**China Construction Bank Announces 2011 Operating Results**

**Development Approach Changed to Sustain Steady Improvement**

(25 March 2012) China Construction Bank Corporation (“CCB”) today announced its annual operating results for 2011. Wang Hongzhang, chairman of CCB, commented, “In 2011, confronting a complex and changing business environment, CCB implemented national macro-control policies and regulatory requirements conscientiously, drove structural adjustments and business transformation and redoubled efforts in managing risks and setting up internal control systems. Subsequently, all our different business segments developed steadily and briskly, our operating results were outstanding, our performance in the capital market was stable and our overall strength and brand value were enhanced substantially.”

**Industry-leading Financials**

According to the annual report, as of 31 December 2011, CCB’s total assets broke through the RMB12 trillion mark to RMB12,281.834 billion (unless otherwise stated, the data herein are calculated in accordance with International Financial Reporting Standards on a consolidated basis in RMB), an increase of 13.61% from the previous year-end. For the year, net profit of RMB169.439 billion and net profit attributable to shareholders of RMB169.258 billion were up respectively by 25.48% and 25.52% from the previous year; net interest margin rose 0.21 percentage points to 2.70%; net asset value per share was RMB3.27 or an increase of 16.79% from the previous year; proposed cash dividend per share was RMB0.2365 (inclusive of tax); return on average assets and return on average equity were respectively 1.47% and 22.51%; and cost-output efficiency was raised as the cost-to-income ratio declined to 36.19%. In all, CCB’s key financial indices continued to maintain leading positions within the banking industry.

**Aligning Credit Structure with People’s Livelihood**

In the year, against a general backdrop of national macro-control policies and regulatory requirements, CCB proactively changed its own development approach in alignment with China’s industrial structural adjustments by voluntarily integrating its mandate of serving the real economy with the adjustment of its credit structure. Consequently, the balance of its corporate loans grew 11.80% to RMB4,446.168 billion, of which RMB1,964.806 billion were allocated to the infrastructure sector. It also focused on meeting the borrowing needs of various livelihood areas such as small enterprises, agriculture, rural areas and farmers (Three Rurals) and indemnificatory apartments.

The balance of CCB’s loans to small enterprises was RMB913.758 billion by 2011 year end, representing an increase of 24.60%, which was 12.80 percentage points higher than the growth rate for all corporate loans. The number of small enterprise customers granted credit lines was 72,091 or an increase of 10,392 over the previous year. In the area of ‘Three Rurals’, CCB’s balance of agriculture-related loans was up 27.71% to RMB1,049.912 billion, of which the balance of loans designated for new rural construction was RMB31.647 billion. Loans for personal agricultural programmes grew 47.40% to RMB5.424 billion—these loans were mainly used in advancing pilot loan schemes for the promotion of crop cultivation and livestock raising. In supporting the construction of indemnificatory apartments, the balance of loans for indemnificatory apartment projects was RMB25.73 billion. As far as supporting cultural development was concerned, as various “Livelihood for the People” financial service schemes advanced steadily, the “Culture for the People” scheme witnessed particularly fast progress, adding cumulatively 3,037 new cultural sector accounts since its launch.

The balance of CCB’s personal loans was up 23.02% in the year to RMB1,683.855 billion. Specifically, CCB’s active support of the purchase of self-use residential housing was evidenced by the growth of balance of loans for such purposes by 20.74% to RMB1,317.444 billion, putting CCB into the number one position in terms of loan balance and new loans, while its asset quality claimed the leading position in the industry. In 2011, CCB granted a total of RMB11.621 billion in commercial and provident fund personal mortgage loans to 69,400 low to medium-income residents; its balance of loans for purchasing personal indemnificatory apartments was RMB38.194 billion; its personal business start-up loans grew rapidly by 64.57% to RMB80.075 billion; and its balance of provident fund personal housing loans increased by RMB99.474 billion from the previous year to RMB616.207 billion.

