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 limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 939)

ANNOUNCEMENT OF ANNUAL RESULTS 2010

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 2010. 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)	2010	2009	Change (%)	2008	2007	2006
For the year						
Net interest income	251,500	211,885	18.70	224,920	192,775	140,368
Net fee and commission income	66,132	48,059	37.61	38,446	31,313	13,571
Other operating income	8,148	9,370	(13.04)	6,381	(3,371)	(2,346)
Operating income	325,780	269,314	20.97	269,747	220,717	151,593
Operating expenses	(121,366)	(105,146)	15.43	(99,193)	(92,327)	(66,662)
Impairment losses	(29,292)	(25,460)	15.05	(50,829)	(27,595)	(19,214)
Profit before tax	175,156	138,725	26.26	119,741	100,816	65,717
Net profit	135,031	106,836	26.39	92,642	69,142	46,319
Net profit attributable to equity shareholders of the Bank	134,844	106,756	26.31	92,599	69,053	46,322
As at 31 December						
Net loans and advances to customers	5,526,026	4,692,947	17.75	3,683,575	3,183,229	2,795,976
Total assets	10,810,317	9,623,355	12.33	7,555,452	6,598,177	5,448,511
Deposits from customers	9,075,369	8,001,323	13.42	6,375,915	5,329,507	4,721,256
Total liabilities	10,109,412	9,064,335	11.53	7,087,890	6,175,896	5,118,307
Total equity attributable to equity shareholders of the Bank	696,792	555,475	25.44	465,966	420,977	330,109
Share capital	250,011	233,689	6.98	233,689	233,689	224,689
Core capital	634,683	491,452	29.14	431,353	386,403	309,533
Supplementary capital	144,906	139,278	4.04	86,794	83,900	68,736
Net Capital	762,449	608,233	25.35	510,416	463,182	374,395
Risk-weighted assets	6,015,329	5,197,545	15.73	4,196,493	3,683,123	3,091,089
Per share (In RMB)						
Basic and diluted earnings per share[1]	0.56	0.45	24.44	0.40	0.30	0.21
Interim cash dividend declared during the year	-	-	NA	0.1105	0.067	-
Final cash dividend proposed after the balance sheet date	0.2122	0.202	5.05	0.0837	0.065	0.092
Special cash dividend declared during the year	-	-	NA	-	0.072716	-
Net assets per share	2.80	2.39	17.15	2.00	1.81	1.47

1. The number for 2009 is adjusted on the assumption that the bonus elements without consideration included in the rights issue of 2010 had already been issued in 2009.

Financial ratios (%)	2010	2009	Change +/(-)	2008	2007	2006
Profitability indicators						
Return on average assets[1]	1.32	1.24	0.08	1.31	1.15	0.92
Return on average equity	22.61	20.87	1.74	20.68	19.50	15.00
Net interest spread	2.40	2.30	0.10	3.10	3.07	2.69
Net interest margin	2.49	2.41	0.08	3.24	3.18	2.79
Net fee and commission income to operating income	20.30	17.84	2.46	14.25	14.19	8.95
Cost-to-income ratio	37.25	39.04	(1.79)	36.77	41.83	43.97
Loan-to-deposit ratio	62.47	60.24	2.23	59.50	61.40	60.87
Capital adequacy indicators						
Core capital adequacy ratio[2]	10.40	9.31	1.09	10.17	10.37	9.92
Capital adequacy ratio[2]	12.68	11.70	0.98	12.16	12.58	12.11
Total equity to total assets	6.48	5.81	0.67	6.19	6.40	6.06
Asset quality indicators						
Non-performing loan ratio	1.14	1.50	(0.36)	2.21	2.60	3.29
Allowances to non-performing loans	221.14	175.77	45.37	131.58	104.41	82.24
Allowances to total loans	2.52	2.63	(0.11)	2.91	2.72	2.70

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in millions of RMB unless otherwise stated)

	2010	2009	Variance (%)
Interest income	**377,783**	339,463	11.29
Interest expense	**(126,283)**	(127,578)	(1.02)
Net interest income	**251,500**	211,885	18.70
Fee and commission income	**68,156**	49,839	36.75
Fee and commission expense	**(2,024)**	(1,780)	13.71
Net fee and commission income	**66,132**	48,059	37.61
Net trading gain	**3,509**	2,233	57.14
Dividend income	**228**	100	128.00
Net gain arising from investment securities	**1,903**	4,471	(57.44)
Other operating income, net	**2,508**	2,566	(2.26)
Operating income	**325,780**	269,314	20.97
Operating expenses	**(121,366)**	(105,146)	15.43
	204,414	164,168	24.52
Impairment losses on:			
- Loans and advances to customers	**(25,641)**	(24,256)	5.71
- Others	**(3,651)**	(1,204)	203.24
Impairment losses	**(29,292)**	(25,460)	15.05
Share of profits less losses of associates and jointly controlled entities	**34**	17	100.00
Profit before tax	**175,156**	138,725	26.26
Income tax expense	**(40,125)**	(31,889)	25.83
Net profit	**135,031**	106,836	26.39

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

	2010	2009	Variance (%)
Other comprehensive income:			
(Loss) / gain of available-for-sale financial assets arising during the year	**(8,183)**	2,174	(476.40)
Less: Income tax relating to available-for-sale financial assets	**1,995**	(544)	(466.73)
Reclassification adjustments for losses included in profit or loss	**(288)**	386	(174.61)
	(6,476)	2,016	(421.23)
Exchange difference on translating foreign operations	**(1,057)**	281	(476.16)
Others	**33**	25	32.00
Other comprehensive income for the year, net of tax	**(7,500)**	2,322	(423.00)
Total comprehensive income for the year	**127,531**	109,158	16.83
Net profit attributable to:			
Equity shareholders of the Bank	**134,844**	106,756	26.31
Non-controlling interests	**187**	80	133.75
	135,031	106,836	26.39
Total comprehensive income attributable to:			
Equity shareholders of the Bank	**127,363**	109,069	16.77
Non-controlling interests	**168**	89	88.76
	127,531	109,158	16.83
Basic and diluted earnings per share (in RMB)	**0.56**	0.45	24.44

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

	2010	2009	Variance (%)
Assets:			
Cash and deposits with central banks	**1,848,029**	1,458,648	26.69
Deposits with banks and non-bank financial institutions	**78,318**	101,163	(22.58)
Precious metals	**14,495**	9,229	57.06
Placements with banks and non-bank financial institutions	**63,962**	22,217	187.90
Financial assets at fair value through profit or loss	**17,344**	18,871	(8.09)
Positive fair value of derivatives	**11,224**	9,456	18.70
Financial assets held under resale agreements	**181,075**	589,606	(69.29)
Interest receivable	**44,088**	40,345	9.28
Loans and advances to customers	**5,526,026**	4,692,947	17.75
Available-for-sale financial assets	**696,848**	651,480	6.96
Held-to-maturity investments	**1,884,057**	1,408,873	33.73
Debt securities classified as receivables	**306,748**	499,575	(38.60)
Interests in associates and jointly controlled entities	**1,777**	1,791	(0.78)
Fixed assets	**83,434**	74,693	11.70
Land use rights	**16,922**	17,122	(1.17)
Intangible assets	**1,310**	1,270	3.15
Goodwill	**1,534**	1,590	(3.52)
Deferred tax assets	**17,825**	10,790	65.20
Other assets	**15,301**	13,689	11.78
Total assets	**10,810,317**	9,623,355	12.33

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

	2010	2009	Variance (%)
Liabilities:			
Borrowings from central banks	**1,781**	6	29,583.33
Deposits from banks and non-bank financial institutions	**683,537**	774,785	(11.78)
Placements from banks and non-bank financial institutions	**66,272**	38,120	73.85
Financial liabilities at fair value through profit or loss	**15,287**	7,992	91.28
Negative fair value of derivatives	**9,358**	8,575	9.13
Financial assets sold under repurchase agreements	**4,922**	-	N/A
Deposits from customers	**9,075,369**	8,001,323	13.42
Accrued staff costs	**31,369**	27,425	14.38
Taxes payable	**34,241**	25,840	32.51
Interest payable	**65,659**	59,487	10.38
Provisions	**3,399**	1,344	152.90
Debt securities issued	**93,315**	98,644	(5.40)
Deferred tax liabilities	**243**	216	12.50
Other liabilities	**24,660**	20,578	19.84
Total liabilities	**10,109,412**	9,064,335	11.53
Equity:			
Share capital	**250,011**	233,689	6.98
Capital reserve	**135,136**	90,266	49.71
Investment revaluation reserve	**6,706**	13,163	(49.05)
Surplus reserve	**50,681**	37,421	35.43
General reserve	**61,347**	46,806	31.07
Retained earnings	**195,950**	136,112	43.96
Exchange reserve	**(3,039)**	(1,982)	53.33
Total equity attributable to equity shareholders of the Bank	**696,792**	555,475	25.44
Non-controlling interests	**4,113**	3,545	16.02
Total equity	**700,905**	559,020	25.38
Total liabilities and equity	**10,810,317**	9,623,355	12.33

Consolidated statement of changes in equity
(Expressed in millions of RMB unless otherwise stated)

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

Consolidated statement of changes in equity (continued)
(Expressed in millions of RMB unless otherwise stated)

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 1 January 2009	233,689	90,241	11,156	26,922	46,628	59,593	(2,263)	1,596	467,562
Movements during the year	-	25	2,007	10,499	178	76,519	281	1,949	91,458
(1) Total comprehensive income for the year	-	25	2,007	-	-	106,756	281	89	109,158
(2) Changes in share capital	-	-	-	-	-	-	-	1,878	1,878
i Disposal of shares of subsidiaries to non-controlling interests	-	-	-	-	-	-	-	100	100
ii Non-controlling interests of new subsidiaries	-	-	-	-	-	-	-	130	130
iii Non-controlling interests of acquisition of a subsidiary	-	-	-	-	-	-	-	1,648	1,648
(3) Profit distribution	-	-	-	10,499	178	(30,237)	-	(18)	(19,578)
i Appropriation to surplus reserve	-	-	-	10,499	-	(10,499)	-	-	-
ii Appropriation to general reserve	-	-	-	-	178	(178)	-	-	-
iii Appropriation to equity shareholders	-	-	-	-	-	(19,560)	-	(18)	(19,578)
As at 31 December 2009	233,689	90,266	13,163	37,421	46,806	136,112	(1,982)	3,545	559,020

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

	2010	2009
Cash flows from operating activities		
Profit before tax	**175,156**	138,725
Adjustments for:		
-Impairment losses	**29,292**	25,460
-Depreciation and amortisation	**11,827**	10,876
-Unwinding of discount	**(799)**	(1,270)
-Revaluation gain on financial instruments at fair value through profit or loss	**(1,659)**	(924)
-Share of profit less losses of associates and jointly controlled entities	**(34)**	(17)
-Dividend income	**(228)**	(100)
-Unrealised foreign exchange loss / (gain)	**1,847**	(3,628)
-Interest expense on bonds issued	**3,282**	3,211
-Net gain on disposal of investment securities	**(1,903)**	(4,471)
-Net gain on disposal of fixed assets and other long-term assets	**(455)**	(110)
	216,326	167,752
Changes in operating assets:		
Net increase in deposits with central banks and with banks and non-bank financial institutions	**(485,985)**	(258,955)
Net increase in placements with banks and non-bank financial institutions	**(2,490)**	(1,243)
Net increase in loans and advances to customers	**(869,732)**	(1,030,197)
Net decrease / (increase) in financial assets held under resale agreements	**408,498**	(381,058)
(Increase) / decrease in other operating assets	**(19,954)**	18,705
	(969,663)	(1,652,748)
Changes in operating liabilities:		
Net increase in borrowings from central banks	**1,806**	-
Net increase / (decrease) in placements from banks and non-bank financial institutions	**29,407**	(6,947)
Net increase in deposits from customers and from banks and non-bank financial institutions	**992,829**	1,948,273
Net increase / (decrease) in financial assets sold under repurchase agreements	**4,899**	(864)
Net (decrease) / increase in certificates of deposit issued	**(1,967)**	4,107
Income tax paid	**(37,921)**	(44,567)
Increase in other operating liabilities	**23,645**	8,573
	1,012,698	1,908,575
Net cash from operating activities	**259,361**	423,579

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

	2010	2009
Cash flows from investing activities		
Proceeds from sale and redemption of investments	**1,371,120**	1,168,724
Dividends received	**229**	106
Proceeds from disposal of fixed assets and other long-term assets	**713**	727
Cash received from other investing activities	**-**	3,962
Purchase of investment securities	**(1,696,728)**	(1,568,911)
Purchase of fixed assets and other long-term assets	**(20,452)**	(22,045)
Acquisition of associates and jointly controlled entities	**(18)**	(54)
Net cash used in investing activities	**(345,136)**	(417,491)
Cash flows from financing activities		
Rights issue	**61,159**	-
Issue of subordinated bonds	**-**	79,880
Capital contribution by non-controlling interests	**440**	-
Dividends paid	**(47,232)**	(19,576)
Repayments of debt securities issued	**(2,870)**	(40,000)
Interest paid on bonds issued	**(3,298)**	(1,972)
Net cash from financing activities	**8,199**	18,332
Effect of exchange rate changes on cash and cash equivalents	**(1,374)**	18
Net (decrease) / increase in cash and cash equivalents	**(78,950)**	24,438
Cash and cash equivalents as at 1 January	**380,249**	355,811
Cash and cash equivalents as at 31 December	**301,299**	380,249
Cash flows from operating activities include:		
Interest received	**362,523**	327,930
Interest paid, excluding interest expense on bonds issued	**(116,793)**	(125,785)

Notes:

1 The IFRS financial statements of the Group for the year ended 31 December 2010 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 2010 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 2009.

