment in 2010 (before tax) RMB'000
Executive vice president							
Hu Zheyi	363	1,002	–	275	1,640	501	1,139
Executive vice president							
Pang Xiusheng	363	1,003	–	270	1,636	501	1,135
Executive vice president							
Zhao Huan	–	–	–	–	–	–	–
Member of senior management							
Zhang Gengsheng	–	–	–	–	–	–	–
Chief Financial Officer							
Zeng Jianhua	–	–	–	–	–	–	–
Chief Risk Officer							
Huang Zhiling	–	–	–	–	–	–	–
Chief Audit Officer							
Yu Jingbo	–	–	–	–	–	–	–
Secretary to the board of directors							
Chen Caihong	333	919	–	240	1,492	459	1,033
Controller of wholesale banking							
Gu Jingpu	333	919	–	240	1,492	459	1,033
Controller of retail banking							
Du Yajun	333	919	–	240	1,492	459	1,033
Controller of investment and wealth management banking							
Mao Yumin	4,330	400	–	31	4,761	–	4,761
Former vice president							
Fan Yifei	152	417	–	112	681	209	472
Former chief audit officer							
Yu Yongshun	333	919	–	240	1,492	459	1,033
	6,540	6,498	–	1,648	14,686	3,047	11,639

(Expressed in millions of RMB, unless otherwise stated)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(5) Key management personnel (continued)

	2010				
	Salaries and allowance	Variable compensation	Contributions to defined contribution retirement schemes	Other benefits in kind (Note (i))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company Secretary					
Chan Mei Sheung	2,289	2,348	183	16	4,836
Qualified accountant					
Yuen Yiu Leung	2,116	1,185	148	19	3,468
	4,405	3,533	331	35	8,304

Notes:

(i) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2011 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2011. The final compensation will be disclosed in a separate announcement when determined.

(iii) The total compensation package for certain key management personnel for the year ended 31 December 2010 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2010 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2010 was the final amount and the Bank made the relevant supplementary announcement on 18 May 2011.

(6) Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

(7) Defined contribution retirement schemes

The Group participates in various defined contribution retirement schemes organized by municipal and provincial governments for its employees in Mainland China. For its overseas employees, the Group participates in various defined contribution retirement schemes at funding rates determined in accordance with the local practices and regulations. The details of the Group's defined contribution retirement schemes are described in Note 4 (12)(a).

62 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

– credit risk
– market risk
– liquidity risk
– operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. The Chief Risk Officer, who reports directly to the President, is responsible for the Group's overall risk management. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures management, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

Risk management framework (continued)

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. The Group Audit Committee is assisted in these functions by Audit Department. Audit Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the findings of which are reported to the Group Audit Committee.

(1) Credit risk

Credit risk management

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department, under the supervision of the Chief Risk Officer, is responsible for establishing credit risk management policies and performing credit risk measurement and analysis. The Credit Management Department is responsible for monitoring the implementation of credit risk management policies and coordinating credit approval and credit ratings activities. The Credit Management Department works together with the Corporate Banking Department, the SME Business Department, the Institutional Banking Department, the International Business Department, the Group Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, the Special Assets Resolution Department and the Legal and Compliance Department to implement credit risk management policies and procedures.

With respect to the credit risk management of corporate and institutional business, the Group has sped up the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors loans, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks. The centralized risk management was also expedited in the cities where the first-tier branches are located, and the Bank will continue to explore the ways of specifying the operating characteristic for those branches, in addition to develop an intensive management for risk, reallocation of resource, and improving the quality and efficiency.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A fine management system and operating workflow for collateral was developed, and there is a guideline to specify the suitability of accepting specific types of collateral, as well as determining evaluation parameters. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Credit grading classification

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful and loss loans are considered as impaired loans and advances when one or more events demonstrate there is objective evidence of a loss event which triggers impairment. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.

Special mention: Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.

Substandard: Borrowers' abilities to service their loans are in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.

Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.

Loss: Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

The Group has also applied the same grading criteria and management approach in classifying the off-balance sheet credit-related operations.

Treasury business

For risk management purposes, credit risk arising on debt securities and exposures relating to the Group's derivatives portfolio is managed independently and information thereon is disclosed in notes (1)(h) and (1)(i) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(a) Maximum credit risk exposure

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting for any impairment allowance.

	Group		Bank	
	2011	2010	**2011**	2010
Deposits with central banks	**2,321,501**	1,799,828	**2,315,432**	1,793,907
Deposits with banks and non-bank financial institutions	**276,752**	78,318	**279,861**	78,198
Placements with banks and non-bank financial institutions	**109,040**	63,962	**110,533**	68,528
Financial assets at fair value through profit or loss	**14,375**	7,860	**8,715**	3,044
Positive fair value of derivatives	**14,127**	11,224	**13,073**	10,153
Financial assets held under resale agreements	**200,045**	181,075	**200,045**	181,075
Interest receivable	**56,776**	44,088	**56,420**	43,861
Loans and advances to customers	**6,325,194**	5,526,026	**6,189,363**	5,428,279
Available-for-sale debt securities	**661,036**	676,840	**651,585**	675,277
Held-to-maturity investments	**1,743,569**	1,884,057	**1,742,342**	1,883,927
Debt securities classified as receivables	**300,027**	306,748	**299,765**	306,748
Other financial assets	**13,695**	10,994	**29,676**	27,835
Total	**12,036,137**	10,591,020	**11,896,810**	10,500,832
Off-balance sheet credit commitments	**1,981,949**	2,035,820	**1,956,784**	2,009,393
Maximum credit risk exposure	**14,018,086**	12,626,840	**13,853,594**	12,510,225

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows:

		Group		Bank	
	Note	**2011**	2010	**2011**	2010
Individually assessed and impaired gross amount		**65,625**	58,658	**65,490**	58,584
Allowances for impairment losses		**(38,109)**	(37,352)	**(38,020)**	(37,278)
Subtotal		**27,516**	21,306	**27,470**	21,306
Collectively assessed and impaired gross amount		**5,290**	6,054	**5,178**	5,920
Allowances for impairment losses		**(3,276)**	(3,657)	**(3,265)**	(3,648)
Subtotal		**2,014**	2,397	**1,913**	2,272
Overdue but not impaired					
– not more than 90 days		**14,567**	15,971	**14,209**	15,707
Allowances for impairment losses	(i)	**(696)**	(916)	**(696)**	(912)
Subtotal		**13,871**	15,055	**13,513**	14,795
Neither overdue nor impaired					
– Unsecured loans		**1,739,648**	1,513,872	**1,703,090**	1,492,970
– Guaranteed loans		**1,308,879**	1,161,167	**1,265,752**	1,130,549
– Loans secured by tangible assets other than monetary assets		**2,737,839**	2,364,592	**2,688,465**	2,322,350
– Loans secured by monetary assets		**624,563**	548,814	**617,362**	544,460
Gross amount		**6,410,929**	5,588,445	**6,274,669**	5,490,329
Allowances for impairment losses	(i)	**(129,136)**	(101,177)	**(128,202)**	(100,423)
Subtotal		**6,281,793**	5,487,268	**6,146,467**	5,389,906
Total		**6,325,194**	5,526,026	**6,189,363**	5,428,279

(i) The balances represent collectively assessed allowances of impairment losses.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED))

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows (continued):

Group

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	2011		
	Overdue but not impaired loans and advances		**Impaired loans and advances which are subject to individual assessment**
	Corporate	**Personal**	**Corporate**
Portion covered	**170**	**11,935**	**17,607**
Portion not covered	**123**	**2,339**	**48,018**
Total	**293**	**14,274**	**65,625**

	2010		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	462	13,055	14,948
Portion not covered	2,002	452	43,710
Total	2,464	13,507	58,658

(Expressed in millions of RMB, unless otherwise stated)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analyzed as follows (continued):

Bank

Within overdue but not impaired loans and advances and impaired loans and advances which are subject to individual assessment, the portion covered or not covered by collateral held are shown as follows:

	2011		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	45	11,766	17,605
Portion not covered	122	2,276	47,885
Total	167	14,042	65,490

	2010		
	Overdue but not impaired loans and advances		Impaired loans and advances which are subject to individual assessment
	Corporate	Personal	Corporate
Portion covered	387	12,925	14,946
Portion not covered	1,998	397	43,638
Total	2,385	13,322	58,584

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED))

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations

Group

	2011			2010		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	1,141,376	17.56%	393,347	1,010,527	17.83%	357,152
– Transportation, storage and postal services	765,763	11.79%	303,444	660,308	11.65%	267,123
– Production and supply of electric power, gas and water	591,315	9.10%	145,490	528,279	9.32%	129,473
– Real estate	465,899	7.17%	387,527	435,234	7.68%	354,485
– Leasing and commercial services	386,588	5.95%	168,593	361,713	6.38%	146,145
– Wholesale and retail trade	322,106	4.96%	113,374	243,738	4.30%	91,752
– Water, environment and public utility management	226,655	3.49%	100,239	216,328	3.82%	95,955
– Construction	190,096	2.93%	66,963	150,736	2.66%	53,883
– Mining	173,824	2.68%	26,793	148,261	2.62%	23,731
– Education	85,069	1.31%	35,214	100,193	1.77%	38,738
– Telecommunications, computer services and software	24,077	0.37%	7,271	28,498	0.50%	7,085
– Others	300,148	4.62%	111,642	251,180	4.40%	107,221
Total corporate loans and advances	4,672,916	71.93%	1,859,897	4,134,995	72.93%	1,672,743
Personal loans and advances	1,705,622	26.25%	1,558,628	1,390,957	24.54%	1,295,659
Discounted bills	117,873	1.82%	–	143,176	2.53%	–
Total loans and advances to customers	6,496,411	100.00%	3,418,525	5,669,128	100.00%	2,968,402

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2011				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	25,883	(15,167)	(25,254)	5,750	1,748
Transportation, storage and postal services	7,139	(3,636)	(18,106)	6,371	28

	2010				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	22,538	(14,627)	(22,345)	10,316	3,637
Transportation, storage and postal services	6,646	(3,194)	(12,541)	1,839	82

