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**中国建设银行**  
China Construction Bank

**中國建設銀行股份有限公司**

**CHINA CONSTRUCTION BANK CORPORATION**

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

(Stock Code: 939)

## **ANNOUNCEMENT OF ANNUAL RESULTS 2012**

### **Summary of Results**

The board of directors of China Construction Bank Corporation (the “Bank”) is pleased to announce the audited results, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board, of the Bank and its subsidiaries (collectively the “Group”) for the year ended 31 December 2012. The annual results have been reviewed by the audit committee of the Bank’s board of directors.

## FINANCIAL HIGHLIGHTS

(Expressed in millions of RMB unless otherwise stated)	2012	2011	Change (%)	2010	2009	2008
<b>For the year</b>						
Net interest income	353,202	304,572	15.97	251,500	211,885	224,920
Net fee and commission income	93,507	86,994	7.49	66,132	48,059	38,446
Other operating income	15,824	7,837	101.91	8,148	9,370	6,381
Operating income	462,533	399,403	15.81	325,780	269,314	269,747
Operating expenses	(171,081)	(144,537)	18.36	(121,366)	(105,146)	(99,193)
Impairment losses	(40,041)	(35,783)	11.90	(29,292)	(25,460)	(50,829)
Profit before tax	251,439	219,107	14.76	175,156	138,725	119,741
Net profit	193,602	169,439	14.26	135,031	106,836	92,642
Net profit attributable to equity shareholders of the Bank	193,179	169,258	14.13	134,844	106,756	92,599
<b>As at 31 December</b>						
Net loans and advances to customers	7,309,879	6,325,194	15.57	5,526,026	4,692,947	3,683,575
Total assets	13,972,828	12,281,834	13.77	10,810,317	9,623,355	7,555,452
Deposits from customers	11,343,079	9,987,450	13.57	9,075,369	8,001,323	6,375,915
Total liabilities	13,023,219	11,465,173	13.59	10,109,412	9,064,335	7,087,890
Total equity attributable to equity shareholders of the Bank	941,732	811,141	16.10	696,792	555,475	465,966
Share capital	250,011	250,011	-	250,011	233,689	233,689
Core capital	875,752	750,660	16.66	634,683	491,452	431,353
Supplementary capital	238,168	189,855	25.45	144,906	139,278	86,794
Net capital	1,093,429	924,506	18.27	762,449	608,233	510,416
Risk-weighted assets	7,637,705	6,760,117	12.98	6,015,329	5,197,545	4,196,493
<b>Per share (In RMB)</b>						
Basic and diluted earnings per share	0.77	0.68	13.24	0.56	0.45	0.40
Final cash dividend proposed after the reporting period	0.268	0.2365	13.32	0.2122	0.202	0.0837
Net assets per share	3.80	3.27	16.21	2.80	2.39	2.00

<b>Financial ratios (%)</b>	<b>2012</b>	<b>2011</b>	<b>Change + / (-)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Profitability indicators</b>						
Return on average assets <sup>1</sup>	1.47	1.47	-	1.32	1.24	1.31
Return on average equity	21.98	22.51	(0.53)	22.61	20.87	20.68
Net interest spread	2.58	2.57	0.01	2.40	2.30	3.10
Net interest margin	2.75	2.70	0.05	2.49	2.41	3.24
Net fee and commission income to operating income	20.22	21.78	(1.56)	20.30	17.84	14.25
Cost-to-income ratio <sup>2</sup>	29.60	29.93	(0.33)	31.55	33.05	30.89
Loan-to-deposit ratio	66.23	65.05	1.18	62.47	60.24	59.50
<b>Capital adequacy indicators</b>						
Core capital adequacy ratio <sup>3</sup>	11.32	10.97	0.35	10.40	9.31	10.17
Capital adequacy ratio <sup>3</sup>	14.32	13.68	0.64	12.68	11.70	12.16
Total equity to total assets	6.80	6.65	0.15	6.48	5.81	6.19
<b>Asset quality indicators</b>						
Non-performing loan ratio	0.99	1.09	(0.10)	1.14	1.50	2.21
Allowances to non-performing loans	271.29	241.44	29.85	221.14	175.77	131.58
Allowances to total loans	2.69	2.64	0.05	2.52	2.63	2.91

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the year.

2. In order to maintain consistency for cost-to-income ratio between the PRC and IFRS reports, as well as taking other banks' relevant disclosures into considerations, the calculation of such a ratio has been amended to operating expenses (after deduction of business taxes and surcharges and other business costs) divided by operating income (after deduction of other business costs). The comparative figures have been amended accordingly.

3. Calculated in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks* and the relevant regulations issued by the CBRC.

## Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	<u>2012</u>	<u>2011</u>	<u>Variance(%)</u>
Interest income	<b>603,241</b>	482,247	25.09
Interest expense	<b>(250,039)</b>	(177,675)	40.73
<b>Net interest income</b>	<b>353,202</b>	304,572	15.97
Fee and commission income	<b>96,218</b>	89,494	7.51
Fee and commission expense	<b>(2,711)</b>	(2,500)	8.44
<b>Net fee and commission income</b>	<b>93,507</b>	86,994	7.49
Net trading gain	<b>1,863</b>	388	380.15
Dividend income	<b>239</b>	158	51.27
Net gain arising from investment securities	<b>3,536</b>	1,756	101.37
Other operating income, net	<b>10,186</b>	5,535	84.03
<b>Operating income</b>	<b>462,533</b>	399,403	15.81
<b>Operating expenses</b>	<b>(171,081)</b>	(144,537)	18.36
	<b>291,452</b>	254,866	14.35
Impairment losses on:			
– Loans and advances to customers	<b>(38,330)</b>	(32,403)	18.29
– Others	<b>(1,711)</b>	(3,380)	(49.38)
<b>Impairment losses</b>	<b>(40,041)</b>	(35,783)	11.90
<b>Share of profits less losses of associates and jointly controlled entities</b>	<b>28</b>	24	16.67
<b>Profit before tax</b>	<b>251,439</b>	219,107	14.76
Income tax expense	<b>(57,837)</b>	(49,668)	16.45
<b>Net profit</b>	<b>193,602</b>	169,439	14.26

**Consolidated statement of comprehensive income (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<u>2012</u>	<u>2011</u>	<u>Variance(%)</u>
<b>Other comprehensive income:</b>			
Loss of available-for-sale financial assets arising during the year	(2,597)	(966)	168.84
Less: Income tax relating to available-for-sale financial assets	636	318	100.00
Reclassification adjustments for (loss)/gain included in profit or loss	<u>(1,381)</u>	<u>265</u>	(621.13)
	<b>(3,342)</b>	<b>(383)</b>	<b>772.58</b>
Exchange difference on translating foreign operations	(201)	(1,577)	(87.25)
Others	<u>32</u>	<u>42</u>	(23.81)
<b>Other comprehensive income for the year, net of tax</b>	<b><u>(3,511)</u></b>	<b><u>(1,918)</u></b>	<b>83.06</b>
<b>Total comprehensive income for the year</b>	<b><u>190,091</u></b>	<b><u>167,521</u></b>	<b>13.47</b>
Net profit attributable to:			
Equity shareholders of the Bank	193,179	169,258	14.13
Non-controlling interests	<u>423</u>	<u>181</u>	133.70
	<b><u>193,602</u></b>	<b><u>169,439</u></b>	<b>14.26</b>
Total comprehensive income attributable to:			
Equity shareholders of the Bank	189,648	167,401	13.29
Non-controlling interests	<u>443</u>	<u>120</u>	269.17
	<b><u>190,091</u></b>	<b><u>167,521</u></b>	<b>13.47</b>
<b>Basic and diluted earnings per share (in RMB Yuan)</b>	<b><u>0.77</u></b>	<b><u>0.68</u></b>	<b>13.24</b>

## Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	<u>2012</u>	<u>2011</u>	<u>Variance(%)</u>
<b>Assets:</b>			
Cash and deposits with central banks	<b>2,458,069</b>	2,379,809	3.29
Deposits with banks and non-bank financial institutions	<b>585,898</b>	276,752	111.71
Precious metals	<b>38,419</b>	22,718	69.11
Placements with banks and non-bank financial institutions	<b>129,653</b>	109,040	18.90
Financial assets at fair value through profit or loss	<b>27,572</b>	23,096	19.38
Positive fair value of derivatives	<b>12,671</b>	14,127	(10.31)
Financial assets held under resale agreements	<b>316,685</b>	200,045	58.31
Interest receivable	<b>68,264</b>	56,776	20.23
Loans and advances to customers	<b>7,309,879</b>	6,325,194	15.57
Available-for-sale financial assets	<b>701,041</b>	675,058	3.85
Held-to-maturity investments	<b>1,918,322</b>	1,743,569	10.02
Debt securities classified as receivables	<b>219,713</b>	300,027	(26.77)
Interests in associates and jointly controlled entities	<b>2,366</b>	2,069	14.35
Fixed assets	<b>113,946</b>	94,222	20.93
Land use rights	<b>16,232</b>	16,457	(1.37)
Intangible assets	<b>2,061</b>	1,660	24.16
Goodwill	<b>1,651</b>	1,662	(0.66)
Deferred tax assets	<b>27,051</b>	21,410	26.35
Other assets	<b>23,335</b>	18,143	28.62
<b>Total assets</b>	<b><u>13,972,828</u></b>	<b><u>12,281,834</u></b>	13.77

**Consolidated statement of financial position (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<u>2012</u>	<u>2011</u>	<u>Variance(%)</u>
<b>Liabilities:</b>			
Borrowings from central banks	6,281	2,220	182.93
Deposits from banks and non-bank financial institutions	977,487	966,229	1.17
Placements from banks and non-bank financial institutions	120,256	78,725	52.75
Financial liabilities at fair value through profit or loss	37,251	33,656	10.68
Negative fair value of derivatives	11,541	13,310	(13.29)
Financial assets sold under repurchase agreements	2,360	10,461	(77.44)
Deposits from customers	11,343,079	9,987,450	13.57
Accrued staff costs	32,708	35,931	(8.97)
Taxes payable	53,271	47,189	12.89
Interest payable	123,215	80,554	52.96
Provisions	5,058	5,180	(2.36)
Debt securities issued	262,991	168,312	56.25
Deferred tax liabilities	332	358	(7.26)
Other liabilities	47,389	35,598	33.12
<b>Total liabilities</b>	<u>13,023,219</u>	<u>11,465,173</u>	13.59
<b>Equity:</b>			
Share capital	250,011	250,011	0.00
Capital reserve	135,281	135,178	0.08
Investment revaluation reserve	3,023	6,383	(52.64)
Surplus reserve	86,718	67,576	28.33
General reserve	80,483	67,342	19.51
Retained earnings	391,034	289,266	35.18
Exchange reserve	(4,818)	(4,615)	4.40
Total equity attributable to equity shareholders of the Bank	941,732	811,141	16.10
Non-controlling interests	7,877	5,520	42.70
<b>Total equity</b>	<u>949,609</u>	<u>816,661</u>	16.28
<b>Total liabilities and equity</b>	<u>13,972,828</u>	<u>12,281,834</u>	13.77

## Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank						Non-controlling interests	Total equity	
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings			Exchange reserve
<b>As at 1 January 2012</b>	<b>250,011</b>	<b>135,178</b>	<b>6,383</b>	<b>67,576</b>	<b>67,342</b>	<b>289,266</b>	<b>(4,615)</b>	<b>5,520</b>	<b>816,661</b>
<b>Movements during the year</b>	<b>-</b>	<b>103</b>	<b>(3,360)</b>	<b>19,142</b>	<b>13,141</b>	<b>101,768</b>	<b>(203)</b>	<b>2,357</b>	<b>132,948</b>
<b>(1) Total comprehensive income for the year</b>	-	32	(3,360)	-	-	193,179	(203)	443	190,091
<b>(2) Changes in share capital</b>	-	71	-	-	-	-	-	1,999	2,070
i Capital injection by non-controlling interests	-	26	-	-	-	-	-	2,803	2,829
ii Non-controlling interests of new subsidiaries	-	-	-	-	-	-	-	529	529
iii Change in shareholdings in subsidiaries	-	45	-	-	-	-	-	(1,333)	(1,288)
<b>(3) Profit distribution</b>	-	-	-	19,142	13,141	(91,411)	-	(85)	(59,213)
i Appropriation to surplus reserve	-	-	-	19,142	-	(19,142)	-	-	-
ii Appropriation to general reserve	-	-	-	-	13,141	(13,141)	-	-	-
iii Appropriation to equity shareholders	-	-	-	-	-	(59,128)	-	(85)	(59,213)
<b>As at 31 December 2012</b>	<b>250,011</b>	<b>135,281</b>	<b>3,023</b>	<b>86,718</b>	<b>80,483</b>	<b>391,034</b>	<b>(4,818)</b>	<b>7,877</b>	<b>949,609</b>



**Consolidated statement of changes in equity (continued)**

*(Expressed in millions of RMB, unless otherwise stated)*

	Attributable to equity shareholders of the Bank						Non-controlling interests	Total equity	
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings			Exchange reserve
<b>As at 1 January 2011</b>	250,011	135,136	6,706	50,681	61,347	195,950	(3,039)	4,113	700,905
<b>Movements during the year</b>	-	42	(323)	16,895	5,995	93,316	(1,576)	1,407	115,756
<b>(1) Total comprehensive income for the year</b>	-	42	(323)	-	-	169,258	(1,576)	120	167,521
<b>(2) Changes in share capital</b>	-	-	-	-	-	-	-	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)
<b>(3) Profit distribution</b>	-	-	-	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)
<b>As at 31 December 2011</b>	250,011	135,178	6,383	67,576	67,342	289,266	(4,615)	5,520	816,661

## Consolidated statement of cash flows

(Expressed in millions of RMB, unless otherwise stated)

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>		
Profit before tax	251,439	219,107
<i>Adjustments for:</i>		
– Impairment losses	40,041	35,783
– Depreciation and amortisation	13,889	12,497
– Unwinding of discount	(1,612)	(1,413)
– Revaluation loss on financial instruments at fair value through profit or loss	661	1,396
– Share of profit less losses of associates and jointly controlled entities	(28)	(24)
– Dividend income	(239)	(158)
– Unrealised foreign exchange loss	322	3,013
– Interest expense on subordinated bonds issued	5,734	3,561
– Net gain on disposal of investment securities	(3,536)	(1,756)
– Net gain on disposal of fixed assets and other long-term assets	(67)	(489)
	<u>306,604</u>	<u>271,517</u>
<i>Changes in operating assets:</i>		
Net increase in deposits with central banks and with banks and non-bank financial institutions	(212,062)	(479,504)
Net increase in placements with banks and non-bank financial institutions	(6,186)	(39,399)
Net increase in loans and advances to customers	(1,028,588)	(849,238)
Net increase in financial assets held under resale agreements	(116,642)	(18,952)
Increase in other operating assets	(37,491)	(35,472)
	<u>(1,400,969)</u>	<u>(1,422,565)</u>
<i>Changes in operating liabilities:</i>		
Net increase in borrowings from central banks	4,090	530
Net increase in placements from banks and non-bank financial institutions	42,278	14,509
Net increase in deposits from customers and from banks and non-bank financial institutions	1,373,562	1,212,274
Net (decrease)/increase in financial assets sold under repurchase agreements	(8,101)	5,540
Net increase in certificates of deposit issued	53,554	36,447
Income tax paid	(56,946)	(41,897)
Increase in other operating liabilities	54,741	48,659
	<u>1,463,178</u>	<u>1,276,062</u>
<b>Net cash from operating activities</b>	<u>368,813</u>	<u>125,014</u>

