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**中国建设银行**  
China Construction Bank

中國建設銀行股份有限公司

**CHINA CONSTRUCTION BANK CORPORATION**

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

(Stock Code: 939)

## **ANNOUNCEMENT OF ANNUAL RESULTS 2014**

### **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 2014. The annual results have been reviewed by the audit committee of the Bank’s board of directors.

## FINANCIAL HIGHLIGHTS

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

(Expressed in millions of RMB unless otherwise stated)	2014	2013	Change (%)	2012	2011	2010
<b>For the year</b>						
Net interest income	437,398	389,544	12.28	353,202	304,572	251,500
Net fee and commission income	108,517	104,283	4.06	93,507	86,994	66,132
Other operating income	10,825	17,313	(37.47)	15,824	7,837	8,148
Operating income	556,740	511,140	8.92	462,533	399,403	325,780
Operating expenses	(195,988)	(188,185)	4.15	(171,081)	(144,537)	(121,366)
Impairment losses	(61,911)	(43,209)	43.28	(40,041)	(35,783)	(29,292)
Profit before tax	299,086	279,806	6.89	251,439	219,107	175,156
Net profit	228,247	215,122	6.10	193,602	169,439	135,031
Net profit attributable to equity shareholders of the Bank	227,830	214,657	6.14	193,179	169,258	134,844
<b>As at 31 December</b>						
Gross loans and advances to customers	9,474,523	8,590,057	10.30	7,512,312	6,496,411	5,669,128
Allowances for impairment losses on loans	(251,613)	(228,696)	10.02	(202,433)	(171,217)	(143,102)
Total assets	16,744,130	15,363,210	8.99	13,972,828	12,281,834	10,810,317
Deposits from customers	12,898,675	12,223,037	5.53	11,343,079	9,987,450	9,075,369
Total liabilities	15,491,767	14,288,881	8.42	13,023,283	11,465,174	10,109,157
Total equity attributable to equity shareholders of the Bank	1,242,179	1,065,951	16.53	941,668	811,140	697,047
Qualifying common share capital	250,011	250,011	-	250,011	250,011	250,011
Total capital after deductions <sup>1</sup>	1,516,928	1,316,724	15.20	N/A	N/A	N/A
Risk-weighted assets <sup>1</sup>	10,203,643	9,872,790	3.35	N/A	N/A	N/A
<b>Per share (In RMB)</b>						
Basic and diluted earnings per share	0.91	0.86	5.81	0.77	0.68	0.56
Final cash dividend proposed after the reporting period	0.301	0.30	0.33	0.268	0.2365	0.2122
Net assets per share	5.01	4.30	16.51	3.80	3.27	2.80

1. Capital adequacy ratios were calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*. The advanced capital measurement approaches have been adopted to calculate capital adequacy ratios, and the regulations during the transition period have been applicable to the calculation of ratios since the second quarter of 2014.

<b>Financial ratios (%)</b>	<b>2014</b>	<b>2013</b>	<b>Change +/-</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Profitability indicators</b>						
Return on average assets <sup>1</sup>	1.42	1.47	(0.05)	1.47	1.47	1.32
Return on average equity	19.74	21.23	(1.49)	21.98	22.51	22.61
Net interest spread	2.61	2.56	0.05	2.58	2.57	2.40
Net interest margin	2.80	2.74	0.06	2.75	2.70	2.49
Net fee and commission income to operating income	19.49	20.40	(0.91)	20.22	21.78	20.30
Cost-to-income ratio <sup>2</sup>	28.92	29.65	(0.73)	29.60	29.93	31.55
Loan-to-deposit ratio	73.45	70.28	3.17	66.23	65.05	62.47
<b>Capital adequacy indicators</b>						
Common Equity Tier 1 ratio <sup>3</sup>	12.12	10.75	1.37	N/A	N/A	N/A
Tier 1 ratio <sup>3</sup>	12.12	10.75	1.37	N/A	N/A	N/A
Total capital ratio <sup>3</sup>	14.87	13.34	1.53	N/A	N/A	N/A
Total equity to total assets	7.48	6.99	0.49	6.80	6.65	6.49
<b>Asset quality indicators</b>						
Non-performing loan ratio	1.19	0.99	0.20	0.99	1.09	1.14
Allowances to non-performing loans	222.33	268.22	(45.89)	271.29	241.44	221.14
Allowances to total loans	2.66	2.66	-	2.69	2.64	2.52

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

2. Operating expenses (after deductions of business taxes and surcharges) divided by operating income.

3. Capital adequacy ratios were calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*. The advanced capital measurement approaches have been adopted to calculate capital adequacy ratios, and the regulations during the transition period have been applicable to the calculation of ratios since the second quarter of 2014.

## Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	2014	2013	Change(%)
Interest income	739,126	646,253	14.37
Interest expense	(301,728)	(256,709)	17.54
<b>Net interest income</b>	<b>437,398</b>	<b>389,544</b>	<b>12.28</b>
Fee and commission income	112,238	107,432	4.47
Fee and commission expense	(3,721)	(3,149)	18.16
<b>Net fee and commission income</b>	<b>108,517</b>	<b>104,283</b>	<b>4.06</b>
Net trading gain	972	3,092	(68.56)
Dividend income	495	446	10.99
Net gain arising from investment securities	4,045	1,395	189.96
Other operating income, net:			
– Other operating income	21,959	12,526	75.31
– Other operating expense	(16,646)	(146)	11,301.37
<b>Other operating income, net</b>	<b>5,313</b>	<b>12,380</b>	<b>(57.08)</b>
<b>Operating income</b>	<b>556,740</b>	<b>511,140</b>	<b>8.92</b>
<b>Operating expenses</b>	<b>(195,988)</b>	<b>(188,185)</b>	<b>4.15</b>
	<b>360,752</b>	<b>322,955</b>	<b>11.70</b>
Impairment losses on:			
– Loans and advances to customers	(59,264)	(42,666)	38.90
– Others	(2,647)	(543)	387.48
<b>Impairment losses</b>	<b>(61,911)</b>	<b>(43,209)</b>	<b>43.28</b>
<b>Share of profits less losses of associates and joint ventures</b>	<b>245</b>	<b>60</b>	<b>308.33</b>
<b>Profit before tax</b>	<b>299,086</b>	<b>279,806</b>	<b>6.89</b>
Income tax expense	(70,839)	(64,684)	9.52
<b>Net profit</b>	<b>228,247</b>	<b>215,122</b>	<b>6.10</b>

# **Consolidated statement of comprehensive income (continued)**

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

	<u>2014</u>	<u>2013</u>	<u>Change(%)</u>
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	<b>(294)</b>	443	(166.37)
Others	<b>24</b>	11	118.18
Subtotal	<u><b>(270)</b></u>	<u>454</u>	(159.47)
Items that may be reclassified subsequently to profit or loss			
Gains/(losses) of available-for-sale financial assets arising during the period	<b>34,391</b>	(28,354)	(221.29)
Less: Income tax relating to available-for-sale financial assets	<b>(8,572)</b>	7,175	(219.47)
Reclassification adjustments for losses included in profit or loss	<b>(1,639)</b>	(1,188)	37.96
Net gain/(loss) on cash flow hedges	<b>138</b>	(148)	(193.24)
Exchange difference on translating foreign operations	<b>(347)</b>	(1,361)	(74.50)
Subtotal	<u><b>23,971</b></u>	<u>(23,876)</u>	(200.40)
<b>Other comprehensive income for the year, net of tax</b>	<u><b>23,701</b></u>	<u>(23,422)</u>	(201.19)
<b>Total comprehensive income for the year</b>	<u><b>251,948</b></u>	<u>191,700</u>	31.43
Net profit attributable to:			
Equity shareholders of the Bank	<b>227,830</b>	214,657	6.14
Non-controlling interests	<b>417</b>	465	(10.32)
	<u><b>228,247</b></u>	<u>215,122</u>	6.10
Total comprehensive income attributable to:			
Equity shareholders of the Bank	<b>251,231</b>	191,286	31.34
Non-controlling interests	<b>717</b>	414	73.19
	<u><b>251,948</b></u>	<u>191,700</u>	31.43
<b>Basic and diluted earnings per share (in RMB Yuan)</b>	<u><b>0.91</b></u>	<u>0.86</u>	5.81

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

	<u>2014</u>	<u>2013</u>	<u>Change(%)</u>
<b>Assets:</b>			
Cash and deposits with central banks	<b>2,610,781</b>	2,475,001	5.49
Deposits with banks and non-bank financial institutions	<b>266,461</b>	321,286	(17.06)
Precious metals	<b>47,931</b>	35,637	34.50
Placements with banks and non-bank financial institutions	<b>248,525</b>	152,065	63.43
Financial assets at fair value through profit or loss	<b>332,235</b>	364,050	(8.74)
Positive fair value of derivatives	<b>13,769</b>	18,910	(27.19)
Financial assets held under resale agreements	<b>273,751</b>	281,447	(2.73)
Interest receivable	<b>91,495</b>	80,731	13.33
Loans and advances to customers	<b>9,222,910</b>	8,361,361	10.30
Available-for-sale financial assets	<b>926,170</b>	760,292	21.82
Held-to-maturity investments	<b>2,298,663</b>	2,100,538	9.43
Debt securities classified as receivables	<b>170,801</b>	189,737	(9.98)
Interests in associates and joint ventures	<b>3,084</b>	2,624	17.53
Fixed assets	<b>151,607</b>	135,678	11.74
Land use rights	<b>15,758</b>	15,731	0.17
Intangible assets	<b>2,043</b>	2,053	(0.49)
Goodwill	<b>2,696</b>	1,610	67.45
Deferred tax assets	<b>39,436</b>	38,448	2.57
Other assets	<b>26,014</b>	26,011	0.01
<b>Total assets</b>	<b><u>16,744,130</u></b>	<b><u>15,363,210</u></b>	8.99

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

	<u>2014</u>	<u>2013</u>	<u>Change(%)</u>
<b>Liabilities:</b>			
Borrowings from central banks	91,216	79,157	15.23
Deposits from banks and non-bank financial institutions	1,004,118	692,095	45.08
Placements from banks and non-bank financial institutions	202,402	155,917	29.81
Financial liabilities at fair value through profit or loss	296,009	380,380	(22.18)
Negative fair value of derivatives	12,373	19,872	(37.74)
Financial assets sold under repurchase agreements	181,528	61,873	193.39
Deposits from customers	12,898,675	12,223,037	5.53
Accrued staff costs	34,535	34,080	1.34
Taxes payable	62,644	60,209	4.04
Interest payable	185,874	153,627	20.99
Provisions	7,068	5,014	40.97
Debt securities issued	431,652	357,540	20.73
Deferred tax liabilities	401	138	190.58
Other liabilities	83,272	65,942	26.28
<b>Total liabilities</b>	<u>15,491,767</u>	<u>14,288,881</u>	8.42
<b>Equity:</b>			
Share capital	250,011	250,011	0.00
Capital reserve	135,391	135,523	(0.10)
Investment revaluation reserve	4,562	(19,290)	(123.65)
Surplus reserve	130,515	107,970	20.88
General reserve	169,496	153,835	10.18
Retained earnings	558,705	444,084	25.81
Exchange reserve	(6,501)	(6,182)	5.16
Total equity attributable to equity shareholders of the Bank	1,242,179	1,065,951	16.53
Non-controlling interests	10,184	8,378	21.56
<b>Total equity</b>	<u>1,252,363</u>	<u>1,074,329</u>	16.57
<b>Total liabilities and equity</b>	<u>16,744,130</u>	<u>15,363,210</u>	8.99

# Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank							Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve		
<b>As at 31 December 2013</b>	<b>250,011</b>	<b>135,523</b>	<b>(19,290)</b>	<b>107,970</b>	<b>153,835</b>	<b>444,084</b>	<b>(6,182)</b>	<b>8,378</b>	<b>1,074,329</b>
<b>Movements during the year</b>	<b>-</b>	<b>(132)</b>	<b>23,852</b>	<b>22,545</b>	<b>15,661</b>	<b>114,621</b>	<b>(319)</b>	<b>1,806</b>	<b>178,034</b>
<b>(1) Total comprehensive income for the year</b>	-	(132)	23,852	-	-	227,830	(319)	717	251,948
<b>(2) Changes in share capital</b>	-	-	-	-	-	-	-	1,111	1,111
i Acquisition of subsidiaries	-	-	-	-	-	-	-	981	981
ii Change in shareholdings in subsidiaries	-	-	-	-	-	-	-	130	130
<b>(3) Profit distribution</b>	-	-	-	22,545	15,661	(113,209)	-	(22)	(75,025)
i Appropriation to surplus reserve	-	-	-	22,545	-	(22,545)	-	-	-
ii Appropriation to general reserve	-	-	-	-	15,661	(15,661)	-	-	-
iii Appropriation to equity shareholders	-	-	-	-	-	(75,003)	-	(22)	(75,025)
<b>As at 31 December 2014</b>	<b>250,011</b>	<b>135,391</b>	<b>4,562</b>	<b>130,515</b>	<b>169,496</b>	<b>558,705</b>	<b>(6,501)</b>	<b>10,184</b>	<b>1,252,363</b>



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

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

	Attributable to equity shareholders of the Bank							Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve		
<b>31 December 2012</b>	<u>250,011</u>	<u>135,217</u>	<u>3,023</u>	<u>86,718</u>	<u>80,483</u>	<u>391,034</u>	<u>(4,818)</u>	<u>7,877</u>	<u>949,545</u>
<b>Movements during the year</b>	<u>-</u>	<u>306</u>	<u>(22,313)</u>	<u>21,252</u>	<u>73,352</u>	<u>53,050</u>	<u>(1,364)</u>	<u>501</u>	<u>124,784</u>
<b>(1) Total comprehensive income for the year</b>	-	306	(22,313)	-	-	214,657	(1,364)	414	191,700
<b>(2) Changes in share capital</b>	-	-	-	-	-	-	-	105	105
i Non-controlling interests of new subsidiaries	-	-	-	-	-	-	-	51	51
ii Change in shareholdings in subsidiaries	-	-	-	-	-	-	-	54	54
<b>(3) Profit distribution</b>	-	-	-	21,252	73,352	(161,607)	-	(18)	(67,021)
i Appropriation to surplus reserve	-	-	-	21,252	-	(21,252)	-	-	-
ii Appropriation to general reserve	-	-	-	-	73,352	(73,352)	-	-	-
iii Appropriation to equity shareholders	-	-	-	-	-	(67,003)	-	(18)	(67,021)
<b>As at 31 December 2013</b>	<u>250,011</u>	<u>135,523</u>	<u>(19,290)</u>	<u>107,970</u>	<u>153,835</u>	<u>444,084</u>	<u>(6,182)</u>	<u>8,378</u>	<u>1,074,329</u>

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

	<u>2014</u>	<u>2013</u>
<b><i>Cash flows from operating activities</i></b>		
Profit before tax	<b>299,086</b>	279,806
<i>Adjustments for:</i>		
– Impairment losses	<b>61,911</b>	43,209
– Depreciation and amortisation	<b>17,811</b>	15,416
– Unwinding of discount	<b>(2,055)</b>	(1,446)
– Revaluation loss on financial instruments at fair value through profit or loss	<b>263</b>	1,325
– Share of profit less losses of associates and joint ventures	<b>(245)</b>	(60)
– Dividend income	<b>(495)</b>	(446)
– Unrealised foreign exchange loss	<b>7,980</b>	3,095
– Interest expense on subordinated bonds issued	<b>8,859</b>	7,557
– Net gain on disposal of investment securities	<b>(4,045)</b>	(1,395)
– Net gain on disposal of fixed assets and other long-term assets	<b>(108)</b>	(169)
	<u><b>388,962</b></u>	<u>346,892</u>

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

	<u>2014</u>	<u>2013</u>
<b><i>Cash flows from operating activities (continued)</i></b>		
<i>Changes in operating assets:</i>		
Net increase in deposits with central banks and with banks and non-bank financial institutions	<b>(184,773)</b>	(33,915)
Net increase in placements with banks and non-bank financial institutions	<b>(74,969)</b>	(51,108)
Net increase in loans and advances to customers	<b>(883,158)</b>	(1,116,433)
Net decrease in financial assets held under resale agreements	<b>12,707</b>	35,238
Net decrease/(increase) in other operating assets	<b>12,889</b>	(347,722)
	<u><b>(1,117,305)</b></u>	<u>(1,513,940)</u>
<i>Changes in operating liabilities:</i>		
Net increase in borrowings from central banks	<b>11,605</b>	73,116
Net increase in placements from banks and non-bank financial institutions	<b>36,256</b>	38,816
Net increase in deposits from customers and from banks and non-bank financial institutions	<b>947,653</b>	613,017
Net increase in financial assets sold under repurchase agreements	<b>119,467</b>	59,603
Net increase in certificates of deposit issued	<b>42,992</b>	96,865
Income tax paid	<b>(76,687)</b>	(62,114)
Net (decrease)/increase in other operating liabilities	<b>(35,992)</b>	393,674
	<u><b>1,045,294</b></u>	<u>1,212,977</u>
<b>Net cash from operating activities</b>	<u><b>316,951</b></u>	<u>45,929</u>

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

	<u>2014</u>	<u>2013</u>
<b><i>Cash flows from investing activities</i></b>		
Proceeds from sale and redemption of investments	503,662	730,160
Dividends received	504	461
Proceeds from disposal of fixed assets and other long-term assets	2,030	1,851
Purchase of investment securities	(810,304)	(971,998)
Purchase of fixed assets and other long-term assets	(35,490)	(38,406)
Acquisition of subsidiaries, associates and joint ventures	(4,289)	(250)
<b>Net cash used in investing activities</b>	<u>(343,887)</u>	<u>(278,182)</u>
<b><i>Cash flows from financing activities</i></b>		
Issue of bonds	42,238	1,997
Capital contribution by non-controlling interests	130	51
Dividends paid	(75,025)	(67,044)
Repayment of borrowings	(22,500)	-
Interest paid on bonds issued	(7,693)	(7,545)
<b>Net cash used in financing activities</b>	<u>(62,850)</u>	<u>(72,541)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>2,731</u>	<u>(3,353)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(87,055)</b>	<b>(308,147)</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>440,773</b>	<b>748,920</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>353,718</b>	<b>440,773</b>
<b>Cash flows from operating activities include:</b>		
Interest received	<u>726,117</u>	<u>632,076</u>
Interest paid, excluding interest expense on bonds issued	<u>(261,713)</u>	<u>(218,715)</u>

**Notes:**

**1** The IFRS financial statements of the Group for the year ended 31 December 2014 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”). These financial statements also comply with the disclosure requirements of the predecessor Hong Kong Companies Ordinance(Cap. 32) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which are applicable to 2014 annual report. The financial statements will comply with the applicable disclosure requirements of the new Hong Kong Companies Ordinance according to the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in 2015.

**2** Except for the new IFRS and amendments effective for the year ended 31 December 2014 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 2013.

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

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

**5 Net gain arising from investment securities**

	<u>2014</u>	<u>2013</u>
Net gain on sale of available-for-sale financial assets	<b>805</b>	565
Net revaluation gain reclassified from other comprehensive income on disposal	<b>2,889</b>	595
Net gain on sale of held-to-maturity investments	<b>351</b>	222
Net gain on sale of receivables	<u>-</u>	<u>13</u>
Total	<u><b>4,045</b></u>	<u>1,395</u>

## 6 Operating expenses

	<u>2014</u>	<u>2013</u>
Staff costs		
– Salaries, bonuses, allowances and subsidies	<b>60,268</b>	58,154
– Other social insurance and welfare	<b>9,653</b>	8,215
– Housing funds	<b>6,014</b>	5,433
– Union running costs and employee education costs	<b>2,561</b>	2,391
– Defined contribution plans accrued	<b>12,995</b>	12,190
– Defined benefit plans accrued	-	339
– Early retirement expenses	<b>64</b>	100
– Compensation to employees for termination of employment relationship	<b>8</b>	8
	<b>91,563</b>	86,830
Premises and equipment expenses		
– Depreciation charges	<b>15,356</b>	13,027
– Rent and property management expenses	<b>8,022</b>	7,133
– Maintenance	<b>3,309</b>	3,016
– Utilities	<b>2,172</b>	2,049
– Others	<b>1,686</b>	1,525
	<b>30,545</b>	26,750
Business taxes and surcharges	<b>34,983</b>	31,648
Amortisation expenses	<b>2,455</b>	2,389
Audit fees	<b>160</b>	150
Other general and administrative expenses	<b>36,282</b>	40,418
Total	<b>195,988</b>	188,185

## 7 Income tax expense

### (1) Income tax expense

	<u>2014</u>	<u>2013</u>
Current tax	<b>77,310</b>	68,696
- Mainland China	<b>75,647</b>	67,803
- Hong Kong	<b>1,020</b>	624
- Other countries and regions	<b>643</b>	269
Adjustments for prior years	<b>747</b>	7
Deferred tax	<b>(7,218)</b>	(4,019)
Total	<b><u>70,839</u></b>	<b><u>64,684</u></b>

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

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

	Note	<u>2014</u>	<u>2013</u>
Profit before tax		<b><u>299,086</u></b>	<u>279,806</u>
Income tax calculated at statutory tax rate at 25%		<u>74,772</u>	69,952
Non-deductible expenses	(i)	<b>5,990</b>	3,626
Non-taxable income	(ii)	<b>(10,670)</b>	(8,901)
Adjustments on income tax for prior years which affect profit or loss		<u>747</u>	7
Income tax expense		<b><u>70,839</u></b>	<b><u>64,684</u></b>

(i) Non-deductible expenses primarily include losses resulting from write-off of loans, staff costs and entertainment expenses in excess of those deductible under the relevant PRC tax regulations.

(ii) Non-taxable income primarily includes interest income from PRC government bonds.

## 8 Earnings per share

Basic earnings per share for the year ended 31 December 2014 and 2013 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year ended 31 December 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Net profit attributable to shareholders of the Bank	<b>227,830</b>	214,657
Weighted average number of shares (in millions of shares)	<b>250,011</b>	250,011
Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB Yuan)	<b>0.91</b>	0.86



## 9 Derivatives

### (1) Analysed by type of contract

	2014			2013		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts	211,495	1,558	1,376	262,454	1,415	1,302
Exchange rate contracts	1,560,367	10,825	10,323	1,739,985	16,272	16,890
Other contracts	28,377	1,386	674	15,774	1,223	1,680
Total	1,800,239	13,769	12,373	2,018,213	18,910	19,872

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

	2014	2013
Counterparty credit default risk-weighted assets		
- Interest rate contracts	1,615	1,387
- Exchange rate contracts	16,211	17,739
- Other contracts	1,564	1,238
Subtotal	19,390	20,364
Credit value adjustment	7,921	8,688
Total	27,311	29,052

The notional amounts of derivatives only represent the unsettled transactions volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013 the Group has adopted Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and other related policies. According to the new rules set out by the CBRC, the credit risk-weighted assets included credit valuation adjustments, with the considerations of counterparties, maturity and back-to-back client-driven transactions.