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

	2010	2009
Net gain on sale of available-for-sale financial assets	**1,103**	1,960
Net revaluation gain reclassified from other comprehensive income on disposal	**735**	925
Net gain on sale of held-to-maturity investments	**65**	1,575
Net gain on sale of debt securities classified as receivables	**-**	11
Total	**1,903**	4,471

6 Operating expenses

	2010	2009
Staff costs		
– Salaries, bonuses and allowances	**42,652**	35,422
– Defined contribution retirement schemes	**7,206**	5,941
– Other social insurance and welfare	**5,311**	4,362
– Housing funds	**3,409**	2,941
– Union running costs and employee education costs	**1,695**	1,238
– Supplementary retirement benefits	**432**	537
– Early retirement expenses	**685**	679
– Compensation to employees for termination of employment relationship	**19**	18
	61,409	51,138
Premises and equipment expenses		
– Depreciation charges	**9,855**	9,005
– Rent and property management expenses	**4,578**	4,048
– Maintenance	**1,673**	1,480
– Utilities	**1,545**	1,423
– Others	**879**	799
	18,530	16,755
Amortisation expenses	**1,972**	1,871
Business tax and surcharges	**18,364**	15,972
Audit fees	**148**	157
Other general and administrative expenses	**20,943**	19,253
Total	**121,366**	105,146

7 Income tax expense

(1) Income tax expense

	2010	2009
Current tax	**44,846**	35,764
– Mainland China	**44,386**	35,240
– Hong Kong	**374**	421
– Other countries and regions	**86**	103
Adjustments for prior years	**196**	(359)
Deferred tax	**(4,917)**	(3,516)
Total	**40,125**	31,889

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 and Hong Kong operations for the period 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

	2010	2009
Profit before tax	**175,156**	138,725
Income tax calculated at statutory tax rate	**43,789**	34,681
Non-deductible expenses		
– Staff costs	**365**	376
– Impairment losses and bad debt write-off	**-**	1
– Others	**632**	780
	997	1,157
Non-taxable income		
– Interest income from PRC government bonds	**(4,701)**	(3,777)
– Others	**(156)**	(303)
	(4,857)	(4,080)
Total	**39,929**	31,758
Adjustments on income tax for prior years which affect profit or loss	**196**	131
Income tax expense	**40,125**	31,889

8 Earnings per share

Basic earnings per share for the year ended 31 December 2010 and 2009 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. The Bank completed the Rights Issue in 2010. In the calculation of earnings per share, the weighted average number of shares outstanding during 2010 and 2009 were calculated on the assumption that the bonus elements without consideration included in the Rights Issue had been existed from the beginning of the comparative year. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2010 and 2009.

	Note	2010	2009
Net profit attributable to shareholders of the Bank		**134,844**	106,756
Weighted average number of shares as originally reported (in million shares)			233,689
Basic and diluted earnings per share attributable to shareholders of the Bank as originally reported (in RMB)			0.46
Weighted average number of shares after Rights Issue (in million shares)	(a)	**240,977**	237,236
Basic and diluted earnings per share attributable to shareholders of the Bank after Rights Issue (in RMB)		**0.56**	0.45

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

	2010	2009
Issued ordinary shares	**233,689**	233,689
Weighted average number of shares for Rights Issue	**7,288**	3,547
Weighted average number of shares in issue	**240,977**	237,236

9 Derivatives

(1) Analysed by type of contract

	2010			2009		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**181,130**	**3,493**	**3,706**	173,170	3,826	4,015
Exchange rate contracts	**619,449**	**7,054**	**5,414**	510,831	4,614	4,531
Other contracts	**3,875**	**677**	**238**	2,784	1,016	29
Total	**804,454**	**11,224**	**9,358**	686,785	9,456	8,575

(2) Analysed by credit risk-weighted amount

	2010	2009
Interest rate contracts	**3,491**	4,030
Exchange rate contracts	**7,868**	6,277
Other contracts	**830**	767
Total	**12,189**	11,074

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

	2010	2009
Demand deposits		
– Corporate customers	**3,412,050**	2,968,733
– Personal customers	**1,726,159**	1,445,304
	5,138,209	4,414,037
Time deposits (including call deposits)		
- Corporate customers	**1,608,186**	1,421,678
- Personal customers	**2,328,974**	2,165,608
	3,937,160	3,587,286
Total	**9,075,369**	8,001,323

Deposits from customers include:

		2010	2009
(1)	Pledged deposits		
	- Deposits for acceptance	**118,172**	118,121
	- Deposits for guarantee	**34,103**	23,984
	- Deposits for letter of credit	**39,692**	19,974
	- Others	**104,779**	72,021
	Total	**296,746**	234,100
(2)	Outward remittance and remittance payables	**15,895**	19,073

11 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. 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. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the facilities may expire without being drawn upon, the total of the contractual amounts set out in the following table is not representative of expected future cash outflows.

	2010	2009
Loan commitments		
– with an original maturity under one year	**123,092**	84,261
– with an original maturity of one year or over	**461,785**	443,366
Credit card commitments	**227,478**	260,656
	812,355	788,283
Bank acceptances	**393,671**	339,354
Financing guarantees	**162,824**	149,750
Non-financing guarantees	**446,010**	415,342
Sight letters of credit	**58,135**	47,091
Usance letters of credit	**131,045**	72,373
Others	**31,780**	49,280
Total	**2,035,820**	1,861,473

(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.

	2010	2009
Credit risk-weighted amount of contingent liabilities and commitments	**954,706**	898,284

(3) Operating lease commitments

The Group and the Bank lease certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals. 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:

	2010	2009
Within one year	**3,002**	3,012
After one year but within two years	**2,319**	2,293
After two years but within three years	**1,766**	1,822
After three years but within five years	**2,171**	2,319
After five years	**1,388**	1,767
Total	**10,646**	11,213

(4) Capital commitments

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

	Note	**2010**	2009
Contracted for	(a)	**3,815**	5,511
Authorised but not contracted for		**1,619**	1,652
Total		**5,434**	7,163

(a) As at 31 December 2010, the Group's and the Bank's capital commitments contracted for include the consideration for the acquisition of 51% equity interests of Pacific-Antai Life Insurance Co. Ltd., amounting to RMB816 million.

(5) Underwriting obligations

As at 31 December 2010, the unexpired underwriting commitments of the Group and the Bank were RMB51,846 million (2009: RMB3,890 million).

(6) Redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group and the Bank, but not yet matured as at 31 December 2010, were RMB91,578 million (2009: RMB81,424 million).

(7) Outstanding litigation and disputes

As at 31 December 2010, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB1,976 million (2009: RMB2,418 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 and the Bank assessed and made provisions for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with their accounting policies.

12 Operating segments

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

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

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

(1) Geographical segments

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

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

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

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

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

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

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

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

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

	2010								
	Yangtze River Delta	**Pearl River Delta**	**Bohai Rim**	**Central**	**Western**	**North Eastern**	**Head Office**	**Overseas**	**Total**
External net interest income	**36,485**	**19,546**	**23,000**	**25,777**	**30,198**	**8,368**	**104,896**	**3,230**	**251,500**
Internal net interest income / (expense)	**8,994**	**12,488**	**14,741**	**11,886**	**9,638**	**6,282**	**(63,899)**	**(130)**	**-**
Net interest income	**45,479**	**32,034**	**37,741**	**37,663**	**39,836**	**14,650**	**40,997**	**3,100**	**251,500**
Net fee and commission income	**16,101**	**12,173**	**10,097**	**9,770**	**8,799**	**3,752**	**4,091**	**1,349**	**66,132**
Net trading gain	**313**	**362**	**209**	**59**	**143**	**90**	**1,124**	**1,209**	**3,509**
Dividend income	**2**	**-**	**25**	**51**	**64**	**-**	**34**	**52**	**228**
Net gain arising from investment securities	**41**	**8**	**69**	**463**	**102**	**258**	**845**	**117**	**1,903**
Other operating income / (loss), net	**487**	**457**	**494**	**451**	**897**	**174**	**(1,601)**	**1,149**	**2,508**
Operating income	**62,423**	**45,034**	**48,635**	**48,457**	**49,841**	**18,924**	**45,490**	**6,976**	**325,780**
Operating expenses	**(21,601)**	**(16,109)**	**(18,330)**	**(20,617)**	**(20,204)**	**(8,821)**	**(12,864)**	**(2,820)**	**(121,366)**
Impairment losses	**(7,596)**	**(4,289)**	**(3,119)**	**(5,547)**	**(5,580)**	**(1,689)**	**(495)**	**(977)**	**(29,292)**
Share of profits less losses of associates and jointly controlled entities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34**	**34**
Profit before tax	**33,226**	**24,636**	**27,186**	**22,293**	**24,057**	**8,414**	**32,131**	**3,213**	**175,156**
Capital expenditure	**3,204**	**1,876**	**2,563**	**3,424**	**3,483**	**1,962**	**3,573**	**74**	**20,159**
Depreciation and amortisation	**1,966**	**1,409**	**1,736**	**2,098**	**1,845**	**915**	**1,752**	**106**	**11,827**

	2010								
Segment assets	**2,054,133**	**1,663,001**	**1,913,481**	**1,672,191**	**1,717,538**	**694,294**	**4,781,069**	**271,052**	**14,766,759**
Interests in associates and jointly controlled entities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,777**	**1,777**
	2,054,133	**1,663,001**	**1,913,481**	**1,672,191**	**1,717,538**	**694,294**	**4,781,069**	**272,829**	**14,768,536**
Deferred tax assets									**17,825**
Elimination									**(3,976,044)**
Total assets									**10,810,317**
Segment liabilities	**2,050,953**	**1,659,607**	**1,907,041**	**1,669,392**	**1,715,699**	**692,888**	**4,142,555**	**247,078**	**14,085,213**
Deferred tax liabilities									**243**
Elimination									**(3,976,044)**
Total liabilities									**10,109,412**
Off-balance sheet credit commitments	**559,761**	**322,547**	**430,258**	**270,124**	**265,379**	**126,394**	**12,002**	**49,355**	**2,035,820**

	2009								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
External net interest income	31,201	15,457	17,347	20,601	25,352	5,684	93,325	2,918	211,885
Internal net interest income / (expense)	12,109	13,386	17,594	13,764	11,003	7,391	(75,106)	(141)	-
Net interest income	43,310	28,843	34,941	34,365	36,355	13,075	18,219	2,777	211,885
Net fee and commission income	11,848	8,506	7,770	7,496	6,638	2,679	2,625	497	48,059
Net trading gain / (loss)	121	238	105	23	92	41	(290)	1,903	2,233
Dividend income	9	-	8	12	13	-	36	22	100
Net gain arising from investment securities	5	-	11	416	348	305	3,296	90	4,471
Other operating income / (loss), net	478	306	279	307	741	171	(435)	719	2,566
Operating income	55,771	37,893	43,114	42,619	44,187	16,271	23,451	6,008	269,314
Operating expenses	(19,352)	(13,947)	(16,342)	(17,847)	(17,587)	(7,605)	(10,398)	(2,068)	(105,146)
Impairment losses	(7,384)	(3,880)	(3,867)	(4,364)	(711)	(1,584)	(996)	(2,674)	(25,460)
Share of profits less losses of associates- and jointly controlled entities	-	-	-	-	-	-	-	17	17
Profit before tax	29,035	20,066	22,905	20,408	25,889	7,082	12,057	1,283	138,725
Capital expenditure	3,229	1,794	2,990	3,361	3,138	1,636	5,447	179	21,774
Depreciation and amortisation	1,846	1,331	1,590	1,900	1,659	800	1,660	90	10,876

	2009								
Segment assets	1,890,649	1,462,959	1,675,219	1,500,338	1,508,896	642,640	4,418,463	232,669	13,331,833
Interests in associates and jointly controlled entities	-	-	-	-	-	-	-	1,791	1,791
	1,890,649	1,462,959	1,675,219	1,500,338	1,508,896	642,640	4,418,463	234,460	13,333,624
Deferred tax assets									10,790
Elimination									(3,721,059)
Total assets									9,623,355
Segment liabilities	1,888,969	1,460,261	1,670,431	1,497,353	1,505,890	641,924	3,910,613	209,737	12,785,178
Deferred tax liabilities									216
Elimination									(3,721,059)
Total liabilities									9,064,335
Off-balance sheet credit commitments	475,571	318,201	431,592	240,055	223,893	115,788	14,956	41,417	1,861,473

(2) Business segments

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

Corporate banking

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

Personal banking

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

Treasury business

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

Others

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

	2010				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income / (expense)	150,070	(3,659)	101,116	3,973	251,500
Internal net interest (expense) / income	(14,511)	74,156	(58,441)	(1,204)	-
Net interest income	135,559	70,497	42,675	2,769	251,500
Net fee and commission income	28,563	23,919	11,898	1,752	66,132
Net trading (loss) / gain	(1)	350	1,940	1,220	3,509
Dividend income	-	-	-	228	228
Net gain arising from investment securities	-	-	504	1,399	1,903
Other operating income / (loss), net	754	278	(1,591)	3,067	2,508
Operating income	164,875	95,044	55,426	10,435	325,780
Operating expenses	(50,151)	(62,278)	(3,573)	(5,364)	(121,366)
Impairment losses	(23,557)	(2,176)	(655)	(2,904)	(29,292)
Share of profits less losses of associates and jointly controlled entities	-	-	-	34	34
Profit before tax	91,167	30,590	51,198	2,201	175,156
Capital expenditure	6,065	13,048	777	269	20,159
Depreciation and amortisation	3,558	7,655	456	158	11,827

	2010				
Segment assets	4,343,277	1,361,904	4,684,227	487,968	10,877,376
Interests in associates and jointly controlled entities	-	-	-	1,777	1,777
	4,343,277	1,361,904	4,684,227	489,745	10,879,153
Deferred tax assets					17,825
Elimination					(86,661)
Total assets					10,810,317
Segment liabilities	5,238,032	4,489,333	110,697	357,768	10,195,830
Deferred tax liabilities					243
Elimination					(86,661)
Total liabilities					10,109,412
Off-balance sheet credit commitments	1,781,695	205,092	-	49,033	2,035,820

	2009				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income / (expense)	142,914	(21,796)	87,633	3,134	211,885
Internal net interest (expense) / income	(18,525)	84,613	(65,434)	(654)	-
Net interest income	124,389	62,817	22,199	2,480	211,885
Net fee and commission income	19,884	17,882	9,518	775	48,059
Net trading (loss) / gain	(169)	36	459	1,907	2,233
Dividend income	-	-	-	100	100
Net gain arising from investment securities	-	-	3,242	1,229	4,471
Other operating income / (loss), net	558	232	(378)	2,154	2,566
Operating income	144,662	80,967	35,040	8,645	269,314
Operating expenses	(43,029)	(53,492)	(3,802)	(4,823)	(105,146)
Impairment losses	(17,476)	(4,164)	(944)	(2,876)	(25,460)
Share of profits less losses of associates and jointly controlled entities	-	-	-	17	17
Profit before tax	84,157	23,311	30,294	963	138,725
Capital expenditure	6,567	13,964	987	256	21,774
Depreciation and amortisation	3,280	6,975	493	128	10,876

	2009				
Segment assets	3,879,101	1,073,608	4,449,759	256,060	9,658,528
Interests in associates and jointly controlled entities	-	-	-	1,791	1,791
	3,879,101	1,073,608	4,449,759	257,851	9,660,319
Deferred tax assets					10,790
Elimination					(47,754)
Total assets					9,623,355
Segment liabilities	4,723,263	4,002,153	101,545	284,912	9,111,873
Deferred tax liabilities					216
Elimination					(47,754)
Total liabilities					9,064,335
Off-balance sheet credit commitments	1,573,849	249,504	-	38,120	1,861,473

Unaudited supplementary financial information

(a) Liquidity ratios

	As at 31 December 2010	**Average for the year ended 31 December 2010**	As at 31 December 2009	Average for the year ended 31 December 2009
RMB current assets to RMB current liabilities	**51.96%**	**51.66%**	49.63%	48.20%
Foreign currency current assets to foreign currency current liabilities	**57.20%**	**55.70%**	61.86%	95.18%

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

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

(b) Currency concentrations

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

	2009			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	261,575	136,801	35,768	434,144
Spot liabilities	(206,074)	(116,857)	(38,038)	(360,969)
Forward purchases	216,426	22,873	35,663	274,962
Forward sales	(270,310)	(15,499)	(43,191)	(329,000)
Net long / (short) position	1,617	27,318	(9,798)	19,137
Net structural position	67	127	157	351

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 the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the 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.