**Consolidated statement of cash flows (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<u>2012</u>	<u>2011</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale and redemption of investments	<b>608,345</b>	1,146,554
Dividends received	<b>250</b>	160
Proceeds from disposal of fixed assets and other long-term assets	<b>1,200</b>	1,409
Purchase of investment securities	<b>(730,417)</b>	(971,164)
Purchase of fixed assets and other long-term assets	<b>(34,939)</b>	(23,312)
Acquisition of subsidiaries, associates and jointly controlled entities	<b>(294)</b>	(1,063)
<b>Net cash (used in)/from investing activities</b>	<b><u>(155,855)</u></b>	<u>152,584</u>
<b>Cash flows from financing activities</b>		
Issue of bonds	<b>41,951</b>	39,945
Capital contribution by non-controlling interests	<b>3,332</b>	750
Dividends paid	<b>(59,220)</b>	(53,078)
Interest paid on bonds issued	<b>(5,562)</b>	(3,200)
Cash paid relating to other financing activities	<b>(1,288)</b>	(51)
<b>Net cash used in financing activities</b>	<b><u>(20,787)</u></b>	<u>(15,634)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b><u>(1,714)</u></b>	<u>(4,800)</u>
<b>Net increase in cash and cash equivalents</b>	<b>190,457</b>	257,164
<b>Cash and cash equivalents as at 1 January</b>	<b><u>558,463</u></b>	<u>301,299</u>
<b>Cash and cash equivalents as at 31 December</b>	<b><u><u>748,920</u></u></b>	<u><u>558,463</u></u>
<b>Cash flows from operating activities include:</b>		
Interest received	<b><u>588,972</u></b>	<u>461,477</u>
Interest paid, excluding interest expense on bonds issued	<b><u>(201,861)</u></b>	<u>(159,565)</u>

**Notes:**

**1** The IFRS financial statements of the Group for the year ended 31 December 2012 will be available on the website of The Stock Exchange of Hong Kong Limited. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

**2** Except for the new IFRS and amendments effective for the year ended 31 December 2012 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2011.

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

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

**5 Net gain arising from investment securities**

	<u>2012</u>	<u>2011</u>
Net gain on sale of available-for-sale financial assets	<b>1,885</b>	813
Net revaluation gain reclassified from other comprehensive income on disposal	<b>1,546</b>	810
Net gain on sale of held-to-maturity investments	<b>103</b>	133
Net gain on sale of receivables	<u><b>2</b></u>	<u>-</u>
Total	<u><b>3,536</b></u>	<u>1,756</u>

## 6 Operating expenses

	<u>2012</u>	<u>2011</u>
Staff costs		
– Salaries, bonuses, allowances and subsidies	<b>54,352</b>	49,703
– Defined contribution retirement schemes	<b>10,214</b>	8,495
– Other social insurance and welfare	<b>7,807</b>	6,581
– Housing funds	<b>4,685</b>	3,989
– Union running costs and employee education costs	<b>2,205</b>	2,013
– Supplementary retirement benefits	<b>366</b>	387
– Early retirement expenses	<b>73</b>	210
– Compensation to employees for termination of employment relationship	<b>8</b>	10
	<u><b>79,710</b></u>	<u>71,388</u>
Premises and equipment expenses		
– Depreciation charges	<b>11,685</b>	10,397
– Rent and property management expenses	<b>6,070</b>	5,177
– Maintenance	<b>2,516</b>	2,149
– Utilities	<b>1,872</b>	1,643
– Others	<b>1,341</b>	1,031
	<u><b>23,484</b></u>	<u>20,397</u>
Business taxes and surcharges	<b>30,233</b>	24,229
Amortisation expenses	<b>2,204</b>	2,100
Audit fees	<b>144</b>	153
Other general and administrative expenses	<b>35,306</b>	26,270
	<u><b>171,081</b></u>	<u>144,537</u>
Total	<u><b>171,081</b></u>	<u>144,537</u>

## 7 Income tax expense

### (1) Income tax expense

	<u>2012</u>	<u>2011</u>
Current tax	<b>61,802</b>	55,325
– Mainland China	<b>60,939</b>	54,812
– Hong Kong	<b>614</b>	401
– Other countries and regions	<b>249</b>	112
Adjustments for prior years	<b>606</b>	(2,277)
Deferred tax	<b>(4,571)</b>	(3,380)
Total	<b><u>57,837</u></b>	<u>49,668</u>

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

### (2) Reconciliation between income tax expense and accounting profit

	<u>2012</u>	<u>2011</u>
Profit before tax	<b><u>251,439</u></b>	<u>219,107</u>
Income tax calculated at statutory tax rate	<b><u>62,860</u></b>	<u>54,777</u>
Non-deductible expenses		
– Staff costs	<b>1,278</b>	586
– Others	<b>838</b>	678
	<b><u>2,116</u></b>	<u>1,264</u>
Non-taxable income		
– Interest income from PRC government bonds	<b>(7,554)</b>	(6,606)
– Others	<b>(191)</b>	(260)
	<b><u>(7,745)</u></b>	<u>(6,866)</u>
Total	<b>57,231</b>	49,175
Adjustments on income tax for prior years which affect profit or loss	<b>606</b>	493
Income tax expense	<b><u>57,837</u></b>	<u>49,668</u>

## 8 Earnings per share

Basic earnings per share for the year ended 31 December 2012 and 2011 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 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Net profit attributable to shareholders of the Bank	<b>193,179</b>	169,258
Weighted average number of shares (in million shares)	<b>250,011</b>	250,011
Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB Yuan)	<b>0.77</b>	0.68

## 9 Derivatives

### (1) Analysed by type of contract

	<u>2012</u>			<u>2011</u>		
	<u>Notional amounts</u>	<u>Assets</u>	<u>Liabilities</u>	Notional amounts	Assets	Liabilities
Interest rate contracts	<b>368,207</b>	<b>3,143</b>	<b>2,870</b>	183,660	4,252	4,434
Exchange rate contracts	<b>1,017,303</b>	<b>9,059</b>	<b>7,832</b>	740,737	9,344	8,480
Other contracts	<b>12,153</b>	<b>469</b>	<b>839</b>	5,011	531	396
Total	<b><u>1,397,663</u></b>	<b><u>12,671</u></b>	<b><u>11,541</u></b>	<u>929,408</u>	<u>14,127</u>	<u>13,310</u>

### (2) Analysed by credit risk-weighted amount

	<u>2012</u>	<u>2011</u>
Interest rate contracts	<b>3,067</b>	4,004
Exchange rate contracts	<b>11,616</b>	11,900
Other contracts	<b>525</b>	685
Total	<b><u>15,208</u></b>	<u>16,589</u>

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

## 10 Deposits from customers

	<u>2012</u>	<u>2011</u>
Demand deposits		
– Corporate customers	<b>3,816,312</b>	3,576,929
– Personal customers	<b>2,107,369</b>	1,839,812
Subtotal	<b>5,923,681</b>	5,416,741
Time deposits (including call deposits)		
– Corporate customers	<b>2,392,797</b>	1,949,188
– Personal customers	<b>3,026,601</b>	2,621,521
Subtotal	<b>5,419,398</b>	4,570,709
Total	<b>11,343,079</b>	9,987,450
Deposits from customers include:		
	<u>2012</u>	<u>2011</u>
(1) Pledged deposits		
– Deposits for acceptance	<b>124,367</b>	104,880
– Deposits for letter of credit	<b>42,616</b>	59,445
– Deposits for guarantee	<b>34,443</b>	40,570
– Others	<b>192,272</b>	158,088
Total	<b>393,698</b>	362,983
(2) Outward remittance and remittance payables	<b>8,722</b>	9,508
(3) As at 31 December 2012, the deposits arising from wealth management products with principal guaranteed by the Group were RMB 355,284 million (2011:RMB154,062 million).		



## 11 Commitments and contingent liabilities

### (1) Credit commitments

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

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

As credit commitments may 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.

	<u>2012</u>	<u>2011</u>
Loan commitments		
– with an original maturity under one year	<b>168,906</b>	129,745
– with an original maturity of one year or over	<b>272,360</b>	349,032
Credit card commitments	<b>343,698</b>	266,447
	<b>784,964</b>	745,224
Bank acceptances	<b>344,848</b>	335,517
Financing guarantees	<b>165,294</b>	189,258
Non-financing guarantees	<b>441,367</b>	439,322
Sight letters of credit	<b>28,246</b>	42,778
Usance letters of credit	<b>203,972</b>	203,810
Others	<b>47,608</b>	26,040
Total	<b>2,016,299</b>	1,981,949

### (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.

	<u>2012</u>	<u>2011</u>
Credit risk-weighted amount of contingent liabilities and commitments	<b>908,026</b>	929,681

(3) Operating lease commitments

The Group 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:

	<u>2012</u>	<u>2011</u>
Within one year	<b>3,973</b>	3,363
After one year but within two years	<b>2,976</b>	2,640
After two years but within three years	<b>2,268</b>	1,836
After three years but within five years	<b>2,699</b>	2,130
After five years	<b>1,662</b>	1,467
Total	<b><u>13,578</u></b>	<u>11,436</u>

(4) Capital commitments

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

	<u>2012</u>	<u>2011</u>
Contracted for	<b>4,351</b>	4,793
Authorised but not contracted for	<b>6,332</b>	5,802
Total	<b><u>10,683</u></b>	<u>10,595</u>

(5) Underwriting obligations

As at 31 December 2012, there was no unexpired underwriting commitment of the Group (2011: nil).

(6) Government bonds redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2012, were RMB49,022 million (2011: RMB72,205 million).

(7) Outstanding litigation and disputes

As at 31 December 2012, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,735 million (2011: RMB2,173 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

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

## **12 Operating segments**

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers 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 and results are determined before 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 operations 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 where the tier-1 branches and the subsidiary of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- “Pearl River Delta” refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- “Bohai Rim” refers to the following areas where tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the “Central” region refers to the following areas where tier-1 branches and the subsidiaries of the Bank operate: 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 where tier-1 branches and the subsidiaries of the Bank operate: 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 where tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

	2012								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	56,937	31,121	29,810	37,911	44,028	13,241	137,357	2,797	353,202
Internal net interest income/(expense)	5,510	12,350	20,595	15,405	12,660	8,907	(77,436)	2,009	-
<b>Net interest income</b>	<b>62,447</b>	<b>43,471</b>	<b>50,405</b>	<b>53,316</b>	<b>56,688</b>	<b>22,148</b>	<b>59,921</b>	<b>4,806</b>	<b>353,202</b>
Net fee and commission income	19,596	15,572	14,949	14,819	12,436	5,709	9,127	1,299	93,507
Net trading gain/(loss)	707	607	313	100	261	132	226	(483)	1,863
Dividend income	10	1	-	67	20	76	50	15	239
Net gain arising from investment securities	831	-	-	478	650	238	1,296	43	3,536
Other operating income, net	6,295	269	54	369	887	102	1,418	792	10,186
<b>Operating income</b>	<b>89,886</b>	<b>59,920</b>	<b>65,721</b>	<b>69,149</b>	<b>70,942</b>	<b>28,405</b>	<b>72,038</b>	<b>6,472</b>	<b>462,533</b>
Operating expenses	(34,976)	(22,123)	(25,484)	(28,932)	(27,925)	(12,380)	(16,111)	(3,150)	(171,081)
Impairment losses	(18,005)	(4,890)	(3,320)	(4,795)	(3,331)	(1,439)	(4,076)	(185)	(40,041)
Share of profits less losses of associates and jointly controlled entities	-	-	-	(11)	-	-	-	39	28
<b>Profit before tax</b>	<b>36,905</b>	<b>32,907</b>	<b>36,917</b>	<b>35,411</b>	<b>39,686</b>	<b>14,586</b>	<b>51,851</b>	<b>3,176</b>	<b>251,439</b>
Capital expenditure	4,689	3,417	4,452	6,133	5,346	3,014	4,593	2,812	34,456
Depreciation and amortization	2,407	1,575	1,970	2,522	2,255	1,185	1,821	154	13,889
	<b>31 December 2012</b>								
Segment assets	2,453,994	2,006,787	2,590,592	2,170,917	2,269,546	863,899	5,431,210	516,623	18,303,568
Interests in associates and jointly controlled entities	-	-	-	410	-	-	-	1,956	2,366
	<b>2,453,994</b>	<b>2,006,787</b>	<b>2,590,592</b>	<b>2,171,327</b>	<b>2,269,546</b>	<b>863,899</b>	<b>5,431,210</b>	<b>518,579</b>	<b>18,305,934</b>
Deferred tax assets									27,051
Elimination									(4,360,157)
Total assets									<b>13,972,828</b>
Segment liabilities	2,452,082	2,002,197	2,583,373	2,163,987	2,261,857	860,707	4,568,513	490,328	17,383,044
Deferred tax liabilities									332
Elimination									(4,360,157)
Total liabilities									<b>13,023,219</b>
Off-balance sheet credit commitments	517,083	376,871	441,783	255,566	249,619	104,579	13,002	57,796	2,016,299

**2011**

	<b>Yangtze River Delta</b>	<b>Pearl River Delta</b>	<b>Bohai Rim</b>	<b>Central</b>	<b>Western</b>	<b>Northeastern</b>	<b>Head Office</b>	<b>Overseas</b>	<b>Total</b>
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	-
<b>Net interest income</b>	<b>54,179</b>	<b>37,515</b>	<b>45,642</b>	<b>44,808</b>	<b>46,970</b>	<b>18,524</b>	<b>53,783</b>	<b>3,151</b>	<b>304,572</b>
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
<b>Operating income</b>	<b>77,204</b>	<b>53,914</b>	<b>60,063</b>	<b>59,454</b>	<b>59,965</b>	<b>24,275</b>	<b>60,962</b>	<b>3,566</b>	<b>399,403</b>
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
<b>Profit before tax</b>	<b>41,116</b>	<b>28,973</b>	<b>33,749</b>	<b>29,872</b>	<b>31,443</b>	<b>12,049</b>	<b>41,601</b>	<b>304</b>	<b>219,107</b>
Capital expenditure	3,631	2,690	3,224	4,522	4,166	1,932	2,546	93	22,804
Depreciation and amortization	2,107	1,451	1,847	2,259	1,978	1,020	1,727	108	12,497
	31 December 2011								
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
	<u>2,309,626</u>	<u>1,773,562</u>	<u>2,241,298</u>	<u>1,874,631</u>	<u>1,982,662</u>	<u>769,288</u>	<u>5,140,899</u>	<u>443,188</u>	<u>16,535,154</u>
Deferred tax assets									21,410
Elimination									(4,274,730)
Total assets									<u>12,281,834</u>
Segment liabilities	<u>2,304,167</u>	<u>1,769,903</u>	<u>2,232,283</u>	<u>1,869,614</u>	<u>1,976,095</u>	<u>766,375</u>	<u>4,402,281</u>	<u>418,827</u>	15,739,545
Deferred tax liabilities									358
Elimination									(4,274,730)
Total liabilities									<u>11,465,173</u>
Off-balance sheet credit commitments	<u>565,867</u>	<u>365,648</u>	<u>406,115</u>	<u>245,292</u>	<u>233,361</u>	<u>103,085</u>	<u>12,002</u>	<u>50,579</u>	<u>1,981,949</u>