## 10 Deposits from customers

	<u>2014</u>	<u>2013</u>
Demand deposits		
- Corporate customers	<b>3,996,827</b>	4,167,686
- Personal customers	<b>2,321,675</b>	2,525,115
Subtotal	<b><u>6,318,502</u></b>	<u>6,692,801</u>
Time deposits (including call deposits)		
- Corporate customers	<b>2,909,767</b>	2,457,076
- Personal customers	<b>3,670,406</b>	3,073,160
Subtotal	<b><u>6,580,173</u></b>	<u>5,530,236</u>
Total	<b><u>12,898,675</u></b>	<u>12,223,037</u>
Deposits from customers include:		
	<u>2014</u>	<u>2013</u>
(1) Pledged deposits		
- Deposits for acceptance	<b>138,472</b>	129,392
- Deposits for guarantee	<b>41,572</b>	36,308
- Deposits for letter of credit	<b>36,088</b>	55,018
- Others	<b>206,447</b>	199,256
Total	<b><u>422,579</u></b>	<u>419,974</u>
(2) Outward remittance and remittance payables	<b><u>9,817</u></b>	<u>11,908</u>

## 11 Commitments and contingent liabilities

### (1) Credit commitments

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

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

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

	<u>2014</u>	<u>2013</u>
Loan commitments		
- with an original maturity within one year	<b>141,519</b>	179,790
- with an original maturity of one year or over	<b>278,155</b>	302,109
Credit card commitments	<b>507,142</b>	437,431
	<b>926,816</b>	919,330
Bank acceptances	<b>369,636</b>	360,499
Financing guarantees	<b>109,195</b>	129,557
Non-financing guarantees	<b>556,039</b>	484,370
Sight letters of credit	<b>20,638</b>	29,243
Usance letters of credit	<b>238,275</b>	351,543
Others	<b>58,798</b>	35,685
Total	<b>2,279,397</b>	2,310,227

## 11 Commitments and contingent liabilities(continued)

### (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.

	<u>2014</u>
Credit risk-weighted amount of contingent liabilities and commitments	<u>903,326</u>

### (3) Operating lease commitments

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

	<u>2014</u>	<u>2013</u>
Within one year	5,234	4,596
After one year but within two years	4,295	3,749
After two years but within three years	3,227	2,999
After three years but within five years	3,615	3,557
After five years	<u>2,471</u>	<u>2,543</u>
Total	<u>18,842</u>	<u>17,444</u>

## 11 Commitments and contingent liabilities(continued)

### (4) Capital commitments

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

	<u>2014</u>	<u>2013</u>
Contracted for	<b>5,214</b>	4,618
Authorised but not contracted for	<u><b>1,406</b></u>	<u>2,770</u>
Total	<u><b>6,620</b></u>	<u>7,388</u>

### (5) Underwriting obligations

As at 31 December 2014, there was no unexpired underwriting commitment of the Group (2013: nil).

### (6) Government bonds redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2014, were RMB61,633 million (2013: RMB50,794 million).

### (7) Outstanding litigation and disputes

As at 31 December 2014, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB5,677 million (2013: RMB3,167 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

### (8) Provision against commitments and contingent liabilities

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

## 12 Operating segments

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

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

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

### (1) Geographical segments

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

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.

## 12 Operating segments(continued)

### (1) Geographical segments (continued)

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

- “Yangtze River Delta” refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- “Pearl River Delta” refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- “Bohai Rim” refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the “Central” region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;
- the “Western” region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and
- the “Northeastern” region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

## 12 Operating segments (continued)

### (1) Geographical segments (continued)

	2014								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	60,793	36,933	30,011	54,213	59,367	17,713	170,594	7,774	437,398
Internal net interest income/(expense)	12,898	21,017	38,503	20,037	16,818	9,643	(120,320)	1,404	-
Net interest income	73,691	57,950	68,514	74,250	76,185	27,356	50,274	9,178	437,398
Net fee and commission income	19,056	15,596	17,491	17,112	14,184	5,607	17,595	1,876	108,517
Net trading gain/(loss)	121	86	(145)	(142)	91	10	763	188	972
Dividend income	3	7	9	369	16	4	65	22	495
Net gain arising from investment securities	572	94	3	-	254	294	2,514	314	4,045
Other operating income/(loss), net	527	380	799	325	2,146	204	2,366	(1,434)	5,313
Operating income	93,970	74,113	86,671	91,914	92,876	33,475	73,577	10,144	556,740
Operating expenses	(32,786)	(26,040)	(31,538)	(36,644)	(34,581)	(14,074)	(15,766)	(4,559)	(195,988)
Impairment losses	(19,713)	(11,364)	(6,921)	(9,236)	(8,055)	(4,470)	(2,815)	663	(61,911)
Share of profits less losses of associates and joint ventures	-	-	-	152	-	-	-	93	245
Profit before tax	41,471	36,709	48,212	46,186	50,240	14,931	54,996	6,341	299,086
Capital expenditure	4,031	3,098	4,400	7,132	5,294	2,862	5,170	2,199	34,186
Depreciation and amortisation	2,845	1,863	2,664	3,305	2,812	1,508	2,541	273	17,811
					2014				
Segment assets	2,839,279	2,230,031	3,030,726	2,589,502	2,579,135	995,140	6,252,529	933,435	21,449,777
Interests in associates and joint ventures	-	-	-	955	-	-	-	2,129	3,084
	2,839,279	2,230,031	3,030,726	2,590,457	2,579,135	995,140	6,252,529	935,564	21,452,861
Deferred tax assets									39,436
Elimination									(4,748,167)
Total assets									16,744,130
Segment liabilities	2,829,616	2,226,878	3,013,946	2,580,217	2,572,912	993,889	5,143,025	879,050	20,239,533
Deferred tax liabilities									401
Elimination									(4,748,167)
Total liabilities									15,491,767
Off-balance sheet credit commitments	513,530	340,119	579,144	342,489	291,548	106,264	7,500	98,803	2,279,397



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12      **Operating segments(continued)**

(2)      **Business segments**

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

*Corporate banking*

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

*Personal banking*

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

*Treasury business*

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

*Others*

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

## 12 Operating segments(continued)

### (2) Business segments (continued)

	2014				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	231,445	18,702	173,732	13,519	437,398
Internal net interest income/(expenses)	4,211	143,122	(138,081)	(9,252)	-
<b>Net interest income</b>	<b>235,656</b>	<b>161,824</b>	<b>35,651</b>	<b>4,267</b>	<b>437,398</b>
Net fee and commission income	42,032	44,679	18,855	2,951	108,517
Net trading (loss)/gain	(6,948)	(5,595)	13,308	207	972
Dividend income	-	-	-	495	495
Net gain arising from investment securities	-	-	876	3,169	4,045
Other operating income, net	301	24	3,795	1,193	5,313
<b>Operating income</b>	<b>271,041</b>	<b>200,932</b>	<b>72,485</b>	<b>12,282</b>	<b>556,740</b>
Operating expenses	(73,419)	(106,506)	(6,852)	(9,211)	(195,988)
Impairment losses	(45,736)	(13,873)	(937)	(1,365)	(61,911)
Share of profits less losses of associates and joint ventures	-	-	-	245	245
<b>Profit before tax</b>	<b>151,886</b>	<b>80,553</b>	<b>64,696</b>	<b>1,951</b>	<b>299,086</b>
Capital expenditure	8,246	22,184	617	3,139	34,186
Depreciation and amortisation	4,558	12,263	341	649	17,811
			2014		
Segment assets	6,106,160	3,005,155	6,588,297	1,056,039	16,755,651
Interests in associates and joint ventures	-	-	-	3,084	3,084
	<b>6,106,160</b>	<b>3,005,155</b>	<b>6,588,297</b>	<b>1,059,123</b>	<b>16,758,735</b>
Deferred tax assets					39,436
Elimination					(54,041)
Total assets					<b>16,744,130</b>
Segment liabilities	<b>7,118,017</b>	<b>6,820,246</b>	<b>446,096</b>	<b>1,161,048</b>	<b>15,545,407</b>
Deferred tax liabilities					401
Elimination					(54,041)
Total liabilities					<b>15,491,767</b>
Off-balance sheet credit commitments	<b>1,705,786</b>	<b>474,580</b>	-	<b>99,031</b>	<b>2,279,397</b>

## 12 Operating segments (continued)

### (2) Business segments (continued)

	2013				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	224,956	731	155,016	8,841	389,544
Internal net interest (expenses)/income	(21,991)	133,721	(103,921)	(7,809)	-
<b>Net interest income</b>	<b>202,965</b>	<b>134,452</b>	<b>51,095</b>	<b>1,032</b>	<b>389,544</b>
Net fee and commission income	42,119	40,870	18,909	2,385	104,283
Net trading (loss)/gain	(1,352)	(78)	5,763	(1,241)	3,092
Dividend income	-	-	-	446	446
Net gain arising from investment securities	-	-	557	838	1,395
Other operating income/(expenses), net	497	452	(1,207)	12,638	12,380
<b>Operating income</b>	<b>244,229</b>	<b>175,696</b>	<b>75,117</b>	<b>16,098</b>	<b>511,140</b>
Operating expenses	(66,997)	(101,111)	(6,374)	(13,703)	(188,185)
Impairment losses	(31,293)	(9,950)	364	(2,330)	(43,209)
Share of profits less losses of associates and joint ventures	-	-	-	60	60
<b>Profit before tax</b>	<b>145,939</b>	<b>64,635</b>	<b>69,107</b>	<b>125</b>	<b>279,806</b>
Capital expenditure	8,179	23,905	605	4,891	37,580
Depreciation and amortisation	3,773	11,026	279	338	15,416
			2013		
Segment assets	5,585,454	2,590,881	6,505,051	744,879	15,426,265
Interests in associates and joint ventures	-	-	-	2,624	2,624
	<u>5,585,454</u>	<u>2,590,881</u>	<u>6,505,051</u>	<u>747,503</u>	<u>15,428,889</u>
Deferred tax assets					38,448
Elimination					(104,127)
Total assets					<u>15,363,210</u>
Segment liabilities	<u>6,772,134</u>	<u>6,376,797</u>	<u>389,827</u>	<u>854,112</u>	14,392,870
Deferred tax liabilities					138
Elimination					(104,127)
Total liabilities					<u>14,288,881</u>
Off-balance sheet credit commitments	<u>1,828,104</u>	<u>409,316</u>	<u>-</u>	<u>72,807</u>	<u>2,310,227</u>

## Unaudited supplementary financial information

### (a) Liquidity ratios

	As at 31 December 2014	Average for the year ended 31 December 2014	As at 31 December 2013	Average for the year ended 31 December 2013
RMB current assets to RMB current liabilities	<b>48.88%</b>	<b>48.30%</b>	46.57%	49.25%
Foreign currency current assets to foreign currency current liabilities	<b>57.03%</b>	<b>56.87%</b>	55.20%	49.16%

The above liquidity ratios are calculated in accordance with the formula promulgated by the CBRC.

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

**(b) Currency concentrations**

	2014			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	741,109	186,089	120,360	1,047,558
Spot liabilities	(713,853)	(207,223)	(141,626)	(1,062,702)
Forward purchases	778,919	46,628	91,559	917,106
Forward sales	(802,482)	(19,482)	(60,739)	(882,703)
Net options position	747	-	(152)	595
Net long position	<u>4,440</u>	<u>6,012</u>	<u>9,402</u>	<u>19,854</u>
Net structural position	<u>4,506</u>	<u>1,619</u>	<u>(1,479)</u>	<u>4,646</u>
2013				
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	731,627	141,255	71,352	944,234
Spot liabilities	(540,063)	(174,454)	(117,234)	(831,751)
Forward purchases	740,072	57,311	105,430	902,813
Forward sales	(924,064)	(11,030)	(55,931)	(991,025)
Net options position	200	-	-	200
Net long/(short) position	<u>7,772</u>	<u>13,082</u>	<u>3,617</u>	<u>24,471</u>
Net structural position	<u>5,775</u>	<u>3,775</u>	<u>(1,645)</u>	<u>7,905</u>

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

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

**(c) Cross-border claims**

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

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

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

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

	2014			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	21,421	1,276	274,007	296,704
- of which attributed to Hong Kong	9,175	501	204,110	213,786
Europe	9,889	57	13,321	23,267
North and South America	12,792	487	79,640	92,919
Total	44,102	1,820	366,968	412,890

  

	2013			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	18,759	1,760	166,365	186,884
- of which attributed to Hong Kong	9,142	322	138,643	148,107
Europe	2,471	74	15,389	17,934
North and South America	15,232	239	61,755	77,226
Total	36,462	2,073	243,509	282,044

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

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

	<u>2014</u>	<u>2013</u>
Yangtze River Delta	<b>33,320</b>	31,208
Pearl River Delta	<b>11,151</b>	7,253
Central	<b>9,413</b>	6,950
Bohai Rim	<b>7,833</b>	4,139
Western	<b>7,555</b>	4,702
Northeastern	<b>4,923</b>	4,470
Head office	<b>3,246</b>	2,642
Overseas	<b>1,370</b>	263
Total	<b><u>78,811</u></b>	<b><u>61,627</u></b>

The above analysis represents the gross amount of loans and advances overdue for more than three months.