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

	2009			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	15,236	1,360	72,457	89,053
- of which attributed to Hong Kong	6,263	685	47,916	54,864
Europe	10,160	156	4,829	15,145
North and South America	47,246	2,288	23,462	72,996
	72,642	3,804	100,748	177,194

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

	2010	2009
Yangtze River Delta	**9,152**	12,184
Bohai Rim	**6,894**	12,816
Central	**5,992**	9,555
Pearl River Delta	**5,278**	6,979
Western	**5,246**	6,949
Northeastern	**3,345**	5,241
Head office	**1,619**	1,587
Overseas	**122**	385
Total	**37,648**	55,696

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.

As at 31 December 2010, the amounts of RMB32,257 million (2009: RMB47,075 million) and RMB5,391 million (2009: RMB8,621 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans and advances were RMB3,818 million and RMB28,439 million respectively (2009: RMB6,459 million and RMB40,616 million respectively). The fair value of collateral held against these individually assessed loans and advances was RMB4,338 million (2009: RMB6,763 million). The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB27,471 million (2009: RMB39,358 million).

Management Discussion and Analysis

Financial Review

In 2010, the world's economy continued to rebound amid continuing uncertainties. There was little improvement in the US's employment, economic situations varied among Eurozone countries, and recovery was slow in Japan. Emerging and developing economies, albeit remaining major powerhouses for global economic expansion, slowed their pace of growth. Major developed economies proceeded with their quantitative easing monetary policies, while some, faced with higher inflationary pressures amid strong economic growth, gradually tightened monetary policies. According to the International Monetary Fund's report, the global economy grew at 5.0% in 2010, a rise of 5.6 percentage points year-on-year.

During the year, China's economy moved towards the direction of the government's macroeconomic control measures, and maintained sound and fast growth. Domestic consumption continued to expand rapidly, fixed assets investment structures improved, foreign trade remained on track to rebound, agricultural output increased, and industrial supply was matched with market demand on the whole. China's GDP was RMB39.8 trillion, up 10.3% over 2009.

2010 saw a shift from a "moderately loose" monetary policy to a "sound" one in China. The People's Bank of China (PBC) used a combination of monetary policy tools to strengthen liquidity management, and give guidance to financial institutions on the lending volume, pace and structure by leveraging on interest rate adjustments. The PBC lifted benchmark deposits and lending interest rates twice and raised the statutory deposit reserve rate six times. China's financial market operated soundly. Money market transactions were active while interest rates picked up amid fluctuations. The overall bond yield curve moved upward alongside a rapidly expanding bond issuance size. Share market indices fell, while funds raised from the market achieved a record high. The foreign exchange swaps grew rapidly with greater flexibility in Renminbi exchange rates. Total money supply grew at a stable level. As at the end of 2010, the outstanding broad money M2 rose by 19.7% to RMB72.6 trillion, and the narrow money M1 increased by 21.2% to RMB26.7 trillion. Loans made in RMB soared by 19.9% to RMB47.9 trillion year-on-year.

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

Statement of Comprehensive Income Analysis

In 2010, the Group recorded profit before tax of RMB175,156 million, up 26.26% over 2009. Net profit was RMB135,031 million, up 26.39% over 2009. The rapid growth of profit before tax and net profit were brought about mainly by the following: first, the net interest margin rose steadily and interest-bearing assets expanded moderately, pushing up net interest income by RMB39,615 million, or 18.70%, year-on-year; second, we were actively engaged in service and product innovation, and as a result, net fee and commission income continued to rise by RMB18,073 million, or 37.61%, over 2009; third, impairment losses on debt securities investment reversed by RMB218 million due to the steady price rally in the foreign currency debt securities market, with a decrease of RMB1,325 million in corresponding impairment losses over 2009.

(In millions of RMB, except percentages)	Year ended 31 December 2010	Year ended 31 December 2009	Change (%)
Net interest income	251,500	211,885	18.70
Net fee and commission income	66,132	48,059	37.61
Other operating income	8,148	9,370	(13.04)
Operating income	325,780	269,314	20.97
Operating expenses	(121,366)	(105,146)	15.43
Impairment losses	(29,292)	(25,460)	15.05
Share of profits less losses of associates and jointly controlled entities	34	17	100.00
Profit before tax	175,156	138,725	26.26
Income tax expense	(40,125)	(31,889)	25.83
Net profit	135,031	106,836	26.39
Other current comprehensive income, net of tax	(7,500)	2,322	(423.00)
Total current comprehensive income	127,531	109,158	16.83

Net interest income

In 2010, the Group's net interest income was RMB251,500 million, an increase of RMB39,615 million, or 18.70%, over the previous year.

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 2010			Year ended 31 December 2009		
	Average balance	**Interest income/ expense**	**Average yield/cost (%)**	**Average balance**	**Interest income/ expense**	**Average yield/cost (%)**
Assets						
Gross loans and advances to customers	5,268,333	267,006	5.07	4,466,885	240,053	5.37
Investment in debt securities[1]	2,798,062	79,317	2.83	2,303,673	71,666	3.11
Deposits with central banks	1,530,883	23,226	1.52	1,248,222	18,511	1.48

Deposits and placements with banks and non-bank financial institutions	125,514	1,810	1.44	70,803	740	1.05
Financial assets held under resale agreements	382,047	6,424	1.68	720,596	8,493	1.18
Total interest-earning assets	10,104,839	377,783	3.74	8,810,179	339,463	3.85
Total allowances for impairment losses	(144,792)			(134,903)		
Non-interest-earning assets	246,530			232,659		
Total assets	10,206,577	377,783		8,907,935	339,463	
Liabilities						
Deposits from customers	8,482,558	108,199	1.28	7,365,802	110,976	1.51
Deposits and placements from banks and non-bank financial institutions	840,950	14,367	1.71	759,678	13,123	1.73
Financial assets sold under repurchase agreements	9,676	176	1.82	611	11	1.80
Debt securities issued	93,425	3,526	3.77	90,244	3,441	3.81
Other interest-bearing liabilities	674	15	2.23	752	27	3.59
Total interest-bearing liabilities	9,427,283	126,283	1.34	8,217,087	127,578	1.55
Non-interest-bearing liabilities	159,658			155,634		
Total liabilities	9,586,941	126,283		8,372,721	127,578	
Net interest income		251,500			211,885	
Net interest spread			2.40			2.30
Net interest margin			2.49			2.41

1. These include investments in trading debt securities and investment debt securities. Investment debt securities refer to debt securities in available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

In 2010, the Group’s net interest spread and net interest margin were 2.40% and 2.49% respectively, up 10 and 8 basis points respectively, year-on-year.

From 2010, the Group’s net interest margin picked up quarterly, largely because of the following reasons. First, the structure of interest-earning assets improved, as the proportion of relatively high-yield interest-earning assets such as loans and debt securities investments grew gradually. Second, the yields of discounted bills and financial assets held under resale agreements rallied significantly, prompted by a continued rise in market rates. Third, interest rates of newly granted loans went up and more loans were subject to higher interest rates compared to the benchmark rates as a result of improved pricing capabilities. Fourth, the average cost of deposits from customers dropped steadily, in response to the repricing of existing deposits, the higher proportion of demand deposits, and the growing proportion of early withdrawals of time deposits.

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 2010 versus 2009.

(In millions of RMB)	**Volume factor[1]**	**Interest rate factor**	**Change in interest income/expense**
Assets			
Gross loans and advances to customers	40,991	(14,038)	26,953
Investment in debt securities	14,478	(6,827)	7,651
Deposits with central banks	4,213	503	4,716
Deposits and placements with banks and non-bank financial institutions	722	347	1,069
Financial assets held under resale agreements	(4,877)	2,808	(2,069)
Change in interest income	55,527	(17,207)	38,320
Liabilities			
Deposits from customers	15,517	(18,293)	(2,776)
Deposits and placements from banks and non-bank financial institutions	1,397	(153)	1,244
Financial assets sold under repurchase agreements	165	0	165
Debt securities issued	120	(36)	84
Other interest-bearing liabilities	(3)	(9)	(12)
Change in interest expenses	17,196	(18,491)	(1,295)
Change in net interest income	38,331	1,284	39,615

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

Net interest income increased by RMB39,615 million over the previous year, in which the increase of RMB38,331 million was due to the movement of average balances of assets and liabilities, and the increase of RMB1,284 million was due to the movement of average yields or costs.

Interest income

The Group's interest income in 2010 was RMB377,783 million, an increase of RMB38,320 million, or 11.29%, over 2009.

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 2010			Year ended 31 December 2009		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	3,685,105	196,614	5.34	3,141,020	184,420	5.87
Short-term loans	1,073,523	53,226	4.96	945,102	51,809	5.48
Medium- to long-term loans	2,611,582	143,388	5.49	2,195,918	132,611	6.04
Personal loans	1,241,639	59,929	4.83	951,062	47,396	4.98
Discounted bills	191,771	6,491	3.38	244,878	5,156	2.11
Overseas operations	149,818	3,972	2.65	129,925	3,081	2.37
Gross loans and advances to customers	5,268,333	267,006	5.07	4,466,885	240,053	5.37

Interest income from loans and advances to customers rose by RMB26,953 million, or 11.23%, year-on-year to RMB267,006 million, mainly due to the steady expansion of the average balance of loans and advances to customers, partly offset by a fall in the average yield. The average yields of loans and advances to customers fell by 30 basis points over 2009, which was mainly affected by the repricing factor cumulatively.

Interest income from investments in debt securities

Interest income from investments in debt securities grew by RMB 7,651 million, or 10.68%, to RMB79,317 million over 2009, largely because of the increase in the average balance of RMB-denominated investments in debt securities.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB23,226 million, a year-on-year rise of RMB4,715 million, or 25.47%. This was mainly because the average balance of deposits with central banks rose by 22.65%, in line with increases in the statutory deposit reserve rate and deposits from customers.

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

Interest income from deposits and placements with banks and non-bank financial institutions grew by RMB 1,070 million to RMB 1,810 million over 2009. This was primarily due to the 77.27% surge in the average balance to raise short-term fund utilisation efficiency.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements was down by RMB2,069 million, or 24.36%, year-on-year to RMB6,424 million. This mainly resulted from the sharp decrease in the average balance to manage liquidity and profitability.

Interest expense

In 2010, the Group's interest expense was RMB126,283 million, a year-on-year decrease of RMB1,295 million, or 1.02%.

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 2010			Year ended 31 December 2009		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	4,559,265	51,834	1.14	3,881,642	50,150	1.29
Demand deposits	3,059,899	19,380	0.63	2,515,095	15,662	0.62
Time deposits	1,499,366	32,454	2.16	1,366,547	34,488	2.52
Personal deposits	3,835,609	55,519	1.45	3,394,676	60,286	1.78
Demand deposits	1,532,189	5,693	0.37	1,275,657	4,719	0.37
Time deposits	2,303,420	49,826	2.16	2,119,019	55,567	2.62
Overseas operations	87,684	846	0.96	89,484	540	0.60
Total deposits from customers	8,482,558	108,199	1.28	7,365,802	110,976	1.51

Interest expense on deposits from customers stood at RMB108,199 million, representing a decrease of RMB2,777 million, or 2.50%, over 2009. This resulted mainly from a fall of 23 basis points to 1.28% in the average cost of deposits, thanks to the repricing of existing deposits, the higher proportion of demand deposits, and the growing proportion of early withdrawals of time deposits, despite being partly offset by the growth of average balance.

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 RMB14,367 million, a rise of RMB1,244 million, or 9.48%, over 2009, largely because of a larger average balance of deposits from banks and non-bank financial institutions.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased year-on-year to RMB176 million. This was primarily because of a rise 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 2010	Year ended 31 December 2009	Change in amount	Change (%)
Fee and commission income	68,156	49,839	18,317	36.75

Consultancy and advisory fees	12,816	10,962	1,854	16.91
Bank card fees	12,344	9,186	3,158	34.38
Agency service fees	12,115	9,840	2,275	23.12
Settlement and clearing fees	9,614	6,308	3,306	52.41
Commission on trust and fiduciary activities	6,720	5,522	1,198	21.70
Wealth management fees	5,611	2,078	3,533	170.02
Electronic banking fees	2,879	1,889	990	52.41
Guarantee handling fees	1,857	1,519	338	22.25
Credit commitment fees	1,605	1,256	349	27.79
Others	2,595	1,279	1,316	102.89
Fee and commission expenses	(2,024)	(1,780)	(244)	13.71
Net fee and commission income	66,132	48,059	18,073	37.61

The Group's net fee and commission income rose by 37.61% to RMB66,132 million over 2009, while the ratio of net fee and commission income to operating income rose by 2.46 percentage points to 20.30%.