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

Bank

	2011			2010		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Manufacturing	**1,121,439**	**17.61%**	**391,393**	994,814	17.86%	355,803
– Transportation, storage and postal services	**752,130**	**11.83%**	**298,202**	653,718	11.74%	264,290
– Production and supply of electric power, gas and water	**581,301**	**9.14%**	**144,399**	522,734	9.38%	128,549
– Real estate	**439,905**	**6.92%**	**365,509**	413,977	7.43%	337,168
– Leasing and commercial services	**385,789**	**6.07%**	**168,317**	361,451	6.49%	145,918
– Wholesale and retail trade	**306,287**	**4.82%**	**110,193**	230,543	4.14%	88,661
– Water, environment and public utility management	**226,560**	**3.56%**	**100,202**	216,163	3.88%	95,924
– Construction	**188,765**	**2.97%**	**66,764**	149,348	2.68%	53,632
– Mining	**169,852**	**2.67%**	**26,793**	145,810	2.62%	23,731
– Education	**84,983**	**1.34%**	**35,161**	100,045	1.80%	38,620
– Telecommunications, computer services and software	**23,510**	**0.37%**	**7,146**	27,572	0.49%	6,900
– Others	**283,334**	**4.46%**	**109,506**	245,523	4.40%	105,837
Total corporate loans and advances	**4,563,855**	**71.76%**	**1,823,585**	4,061,698	72.91%	1,645,033
Personal loans and advances	**1,677,910**	**26.38%**	**1,538,107**	1,365,684	24.52%	1,276,534
Discounted bills	**117,781**	**1.86%**	**–**	143,158	2.57%	–
Total loans and advances to customers	**6,359,546**	**100.00%**	**3,361,692**	5,570,540	100.00%	2,921,567

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2011				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the year**	**Written off during the year**
Manufacturing	**25,815**	**(15,099)**	**(25,071)**	**5,680**	**1,748**
Transportation, storage and postal services	**7,073**	**(3,616)**	**(17,987)**	**6,294**	**28**

	2010				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	22,465	(14,554)	(22,181)	10,210	3,637
Transportation, storage and postal services	6,646	(3,194)	(12,479)	1,791	82

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations

Group

	2011			2010		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**1,476,118**	**22.72%**	**882,276**	1,321,708	23.31%	765,533
Bohai Rim	**1,137,623**	**17.51%**	**497,565**	1,008,340	17.79%	456,068
Western	**1,108,112**	**17.06%**	**622,268**	963,636	17.00%	532,143
Central	**1,051,837**	**16.19%**	**567,187**	922,185	16.27%	477,127
Pearl River Delta	**955,937**	**14.71%**	**597,404**	858,420	15.14%	515,678
Northeastern	**406,035**	**6.25%**	**197,775**	350,584	6.18%	163,249
Head office	**105,632**	**1.63%**	**486**	63,638	1.12%	494
Overseas	**255,117**	**3.93%**	**53,564**	180,617	3.19%	58,110
Gross loans and advances to customers	**6,496,411**	**100.00%**	**3,418,525**	5,669,128	100.00%	2,968,402

Details of impaired loans and impairment allowances in respect of geographical sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2011		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**19,264**	**(9,721)**	**(29,988)**
Central	**11,885**	**(6,296)**	**(21,313)**
Western	**10,653**	**(5,878)**	**(23,568)**
Pearl River Delta	**9,699**	**(5,458)**	**(21,106)**
Bohai Rim	**9,428**	**(5,850)**	**(23,412)**

	2010		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	13,830	(8,106)	(24,260)
Central	12,222	(6,290)	(17,403)
Western	10,340	(6,138)	(19,073)
Bohai Rim	9,400	(6,618)	(18,816)
Pearl River Delta	8,491	(5,133)	(16,507)

The definitions of geographical segments are set out in Note 57(1).

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations (continued)

Bank

	2011			2010		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**1,472,744**	**23.17%**	**881,074**	1,320,810	23.71%	765,222
Western	**1,108,061**	**17.42%**	**622,253**	963,592	17.30%	532,117
Bohai Rim	**1,090,356**	**17.15%**	**483,614**	978,095	17.56%	448,493
Central	**1,050,747**	**16.52%**	**567,015**	920,626	16.53%	476,579
Pearl River Delta	**955,937**	**15.03%**	**597,404**	858,420	15.41%	515,678
Northeastern	**406,035**	**6.38%**	**197,775**	350,584	6.29%	163,249
Head office	**105,632**	**1.66%**	**486**	63,638	1.14%	494
Overseas	**170,034**	**2.67%**	**12,071**	114,775	2.06%	19,735
Gross loans and advances to customers	**6,359,546**	**100.00%**	**3,361,692**	5,570,540	100.00%	2,921,567

Details of impaired loans and impairment allowances in respect of geographical sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2011		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Yangtze River Delta	**19,264**	**(9,721)**	**(29,914)**
Central	**11,885**	**(6,296)**	**(21,289)**
Western	**10,653**	**(5,878)**	**(23,567)**
Pearl River Delta	**9,699**	**(5,458)**	**(21,106)**
Bohai Rim	**9,361**	**(5,829)**	**(22,924)**

	2010		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Yangtze River Delta	13,830	(8,106)	(24,251)
Central	12,222	(6,290)	(17,387)
Western	10,340	(6,138)	(19,073)
Bohai Rim	9,400	(6,618)	(18,461)
Pearl River Delta	8,491	(5,133)	(16,507)

The definitions of geographical segments are set out in Note 57(1).

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(e) Loans and advances to customers analysed by types of collateral

	Group		Bank	
	2011	2010	**2011**	2010
Unsecured loans	**1,655,537**	1,520,613	**1,618,823**	1,499,484
Guaranteed loans	**1,422,349**	1,180,113	**1,379,031**	1,149,489
Loans secured by tangible assets other than monetary assets	**2,787,776**	2,412,285	**2,738,008**	2,369,804
Loans secured by monetary assets	**630,749**	556,117	**623,684**	551,763
Gross loans and advances to customers	**6,496,411**	5,669,128	**6,359,546**	5,570,540

(f) Rescheduled loans and advances to customers

Group

	2011		2010	
	Total	**% of gross loans and advances to customers**	Total	% of gross loans and advances to customers
Rescheduled loans and advances to customers	**2,692**	**0.04%**	2,070	0.04%
Less:				
Rescheduled loans and advances overdue for more than 90 days	**977**	**0.01%**	668	0.01%
Rescheduled loans and advances overdue for not more than 90 days	**1,715**	**0.03%**	1,402	0.03%

Bank

	2011		2010	
	Total	**% of gross loans and advances to customers**	Total	% of gross loans and advances to customers
Rescheduled loans and advances to customers	**2,575**	**0.04%**	1,926	0.03%
Less:				
Rescheduled loans and advances overdue for more than 90 days	**975**	**0.01%**	666	0.01%
Rescheduled loans and advances overdue for not more than 90 days	**1,600**	**0.03%**	1,260	0.02%

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Group		Bank	
	2011	2010	**2011**	2010
Individually assessed and impaired gross amount	**102**	105	**102**	105
Allowances for impairment losses	**(74)**	(95)	**(74)**	(95)
Subtotal	**28**	10	**28**	10
Neither overdue nor impaired				
– grade A to AAA	**490,618**	186,796	**493,745**	186,957
– grade B to BBB	**92**	90	**92**	90
– unrated	**95,099**	136,459	**96,574**	140,744
Subtotal	**585,809**	323,345	**590,411**	327,791
Total	**585,837**	323,355	**590,439**	327,801

Amounts neither overdue nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group and the Bank have not assigned an internal credit rating.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt securities investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held by its operations in Mainland China. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

Group

	2011					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Policy banks	–	–	–	45	–	45
– Banks and non-bank financial institutions	753	11	199	5,615	9,142	15,720
– Public sector entities	125	–	–	–	–	125
– Other enterprises	312	2,818	–	–	311	3,441
	1,190	2,829	199	5,660	9,453	19,331
Impairment						(8,674)
Subtotal						10,657
Neither overdue nor impaired						
– Government	891,088	2,642	7,029	473	83	901,315
– Central banks	429,101	4,574	2,187	–	185	436,047
– Policy banks	285,340	–	264	140	–	285,744
– Banks and non-bank financial institutions	644,925	33,578	14,415	8,018	3,765	704,701
– Cinda	131,761	–	–	–	–	131,761
– Public sector entities	–	63	87	–	65	215
– Other enterprises	5,157	234,469	5,418	3,250	1,593	249,887
	2,387,372	275,326	29,400	11,881	5,691	2,709,670
Impairment						(1,320)
Subtotal						2,708,350
Total						2,719,007

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt securities investments analysed by rating (continued)

Group (continued)

	2010					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Policy banks	–	–	–	45	–	45
– Banks and non-bank financial institutions	2,077	34	258	8,227	9,004	19,600
– Public sector entities	–	–	–	–	1,128	1,128
– Other enterprises	315	–	–	49	296	660
	2,392	34	258	8,321	10,428	21,433
Impairment						(10,970)
Subtotal						10,463
Neither overdue nor impaired						
– Government	729,814	9,401	–	72,242	92	811,549
– Central banks	940,292	12,978	–	740	509	954,519
– Policy banks	183,087	–	11	654	162	183,914
– Banks and non-bank financial institutions	479,941	26,973	13,502	12,100	1,551	534,067
– Cinda	206,261	–	–	–	–	206,261
– Public sector entities	–	671	91	–	71	833
– Other enterprises	3,804	163,041	4,535	1,484	1,547	174,411
	2,543,199	213,064	18,139	87,220	3,932	2,865,554
Impairment						(512)
Subtotal						2,865,042
Total						2,875,505

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt securities investments analysed by rating (continued)

Bank

	2011					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Policy banks	–	–	–	45	–	45
– Banks and non-bank financial institutions	753	11	199	5,615	9,142	15,720
– Public sector entities	125	–	–	–	–	125
– Other enterprises	312	2,818	–	–	311	3,441
	1,190	2,829	199	5,660	9,453	19,331
Impairment						(8,674)
Subtotal						10,657
Neither overdue nor impaired						
– Government	889,890	2,574	6,729	473	83	899,749
– Central banks	429,101	1,738	2,187	–	–	433,026
– Policy banks	285,340	–	–	130	–	285,470
– Banks and non-bank financial institutions	645,200	32,953	13,638	4,948	2,519	699,258
– Cinda	131,761	–	–	–	–	131,761
– Public sector entities	–	63	87	–	65	215
– Other enterprises	674	233,532	5,010	2,930	1,445	243,591
	2,381,966	270,860	27,651	8,481	4,112	2,693,070
Impairment						(1,320)
Subtotal						2,691,750
Total						2,702,407

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of debt securities investments analysed by rating (continued)

Bank (continued)

	2010					
	Unrated	AAA	AA	A	Lower than A	Total
Individually assessed and impaired gross amount						
– Policy banks	–	–	–	45	–	45
– Banks and non-bank financial institutions	2,077	34	258	8,227	9,004	19,600
– Public sector entities	–	–	–	–	1,128	1,128
– Other enterprises	315	–	–	49	296	660
	2,392	34	258	8,321	10,428	21,433
Impairment						(10,970)
Subtotal						10,463
Neither overdue nor impaired						
– Government	729,814	9,072	–	72,112	92	811,090
– Central banks	940,123	12,978	–	740	–	953,841
– Policy banks	183,087	–	–	374	162	183,623
– Banks and non-bank financial institutions	482,248	26,850	13,237	9,037	1,034	532,406
– Cinda	206,261	–	–	–	–	206,261
– Public sector entities	–	671	91	–	71	833
– Other enterprises	452	163,041	4,311	1,288	1,547	170,639
	2,541,985	212,612	17,639	83,551	2,906	2,858,693
Impairment						(510)
Subtotal						2,858,183
Total						2,868,646

(i) Credit risk arising from the Group's derivatives exposures

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(j) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading business. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Risk Management Department is responsible for formulating standardised market risk management policies and rules and supervising the implementation of market risk management policies and rules of the Bank. The Asset and Liability Management Department (the "ALM") and the International Business Department is responsible for managing the size and structure of the assets and liabilities in response to non-trading market risk. The Financial Market Department manages the Head Office's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group is primarily exposed to structural interest rate risk arising from interest generating commercial banking assets and interest bearing commercial banking liabilities. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of assets and liabilities. The Group manages this risk through regular interest rate gap analysis.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by entering into cross currency interest rate swaps to hedge these exposures on a portfolio basis.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions on a trade-by-trade basis with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio and available-for-sale debt securities. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

	2011			
	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	**57**	**90**	**263**	**12**
– Interest rate risk	**18**	**25**	**67**	**7**
– Foreign exchange risk(1)	**49**	**84**	**260**	**8**
– Commodity risk(2)	**8**	**25**	**73**	**1**

	2010			
	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	43	39	95	8
– Interest rate risk	10	17	47	2
– Foreign exchange risk(1)	44	36	97	4

(1) The reporting of risk in relation to bullion is included in foreign exchange risk above.