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The year of 2014 witnessed growing imbalance of economic growth around the world. The U.S. economy gained momentum of economic growth; the Euro zone slightly recovered with remaining recession risk; Japan faced insufficient driving force of economic growth; the emerging market economies were confronted with increasing pressure in economic growth. The global economy was under the intertwined influence of geopolitical risks, stronger US dollar and commodity price fluctuations. According to the report published by the International Monetary Fund, the global economic growth rate was 3.3% in 2014, an increase of 0.3 percentage points from 2013.

In 2014, despite increasing downward pressure, China's economy maintained steady growth on the whole. China had a large economic volume and a huge market, with relatively strong anti-risk competence. As the macro-control manner was constantly innovated and optimised in recent years, China made positive progress in economic restructuring, transformation and upgrading. The introduction of important policies such as "One Belt and One Road", "Coordinated Development of Beijing-Tianjin-Hebei", "Yangtze River Economic Belt" and the expansion of free trade zones paved the way for future development. In 2014, China's GDP was RMB63.6 trillion, up by 7.4% over 2013, while the consumer price index increased by 2.0% over the previous year.

In 2014, China's financial market continued to grow smoothly. Monetary policy adjusted slightly in time, and moderately loose market liquidity was accompanied with slightly decreased yet stable financing cost. The reform of interest rate liberalisation was pushed forward orderly. While the asymmetric interest rate cuts were introduced, the floating range of deposit interest rate was expanded to 1.2 times of the benchmark rate. The reform of exchange rate liberalisation was accelerated with more flexible floating regime of RMB exchange rate. At the end of 2014, the outstanding broad money supply M2 increased by 12.2% over the previous year to RMB122.8 trillion, and the narrow money supply M1 increased by 3.2% to RMB34.8 trillion. The amount of loans granted in RMB increased by 13.6% to RMB81.7 trillion. Deposits in RMB increased by 9.1% over 2013 to RMB113.9 trillion.

The Group closely monitored the trend of domestic and foreign economic development and changes in regulatory policies, insisted on transformation and development and sound operation, strengthened risk prevention and control, and timely adjusted operation strategies, achieving steady business development, stable asset quality and favourable core business indicators.

## Statement of Comprehensive Income Analysis

In 2014, the Group recorded profit before tax of RMB299,086 million, up by 6.89% over 2013. Net profit was RMB228,247 million, up by 6.10% over 2013. The steady growth of the Group's profitability was mainly due to the following factors: First, the interest-earning assets increased moderately, and NIM rose steadily, pushing up net interest income by RMB47,854 million, or 12.28% over 2013. Second, the Group actively carried out service and product innovations, and improved comprehensive service ability, with net fee and commission income increasing by RMB4,234 million, or 4.06% over the previous year. Third, the Group further improved its cost management and optimised its expenses structure, resulting in a significant decrease in the growth rate of operating expenses compared with that of last year, and cost-to-income ratio decreased by 0.73 percentage points to 28.92% over 2013. In addition, the Group made prudent and sufficient provisions for impairment losses on loans and advances to customers. The expense on impairment losses was RMB61,911 million, up by 43.28% over 2013.

The following table sets forth the composition of the Group's statement of comprehensive income and the changes during the respective periods.

(In millions of RMB, except percentages)	Year ended 31 December 2014	Year ended 31 December 2013	Change (%)
Net interest income	437,398	389,544	12.28
Net non-interest income	119,342	121,596	(1.85)
– Net fee and commission income	108,517	104,283	4.06
<b>Operating income</b>	<b>556,740</b>	<b>511,140</b>	<b>8.92</b>
Operating expenses	(195,988)	(188,185)	4.15
Impairment losses	(61,911)	(43,209)	43.28
Share of profits less losses of associates and joint ventures	245	60	308.33
<b>Profit before tax</b>	<b>299,086</b>	<b>279,806</b>	<b>6.89</b>
Income tax expense	(70,839)	(64,684)	9.52
<b>Net profit</b>	<b>228,247</b>	<b>215,122</b>	<b>6.10</b>
Other comprehensive income for the year, net of tax	23,701	(23,422)	(201.19)
<b>Total comprehensive income for the year</b>	<b>251,948</b>	<b>191,700</b>	<b>31.43</b>

### Net interest income

In 2014, the Group's net interest income was RMB437,398 million, an increase of RMB47,854 million, or 12.28%, over the previous year. The net interest income accounted for 78.56% of the operating income.

The following table sets forth 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 2014			Year ended 31 December 2013		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
<b>Assets</b>						
Gross loans and advances to customers	9,111,534	532,829	5.85	8,104,173	469,049	5.79
Investments in debt securities	3,204,444	129,237	4.03	2,929,513	109,576	3.74
Deposits with central banks	2,527,915	39,177	1.55	2,417,929	37,589	1.55
Deposits and placements with banks and non-bank financial institutions	551,451	25,522	4.63	646,623	24,889	3.85
Financial assets held under resale agreements	247,698	12,361	4.99	122,041	5,150	4.22
Total interest-earning assets	15,643,042	739,126	4.72	14,220,279	646,253	4.54
Total allowances for impairment losses	(247,757)			(222,278)		
Non-interest-earning assets	933,259			523,820		
Total assets	16,328,544	739,126		14,521,821	646,253	
<b>Liabilities</b>						
Deposits from customers	12,354,674	237,383	1.92	11,690,720	220,588	1.89
Deposits and placements from banks and non-bank financial institutions	1,473,193	48,039	3.26	855,906	21,002	2.45
Financial assets sold under repurchase agreements	15,683	448	2.86	29,616	1,097	3.70
Debt securities issued	409,369	14,223	3.47	310,470	10,207	3.29
Other interest-bearing liabilities	53,791	1,635	3.04	105,706	3,815	3.61
Total interest-bearing liabilities	14,306,710	301,728	2.11	12,992,418	256,709	1.98
Non-interest-bearing liabilities	840,682			495,122		
Total liabilities	15,147,392	301,728		13,487,540	256,709	
<b>Net interest income</b>		<b>437,398</b>			<b>389,544</b>	
<b>Net interest spread</b>			<b>2.61</b>			<b>2.56</b>
<b>Net interest margin</b>			<b>2.80</b>			<b>2.74</b>

In 2014, the Group actively responded to challenges arising from interest rate liberalisation by constantly improving the pricing capability, optimising its assets and liabilities structure and adjusting structures of credit, customer mix and debt securities investment portfolios, which positively counteracted the negative impacts of interest rate liberalisation. As a result, net interest margin rose to 2.80%, up by six basis points over last year.

The following table sets forth 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 2014 versus 2013.

(In millions of RMB)	Volume factor <sup>1</sup>	Interest rate factor <sup>1</sup>	Change in interest income/expense
<b>Assets</b>			
Gross loans and advances to customers	58,871	4,909	63,780
Investments in debt securities	10,766	8,895	19,661
Deposits with central banks	1,588	-	1,588
Deposits and placements with banks and non-bank financial institutions	(3,978)	4,611	633
Financial assets held under resale agreements	6,125	1,086	7,211
<b>Change in interest income</b>	<b>73,372</b>	<b>19,501</b>	<b>92,873</b>
<b>Liabilities</b>			
Deposits from customers	13,126	3,669	16,795
Deposits and placements from banks and non-bank financial institutions	18,539	8,498	27,037
Financial assets sold under repurchase agreements	(438)	(211)	(649)
Debt securities issued	3,427	589	4,016
Other interest-bearing liabilities	(1,649)	(531)	(2,180)
<b>Change in interest expense</b>	<b>33,005</b>	<b>12,014</b>	<b>45,019</b>
<b>Change in net interest income</b>	<b>40,367</b>	<b>7,487</b>	<b>47,854</b>

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

Net interest income increased by RMB47,854 million over the previous year, in which an increase of RMB40,367 million was due to the movement of average balances of assets and liabilities, and an increase of RMB7,487 million was due to the movement of average yields or average costs.

### ***Interest income***

The Group's interest income in 2014 was RMB739,126 million, an increase of RMB92,873 million, or 14.37%, over 2013. In this amount, the proportions of interest income from loans and advances to customers, investments in debt securities, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements were 72.09%, 17.49%, 5.30%, 3.45% and 1.67%, respectively.

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

The following table sets forth 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 2014			Year ended 31 December 2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
<b>Corporate loans and advances</b>	5,647,433	347,322	6.15	5,155,270	316,540	6.14
Short-term loans	2,049,635	119,580	5.83	1,867,434	108,233	5.80
Medium to long-term loans	3,597,798	227,742	6.33	3,287,836	208,307	6.34
<b>Personal loans and advances</b>	2,670,092	156,098	5.85	2,245,054	129,438	5.77
<b>Discounted bills</b>	125,927	7,002	5.56	140,464	7,510	5.35
<b>Overseas operations and subsidiaries</b>	668,082	22,407	3.35	563,385	15,561	2.76
<b>Gross loans and advances to customers</b>	9,111,534	532,829	5.85	8,104,173	469,049	5.79

Interest income from loans and advances to customers rose by RMB63,780 million, or 13.60% year-on-year, to RMB532,829 million, mainly because the average balance of loans and advances to customers increased by 12.43% over 2013. The Group actively adjusted credit structure by increasing loans to retail trade and enhanced loan pricing management. The weighted average interest rate for newly granted loans maintained at a good level, and the average yield of loans and advances to customers increased by six basis points to 5.85% over the previous year.

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

Interest income from investments in debt securities grew by RMB19,661 million, or 17.94% over 2013, to RMB129,237 million. This was mainly because the average balance and average yield of investments in debt securities increased over 2013, due to the structure optimisation of investments portfolio, and increased investments in debt securities by seizing favourable market opportunities.

#### *Interest income from deposits with central banks*

Interest income from deposits with central banks amounted to RMB39,177 million, an increase of RMB1,588 million, or 4.22% over 2013. This was mainly because the average balance of deposits with central banks increased by 4.55% over 2013.

#### *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 RMB633 million to RMB25,522 million, an increase of 2.54% over 2013. This was primarily because the average yield of deposits and placements with banks and non-bank financial institutions increased by 78 basis points to 4.63% over 2013, which was partly offset by the decrease in average balance.

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

Interest income of financial assets held under resale agreements was RMB12,361 million, an increase of RMB7,211 million, or 140.02%, over the previous year. This was mainly because the

average balance and average yield of financial assets held under resale agreements increased by 102.96% and 77 basis points year-on-year, respectively.

### ***Interest expense***

The Group's interest expense in 2014 was RMB301,728 million, an increase of RMB45,019 million, or 17.54% year-on-year.

#### ***Interest expense on deposits from customers***

The following table sets forth 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 2014			Year ended 31 December 2013		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>	6,354,834	114,241	1.80	6,047,456	107,476	1.78
Demand deposits	3,739,795	28,063	0.75	3,591,410	25,741	0.72
Time deposits	2,615,039	86,178	3.30	2,456,046	81,735	3.33
<b>Personal deposits</b>	5,657,331	116,152	2.05	5,420,535	110,042	2.03
Demand deposits	2,325,870	8,224	0.35	2,255,075	8,079	0.36
Time deposits	3,331,461	107,928	3.24	3,165,460	101,963	3.22
<b>Overseas operations and subsidiaries</b>	342,509	6,990	2.04	222,729	3,070	1.38
<b>Total deposits from customers</b>	12,354,674	237,383	1.92	11,690,720	220,588	1.89

Interest expense on deposits from customers increased by RMB16,795 million to RMB237,383 million, up by 7.61% over 2013, mainly because the average balance increased by 5.68% over the previous year. The average cost increased by three basis points to 1.92% over 2013, mainly because the proportion of rising interest rate of deposits from customers increased with the deepening of interest rate liberalisation. From the second half of 2013, the Bank designated the newly issued principal-guaranteed wealth management products as financial liabilities at fair value through profit or loss, which pushed down the growth rate and cost of deposit balance to some extent.

#### ***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 stood at RMB48,039 million, an increase of RMB27,037 million, or 128.74% over 2013, largely because the average balance of deposits and placements from banks and non-bank financial institutions increased by 72.12% and the average cost increased by 81 basis points to 3.26% over 2013.

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

Interest expense on financial assets sold under repurchase agreements decreased by RMB649 million, or 59.16%, over 2013, to RMB448 million. This was primarily because the average balance of financial assets sold under repurchase agreements decreased by 47.05% and the average cost decreased by 84 basis points to 2.86% over 2013.