(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 and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

*Personal banking*

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

	2012				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income/(expense)	215,820	(4,278)	134,933	6,727	353,202
Internal net interest (expense)/income	(39,430)	115,742	(73,653)	(2,659)	-
<b>Net interest income</b>	<b>176,390</b>	<b>111,464</b>	<b>61,280</b>	<b>4,068</b>	<b>353,202</b>
Net fee and commission income	40,116	33,181	18,037	2,173	93,507
Net trading gain/(loss)	3	448	1,895	(483)	1,863
Dividend income	-	-	-	239	239
Net gain arising from investment securities	-	-	671	2,865	3,536
Other operating income, net	441	242	871	8,632	10,186
<b>Operating income</b>	<b>216,950</b>	<b>145,335</b>	<b>82,754</b>	<b>17,494</b>	<b>462,533</b>
Operating expenses	(67,759)	(85,831)	(5,651)	(11,840)	(171,081)
Impairment losses	(30,697)	(7,841)	(831)	(672)	(40,041)
Share of profits less losses of associates and jointly controlled entities	-	-	-	28	28
<b>Profit before tax</b>	<b>118,494</b>	<b>51,663</b>	<b>76,272</b>	<b>5,010</b>	<b>251,439</b>
Capital expenditure	9,195	20,498	1,043	3,720	34,456
Depreciation and amortization	4,066	9,064	461	298	13,889
	<b>31 December 2012</b>				
Segment assets	5,368,220	2,167,249	6,065,163	477,840	14,078,472
Interests in associates and jointly controlled entities	-	-	-	2,366	2,366
	<u>5,368,220</u>	<u>2,167,249</u>	<u>6,065,163</u>	<u>480,206</u>	<u>14,080,838</u>
Deferred tax assets					27,051
Elimination					(135,061)
Total assets					<u>13,972,828</u>
Segment liabilities	<u>6,529,675</u>	<u>5,744,452</u>	<u>335,719</u>	<u>548,102</u>	13,157,948
Deferred tax liabilities					332
Elimination					(135,061)
Total liabilities					<u>13,023,219</u>
Off-balance sheet credit commitments	1,641,277	317,226	-	57,796	2,016,299



	<b>2011</b>				<b>Total</b>
	<b>Corporate banking</b>	<b>Personal banking</b>	<b>Treasury business</b>	<b>Others</b>	
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)	-
<b>Net interest income</b>	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
<b>Operating income</b>	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
<b>Profit before tax</b>	111,041	37,627	71,059	(620)	219,107
Capital expenditure	6,783	14,818	826	377	22,804
Depreciation and amortization	3,717	8,120	453	207	12,497
	31 December 2011				
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)
<b>Total assets</b>					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)
<b>Total liabilities</b>					11,465,173
Off-balance sheet credit commitments	1,689,179	242,191	-	50,579	1,981,949

## Unaudited supplementary financial information

### (a) Liquidity ratios

	<b>As at 31 December 2012</b>	<b>Average for the year ended 31 December 2012</b>	<b>As at 31 December 2011</b>	<b>Average for the year ended 31 December 2011</b>
RMB current assets to RMB current liabilities	<u>56.73%</u>	<u>56.65%</u>	<u>53.70%</u>	<u>52.33%</u>
Foreign currency current assets to foreign currency current liabilities	<u>58.81%</u>	<u>58.53%</u>	<u>53.54%</u>	<u>51.40%</u>

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 is the arithmetic mean of each calendar month’s liquidity ratio. The Group prepared the liquidity ratios on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

(b) *Currency concentrations*

	2012			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	524,730	153,916	125,957	804,603
Spot liabilities	(432,029)	(161,150)	(178,574)	(771,753)
Forward purchases	409,707	9,581	232,258	651,546
Forward sales	(499,732)	(5,363)	(179,561)	(684,656)
Net options position	28	-	(1)	27
Net long/(short) position	2,704	(3,016)	79	(233)
Net structural position	12	4,520	7	4,539
	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

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

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

(c) **Cross-border claims**

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

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

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

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

	<b>2012</b>			
	<b>Banks and non-bank financial institutions</b>	<b>Public sector entities</b>	<b>Others</b>	<b>Total</b>
Asia Pacific excluding Mainland China	<b>24,628</b>	<b>1,832</b>	<b>190,776</b>	<b>217,236</b>
– of which attributed to Hong Kong	<b>16,581</b>	-	<b>161,805</b>	<b>178,386</b>
Europe	<b>1,762</b>	<b>94</b>	<b>18,593</b>	<b>20,449</b>
North and South America	<b>25,504</b>	<b>83</b>	<b>80,309</b>	<b>105,896</b>
Total	<b>51,894</b>	<b>2,009</b>	<b>289,678</b>	<b>343,581</b>
	<b>2011</b>			
	<b>Banks and non-bank financial institutions</b>	<b>Public sector entities</b>	<b>Others</b>	<b>Total</b>
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

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

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

	<u>2012</u>	<u>2011</u>
Yangtze River Delta	<b>24,635</b>	8,361
Central	<b>6,433</b>	6,331
Bohai Rim	<b>5,677</b>	6,596
Pearl River Delta	<b>5,115</b>	5,056
Western	<b>4,569</b>	3,789
Northeastern	<b>3,663</b>	3,116
Head office	<b>1,964</b>	1,736
Overseas	<b>305</b>	192
Total	<b><u>52,361</u></b>	<u>35,177</u>

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

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

In 2012, the global economy continued to grow slowly, but the instability and uncertainty of the recovery remained conspicuous. The U.S. economy and emerging economies showed positive signs, but the Euro zone and Japanese economies continued to experience recession. Developed economies continued to loosen or maintain loose monetary policies, while emerging economies' monetary policies faced a dilemma. According to the International Monetary Fund's report, the global economy grew at 3.2% in 2012, a decrease of 0.7 percentage points from 2011.

In 2012, China's economy faced complex internal and external environment, but the fundamentals that supported the steady and relatively fast growth of China's economy have not changed in essence. In particular, the full progress of new urbanisation, informatisation, industrialisation and agricultural modernisation drove China's economy to grow amid steady development. In 2012, China's GDP was RMB51.9 trillion, up 7.8% over 2011, while the consumer price index increased by 2.6% over the previous year.

In 2012, China's financial market operated steadily on the whole. The positive effects of monetary policies gradually appeared, and the pre-setting and fine tuning were intensified. During the year, the PBC lowered the statutory deposit reserve ratio twice, and the benchmark deposit and lending interest rates twice. The reform of interest rate liberalisation made further progress. For financial institutions, the upper limit of the floating range of RMB deposit interest rates was adjusted to 1.1 times of the benchmark deposit interest rates, and the lower limit of the floating range of RMB lending interest rates was adjusted to 0.7 times of the benchmark lending interest rates. The monetary credit growth was in line with expectations, and the loan structure continued to improve. At the end of 2012, the outstanding broad money supply M2 increased by 13.8% over the previous year to RMB97.4 trillion, and the narrow money supply M1 increased by 6.5% to RMB30.9 trillion. The amount of loans granted in RMB increased by 15.0% to RMB63.0 trillion. The deposits in RMB increased by 13.3% to RMB91.7 trillion.

The Group closely monitored the trend of national economy and changes in regulatory requirements, accelerated business structure adjustments, and strengthened comprehensive risk controls, achieving steady profit growth and stable asset quality.

## Statement of Comprehensive Income Analysis

In 2012, the Group recorded profit before tax of RMB251,439 million, up 14.76% over 2011. Net profit was RMB193,602 million, up 14.26% over 2011. This was mainly due to the following factors: First, the interest-earning assets increased moderately and net interest margin recovered steadily, pushing up net interest income by RMB48,630 million, or 15.97% over 2011. Second, the Group further improved cost management and strictly controlled its expenses, keeping a relatively low cost-to-income ratio. However, as a result of the slowdown of domestic economy and changes in regulatory policy on bank fees, the growth rate of net fee and commission income slowed down compared with 2011.

(In millions of RMB, except percentages)	Year ended 31 December 2012	Year ended 31 December 2011	Change (%)
Net interest income	353,202	304,572	15.97
Net fee and commission income	93,507	86,994	7.49
Other operating income	15,824	7,837	101.91
<b>Operating income</b>	<b>462,533</b>	<b>399,403</b>	<b>15.81</b>
Operating expenses	(171,081)	(144,537)	18.36
Impairment losses	(40,041)	(35,783)	11.90
Share of profits less losses of associates and jointly controlled entities	28	24	16.67
<b>Profit before tax</b>	<b>251,439</b>	<b>219,107</b>	<b>14.76</b>
Income tax expense	(57,837)	(49,668)	16.45
<b>Net profit</b>	<b>193,602</b>	<b>169,439</b>	<b>14.26</b>
Other comprehensive income for the year, net of tax	(3,511)	(1,918)	83.06
<b>Total comprehensive income for the year</b>	<b>190,091</b>	<b>167,521</b>	<b>13.47</b>

## Net interest income

In 2012, the Group's net interest income was RMB353,202 million, an increase of RMB48,630 million, or 15.97%, over the previous year. The net interest income accounted for 76.36% of the operating income.

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

(In millions of RMB, except percentages)	Year ended 31 December 2012			Year ended 31 December 2011		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
<b>Assets</b>						
Gross loans and advances to customers	7,027,047	441,691	6.29	6,108,983	347,520	5.69
Investments in debt securities	2,808,238	100,444	3.58	2,745,520	89,716	3.27
Deposits with central banks	2,302,863	34,694	1.51	2,030,564	31,282	1.54
Deposits and placements with banks and non-bank financial institutions	576,641	20,860	3.62	212,038	5,841	2.75
Financial assets held under resale agreements	130,335	5,552	4.26	195,695	7,888	4.03
Total interest-earning assets	12,845,124	603,241	4.70	11,292,800	482,247	4.27
Total allowances for impairment losses	(193,168)			(164,389)		
Non-interest-earning assets	513,587			383,077		
Total assets	13,165,543	603,241		11,511,488	482,247	
<b>Liabilities</b>						
Deposits from customers	10,527,661	208,591	1.98	9,442,374	151,972	1.61
Deposits and placements from banks and non-bank financial institutions	1,016,334	31,808	3.13	870,192	20,464	2.35
Financial assets sold under repurchase agreements	58,429	2,254	3.86	21,724	1,233	5.68
Debt securities issued	211,505	7,364	3.48	116,807	3,987	3.41
Other interest-bearing liabilities	1,686	22	1.25	1,704	19	1.12
Total interest-bearing liabilities	11,815,615	250,039	2.12	10,452,801	177,675	1.70
Non-interest-bearing liabilities	440,434			282,713		
Total liabilities	12,256,049	250,039		10,735,514	177,675	
<b>Net interest income</b>		<b>353,202</b>			<b>304,572</b>	
<b>Net interest spread</b>			<b>2.58</b>			<b>2.57</b>
<b>Net interest margin</b>			<b>2.75</b>			<b>2.70</b>

In 2012, the Group's net interest margin was 2.75%, up 5 basis points year-on-year. This was mainly due to the following factors: First, the weighted average interest rates for newly granted loans rose with enhanced pricing management, and interest rate hikes in 2011 had a lagging effect on the loan yield. Second, the yield of investments in debt securities grew



steadily with the adjustments in duration and structure of investments in debt securities. In addition, the cost of interest-bearing liabilities rose over 2011, as a result of the lagging effect of interest rate hikes in 2011 on interest cost of deposits and higher proportion of time deposits in total deposits, partially offsetting the positive effects of the above factors on net interest margin.

In 2012, the PBC cut down the benchmark deposit and lending interest rates twice, and expanded the floating range of deposit and lending interest rates. In response, the Group will actively conduct research on the interest rate liberalisation, strengthen interest spread management, and cultivate and improve its pricing capability under the circumstances of interest rate liberalisation.

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 2012 versus 2011.

(In millions of RMB)	Volume factor <sup>1</sup>	Interest rate factor <sup>1</sup>	Change in interest income/expense
<b>Assets</b>			
Gross loans and advances to customers	55,341	38,830	94,171
Investment in debt securities	2,083	8,645	10,728
Deposits with central banks	4,043	(631)	3,412
Deposits and placements with banks and non-bank financial institutions	12,685	2,334	15,019
Financial assets held under resale agreements	(2,764)	428	(2,336)
<b>Change in interest income</b>	<b>71,388</b>	<b>49,606</b>	<b>120,994</b>
<b>Liabilities</b>			
Deposits from customers	18,876	37,743	56,619
Deposits and placements from banks and non-bank financial institutions	3,811	7,533	11,344
Financial assets sold under repurchase agreements	1,523	(502)	1,021
Debt securities issued	3,294	83	3,377
Other interest-bearing liabilities	-	3	3
<b>Change in interest expenses</b>	<b>27,504</b>	<b>44,860</b>	<b>72,364</b>
<b>Change in net interest income</b>	<b>43,884</b>	<b>4,746</b>	<b>48,630</b>

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 RMB48,630 million over the previous year, in which an increase of RMB43,884 million was due to the movement of average balances of assets and liabilities, and an increase of RMB4,746 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 90.24% and 9.76% respectively.

### ***Interest income***

The Group's interest income in 2012 was RMB603,241 million, an increase of RMB120,994 million, or 25.09%, over 2011. 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 73.22%, 16.65%, 5.75%, 3.46% and 0.92% respectively.

### *Interest income from loans and advances to customers*

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

(In millions of RMB, except percentages)	Year ended 31 December 2012			Year ended 31 December 2011		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
<b>Corporate loans and advances</b>	4,690,345	307,355	6.55	4,201,411	249,226	5.93
Short-term loans	1,619,010	104,219	6.44	1,313,801	76,110	5.79
Medium to long-term loans	3,071,335	203,136	6.61	2,887,610	173,116	6.00
<b>Personal loans and advances</b>	1,833,083	112,586	6.14	1,538,049	82,732	5.38
<b>Discounted bills</b>	127,147	8,694	6.84	103,290	7,496	7.26
<b>Overseas operations and subsidiaries</b>	376,472	13,056	3.47	266,233	8,066	3.03
<b>Gross loans and advances to customers</b>	7,027,047	441,691	6.29	6,108,983	347,520	5.69

Interest income from loans and advances to customers rose by RMB94,171 million, or 27.10%, year-on-year to RMB441,691 million, mainly because the average balance of loans and advances to customers increased by 15.03%, and the average yield increased by 60 basis points over the previous year. The loan yield increased largely because of the following causes: First, the Group actively adjusted credit structure and enhanced pricing management, and the weighted average interest rates for newly granted loans in 2012 rose over 2011. Second, the lagging effect of interest rate hikes in 2011 further pushed up the loan yield.