Consultancy and advisory fees increased by 16.91% to RMB12,816 million, accounting for the largest share of the net fee and commission income. The Group put special emphasis on financial advisory services for wealth management products, M&A and restructuring. Our cost advisory business also expanded by 19.10%.

Bank card fees grew by 34.38% to RMB12,344 million. Fees from credit cards went up by 61.80%, largely due to the fast growth of the number of cards issued and consumer spending per card, as the Group widened the customer base and explored business potential.

Agency service fees climbed by 23.12% to RMB12,115 million. This was mainly because the Group rapidly expanded its insurance agency services and customer-driven foreign exchange trading by leveraging sales channel strengths as well as improving business processes and incentive mechanisms. Fees from fund agency services grew at a much slower pace due to the poor performance of the stock market.

Settlement and clearing fees rose by 52.41% to RMB9,614 million. This was largely because of a marked increase in income from corporate settlements due to the proactive promotion of our new "Yudao" branded corporate settlement products, as well as fast income growth of our international settlement business, thanks to a rebound in import and export trades.

Commission on trust and fiduciary business rose by 21.70% to RMB6,720 million. Fees from our custodial services for securities investment funds increased by 15.60% amid the gloomy stock market.

Wealth management fees soared by 170.02% to RMB5,611 million, primarily because the Group proactively marketed its "Qianyuan", "Qianyuan-Rixinyueyi", "Good Harvest", "CCB Fortune" and "Profit from Interest" branded wealth management products to meet growing market demand.

Electronic banking fees grew by 52.41% to RMB2,879 million. This was mainly due to a 77% year-on-year increase in electronic banking transaction volume which amounted to RMB63.7 trillion, following increased marketing activities for our electronic banking services.

Net gain on trading activities

Net gain on trading activities went up by RMB1,276 million, or 57.14%, to RMB3,509 million, chiefly because of an increase in net gain on currency interest rate swaps.

Net gain on investment securities

The Group realised a net gain on investment securities of RMB1,903 million, a decrease of RMB2,568 million, or 57.44%, over the previous year. This was mainly due to decreased capital gains as a result of sale declines of available-for-sale debt securities and held-to-maturity investments.

Other net operating income

In 2010, the Group reaped other net operating income of RMB2,508 million, including a net foreign exchange loss of RMB611 million, a net gain of RMB455 million on disposals of fixed assets, a net gain of RMB140 million on disposals of repossessed assets, and other income of RMB2,524 million.

Operating expenses

(In millions of RMB, except percentages)	**Year ended 31 December 2010**	**Year ended 31 December 2009**
Staff costs	61,409	51,138
Premises and equipment expenses	18,530	16,755
Business tax and surcharge	18,364	15,972
Others	23,063	21,281
Total operating expenses	121,366	105,146
Cost-to-income ratio	37.25%	39.04%

In 2010, the Group continued to strengthen cost management and improve cost structure. The total operating expenses increased by RMB16,220 million, or 15.43% year-on-year to RMB121,366 million, while the cost-to-income ratio fell by 1.79 percentage points to 37.25% over 2009.

Staff costs rose by RMB10,271 million, or 20.08%, year-on-year to RMB61,409 million. Premises and equipment expenses rose by RMB1,775 million, or 10.59%, to RMB18,530 million, 1.43 percentage points lower than the growth rate of 2009. Business tax and surcharges were RMB18,364 million, up RMB2,392 million, or 14.98%, in line with higher operating income. The Group's other operating expenses increased by RMB1,782 million, or 8.37%, to RMB23,063 million, mainly because the Group increased its marketing efforts to support business development with increased marketing expenses such as entertainment expenses and promotion expenses. The growth of administrative expenses such as travel expenses and meeting expenses was kept at a low level.

Provisions for Impairment Losses

(In millions of RMB)	**Year ended 31 December 2010**	**Year ended 31 December 2009**
Loans and advances to customers	25,641	24,256
Investments	1,460	1,112
Available-for-sale financial assets	1,817	1,004
Held-to-maturity investments	(381)	76
Debt securities classified as receivables	24	32
Fixed assets	2	2
Others	2,189	90
Total provisions for impairment losses	29,292	25,460

In 2010, the provisions for impairment losses were RMB29,292 million, an increase of RMB3,832 million over 2009. In this amount, the provisions for impairment losses on loans and advances to customers were RMB25,641 million, a rise of RMB1,385 million. Provisions on investments were RMB1,460 million, which were mainly provisions for certain available-for-sale equity instruments. Other provisions were RMB2,189 million, most of which were provisions made for off-balance sheet acceptances, letters of credit, guarantees and wealth management business.

Income tax expense

In 2010, the Group's income tax expense reached RMB40,125 million, an increase of RMB8,236 million from 2009. The Group's effective income tax rate was 22.91%, lower than the 25% statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with tax regulations. Income tax expense details are set out in the note "Income Tax Expense" to the financial statements in this report.

Other comprehensive income

In 2010, the Group recorded a negative value of RMB7.5 billion in other comprehensive income, a decrease of RMB9,822 million from 2009. This chiefly resulted from a fall in the fair value of available-for-sale debt securities triggered by the PBC's interest rate hikes, as well as a reduction in the fair value of available-for-sale equity instruments amid the gloomy capital market.

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 2010		As at 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Gross loans and advances to customers	5,669,128		4,819,773	
Allowances for impairment losses on loans	(143,102)		(126,826)	
Net loans and advances to customers	5,526,026	51.12	4,692,947	48.77
Investments [1]	2,904,997	26.87	2,578,799	26.80
Cash and deposits with central banks	1,848,029	17.09	1,458,648	15.16
Deposits and placements with banks and non-bank financial institutions	142,280	1.32	123,380	1.28
Financial assets held under resale agreements	181,075	1.68	589,606	6.13
Interest receivable	44,088	0.41	40,345	0.42
Other assets[2]	163,822	1.51	139,630	1.44
Total assets	10,810,317	100.00	9,623,355	100.00

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

As at 31 December 2010, the Group's total assets stood at RMB10,810,317 million, a rise of RMB1,186,962 million, or 12.33%, over 2009. In this amount, gross loans and advances to customers grew by RMB849,355 million, or 17.62%, mainly extending to the infrastructure, small and medium-sized enterprises (SME), agriculture-related and residential mortgage sectors. Investments rose by RMB326,198 million, largely due to increased holdings of debt securities issued by the Chinese Government, the central bank and policy banks. Cash and deposits with central banks increased by RMB389,381 million, or 26.69%, mainly as a result of consecutive hikes in the statutory deposit reserve rate and deposits growth. Deposits and placements with banks and non-bank financial institutions increased by RMB18,900 million, chiefly due to expanded placements. Financial assets held under resale agreements dropped by RMB408,531 million, and their proportion to total assets fell by 4.45 percentage points. This was primarily because the Group reduced these financial assets for the purpose of liquidity and profitability management.

Loans and advances to customers

(In millions of RMB, except percentages)	As at 31 December 2010		As at 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans	3,976,865	70.15	3,351,315	69.53
Short-term loans	1,160,747	20.47	915,674	19.00
Medium to long-term loans	2,816,118	49.68	2,435,641	50.53
Personal loans	1,368,811	24.15	1,088,459	22.58
Residential mortgage loans	1,091,116	19.25	852,531	17.69
Personal consumer loans	78,881	1.39	78,651	1.63
Other loans[1]	198,814	3.51	157,277	3.26
Discounted bills	142,835	2.52	228,361	4.74
Overseas operations	180,617	3.18	151,638	3.15
Gross loans and advances to customers	5,669,128	100.00	4,819,773	100.00

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

As at 31 December 2010, the Group's gross loans and advances to customers rose by RMB849,355 million, or 17.62% over 2009, to RMB5,669,128 million.

Corporate loans reached RMB3,976,865 million, an increase of RMB625,550 million, or 18.67%, over 2009. In this amount, infrastructure loans climbed by RMB230,546 million, or 14.97%, to RMB1,770,444 million, mainly targeting quality infrastructure projects. SMEs loans increased by 28.6% to RMB1,585,220 million, 9.93 percentage points higher than corporate loan growth.

The Group continued to reinforce credit structure adjustment. The Group took the initiative to control loans to the real estate industry, which grew by only 12.34% year-on-year, compared to a 18.67% corporate loan growth. In addition, the Group continued to improve its customer base, with new loans principally targeting prime customers with solid financial strengths and high business qualifications in regions where property prices were stable. The Group also focused on extending loans to state-backed residential projects including ordinary residential and affordable housing projects. The balance of corporate loans under the "exit" category decreased by RMB104,600 million over 2009. Furthermore, both credit and loan balances of "6+1" industries with excess capacity dropped in line with the state's macroeconomic control measures.

Personal loans increased by RMB280,352 million, or 25.76% over 2009, to RMB1,368,811 million, which accounted for 24.15% of the gross loans and advances to customers, up 1.57 percentage points. In this amount, residential mortgage loans, mainly to finance self-occupied home purchases, rose by RMB238,585 million, or roughly 27.99%, to RMB1,091,116 million; personal consumer loans of RMB78,881 million were the same as last year; and other loans rose by RMB41,537 million, or 26.41%, mainly thanks to rapid credit card loan growth and personal business loan expansion.

Discounted bills declined by RMB85,526 million to RMB142,835 million year-on-year, and were chiefly used to meet the short-term financing needs of targeted prime customers.

Loans and advances to overseas customers rose by RMB28,979 million, or 19.11%, over 2009, to RMB180,617 million, which was largely attributable to the fast loan increase in Hong Kong and New York.

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 2010		As at 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Unsecured loans	1,520,613	26.82	1,291,942	26.81
Guaranteed loans	1,180,113	20.82	997,157	20.69
Loans secured by tangible assets other than monetary assets	2,412,285	42.55	2,062,981	42.80
Loans secured by monetary assets	556,117	9.81	467,693	9.70
Gross loans and advances to customers	5,669,128	100.00	4,819,773	100.00

Allowances for impairment losses on loans and advances to customers

(In millions of RMB)	Year ended 31 December 2010			
	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	75,628	4,838	46,360	126,826
Charge for the year	26,465	103	11,857	38,425
Release during the year		(261)	(12,523)	(12,784)
Unwinding of discount			(799)	(799)
Transfers out		(18)	(383)	(401)
Write-offs		(1,084)	(8,193)	(9,277)
Recoveries		79	1,033	1,112
As at 31December	102,093	3,657	37,352	143,102

In 2010, the Group maintained a prudent approach by making full provisions for impairment losses on loans and advances to customers, after fully considering the risk impacts of changing external policies on different industries. As at 31 December 2010, the allowances for impairment losses on loans and advances to customers increased by RMB16,276 million year-on-year to RMB143,102 million, while the ratio of allowances to non-performing loans was 221.14%, up 45.37 percentage points over 2009. The ratio of allowances to total loans stood at 2.52%.

Investments

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

(In millions of RMB, except percentages)	As at 31 December 2010		As at 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Trading financial assets	17,344	0.60	18,871	0.73
Available-for-sale financial assets	696,848	23.98	651,480	25.26
Held-to-maturity investments	1,884,057	64.86	1,408,873	54.64
Debt securities classified as receivables	306,748	10.56	499,575	19.37
Total investments	**2,904,997**	**100.00**	**2,578,799**	**100.00**

As at 31 December 2010, total investments increased by RMB326,198 million to RMB2,904,997 million over 2009. Trading financial assets slid by RMB1,527 million, or 8.09%, chiefly because the Group reduced its holding of trading debt securities with an expectation of rising domestic interest rates. Available-for-sale financial assets climbed by RMB45,368 million, in which available-for-sale debt securities investments increased by RMB50,077 million, mainly because the Group held more debt securities issued by central and policy banks and enterprises. Held-to-maturity investments increased by RMB475,184 million, largely due to the increased holding of debt securities issued by the government, central banks and policy banks. Debt securities classified as receivables decreased by RMB192,827 million, mainly because bills specifically issued to China Construction Bank by the PBC matured and part of principal of Cinda bond was repaid.

Debt securities investments

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

(In millions of RMB, except percentages)	As at 31 December 2010		As at 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Debt securities investments in RMB	2,814,711	97.89	2,492,869	97.77
Debt securities investments in foreign	60,794	2.11	56,859	2.23

currency				
Total debt securities investments	2,875,505	100.00	2,549,728	100.00

Debt securities investments in foreign currency

The following table shows the composition of the US sub-prime mortgage loan backed securities held by the Group at the end of 2010.

(In millions of US dollars)	**Allowances for impairment losses**	**Carrying amount[1]**
US sub-prime mortgage debts	(250)	108
First lien debt securities	(172)	101
Second lien debt securities	(78)	7
Related residential mortgage collateralised debt obligations (CDO)	(391)	-
Total	(641)	108

1. Carrying amount after deducting the allowances for impairment losses.

As at 31 December 2010, the carrying amount of the foreign currency debt securities investment portfolio held by the Group was US$9,226 million (or RMB60,794 million).

As at 31 December 2010, the carrying amount of US sub-prime mortgage loan backed securities held by the Group was US$108 million (or RMB712 million), accounting for 1.17% of the foreign currency debt securities investment portfolio. The allowances for impairment losses on such securities were US$641 million (or RMB4,224 million).

As at 31 December 2010, the carrying amount of the Alt-A bonds held by the Group was US$205 million (or RMB1,348 million), accounting for 2.22% of the foreign currency debt securities investment portfolio. The allowances for impairment losses on such securities were US$259 million (or RMB1,706 million).

As the US sub-prime mortgage loan backed securities represent only a very small proportion of the Group’s total assets, market value fluctuations for such debt securities will not have a significant effect on earnings.