### Net non-interest income

The following table sets forth the composition and change of the Group's net non-interest income during the respective periods.

(In millions of RMB, except percentages)	Year ended 31 December 2014	Year ended 31 December 2013	Change (%)
Fee and commission income	112,238	107,432	4.47
Less: fee and commission expense	(3,721)	(3,149)	18.16
Net fee and commission income	108,517	104,283	4.06
Other net non-interest income	10,825	17,313	(37.47)
<b>Total net non-interest income</b>	<b>119,342</b>	<b>121,596</b>	<b>(1.85)</b>

In 2014, the Group's net non-interest income reached RMB119,342 million, a decrease of RMB2,254 million, or 1.85% over 2013.

### Net fee and commission income

The following table sets forth the composition and change of the Group's net fee and commission income during the respective periods.

(In millions of RMB, except percentages)	Year ended 31 December 2014	Year ended 31 December 2013	Change (%)
<b>Fee and commission income</b>	<b>112,238</b>	<b>107,432</b>	<b>4.47</b>
Bank card fees	30,569	25,783	18.56
Consultancy and advisory fees	18,640	21,130	(11.78)
Settlement and clearing fees	13,630	12,422	9.72
Agency service fees	13,204	12,395	6.53
Wealth management service fees	10,856	10,680	1.65
Commission on trust and fiduciary activities	8,837	9,135	(3.26)
Electronic banking service fees	6,407	5,740	11.62
Credit commitment fees	3,131	2,741	14.23
Guarantee fees	2,084	1,886	10.50
Others	4,880	5,520	(11.59)
<b>Fee and commission expense</b>	<b>(3,721)</b>	<b>(3,149)</b>	<b>18.16</b>
<b>Net fee and commission income</b>	<b>108,517</b>	<b>104,283</b>	<b>4.06</b>

In 2014, the Group's net fee and commission income increased by 4.06% to RMB108,517 million over 2013. The ratio of net fee and commission income to operating income decreased by 0.91 percentage points to 19.49% over 2013.

Bank card fees grew by 18.56% to RMB30,569 million. In this amount, fees from credit cards increased by more than 30%, mainly because the Group actively developed high-quality customers and instalment transactions, and accelerated product innovation. Relying on strong customer base



and service systems, debit cards maintained a steady growth in terms of transaction volume and income.

Consultancy and advisory fees decreased by 11.78% to RMB18,640 million, mainly due to the decrease in income from financial advisory services. Income from cost advisory service maintained steady growth.

Settlement and clearing fees increased by 9.72% to RMB13,630 million. This was because the Bank proactively promoted new settlement products such as self-service of statement of corporate account, all-in-one corporate account and corporate settlement card. The relevant business volume and income increased rapidly.

Agency service fees increased by 6.53% to RMB13,204 million, which was mainly because businesses such as agency fund sales and underwriting of debt securities grew well.

Wealth management service fees increased by 1.65% to RMB10,856 million. It was mainly because the Group adopted prudent and stable operating strategy, and introduced products that satisfied the needs of market and customers, with a steady growth of wealth management products in terms of both scale and sales volume.

Commission on trust and fiduciary activities was RMB8,837 million, down by 3.26%. It was mainly because the income from products such as “Safe Deal” custodial service for trading funds decreased.

Electronic banking service fees grew by 11.62% to RMB6,407 million, mainly due to the accelerated channel construction and product innovation. Customer base and trading volume of online banking, mobile banking and SMS financial service gained rapid growth.

Going forward, the Group will continue to promote the structure optimisation of fee-based business, upgrade service abilities through products innovation and refined management, and maintain the market competitiveness of fee-based business products for the steady growth of income.

#### ***Other net non-interest income***

The following table sets forth the composition and change of the Group’s other net non-interest income during the respective periods.

(In millions of RMB, except percentages)	Year ended 31 December 2014	Year ended 31 December 2013	Change (%)
Net trading gain	972	3,092	(68.56)
Dividend income	495	446	10.99
Net gain arising from investment securities	4,045	1,395	189.96
Other operating income, net	5,313	12,380	(57.08)
<b>Total other net non-interest income</b>	<b>10,825</b>	<b>17,313</b>	<b>(37.47)</b>

Other net non-interest income of the Group decreased by RMB6,488 million, or 37.47% over last year, to RMB10,825 million. In this amount, net trading gain decreased by RMB2,120 million, or 68.56%, over 2013 to RMB972 million. This was mainly due to the decrease in gains from derivative transactions. Net gain arising from investment securities increased by RMB2,650 million, or 189.96%, over 2013 to RMB4,045 million. This was mainly due to the gains from the disposal of available-for-sale equity instruments. Other net operating income was RMB5,313 million, a decrease of 57.08%, which was mainly due to the increase of cost in the insurance business of CCB Life.



## Operating expenses

The following table sets forth the composition of the Group's business and administrative expenses during respective periods.

(In millions of RMB, except percentages)	Year ended 31 December 2014	Year ended 31 December 2013
Staff costs	91,563	86,830
Premises and equipment expenses	30,545	26,750
Business taxes and surcharges	34,983	31,648
Others	38,897	42,957
<b>Total operating expenses</b>	<b>195,988</b>	<b>188,185</b>
<b>Cost-to-income ratio (%)</b>	<b>28.92</b>	<b>29.65</b>

In 2014, the Group enhanced cost management, and optimised expenses structure. Cost-to-income ratio fell by 0.73 percentage points to 28.92% over the previous year. The operating expenses were RMB195,988 million, an increase of RMB7,803 million, or 4.15%. In this amount, staff costs were RMB91,563 million, an increase of RMB4,733 million, up by 5.45% over 2013. Premises and equipment expenses were RMB30,545 million, an increase of RMB3,795 million, up by 14.19% over 2013. This was mainly because the expenses on rent and premises management and maintenance increased with greater investments in outlets construction in recent years.

## Impairment losses

The following table sets forth the composition of the Group's impairment losses during respective periods.

(In millions of RMB)	Year ended 31 December 2014	Year ended 31 December 2013
<b>Loans and advances to customers</b>	<b>59,264</b>	<b>42,666</b>
<b>Investments</b>	<b>836</b>	<b>(130)</b>
Available-for-sale financial assets	359	(949)
Held-to-maturity investments	281	1,056
Debt securities classified as receivables	196	(237)
<b>Others</b>	<b>1,811</b>	<b>673</b>
<b>Total impairment losses</b>	<b>61,911</b>	<b>43,209</b>

In 2014, the Group's impairment losses were RMB61,911 million, an increase of RMB18,702 million, or 43.28% over 2013. In this amount, impairment losses on loans and advances to customers were RMB59,264 million, an increase of RMB16,598 million over 2013. Impairment losses on investments was RMB836 million, an increase of RMB966 million over 2013.

## Income tax expense

In 2014, the Group's income tax expense reached RMB70,839 million, an increase of RMB6,155 million over 2013. The effective income tax rate was 23.69%, 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.

## Statement of Financial Position Analysis

### Assets

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

(In millions of RMB, except percentages)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Gross loans and advances to customers	9,474,523		8,590,057	
Allowances for impairment losses on loans	(251,613)		(228,696)	
Net loans and advances to customers	9,222,910	55.08	8,361,361	54.42
Investments <sup>1</sup>	3,727,869	22.26	3,414,617	22.23
Cash and deposits with central banks	2,610,781	15.59	2,475,001	16.11
Deposits and placements with banks and non-bank financial institutions	514,986	3.08	473,351	3.08
Financial assets held under resale agreements	273,751	1.63	281,447	1.83
Interest receivable	91,495	0.55	80,731	0.53
Others <sup>2</sup>	302,338	1.81	276,702	1.80
<b>Total assets</b>	<b>16,744,130</b>	<b>100.00</b>	<b>15,363,210</b>	<b>100.00</b>

1. These comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.

2. These comprise precious metals, positive fair value of derivatives, interests in associates and jointly controlled entities, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

As at 31 December 2014, the Group's total assets stood at RMB16,744,130 million, an increase of RMB1,380,920 million, or 8.99%, over 2013. This was mainly due to increases in loans and advances to customers, and investments. With the Group's active support for the development in the real economy and people's livelihood sectors, net loans and advances to customers accounted for 55.08% of total assets, an increase of 0.66 percentage points over 2013. The Group optimised the structure of investment portfolio and expanded investments in high-quality and high-yield debt securities at the high position of market interest rate, and investments increased by 0.03 percentage points, accounting for 22.26% of total assets. The Group adjusted the amounts of fund use in accordance with the liquidity situation in the market, and deposits and placements with banks and non-bank financial institutions accounted for 3.08% of total assets. Cash and deposits with central banks decreased by 0.52 percentage points, accounting for 15.59% of total assets.

### ***Loans and advances to customers***

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

	As at 31 December 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
<b>Corporate loans and advances</b>	5,760,406	60.80	5,399,631	62.86
Short-term loans	1,907,304	20.13	1,870,823	21.78
Medium to long-term loans	3,853,102	40.67	3,528,808	41.08
<b>Personal loans and advances</b>	2,884,146	30.44	2,464,654	28.69
Residential mortgages	2,253,815	23.79	1,880,219	21.89
Credit card loans	329,164	3.47	268,663	3.13
Personal consumer loans	58,040	0.61	71,490	0.83
Personal business loans	75,002	0.79	91,655	1.07
Other loans <sup>1</sup>	168,125	1.78	152,627	1.77
<b>Discounted bills</b>	168,923	1.78	116,962	1.36
<b>Overseas operations and subsidiaries</b>	661,048	6.98	608,810	7.09
<b>Gross loans and advances to customers</b>	<b>9,474,523</b>	<b>100.00</b>	<b>8,590,057</b>	<b>100.00</b>

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

As at 31 December 2014, the Group's gross loans and advances to customers rose by RMB884,466 million, or 10.30% over 2013, to RMB9,474,523 million.

Domestic corporate loans and advances of the Bank reached RMB5,760,406 million, an increase of RMB360,775 million, or 6.68% over 2013, mainly invested in infrastructure sectors, small and micro businesses and agriculture-related loans. In this amount, short-term loans increased by RMB36,481 million, or 1.95%, while medium to long-term loans increased by RMB324,294 million, or 9.19%.

Domestic personal loans and advances of the Bank increased by RMB419,492 million, or 17.02% over 2013, to RMB2,884,146 million. In this amount, residential mortgages rose by RMB373,596 million, or 19.87%, mainly to support the financing needs for residential purpose. Credit card loans maintained a rapid growth, with an increase of RMB60,501 million, or 22.52% over 2013. Personal consumer loans and personal business loans decreased as a result of the enhancement of loan risk control and adjustment of loan product structure.

Discounted bills increased by RMB51,961 million, or 44.43%, to RMB168,923 million over 2013, mainly used to meet the short-term financing needs of targeted prime customers.

Loans and advances to customers of overseas entities and subsidiaries rose by RMB52,238 million, or 8.58% over 2013, to RMB661,048 million, largely attributable to the acquisition of BIC in Brazil and loan increase of domestic subsidiaries.

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

The following table 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 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Unsecured loans	2,544,820	26.86	2,336,298	27.20
Guaranteed loans	1,826,894	19.28	1,652,755	19.24
Loans secured by tangible assets other than monetary assets	4,223,844	44.58	3,734,986	43.48
Loans secured by monetary assets	878,965	9.28	866,018	10.08
<b>Gross loans and advances to customers</b>	<b>9,474,523</b>	<b>100.00</b>	<b>8,590,057</b>	<b>100.00</b>

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

(In millions of RMB)	Year ended 31 December 2014			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	which are individually assessed	Total
As at 1 January	171,027	5,532	52,137	228,696
Charge for the year	13,995	4,975	50,039	69,009
Release during the year	-	39	(9,784)	(9,745)
Unwinding of discount	-	-	(1,943)	(1,943)
Transfers out	1,230	69	(15,475)	(14,176)
Write-offs	-	(3,168)	(18,317)	(21,485)
Recoveries	-	141	1,116	1,257
<b>As at 31 December</b>	<b>186,252</b>	<b>7,588</b>	<b>57,773</b>	<b>251,613</b>

The Group adhered to the prudent principle by fully considering the impact of changes in external environment including macro economy and government regulatory policies on credit asset quality, and made full provisions for impairment losses on loans and advances to customers. As at 31 December 2014, the allowances for impairment losses on loans and advances to customers were RMB251,613 million, an increase of RMB22,917 million over 2013. The ratio of allowances to non-performing loans was 222.33%, a decrease of 45.89 percentage points over 2013. The ratio of allowances to total loans stood at 2.66%, remaining unchanged over 2013.