### *Interest income from investments in debt securities*

Interest income from investments in debt securities grew by RMB10,728 million, or 11.96%, to RMB100,444 million over 2011, largely because the Group seized the favourable opportunity presented by the rising interest rates to improve the duration and structure of investments in debt securities, 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 RMB34,694 million, an increase of RMB3,412 million, or 10.91% over 2011. This was mainly due to the increase in the average balance of deposits with central banks.

### *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 RMB15,019 million to RMB20,860 million, an increase of 257.13% over 2011. This was primarily because the average balance of deposits and placements with banks and non-bank financial institutions rose by 171.95% over 2011 due to an increase in principal-guaranteed wealth management products. Meanwhile, the average yield of deposits and placements with banks and non-bank financial institutions also rose by 87 basis points over 2011.

### *Interest income from financial assets held under resale agreements*

Interest income from financial assets held under resale agreements decreased by RMB2,336 million, or 29.61% over 2011 to RMB5,552 million. This was mainly due to the decrease in the average balance of financial assets held under resale agreements.

### *Interest expense*

In 2012, the Group's interest expense was RMB250,039 million, a year-on-year increase of RMB72,364 million, or 40.73%.

### *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.

(In millions of RMB, except percentages)	Year ended 31 December 2012			Year ended 31 December 2011		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>	5,488,128	101,216	1.84	5,080,500	75,822	1.49
Demand deposits	3,320,096	26,438	0.80	3,302,205	26,308	0.80
Time deposits	2,168,032	74,778	3.45	1,778,295	49,514	2.78
<b>Personal deposits</b>	4,883,746	105,224	2.15	4,230,001	74,515	1.76
Demand deposits	1,951,264	8,060	0.41	1,725,106	8,505	0.49
Time deposits	2,932,482	97,164	3.31	2,504,895	66,010	2.64
<b>Overseas operations and subsidiaries</b>	155,787	2,151	1.38	131,873	1,635	1.24
<b>Total deposits from customers</b>	10,527,661	208,591	1.98	9,442,374	151,972	1.61

Interest expense on deposits from customers rose to RMB208,591 million, representing an increase of RMB56,619 million, or 37.26%, over 2011, mainly because the average cost rose by 37 basis points, and the average balance rose by 11.49% over 2011. The increase in the cost of deposits was mainly due to the following causes: First, the interest cost of time deposits rose by 67 basis points over 2011 as a result of the lagging effect of interest rate hikes in 2011. Second, under the expectation of further interest rate cuts, the proportion of the average balance of time deposits in total deposits rose by 3.09 percentage points to 48.45%.

### *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 RMB31,808 million, an increase of RMB11,344 million, or 55.43%, over 2011, largely because the average cost of deposits from banks and non-bank financial institutions increased by 78 basis points as affected by the rising market rates.

### *Interest expense on financial assets sold under repurchase agreements*

Interest expense on financial assets sold under repurchase agreements increased by RMB1,021 million year-on-year to RMB2,254 million. This was primarily because of the increase in the average balance of financial assets sold under repurchase agreements.

## Net fee and commission income

(In millions of RMB, except percentages)	Year ended 31 December 2012	Year ended 31 December 2011	Change (%)
<b>Fee and commission income</b>	96,218	89,494	7.51
Bank card fees	20,137	14,910	35.06
Consultancy and advisory fees	19,722	17,488	12.77
Agency service fees	12,772	14,210	(10.12)
Settlement and clearing fees	11,423	13,484	(15.28)
Wealth management service fees	9,381	7,907	18.64
Commission on trust and fiduciary activities	8,380	7,732	8.38
Electronic banking service fees	4,760	4,246	12.11
Credit commitment fees	2,636	2,369	11.27
Guarantee fees	1,931	2,495	(22.61)
Others	5,076	4,653	9.09
<b>Fee and commission expense</b>	(2,711)	(2,500)	8.44
<b>Net fee and commission income</b>	93,507	86,994	7.49

In 2012, the Group's net fee and commission income increased by 7.49% over 2011 to RMB93,507 million. The ratio of net fee and commission income to operating income dropped by 1.56 percentage points to 20.22%. The slower growth rate of net fee and commission income was mainly due to the following factors: First, with the slowdown of economic growth in China, growth rates of market-related products fell. Second, the regulatory standards tended to be more stringent, calling for a higher standard in setting service fees. Third, the Group voluntarily waived service charges on certain personal and small business customers.

Bank card fees grew by 35.06% to RMB20,137 million. In this amount, fees from credit cards nearly doubled, mainly because income from installment transactions grew fast as a result of expanded customer base and multiple innovative products. Income from debit cards and quasi credit cards maintained a steady and fast growth due to the rising number of personal customers, optimised products and more convenient transaction channels.

Consultancy and advisory fees increased by 12.77% over 2011 to RMB19,722 million. The growth rate fell substantially from 2011, mainly due to the decrease in income from routine financial advisory services. Income from new financial advisory services and cost advisory service maintained fast growth.

Agency service fees decreased by 10.12% to RMB12,772 million. This was mainly because income from agency fund sales decreased sharply due to the gloomy securities market. Income from insurance agency services decreased over 2011 due to the shrinkage of the bank insurance market. Income from financial services for housing reform recorded a good growth.

Settlement and clearing fees decreased by 15.28% to RMB11,423 million. This was largely because of a decrease in income from RMB settlements over 2011. Income from personal foreign currency settlement and agency fund clearing grew well.

Wealth management service fees increased by 18.64% to RMB9,381 million. The Group was dedicated to satisfying customers' needs for investment and wealth management, and strove to provide differentiated products to customers with different risk and channel preferences.

Besides the traditional wealth management products, the Group also launched exclusive wealth management products for private banking customers and electronic banking channel.

Commission on trust and fiduciary activities was RMB8,380 million, up 8.38% over 2011. In this amount, fees from custodial service for insurance assets and enterprise annuities grew rapidly, while the income from custodial service for securities investment funds dropped noticeably as affected by the securities market.

Electronic banking service fees grew by 12.11% to RMB4,760 million. This was mainly due to the rapid growth of customer base and steady expansion of trading volume of electronic banking channels including online banking, mobile phone banking and SMS financial service. Meanwhile, the Group launched multiple preferential and convenient electronic banking products including “Joy Life” and “College Student Benefit”.

Going forward, the Group will continue to maintain its enthusiasm for development and innovation, and make greater efforts in product innovation, service upgrade, customer retention and expansion in accordance with the market conditions and demands of customers, to promote the healthy and sustainable development of the fee-based business.

### **Net trading gain**

Net trading gain was RMB1,863 million, an increase of RMB1,475 million, or 380.15%, over the previous year. This was mainly due to the increase in the realised income from derivatives and the decrease of revaluation losses of financial assets at fair value through profit or loss.

### **Net gain arising from investment securities**

Net gain arising from investment securities was RMB3,536 million, an increase of RMB1,780 million, or 101.37%, over 2011. This was mainly because the realised investment gains from available-for-sale financial assets increased.

### **Other net operating income**

In 2012, the Group reaped other net operating income of RMB10,186 million, an increase of RMB4,651 million, or 84.03%, over 2011. This was mainly because the insurance business of CCB Life, which was acquired by the Group in June 2011, grew rapidly, and its profit for the full year of 2012 was consolidated.

### **Operating expenses**

(In millions of RMB, except percentages)	Year ended 31 December 2012	Year ended 31 December 2011
Staff costs	79,710	71,388
Premises and equipment expenses	23,484	20,397
Business taxes and surcharges	30,233	24,229
Other business costs	5,620	1,112
Others	32,034	27,411
<b>Total operating expenses</b>	<b>171,081</b>	<b>144,537</b>
<b>Cost-to-income ratio</b>	<b>29.60%</b>	<b>29.93%</b>

In 2012, the Group’s total operating expenses increased by RMB26,544 million, or 18.36%, year-on-year to RMB171,081 million; total operating expenses increased by RMB21,982 million, or 15.29%, over 2011, by excluding the expenditures of the insurance business of CCB Life. Cost-to-income ratio fell by 0.33 percentage points to 29.60% year-on-year.

Staff costs were RMB79,710 million, an increase of RMB8,322 million, up 11.66% over 2011, lower than the growth rates of profit before tax and net profit. Premises and equipment expenses were RMB23,484 million, up 15.13%. Business taxes and surcharges were RMB30,233 million, an increase of RMB6,004 million, up 24.78% in line with higher taxable income over 2011. Other business costs were RMB5,620 million, an increase of RMB4,508 million, up 405.40% over 2011. This was mainly because the insurance business of CCB Life, acquired by the Group in June 2011, grew rapidly and its cost for the full year of 2012 was consolidated. Other operating expenses increased by RMB4,623 million, or 16.87% over 2011 to RMB32,034 million, largely because the marketing costs increased as a result of business development and intense market competition.

### Impairment losses

(In millions of RMB)	Year ended 31 December 2012	Year ended 31 December 2011
<b>Loans and advances to customers</b>	38,330	32,403
<b>Investments</b>	1,296	1,610
Available-for-sale financial assets	(236)	1,130
Held-to-maturity investments	1,126	(15)
Debt securities classified as receivables	406	495
<b>Fixed assets</b>	5	1
<b>Others</b>	410	1,769
<b>Impairment losses</b>	<b>40,041</b>	<b>35,783</b>

In 2012, impairment losses were RMB40,041 million, an increase of RMB4,258 million, or 11.90%, over 2011. In this amount, impairment losses on loans and advances to customers were RMB38,330 million, an increase of RMB5,927 million, mainly because the Group made prudent provisions by fully considering the impact of changes in external environment on credit asset quality; impairment losses on investments were RMB1,296 million, a decrease of RMB314 million, mainly because part of the allowances for impairment losses on available-for-sale financial assets were reversed, while impairment losses on held-to-maturity investments increased as a result of the increase in corporate bonds which were collectively assessed; other impairment losses were RMB410 million, a decrease of RMB1,359 million over 2011, mainly because the asset structure of the non-principal-guaranteed wealth management business was optimised and part of the allowances were reversed.

### Income tax expense

In 2012, the Group's income tax expense reached RMB57,837 million, an increase of RMB8,169 million over 2011. The Group's effective income tax rate was 23.00%, 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. Details on income tax expense are set out in the Note "Income Tax Expense" of the "Financial Statements" in this report.

### Other net comprehensive income

In 2012, the Group recorded a negative value of RMB3,511 million in other net comprehensive income, a decrease of RMB1,593 million compared to 2011, mainly due to a fall in the fair value of the available-for-sale financial assets.

## Statement of Financial Position Analysis

### Assets

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

(In millions of RMB, except percentages)	As at 31 December 2012		As at 31 December 2011	
	Amount	% of total	Amount	% of total
Gross loans and advances to customers	7,512,312		6,496,411	
Allowances for impairment losses on loans	(202,433)		(171,217)	
Net loans and advances to customers	7,309,879	52.31	6,325,194	51.50
Investments <sup>1</sup>	2,866,648	20.52	2,741,750	22.32
Cash and deposits with central banks	2,458,069	17.59	2,379,809	19.38
Deposits and placements with banks and non-bank financial institutions	715,551	5.12	385,792	3.14
Financial assets held under resale agreements	316,685	2.27	200,045	1.63
Interest receivable	68,264	0.49	56,776	0.46
Others <sup>2</sup>	237,732	1.70	192,468	1.57
<b>Total assets</b>	<b>13,972,828</b>	<b>100.00</b>	<b>12,281,834</b>	<b>100.00</b>

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, interests in associates and jointly controlled entities, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

As at 31 December 2012, the Group's total assets stood at RMB13,972,828 million, an increase of RMB1,690,994 million, or 13.77%, over 2011. This was mainly due to increases in loans and advances to customers, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements. In this amount, net loans and advances to customers accounted for 52.31% of total assets, an increase of 0.81 percentage points over 2011. Deposits and placements with banks and non-bank financial institutions accounted for 5.12% of total assets, an increase of 1.98 percentage points. Financial assets held under resale agreements accounted for 2.27% of total assets, an increase of 0.64 percentage points. Investments decreased by 1.80 percentage points, accounting for 20.52% of total assets. Cash and deposits with central banks decreased by 1.79 percentage points, accounting for 17.59% of total assets.

### *Loans and advances to customers*

(In millions of RMB, except percentages)	As at 31 December 2012		As at 31 December 2011	
	Amount	% of total	Amount	% of total
<b>Corporate loans and advances</b>	4,963,050	66.07	4,400,421	67.74
Short-term loans	1,725,607	22.97	1,383,008	21.29
Medium to long-term loans	3,237,443	43.10	3,017,413	46.45
<b>Personal loans and advances</b>	2,017,826	26.86	1,677,910	25.83
Residential mortgages	1,528,757	20.35	1,312,974	20.21
Personal consumer loans	80,556	1.07	76,692	1.18
Personal business loans	101,776	1.36	78,716	1.21
Credit card loans	177,936	2.37	97,553	1.50
Other loans <sup>1</sup>	128,801	1.71	111,975	1.73
<b>Discounted bills</b>	137,558	1.83	111,181	1.71
<b>Overseas operations and subsidiaries</b>	393,878	5.24	306,899	4.72
<b>Gross loans and advances to customers</b>	<b>7,512,312</b>	<b>100.00</b>	<b>6,496,411</b>	<b>100.00</b>

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

As at 31 December 2012, the Group's gross loans and advances to customers rose by RMB1,015,901 million, or 15.64%, over 2011, to RMB7,512,312 million.

Domestic corporate loans and advances of the Bank reached RMB4,963,050 million, an increase of RMB562,629 million, or 12.79%, over 2011. In this amount, loans to infrastructure sectors rose to RMB2,096,129 million, the increase of which accounted for 27.04% of the increase in corporate loans; loans to small and micro businesses amounted to RMB745,453 million, and agriculture-related loans totalled RMB1,274,899 million, up 17.97% and 21.43% respectively, both higher than the growth rate of total corporate loans. The Bank pushed forward the rectification of its loans to local government financing vehicles, strengthened the exit mechanism, and strictly followed the approval policies, leading to improved structure of loans to financing vehicles. Proportions of loans to industries classified as prudent supporting and gradual curtailing categories in total loans decreased by 0.89 percentage points and 0.26 percentage points respectively.

Domestic personal loans and advances of the Bank increased by RMB339,916 million, or 20.26%, to RMB2,017,826 million, which accounted for 26.86% of the gross loans and advances to customers, up 1.03 percentage points over 2011. In this amount, residential mortgages rose by RMB215,783 million, or 16.43%, to RMB1,528,757 million, mainly to support the financing needs for residential purpose; personal business loans increased by RMB23,060 million, or 29.30% over 2011, to RMB101,776 million; credit card loans rose by RMB80,383 million, or 82.40%, to RMB177,936 million.