(2) The group calculates the commodity risk since November 2011.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and within a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs did not add up to the total VaR as there was diversification effect due to correlation amongst the risk factors.

The above average, maximum and minimum VaR for interest rate risk, foreign exchange risk and diversification of the trading portfolio represent a breakdown of the average, maximum and minimum VaR for the whole portfolio and not the individual average, maximum and minimum VaR for each risk within the portfolio.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used there is 1 percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease planned net interest income for the next twelve months from the reporting date by RMB37,516 million (2010: RMB34,771 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the planned net interest income for the next twelve months from the reporting date would decrease or increase by RMB21,061 million (2010: RMB21,214 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and subject to the Bank's current interest rate exposures. However, account has not been taken of the possible risk management measures that can be undertaken by the department who manage the interest related risk or related business departments to mitigate interest rate risk. In practice, the department who manage the interest related risk strives to reduce loss arising from interest rate risk while increasing its net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(c) Interest rate repricing gap analysis

Interest rate risk refers to the risk where the market interest rates, tenor and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the banking book. The key determinants of the Group's interest rate risk arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

The following tables indicate the effective interest rate ("EIR") for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

Group

		2011						
	Note	Effective interest rate Note (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.54%	197,288	2,182,521	–	–	–	2,379,809
Deposits and placements with banks and non-bank financial institutions		2.75%	–	279,079	105,486	1,151	76	385,792
Financial assets held under resale agreements		4.03%	–	198,966	1,079	–	–	200,045
Loans and advances to customers	(ii)	5.69%	–	3,485,517	2,746,432	26,964	66,281	6,325,194
Investments	(iii)	3.27%	24,811	258,463	465,984	1,098,204	896,357	2,743,819
Other assets		–	247,175	–	–	–	–	247,175
Total assets		4.27%	469,274	6,404,546	3,318,981	1,126,319	962,714	12,281,834
Liabilities								
Borrowings from central banks		0.98%	–	2,220	–	–	–	2,220
Deposits and placements from banks and non-bank financial institutions		2.35%	–	948,479	58,520	37,955	–	1,044,954
Financial liabilities at fair value through profit or loss		1.33%	12,683	11,669	9,304	–	–	33,656
Financial assets sold under repurchase agreements		5.67%	–	9,543	918	–	–	10,461
Deposits from customers		1.61%	44,435	7,185,234	2,057,323	692,825	7,633	9,987,450
Debt securities issued		3.41%	–	18,100	20,518	31,123	98,571	168,312
Other liabilities		–	218,120	–	–	–	–	218,120
Total liabilities		1.70%	275,238	8,175,245	2,146,583	761,903	106,204	11,465,173
Asset-liability gap		2.57%	194,036	(1,770,699)	1,172,398	364,416	856,510	816,661

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Group (continued)

		2010						
	Note	Effective interest rate Note (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than Five years	Total
Assets								
Cash and deposits with central banks		1.52%	65,649	1,782,380	–	–	–	1,848,029
Deposits and placements with banks and non-bank financial institutions		1.51%	–	138,366	3,864	50	–	142,280
Financial assets held resale agreements		1.68%	–	160,915	20,160	–	–	181,075
Loans and advances to customers	(ii)	5.07%	–	2,753,781	2,682,962	21,099	68,184	5,526,026
Investments	(iii)	2.83%	31,269	595,367	660,904	886,509	732,725	2,906,774
Other assets		–	206,133	–	–	–	–	206,133
Total assets		3.74%	303,051	5,430,809	3,367,890	907,658	800,909	10,810,317
Liabilities								
Borrowings from central banks		2.34%	–	1,781	–	–	–	1,781
Deposits and placements from banks and non-bank financial institutions		1.73%	–	679,934	31,497	38,378	–	749,809
Financial liabilities at fair value through profit or loss		1.32%	2,926	9,963	51	2,347	–	15,287
Financial assets sold under repurchase agreements		1.82%	–	4,868	54	–	–	4,922
Deposits from customers		1.28%	41,602	6,708,141	1,951,209	367,097	7,320	9,075,369
Debt securities issued		3.78%	–	7,563	3,401	24,425	57,926	93,315
Other liabilities		–	168,929	–	–	–	–	168,929
Total liabilities		1.34%	213,457	7,412,250	1,986,212	432,247	65,246	10,109,412
Asset-liability gap		2.40%	89,594	(1,981,441)	1,381,678	475,411	735,663	700,905

Notes:

(i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB25,121 million as at 31 December 2011 (2010: RMB23,433 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investment, debt securities classified as receivables and investments in associates and jointly controlled entities.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Bank

	Note	Effective interest rate Note (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
		2011						
Assets								
Cash and deposits with central banks		1.54%	192,636	2,180,857	–	–	–	2,373,493
Deposits and placements with banks and non-bank financial institutions		2.80%	–	277,365	112,959	24	46	390,394
Financial assets held under resale agreements		4.03%	–	198,966	1,079	–	–	200,045
Loans and advances to customers	(ii)	5.72%	–	3,371,429	2,729,704	22,166	66,064	6,189,363
Investments	(iii)	3.26%	23,949	253,680	460,878	1,093,014	894,834	2,726,355
Other assets		–	259,240	–	–	–	–	259,240
Total assets		4.27%	475,825	6,282,297	3,304,620	1,115,204	960,944	12,138,890
Liabilities								
Borrowings from central banks		0.98%	–	2,210	–	–	–	2,210
Deposits and placements from banks and non-bank financial institutions		2.30%	–	941,999	37,133	36,555	–	1,015,687
Financial liabilities at fair value through profit or loss		1.33%	12,683	11,669	6,614	–	–	30,966
Financial assets sold under repurchase agreements		4.85%	–	10,676	918	–	–	11,594
Deposits from customers		1.61%	40,221	7,119,711	2,047,688	691,184	7,289	9,906,093
Debt securities issued		3.52%	–	14,904	15,573	29,002	98,571	158,050
Other liabilities		–	207,713	–	–	–	–	207,713
Total liabilities		1.70%	260,617	8,101,169	2,107,926	756,741	105,860	11,332,313
Asset-liability gap		2.57%	215,208	(1,818,872)	1,196,694	358,463	855,084	806,577

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Bank (continued)

		2010						
	Note	Effective interest rate Note (i)	Non-interest bearing	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.52%	65,408	1,776,459	–	–	–	1,841,867
Deposits and placements with banks and non-bank financial institutions		1.46%	–	137,516	9,210	–	–	146,726
Financial assets held under resale agreements		1.68%	–	160,915	20,160	–	–	181,075
Loans and advances to customers	(ii)	5.07%	–	2,693,227	2,648,564	18,464	68,024	5,428,279
Investments	(iii)	2.83%	27,623	593,104	660,150	883,051	732,691	2,896,619
Other assets		–	220,239	–	–	–	–	220,239
Total assets		3.73%	313,270	5,361,221	3,338,084	901,515	800,715	10,714,805
Liabilities								
Borrowings from central banks		2.34%	–	1,781	–	–	–	1,781
Deposits and placements from banks and non-bank financial institutions		1.69%	–	660,043	29,463	37,396	–	726,902
Financial liabilities at fair value through profit or loss		1.32%	2,926	9,963	51	–	–	12,940
Financial assets sold under repurchase agreements		1.29%	–	6,774	4,315	–	–	11,089
Deposits from customers		1.28%	41,602	6,656,114	1,943,158	366,508	7,264	9,014,646
Debt securities issued		3.70%	–	6,203	3,145	24,161	57,922	91,431
Other liabilities		–	164,651	–	–	–	–	164,651
Total liabilities		1.34%	209,179	7,340,878	1,980,132	428,065	65,186	10,023,440
Asset-liability gap		2.39%	104,091	(1,979,657)	1,357,952	473,450	735,529	691,365

Notes:

(i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB24,664 million as at 31 December 2011 (2010: RMB23,092 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, debt securities classified as receivables and investments in subsidiaries.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the treasury's proprietary investments, and currency exposures originated by the Group's overseas businesses.

The Group manages other currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The currency exposures of the Group's and the Bank's assets and liabilities as at the end of the reporting period are as follows:

Group

		2011			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,253,657	45,133	81,019	2,379,809
Deposits and placements with banks and non-bank financial institutions	(i)	536,807	25,609	23,421	585,837
Loans and advances to customers		5,955,730	245,419	124,045	6,325,194
Investments		2,672,309	29,090	42,420	2,743,819
Other assets		218,568	22,703	5,904	247,175
Total assets		11,637,071	367,954	276,809	12,281,834
Liabilities					
Borrowings from central banks		16	2,203	1	2,220
Deposits and placements from banks and non-bank financial institutions	(ii)	856,133	81,819	117,463	1,055,415
Financial liabilities at fair value through profit or loss		22,323	8,545	2,788	33,656
Deposits from customers		9,690,386	164,752	132,312	9,987,450
Debt securities issued		132,920	20,399	14,993	168,312
Other liabilities		182,299	8,305	27,516	218,120
Total liabilities		10,884,077	286,023	295,073	11,465,173
Net position		752,994	81,931	(18,264)	816,661
Net notional amount of derivatives		44,469	(79,952)	36,194	711

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

Group (continued)