## Investments

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

(In millions of RMB, except percentages)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Debt securities investments	3,475,683	93.24	3,115,865	91.25
Equity instruments	18,633	0.50	19,249	0.56
Funds	1,901	0.05	937	0.03
Other debt instruments	231,652	6.21	278,566	8.16
<b>Total investments</b>	<b>3,727,869</b>	<b>100.00</b>	<b>3,414,617</b>	<b>100.00</b>

In 2014, in accordance with its annual investment and trading strategy and risk policy requirements, the Group proactively dealt with regulatory and market changes, reasonably balanced risks and returns, and continuously optimised the structure of investment portfolio. As at 31 December 2014, the Group's investments totalled RMB3,727,869 million, an increase of RMB313,252 million, or 9.17% over 2013. In this amount, debt securities investments accounted for 93.24% of total investments, an increase of 1.99 percentage points over 2013. Other debt instruments accounted for 6.21% of total investments, a decrease of 1.95 percentage points over 2013.

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

(In millions of RMB, except percentages)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	332,235	8.91	364,050	10.66
Available-for-sale financial assets	926,170	24.85	760,292	22.26
Held-to-maturity investments	2,298,663	61.66	2,100,538	61.52
Debt securities classified as receivables	170,801	4.58	189,737	5.56
<b>Total investments</b>	<b>3,727,869</b>	<b>100.00</b>	<b>3,414,617</b>	<b>100.00</b>

### *Debt securities investments*

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

(In millions of RMB, except percentages)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
RMB	3,398,644	97.78	3,051,957	97.95
USD	28,896	0.83	36,066	1.16
HKD	25,775	0.74	15,604	0.50
Other foreign currencies	22,368	0.65	12,238	0.39
<b>Total debt securities investments</b>	<b>3,475,683</b>	<b>100.00</b>	<b>3,115,865</b>	<b>100.00</b>

As at 31 December 2014, total debt securities investments increased by RMB359,818 million, or 11.55% over 2013, to RMB3,475,683 million. In this amount, RMB debt securities increased by RMB346,687 million, or 11.36%, while the foreign currency debt securities increased by RMB13,131 million, or 20.55% over 2013.

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

(In millions of RMB, except percentages)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Government	1,234,172	35.51	1,075,428	34.51
Central banks	188,152	5.41	197,910	6.35
Policy banks	537,148	15.45	445,850	14.31
Banks and non-bank financial institutions	1,030,907	29.66	895,277	28.73
Public sector entities	20	0.01	98	0.01
Cinda	-	-	18,852	0.61
Other enterprises	485,284	13.96	482,450	15.48
<b>Total debt securities investments</b>	<b>3,475,683</b>	<b>100.00</b>	<b>3,115,865</b>	<b>100.00</b>

### *Interest receivable*

As at 31 December 2014, the Group's interest receivable was RMB91,495 million, an increase of RMB10,764 million, or 13.33%, over 2013. This was mainly due to the growth in loans and debt securities investments.

## Liabilities

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

(In millions of RMB, except percentages)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Deposits from customers	12,898,675	83.26	12,223,037	85.54
Deposits and placements from banks and non-bank financial institutions	1,206,520	7.79	848,012	5.94
Financial assets sold under repurchase agreements	181,528	1.17	61,873	0.43
Debt securities issued	431,652	2.79	357,540	2.50
Other liabilities <sup>1</sup>	773,392	4.99	798,419	5.59
<b>Total liabilities</b>	<b>15,491,767</b>	<b>100.00</b>	<b>14,288,881</b>	<b>100.00</b>

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

As at 31 December 2014, the Group's total liabilities were RMB15,491,767 million, an increase of RMB1,202,886 million, or 8.42% over 2013. In this amount, deposits from customers accounted for 83.26% of total liabilities, a decrease of 2.28 percentage points over 2013. The Group moderately absorbed funds from other banks, and deposits and placements from banks and non-bank financial institutions accounted for 7.79% of total liabilities, an increase of 1.85 percentage points. Debt securities issued accounted for 2.79% of total liabilities, up by 0.29 percentage points, mainly because the overseas branches and CCB Asia issued more certificates of deposit.

### Deposits from customers

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

(In millions of RMB, except percentages)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
<b>Corporate deposits</b>	<b>6,616,671</b>	<b>51.30</b>	<b>6,443,255</b>	<b>52.71</b>
Demand deposits	3,966,684	30.75	4,064,038	33.25
Time deposits	2,649,987	20.55	2,379,217	19.46
<b>Personal deposits</b>	<b>5,877,014</b>	<b>45.56</b>	<b>5,514,647</b>	<b>45.12</b>
Demand deposits	2,302,089	17.85	2,510,525	20.54
Time deposits	3,574,925	27.71	3,004,122	24.58
<b>Overseas operations and subsidiaries</b>	<b>404,990</b>	<b>3.14</b>	<b>265,135</b>	<b>2.17</b>
<b>Total deposits from customers</b>	<b>12,898,675</b>	<b>100.00</b>	<b>12,223,037</b>	<b>100.00</b>

As at 31 December 2014, the Group's total deposits from customers reached RMB12,898,675 million, an increase of RMB675,638 million, or 5.53% over 2013. In this amount, domestic time

deposits of the Bank increased by RMB841,573 million, or 15.63%, and accounted for 48.26% of total deposits from customers, an increase of 4.22 percentage points.

### Shareholder's equity

The following table sets forth the composition of the Group's total equity as at the dates indicated.

(In millions of RMB)	As at 31 December 2014	As at 31 December 2013
Share capital	250,011	250,011
Capital reserve	135,391	135,523
Investment revaluation reserve	4,562	(19,290)
Surplus reserve	130,515	107,970
General reserve	169,496	153,835
Retained earnings	558,705	444,084
Exchange reserve	(6,501)	(6,182)
<b>Total equity attributable to equity shareholders of the Bank</b>	<b>1,242,179</b>	<b>1,065,951</b>
Non-controlling interests	10,184	8,378
<b>Total equity</b>	<b>1,252,363</b>	<b>1,074,329</b>

As at 31 December 2014, the Group's total equity reached RMB1,252,363 million, an increase of RMB178,034 million over last year. The ratio of total equity to total assets for the Group was 7.48%.

### Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts, and equity instrument contracts. Please refer to Note "Derivatives" in the "Financial Statements" of this annual report for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, outstanding litigation and disputes. The Group refined management over off-balance sheet activities and continued to adjust off-balance sheet items structure. Among these, credit commitments were the largest component, with a balance of RMB2,279,397 million as at 31 December 2014, a decrease of RMB30,830 million over 2013. Please refer to Note "Commitments and Contingent Liabilities" in the "Financial Statements" in this annual report for details on commitments and contingent liabilities.



## Loan Quality Analysis

### Distribution of loans by the five-category classification

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

(In millions of RMB, except percentages)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Normal	9,079,893	95.84	8,300,113	96.63
Special mention	281,459	2.97	204,680	2.38
Substandard	55,059	0.58	32,100	0.37
Doubtful	48,239	0.51	42,231	0.49
Loss	9,873	0.10	10,933	0.13
<b>Gross loans and advances to customers</b>	<b>9,474,523</b>	<b>100.00</b>	<b>8,590,057</b>	<b>100.00</b>
<b>Non-performing loans</b>	<b>113,171</b>		<b>85,264</b>	
<b>Non-performing loan ratio</b>		<b>1.19</b>		<b>0.99</b>

In 2014, the Group continued to deepen credit structural adjustments, comprehensively strengthened post-lending management and risk prevention and mitigation, and expedited NPL disposal. As a result, credit asset quality remained stable. As at 31 December 2014, the Group's NPLs were RMB113,171 million, an increase of RMB27,907 million from 2013, while the NPL ratio was 1.19%, up by 0.20 percentage points over last year. The proportion of special mention loans was 2.97%, up by 0.59 percentage points over 2013.

## 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 2014			As at 31 December 2013		
	Loans	NPLs	NPL ratio (%)	Loans	NPLs	NPL ratio (%)
<b>Corporate loans and advances</b>	5,760,406	95,886	1.66	5,399,631	76,481	1.42
Short-term loans	1,907,304	66,894	3.51	1,870,823	50,142	2.68
Medium to long-term loans	3,853,102	28,992	0.75	3,528,808	26,339	0.75
<b>Personal loans and advances</b>	2,884,146	11,067	0.38	2,464,654	8,002	0.32
Residential mortgages	2,253,815	4,806	0.21	1,880,219	3,203	0.17
Credit card loans	329,164	2,783	0.85	268,663	1,772	0.66
Personal consumer loans	58,040	848	1.46	71,490	780	1.09
Personal business loans	75,002	1,535	2.05	91,655	1,449	1.58
Other loans	168,125	1,095	0.65	152,627	798	0.52
<b>Discounted bills</b>	168,923	-	-	116,962	-	-
<b>Overseas operations and subsidiaries</b>	661,048	6,218	0.94	608,810	781	0.13
<b>Total</b>	<b>9,474,523</b>	<b>113,171</b>	<b>1.19</b>	<b>8,590,057</b>	<b>85,264</b>	<b>0.99</b>

As at 31 December 2014, the NPL ratio for domestic corporate loans was 1.66%, an increase of 0.24 percentage points from 2013, and the NPL ratio for personal loans and advances was 0.38%, an increase of 0.06 percentage points over 2013. Driven by the consolidation of BIC in Brazil, the NPL ratio for overseas entities and subsidiaries increased by 0.81 percentage points over 2013.

## Distribution of loans and NPLs by industry

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

(In millions of RMB, except percentages)	As at 31 December 2014				As at 31 December 2013			
	Loans	% of total	NPLs	NPL ratio (%)	Loans	% of total	NPLs	NPL ratio (%)
<b>Corporate loans</b>	5,760,406	60.80	95,886	1.66	5,399,631	62.86	76,481	1.42
Manufacturing	1,305,595	13.78	48,490	3.71	1,322,660	15.40	38,083	2.88
Transportation, storage and postal services	1,046,282	11.04	4,839	0.46	956,597	11.14	5,297	0.55
Production and supply of electric power, heat, gas and water	606,342	6.40	1,850	0.31	571,028	6.65	2,030	0.36
Real estate	520,107	5.49	5,737	1.10	500,428	5.83	3,807	0.76
Leasing and commercial services	581,267	6.14	868	0.15	473,877	5.52	982	0.21
- Commercial services	559,033	5.90	864	0.15	460,398	5.36	977	0.21
Wholesale and retail trade	378,880	4.00	23,130	6.10	392,744	4.57	19,302	4.91
Water, environment and public utility management	327,176	3.45	197	0.06	272,453	3.17	197	0.07
Construction	263,854	2.78	4,111	1.56	238,601	2.78	2,049	0.86
Mining	227,711	2.40	3,789	1.66	217,448	2.53	843	0.39
- Exploitation of petroleum and natural gas	6,015	0.06	-	0.00	4,888	0.06	4	0.08
Education	79,375	0.84	57	0.07	71,637	0.83	261	0.36
Information transmission, software and information technology services	21,744	0.23	1,111	5.11	29,569	0.34	950	3.21
- Telecommunications, broadcast and television, and satellite transmission services	14,367	0.15	495	3.45	22,369	0.26	462	2.07
Others	402,073	4.24	1,707	0.42	352,589	4.10	2,680	0.76
<b>Personal loans</b>	2,884,146	30.44	11,067	0.38	2,464,654	28.69	8,002	0.32
<b>Discounted bills</b>	168,923	1.78	-	0.00	116,962	1.36	-	-
<b>Overseas operations and subsidiaries</b>	661,048	6.98	6,218	0.94	608,810	7.09	781	0.13
<b>Total</b>	<b>9,474,523</b>	<b>100.00</b>	<b>113,171</b>	<b>1.19</b>	<b>8,590,057</b>	<b>100.00</b>	<b>85,264</b>	<b>0.99</b>

In 2014, in line with the “12th Five-Year Plan” and changes in other external policies, the Group duly optimised credit policies, re-examined credit systems, and refined customer risk selection criteria. It adhered to the limit management for various industries, and steadily promoted credit structural adjustments. The loan quality in infrastructure sectors remained stable. The new NPLs mainly arose from manufacturing, and wholesale and retail trade.