Discounted bills increased by RMB26,377 million to RMB137,558 million year-on-year, chiefly used to meet the short-term financing needs of targeted prime customers.

Loans and advances to customers of overseas entities and subsidiaries rose by RMB86,979 million, or 28.34%, over 2011, to RMB393,878 million, largely attributable to the rapid loan growth in Hong Kong and other regions.

#### *Distribution of loans by type of collateral*



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

(In millions of RMB, except percentages)	As at 31 December 2012		As at 31 December 2011	
	Amount	% of total	Amount	% of total
Unsecured loans	2,084,988	27.76	1,655,537	25.48
Guaranteed loans	1,441,826	19.19	1,422,349	21.89
Loans secured by tangible assets other than monetary assets	3,176,420	42.28	2,787,776	42.92
Loans secured by monetary assets	809,078	10.77	630,749	9.71
<b>Gross loans and advances to customers</b>	<b>7,512,312</b>	<b>100.00</b>	<b>6,496,411</b>	<b>100.00</b>

*Allowances for impairment losses on loans and advances to customers*

(In millions of RMB)	Year ended 31 December 2012			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		Total
		which are collectively assessed	which are individually assessed	
As at 1 January	129,832	3,276	38,109	171,217
Charge for the year	22,878	1,371	23,024	47,273
Release during the year	-	-	(8,943)	(8,943)
Unwinding of discount	-	-	(1,612)	(1,612)
Transfers out	-	(5)	(232)	(237)
Write-offs	-	(832)	(5,821)	(6,653)
Recoveries	-	99	1,289	1,388
<b>As at 31 December</b>	<b>152,710</b>	<b>3,909</b>	<b>45,814</b>	<b>202,433</b>

The Group adhered to the prudent principle by fully considering the impact of changes in external environment including macro economy and government control policies on credit asset quality, and made full provisions for impairment losses on loans and advances to customers. As at 31 December 2012, the allowances for impairment losses on loans and advances to customers were RMB202,433 million, an increase of RMB31,216 million over 2011. The ratio of allowances to non-performing loans was 271.29%, up 29.85 percentage points over 2011. The ratio of allowances to total loans stood at 2.69%, up 0.05 percentage points over 2011.

## Investments

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

(In millions of RMB, except percentages)	As at 31 December 2012		As at 31 December 2011	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	27,572	0.96	23,096	0.84
Available-for-sale financial assets	701,041	24.46	675,058	24.62
Held-to-maturity investments	1,918,322	66.92	1,743,569	63.60
Debt securities classified as receivables	219,713	7.66	300,027	10.94
<b>Total investments</b>	<b>2,866,648</b>	<b>100.00</b>	<b>2,741,750</b>	<b>100.00</b>

As at 31 December 2012, total investments increased by RMB124,898 million, or 4.56%, over 2011 to RMB2,866,648 million. In this amount, financial assets at fair value through profit or loss increased by RMB4,476 million, or 19.38%; available-for-sale financial assets increased by RMB25,983 million, or 3.85%; held-to-maturity investments increased by RMB174,753 million, or 10.02%; debt securities classified as receivables decreased by RMB80,314 million, or 26.77% , mainly due to the repayment of Cinda debt securities.

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

(In millions of RMB, except percentages)	As at 31 December 2012		As at 31 December 2011	
	Amount	% of total	Amount	% of total
Debt securities investments	2,847,441	99.33	2,719,007	99.17
Equity instruments	17,967	0.63	22,451	0.82
Funds	1,240	0.04	292	0.01
<b>Total investments</b>	<b>2,866,648</b>	<b>100.00</b>	<b>2,741,750</b>	<b>100.00</b>

### Debt securities investments

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

(In millions of RMB, except percentages)	As at 31 December 2012		As at 31 December 2011	
	Amount	% of total	Amount	% of total
Government	939,182	32.98	901,187	33.14
Central banks	335,309	11.78	435,726	16.02
Policy banks	351,086	12.33	285,767	10.51
Banks and non-bank financial institutions	798,952	28.06	712,053	26.19
Public sector entities	341	0.01	196	0.01
Cinda	57,622	2.02	131,761	4.85
Other enterprises	364,949	12.82	252,317	9.28
<b>Total investments in debt securities</b>	<b>2,847,441</b>	<b>100.00</b>	<b>2,719,007</b>	<b>100.00</b>

The Group persisted in its sound investment and prudent trading philosophy, and proactively adjusted its operating strategy to achieve the balance of risks and returns, while maintaining safe liquidity. As at 31 December 2012, the Group's investments in debt securities totalled RMB2,847,441 million, an increase of RMB128,434 million, or 4.72%, over 2011. In this amount, government debt securities were RMB939,182 million, an increase of RMB37,995 million, or 4.22%, over 2011; debt securities issued by policy banks increased by RMB65,319 million, or 22.86%, over 2011 to RMB351,086 million; debt securities issued by banks and non-bank financial institutions were RMB798,952 million, an increase of RMB86,899 million, or 12.20%, compared to 2011; debt securities issued by other enterprises increased by RMB112,632 million, or 44.64%, over 2011 to RMB364,949 million; debt securities issued by central banks decreased by RMB100,417 million, or 23.05% over 2011 to RMB335,309 million; Cinda debt securities decreased by RMB74,139 million over 2011 to RMB57,622 million, as part of the principal was repaid to the Bank.

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

(In millions of RMB, except percentages)	As at 31 December 2012		As at 31 December 2011	
	Amount	% of total	Amount	% of total
RMB	2,775,236	97.46	2,667,800	98.12
USD	25,515	0.90	27,885	1.02
HKD	37,592	1.32	8,638	0.32
Other foreign currencies	9,098	0.32	14,684	0.54
<b>Total investments in debt securities</b>	<b>2,847,441</b>	<b>100.00</b>	<b>2,719,007</b>	<b>100.00</b>

As at 31 December 2012, the carrying amount of US sub-prime mortgage-backed securities held by the Group was US\$84 million, accounting for 0.72% of the foreign currency debt securities investment portfolio; the carrying amount of the Alt-A bonds held by the Group was US\$178 million, accounting for 1.54% of the foreign currency debt securities investment portfolio. The Group does not hold any debt securities issued by the governments and institutions of Greece, Portugal, Spain 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 the Group's earnings.

#### ***Interest receivable***

As at 31 December 2012, the Group's interest receivable was RMB68,264 million, an increase of RMB11,488 million, or 20.23%, over 2011. This was mainly due to the growth in loans and debt securities investments.

## Liabilities

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

(In millions of RMB, except percentages)	As at 31 December 2012		As at 31 December 2011	
	Amount	% of total	Amount	% of total
Deposits from customers	11,343,079	87.10	9,987,450	87.11
Deposits and placements from banks and non-bank financial institutions	1,097,743	8.43	1,044,954	9.11
Financial assets sold under repurchase agreements	2,360	0.02	10,461	0.09
Debt securities issued	262,991	2.02	168,312	1.47
Others <sup>1</sup>	317,046	2.43	253,996	2.22
<b>Total liabilities</b>	<b>13,023,219</b>	<b>100.00</b>	<b>11,465,173</b>	<b>100.00</b>

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 2012, the Group's total liabilities were RMB13,023,219 million, an increase of RMB1,558,046 million, or 13.59%, over 2011. In this amount, deposits from customers rose by RMB1,355,629 million, or 13.57% over 2011, and accounted for 87.10% of total liabilities; deposits and placements from banks and non-bank financial institutions increased by RMB52,789 million, or 5.05% over 2011, and accounted for 8.43% of total liabilities; financial assets sold under repurchase agreements decreased by RMB8,101 million, or 77.44%. Debt securities issued increased by RMB94,679 million over 2011, mainly because the Bank issued subordinated debt securities of RMB40 billion and the overseas institutions issued more certificates of deposit.

### Deposits from customers

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

(In millions of RMB, except percentages)	As at 31 December 2012		As at 31 December 2011	
	Amount	% of total	Amount	% of total
<b>Corporate deposits</b>	<b>6,073,726</b>	<b>53.55</b>	<b>5,410,592</b>	<b>54.17</b>
Demand deposits	3,714,628	32.75	3,493,316	34.98
Time deposits	2,359,098	20.80	1,917,276	19.19
<b>Personal deposits</b>	<b>5,077,930</b>	<b>44.77</b>	<b>4,415,965</b>	<b>44.22</b>
Demand deposits	2,092,791	18.45	1,829,399	18.32
Time deposits	2,985,139	26.32	2,586,566	25.90
<b>Overseas operations and subsidiaries</b>	<b>191,423</b>	<b>1.68</b>	<b>160,893</b>	<b>1.61</b>
<b>Total deposits from customers</b>	<b>11,343,079</b>	<b>100.00</b>	<b>9,987,450</b>	<b>100.00</b>

As at 31 December 2012, the Group's total deposits from customers reached RMB11,343,079 million, an increase of RMB1,355,629 million, or 13.57%, year-on-year. Domestic time deposits of the Bank increased by RMB840,395 million, or 18.66%, higher than the 9.11%

growth of demand deposits, and accounted for 47.12% of total deposits from customers, an increase of 2.03 percentage points over 2011.

### Shareholders' Equity

(In millions of RMB)	As at 31 December 2012	As at 31 December 2011
Share capital	250,011	250,011
Capital reserve	135,281	135,178
Investment revaluation reserve	3,023	6,383
Surplus reserve	86,718	67,576
General reserve	80,483	67,342
Retained earnings	391,034	289,266
Exchange reserve	(4,818)	(4,615)
<b>Total equity attributable to equity shareholders of the Bank</b>	<b>941,732</b>	<b>811,141</b>
Non-controlling interests	7,877	5,520
<b>Total equity</b>	<b>949,609</b>	<b>816,661</b>

As at 31 December 2012, the Group's total equity reached RMB949,609 million, an increase of RMB132,948 million year-on-year. The ratio of total equity to total assets for the Group was 6.80%. The daily average loan-to-deposit ratio for 2012 was 66.75%, up 2.05 percentage points over 2011.

## 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 2012	As at 31 December 2011
<b>Core capital adequacy ratio</b> <sup>1</sup>	11.32%	10.97%
<b>Capital adequacy ratio</b> <sup>2</sup>	14.32%	13.68%
<b>Components of capital base</b>		
Core capital:		
Share capital	250,011	250,011
Capital reserve, investment revaluation reserve and exchange reserve <sup>3</sup>	130,535	130,562
Surplus reserve and general reserve	167,196	134,918
Retained earnings <sup>3,4</sup>	323,735	229,649
Non-controlling interests	4,275	5,520
	875,752	750,660
Supplementary capital:		
General allowance for doubtful debts	76,605	66,180
Positive changes in fair value of financial instruments at fair value through profit or loss	1,563	3,675
Subordinated bonds issued	160,000	120,000
	238,168	189,855
Total capital base before deductions	1,113,920	940,515
Deductions:		
Goodwill	(1,456)	(1,662)
Unconsolidated equity investments	(17,882)	(12,402)
Others <sup>5</sup>	(1,153)	(1,945)
<b>Net capital</b>	1,093,429	924,506
<b>Risk-weighted assets</b> <sup>6</sup>	7,637,705	6,760,117

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 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.

4. The dividend proposed after the balance sheet date has been deducted from retained earnings.

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

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

In accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks* and related regulations promulgated by the CBRC, as at 31 December 2012, the Group's capital adequacy ratio was 14.32% and the core capital adequacy ratio was 11.32%, up 0.64 and 0.35 percentage points respectively over 2011. The increases were largely due to the following reasons: First, the increase in the Group's profits pushed the growth rate of core capital to outrun that of risk-weighted assets. Second, the issuance of

RMB40 billion subordinated debt securities in November 2012 has effectively consolidated the Group's capital base. Third, the Group continuously optimised the structure of capital allocation, and effectively controlled the growth of off-balance sheet risk-weighted assets.

### Leverage Ratio

As at 31 December 2012, the Group's leverage ratio was 5.41%, above the regulatory requirement of the CBRC.

(In millions of RMB, except percentages)	As at 31 December 2012
<b>Leverage Ratio</b> <sup>1</sup>	5.41%
Core capital	875,752
Deductions from core capital	(10,974)
<b>Net Core Capital</b>	864,778
On-balance sheet assets after adjustment <sup>2</sup>	13,984,994
Off-balance sheet items after adjustment <sup>3</sup>	2,016,299
<b>On and off-balance sheet assets after adjustment</b> <sup>4</sup>	15,990,319

1. Leverage ratio is calculated in accordance with relevant regulatory requirements. The net core capital is consistent with that used in the calculation of capital adequacy ratio by the Group.

2. On-balance sheet assets after adjustment include derivatives using the current risk exposure approach and other on-balance sheet assets calculated.

3. Off-balance sheet items after adjustment include unconditionally cancellable commitments with a conversion factor of 10% and other off-balance sheet items.

4. On and off-balance sheet assets after adjustment = On-balance sheet assets after adjustment + Off-balance sheet items after adjustment - Deductions from core 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, and equity instrument 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 RMB2,016,299 million as at 31 December 2012, an increase of RMB34,350 million over 2011. Its credit risk-weighted amount was RMB908,026 million, a decrease of RMB21,655 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 ineffective risk assets. Please refer to Note "Commitments and contingent liabilities" in the "Financial Statements" of this annual report for details on commitments and contingent liabilities.

### Loan Quality Analysis

#### Distribution of Loans by the Five-Category Classification

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

(In millions of RMB, except percentages)	As at 31 December 2012		As at 31 December 2011	
	Amount	% of total	Amount	% of total
Normal	7,233,287	96.29	6,227,770	95.87
Special mention	204,407	2.72	197,726	3.04
Substandard	32,745	0.43	38,974	0.60
Doubtful	33,713	0.45	23,075	0.35
Loss	8,160	0.11	8,866	0.14
<b>Gross loans and advances to customers</b>	<b>7,512,312</b>	<b>100.00</b>	<b>6,496,411</b>	<b>100.00</b>
<b>Non-performing loans</b>	<b>74,618</b>		<b>70,915</b>	
<b>Non-performing loan ratio</b>		<b>0.99</b>		<b>1.09</b>

In 2012, the Group stepped up credit structure adjustments, strengthened comprehensive post-lending management and risk prevention and mitigation, and expedited NPL disposal. As a result, credit asset quality continued to be stable. As at 31 December 2012, the Group's NPLs were RMB74,618 million, an increase of RMB3,703 million from 2011, while the NPL ratio dropped by 0.10 percentage points to 0.99%. The proportion of special mention loans slid to 2.72%, 0.32 percentage points lower from 2011.