	Note	2010			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		1,815,825	5,960	26,244	1,848,029
Deposits and placements with banks and non-bank financial institutions	(i)	254,409	26,068	42,878	323,355
Loans and advances to customers		5,194,760	223,264	108,002	5,526,026
Investments		2,834,022	35,416	37,336	2,906,774
Other assets		198,160	1,769	6,204	206,133
Total assets		10,297,176	292,477	220,664	10,810,317
Liabilities					
Borrowings from central banks		6	1,054	721	1,781
Deposits and placements from banks and non-bank financial institutions	(ii)	619,166	68,882	66,683	754,731
Financial liabilities at fair value through profit or loss		12,865	75	2,347	15,287
Deposits from customers		8,833,230	126,643	115,496	9,075,369
Debt securities issued		79,910	3,610	9,795	93,315
Other liabilities		146,955	9,392	12,582	168,929
Total liabilities		9,692,132	209,656	207,624	10,109,412
Net position		605,044	82,821	13,040	700,905
Net notional amount of derivatives		56,482	(65,331)	10,622	1,773

Notes:

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank

	Note	2011			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,252,012	45,133	76,348	2,373,493
Deposits and placements with banks and non-bank financial institutions	(i)	543,655	30,651	16,133	590,439
Loans and advances to customers		5,898,547	220,940	69,876	6,189,363
Investments		2,671,599	27,916	26,840	2,726,355
Other assets		234,948	22,717	1,575	259,240
Total assets		11,600,761	347,357	190,772	12,138,890
Liabilities					
Borrowings from central banks		6	2,203	1	2,210
Deposits and placements from banks and non-bank financial institutions	(ii)	832,280	84,504	110,497	1,027,281
Financial liabilities at fair value through profit or loss		22,323	8,545	98	30,966
Deposits from customers		9,675,116	150,321	80,656	9,906,093
Debt securities issued		131,796	17,442	8,812	158,050
Other liabilities		193,377	7,920	6,416	207,713
Total liabilities		10,854,898	270,935	206,480	11,332,313
Net position		745,863	76,422	(15,708)	806,577
Net notional amount of derivatives		44,785	(69,562)	25,439	662

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank (continued)

		2010			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		1,815,109	5,960	20,798	1,841,867
Deposits and placements with banks and non-bank financial institutions	(i)	258,007	28,914	40,880	327,801
Loans and advances to customers		5,162,066	209,412	56,801	5,428,279
Investments		2,837,047	33,378	26,194	2,896,619
Other assets		217,396	2,025	818	220,239
Total assets		10,289,625	279,689	145,491	10,714,805
Liabilities					
Borrowings from central banks		6	1,054	721	1,781
Deposits and placements from banks and non-bank financial institutions	(ii)	601,454	74,872	61,665	737,991
Financial liabilities at fair value through profit or loss		12,865	75	–	12,940
Deposits from customers		8,827,457	116,157	71,032	9,014,646
Debt securities issued		79,909	2,435	9,087	91,431
Other liabilities		152,348	8,913	3,390	164,651
Total liabilities		9,674,039	203,506	145,895	10,023,440
Net position		615,586	76,183	(404)	691,365
Net notional amount of derivatives		60,175	(61,683)	3,033	1,525

Notes:

(i) Including financial assets held under resale agreements.

(ii) Including financial assets sold under repurchase agreements.\

(3) Liquidity risk

Liquidity risk is the type of risk that occurs when, despite its debt servicing ability, the Group cannot obtain sufficient funds in time, or obtain sufficient funds at a reasonable cost, to meet the needs of asset growth or repay liabilities when they are due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM. The ALM is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

– adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;

– optimising the Group's asset and liability structure, diversifying and stabilizing the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and

– managing and utilising centrally the Bank's liquid funds.

The Group uses a variety of methods including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Various types of scenario analysis are then applied to assess the impact of liquidity risk.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group and the Bank based on the remaining periods to repayment as at the end of the reporting period:

Group

	2011							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	1,996,932	382,877	–	–	–	–	–	2,379,809
Deposits and placements with banks and non-bank financial institutions	–	32,603	151,071	95,405	98,454	8,183	76	385,792
Financial assets held under resale agreements	–	–	185,613	13,353	1,079	–	–	200,045
Loans and advances to customers	33,363	104,292	236,117	456,647	1,647,945	1,674,416	2,172,414	6,325,194
Investments								
– Financial assets at fair value through profit or loss	8,722	–	2	201	6,382	6,326	1,463	23,096
– Available-for-sale financial assets	22,308	–	7,678	42,776	136,627	314,230	151,439	675,058
– Held-to-maturity investments	2,004	–	24,140	22,928	156,543	911,631	626,323	1,743,569
– Debt securities classified as receivables	368	–	–	750	17,944	57,259	223,706	300,027
– Investments in associates and jointly controlled entities	2,069	–	–	–	–	–	–	2,069
Other assets	138,347	31,518	14,631	25,221	28,087	4,689	4,682	247,175
Total assets	2,204,113	551,290	619,252	657,281	2,093,061	2,976,734	3,180,103	12,281,834
Liabilities								
Borrowings from central banks	–	2,220	–	–	–	–	–	2,220
Deposits and placements from banks and non-bank financial institutions	–	445,029	320,833	156,922	57,350	64,820	–	1,044,954
Financial liabilities at fair value through profit or loss	–	12,682	8,460	3,182	9,304	–	28	33,656
Financial assets sold under repurchase agreements	–	–	2,469	7,074	918	–	–	10,461
Deposits from customers	–	5,396,360	844,136	896,678	2,145,634	694,911	9,731	9,987,450
Debt securities issued								
– Certificates of deposit issued	–	–	7,258	10,842	20,518	9,138	695	48,451
– Subordinated bonds issued	–	–	–	–	–	21,985	97,876	119,861
Other liabilities	358	134,242	11,632	14,833	40,171	12,495	4,389	218,120
Total liabilities	358	5,990,533	1,194,788	1,089,531	2,273,895	803,349	112,719	11,465,173
Long/(short) position	2,203,755	(5,439,243)	(575,536)	(432,250)	(180,834)	2,173,385	3,067,384	816,661
Notional amount of derivatives								
– Interest rate contracts	–	–	2,471	8,976	69,553	74,121	28,539	183,660
– Exchange rate contracts	–	–	165,801	181,875	334,292	48,370	10,399	740,737
– Other contracts	–	–	399	59	3,969	584	–	5,011
Total	–	–	168,671	190,910	407,814	123,075	38,938	929,408

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) *Maturity analysis (continued)*

Group (continued)

	2010							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	1,628,890	219,139	–	–	–	–	–	1,848,029
Deposits and placements with banks and non-bank financial institutions	–	53,210	74,247	9,638	5,135	50	–	142,280
Financial assets held under resale agreements	–	–	99,961	60,954	20,160	–	–	181,075
Loans and advances to customers	28,796	68,102	182,745	395,284	1,278,290	1,504,855	2,067,954	5,526,026
Investments								
– Financial assets at fair value through profit or loss	9,484	–	796	1,239	1,576	3,945	304	17,344
– Available-for-sale financial assets	28,437	–	30,095	130,872	143,758	238,283	125,403	696,848
– Held-to-maturity investments	2,035	–	52,824	198,229	355,341	761,587	514,041	1,884,057
– Debt securities classified as receivables	–	–	–	–	16,494	3,628	286,626	306,748
– Investments in associates and jointly controlled entities	1,777	–	–	–	–	–	–	1,777
Other assets	124,387	47,792	3,613	5,664	9,779	5,520	9,378	206,133
Total assets	1,823,806	388,243	444,281	801,880	1,830,533	2,517,868	3,003,706	10,810,317
Liabilities								
Borrowings from central banks	–	1,781	–	–	–	–	–	1,781
Deposits and placements from banks and non-bank financial institutions	–	518,773	77,774	16,846	61,039	75,377	–	749,809
Financial liabilities at fair value through profit or loss	–	2,926	3,043	6,896	24	2,347	51	15,287
Financial assets sold under repurchase agreements	–	–	2,868	2,000	54	–	–	4,922
Deposits from customers	–	5,162,475	809,818	775,614	1,949,539	367,799	10,124	9,075,369
Debt securities issued								
– Certificates of deposit issued	–	–	794	898	6,569	5,149	4	13,414
– Subordinated bonds issued	–	–	–	–	–	21,979	57,922	79,901
Other liabilities	243	76,817	8,056	15,598	58,579	3,946	5,690	168,929
Total liabilities	243	5,762,772	902,353	817,852	2,075,804	476,597	73,791	10,109,412
Long/(short) position	1,823,563	(5,374,529)	(458,072)	(15,972)	(245,271)	2,041,271	2,929,915	700,905
Notional amount of derivatives								
– Interest rate contracts	–	–	3,475	24,497	49,557	70,726	32,875	181,130
– Exchange rate contracts	–	–	159,043	146,726	275,359	27,309	11,012	619,449
– Other contracts	–	–	1,576	331	731	1,237	–	3,875
Total	–	–	164,094	171,554	325,647	99,272	43,887	804,454

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Bank

	2011							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	1,995,697	377,796	–	–	–	–	–	2,373,493
Deposits and placements with banks and non-bank financial institutions	–	30,093	148,930	98,343	105,958	7,024	46	390,394
Financial assets held under resale agreements	–	–	185,613	13,353	1,079	–	–	200,045
Loans and advances to customers	32,274	103,938	230,801	443,386	1,613,532	1,628,225	2,137,207	6,189,363
Investments								
– Financial assets at fair value through profit or loss	–	–	2	201	4,332	2,748	1,432	8,715
– Available-for-sale financial assets	20,284	–	6,791	40,350	132,784	312,415	150,959	663,583
– Held-to-maturity investments	2,004	–	24,141	22,888	156,503	911,447	625,359	1,742,342
– Debt securities classified as receivables	368	–	–	750	17,944	57,047	223,656	299,765
– Investments in subsidiaries	11,950	–	–	–	–	–	–	11,950
Other assets	154,043	30,666	14,212	24,889	27,432	3,316	4,682	259,240
Total assets	2,216,620	542,493	610,490	644,160	2,059,564	2,922,222	3,143,341	12,138,890
Liabilities								
Borrowings from central banks	–	2,210	–	–	–	–	–	2,210
Deposits and placements from banks and non-bank financial institutions	–	447,667	322,533	146,309	35,808	63,370	–	1,015,687
Financial liabilities at fair value through profit or loss	–	12,682	8,460	3,182	6,614	–	28	30,966
Financial assets sold under repurchase agreements	–	–	3,161	7,515	918	–	–	11,594
Deposits from customers	–	5,378,414	819,917	869,435	2,135,490	693,169	9,668	9,906,093
Debt securities issued								
– Certificates of deposit issued	–	–	5,719	9,185	15,573	7,017	695	38,189
– Subordinated bonds issued	–	–	–	–	–	21,985	97,876	119,861
Other liabilities	23	133,015	10,765	13,154	34,286	12,082	4,388	207,713
Total liabilities	23	5,973,988	1,170,555	1,048,780	2,228,689	797,623	112,655	11,332,313
Long/(short) position	2,216,597	(5,431,495)	(560,065)	(404,620)	(169,125)	2,124,599	3,030,686	806,577
Notional amount of derivatives								
– Interest rate contracts	–	–	1,798	6,532	68,583	67,200	28,539	172,652
– Exchange rate contracts	–	–	132,742	149,261	291,538	47,107	10,399	631,047
– Other contracts	–	–	298	–	2,839	–	–	3,137
Total	–	–	134,838	155,793	362,960	114,307	38,938	806,836