Interest receivable

As at 31 December 2010, the Group’s interest receivable was RMB44,088 million, an increase of RMB 3,743 million, or 9.28%, over 2009. The allowances for impairment losses on interest receivable was RMB1 million, which was made in full against interest receivable arising from debt securities investments overdue for more than three years.

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 2010		As at 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Deposits from customers	9,075,369	89.77	8,001,323	88.27
Deposits and placements from banks and non-bank financial institutions	749,809	7.42	812,905	8.97
Financial assets sold under repurchase agreements	4,922	0.05	-	-
Debt securities issued	93,315	0.92	98,644	1.09
Other liabilities[1]	185,997	1.84	151,463	1.67
Total liabilities	10,109,412	100.00	9,064,335	100.00

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

As at 31 December 2010, the Group's total liabilities were RMB10,109,412 million, an increase of RMB1,045,077 million, or 11.53%, over 2009. Deposits from customers remained the Group's primary source of funding, and grew by RMB1,074,046 million, or 13.42%. Deposits from customers accounted for 89.77% of the total liabilities, up 1.50 percentage points over 2009. Deposits and placements from banks and non-bank financial institutions decreased by RMB63,096 million, or 7.76%. This was mainly because the deposits from securities brokerages and funds dropped significantly with the volatile capital market. Debt securities issued shrank by RMB5,329 million from 2009, mainly because the Bank's RMB-denominated financial bonds issued in Hong Kong matured in September 2010 and issuance of certificates of deposit decreased at the overseas branches.

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 2010		As at 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Corporate deposits	4,948,152	54.52	4,303,509	53.79
Demand deposits	3,368,425	37.12	2,960,155	37.00
Time deposits	1,579,727	17.41	1,343,354	16.79
Personal deposits	4,022,813	44.33	3,584,727	44.80

Demand deposits	1,714,952	18.90	1,435,348	17.94
Time deposits	2,307,861	25.43	2,149,379	26.86
Overseas operations	104,404	1.15	113,087	1.41
Total deposits from customers	9,075,369	100.00	8,001,323	100.00

As at 31 December 2010, the Group's total deposits from customers reached RMB9,075,369 million, an increase of RMB1,074,046 million, or 13.42%, year-on-year. Corporate deposits went up by RMB644,643 million, or 14.98%, against the 12.22% increase of personal deposits. This led to a rise of 0.73 percentage points in the proportion of corporate deposits in total deposits from customers to 54.52%. This was largely because corporate customers' liquidity was relatively ample amid an moderately loose monetary policy in the first nine months. Given the PBC's two consecutive interest rate hikes, the Group has seen more customers withdrawing deposits before maturity and heightened expectation of further rate hikes among customers. Domestic demand deposits rose by 15.65%, higher than the 11.31% growth of time deposits. The proportion of domestic demand deposits in total deposits went up 1.08 percentage points to 56.02%.

Shareholders' Equity

(In millions of RMB)	**As at 31 December 2010**	**As at 31 December 2009**
Share capital	250,011	233,689
Capital reserve	135,136	90,266
Investment revaluation reserve	6,706	13,163
Surplus reserve	50,681	37,421
General reserve	61,347	46,806
Retained earnings	195,950	136,112
Exchange reserve	(3,039)	(1,982)
Equity attributable to shareholders of the Bank	696,792	555,475
Non-controlling interests	4,113	3,545
Total equity	700,905	559,020

As at 31 December 2010, the Group's total equity reached RMB700,905 million, an increase of RMB141,885 million year-on-year, of which RMB61,159 million were net proceeds from the rights issue of A-shares and H-shares. The ratio of total equity to total assets for the Group was 6.48%, up 0.67 percentage points compared to 2009.

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 2010**	**As at 31 December 2009**
Core capital adequacy ratio[1]	10.40%	9.31%
Capital adequacy ratio[2]	12.68%	11.70%
Components of capital base		
Core capital:		
Share capital	250,011	233,689
Capital reserve, investment revaluation reserve and exchange reserve[4]	127,536	82,427
Surplus reserve and general reserve	112,028	84,227
Retained earnings[3,4]	140,995	87,564
Non-controlling interests	4,113	3,545
	634,683	491,452
Supplementary capital:		
General provision for doubtful debts	57,359	48,463
Positive changes in fair value of financial instruments at fair value through profit or loss	7,547	10,815
Subordinated bonds issued	80,000	80,000
	144,906	139,278
Total capital base before deductions	779,589	630,730
Deductions:		
Goodwill	(1,534)	(1,590)
Unconsolidated equity investments	(13,695)	(8,903)
Others[5]	(1,911)	(12,004)
Net capital	762,449	608,233
Risk-weighted assets[6]	6,015,329	5,197,545

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 others, by risk-weighted assets.

2. Capital adequacy ratio is calculated by dividing net capital by risk-weighted assets.

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

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

5. Others mainly represent investments in those asset-backed securities 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.

The Group calculates its capital adequacy ratio in accordance with the *Administration Measures for Capital Adequacy Ratios of Commercial Banks* and related regulations promulgated by the CBRC. As at 31 December 2010, the Group's capital adequacy ratio was 12.68% and the core capital adequacy ratio was 10.40%, up 0.98 and 1.09 percentage points respectively over 2009. This was mainly because the Bank raised a net amount of RMB61,159 million from the rights issue of A-share and H-share, all of which were used to strengthen its capital, thus further consolidating its capital base. In addition, the Group actively controlled the growth rate of off-balance sheet risk assets, reduced inefficient use of capital, and improved capital allocation structure by enhancing the active management of capital, improving the awareness of capital intensive use, and strengthening the analysis of capital use efficiency of on- and off-balance sheet assets in line with current changes, which played an active role in raising the Bank's capital adequacy ratio.

Analysis of Off-Balance Sheet Items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts, equity instrument contracts and credit risk mitigation contracts. Please refer to the note "Derivatives" in the "Financial Statements" of this annual report for 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, and contingent liabilities. Among these, credit commitments were the most significant component, with an amount of RMB2,035,820 million as at the end of 2010. Please refer to the note "Commitments and contingent liabilities" in the financial statements of this annual report for information 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 2010		As at 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Normal	5,405,694	95.35	4,546,843	94.33
Special mention	198,722	3.51	200,774	4.17
Substandard	28,718	0.51	21,812	0.45
Doubtful	28,923	0.51	42,669	0.89
Loss	7,071	0.12	7,675	0.16
Gross loans and advances to customers	5,669,128	100.00	4,819,773	100.00
Non-performing loans	64,712		72,156	
Non-performing loan ratio		1.14		1.50

In 2010, the Group stepped up credit structure adjustments. With the launch of the year-long post-lending management programme, it strengthened post-lending management and surveillance of potential risk areas to mitigate associated risks, as well as expedited NPL disposal. Credit asset quality continued to improve. As at 31 December 2010, the Group's NPLs were RMB64,712 million, a decrease of RMB7,444 million from 2009, while the NPL ratio dropped by 0.36 percentage points to 1.14%. Special mention loans slid to 3.51%, 0.66 percentage points lower than in 2009.

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 2010			As at 31 December 2009		
	Loans	**NPLs**	**NPL ratio (%)**	**Loans**	**NPLs**	**NPL ratio (%)**
Corporate loans	3,976,865	56,090	1.41	3,351,315	57,178	1.71
Short-term loans	1,160,747	22,373	1.93	915,674	29,143	3.18
Medium to long-term loans	2,816,118	33,717	1.20	2,435,641	28,035	1.15
Personal loans	1,368,811	5,920	0.43	1,088,459	7,208	0.66
Residential mortgage loans	1,091,116	2,966	0.27	852,531	3,600	0.42
Personal consumer loans	78,881	962	1.22	78,651	1,329	1.69
Other loans	198,814	1,992	1.00	157,277	2,279	1.45
Discounted bills	142,835	-	-	228,361	-	-
Overseas operations	180,617	2,702	1.50	151,638	7,770	5.12
Total	5,669,128	64,712	1.14	4,819,773	72,156	1.50

As at 31 December 2010, the NPL ratio for corporate loans fell 0.30 percentage points year-on-year to 1.41%, and that for personal loans was 0.43%, 0.23 percentage points lower than in 2009. Thanks to the Group’s strengthened risk management in overseas operations and the mitigation of significant risk exposures, the NPLs of overseas operations decreased remarkably.

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 2010				As at 31 December 2009			
	Loans	**% of total**	**NPLs**	**NPL ratio (%)**	**Loans**	**% of total**	**NPLs**	**NPL ratio (%)**
Corporate loans	3,976,865	70.15	56,090	1.41	3,351,315	69.53	57,178	1.71
Manufacturing	978,816	17.27	22,193	2.27	803,302	16.67	21,413	2.67
Transportation, storage and postal services	647,332	11.42	6,219	0.96	519,078	10.77	3,382	0.65
Production and supply of electric power, gas and water	518,327	9.14	4,424	0.85	486,094	10.09	3,991	0.82

Real estate	402,922	7.11	6,624	1.64	358,651	7.44	9,322	2.60
Leasing and commercial services	359,612	6.34	1,997	0.56	303,380	6.29	1,829	0.60
- Commercial services	353,326	6.23	1,979	0.56	301,502	6.26	1,742	0.58
Water, environment and public utilities management	216,168	3.81	1,909	0.88	206,175	4.28	1,595	0.77
Construction	149,676	2.64	1,799	1.20	116,379	2.41	2,252	1.94
Wholesale and retail trade	214,800	3.79	5,080	2.36	146,693	3.04	7,391	5.04
Mining	143,432	2.53	769	0.54	104,019	2.16	394	0.38
- Exploitation of petroleum and natural gas	13,422	0.24	41	0.31	4,599	0.10	61	1.33
Education	100,050	1.76	1,219	1.22	93,351	1.94	1,117	1.20
Telecommunications, computer services and software	25,686	0.45	795	3.10	25,249	0.52	1,123	4.45
- Telecommunications and other information transmission services	21,869	0.39	92	0.42	22,450	0.47	189	0.84
Others	220,044	3.89	3,062	1.39	188,944	3.92	3,369	1.78
Personal loans	1,368,811	24.15	5,920	0.43	1,088,459	22.58	7,208	0.66
Discounted bills	142,835	2.52	-	-	228,361	4.74	-	-
Overseas operations	180,617	3.18	2,702	1.50	151,638	3.15	7,770	5.12
Total	5,669,128	100.00	64,712	1.14	4,819,773	100.00	72,156	1.50

In 2010, the Group continued to improve its industry-specific lending and exit criteria, and refined limit management for various industries. The NPL ratios for wholesale and retail trade, as well as for the manufacturing and real estate industries, which used to be high, continued to decline, down 2.68, 0.40 and 0.96 percentage points respectively from 2009. Meanwhile, the Bank proactively implemented the CBRC’s latest regulatory requirements, stringently applying the classification criteria of credit risks to lending through government financing vehicles. The NPLs of infrastructure related industries rose slightly from 2009. The asset quality base was further consolidated.

Business Review

The Group’s major business segments are corporate banking, personal banking, treasury business, as well as others and unallocated items which include equity investments and overseas operations.

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

(In millions of RMB, except percentages)	Year ended 31 December 2010		Year ended 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Corporate banking	91,167	52.05	84,157	60.66
Personal banking	30,590	17.46	23,311	16.80
Treasury business	51,198	29.23	30,294	21.84
Others and unallocated	2,201	1.26	963	0.70
Profit before tax	175,156	100.00	138,725	100.00

Corporate Banking

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

(In millions of RMB, except percentages)	**Year ended 31 December 2010**	**Year ended 31 December 2009**	**Change (%)**
Net interest income	135,559	124,389	8.98
Net fee and commission income	28,563	19,884	43.65
Other operating income	753	389	93.57
Operating income	164,875	144,662	13.97
Operating expenses	(50,151)	(43,029)	16.55
Provisions for impairment losses	(23,557)	(17,476)	34.80
Profit before tax	91,167	84,157	8.33
	As at 31 December 2010	**As at 31 December 2009**	
Segment assets	4,343,277	3,879,101	11.97

Profit before tax from corporate banking increased by 8.33% over the previous year to RMB91,167 million, accounting for 52.05% of the Group’s profit before tax as the Group’s primary profit source. Net interest income from corporate banking rose by 8.98% over the previous year as a result of the growth of corporate loans. Net fee and commission income rose by 43.65%, benefiting from the robust growth of fee-based business products such as corporate settlement, domestic factoring, and electronic banking services. Operating expenses grew by 16.55%, due to the fast business growth and greater market promotion efforts. The provisions for impairment losses increased by 34.80%, as a result of the growth of total corporate loans and increasingly prudent provisioning policy.

Effective control on corporate loans lead to enhanced quality. As at the end of 2010, the Group's corporate loans totalled RMB3,976,865 million, an increase of 18.67% over 2009. The Group focused on the strategic business needs of lending to small business and internet merchants, and arranged special loans for post-disaster reconstruction in the wake of the Yushu earthquake and Jilin floods. It supported the fast-paced development of Xinjiang province and the Western Development Programme, and reserved special funds for the indemnificatory apartment construction in the way of combining with provident housing funds on a trial basis. Various measures of the year-long post-lending management programme were firmly implemented across the Bank, with stringent control over credit access. The asset quality of the corporate loans remained sound, and the corporate NPLs totalled RMB56,090 million with an NPL ratio of 1.41%, a decrease of RMB1,088 million or 0.30 percentage points lower than the end of 2009.

Lending to industries with excess capacity and government financing vehicles were under control and reexamination. The six major industries with excess capacity, including iron and steel, plate glass, coal chemical industries, as well as the shipbuilding sector, were major industries under control. Loans to these industries decreased by RMB19,255 million from the end of 2009. Regulatory requirements in respect of lending through government financing vehicles were stringently complied with. Such loans were steadily unpacked, inspected, and rectified where necessary. The Group refined lending policies for customers of the financing vehicles, and set new standards and management requirements for asset classification, provisioning and risk weightings. Disposal plans for different types of assets were formulated; the rectification progress of each customer was tracked and monitored to ensure completion of rectification within the deadline. The Group strictly controlled credit access for customers and projects; only customers with ample cash flow and key projects supported by the government were granted loans. Through these measures, the Group achieved orderly development and a controllable risk level.