### Distribution of Loans and NPLs by Product Type

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

(In millions of RMB, except percentages)	As at 31 December 2012			As at 31 December 2011		
	Loans	NPLs	NPL ratio (%)	Loans	NPLs	NPL ratio (%)
<b>Corporate loans and advances</b>	<b>4,963,050</b>	<b>67,575</b>	<b>1.36</b>	<b>4,400,421</b>	<b>63,692</b>	<b>1.45</b>
Short-term loans	1,725,607	40,298	2.34	1,383,008	24,969	1.81
Medium to long-term loans	3,237,443	27,277	0.84	3,017,413	38,723	1.28
<b>Personal loans and advances</b>	<b>2,017,826</b>	<b>5,895</b>	<b>0.29</b>	<b>1,677,910</b>	<b>5,178</b>	<b>0.31</b>
Residential mortgages	1,528,757	2,809	0.18	1,312,974	2,630	0.20
Personal consumer loans	80,556	740	0.92	76,692	797	1.04
Personal business loans	101,776	580	0.57	78,716	198	0.25
Credit card loans	177,936	1,090	0.61	97,553	829	0.85
Other loans	128,801	676	0.52	111,975	724	0.65
<b>Discounted bills</b>	<b>137,558</b>	<b>-</b>	<b>-</b>	<b>111,181</b>	<b>-</b>	<b>-</b>
<b>Overseas operations and subsidiaries</b>	<b>393,878</b>	<b>1,148</b>	<b>0.29</b>	<b>306,899</b>	<b>2,045</b>	<b>0.67</b>
<b>Total</b>	<b>7,512,312</b>	<b>74,618</b>	<b>0.99</b>	<b>6,496,411</b>	<b>70,915</b>	<b>1.09</b>

As at 31 December 2012, the NPL ratio for domestic corporate loans and advances was 1.36%, a decrease of 0.09 percentage points from 2011, and that for personal loans and advances was 0.29%, a decrease of 0.02 percentage points over 2011. The Group strengthened overseas risk management and consolidated management at Group level, and expedited the disposal and mitigation of large exposures. The asset quality of overseas entities and subsidiaries improved steadily.



## Distribution of Loans and NPLs by Industry

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

(In millions of RMB, except percentages)	As at 31 December 2012				As at 31 December 2011			
	Loans	% of total	NPLs	NPL ratio (%)	Loans	% of total	NPLs	NPL ratio (%)
<b>Corporate loans and advances</b>	4,963,050	66.07	67,575	1.36	4,400,421	67.74	63,692	1.45
Manufacturing	1,275,213	16.97	30,690	2.41	1,084,612	16.70	25,577	2.36
Transportation, storage and postal services	856,728	11.40	3,208	0.37	742,368	11.43	7,038	0.95
Production and supply of electric power, heat, gas and water	593,497	7.90	3,157	0.53	569,517	8.77	3,929	0.69
Real estate	456,811	6.08	4,462	0.98	425,900	6.56	8,005	1.88
Leasing and commercial services	390,186	5.19	1,606	0.41	383,366	5.90	3,369	0.88
- Commercial services	377,550	5.03	1,590	0.42	373,145	5.74	3,347	0.90
Wholesale and retail trade	356,434	4.74	17,656	4.95	267,077	4.11	6,811	2.55
Water, environment and public utilities management	235,694	3.14	223	0.09	226,560	3.49	1,065	0.47
Construction	218,808	2.91	1,654	0.76	187,166	2.88	1,908	1.02
Mining	196,666	2.62	458	0.23	165,806	2.55	599	0.36
- Exploitation of petroleum and natural gas	13,501	0.18	12	0.09	15,400	0.24	39	0.25
Education	66,183	0.88	362	0.55	84,984	1.31	734	0.86
Information transmission, software and information technology services	24,639	0.33	984	3.99	21,604	0.33	783	3.62
- Telecommunications, broadcast and television, and satellite transmission services	19,159	0.26	495	2.58	17,008	0.26	155	0.91
Others	292,191	3.91	3,115	1.07	241,461	3.72	3,874	1.60
<b>Personal loans and advances</b>	2,017,826	26.86	5,895	0.29	1,677,910	25.83	5,178	0.31
<b>Discounted bills</b>	137,558	1.83	-	-	111,181	1.71	-	-
<b>Overseas operations and subsidiaries</b>	393,878	5.24	1,148	0.29	306,899	4.72	2,045	0.67
<b>Total</b>	<b>7,512,312</b>	<b>100.00</b>	<b>74,618</b>	<b>0.99</b>	<b>6,496,411</b>	<b>100.00</b>	<b>70,915</b>	<b>1.09</b>

In 2012, in line with the 12th Five-Year Plan and changes in other external policies, the Group timely optimised its credit policies and structural adjustment plan, and refined its criteria in customer selection. It adhered to the limit management for various industries, and steadily promoted credit structural adjustments. As affected by macroeconomic environment and

certain regional factors, the NPL ratios for manufacturing, and wholesale and retail trade industries rose.

## 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, for the periods indicated, the profit before tax of each major business segment:

(In millions of RMB, except percentages)	Year ended 31 December 2012		Year ended 31 December 2011	
	Amount	% of total	Amount	% of total
Corporate banking	118,494	47.13	111,041	50.68
Personal banking	51,663	20.55	37,627	17.17
Treasury business	76,272	30.33	71,059	32.43
Others	5,010	1.99	(620)	(0.28)
<b>Profit before tax</b>	<b>251,439</b>	<b>100.00</b>	<b>219,107</b>	<b>100.00</b>

### Corporate Banking

Profit before tax from corporate banking segment increased by 6.71% over the previous year to RMB118,494 million, and accounted for 47.13% of the Group's profit before tax. In this amount, net interest income from corporate banking increased by 10.66% over the previous year, benefiting from the combined factors including the steady growth of corporate loans, higher pricing capability and repricing of existing loans; the net fee and commission income only increased by 2.42% over the previous year because income from certain products decreased due to regulatory and market factors.

### Corporate deposits

As at 31 December 2012, domestic corporate deposits of the Bank amounted to RMB6,073,726 million, an increase of RMB663,134 million, or 12.26% over 2011. In this amount, demand deposits increased by 6.34%, and time deposits increased by 23.04%.

### Corporate loans

Domestic corporate loans and advances of the Bank amounted to RMB4,963,050 million, an increase of RMB562,629 million, or 12.79%. Discounted bills amounted to RMB137,558 million, an increase of RMB26,377 million over 2011.

Loans were mainly granted to support the development of real economy with enhanced structure adjustments. Loans for infrastructure sectors totalled RMB2,096,129 million, an increase of RMB152,131 million. Agriculture-related loans amounted to RMB1,274,899 million, up 21.43%. In this amount, loans to new countryside construction grew steadily with an increase of RMB52,591 million. The Bank adhered to the principle of commercial sustainability, in terms of the development loans for indemnificatory housing projects, which increased by RMB33,350 million to RMB59,080 million. As a market leader in emerging businesses, the Bank recorded domestic factoring advances of RMB157,373 million, up 23.01%. The accumulated amount of loans granted to internet merchant business since 2008 was RMB95,164 million.

According to the SME standards jointly issued by four ministries and commissions including the Ministry of Industry and Information Technology in 2011, loans to small and micro

businesses were RMB745,453 million, up 17.97%. The number of small and micro business customers reached 67,999, an increase of 6,580. Retail business process that is suitable for the characteristics of small and micro business has been initially built. The Group developed four major product categories, including “Growing Path”, “Easy Loan”, “Petty Loan”, and “Credit Loan”. It designed and developed “E.ccb.com Credit” products under the category of “Credit Loan”, and developed “Credit Guarantee Loan” and “Supply Chain Loan” on the strength of government and core enterprises of the supply chains. The Bank was awarded “Excellent Service Institution for Small and Medium Enterprises” by China Association of Small and Medium Enterprises, as its small business development was well recognised by the wide community.

Loans to the “6+1” industries with excess capacity, including iron and steel, cement, coal chemical, plate glass, wind power equipment, polycrystalline silicon as well as the shipbuilding sector, decreased by RMB1,200 million from 2011. Loans to government financing vehicles were effectively controlled and cleaned up. Those classified under the regulatory category decreased by RMB18,295 million from 2011, and the loans fully covered by cash flows accounted for 93.90%. The Group effectively controlled property development loans. New granted loans were mainly in support of the real estate customers and the general residential projects with high credit rating, good business performance and proper closed management of project funds to discourage speculative and investment activities. The outstanding balance of property development loans was RMB415,770 million, a decrease of RMB3,390 million over 2011.

### **Institutional business**

The Bank expanded on its “Minben Tongda” brand, and promoted the sub-brand on comprehensive financial services for cultural sectors continuously. The Bank actively promoted marketing campaigns targeted at four cards, namely the financial social security card, the residents’ health card, the financial business card, and the PLA serviceman support card. The Bank continued to consolidate its advantage in traditional fiscal business, and obtained the qualification to act as the MOF’s agency bank for the collection of non-tax revenue to the central finance. The Bank ranked first in terms of number of customers of the central finance authorised payment and non-tax revenue collection agency service. The Bank vigorously promoted the online banking products related to the central finance authorised payment service. “Xincunguan” attracted 1.66 million new customers, pushing the total number of customers to 22.14 million. The number of contracted futures investment customers accounted for nearly 50% market share, ranking first in the market. The Bank was the first to launch securities pledged credit and monitoring business, expanding the individualised service functions of the credit business products.

### **International business**

With the rapid growth of cross-border RMB business, the domestic cross-border RMB settlement volume totalled RMB586,234 million, an increase of 85.71% over 2011. International settlement volume reached US\$1,037,844 million, an increase of 23.25%. Trade finance recorded a 23.69% increase with a balance of RMB456,982 million on and off-balance sheet. With the innovation products including commodity financing hedging, cross-border RMB letter of credit re-advising with currency exchange, the Bank’s trade finance products covered the whole process of import and export such as pre-shipment, preparation of goods, and post-delivery. The Bank was awarded “Best Trade Finance Bank in China” by the *Global Finance*. The financing guarantee business branded as “Overseas Financing Guarantee” had rising market influence, and provided convenient and efficient

comprehensive financial service solutions for Chinese-funded enterprises with global financing needs.

### **Asset custodial business**

Asset custodial business made rapid progress, with a rising market position. At the end of 2012, the Bank's assets under custody increased by 31.07% to RMB2.70 trillion. Securities investment funds under custody totalled RMB623,088 million, commanding the second largest market share. The number of securities investments funds under custody increased by 61, and the units of funds under custody increased by 155.3 billion. Insurance assets under custody totalled RMB419,485 million, an increase of 54.88% over 2011. The Bank had eight new Qualified Foreign Institutional Investor (QFII) customers, and was in a leading position among domestic peers in terms of Taiwan area and private equity investors. Recognised by domestic and international professionals for its outstanding custodial ability, the Bank won the "Best Custodian Bank in China" award for the fourth consecutive year by *the Global Custodian*.

### **Pension business**

The personal pension accounts in operation totalled 2.56 million, up 25.49%. The pension assets under custody in operation amounted to RMB24,552 million, up 48.13%. The Bank made positive progress in product innovation, and developed "Yangyisifang Exclusive A" and "Exclusive B" pension asset management products. The Bank has built up a pension product framework consisting of four categories and fifteen products.

### **Treasury management and settlement business**

At the end of 2012, the Bank had 3.40 million corporate RMB settlement accounts, an increase of 540 thousand over 2011; it had 760 thousand cash management customers, an increase of 330 thousand year-on-year. The launch of comprehensive cash management service of "Fund Collection Solutions" provided customers with "Rongzhi" integrated solutions for collection, payment, and fund budget management. The launch of cross-bank domestic letter of credit and the optimisation of corporate settlement card and fund certification businesses helped to consolidate the leading position of advantage products including all-in-one corporate accounts, and multiple-mode cash pool. The market influence of the Bank's cash management service branded as "Yudao" steadily expanded.

### **Personal Banking**

Personal banking segment achieved profit before tax of RMB51,663 million with a year-on-year increase of 37.30%, and accounted for 20.55% of the Group's profit before tax, 3.38 percentage points higher than that in the previous year. In this amount, net interest income increased by 31.26% as a result of the rapid growth of personal loans and the repricing of existing loans; net fee and commission income increased by 14.18%, benefiting from the growth of income from credit card, personal wealth management and other services. Based on the judgement on future risks and the prudent principle, the impairment losses increased by 97.66% over the previous year.

### **Personal deposits**

The Bank actively carried out marketing activities, and personal deposits maintained stable growth. At the end of 2012, personal deposits rose to RMB5,077,930 million, up 14.99%. In this amount, demand deposits picked up by 14.40% and time deposits increased by 15.41%.

## **Personal loans**

At the end of 2012, domestic personal loans of the Bank totalled RMB2,017,826 million, up 20.26%. Residential mortgages were primarily granted to support customers to buy ordinary apartments for residential purpose. The Bank proactively explored markets and consolidated its customer base, and the loan balance increased by RMB215,783 million to RMB1,528,757 million, ranking first in the market in terms of both loan balance and the increase. The Bank persisted in its standard of quality proprietor or private business owner customers plus effective collateral for personal business loans. With enhanced fundamental management and optimised operation model, personal business loans increased by RMB23,060 million to RMB101,776 million. Personal consumer loans persisted in selecting quality customer and developing healthily. Based on standard business operations and effective control of the flow of credit funds, the Bank focused on meeting real, reasonable and specific consumer demands such as auto purchases, home renovation, consumer durables purchases, education and travelling. At the end of 2012, personal consumer loans increased by RMB3,864 million to RMB80,556 million over 2011. The number of pilot branches for personal agriculture loans expanded to 16, with a loan balance of RMB6,727 million, an increase of RMB 1,303 million.

## **Credit cards business**

Credit card business maintained sustainable and healthy development with leading core business indicators among peers. Its market influence, product competitiveness, risk control ability, profitability and customer satisfaction were further enhanced. At the end of 2012, the Bank recorded 40.32 million credit cards with an increase of 8.07 million. The spending amount through credit cards reached RMB851,761 million, and the loan balance was RMB177,936 million. The Bank vigorously expanded electronic channels, and successively launched mobile phone, SMS, e-mail, telephone and other electronic channels for credit card application. The Bank consolidated and expanded the strength of its key products, leading the market both in terms of the number of auto cards, financial business cards and department store cards issued, and in terms of the number of customers with platinum credit cards and above. The Bank introduced IC credit card, mobile phone payment credit card and other new cards. The newly launched Long Card mall e-commerce platform has become an important channel for online payment, installment, point redemption, value-added service and other business.

## **Entrusted housing finance business**

The Bank continued to innovate its products and upgrade its service to provide whole process financial support for the collection, management and use of housing funds, and to provide specialised services to provident fund customers. At the end of 2012, housing fund deposits were RMB577,997 million, an increase of RMB71,042 million, while personal provident housing loans were RMB781,314 million, an increase of RMB165,107 million. The Bank actively promoted financial services for the new indemnificatory housing market, and granted personal indemnificatory housing loans of RMB11,535 million (including personal provident housing loans) to 63,400 low and middle-income residents in 2012, and provident fund loans of RMB8,932 million for indemnificatory housing projects.