(Expressed in millions of RMB, unless otherwise stated)

62 MATURITY ANALYSIS (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Bank (continued)

	2010							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	1,628,372	213,495	–	–	–	–	–	1,841,867
Deposits and placements with banks and non-bank financial institutions	–	49,494	72,580	14,172	10,480	–	–	146,726
Financial assets held under resale agreements	–	–	99,961	60,954	20,160	–	–	181,075
Loans and advances to customers	27,826	68,098	178,306	389,016	1,259,594	1,468,371	2,037,068	5,428,279
Investments								
– Financial assets at fair value through profit or loss	–	–	599	1,007	653	515	270	3,044
– Available-for-sale financial assets	26,182	–	29,844	130,722	144,408	236,504	125,371	693,031
– Held-to-maturity investments	2,035	–	52,824	198,209	355,231	761,587	514,041	1,883,927
– Debt securities classified as receivables	–	–	–	–	16,494	3,628	286,626	306,748
– Investments in subsidiaries	9,869	–	–	–	–	–	–	9,869
Other assets	142,005	47,456	3,093	5,209	8,012	5,081	9,383	220,239
Total assets	1,836,289	378,543	437,207	799,289	1,815,032	2,475,686	2,972,759	10,714,805
Liabilities								
Borrowings from central banks	–	1,781	–	–	–	–	–	1,781
Deposits and placements from banks and non-bank financial institutions	–	520,782	77,870	14,111	40,889	73,250	–	726,902
Financial liabilities at fair value through profit or loss	–	2,926	3,043	6,896	24	–	51	12,940
Financial assets sold under repurchase agreements	–	–	3,446	3,328	4,315	–	–	11,089
Deposits from customers	–	5,163,478	772,509	759,893	1,941,488	367,210	10,068	9,014,646
Debt securities issued								
– Certificates of deposit issued	–	–	487	1,481	5,657	3,905	–	11,530
– Subordinated bonds issued	–	–	–	–	–	21,979	57,922	79,901
Other liabilities	4	76,101	7,453	15,053	56,523	3,807	5,710	164,651
Total liabilities	4	5,765,068	864,808	800,762	2,048,896	470,151	73,751	10,023,440
Long/(short) position	1,836,285	(5,386,525)	(427,601)	(1,473)	(233,864)	2,005,535	2,899,008	691,365
Notional amount of derivatives								
– Interest rate contracts	–	–	3,475	23,719	43,435	69,163	32,875	172,667
– Exchange rate contracts	–	–	129,103	132,548	250,552	27,309	11,012	550,524
– Other contracts	–	–	1,502	–	90	33	–	1,625
Total	–	–	134,080	156,267	294,077	96,505	43,887	724,816

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group and the Bank as at the end of the reporting period. The Group's and the Bank's expected cash flows on these instruments may vary significantly from this analysis.

Group

	2011							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	2,220	2,220	2,220	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	1,044,954	1,068,048	445,050	322,102	159,237	59,685	81,974	–
Financial liabilities at fair value through profit or loss	33,656	33,684	12,682	8,476	3,192	9,305	–	29
Financial assets sold under repurchase agreements	10,461	10,615	–	2,480	7,175	960	–	–
Deposits from customers	9,987,450	10,201,224	5,400,418	851,975	915,887	2,217,601	802,755	12,588
Debt securities issued								
– Certificates of deposit issued	48,451	49,133	–	7,261	10,859	20,655	9,432	926
– Subordinated bonds issued	119,861	164,820	–	–	1,504	3,976	42,488	116,852
Other financial liabilities	52,449	52,449	48,745	140	160	2,896	–	508
Total	11,299,502	11,582,193	5,909,115	1,192,434	1,098,014	2,315,078	936,649	130,903
Off-balance sheet loan commitments and credit card commitments (Note)		745,224	557,208	53,318	25,953	76,123	30,629	1,993
Guarantees, acceptances and other financial facilities (Note)		1,236,725	–	251,994	258,931	403,962	226,551	95,287

	2010							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	1,781	1,781	1,781	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	749,809	773,294	518,852	78,010	16,966	67,208	92,258	–
Financial liabilities at fair value through profit or loss	15,287	15,503	2,926	3,052	6,915	24	2,535	51
Financial assets sold under repurchase agreements	4,922	4,956	–	2,872	2,027	57	–	–
Deposits from customers	9,075,369	9,206,516	5,163,295	816,968	790,309	2,008,784	415,469	11,691
Debt securities issued								
– Certificates of deposit issued	13,414	13,628	–	827	915	6,653	5,228	5
– Subordinated bonds issued	79,901	105,220	–	–	1,504	1,696	34,084	67,936
Other financial liabilities	38,970	38,970	37,630	227	55	86	460	512
Total	9,979,453	10,159,868	5,724,484	901,956	818,691	2,084,508	550,034	80,195
Off-balance sheet loan commitments and credit card commitments (Note)		812,355	481,802	52,753	49,993	117,755	68,140	41,912
Guarantees, acceptances and other financial facilities (Note)		1,223,465	–	317,802	260,916	375,122	237,075	32,550

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Bank

	2011							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	2,210	2,210	2,210	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	1,015,687	1,036,867	447,688	323,783	148,369	36,736	80,291	–
Financial liabilities at fair value through profit or loss	30,966	30,993	12,682	8,476	3,192	6,614	–	29
Financial assets sold under repurchase agreements	11,594	11,779	–	3,189	7,630	960	–	–
Deposits from customers	9,906,093	10,119,604	5,382,466	827,734	888,559	2,207,347	800,974	12,524
Debt securities issued								
– Certificates of deposit issued	38,189	38,766	–	5,721	9,199	15,681	7,239	926
– Subordinated bonds issued	119,861	164,820	–	–	1,504	3,976	42,488	116,852
Other financial liabilities	44,024	44,024	40,341	139	149	2,887	–	508
Total	11,168,624	11,449,063	5,885,387	1,169,042	1,058,602	2,274,201	930,992	130,839
Off-balance sheet loan commitments and credit card commitments (Note)		718,317	557,208	29,473	25,051	74,233	30,359	1,993
Guarantees, acceptances and other financial facilities (Note)		1,238,467	–	251,967	259,571	405,377	226,265	95,287

	2010							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	1,781	1,781	1,781	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	726,902	749,660	520,806	78,142	14,198	46,487	90,027	–
Financial liabilities at fair value through profit or loss	12,940	12,968	2,926	3,051	6,916	24	–	51
Financial assets sold under repurchase agreements	11,089	11,378	–	3,450	3,373	4,555	–	–
Deposits from customers	9,014,646	9,145,793	5,164,298	779,659	774,588	2,000,733	414,880	11,635
Debt securities issued								
– Certificates of deposit issued	11,530	11,743	–	520	1,498	5,741	3,984	–
– Subordinated bonds issued	79,901	105,220	–	–	1,504	1,696	34,084	67,936
Other financial liabilities	36,046	36,046	34,719	225	48	86	456	512
Total	9,894,835	10,074,589	5,724,530	865,047	802,125	2,059,322	543,431	80,134
Off-balance sheet loan commitments and credit card commitments (Note)		786,799	481,802	30,098	49,139	115,964	67,884	41,912
Guarantees, acceptances and other financial facilities (Note)		1,222,594	–	317,831	260,513	375,114	236,586	32,550

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other financial facilities do not represent the amount to be paid.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(4) Operational risk

Operational risk represents the risk of loss due to deficient and flawed internal processes, personnel and information system, or other external events.

The Group has continued to further strengthen the operational risk management processes to ensure operational stability and business as usual, by enhancing the self-assessment of operational risk, establishing key risk controls and examination, utilizing usage of operational risk tools and systems, performing emergency drills to ensure continuous business operations in adverse scenarios and promoting business continuity management:

– continuous self-assessment of operational risk – The Group continuously improves and expands the scope of self-assessment, placing particular focus on off-balance sheet related items to enhance respective regulations, processes and services;

– establishment of examination of key risk controls – The Group carries out examination over key risk controls, and continues to refine, expand and re-examine the scope and contents of the monitoring checks, placing particular focus on key business areas and preventive checks on major operational risk areas;

– strengthening the centralized operational risk management evaluation system – The Group refines the operational risk indicators with respect to corporate and personal credit businesses, which assists and drives branches' evaluation of the operational risks;

– improvement in segregation of duties – The Group continues to improve and review the roles and responsibilities of its key staff positions to ensure adequate segregation of duties (responsibilities), further strengthening the system of checks and balances;

– steady progress in business continuity management – The Group conducts emergency operational drills in pilot branches, which improves the strategies and mechanisms of the Tier 2 institutions and networks in response to natural disasters;

– strengthening major risks and unforeseen events reporting process – The Group formalizes the supervision and monitoring over major risks and unforeseen events by prescribing the information recording and reporting processes. Clear information channels have also been established to increase the ability of the Group to address these risks and events;

– streamline and review of important system parameters – The Group continues to evaluate management system parameters and timely remediates deficiency to ensure secured and smooth system operations; and

– the Group has implemented laws, rules and regulations concerning anti-money laundering (AML). The Group continued to improve its internal control system relating to AML. The Group follows "know-your-customer" principle in identifying and recording customers' identities and transactions diligently, and proactively identifies and reports significant, suspicious and suspected terrorist-related transactions. Training and publicity for AML has also been enhanced. All these measures are put in place to effectively fulfill the statutory AML obligations.

(5) Fair value

(a) Financial assets

The Group's financial assets mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets at fair value through profit or loss, financial assets held under resale agreements, loans and advances to customers, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

Investments

Available-for-sale financial assets and financial assets at fair value through profit or loss are stated at fair value in the financial statements. The following table shows the carrying values and the fair values of the debt securities classified as receivables and held-to-maturity investments which are not presented in the statement of financial position at their fair values.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(5) Fair value (continued)

(a) Financial assets (continued)

Group

	Carrying value		Fair value	
	2011	2010	**2011**	2010
Debt securities classified as receivables	**300,027**	306,748	**291,829**	282,996
Held-to-maturity investments	**1,743,569**	1,884,057	**1,753,842**	1,864,881
Total	**2,043,596**	2,190,805	**2,045,671**	2,147,877

Bank

	Carrying value		Fair value	
	2011	2010	**2011**	2010
Debt securities classified as receivables	**299,765**	306,748	**291,569**	282,996
Held-to-maturity investments	**1,742,342**	1,883,927	**1,752,585**	1,864,751
Total	**2,042,107**	2,190,675	**2,044,154**	2,147,747

(b) Financial liabilities

The Group's financial liabilities mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The carrying values of financial liabilities approximated their fair values as at the end of the reporting period, except that the fair value of subordinated bonds issued As at 31 December 2011 was RMB117,969 million (2010: RMB75,779 million), which was lower than their carrying value of RMB119,861 million (2010: RMB79, 901 million).