The growth of lending to the real estate sector lagged behind that of overall corporate loans. The Group executed customer list management strictly in respect of the real estate sector. The total amount of loans to the sector was effectively checked at RMB402,922 million, an increase of 12.34%, 6.33 percentage points lower than the growth of corporate loans. Since 2010, the government has promoted the healthy development of the real estate industry by releasing various policies to curb speculation and prevent a bubble from forming. Against this backdrop, the Bank firmly controlled the lending speed and size of related new loans to maintain sensible growth, and guide reasonable allocation of loans to aptly reduce concentration on the real estate sector. The loan structure was optimised so that new loans were primarily used in residential projects, and the construction of indemnificatory apartments also received strong support. Furthermore, the Group vigorously tightened lending criteria, and enhanced the management of collaterals and disposal of NPLs for improved asset quality of real estate loans.

Emerging credit business and agriculture-related loans achieved rapid growth. Loans to SMEs increased by 28.6% to RMB 1,585.22 billion, significantly outpacing overall corporate loans. Internet merchant business made breakthroughs, including cooperating with e-commerce platforms such as Alibaba and JYD online, and developing internet merchant products of "E-loans" series such as "E-Daitong", "E-Dantong" and "E-Baotong" to provide internet banking financing services for over 7,000 customers with a 470% growth in loans. Domestic factoring business continued to expand briskly, seeing a surge of 220% in loans. M&A loans rose by 79.4%, boosting strong growth in fee and commission income from related financial advisory services, and in turn the customers' comprehensive contribution. Agriculture-related loans climbed rapidly to RMB822.1 billion, an increase of RMB232.6 billion. Loans for supporting new countryside construction were gradually promoted on a pilot basis.

Corporate deposits grew steadily at reasonable costs. Corporate deposits rose by RMB644,643 million from the end of 2009 to RMB4,948,152 million. The Group adopted low-cost competitive strategies, keeping the interest rate for corporate deposits at a relatively low level of 1.14%. Demand deposits increased by RMB408,270 million, accounting for 63.33% of the new corporate deposits.

Fee-based business from corporate banking expanded swiftly. Such income rose by 43.65% to another record high of RMB28,563 million, accounting for 43.19% of all fee-based business income. The contribution of key products was substantial. The income from corporate RMB settlement, cost advisory services, domestic guarantees, commitments and domestic factoring business exceeded RMB1 billion. The income from domestic factoring business surged by 227% from 2009.

- ***Institutional business maintained growth momentum***. The Bank's "Minben Tongda" branded financial service gained popularity with a loan balance of RMB215,415 million in livelihood sectors such as education and health care. The volume of agency payment authorised by central government finance continued to dominate the market. The Bank issued a number of 2.25 million social security cards in total with expanded product coverage. The "Safe Deal" custodial service for trading funds achieved a fee income of RMB1,766 million. Customers of "Xincunguan" exceeded 20 million, bringing a fee income of RMB536 million. The Group continued to enjoy the largest customer base and highest fee income among its peers in this respect. It had nearly 50% of the market share of contracted customers in through train banking services for futures, ranking first among its peers. Income from insurance agency services achieved a record high of RMB3,664 million. Income from fund collection and payment business under agency fund trust plans totalled RMB607 million, again emerging as first among the Big Four banks. The network coverage of fund settlement for finance companies increased to 90%, with a settlement volume of more than RMB14.98 trillion.
- ***International business performed well.*** Foreign exchange deposits grew fast, with deposit growth ranking first among peers. International settlement volume reached US$667,026 million, up 43.42%, the highest growth rate among the Big Four banks. Related income rose by 46.02% from 2009 to RMB3,047 million. The Group's on- and off-balance sheet trade finance jumped by 52.76% from 2009 to RMB262,210 million. Fruitful results were achieved in product innovation with its successful launch of new products including "Commodity Finance and Hedging", "Bank-Insured Trade Finance", "Cross-Border RMB Trade Settlement", "Accounts Receivable Pooling" and "Foreign Exchange Cash Management".
- ***Asset custodial service reached a new level.*** As at the end of 2010, the Bank's assets under custody increased by 31.31% to RMB1,307,942 million, generating a fee income of RMB1,716 million in total. Securities investment funds under custody maintained growth momentum. The Bank had 178 funds or 572,113 million units of funds with a net asset value of RMB619,296 million (including QDII funds) under its custody, commanding the second largest market share. Custodial services for industrial investments grew remarkably to RMB362,167 million, soaring 242.14% year-on-year. With the asset value of collective securities plans under custody reaching RMB29,708 million, the Bank ranked first among its peers in terms of the custody value, number of plans and growth. Enterprise annuity funds under custody reached RMB36,647 million, accounting for the second largest market share.

- ***Pension business experienced rapid growth***. As at the end of 2010, the Bank had 2,659,000 contracted personal accounts of enterprise annuities, increasing by 733,000 from the end of 2009. The contracted assets under custody amounted to RMB14,070 million, up RMB4,440 million. The "Yangyile" product series targeting SMEs was enriched, with nine enterprise annuity products offered on the market. This business grew strongly, attracting about 4,300 contracted SMEs, an increase of about 3,300 from the end of 2009. "Yangyisifang No. 1", a product to manage deferred remuneration payment plan, was developed. It was successfully promoted and well received by corporate clients.
- ***Fund settlement business enjoyed robust growth***. The Group strove to provide customers with comprehensive and well-thought-out fund settlement services. As at the end of 2010, it had 2,226,600 corporate settlement accounts, increasing by 117,200 year-on-year, with the RMB settlement business generating an income of RMB6,440 million, up 67.44%. The Group vigorously developed the settlement card market. It pioneered in developing a new generation cash management system that covered over-the-counter services, self-service facilities and electronic platforms. Innovative cash management products for corporate banking including "Yihutong", "Settlement Card" and "Second-Generation Cash Pool" were offered to enrich the Group's product lines. The market impact of the "Yudao-Zhisheng Cash Management" brand was effectively enhanced. As at the end of 2010, its cash management customers rose by 90.00% year-on-year.

Personal Banking

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

(In millions of RMB, except percentages)	**Year ended 31 December 2010**	**Year ended 31 December 2009**	**Change** (%)
Net interest income	70,497	62,817	12.23
Net fee and commission income	23,919	17,882	33.76
Other operating income	628	268	134.33
Operating income	95,044	80,967	17.39
Operating expenses	(62,278)	(53,492)	16.42
Provisions for impairment losses	(2,176)	(4,164)	(47.74)
Profit before tax	30,590	23,311	31.23
	As at 31 December 2010	**As at 31 December 2009**	
Segment assets	1,361,904	1,073,608	26.85

Personal banking achieved profit before tax of RMB30,590 million with a year-on-year increase of 31.23%, accounting for 17.46% of the Group's profit before tax, slightly higher than its contribution in 2009. Net interest income from personal banking increased by 12.23% due to the rapid growth in personal loans. Net fee and commission income recorded a rise of 33.76%, benefiting from the fast growth of bank card, electronic banking and insurance agency services. Operating expenses increased by 16.42%, with greater resources invested in personal banking business and the rising price level. Provisions for impairment losses decreased by 47.74%, thanks to improved quality of personal loans compared to the previous year on the whole, as the Group continued to raise its risk management techniques and level.

Personal deposits achieved stable growth. By launching marketing campaigns during peak seasons and special promotional activities in 2010, the Bank has offered specially designed services to gain greater access to funds and customers. It thus maintained a steady expansion of personal deposits. As at the end of 2010, personal deposits rose 12.22% to RMB4,022,813 million. Demand deposits took up a growing proportion of new deposits, accounting for 63.82% of total new deposits, up 14.89 percentage points from the same period last year.

The growth in personal housing loans ranked first in the market. The Bank has set up 781 personal loan centres covering almost all the cities above the prefecture level. A specialised and centralised operating approach was adopted, which further enhanced the Bank's risk management capability and service efficiency. Personal loans grew by 25.76% to RMB1,368,811 million, with an NPL ratio of 0.43%, 0.23 percentage points lower than the previous year. Residential mortgage loans were primarily granted to support self-occupied houses, loans for which rising by 27.99% to RMB1,091,116 million. Asset quality improved significantly, while lending rates increased steadily. In 2010, the Bank was again honoured with the titles of "Best Mortgage Loans Bank in China" by Global Finance, "The 2009 Best Mortgage Loan Service Bank in China" by Economic Observer, and "Best Housing Loan Banking" by Moneyweek.

The Bank continued to command a higher market share of the entrusted housing finance business than its peers. Housing fund deposits grew by 12.59% to RMB417,898 million, while personal provident housing loans increased by 24.66% to RMB 516,733 million. The Bank ranked first among its peers in terms of housing deposits and loans. The Bank proactively participated in the state's indemnificatory apartment construction project. It provided tailor-made financial services for the provident housing fund's pilot apartment construction project by becoming a qualified lender to all 28 pilot cities. Cooperation with various levels of housing fund management departments was stepped up with innovative services. It enriched the composition of commercial mortgage products to support the housing needs of low and middle-income residents, as well as promoted co-branded cards and entrusted withdrawals. Through these measures, the Bank's image of "Better Housing, Serving the Public" was effectively enhanced.

New debit cards and purchases rose steadily. As at the end of 2010, the Bank had issued a total of 292 million debit cards, with 41,121,400 new cards issued during the year. Of these, 6,076,900 wealth management cards were issued, an increase of 1,181,900 over 2009. P Purchases via debit card rose by 64.88% year-on-year to RMB1,303,653 million, generating a fee income of RMB 7,178 million.

High-end customer services were further upgraded. As at the end of 2010, the Bank's high-end customers increased by 34% from 2009, with their financial assets accounting for 11% of the total financial assets of personal banking customers, up from 8% in 2009. Private banking customers rose by nearly 50%. Special service channels for high-end customers have expanded to comprise 192 wealth management centres and ten private banking centres. Supply channels of wealth management products for high-end customers were vigorously explored to include fund companies and Sunshine Private Trust. By utilising its integrated advantages, and by further cooperating with other fund companies, securities firms and trust companies, the Group has initially established a third party supply platform for wealth management products.

Treasury Business

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

(In millions of RMB, except percentages)	**Year ended 31 December 2010**	**Year ended 31 December 2009**	**Change** (%)
Net interest income	42,675	22,199	92.24
Net fee and commission income	11,898	9,518	25.01
Net trading gain	1,940	459	322.66
Net income arising from investment securities	504	3,242	(84.45)
Other operating loss	(1,591)	(378)	320.90
Operating income	55,426	35,040	58.18
Operating expenses	(3,573)	(3,802)	(6.02)
Provisions for impairment losses	(655)	(944)	(30.61)
Profit before tax	51,198	30,294	69.00
	As at 31 December 2010	**As at 31 December 2009**	
Segment assets	4,684,227	4,449,759	5.27

Treasury business generated a profit before tax of RMB51,198 million, a substantial increase of 69.00% over 2009, accounting for 29.23% of the Group's profit before tax. Net interest income rose significantly by 92.24% with the rise in both amount and interest rates of investments. As a result of the fast development of financial advisory and wealth management products, net fee and commission income grew by 25.01% over the previous year. Meanwhile, thanks to the gradual price rally of foreign currency debt securities, provisions for impairment losses dropped by 30.61%. All these led to the increase in pre-tax profit of treasury business.

Financial market business

Growing impact of financial market business. In the deployment of funds in RMB, the Bank improved its predictability in the Bank's cash flow changes, proactively expanded the fund profitability channel, adjusted investments in major asset types, and managed investment progress and deployment structure to effectively control interest rate risk and credit risk. Money market transactions rose by 16.72% year-on-year to RMB13.75 trillion. The Bank commanded the largest market share in bond underwriting for the government, China Development Bank and Export-Import Bank of China, and the second largest market share in bond underwriting for Agricultural Development Bank of China. The Bank ranked second in over-the-counter government bond business, and second in the total issue of short-term commercial papers and medium-term notes. The Bank flexibly adjusted the trading bond portfolios, with better yields over the benchmark index. In the deployment of funds in foreign currencies, the Bank reduced high-risk credit products, controlled counterparty-related credit risk and optimised the structure of foreign currency bond portfolios under favourable market conditions.

Improved market position in gold trading. A total of 1,135.77 tonnes of bullion were traded, representing an increase of 23.48% year-on-year. The Bank's market share of account gold, precious metal leasing and own-brand physical gold trading continued to rise. The Bank's branded personal physical gold dominated the largest market share. Gold leasing and account gold accounted for 40.30% and 37.41% of the market share respectively.

Expansion in the market share of foreign exchange purchases and sales, and foreign exchange trading. In 2010, the volume of foreign exchange purchases and sales, and foreign exchange trading reached US$308.9 billion, up 39.52% year-on-year. The trading of forward foreign exchange purchases and sales increased by 78.09% to US$42.5 billion, bringing an income of RMB712 million, up 49.58% year-on-year. The Bank proactively acted as a foreign exchange market maker in the interbank market, with a significant increase in income over 2009. Its market share of customer-driven foreign exchange purchases and sales rose for the fifth consecutive year. In 2010, the market share of the Bank's foreign exchange purchases and sales was 11.56%, up 0.45 percentage points from 2009.

Investment banking

In 2010, the investment banking business continued to thrive, generating an income of RMB13,906 million, an increase of 41.91% year-on-year. Nearly RMB460 billion was raised for customers directly through various financing methods, including wealth management products, debt financing and financial advisory service.

In financial advisory services, the Bank reaped an income of RMB7,252 million. The contribution of income from new advisory services on M&A restructuring, debt restructuring, listing and refinancing went up significantly to RMB2,620 million, increasing by 154% year-on-year. Remarkable results were seen as the tailor-made Financial Total Solution (FITS) was promoted across the Bank to effectively meet the financial needs of customers at different development stages. The Bank's debt financing instrument underwriting business remained competitive: its income climbing by 16.72% year-on-year to RMB789 million. The underwriting amount of short-term commercial papers reached RMB126,245 million, accounting for 18.32% of the market share, and ranking first among its peers in terms of the accumulated underwriting volume for the fifth consecutive year.