## **Debit cards and other personal fee-based business**

At the end of 2012, the number of debit cards issued increased by 76.15 million to 440 million. The spending amount through debit cards reached RMB2,368,735 million, and the fee and commission income was RMB9,066 million. The Bank issued 23.76 million financial IC debit cards. A total of 5.10 million express settlement cards targeted at individual business proprietors had been issued, an increase of 3.12 million cards. Trading of emerging precious

metal products grew rapidly, and the trading volume of account silver and account platinum amounted to RMB123,290 million.

### **Private banking business**

In 2012, the number of private banking customers increased by 18.82%, and their financial assets with the Bank increased by 30.19%. The accumulative number of wealth management cards and private banking cards issued was 135,500 and the settlement service capabilities continued to improve. The Bank launched multiple innovative products and services for its private banking customers, including comprehensive wealth planning, Hong Kong investment immigration, comprehensive financial services for study abroad, fortune loan, asset certificates, executive jet services, household wealth management education, and precious metals franchise service. The Bank launched private banking wealth butler service, and carried out a wide range of customised services. It enhanced multi-channel delivery capabilities for its products and services with the exclusive private banking online banking and hotline service. It enhanced the team building to improve the professional competence of its customer managers and wealth advisors.

### **Treasury Business**

Treasury businesses generated a profit before tax of RMB76,272 million, an increase of 7.34% over the previous year, and accounted for 30.33% of the Group's profit before tax. As a result of fast development of products including new financial advisory service, underwriting of debt securities, and wealth management, net fee and commission income grew by 7.10%. The Group enhanced its investment in treasury business, and the associated operating expenses increased by 31.14%. Impairment losses dropped by 73.35% over the previous year, mainly because the asset structure of the non-principal-guaranteed wealth management business was optimised and impairment losses were reversed.

### **Financial markets business**

The year of 2012 is the "Management Year of the Financial Market Business". The Bank set a solid foundation for the sustainable and healthy development of financial market business through comprehensive review of its management mechanism, operating mode, business process and internal control system.

The Bank adhered to sound investment and prudent trading strategies in its financial market business. It sought a balance between risk and return while ensuring sound safety and liquidity, and the operating income maintained steady growth. With regard to the use of RMB fund, the Bank strengthened liquidity forecasts and active management, and actively expanded the financing channels to provide strong support for the Bank's liquidity safety. By accurately tracking the interest rate movements and reasonably arranging investment pace, it expanded investments in debt securities when the interest rates were relatively high. It also optimised the structure of asset types, and strengthened the adjustment to existing debt securities. As a result, the yield of RMB-denominated fixed income portfolio rose substantially over the previous year, and the yield of trading book was much higher than the market index. Moreover, the Bank ranked second in the over-the-counter trading volume of book-entry treasury bonds. With regard to the use of foreign currency funds, the Bank gave more funding support to its overseas entities. It prudently conducted inter-bank lending, staying alert to counterparty credit risks. It also actively optimised the structure of foreign currency debt securities investment portfolio, and positively reduced its holding of high-risk debenture bonds, thereby reducing its credit risk exposure.

The Bank actively expanded customer-driven foreign exchange trading business, leading to a steady increase in the transaction volume and associated income under the condition of weak growth in foreign trade. In 2012, the customer-driven foreign exchange trading volume reached US\$409,041 million, and the income was RMB4,573 million. The Bank promoted product innovation on RMB versus foreign currency options portfolio, and newly added the foreign currency trading service for six currencies to satisfy customer's demand for hedging.

Precious metal business grew rapidly, and the trading volume reached 32,100 tonnes, an increase of 229.33% over the previous year. The number of customers with the Bank's Account Precious Metals increased by 5.30 million because of the enhanced customer exploration. The Bank actively expanded its product lines to better serve its customers, delivering more innovative products such as Account Precious Metal trading in US dollars, repurchases of gold, leasing of silver and wealth management products linked with gold.

### **Investment banking**

The Bank enhanced the refined, standardised and comprehensive risk management over the investment banking business, in order to promote the sound and sustainable development in the arena. In 2012, the income from financial advisory services was RMB10,128 million. In this amount, income from new types of financial advisory services such as M&A and restructuring, debt restructuring, listing and refinancing amounted to RMB6,680 million, an increase of 27.29% over the previous year. The underwriting amounts of total debt financing instruments, short-term commercial papers, intermediate-term notes, and private placement bonds all ranked first in the market, bringing an income of RMB1,174 million, an increase of 33.41% over the previous year.

The Bank achieved sound growth in wealth management business, and independently issued 5,548 batches of wealth management products with an amount of RMB5,446,069 million. The year-end balance of wealth management products was RMB882,399 million. In this amount, the principal-guaranteed wealth management products were RMB357,682 million. The income from wealth management was RMB8,789 million, an increase of 16.10%. The Bank evaluated credit, market, liquidity, policy, legal, and management risks associated with wealth management products on a comprehensive basis, and conducted quantitative and qualitative analysis of risk exposures under different stress scenarios. The Bank also took measures to rectify its wealth management business, including improvement in file management, standardised use of funds, specialised management of collaterals, and standardisation of legal documents. It also tightened risk monitoring over the existing discretionary wealth management business, with the focus on the validity and effectiveness of collaterals, in order to ensure that such products can be honoured when due. In addition, the Bank adjusted the structure of its wealth management business by controlling high-risk assets, and raising the allocation to low-risk assets.

## **Overseas Business and Domestic Subsidiaries**

### **Overseas business**

The Group's overseas network is steadily expanding. The Melbourne Branch was successfully opened as the first tier-two overseas branch. At the end of 2012, the Group had overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Ho Chi Minh City, Sydney and Melbourne; representative offices in Moscow and Taipei; and wholly-owned operating subsidiaries including CCB Asia, CCB International, and CCB London. Its overseas entities covered 13 countries and regions. The transformation of overseas business continued to advance, and CCB London became the first Chinese bank who issued RMB-denominated bonds in London. The Tokyo branch achieved licence upgrade and started retail business. At the end of 2012, total assets of overseas entities were RMB518,579 million, and the net profit was RMB2,334 million.

#### ***CCB Asia***

China Construction Bank (Asia) Corporation Limited is one of the 23 licenced banks registered in Hong Kong with a registered capital of HK\$6,511 million. It is the Group's platform for retail and SME businesses in Hong Kong and Macau, with 50 outlets in the area. CCB Asia maintained sound development momentum under stringent risk control. At the end of 2012, its total assets were RMB141,628 million; shareholders' equity was RMB14,436 million. Loans to customers and deposits from customers were RMB95,599 million and RMB87,542 million respectively. The NPL ratio was 0.14%. Net profit was RMB629 million.

The number of customers of CCB Asia rose steadily. At the end of 2012, the number of customers totalled 221,000, an increase of 26,000 customers over the previous year. Leveraging on the development opportunity of the internationalisation of RMB and Hong Kong's position as an offshore centre for RMB, CCB Asia made rapid progress in RMB-related business. It successfully acted as a co-lead bank and bookkeeping bank for RMB government bonds for two consecutive years. For its efforts, CCB Asia won the "Capital Excellent RMB Services Award" by the Hong Kong magazine *Capital*. Through close collaboration with mainland branches, CCB Asia's collaborative business scale and service capacity also rose rapidly, with the outstanding loans to Chinese enterprises of RMB45,300 million. Credit card business continued to grow healthily, with an increase of 70 thousand credit card accounts and the total consumer spending reaching nearly RMB4,514 million.

#### ***CCB International***

CCB International (Holdings) Limited is the Bank's wholly-owned subsidiary in Hong Kong, with a registered capital of US\$601 million. It offers investment banking related services, including sponsorship and underwriting for initial public offerings (IPO), M&A and restructuring, direct investment, asset management, securities brokerage and market research.

In 2012, CCB International's corporate financing and financial advisory services developed steadily. It ranked top among the investment banking arms of Chinese banks in terms of the number of projects participated in as book runner. The competitiveness of its M&A services rose substantially. Debt instrument financing business achieved a breakthrough. CCB International helped the Bank issue RMB-denominated bonds in Hong Kong and London. It continued to maintain its edge in the asset management business with rising market presence in health care, culture, environmental protection, aviation and other industries. The brand image of CCB International was further enhanced, with multiple awards including "Annual Best Investment Bank in Hong Kong" from *The Asset* magazine, and "Golden Ox Investment Bank Award" from *China Securities Journal*. At the end of 2012, CCB International's total



assets were RMB18,668 million, and shareholders' equity was RMB6,632 million. Net profit was RMB82 million.

### ***CCB London***

China Construction Bank (London) Limited is a wholly-owned subsidiary of the Bank registered in the UK with a registered capital of US\$200 million. In March 2009, CCB London obtained the banking licence issued by UK Financial Services Authority (FSA). 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 institutions in the UK, British companies with investment in China, and corporate customers involved in bilateral trade, expanding CCB's service channels in the UK and Europe. With its edge in clearing for British pound, CCB London gradually became the Group's British pound clearing centre, providing customers with convenient, fast, and efficient multi-currency clearing services. In November 2012, CCB London took the lead in issuing RMB-denominated offshore bond of RMB1 billion, establishing a leading position in Chinese banks in European market. At the end of 2012, the total assets of CCB London were RMB5,068 million, and shareholders' equity was RMB1,272 million. Net profit was RMB79 million.

### **Domestic subsidiaries**

The Group is committed to provide multi-functional, integrated and one-stop comprehensive financial services to its wide customer base, and achieve synergistic development of all member companies through resource sharing, cross-selling and business collaboration. At the end of 2012, the Group had five domestic subsidiaries, namely CCB Financial Leasing, CCB Trust, Sino-German Bausparkasse, CCB Principal Asset Management, and CCB Life. The Group also initiated the establishment of 26 rural banks in Hunan Taojiang and many other places. The overall development of domestic subsidiaries was in a good shape with steady business expansion and sound asset quality. At the end of 2012, total assets of the domestic subsidiaries were RMB92,657 million; net profit was RMB1,355 million.

### ***CCB Financial Leasing***

CCB Financial Leasing Corporation Limited has a registered capital of RMB4.5 billion. In November 2012, the Bank acquired the remaining 24.90% interests in CCB Financial Leasing from Bank of America, and made CCB Financial Leasing its wholly-owned subsidiary. CCB Financial Leasing mainly engages in finance leasing, receiving security deposits from lessees, assigning rent receivables to commercial banks, issuing financial bonds, interbank lending, borrowing from financial institutions, and borrowing foreign exchange from overseas.

In 2012, CCB Financial Leasing made steady progress in its leasing business, strengthened risk management and internal control, and actively explored innovative leasing products. At the end of 2012, its total assets amounted to RMB40,288 million; shareholders' equity was RMB5,337 million. Net profit was RMB356 million.

### ***CCB Trust***

CCB Trust Co., Limited has a registered capital of RMB1,527 million. The Bank, Hefei Xingtai Holding Group Corporation Limited, and Hefei Municipal State-owned Assets Holding Corporation Limited held 67%, 27.5% and 5.5% of its shares respectively. CCB Trust is mainly engaged in trust services for funds, movable and immovable property, and marketable securities; fund investment; asset restructuring, M&A and project financing, corporate finance, and financial advisory services; securities underwriting; intermediary, consultancy, and credit investigation services; custody and safe deposit box services; lending, investment and guarantees with equity funds.

In 2012, while expanding its business scale and market share, CCB Trust continued to improve business structure, and refine its management and operation. At the end of 2012, the trust assets under management amounted to RMB350,777 million, up 83.92% from 2011. The total assets were RMB5,528 million, and shareholders' equity was RMB5,319 million. Net profit was RMB587 million.

### ***Sino-German Bausparkasse***

Sino-German Bausparkasse Co., Ltd. has a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG held 75.10% and 24.90% of its shares respectively. Its business scope includes taking housing savings deposits, extending housing savings loans and personal residential mortgages, 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 specialised commercial bank with overall functions in housing financing sector.

In 2012, Sino-German Bausparkasse's business developed rapidly. It achieved remarkable results in selling housing savings products, and exhibited notable advantage in indemnificatory housing loans. At the end of 2012, the total assets of Sino-German Bausparkasse were RMB17,425 million. Shareholders' equity was RMB2,152 million. Net profit increased to RMB102 million.

### ***CCB Principal Asset Management***

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

In 2012, CCB Principal Asset Management completed fundraising for seven new funds including Jianxin Yueying Comfort Wealth Management Debt Securities Investments Funds, Jianxin Pure Debt Securities Investment Fund, and all of the funds operated steadily. At the end of 2012, CCB Principal Asset Management had total assets of RMB721 million, and shareholders' equity was RMB575 million. It managed 28 funds in total with a net asset value of RMB95,217 million. Its net profit was RMB131 million.

### ***CCB Life***

CCB Life Insurance Company Limited has a registered capital of RMB4,496 million, of which the Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, China Jiayin Investment Limited, Shanghai Jin Jiang International Investment and Management Company Limited, and Shanghai China-Sunlight Investment Co., Ltd contributed 51%, 19.9%, 14.27%, 5.08%, 4.9% and 4.85% respectively. In 2012, CCB Life increased its capital by RMB5,721 million, of which, the Bank contributed RMB2,892 million, and successfully initiated the National Council for Social Security Fund's investment in CCB Life. CCB Life's business scope includes personal insurance such as life, health, accidental injury insurance, reinsurance of the above-mentioned business, as well as the use of insurance fund permitted by the national laws and regulations.

In 2012, CCB Life pushed forward the development of its business lines with enhanced product development and service philosophy. At the end of 2012, the total assets of the company were RMB17,769 million; shareholders' equity was RMB7,053 million. Premium income for 2012 amounted to RMB5,868 million, and the net profit was RMB49.64 million.

### ***Rural Banks***

At the end of 2012, the Bank sponsored the establishment of 26 rural banks in Hunan Taojiang and many other places. The registered capital of these rural banks totalled RMB2,620 million, of which RMB1,326 million was contributed by the Bank.

The rural banks took multiple measures to support the farmers and rural areas based on local conditions. They introduced 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 2012, the assets of the rural banks in operation totalled RMB10,926 million, and shareholders' equity was RMB2,516 million. Net profit for 2012 was RMB130 million. The deposits were RMB7,112 million; loans were RMB6,987 million, of which agriculture-related loans accounted for 91.75%. The non-performing loan ratio was 0.07%, reflecting effective controls on asset quality.