(6) Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(6) Valuation of financial instruments (continued)

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group

	2011			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	**–**	**8,715**	**–**	**8,715**
– Equity instruments and funds	**549**	**–**	**–**	**549**
Financial assets designated as at fair value through profit or loss				
– Debt securities	**1,177**	**–**	**4,483**	**5,660**
– Equity instruments	**794**	**1,059**	**6,319**	**8,172**
Positive fair value of derivatives	**–**	**11,709**	**2,418**	**14,127**
Available-for-sale financial assets				
– Debt securities	**17,776**	**638,695**	**4,565**	**661,036**
– Equity instruments and funds	**10,499**	**1,118**	**552**	**12,169**
Total	**30,795**	**661,296**	**18,337**	**710,428**
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	**–**	**30,937**	**2,719**	**33,656**
Negative fair value of derivatives	**–**	**10,860**	**2,450**	**13,310**
Total	**–**	**41,797**	**5,169**	**46,966**

	2010			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	51	2,993	–	3,044
– Equity instruments and funds	1,541	–	–	1,541
Financial assets designated as at fair value through profit or loss				
– Debt securities	1,309	508	2,999	4,816
– Equity instruments	4,372	–	3,571	7,943
Positive fair value of derivatives	–	8,763	2,461	11,224
Available-for-sale financial assets				
– Debt securities	15,594	657,106	4,140	676,840
– Equity instruments and funds	16,666	400	374	17,440
Total	39,533	669,770	13,545	722,848
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	12,916	2,371	15,287
Negative fair value of derivatives	–	7,212	2,146	9,358
Total	–	20,128	4,517	24,645

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(6) Valuation of financial instruments (continued)

Bank

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	**–**	**8,715**	**–**	**8,715**
Positive fair value of derivatives	**–**	**10,707**	**2,366**	**13,073**
Available-for-sale financial assets				
– Debt securities	**8,715**	**641,165**	**1,705**	**651,585**
– Equity instruments and funds	**10,064**	**34**	**62**	**10,160**
Total	**18,779**	**660,621**	**4,133**	**683,533**
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	**–**	**30,937**	**29**	**30,966**
Negative fair value of derivatives	**–**	**9,992**	**2,362**	**12,354**
Total	**–**	**40,929**	**2,391**	**43,320**

	2010			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
– Debt securities	51	2,993	–	3,044
Positive fair value of derivatives	–	8,033	2,120	10,153
Available-for-sale financial assets				
– Debt securities	15,100	658,183	1,994	675,277
– Equity instruments and funds	15,952	–	–	15,952
Total	31,103	669,209	4,114	704,426
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	–	12,916	24	12,940
Negative fair value of derivatives	–	6,617	2,117	8,734
Total	–	19,533	2,141	21,674

For the year ended 31 December 2011 and 2010, there were no significant transfer between level 1 and level 2 of the fair value hierarchy.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(6) Valuation of financial instruments (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

Group

	2011								
	Financial assets designated as at fair value through profit or loss			Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2011	2,999	3,571	2,461	4,140	374	13,545	(2,371)	(2,146)	(4,517)
Total gains or losses:									
In profit or loss	(330)	129	93	370	–	262	(48)	(436)	(484)
In other comprehensive income	–	–	–	(266)	(28)	(294)	–	–	–
Purchases	3,091	3,244	35	2,085	207	8,662	(655)	(88)	(743)
Sales and settlements	(1,277)	(625)	(193)	(1,860)	(1)	(3,956)	355	191	546
Transfer in/out	–	–	22	96	–	118	–	29	29
As at 31 December 2011	4,483	6,319	2,418	4,565	552	18,337	(2,719)	(2,450)	(5,169)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	(334)	129	631	370	–	796	(48)	(1,027)	(1,075)

	2010								
	Financial assets designated as at fair value through profit or loss			Available-for-sale financial assets					
	Debt securities	Equity instruments and funds	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2010	2,480	2,510	4,034	2,834	704	12,562	(29)	(3,085)	(3,114)
Total gains or losses:									
In profit or loss	143	(1,449)	(603)	244	–	(1,665)	(31)	386	355
In other comprehensive income	–	–	–	193	60	253	–	–	–
Purchases	3,236	2,510	–	2,146	140	8,032	(2,311)	–	(2,311)
Sales and settlements	(2,860)	–	(829)	(1,212)	(530)	(5,431)	–	547	547
Transfer out	–	–	(141)	(65)	–	(206)	–	6	6
As at 31 December 2010	2,999	3,571	2,461	4,140	374	13,545	(2,371)	(2,146)	(4,517)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	(61)	(1,449)	(152)	244	–	(1,418)	(31)	(64)	(95)

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(6) Valuation of financial instruments (continued)

Bank

	2011						
		Available-for-sale financial assets					
	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2011	2,120	1,994	–	4,114	(24)	(2,117)	(2,141)
Total gains or losses:							
In profit or loss	437	370	–	807	(5)	(436)	(441)
In other comprehensive income	–	(262)	8	(254)	–	–	–
Purchases	2	–	54	56	–	–	–
Sales and settlements	(193)	(493)	–	(686)	–	191	191
Transfer in	–	96	–	96	–	–	–
As at 31 December 2011	2,366	1,705	62	4,133	(29)	(2,362)	(2,391)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	601	370	–	971	(5)	(598)	(603)

	2010					
	Positive fair value of derivatives	Available-for-sale debt securities	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2010	3,064	2,834	5,898	(29)	(3,056)	(3,085)
Total gains or losses:						
In profit or loss	(387)	244	(143)	5	394	399
In other comprehensive income	–	193	193	–	–	–
Sales and settlements	(549)	(1,212)	(1,761)	–	545	545
Transfer out	(8)	(65)	(73)	–	–	–
As at 31 December 2010	2,120	1,994	4,114	(24)	(2,117)	(2,141)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	64	244	308	5	(57)	(52)

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain, net gain arising from investment securities and impairment losses of the statement of comprehensive income.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(7) Capital management

The Group has implemented a comprehensive capital management policy, covering the management of regulatory capital, economic capital and accounting capital, including but not limited to management of capital adequacy ratio, capital planning, capital raising and economic capital.

Capital adequacy ratio is a reflection of the Group's ability to run stable operations and resist adverse risks. The CBRC requires commercial banks to maintain the capital adequacy ratio at or above minimum of 8% and the core capital adequacy ratio at or above minimum of 4%. Supplementary capital of a commercial bank cannot exceed 100% of its core capital, and long-term subordinated debts qualified for inclusion in the supplementary capital cannot exceed 50% of the core capital. Any amount in excess of the balance of the trading book over 10% of total on and off-balance sheet assets or RMB8,500 million will be subject to provision for market risk in the computation of capital adequacy ratio. The Group timely monitors, analyses and reports capital adequacy ratio level to exercise effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, accumulating capital internally and raising capital through external channels, to ensure that the capital adequacy ratio and core capital adequacy ratio of the Group and the Bank are in full compliance with regulatory requirements and meet internal management needs. This helps insulate against potential risks as well as support the healthy business development. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need. The Group regularly compares its position with its capital adequacy ratio target to ensure capital will be adequate for future or otherwise to plan for supplementation of capital.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking in account capital planning and operating environment. This helps to optimize the Group's total capital and structure, as well as improve the competitiveness of the Group's cost of capital.

(Expressed in millions of RMB, unless otherwise stated)

62 RISK MANAGEMENT (CONTINUED)

(7) Capital management (continued)

The Group's consolidated regulatory capital positions calculated in accordance with the guidance issued by the CBRC as at the end of the reporting period are as follows:

	Note	2011	2010
Core capital adequacy ratio	(a)	**10.97%**	10.40%
Capital adequacy ratio	(b)	**13.68%**	12.68%
Components of capital base			
Core capital:			
– Share capital		**250,011**	250,011
– Capital reserve, investment revaluation reserve and exchange reserve	(c)	**130,562**	127,536
– Surplus reserve and general reserve		**134,918**	112,028
– Retained earnings	(c),(d)	**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	(e)	**(1,945)**	(1,911)
Net capital		**924,506**	762,449
Risk-weighted assets	(f)	**6,760,117**	6,015,329

Notes:

(a) 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.

(b) Capital adequacy ratio is calculated by dividing the net capital by risk-weighted assets.

(c) 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.

(d) The dividend proposed after the reporting period has been deducted from retained earnings.

(e) Others mainly represent investments in those asset backed securities specified by CBRC which required reduction.

(f) The balances of risk-weighted assets include an amount equal to 12.5 times the Group's market risk capital.

(Expressed in millions of RMB, unless otherwise stated)

63 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

64 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.

65 ULTIMATE PARENT

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

66 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in the these financial statements.

- Amendments to IFRS 7, “Financial instruments: Disclosures”
- Amendments to IFRS 1, “First time adoption”
- Amendments to IAS 12, “Income taxes”
- Amendments to IAS 1, “Financial statement presentation”
- Amendments to IAS 19, “Employee benefits”
- IFRS 9, “Financial instruments”
- IFRS 10, “Consolidated financial statements”
- IFRS 11, “Joint arrangements”
- IFRS 12, “Disclosure of interests in other entities”
- IFRS 13, “Fair value measurement”
- IAS 27 (revised 2011), “Separate financial statements”
- IAS 28 (revised 2011), “Associates and joint ventures”

The Group is in the process of making assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group’s results of operations and financial position except for IFRS 9, Financial instruments, which may have an impact on the Group’s results and financial position.

15 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB, unless otherwise stated)

The following information of the Group does not form part of the audited financial statements, and is included herein for information purposes only.

1 DIFFERENCE BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRS") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2011 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

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 IFRS and those prepared under PRC GAAP and regulations respectively.

2 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.

3 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

(Expressed in millions of RMB, unless otherwise stated)

3 CURRENCY CONCENTRATIONS (CONTINUED)

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.

4 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 claims are guaranteed by a party in a country which is different from that of the counterparty or if 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.

(Expressed in millions of RMB, unless otherwise stated)

5 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.