The industry investment fund business progressed steadily to support the key livelihood sectors and the development of strategic industries. The Bank has successfully set up its medical fund, cultural fund, aviation fund, environmental protection fund and Wanjiang fund.

In 2010, the Bank issued 271 batches of wealth management products, bringing an income of RMB5,464 million. The total value of products in issue stood at RMB326.2 billion, up 83.46% year-on-year. In light of changes to the regulatory requirements, the Bank strengthened its risk control over the wealth management business, and adjusted the development direction, putting emphasis on product innovation. It pioneered in launching the "Qianyuan No. 1 – Chengxiangtong" branded equity investment product series, promoted the regular issue of the foreign currency wealth management product of "CCB-Fortune" to its high-end customers, and continued to develop "Qianyuan – SMEs Trust Loans Collective Wealth Management Products". It launched "Qianyuan – Rixinyueyi" branded high-yield, open-ended wealth management products, as well as products relating to additional share issues and structured selective investment products to support the integration of urban and rural areas, expand financing channels for SMEs and satisfy the needs of customers for diversified investment.

Overseas Business and Subsidiaries

Overseas Business

In 2010, the asset structure of the Group's overseas business was optimised with stronger fundraising capabilities and a substantial increase in fees. As at the end of 2010, the total assets of overseas branches amounted to RMB272,829 million, an increase of 16.36% over 2009. Branches were established and came into operation in Ho Chi Minh City, Vietnam and Sydney, Australia. The application for establishing a representative office in Moscow was also approved by the Russian Central Bank. The Singaporean Branch's licence was advanced from an offshore business licence to a wholesale business licence. As at the end of 2010, the Group had nine overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York City, Ho Chi Minh City and Sydney. There was also one representative office in Moscow. The Group had three wholly-owned operating subsidiaries, namely CCB Asia, CCB International and CCB London.

Major Subsidiaries

On the foundation of the non-bank financial institutions such as funds, trusts, finance leasing and investment banking, the Group implemented acquisition and merger plans in respect of insurers' equity in 2010. Meanwhile, the Group spared no effort in serving "agriculture, farmers and rural areas", as well as optimising personal financial services. It proactively developed home savings banks, rural banks and overseas retail banks. Currently, the Group has substantially completed the strategic layout for comprehensive operations, which help reinforce its market competitiveness and meet the customers' demand for comprehensive services. The Group's overall competitiveness and profitability keeps improving. Development of various subsidiaries gained momentum in general. The subsidiaries' business scale expanded steadily with improved corporate governance. As at the end of 2010, the total assets of the subsidiaries amounted to RMB153,993 million, up by 48.36% over 2009, and the net profit was RMB2,166 million.

CCB Asia

China Construction Bank (Asia) Corporation Limited (CCB), as one of the 23 licensed banks registered in Hong Kong, is the Group's platform for retail and small and medium enterprise (SME) businesses in Hong Kong and Macau. There were a total of 50 outlets in Hong Kong and Macau.

CCB Asia maintained relatively positive business development trends under stringent risk control. At the end of 2010, its total assets amounted to RMB86,924 million, an increase of 21.23% over 2009. Loans to customers and deposits from customers amounted to RMB67,377 million and RMB60,315 million respectively, an increase of 19.39% and 29.88%. The non-performing loan ratio was 0.31%, and non-performing loans were RMB207 million, both declining over 2009. Its net assets were RMB14,035 million, and the net profit was RMB488 million.

CCB Asia actively built its image as a professional RMB service provider in the market by taking the initiative in providing preferential interest rates for RMB deposits and other investment products which were linked to RMB-denominated shares and the RMB currency. CCB had consecutively launched three batches of redeemable RMB-denominated certificates of deposit, which were well received. It also officially launched personal banking services to provide one-stop financial and wealth management and family advisory services to high-end customers.

Credit card reissuing of China Construction Bank (Asia) Finance Limited (formerly known as AIG Finance (Hong Kong) Limited) was substantially completed. 440,000 credit card holders started to use the new cards. In addition, the business integration of CCB Asia and the subsidiary engaged in credit card business progressed smoothly.

CCB Financial Leasing

CCB Financial Leasing Corporation Limited was jointly established by the Bank and Bank of America. The corporation has a registered capital of RMB 4.5 billion, of which 75.1% was contributed by the Bank and 24.9% by Bank of America. CCB Financial Leasing is one of the first innovative PRC financial leasing companies approved by the CBRC. It is mainly engaged in finance leasing, receiving security deposits from lessees, transferring rent receivables to commercial banks, issuing financial bonds, interbank lending, borrowings from financial institutions, and borrowing foreign exchange overseas.

In 2010, CCB Financial Leasing vigorously expanded its market and devoted more effort to product development. Preliminary achievements were made in product innovation, including the conclusion of the first financial leasing for the leaseback of medical equipment and the first financial leasing for aeroplanes and vessels. At the end of 2010, its total assets were RMB24,328 million, an increase of 196.68% over 2009. Its net assets and net profit were RMB4,907 million and RMB170 million respectively, an increase of 3.59% and 37.10% over 2009.

CCB International

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

In 2010, CCB International recorded an income of RMB2,378 million, and net profit of RMB1,277 million. It performed much better than its peers in Hong Kong in terms of financial indicators such as profit per capita, return on equity and cost-income ratio. At the end of 2010, CCB International had total assets of RMB19,707 million, up 44.31% over 2009; and net assets of RMB8,647 million, up 22.28% over 2009. In 2010, CCB International devoted more efforts to fee services such as underwriting and brokerage activities. Income from non-investment activities increased significantly and amounted to RMB923 million, accounting for over 35% of the total income.

Jianxin Trust

Jianxin Trust Co., Limited was established by the Bank together with Hefei Xingtai Holding Group Corporation Limited and Hefei Municipal State-owned Assets Holding Corporation Limited. It has a registered capital of RMB 1,527 million, of which the Bank contributed 67%, and the two other parties contributed 27.5% and 5.5% respectively. In accordance with the scope of business approved by the CBRC, Jianxin Trust is mainly engaged in fund trust, movable and immovable property trust, marketable securities trust, fund investment, asset restructuring, M&A and project financing, corporate finance, financial advisory, securities underwriting, intermediary services, consultancy, credit investigation, and safe deposit box services, as well as lending, investing and providing guarantees with equity funds.

In 2010, Jianxin Trust proactively pursued product innovation and developed new types of trust products for securities investment, equity investment, quality accounts receivables and personal wealth management. As at the end of 2010, the assets managed under their trusts amounted to RMB66,016 million, up 139.58% over 2009. Its net assets was RMB4,384 million, down 1.15% over 2009, while net profit amounted to RMB 174 million, up 141.43% over 2009.

Sino-German Bausparkasse

Sino-German Bausparkasse Corporation Limited has a registered capital of RMB 1 billion, with a 75.1% share held by the Bank and a 24.9% share held by Bausparkasse Schwaebisch Hall. Its business scope includes taking housing savings deposits, extending housing savings loans and residential mortgage loans, and extending development loans in support of the development and construction of economically affordable houses, low-rent houses, economically affordable rent houses and price-limited houses. Sino-German Bausparkasse will also gradually take on business operations, such as taking public deposits, issuing financial bonds, and providing agency services in the issuance, redemption and underwriting of government bonds, money collection and payment, fund sales, insurance business, and domestic and overseas settlement.

In 2010, Sino-German Bausparkasse's residential mortgage loans business developed rapidly. Its sales of housing savings products were outstanding, and breakthroughs were achieved in new products such as syndicated loans and entrusted loans. At the end of 2010, the total assets of Sino-German Bausparkasse amounted to RMB8,213 million, an increase of 129.67% over the previous year. Its net assets amounted to RMB984 million with an increase of 2.61%, while its net profit rose by RMB37.51 million to RMB24.99 million over 2009.

CCB London

CCB London is a wholly-owned subsidiary of the Bank registered in the UK. Its banking license was issued by the British Financial Services Authority (FSA) in March 2009. CCB London is mainly engaged in businesses including corporate deposits and lending, international settlement and trade finance, British pound settlement, and hedging operations for financial derivatives and commodities.

At its early stage of development, CCB London took “Chinese Element” as the breakthrough point in the segmented market. It further expanded the Group's service channels in the UK and euro zones by actively providing quality service for Chinese-funded institutions in the UK, UK-funded companies in China, and enterprise clients focusing on Sino-British bilateral trade.

By leveraging on London's advantages as a global financial centre in terms of information, product, talent, service, technology, law and regulatory environment, CCB London achieved fast growth in its various businesses in the UK. As at the end of 2010, the assets of CCB London totalled RMB4,937 million, being 7.92 times over 2009; its net assets were RMB1,224 million, up 99.67% over 2009, with a net loss of RMB26.85 million.

CCB Principal Asset Management

CCB Principal Asset Management has a registered capital of RMB 200 million, of which the Bank contributed 65%, and two other parties, Principal Financial Services, Inc. and China Huadian Group Corporation, contributed 25% and 10% respectively. CCB Principal Asset Management is engaged in the raising and sale of funds, asset management as well as other businesses permitted by the CSRC.

In 2010, CCB Principal Asset Management successfully completed four sessions of fundraising work, including the Jianxin Feeder Fund of Social Responsibility Open-ended Index Securities Investment Fund on the Shanghai Stock Exchange, Social Responsibility Open-ended Index Securities Investment Fund on the Shanghai Stock Exchange, Jianxin Global Opportunity Securities Investment Fund and Jianxin Endogenous Dynamic Securities Investment Fund. All these funds operated smoothly. At the end of 2010, CCB Principal Asset Management managed 13 funds with a net value of RMB48,566 million, up 11.14% over 2009, and recorded net assets of RMB454 million, up 0.44% over 2009. CCB Principal Asset Management achieved promising results in its operations with a net profit of RMB101 million, up 33.85% over 2009.

CCB Principal Asset Management was granted several awards in 2010, including the "Golden Bull Fund Company on Bond Investment" award by the *China Securities Journal*. The Jianxin Stable Growth Bond Investment Fund was given the "2009 Golden Bull Open-ended Bond Fund" award.

Rural Banks

At the end of 2010, the Bank sponsored the establishment of nine rural banks in Hunan Taojiang and other places. The registered capital of these rural banks totalled RMB910 million, in which RMB454 million were contributed by the Bank. Various businesses at these nine rural banks are currently progressing steadily with agriculture-related services as their highlighted feature. Deposits from customers was RMB2,082 million, and the loan balance was RMB1,343 million. None of these banks had non-performing loans. The net assets totalled RMB914 million and a total net profit of RMB3.67 million was recorded.

These rural banks laid a solid foundation for services targeting "agriculture, farmers and rural areas". They played a critical role in reinforcing the financial services system in local rural areas, extending the service network and promoting the county-level economic development. In view of the common issues in rural areas such as the seasonality of loans, the lack of financial information and insufficient collateral, the rural banks actively explored new loan products, lending methods and loan operation processes, provided that the risks involved were under control. The banks implemented multiple preferential policies for farmers based on the local economic characteristics. They developed a series of credit products such as co-guaranteed loans to farmers, forest right mortgage loans, agricultural purchase order loans, agricultural machinery loans, "Le Nong Dai" and "Le Te Dai". These products demonstrated practical support for the development of new countryside by effectively mitigating the difficulties for such disadvantaged groups as famers and SMEs in sourcing guarantees and loans.

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 2010		For the year ended 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	33,226	18.97	29,035	20.93
Pearl River Delta	24,636	14.07	20,066	14.46
Bohai Rim	27,186	15.52	22,905	16.51
Central	22,293	12.73	20,408	14.71
Western	24,057	13.74	25,889	18.66
Northeastern	8,414	4.80	7,082	5.11
Head office	32,131	18.34	12,057	8.69
Overseas	3,213	1.83	1,283	0.93
Profit before tax	175,156	100.00	138,725	100.00

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

(In millions of RMB, except percentages)	For the year ended 31 December 2010		For the year ended 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	1,321,708	23.31	1,136,447	23.58
Pearl River Delta	858,420	15.14	728,639	15.12
Bohai Rim	1,008,340	17.79	859,885	17.84
Central	922,185	16.27	782,763	16.24
Western	963,636	17.00	819,337	17.00
Northeastern	350,584	6.18	299,385	6.21
Head office	63,638	1.12	41,679	0.86
Overseas	180,617	3.19	151,638	3.15
Gross loans and advances to customers	5,669,128	100.00	4,819,773	100.00

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

(In millions of RMB, except percentages)	For the year ended 31 December 2010		For the year ended 31 December 2009	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	1,895,511	20.89	1,655,361	20.69
Pearl River Delta	1,435,742	15.82	1,256,578	15.71
Bohai Rim	1,662,231	18.32	1,486,628	18.58
Central	1,602,656	17.66	1,402,718	17.53
Western	1,645,659	18.13	1,420,149	17.75
Northeastern	668,217	7.36	600,838	7.51
Head office	60,949	0.67	65,963	0.82
Overseas	104,404	1.15	113,088	1.41
Deposits from customers	9,075,369	100.00	8,001,323	100.00

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

	As at 31 December 2010					
(In millions of RMB)	**Assets**	**% of total**	**Number of branches**[1]	**% of total**	**Number of staff**[1]	**% of total**
Yangtze River Delta	2,054,133	19.00	2,237	16.66	47,369	15.09
Pearl River Delta	1,663,001	15.38	1,679	12.51	36,802	11.73
Bohai Rim	1,913,481	17.70	2,181	16.25	53,625	17.09
Central	1,672,191	15.47	3,260	24.28	70,360	22.42
Western	1,717,538	15.89	2,696	20.08	63,882	20.35
Northeastern	694,294	6.42	1,359	10.12	34,987	11.15
Head office	4,781,069	44.23	3	0.02	6,355	2.02
Overseas	272,829	2.52	10	0.08	487	0.15
Elimination	(3,976,044)	(36.78)				
Unallocated assets	17,825	0.17				
Total	10,810,317	100.00	13,425	100.00	313,867	100.00

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

Prospects

In 2011, the global economy continues to recover in an uncertain situation. Emerging economies remain the main driving force behind global economic growth, but the growth in demand in emerging economies is insufficient to make up for the demand gap in developed economies. It may take a long time for the growth rate of the global economy to return to the pre-crisis level. Heavy public debts and vulnerable banking systems in major developed economies may threaten economic growth, and unemployment rates remain high and trade protectionism is escalating, while in emerging economies there are increased pressures from inflation and capital inflows.