## Analysed by Geographical Segment

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

(In millions of RMB, except percentages)	For the year ended 31 December 2012		For the year ended 31 December 2011	
	Amount	% of total	Amount	% of total
Yangtze River Delta	36,905	14.68	41,116	18.77
Pearl River Delta	32,907	13.09	28,973	13.22
Bohai Rim	36,917	14.68	33,749	15.40
Central	35,411	14.08	29,872	13.63
Western	39,686	15.79	31,443	14.35
Northeastern	14,586	5.80	12,049	5.50
Head office	51,851	20.62	41,601	18.99
Overseas	3,176	1.26	304	0.14
<b>Profit before tax</b>	<b>251,439</b>	<b>100.00</b>	<b>219,107</b>	<b>100.00</b>

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

(In millions of RMB, except percentages)	As at 31 December 2012				As at 31 December 2011			
	Gross loans and advances	% of total	NPLs	NPL ratio (%)	Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	1,670,643	22.24	32,941	1.97	1,476,118	22.72	19,264	1.31
Pearl River Delta	1,091,848	14.53	9,096	0.83	955,937	14.71	9,699	1.01
Bohai Rim	1,301,564	17.33	6,848	0.53	1,137,623	17.51	9,428	0.83
Central	1,195,748	15.92	9,635	0.81	1,051,837	16.19	11,885	1.13
Western	1,270,163	16.91	8,187	0.64	1,108,112	17.06	10,653	0.96
Northeastern	461,574	6.14	4,920	1.07	406,035	6.25	6,264	1.54
Head office	188,074	2.50	1,966	1.05	105,632	1.63	1,744	1.65
Overseas	332,698	4.43	1,025	0.31	255,117	3.93	1,978	0.78
<b>Gross loans and advances to customers</b>	<b>7,512,312</b>	<b>100.00</b>	<b>74,618</b>	<b>0.99</b>	<b>6,496,411</b>	<b>100.00</b>	<b>70,915</b>	<b>1.09</b>

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

(In millions of RMB, except percentages)	For the year ended 31 December 2012		For the year ended 31 December 2011	
	Amount	% of total	Amount	% of total
Yangtze River Delta	2,215,637	19.53	2,067,000	20.70
Pearl River Delta	1,743,868	15.38	1,539,667	15.42
Bohai Rim	2,161,208	19.05	1,825,388	18.28
Central	2,054,347	18.11	1,774,126	17.76
Western	2,156,594	19.01	1,873,139	18.75
Northeastern	814,177	7.18	733,876	7.35
Head office	17,396	0.15	21,221	0.21
Overseas	179,852	1.59	153,033	1.53
<b>Deposits from customers</b>	<b>11,343,079</b>	<b>100.00</b>	<b>9,987,450</b>	<b>100.00</b>

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

	As at 31 December 2012					
	Assets (In millions of RMB)	% of total	Number of branches	% of total	Number of staff	% of total
Yangtze River Delta	2,453,994	17.57	2,422	16.94	54,676	15.39
Pearl River Delta	2,006,787	14.36	1,795	12.56	42,587	11.99
Bohai Rim	2,590,592	18.54	2,342	16.38	59,218	16.67
Central	2,171,327	15.54	3,395	23.75	78,602	22.12
Western	2,269,546	16.24	2,859	20.00	68,195	19.20
Northeastern	863,899	6.18	1,404	9.82	37,029	10.42
Head office	5,431,210	38.87	3	0.02	12,129	3.41
Overseas	518,579	3.71	76	0.53	2,854	0.80
Deferred tax assets	27,051	0.19				
Elimination	(4,360,157)	(31.20)				
<b>Total</b>	<b>13,972,828</b>	<b>100.00</b>	<b>14,296</b>	<b>100.00</b>	<b>355,290</b>	<b>100.00</b>

## PROSPECTS

In 2013, the domestic and foreign economic environment is expected to remain complicated. While the US economy continues to experience a weak recovery, Euro zone countries face the following impact of debt crisis, the Japanese economy is still in a recession, and the economic growth in emerging economies starts to slow down. Due to the collective reasons, the global economy is expected to face downturn pressure. For the domestic market, the fundamentals of economic situation will make progress while ensuring stability despite the downturn pressure

of economic growth and industries with excess capacity, and China's GDP is expected to increase by more than 7.5% in 2013.

For banking industry, both favourable and adverse factors have impacts on the development of the industry. The new Chinese government adheres to the strategy of expanding domestic demand, emphasizes on the importance of guaranteeing and improving livelihood sectors by promoting new types of industrialisation, informatisation, urbanisation and agricultural modernisation. Such actions are likely to provide the Bank with more development opportunities. On the contrary, market competition tends to be more intensive as both non-bank financial institutions and quasi-bank institutions intervene in banking businesses including wealth management, payment and settlement. Reform of interest rate liberalisation may have a greater impact on bank's operations and the cut in bank card fees may result in less fees and commission income.

For the Group, development opportunities remain plentiful in 2013. Business potentials in traditional advantageous banking services, such as loans for infrastructure sectors, cost advisory services continue to grow as intensified investment and financing activities in both urban public service system and indemnificatory housing construction. In the process of upgrading industrial structure, M&A, and acceleration of external migration, demands for green credit, M&A loans and cross-border RMB business are expected to grow rapidly. The market potential in internet, third-party payment, and the internet of things construction is unlimited while services such as internet banking and "e.ccb.com" e-commerce platform have great development opportunities. Meanwhile, the Group faces a number of challenges in operation and management. The CBRC announced new regulatory requirements in the national banking regulatory meeting in 2013. The Group faces greater pressure on risk control and asset quality.

In 2013, the Group will continue to support the development of real economy, deepen structural adjustments and business transformation, and take strict control over all kinds of risks to ensure sound business development. Efforts will be made in the following areas. First, the Group will consolidate its market share of deposits and enhance the deposit stability. Second, the growth rate of RMB-denominated loans for 2013 is expected to be around 12% and loans will be granted to businesses with less capital occupation and better operating performance. Third, the Group will vigorously expand on fee-based business, collect fees in compliance with laws and regulations, and cultivate growth potentials by capitalising on key products. Forth, the Group will accelerate the development of strategic businesses, such as electronic banking, financial social security cards, cash management and pension business. Fifth, the Group will continue to consolidate its operation and management foundation, exert efforts to expand on effective customer base, promote the construction of operating outlets, and continuously improve its pricing ability. In addition, the Group will carefully organise the first phase of function release of the "new generation core banking system", and prepare the implementation the *Capital Management Measures for Commercial Banks*. It will reinforce the risk control in key areas, and improve the management of internal control and compliance.

## **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 2012 or total equity as at 31 December 2012 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

## CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

### CHANGES IN SHARES

Unit: share

	1 January 2012		Increase/(Decrease) during the reporting period					31 December 2012	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
<b>I. Shares subject to selling restrictions</b>	-	-	-	-	-	-	-	-	-
<b>II. Shares not subject to selling restrictions</b>									
1. RMB ordinary shares	9,593,657,606	3.84	-	-	-	-	-	9,593,657,606	3.84
2. Overseas listed foreign investment shares	91,105,429,499	36.44	-	-	-	810,000,000	810,000,000	91,915,429,499	36.76
3. Others <sup>1</sup>	149,311,890,381	59.72	-	-	-	(810,000,000)	(810,000,000)	148,501,890,381	59.40
<b>III. Total number of shares</b>	<b>250,010,977,486</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,010,977,486</b>	<b>100.00</b>

1. 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.

## **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 in year 2010 and allotted the rights shares to A shareholders and H shareholders on the basis of 0.7 rights shares for every ten 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. In November 2012, the Bank again issued subordinated bonds of RMB40 billion, with a term of 15 years and a fixed coupon rate of 4.99%. At the end of the tenth year, the issuer has an option to redeem the bonds with conditions. All proceeds raised from the issuance of subordinated bonds are used to replenish the supplementary capital of the Bank.



## NUMBER OF SHAREHOLDERS AND PARTICULARS OF SHAREHOLDINGS

At the end of the reporting period, the Bank had a total of 837,725 shareholders, of which 53,223 were holders of H-shares and 784,502 were holders of A-shares. As at 18 March 2013, the Bank had a total of 820,951 shareholders, of which 52,746 were holders of H-shares and 768,205 were holders of A-shares.

Unit: share

Total number of shareholders		837,725 (Total number of registered holders of A-shares and H-shares as at 31 December 2012)			
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
Central Huijin Investment Ltd. (Huijin)	State-owned	57.03	142,590,494,651 (H-shares)	None	None
		0.18	444,270,519 (A-shares)	None	None
HKSCC Nominees Limited <sup>1</sup>	Foreign legal person	28.22	70,551,277,133 (H-shares)	None	Unknown
Temasek <sup>1</sup>	Foreign legal person	7.15	17,878,670,050(H-shares)	None	None
State Grid <sup>1,2</sup>	State-owned	1.16	2,895,782,730 (H-shares)	None	None
Baosteel Group	State-owned	0.80	2,000,000,000 (H-shares)	None	None
		0.13	318,860,498 (A-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	0.76	1,907,104,725 (A-shares)	None	None
Yangtze Power <sup>1</sup>	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
China Ping An Life Insurance Company Limited –Traditional – High interest rate insurance products	Domestic non-state-owned legal person	0.24	593,906,825 (A-shares)	None	None

1. On 4 May 2012, Temasek declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 17,878,670,050 H-shares of the Bank. As at 31 December 2012, State Grid and Yangtze Power held 2,895,782,730 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 and Yangtze Power, another 70,551,277,133 H-shares of the Bank were held under the name of HKSCC Nominees Limited.

2. As at 31 December 2012, 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.

3. Some of the shareholders mentioned above are subject to management by the same entity. Apart from this, the Bank has not been aware of any connected relation or acting in concert among the shareholders.

## **SUBSTANTIAL SHAREHOLDERS OF THE BANK**

Huijin is the controlling shareholder of the Bank, holding 57.21% of the shares of the Bank at the end of the reporting period. 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 and its organisation code is 71093296-1. Huijin makes equity investment in key state-owned financial corporations as authorised by the State Council, and exercises the contributor's rights and obligations in key state-owned financial corporations up to its contribution on behalf of the state to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial operations, nor does it intervene in daily operations of the key state-owned financial corporations controlled by Huijin.

Considering the audited financial report of Huijin for the year 2012 cannot be provided until all the institutions in which Huijin holds interests finish the audits of their financial statements, the following financial data are the audited data for the year 2011. As at 31 December 2011, the total assets of Huijin were RMB2,020,950,210.8 thousand, total liabilities were RMB148,784,181.0 thousand, and shareholders' equity was RMB1,872,166,029.8 thousand. Net profit for 2011 was RMB337,478,750.8 thousand. Net cash flows from operating activities, investing and financing activities for 2011 were a negative value of RMB37,693,774.5 thousand.

As at 31 December 2012, basic information of the enterprises directly held by Huijin was as follows:

No.	Institution Name	Shareholding percentage held by Huijin (%)
1	China Development Bank Corporation	47.63
2	Industrial and Commercial Bank of China Limited <sup>1,2</sup>	35.46
3	Agricultural Bank of China Limited <sup>1,2</sup>	40.21
4	Bank of China Limited <sup>1,2</sup>	67.72
5	China Construction Bank Corporation <sup>1,2</sup>	57.21
6	China Everbright Bank Company Limited <sup>1</sup>	48.37
7	China Export & Credit Insurance Corporation <sup>3</sup>	73.63
8	China Reinsurance (Group) Corporation	84.91
9	New China Life Insurance Company Limited <sup>1,2</sup>	31.23
10	China Jiayin Investment Limited	100.00
11	China Galaxy Financial Holdings Co., Ltd.	78.57
12	Shenyin & Wanguo Securities Co., Ltd.	55.38
13	China International Capital Corporation Limited	43.35
14	China Securities Co., Ltd.	40.00
15	China Investment Securities Co., Ltd.	100.00
16	UBS Securities Company Limited	14.01
17	China Everbright Industry Group Limited	100.00
18	Jiantou Zhongxin Assets Management Co., Ltd.	70.00
19	Guotai Junan Investment Management Co., Ltd.	14.54

1. As at 31 December 2012, the A-share listed companies held by Huijin, the controlling shareholder of the Bank;

2. As at 31 December 2012, the H-share listed companies held by Huijin, the controlling shareholder of the Bank;

3. As at 31 December 2012, the procedures for industrial and commercial registration in relation to Huijin's equity investment in China Export & Credit Insurance Corporation are still in process.

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

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

## **OTHER INFORMATION**

### **Purchase, Sale and Redemption of Shares**

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

### **Corporate Governance**

The Bank is committed to maintaining high-level corporate governance practice. In strict compliance with China's Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the relevant stock exchanges, the Bank optimised its corporate governance structure and improved related rules based on its corporate governance practices. During the reporting period, the Bank elected new executive directors and an independent non-executive director, and amended the Articles of Association of the Bank, Rules of Procedures for the Shareholders' General Meeting, Rules of Procedures for the Board of Directors, and Rules of Procedures for the Board of Supervisors. The Bank also amended the Management Measures on Insider of Insider Information.

The Bank has complied with the code provisions of the *Corporate Governance Code* and *Corporate Governance Report* 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 fluctuations of stock price caused by leaks of insider information was found.

### **Securities Transactions by Directors**

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code in the year ended 31 December 2012.

## Profit and Dividends

The profit of the Group for the year ended 31 December 2012 and the Group's financial position as at that date are set out in the "Financial Statements" of this annual report. The financial position and operating results as well as related changes during the reporting period are set out in the "Management Discussion and Analysis" of this annual report.

In accordance with the resolutions passed at the annual general meeting 2011 held on 7 June 2012, the Bank paid an annual cash dividend for 2011 of RMB0.2365 per share (including tax), totalling approximately RMB59,128 million, to all of its shareholders whose names appeared on the register of members on 21 June 2012.

The Board recommends a cash dividend for 2012 of RMB0.268 per share (including tax), subject to the approval of the annual general meeting 2012.

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 the statutory reserve fund, allocating general 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 drafting the profit distribution plan, the Board extensively collected the opinions and requests from the shareholders, protected the legal rights and interests of the small and medium investors, 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 years from 2010 to 2012 are as follows:

(In millions of RMB, except percentages)	2010	2011	2012
Cash dividends	53,052	59,128	67,003
Ratio of cash dividends to net profit <sup>1</sup>	39.34%	34.93%	34.68%

1. 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.

If the declaration of cash dividend is approved by the annual general meeting, the dividend shall be paid to shareholders whose names appear on the registrar after the closing of the stock market on 20 June 2013. The Bank's register of members will be closed from 15 June 2013 to 20 June 2013, both days inclusive, during which period no transfer of H-shares will be effected. In order to receive the final dividend, holders of H-shares of the Bank, who have not registered the transfer documents, must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 14 June 2013. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## **Annual General Meeting and Closure of Register of Members**

The 2012 annual general meeting will be held on 6 June 2013. In order to determine the holders of H-shares who are entitled to attend the annual general meeting, the Bank's register of members will be closed from 7 May 2013 to 6 June 2013, both days inclusive, during which period no transfer of shares will be effected. In order to attend the 2012 annual general meeting, holders of H-shares must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 6 May 2013. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## **Annual Report and Announcement**

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

## **Review of Annual Results**

The audit committee has reviewed the Annual Report 2012 of the Bank. PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers, the Bank's external auditors, have audited the financial statements of the Bank prepared in accordance with PRC GAAP and those prepared in accordance with IFRS respectively, and have issued unqualified audit reports.

By order of the board of directors

**CHINA CONSTRUCTION BANK CORPORATION**

**Zhang Jianguo**

*Vice chairman, executive director and president*

22 March 2013

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