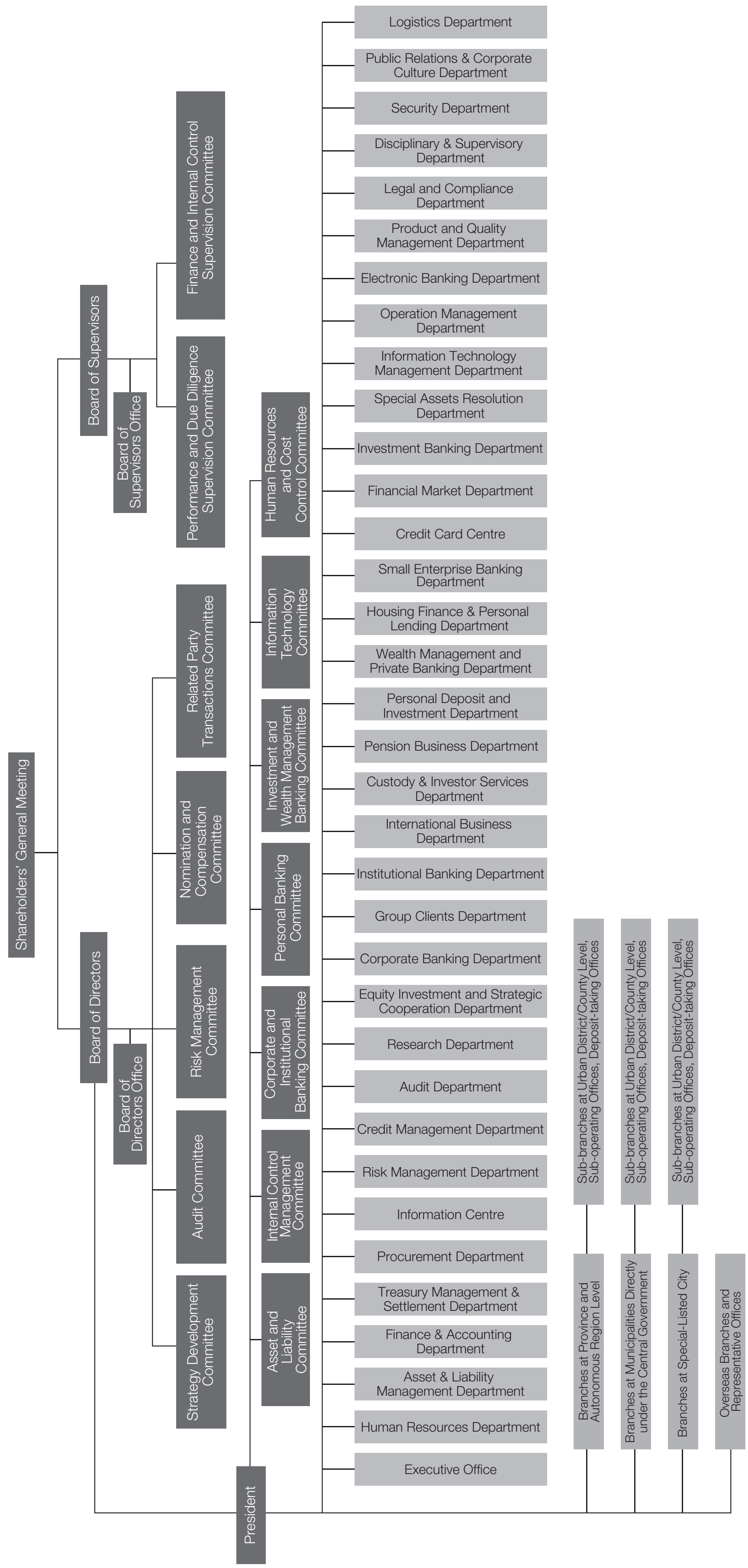
Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

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.

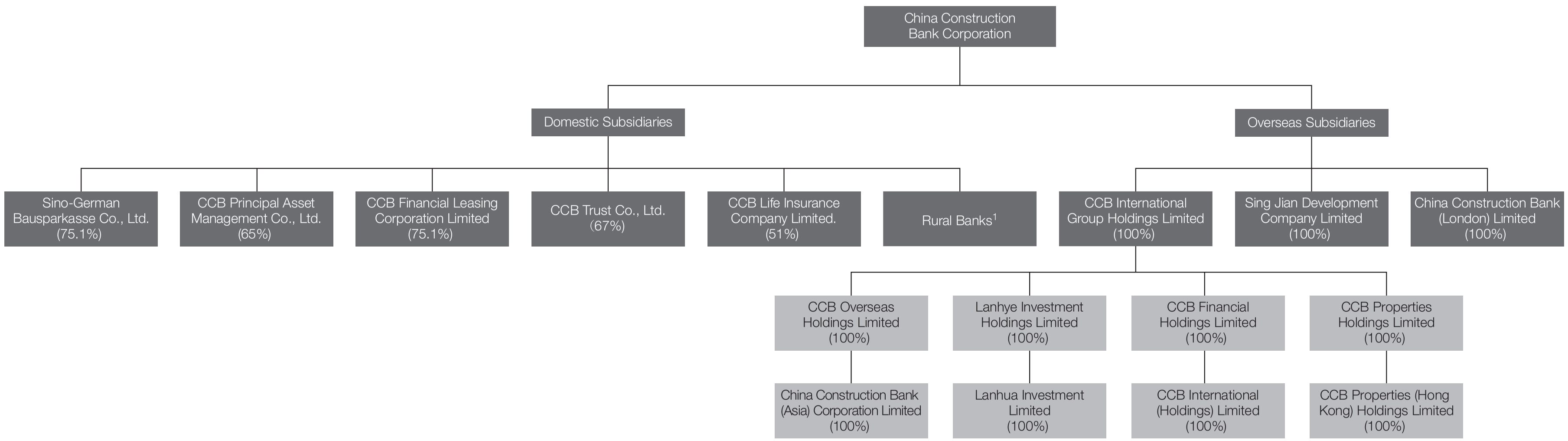
6 NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2011, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

CCB'S MANAGEMENT STRUCTURE



CCB'S EQUITY INVESTMENT STRUCTURE



1. As at 31 December 2011, the Bank had set up 16 rural banks in total, namely, Hunan Taojiang Jianxin Rural Bank Corporation Limited, Zhejiang Cangnan Jianxin Rural Bank Corporation Limited, Zhejiang Qingtian Jianxin Oversea-Chinese Rural Bank Company Limited, Zhejiang Wuyi Jianxin Rural Bank Company Limited, Anhui Fanchang Jianxin Rural Bank Company Limited, Shaanxi Ansai Jianxin Rural Bank Company Limited, Hebei Fengning Jianxin Rural Bank Company Limited, Shanghai Pudong Jianxin Rural Bank Company Limited, Suzhou Changshu Jianxin Rural Bank Company Limited, Jiangsu Haimen Jianxin Rural Bank Company Limited, Jiangsu Taixing Jianxin Rural Bank Company Limited, Zhejiang Jiangshan Jianxin Rural Bank Company Limited, Ningbo Cixi Jianxin Rural Bank Company Limited, Ningbo Ninghai Jianxin Rural Bank Company Limited, Henan Xinye Jianxin Rural Bank Company Limited, Shandong Tengzhou Jianxin Rural Bank Company Limited.

TIER-ONE BRANCHES IN MAINLAND CHINA

Branches	Address	Telephone	Facsimile
Anhui Branch	No. 255, Huizhou Road, Hefei Postcode: 230001	(0551) 2874100	(0551) 2872014
Beijing Branch	No. 4, Building 28, Xuanwumen West Street, Beijing Postcode: 100053	(010) 63603682	(010) 63603656
Chongqing Branch	No. 123, Minzu Road, Yuzhong District, Chongqing Postcode: 400010	(023) 63771855	(023) 63771835
Dalian Branch	No. 1, Jiefang Street, Zhongshan District, Dalian Postcode: 116001	(0411) 88066666	(0411) 82804560
Fujian Branch	No. 142, Guping Road, Fuzhou Postcode: 350003	(0591) 87838467	(0591) 87856865
Gansu Branch	No. 77, Qin'an Road, Lanzhou Postcode: 730030	(0931) 4891555	(0931) 4891862
Guangdong Branch	No. 509, Dongfengzhong Road, Guangzhou Postcode: 510045	(020) 83018888	(020) 83013950
Guangxi Branch	No. 92, Minzu Road, Nanning Postcode: 530022	(0771) 5513110	(0771) 5513012
Guizhou Branch	No. 56, Zhonghua North Road, Guiyang Postcode: 550001	(0851) 6696000	(0851) 6696377
Hainan Branch	CCB Plaza, Guomao Avenue, Haikou Postcode: 570125	(0898) 68587268	(0898) 68587569
Hebei Branch	No. 40, Ziqiang Road, Shijiazhuang Postcode: 050000	(0311) 87888866	(0311) 88601001
Henan Branch	No. 80, Huayuan Road, Zhengzhou Postcode: 450003	(0371) 65556699	(0371) 65556688
Heilongjiang Branch	No. 67, Hongjun Street, Nan'gang District, Harbin Postcode: 150001	(0451) 53619788	(0451) 53625552
Hubei Branch	No. 709, Jianshe Street, Wuhan Postcode: 430015	(027) 65775888	(027) 65775881
Hunan Branch	Yin'gang Plaza, No. 2, Baisha Road, Changsha Postcode: 410005	(0731) 84419192	(0731)84419141
Jilin Branch	No. 810, Xi'an Road, Changchun Postcode: 130061	(0431) 88573030	(0431) 88988748
Jiangsu Branch	No. 188, Hongwu Road, Nanjing Postcode: 210002	(025) 84200545	(025) 84209316
Jiangxi Branch	No. 366, Bayi Street, Nanchang Postcode: 330006	(0791) 86848200	(0791) 86848318
Liaoning Branch	No. 176, Zhongshan Road, Heping District, Shenyang Postcode: 110002	(024) 22787600	(024) 22856915

Branches	Address	Telephone	Facsimile
Inner Mongolia Branch	No. 9, Zhao Wuda Street, Huhhot Postcode: 010010	(0471) 6200256	(0471) 6200257
Ningbo Branch	No. 31, Guangji Street, Ningbo Postcode: 315010	(0574) 87313888	(0574) 87325019
Ningxia Branch	No. 98, Nanxun West Road, Yinchuan Postcode: 750001	(0951) 4126111	(0951) 4106165
Qingdao Branch	Tower A, Qingdao International Finance Plaza, No. 222, Shenzhen Road, Qingdao Postcode: 266061	(0532) 68671888	(0532) 82670157
Qinghai Branch	No. 59, West Street, Xining Postcode: 810000	(0971) 8261181	(0971) 8261225
Three Gorges Branch	No. 1, Xiling First Road, Yichang, Hubei Postcode: 443000	(0717) 6736888 -3515	(0717) 6738137
Shandong Branch	No. 178, Luoyuan Street, Jinan Postcode: 250012	(0531) 82088108	(0531) 86169108
Shaanxi Branch	No. 38, South Guangji Street, Xi'an Postcode: 710002	(029) 87617515	(029) 87617514
Shanxi Branch	No. 126, Yingze Street, Taiyuan Postcode: 030001	(0351) 4957800	(0351) 4957871
Shanghai Branch	No.900, Lujiazui Ring Road, Shanghai Postcode: 200120	(021) 58880000	(021) 58781818
Shenzhen Branch	A Section, Rongchao Business Center, 6003 Yitian Road, Futian District, Shenzhen Postcode: 518026	(0755) 23828888	(0755) 23828111
Sichuan Branch	Sichuan CCB Building, No. 86, Tidu Street, Chengdu Postcode: 610016	(028) 86767161	(028) 86767187
Suzhou Branch	No. 18, Suhua Road, Suzhou Industrial Park, Suzhou Postcode: 215021	(0512) 62788786	(0512) 62788783
Tianjin Branch	Plus 1 No. 19, Nanjing Road, Hexi District, Tianjin Postcode: 300203	(022) 23401166	(022) 23401811
Xiamen Branch	No. 98, Lujiang Road, Xiamen Postcode: 361003	(0592) 2158888	(0592) 2158862
Tibet Branch	No. 21, Beijing West Road, Lhasa Postcode: 850008	(0891) 6838792	(0891) 6836818
Xinjiang Branch	No. 99, Minzhu Road, Urumqi Postcode: 830002	(0991) 2848666	(0991) 2819160
Yunnan Branch	CCB Plaza, No. 306, Jinbi Road, Kunming Postcode: 650021	(0871) 3060997	(0871) 3060333
Zhejiang Branch	No. 33, Jiefang East Road, Hangzhou Postcode: 310016	(0571) 85313263	(0571) 85313001