**Robust Development of Emerging Business Segments**

In 2011, as CCB further intensified product innovation and research and as rapid progress was achieved in the expansion of various emerging business segments, there were continuous improvements in its income structure. The volume of its international settlement in the year grew 26.24% from the previous year to US$842.076 billion; its cross-border Renminbi settlement was RMB315.673 billion or 6.54 times the amount in the preceding year; and the balance of its trade financing, on both on- and off-balance sheet basis, was up 40.90% to RMB369.444 billion. The scale of its investment and custody business broke through RMB2 trillion, an increase of 57.50%; its securities investment fund custody business was first in the industry in terms of the number of newly added funds and second in terms of custody size. In enterprise annuities, there were 5,484 new customers, 1.38 million new personal accounts, while signed up entrusted assets grew by 37.93%. While a substantial increase in Renminbi bond investment yield was realised, CCB also maintained its overall leading position for the third consecutive year in the underwriting of book-entry interest-bearing treasury bonds and achieved 759% growth in total transaction volume for the trading of precious metals. Rapid development in investment banking business was also realized and, for the year, RMB10.4 billion in income was realised in the financial advisory business.

CCB’s bank card business also continued its fast growth in 2011 with spending volume for debit card reaching RMB1,792.757 billion. For emerging investment/financial management businesses such as agency sales of funds (inclusive of pooled plans) and personal physical gold sales, income of RMB2.735 billion and RMB673 million were achieved respectively, making CCB the leader in the banking industry. The number of credit cards on file was 32.25 million, with spending volume reaching RMB588.901 billion and loan balance reaching RMB97.553 billion, which represented respectively growth of 44.86% and 75.96% from the previous year while the asset quality remained sound.

**Steady Advancement in Integrated Operations**

In 2011, CCB achieved new advancements in integrated operations and further enhanced its overall competitiveness. By acquiring a 51% stake in Pacific Aetna Life Insurance (which was subsequently renamed CCB Life Insurance Company Limited), CCB became the first of the four major state-owned Chinese banks to maintain a controlling interest in a life insurance company. Advancements in the construction of new rural financial institutions were also achieved: as of 2011 year end, 16 rural banks had opened for business. Furthermore, subsidiary businesses in investment banking, fund management, trust, leasing and house savings all maintained steady growth, thereby further enhancing CCB’s capability in providing customers with a diverse array of services.

Concurrent with the steady advancement of its integrated operations, CCB’s overseas footprint also expanded. CCB’s representative offices in Taipei and Moscow opened for business successively, applications for the establishment of a branch in Toronto, subsidiaries in Dubai and Brazil were underway and work on upgrading the Taipei and Moscow offices were in progress. By 2011 year end, CCB’s overseas network had coverage in 13 countries and regions. Its total assets reached RMB443.188 billion. Profit before tax for overseas commercial banking operations were up 64.00% on the year to RMB2.109 billion, while both the balance and the ratio of their non-performing loans declined simultaneously.

**Significant Increase in Service Capabilities**

CCB has always committed itself to providing professional and refined services, and it has achieved new progress in the efficiency and quality of its services. As of 2011 year end, CCB boasted 13,581 on-shore operating institutions, 45,645 operating self-service kiosks (5,771 more than last year), and 10,681 self-service banks (1,004 more than last year). CCB’s specialised service institutions now cover all major cities and the top 100 counties in China, including 245 private banks and wealth management centres, 940 personal loan centres and 240 small enterprise business centres. With work for its second generation transformation completed for 7,800 of CCB’s retail outlets and the number of specialized account managers stationed in the transformed branches now reaching 10,482, CCB’s service capability and customer satisfaction increased significantly.

Adhering to the Bank’s commitment to provide customers with multi-functional services, CCB achieved rapid development in its e-banking business in 2011, to the extent that the ratio of e-banking transactions to counter transactions reached 206.72% or an increase of 65 percentage points from the previous year. Meanwhile, the number of online personal customers reached 84.54 million and 4.04 billion personal transactions happened online, an increase of 48.19% and 40.78% respectively from the previous year. The number of mobile phone banking customers was up 109.22% to 46.95 million.