## 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 2014 or total equity as at 31 December 2014 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

## BUSINESS REVIEW

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

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

(In millions of RMB, except percentages)	Year ended 31 December 2014		Year ended 31 December 2013	
	Amount	% of total	Amount	% of total
Corporate banking	151,886	50.79	145,939	52.16
Personal banking	80,553	26.93	64,635	23.10
Treasury business	64,696	21.63	69,107	24.70
Others	1,951	0.65	125	0.04
<b>Profit before tax</b>	<b>299,086</b>	<b>100.00</b>	<b>279,806</b>	<b>100.00</b>

### Corporate Banking

Profit before tax from corporate banking segment increased by RMB5,947 million, or 4.07%, over 2013 to RMB151,886 million, and accounted for 50.79% of the Group's profit before tax, a decrease of 1.37 percentage points over last year. Operating income increased by 10.98% year-on-year. In this amount, net interest income from corporate banking increased by 16.11% over the previous year, driven by the development of corporate deposit and loan businesses; net fee and commission income decreased by 0.21% over 2013, due to the decline of income from products including domestic factoring and "Safe Deal" custodial service for trading funds. The impairment losses increased by 46.15% over last year, as the Group made full provisions for impairment losses on loans and advances to customers in light of the prudent principle.

### Corporate deposits

While strengthening the retention of existing customers, the Bank also focused on the application and innovation of deposit products portfolio to promote the steady growth of corporate deposits. At the end of 2014, domestic corporate deposits of the Bank amounted to RMB6,616,671 million, an increase of RMB173,416 million, or 2.69% over 2013.

### Corporate loans

The Bank's corporate loans were granted at a stable and balanced pace to mainly support the development of the real economy. At the end of 2014, domestic corporate loans and advances of the Bank amounted to RMB5,760,406 million, an increase of RMB360,775 million, or 6.68%. Loans to infrastructure sectors totalled RMB2,559,215 million, an increase of RMB271,482 million over last year, and accounted for 75.25% of the increase in corporate loans. Agriculture-related loans amounted to RMB1,796,642 million, an increase of RMB197,485 million, or 12.35%. In this amount, loans to new countryside construction amounted to RMB129,152 million, an increase of

RMB12,603 million, or 10.81%. The accumulated amount of loans granted to internet banking business since 2007 reached RMB137,125 million, extending to over 16,800 customers. The Bank further expanded cooperation with 84 high quality e-commerce platforms.

The Bank strictly implemented list management. Loans to the five industries with severe overcapacity, including iron and steel, cement, electrolytic aluminium, plate glass, as well as the shipbuilding sector, decreased by RMB4,986 million over last year to RMB140,707 million. The Bank strictly controlled the total amount of loans to government financing vehicles, and continuously optimised cash flow structures. The outstanding balance of those classified under the regulated category decreased by RMB28,638 million over last year. In this amount, loans fully covered by cash flows accounted for 95.60%. Property development loans were mainly extended to high quality real estate developers and the general residential projects with high credit rating, good business performance and proper closed management of project funds. The outstanding balance of property development loans was RMB471,338 million, an increase of RMB26,688 million over 2013.

### **Small enterprise business**

The Bank regards small and micro enterprise business as its important strategic business in support of the real economy. The Bank constantly pushed forward the transformation of business subdivision, standardisation, batch operation and intensification. In 2014, focusing on serving the real economy, the Bank proactively met the financial demands of small and micro enterprises that had market demand, technology, credibility and environmental protection awareness and promoted employment, by giving priority and attaching importance to small and micro enterprises. The Bank expanded the “Credit Cooperation Loan” business model and promoted cluster service. It continued to optimise systems and business procedures by adopting retailed scorecard tool to support the credit rating of small and micro enterprises, which largely improved the availability of loans for small and micro enterprises. The Bank expanded the application of the electronic channel, resulting in a huge increase in “E-banking revolving loan” characterised by self-service in application, withdrawal and repayment. Leveraging on standardised and intensified management of the small business operation centres, the Bank further expanded service coverage by recommending and handling small enterprise business for customers at outlets. At the end of 2014, according to the categorisation policy of SMEs jointly issued by four ministries and commissions including the Ministry of Industry and Information Technology in 2011 as well as the CBRC’s latest regulatory requirements, loans to small and micro enterprises were RMB1,142,928 million, an increase of RMB153,468 million or 15.51% over 2013, and the number of credit customers for small and micro business reached 249,737, an increase of 17,776.

### **Cost advisory service**

Cost advisory service is the Bank’s unique fee-based business product with a strong brand. It has a history of 60 years since it emerged and developed along with the Bank’s long-term practices of investing in fixed assets and being the agency of the state financial functions. The Bank’s 36 tier-one branches have grade-A qualification for engineering cost advisory service issued by the Ministry of Housing and Urban-Rural Development, and 223 tier-two branches set up specialised units for cost advisory service. The Bank reinforced fundamental management, improved specialised institutions and innovated businesses and products. All these led to a steady expansion in cost advisory service, with continuously improved industry position and brand image. In 2014, income from cost advisory service amounted to RMB9,318 million.

## **Institutional business**

The Bank vigorously promoted its updated “Minben Tongda” comprehensive financial services brand. With a focus on areas of education, health, culture and environmental protection, the Bank further expanded the range of comprehensive services. The Bank further deepened the close cooperative relationship with key and high quality customers such as Beijing Foreign Studies University, Zhejiang University, Xiamen University, Peking Union Medical College Hospital, China Broadcasting and Television Network Co., Ltd. etc. The Bank studied and formulated comprehensive financial service guide for scientific research industry and tourist attractions and comprehensive financial service plan on air pollution control. The Bank obtained the qualification to act as the agency bank for the central finance non-tax revenue collection, and as the agency bank for multiple fiscal businesses in places at the provincial, municipal and county levels in the provinces of Hunan, Guangdong and Yunnan, etc. It ranked first among peer banks in terms of the number of customers of the central finance authorised payment and non-tax revenue collection agency service. The Bank was successfully shortlisted as the cooperation bank of the “Southbound Trading”, and concluded the Strategic Cooperation Agreement with Shenzhen Stock Exchange, Dalian Commodity Exchange and Shanghai Clearing House. At the end of 2014, the number of “Xincunguan” customers whose securities deposits managed by the Bank as a third party totalled 24.18 million, and assets under management amounted to RMB299,991 million, leading the market. The number of contracted futures investment customers accounted for nearly 50% market share, maintaining the leading position among peers, and the number of futures companies with through-train banking services reached 155, nearly 100% coverage.

## **International business**

International business maintained the momentum of rapid development. In 2014, international settlement volume of the Bank reached US\$1.18 trillion, up by 7.64%; cross-border RMB settlement volume totalled RMB1.46 trillion, up by 61.94%. The balance of foreign letters of guarantee reached US\$27,246 million, up by 21.20%; the balance of sub-loan reached US\$2,940 million, up by 21.99%. The Bank took the lead to largely support the “go-global” project of enterprises, by disbursing a record export syndicated loan of US\$1,280 million to the construction of large-scale power transmission and transformation station in Ethiopia, the largest single contracted amount of US dollar-denominated export financing project of the Bank. The Bank established the sub-brand of “trade finance” with over 40 kinds of trade financing products and the accumulated volume of trade financing reached RMB1.4 trillion, up by 2.43%. The Bank was designated as the RMB clearing bank in London, the first time such a title has been granted by the PBOC outside of Asia. It was also the first time for the Bank to be nominated as an overseas RMB clearing bank. The Bank actively engaged in business trials in special economic areas, took the lead in establishing a sub-branch in Korgas, Xinjiang, became one of the first pilot banks in Shanghai Free Trade Zone, and set up China-ASEAN cross-border RMB business centre in Guangxi and China-Singapore cross-border financial centre in Suzhou, respectively. The Bank steadily expanded agency bank network and established head office level agency bank relationship with a total of 1,470 commercial banks, covering 138 countries and regions.

## **Asset custodial business**

The Bank strengthened the direct management at the headquarters level on the asset custodial business, facilitated the development of cross-border custodial business and improved the ability of intensive operation and service. At the end of 2014, the Bank’s assets under custody increased by RMB1.18 trillion or 38.06% to RMB4.28 trillion. Securities investments funds under custody totalled RMB949,099 million, commanding the second largest market share. The number of securities investments funds under custody increased by 63 and the units of initial offering funds were 76.8 billion, both ranking first in the market. Insurance assets under custody totalled

RMB947,626 million, an increase of RMB361,275 million or 61.61%. The volume of assets under custody from RMB Qualified Foreign Institutional Investor (RQFII) was RMB35,549 million, an increase of RMB29,526 million or 490.22%. The Bank was awarded “Best Custody Bank in China” by the UK magazine *Global Custodian* for five consecutive years.

### **Pension business**

Pension business developed well with positive progress in product innovation. The Bank innovatively launched the supplementary medical plan product named “Yangyiwuyou”, urbanisation pension plan for farmers named “Yangyiankang”, housing subsidy plan named “Yangyilejia” and Employee Stock Ownership Plan named “Yangyipuhui”, further diversifying the Bank’s “Yangyi” pension financial products series as its main brand and effectively extending into the multiple subdivided markets of pension and benefit plans including supplementary medical insurance and new-type urbanisation. At the end of 2014, the pension assets under trusteeship in operation amounted to RMB55,323 million, up by RMB18,832 million or 51.61%; the pension assets under custody in operation amounted to RMB134,776 million, up by RMB50,478 million or 59.88%; the number of personal pension accounts in operation amounted to 3,841,900, up by 623,400 or 19.37%.

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

The treasury management and settlement business developed rapidly. At the end of 2014, the Bank had 4,860,000 corporate RMB settlement accounts, an increase of 680,600 over last year. The Bank had 953,900 active cash management customers, an increase of 351,700. The Bank was the first among peers to launch UnionPay corporate settlement card, and comprehensively promoted the application of self-service and intelligentised corporate settlement and cash management business. The advantages of products such as all-in-one corporate account and “integrated collection solution” were further consolidated. The Bank introduced innovative products such as virtual equal cash pool, intelligent wealth management cash pool and bank notes pool, which further satisfied the customer demands for financial resources sharing, investment and wealth management and bank notes management. The market influence of the Bank’s cash management service branded as “Yudao” further expanded.

### **Personal Banking**

Personal banking segment achieved profit before tax of RMB80,553 million, a year-on-year increase of 24.63%, and accounted for 26.93% of the Group’s profit before tax, up by 3.83 percentage points over 2013. Operating income increased by 14.36% over last year. In this amount, net interest income increased by 20.36% over the previous year as a result of continuous optimising of credit structure and increase of personal loans; net fee and commission income increased by 9.32% over last year, benefiting from the growth of income from fee-based businesses including credit card transactions and agency fund sales. Impairment losses increased by 39.43% over the previous year, mainly because the impairment losses in residential mortgages increased along with the business development.

### **Personal deposits**

The Bank enhanced the capacity to attract deposits through high quality and highly effective products and services, maintaining a steady growth of personal deposits. At the end of 2014, domestic personal deposits of the Bank rose by RMB362,367 million, or 6.57%, to RMB5,877,014 million. In this amount, demand deposits decreased by 8.30%, and time deposits increased by 19.00%.

## **Personal loans**

The Bank's personal loans proactively met credit demands in people's livelihood sectors. It strengthened product innovation and procedure optimisation, and strove to improve customer service ability. At the end of 2014, domestic personal loans of the Bank increased by RMB419,492 million, or 17.02%, to RMB2,884,146 million. Residential mortgages were primarily granted to support customers to buy ordinary apartments for residential purpose, amounting to RMB2,253,815 million, an increase of RMB373,596 million or 19.87%, with the balance and the increment both ranking first in the market. By proactively responding to the development trend and demand of internet finance, the Bank was the first among its peers to introduce the one-stop personal online self-service loan product - CCB "Quick Credit". It enabled customers to apply for the one-stop online loan quickly without going to outlets and met customer needs of quick financing through internet. Personal consumer loans were RMB58,040 million, personal business loans were RMB75,002 million and personal agriculture-related loans totalled RMB7,285 million.