BRANCHES AND REPRESENTATIVE OFFICES OUTSIDE MAINLAND CHINA

Frankfurt Branch
Bockenheimer Landstrasse 51-53,
60325 Frankfurt am Main, Germany
Telephone : (49) 69-9714950
Facsimile : (49) 69-97149588, 97149577
Website : www.ccbff.de

Ho Chi Minh City Branch
1105-1106 Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, Vietnam
Telephone : (84) 8 382 95533
Facsimile : (84) 8 382 75533

Hong Kong Branch
12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Telephone : (852) 28684438
Facsimile : (852) 25377182
Website : www.ccbhk.com

Johannesburg Branch
95 Grayston Drive, Morningside,
Sandton, South Africa 2196
Telephone : (27) 11-5209400
Facsimile : (27) 11-5209411
Website : www.ccbjhb.com

Moscow Representative Office
Testovskaya Street 10, 11 floor, block 19-2, 123317 Moscow Russia
Telephone : (7)-495-6606555
Facsimile : (7)-495-7950711

New York Branch
33rd Floor, 1095 Avenue of the Americas,
New York, USA
NY 10018
Telephone : (1) 212-207-8188
Facsimile : (1) 212-207-8288

Seoul Branch
7th Floor, Seoul Finance Centre,
84 Taepyungro 1-GA, Chung-gu, Seoul 100-768, Korea
Telephone : (82) 2-67301718
Facsimile : (82) 2-67301701
Website : www.ccbseoul.com

Singapore Branch
9 Raffles Place, #33-01/02,
Republic Plaza, Singapore 048619
Telephone : (65) 65358133
Facsimile : (65) 65356533
Website : www.ccb.com.sg

Sydney Branch
Level 33, Deutsche Bank Place, 126 Phillip Street, Sydney,
NSW 2000, Australia
Telephone : (61) 2-80316100
Facsimile : (61) 2-92239099

Taipei Representative Office
2/F-A3,No.106,Sec.5,Xinyi Road,Xinyi Dist., Taipei
Telephone : (886)-2-87292008
Facsimile : (886)-2-27235399

Tokyo Branch
Toranomon 2, Chome Building 8F,
2-3-17 Toranomon Minatoku, Tokyo 105-0001, Japan
Telephone : (81) 3-5511-0188
Facsimile : (81) 3-5511-0189
Website : www.ccbtokyo.com

SUBSIDIARIES

Anhui Fanchang Jianxin Rural Bank Company Limited

1/F, Oversea-Chinese International Hotel, Fanyang Town,
Fanchang County, Anhui Province
Postcode : 241200
Telephone : (0553) 7853939
Facsimile : (0553) 7853939

CCB Financial Leasing Corporation Limited

6/F, 1-4, Naoshikou Street, Xicheng District, Beijing, China
Postcode : 100031
Telephone : (010) 67594013
Facsimile : (010) 66275808/9
Website : www.ccbleasing.com

CCB International (Holdings) Limited

35/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong
Telephone : (852) 25326100
Facsimile : (852) 25301496
Website : www.ccbintl.com

CCB Life Insurance Company Limited

8/F, GC Tower, No.1088 Yuanshen Road, Pudong New District, Shanghai
Postcode : 200122
Telephone : 021-38991666
Facsimile : 021-33922185
Website : www.ccb-life.com.cn

CCB Principal Asset Management Co., Ltd.

16/F, Winland International Finance Centre,
No. 7, Financial Street, Xicheng District, Beijing
Postcode : 100033
Telephone : (010) 66228888
Facsimile : (010) 66228889
Website : www.ccbfund.cn

CCB Trust Co., Limited

No. 45, Jiushiqiao Street, Hefei, Anhui Province
Postcode : 230001
Telephone : (0551) 5295555
Facsimile : (0551) 2679542
Website : www.ccbtrust.com.cn

China Construction Bank (Asia) Corporation Limited

16/F, York House, The Landmark,
15 Queen's Road Central, Central, Hong Kong
Telephone : (852) 37182288
Facsimile : (852) 37182019
Website : www.asia.ccb.com

China Construction Bank (London) Limited

18/F, 40 Bank Street, Canary Wharf, London E145NR, UK
Telephone : 0044-207-0386000
Facsimile : 0044-207-0386001

Hebei Fengning Jianxin Rural Bank Company Limited

No.5-7, Fengheyuan Community, Xinfeng Road, Dage Town,
Fengning County, Hebei Province
Postcode : 068350
Telephone : (0314) 5975005
Facsimile : (0314) 5975005

Henan Xinye Jianxin Rural Bank Company Limited

North Chaoyang Road, Xinye County, Henan Province
Postcode : 473500
Telephone : (0377) 60917789
Facsimile : (0377) 60917111

Hunan Taojiang Jianxin Rural Bank Corporation Limited

Junction of Furong Road and Taohui Road, Taohuajiang Town, Taojiang County, Hunan Province
Postcode : 413400
Telephone : (0737) 8213820
Facsimile : (0737) 8213820

Jiangsu Haimen Jianxin Rural Bank Company Limited

No.248, Middle Jiefang Road, Haimen Town, Haimen City, Jiangsu Province
Postcode : 226100
Telephone : (0513) 81262289
Facsimile : (0513) 81262292

Jiangsu Taixing Jianxin Rural Bank Company Limited

No.177, Zhongxing Avenue, Taixing City, Jiangsu Province
Postcode:225400
Telephone : (0523) 80737889
Facsimile : (0523) 87091017

Ningbo Cixi Jianxin Rural Bank Company Limited

No.311, Sanbei Road and No.2-10, Xianjing Road, Shigongshan Village, Longshan Town, Cixi County, Ningbo City, Zhejiang Province
Postcode : 315311
Telephone : (0574) 63993505
Facsimile : (0574) 63993506

Ningbo Ninghai Jianxin Rural Bank Company Limited

No.115, Binhai Road, Xidian Town, Ninghai County, Ningbo City, Zhejiang Province
Postcode : 315613
Telephone : (0574) 82535268
Facsimile : (0574) 82535268

Shaanxi Ansai Jianxin Rural Bank Company Limited

Chengbei District, Ansai County,Shanxi Province
Postcode : 717400
Telephone : (0911) 6211077
Facsimile : (0911) 6211077

Shandong Tengzhou Jianxin Rural Bank Company Limited

No.42, North Shanguo Road, Tengzhou City, Shandong Province
Postcode : 277500
Telephone : (0632) 3598159
Facsimile : (0632) 3598159

Shanghai Pudong Jianxin Rural Bank Company Limited

No.26, Beishi Street, Chuansha Town, Pudong New District, Shanghai
Postcode : 201200
Telephone : (021)58385938
Facsimile : (021)58385938

Sing Jian Development Company Limited

11/F, Devon House, 979 King's Road, Hong Kong
Telephone : (852)-37182797
Facsimile : (852)-37182799

Sino-German Bausparkasse Co. Ltd.

No.19 Guizhou Road, Heping District, Tianjin
Postcode : 300051
Telephone : (022) 58086699
Facsimile : (022) 58086808
Website : www.sgb.cn

Suzhou Changshu Jianxin Rural Bank Company Limited

No.33, North Haiyu Road, Changshu City, Jiangsu Province
Postcode : 215500
Telephone : (0512) 51910526
Facsimile : (0512) 51910526

Zhejiang Cangnan Jianxin Rural Bank Corporation Limited	No. 102-104, Building No.2, Yihe City Homeland, Yucang Road, Lingxi Town, Cangnan County, Zhejiang Province Postcode : 325800 Telephone : (0577)68857896 Facsimile : (0577)68857893
Zhejiang Jiangshan Jianxin Rural Bank Company Limited	No.56, the First Street, South Hushan Street, Jiangshan County, Zhejiang Province Postcode : 324100 Telephone : (0570) 4037899 Facsimile : (0570) 4037895
Zhejiang Qingtian Jianxin Oversea-Chinese Rural Bank Company Limited	Building A, Shenghua Business Square, No.59-75, Shengzhi Street, Qingtian County, Zhejiang Province Postcode : 323900 Telephone : (0578) 6812966 Facsimile : (0578) 6812910
Zhejiang Wuyi Jianxin Rural Bank Company Limited	1/F, No.4 Area, Business Hall, Jiefang Middle Street, Wuyi County, Zhejiang Province Postcode : 321200 Telephone : (0579) 87679091 Facsimile : (0579) 87679091

DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Bank"	China Construction Bank Corporation
"Bank of America"	Bank of America Corporation
"Baosteel Group"	Baosteel Group Corporation
"Board"	Board of directors
"CBRC"	China Banking Regulatory Commission
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Financial Leasing"	CCB Financial Leasing Corporation Limited
"CCB International"	CCB International (Holdings) Limited
"CCB Life"	CCB Life Insurance Company Limited
"CCB London"	China Construction Bank (London) Limited
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Trust"	CCB Trust Co., Limited
"CIC"	China Investment Corporation
"Company Law"	The Company Law of the People's Republic of China
"CSRC"	China Securities Regulatory Commission
"Fullerton Financial"	Fullerton Financial Holdings Pte Ltd.
"Group", "CCB"	China Construction Bank Corporation and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Limited
"IFRS"	International Financial Reporting Standards
"Jianyin"	China Jianyin Investment Limited
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MOF"	Ministry of Finance of the People's Republic of China
"Pacific-Antai"	Pacific-Antai Life Insurance Co., Ltd.
"PBC"	People's Bank of China
"PRC GAAP"	*Accounting Standards for Business Enterprises* promulgated by the MOF on 15 February 2006 and other relevant requirements
"RMB"	Renminbi

DEFINITIONS

"SAFE"	State Administration of Foreign Exchange
"SFO"	Securities and Futures Ordinance
"Sino-German Bausparkasse"	Sino-German Bausparkasse Co., Ltd.
"State Grid"	State Grid Corporation of China
"Temasek"	Temasek Holdings (Private) Limited
"Yangtze Power"	China Yangtze Power Co., Limited