China is able to maintain its momentum for sustained economic growth relatively well, as its domestic consumption is increasing and urbanisation is on the rise. However, the foundation for increasing domestic demands is not yet stable. Private investment and organic growth forces still need to be reinforced. Efforts should also be made to continuously stimulate private consumption, to improve income allocation, and to adjust and optimise the economic structure. These are not easy tasks. The Chinese government has attached greater importance to stabilising general prices by employing proactive financial policies and sound monetary policies. The People's Bank of China has implemented the dynamic adjustment on differentiated reserve ratios with a view to linking the differentiated reserve ratios with the loan growth and the capital adequacy ratio, and thus guiding a healthy monetary credit growth. The issue of capital has become a main factor which constrains the growth of risk assets.

The current situation provides opportunities, and also poses challenges to the Group. On the positive side, the changes in China's development patterns and adjustments in its economic structure will facilitate CCB's credit structure adjustment. The environment for comprehensive operations will loosen, providing excellent opportunities for nurturing new businesses. The accelerated liberalisation of interest rates and exchange rates will also give the Group greater freedom for financial innovation. Moreover, the higher effective demand for credit represents a stronger pricing capability. However, on the negative side, the expansion of liability business is becoming more difficult under the influence of tightening liquidity and the fluctuating capital market. Regulatory constraints and competition in the banking sector also require the Group to enhance its management.

The Group will comprehensively implement its "customer-orientated" business principle based on the national macroeconomic policies and the development trend of the financial business. The Group will expedite the transformation of its operations to modify its business development patterns and eventually strengthen its core competitiveness and value creation capability. In terms of credit business, the Group will adhere to its principle of "prudently controlling the loan size and pace of growth, and adjusting the loan structure to ensure the asset quality and improve the interest spread". The Group will continue to reinforce its credit policies, and enhance its post-lending management and the management of off-balance sheet activities, overseas branches, and risk controls over key areas including government financing vehicles, the real estate sector and industries with excess capacity, with the aim of further enhancing the Group's overall risk management capability. The expected increase in RMB-denominated loans is 13%. In addition, the Group will continue to expand its fee-based business and proactively embark on various growth initiatives to maintain its market advantages. Moreover, the Group will continue to develop new strategic business activities and promote its competitively advantaged brands in the areas of small businesses, "agriculture, farmers and rural areas", livelihood sector, and the electronic banking sector. Last but not least, the Group will strengthen its liability business management by consolidating its fundamental capabilities in respect of customers, services, products and channels in order to sustain steady growth of deposits from customers.

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 2010 or total equity as at 31 December 2010 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 2010		Increase/(Decrease) during the reporting period					31 December 2010	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
(I) Shares subject to selling restrictions									
1. State-owned shares[1]	133,262,144,534	57.03	-	-	-	(133,262,144,534)	(133,262,144,534)	-	-
2. Shares held by state-owned legal persons	-	-	-	-	-	-	-	-	-
3. Shares held by foreign investors[2]	25,580,153,370	10.95	-	-	-	-	-	25,580,153,370	10.23
(II) Shares not subject to selling restrictions									
1. RMB ordinary shares	9,000,000,000	3.85	593,657,606	-	-	-	593,657,606	9,593,657,606	3.84
2. Overseas listed foreign investment shares	59,140,447,096	25.31	5,930,442,033	-	-	-	5,930,442,033	65,070,889,129	26.03
3. Others [3]	6,706,339,000	2.87	9,797,793,847	-	-	133,262,144,534	143,059,938,381	149,766,277,381	59.90
(III) Total number of shares[4]	233,689,084,000	100.00	16,321,893,486	-	-	-	16,321,893,486	250,010,977,486	100.00

1. H-shares of the Bank held by Huijin were released from selling restriction on 27 October 2010.
2. H-shares of the Bank held by Bank of America.

3. H-shares of the Bank free from selling restrictions held by the promoters of the Bank, i.e. Huijin, State Grid, Baosteel Group and Yangtze Power.
4. The Bank issued additional shares through rights issue during the reporting period, which resulted in an increase of the total shares from 233,689,084,000 shares to 250,010,977,486 shares.
5. Rounding errors may arise in the "Percentage (%)" of the table above.

Changes in Shares Subject to Selling Restrictions

Name of shareholder	**Number of shares subject to restrictions at the beginning of the year**	**Number of shares released from restrictions during the year**	**Number of new shares subject to restrictions in the year**	**Number of shares subject to restrictions at the end of the year**	**Reason for restrictions**	**Date of release from restrictions**
Huijin	133,262,144,534	133,262,144,534	-	-	The 5-year lock-up period since the listing of H-shares (27 October 2005)	27 October 2010
Bank of America	25,580,153,370	-	-	25,580,153,370	The 25,580,153,370 H-shares acquired by Bank of America through exercise of the call options in 2008 shall not be transferred without the Bank's written consent before 29 August 2011 unless under exceptional circumstances.	29 August 2011

Details of Securities Issuance and Listing

On 11 September 2008, the Bank issued two-year RMB ordinary financial bonds of RMB3 billion with an annual interest rate of 3.24% in Hong Kong. Such bonds are unlisted retail bonds which matured on 11 September 2010, and the fund raised through this issuance was used for general operating purpose.

Please refer to "Debt Securities Issued" in the notes of "Financial Statements" for information regarding issuance of subordinated bonds of the Bank in 2009.

Pursuant to the annual general meeting of 2009, the first A shareholders class meeting of 2010 and the first H shareholders class meeting of 2010, upon approvals by domestic and overseas regulatory bodies, the Bank implemented the rights issue plan of A-shares and H-shares during the reporting period and allotted the rights shares to A shareholders and H shareholders on the basis of 0.7 rights shares for every 10 existing shares. During the reporting period, 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.

Number of Shareholders and Particulars of Shareholdings

At the end of the reporting period, the Bank had a total of 1,049,546 shareholders, of which 66,715 were holders of H-shares and 982,831 were holders of A-shares.

Unit: share

Total number of shareholders	**1,049,546 (Total number of registered holders of A-shares and H-shares as at 31 December 2010)**				
Particulars of shareholdings of the top ten shareholders					
Name of shareholder	**Nature of shareholder**	**Shareholding percentage (%)**	**Total number of shares held**	**Number of shares subject to selling restrictions**	**Number of shares pledged or frozen**
Huijin[1]	State-owned	57.03	142,590,494,651 (H-shares)	-	None
	State-owned	0.06	154,879,777 (A-shares)	-	None
HKSCC Nominees Limited[2]	Foreign legal person	19.79	49,481,779,782 (H-shares)	-	Unknown
Bank of America	Foreign legal person	10.23	25,580,153,370 (H-shares)	25,580,153,370	None
Fullerton Financial[2,3]	Foreign legal person	5.65	14,131,828,922 (H-shares)	-	None
Baosteel Group	State-owned	1.28	3,210,000,000 (H-shares)	-	None
	State-owned	0.13	318,860,498 (A-shares)	-	None
State Grid[2,4]	State-owned	1.16	2,895,782,730 (H-shares)	-	None
Yangtze Power[2]	State-owned	0.43	1,070,000,000 (H-shares)	-	None
Reca Investment Limited	Foreign legal person	0.34	856,000,000 (H-shares)	-	None
China Ping An Life Insurance Company Limited	Domestic non-state-owned	0.15	379,232,453 (A-shares)	-	None

–Traditional – Ordinary insurance products	legal person				
China Life Insurance Company Limited – Participating – Individual participating – 005L – FH002 SH	Domestic non-state-owned legal person	0.10	254,001,798（A-shares）	-	None

1. Huijin, the controlling shareholder of the Bank, had participated in the rights issue plan of A-shares and H-shares of the Bank as undertaken and subscribed all the rights shares which may be subscribed by it, including 10,132,322 A rights shares and 9,328,350,117 H rights shares.
2. As at 31 December 2010, Fullerton Financial, State Grid and Yangtze Power held 14,131,828,922 H-shares, 2,895,782,730 H-shares and 1,070,000,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Except for the H-shares of the Bank held by Fullerton Financial, State Grid and Yangtze Power, HKSCC Nominees Limited held other 49,481,779,782 H-shares of the Bank.
3. Fullerton Financial held 13,207,316,750 H-shares of the Bank as at 1 January 2010. During the reporting period, it subscribed for 924,512,172 H rights shares through participating in the rights issue plan of H-shares of the Bank.
4. As at 31 December 2010, 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 Technical Equipment Co., Ltd. held 350,000,000.
5. Rounding errors may arise in the "Percentage (%)" of the table above.

Particulars of shareholding of the top ten shareholders not subject to selling restrictions		
Name of shareholder	**Number of shares not subject to selling restrictions**	**Type of share**
Huijin	142,590,494,651	H-share
	154,879,777	A-share
HKSCC Nominees Limited	49,481,779,782	H-share
Fullerton Financial	14,131,828,922	H-share
Baosteel Group	3,210,000,000	H-share
	318,860,498	A-share
State Grid	2,895,782,730	H-share
Yangtze Power	1,070,000,000	H-share
Reca Investment Limited	856,000,000	H-share
China Ping An Life Insurance Company Limited –Traditional – Ordinary insurance products	379,232,453	A-share
China Life Insurance Company Limited – Participating – Individual participating – 005L – FH002SH	254,001,798	A-share
China Life Insurance Company Limited –Traditional	204,563,395	A-share

– Ordinary insurance products– 005L – CT001SH		

1. Some of the shareholders mentioned above were managed by the same entity. Apart from this, the Bank is not aware of any connections among the shareholders or whether they are parties acting in concert.

Substantial Shareholders of the Bank

At the end of the reporting period, Huijin held 57.10% of the shares of the Bank. Huijin is the controlling shareholder of the Bank. Huijin is a wholly state-owned investment company established in accordance with the Company Law on 16 December 2003 with the approval of the State Council. Its registered capital and paid-in capital are both RMB552,117 million. Its legal representative is Mr. Lou Jiwei. Huijin makes equity investment in key state-owned financial institutions as authorized by the State Council, and exercises the contributor's rights and obligations in the Bank up to its contribution on behalf of the state to achieve preservation and appreciation of state-owned financial assets.

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

At the end of the reporting period, Bank of America directly held 10.23% of the shares of the Bank. Bank of America is a company registered in Delaware, headquartered in Charlotte, North Carolina. Its chairman is Mr. Charles O. Holliday, Jr.. As one of the largest bank holding companies and financial holding companies in the world, Bank of America provides comprehensive banking, investment, assets management and other financial and risk management products and services to individual customers, small and medium-sized enterprises and large companies. According to the balance sheet of Bank of America as at 30 September 2010, the shareholders' equity of Bank of America was US$230,495 million.

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 is no purchase, sale or redemption by the Bank or any of its subsidiaries of the listed securities of the Bank during the reporting period.

Corporate Governance

The Bank is committed to maintaining high-level corporate governance. We make great efforts to follow the best practice standards of the international public shareholding banks, and put the decision-making role of the board of directors and the supervisory role of the board of supervisors at full play. We also continue to improve our operation and management standards in order to ensure increased information transparency and full protection of shareholders' equity. We have complied with the code provisions of the *Code on Corporate Governance Practices* as set out in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange throughout the year ended 31 December 2010.

Securities Transactions by Directors

In relation to securities transactions by directors and supervisors, the Bank has adopted 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 have complied with the code above during the year ended 31 December 2010.

Profit and Dividends

The profit of the Group for the year ended 31 December 2010 and the Group's financial position as at that date are set out in the "Financial Statements" of this annual report.

In accordance with the resolutions passed at the annual general meeting 2009 held on 24 June 2010, the Bank paid a final cash dividend for 2009 of RMB0.202 per share (including tax), totalling approximately RMB47,205 million, to all of its shareholders whose names appeared on the register of members on 7 July 2010.

The Board recommends a cash dividend of RMB0.2122 per share (including tax), subject to the approval of the annual general meeting 2010.

In order to determine the holders of H-shares who are entitled to receive the 2010 cash dividend, the Bank's register of members will be closed from 18 June 2011 to 23 June 2011, both days inclusive, during which period no transfer of H-shares will be effected. Holders of H-shares who wish to receive the 2010 cash dividend 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 17 June 2011. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The last trading day of H-shares of the Bank before the ex-dividend date will be 15 June 2011, and the dividend will be excluded from 16 June 2011. This proposal will be submitted for approval at the forthcoming annual general meeting 2010. If approved, such dividend is expected to be paid to the shareholders around 15 July 2011.

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

(In millions of RMB)	2007	2008	2009
Cash dividends[1]	46,583	45,383	47,205
Ratio of cash dividends to net profit[2]	67.46%	49.01%	44.22%

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

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

Annual General Meeting and Closure of Register of Members

The 2010 annual general meeting will be held on 9 June 2011. 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 10 May 2011 to 9 June 2011, both days inclusive, during which period no transfer of shares will be effected. In order to attend the 2010 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 9 May 2011. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Annual Report and Announcement

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

Review of Annual Results

The audit committee has reviewed the Annual Report 2010 of the Bank. KPMG Huazhen and KPMG, 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

25 March 2011

As of the date of this announcement, the Bank’s executive directors are Mr. Guo Shuqing, Mr. Zhang Jianguo, Mr. Chen Zuofu and Mr. Zhu Xiaohuang; non-executive directors are Mr. Wang Yong, Ms. Wang Shumin, Mr. Zhu Zhenmin, Ms. Li Xiaoling, Ms. Sue Yang, Mr. Lu Xiaoma and Ms. Chen Yuanling; and independent non-executive directors are Lord Peter Levene, Mr. Yam Chi Kwong, Joseph, Rt Hon Dame Jenny Shipley, Ms. Elaine La Roche, Mr. Zhao Xijun and Mr. Wong Kai-Man.