In the area of providing customers with differentiated services, CCB recorded growth of 20.43% in the number of customers with managed financial assets of more than RMB3 million, of which the growth in the number of customers with more than RMB10 million in assets was 27.99%. Currently, CCB’s private banking customers can telephone their account managers directly and make transaction requests for transfers, remittances as well as the purchasing of treasury bonds and financial management products. All these transactions can be executed on the phone as long as the required passwords are verified.

**Tight and Sound Prevention & Control of Risks**

In 2011, as CCB continued with improving its comprehensive risk management and remained committed to a co-ordinated balance of business development with risk prevention and control, the quality of its assets enhanced steadily. At the end of 2011, its balance of non-performing loans was RMB70.915 billion; its non-performing loan ratio dropped 0.05 percentage points from the end of the previous year to 1.09%. As the ratio of allowances to non-performing loans was raised by 20.30% from the end of the previous year to 241.44%, CCB’s risk mitigation capability was further strengthened. By successfully issuing RMB40 billion worth of subordinated debts, its asset foundation was further fortified and its capital adequacy ratio and core capital adequacy ratio were respectively raised to 13.68% and 10.97%.

In accordance with changes in the macro-economic situation, CCB re-examined and optimized its credit policy to maintain an appropriate credit preference. For example, in compliance with national macro-control requirements, the balance of loans to the “6+1” industries with overcapacity was reduced by RMB1.607 billion from the previous year. For government financing vehicles, CCB implemented regulatory requirements strictly and spent much effort in the rectification of loan agreements, modification of collateral and pledges as well as the replenishment of cash flows, and moved the approval for government financing vehicle loans back to the Head Office. As a result, the total balance of government financing vehicle loans was reduced by RMB112.16 billion, loan accounts were reduced by 158. The balance of loans to corporate customers in the exit list was reduced by RMB103.5 billion. At the same time, CCB also bolstered its analysis and prediction of market situations and conducted its real estate loan business prudently with an emphasis in supporting ordinary residential and indemnificatory apartment projects. As a result, growth in real estate development type loans in 2011 was a mere 0.16% and the amount of new loans in this area was the lowest in the last five years.

CCB continued the implementation of the New Capital Accord and achieved good progress in the implementation of the Three Pillars. It also made great strides in strengthening its risk management infrastructure through improvements in governance, processes, IT systems, data and personnel etc. and succeeded in setting up a total risk management framework that meets the requirements of the New Capital Accord. CCB has also initiated work on the implementation of the New Capital Accord in its overseas branches and subsidiaries.

In 2011, CCB at the group level carried out initiatives of “The Year of Off-balance Sheet Business Management” and “The Year of Overseas Risk Management”, under which the management of off-balance sheet business, overseas business, country risk, pledge and balance-sheet consolidation were strengthened. By doing so, CCB succeeded in greatly reducing off-balance sheet exposure to risk-weighted assets, while the asset quality of CCB overseas branches was substantially raised. CCB also enhanced its reputational risk management approach by standardising crisis response procedures, clarifying roles and responsibilities, improving accountability mechanisms and strengthening reputational risk management efforts across its subsidiaries and overseas branches. In addition, great effort was made in the building of application systems to enhance risk management in IT systems, safeguarding stable operations. Consequently, CCB was able to achieve a 99.99% usability target for its key business systems against growing transaction volume.

CCB Chairman Mr. Wang Hongzhang commented, “In 2012, the economic and financial situation at home and aboard will still be complicated and competition within the industry will be fierce. In its effort to uphold the central government’s basic economic theme of ‘making progress while maintaining stability’, CCB will support the development of the real economy, stay customer-centric and market-oriented and expand our customer base. Specifically, in accordance with our pursuing for comprehensiveness, multi-functionality and intensification, we will focus on key industries, large systems, major cities and high-end clients and through these the Bank could finance SMEs in the industry chain and common customers in the retail market. In addition to consolidating our traditional advantages in infrastructure loans, cost consulting and housing finance, we will develop emerging businesses in retailing, small and micro-enterprises, e-banking, consumption finance and pension funds and continue to support the economic development of the ‘Three Rurals’. Our goal is to strengthen our reputation as a highly influential and competitive modern bank that is ‘Best in China and First-Class in the World’.”