## **Bank cards business**

### ***Credit card business***

Credit card business maintained sound and rapid development with core business indicators leading the market among peers. Its brand influence, market competitiveness, risk control ability, profitability and customer satisfaction were further improved. At the end of 2014, the Bank recorded 65.93 million credit cards with an increase of 13.92 million. The spending amount through credit cards reached RMB1,658,081 million, an increase of 30.23%; and the loan balance was RMB329,164 million. The asset quality remained sound. The Bank ranked first among peers in multiple indicators such as the number of new credit card issuance, new merchants, and consumer transactions. The Bank accelerated the implementation of innovation and transformation, introduced innovative products such as global payment credit card and hot purchase Long card, and integrated merchant resources to conduct sales promotion activities such as "Delicacies from Long Card", to earnestly build up the customers' favourite credit card brand. The Bank deepened the application of new internet technologies with the marketing and card issuance covering electronic channels such as mobile phone, WeChat, pad, and QR code. The Bank conducted WeChat interactive marketing activities such as "Credit Card Talent" through social platforms, which attracted more than 100 million participants. The Bank was the first among peers to introduce Long Card electronic payment wallet and realised "one-click payment" of cross-border internet purchase. The Bank introduced the "Mobile Long Card" APP exclusively to card owners, with the first batch of preferential merchants approaching 10,000 and covering nearly 100 cities. The Bank made great efforts to increase profit by developing consumption revolving credit business featuring low risk and high yield, such as instalment plans. The Bank made steady progress in instalment purchase of vehicles, and signed cooperative agreements with all major domestic car brands. The Bank accelerated the construction of "Smart Customer Service" platform to form an all-round service system covering customers' life cycle, and upgraded the interactive service channels of SMS and online banking to improve customer experience.

### ***Debit card business***

The Bank vigorously strengthened cooperation with key industries in social security, medical and health care, public transport, community finance and culture and education. It accelerated product innovation in mobile payment, launched innovative mobile financial products and new financial IC cards such as unique-shaped cards, carried out diversified marketing activities and continuously enhanced the development base of bank cards business. At the end of 2014, the number of debit cards issued increased by 99.96 million to 632 million. The spending amount through debit cards reached RMB5,091,522 million, up by 40.14%. By focusing on pushing forward the development



of financial IC debit cards, the Bank issued 185 million financial IC debit cards in total, an increase of 89.91 million. The Bank issued 15.71 million express settlement cards, an increase of 8.69 million, targeted at individual business proprietors for their payment and settlement demands.

### **Private banking**

With a focus on asset management, private banking comprehensively improved value creation for customers by means of integrated solutions and diversified portfolio of products and services. The Bank continuously carried out product innovation in asset management such as family trust financial advisory business, reference service for asset allocation strategy and fund evaluation and portfolio allocation. The Bank pushed forward the implementation of innovated integrated financial products and services such as “Jinguanjia”, “Sixianglianlian”, “Caifubao”, “Suixiangjin”, “Caifuyi”, etc. The Bank innovated consultancy and advisory as well as reporting services in investment immigration, marital property preservation, family wealth inheritance and assets and liabilities comprehensive report, providing professional and dedicated services in the whole process of customers wealth management. At the end of 2014, the number of private banking customers with financial assets above RMB10 million grew by 14.18%, and the total amount of customers’ financial assets increased by 18.21%. The number of contracted customers of “Jinguanjia” personal customer (family) cash management services reached nearly one million. The Bank issued totally 274,900 private banking cards and wealth management cards, an increase of 64,100.

### **Entrusted housing finance business**

Adhering to the philosophy of “supporting housing reform and serving common people”, the Bank proactively responded to customer needs by further strengthening the building and promotion of technology system, to provide comprehensive and high quality entrusted housing finance service. At the end of 2014, housing fund deposits were RMB717,081 million, while individual housing provident fund loans amounted to RMB1,183,333 million. The Bank accelerated the expansion of provident fund co-branded card, by issuing 32 million cards in total. The Bank steadily intensified loan support for indemnificatory housing to meet low and middle-income residents’ housing demands. The Bank accumulatively provided housing provident fund project loans of RMB47,001 million to 207 trial projects of indemnificatory housing, and accumulatively granted indemnificatory housing loans of over RMB90 billion to nearly 600,000 low and middle-income residents.

### **Treasury Business**

Profit before tax arising from treasury business achieved RMB64,696 million, down by 6.38% over the previous year, and accounted for 21.63% of the Group’s profit before tax, a decrease of 3.07 percentage points over last year. Operating income decreased by 3.50% over last year. In this amount, net interest income decreased by 30.23% over last year, due to the changes in the market interest rate curves. As a result of the decrease in income from financial advisory services, net fee and commission income decreased by 0.29% over last year. Impairment losses increased by RMB1,301 million mainly because impairment losses of available-for-sale debt securities increased.

### **Financial market business**

In 2014, the Bank proactively promoted the transformation and development of financial market business, resulting in remarkable operation and management achievements, constantly consolidated market position, increased profitability and further improved ability of risk management and control.

### **Money market business**

With regard to the use of RMB fund, the Bank actively strengthened the research and estimation on market liquidity, established liquidity reserve, properly adjusted the scale of investment in the

money market, and optimised the structure of fund recycling to effectively mitigate position fluctuation. At the same time, the Bank strengthened medium and long-term lending to improve gains on money market by tracking high positions of interest rates. With regard to the use of foreign currency fund, the Bank ensured the liquidity safety of foreign currency through various measures and expanded channels of fund utilisation, resulting in better efficiency in fund utilisation.

### ***Investments in debt securities***

With regard to investments in RMB debt securities, the Bank faithfully implemented risk policy and investment strategy, accurately tracked the interest rate movements, reasonably arranged investment progress, and constantly optimised variety and term structure of investment portfolio. As a result, the yield of RMB debt securities investments continued to rise. With regard to investments in debt securities denominated in foreign currencies, the Bank proactively reduced high-risk mortgage bonds and extra-long-term credit bonds to mitigate the credit risk of investment portfolio denominated in foreign currencies.

### ***Customer-driven treasury business***

The Bank proactively responded to changes of the market and regulatory policies, enhanced products innovation and market competitiveness, provided more available traded currencies, and strengthened capabilities of quoting as a market maker and credit risk management. In 2014, the trading volume of customer-driven treasury business reached US\$478,835 million. The Bank introduced innovative products including online banking foreign exchange transactions, promoted Rouble exchange transactions within the scope of the whole bank and launched quoting for five foreign currencies including Pound and Euro versus RMB as a market maker in the interbank market.

### ***Precious metals***

The Bank proactively responded to changes in the precious metals market, constantly consolidated customer base, and strengthened products innovation and promotion. In 2014, the total trading volume of precious metals of the Bank reached 32,324.26 tonnes, the number of customers with the Account Precious Metals totalled 16,103,300. The Bank proactively explored Precious Metals Trading (Shanghai Gold Exchange) Agency business and the number of contracted customers of Individual Precious Metals Trading (Shanghai Gold Exchange) Agency business amounted to 2,160,700. It introduced innovative products including silver leasing for enterprises and PC client for Individual Precious Metals Trading (Shanghai Gold Exchange) Agency business.

### ***Assets management and investment banking***

The Bank enhanced the refined, standardised and comprehensive risk management over the assets management and investment banking, in order to promote the sound and sustainable development in this arena. In 2014, the underwriting amount of debt financing instruments of the Bank was RMB398,983 million, ranking first among peers for four consecutive years. Breakthroughs were made in innovative business areas such as perpetual bond, local government bond and financial bond. Income from financial advisory services of the Bank reached RMB7,485 million. In this amount, income from new financial advisory services totalled RMB5,991 million, contributing to the further optimisation of business structure.

The Bank promoted product innovation, with innovative products covering various investment banking businesses including wealth management, underwriting of debt securities, financial advisory services, securitisation and so on. It continuously optimised the functions of open-ended products, enriched business channels and product models of the new industrial fund, innovated financing structure of credit assets, and strengthened business compliance management to

proactively prevent and eliminate business risks. The Bank promoted optimisation and integration of current systems to accelerate progress of business online integration.

### ***Wealth management business***

The Bank actively widened assets allocation channels and increased allocations of debt assets and equity assets with high yield, resulting in further optimisation of assets variety and structure. In 2014, the Bank independently issued 7,783 batches of wealth management products with a total amount of RMB7,010,670 million to effectively meet the investment needs of customers. At the end of 2014, the balance of wealth management products was RMB1,146,739 million. In this amount, the balance of non-principal-guaranteed wealth management products was RMB909,099 million and the balance of principal-guaranteed wealth management products was RMB237,640 million.

### **Overseas Commercial Bank Business**

In 2014, the Group made positive progress in the laying-out of overseas outlets. Macau Branch, New Zealand subsidiary bank, Brisbane Branch (Tier-two branch) and Toronto Branch opened successfully. The applications for the establishment of Paris Branch, Amsterdam Branch and Barcelona Branch under CCB Europe and London Branch were officially approved. The Bank's purchase 72% of the total share capital of BIC in Brazil was completed. Applications for the establishment of Milan Branch under CCB Europe, Chile Branch and Zurich Branch were smoothly pushed forward. At the end of 2014, the Group had overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Osaka, Seoul, New York, Ho Chi Minh City, Sydney, Melbourne, Brisbane, Taipei, Luxembourg, Macau and Toronto, and wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Dubai, CCB Europe and CCB New Zealand, and held 72% of the total share capital of BIC in Brazil. Its overseas entities covered 20 countries and regions. At the end of 2014, the Group's total assets of overseas commercial banks were RMB948,092 million, an increase of 32.67% over 2013, and profit before tax was RMB6,006 million, an increase of 68.99%.

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

China Construction Bank (Asia) Corporation Limited is one of the 21 licenced banks registered in Hong Kong with a registered capital of HK\$6,703.50 million and RMB17.60 billion.

CCB Asia is the Group's service platform for retail and SME businesses in Hong Kong and Macau, with 45 operating outlets in the areas. CCB Asia is also specialised in wholesale banking services for customers mainly from Hong Kong, Macau, Taiwan as well as Mainland China, especially for the Blue-Chip, large Red-Chip companies, large Chinese conglomerates, multinational corporations and local premium customers in these areas. The Bank has rich experience and traditional advantages in providing professional financial services in overseas syndicated loans and structured finance, and achieved rapid growth in comprehensive corporate financial services in international settlements, trade finance, treasury business, large structured deposit and financial advisory. At the end of 2014, total assets of CCB Asia amounted to RMB400,231 million, and shareholders' equity was RMB34,638 million. Net profit was RMB1,368 million.

#### ***CCB London***

China Construction Bank (London) Limited is a wholly-owned subsidiary of the Bank registered in the UK. In March 2009, CCB London obtained the banking licence issued by the UK financial regulatory authorities. It has a registered capital of US\$200 million and RMB1.50 billion, and is mainly engaged in corporate deposits and lending, international settlement and trade finance, RMB and British pound clearing, and treasury financial products.

As the Group's British pound clearing centre, CCB London proactively served the Chinese institutions in the UK, British companies with investment in China, corporate customers involved in bilateral trade, expanding CCB's service channels in the UK and Europe. In June 2014, CCB London was appointed as RMB clearing bank in London. CCB London would seize the opportunity of RMB internationalisation to proactively expand the service channels in the UK and Europe, promote the development of various software and hardware infrastructure, and provide convenient, fast and efficient multi-currency clearing service for its customers. It intensified risk management and control, actively consolidated customer base, developed new products and broadened development channels. At the end of 2014, total assets of CCB London amounted to RMB41,574 million, and shareholders' equity was RMB2,916 million. Net profit was RMB101 million.

### ***CCB Russia***

China Construction Bank (Russia) Limited Liability Company is a wholly-owned subsidiary of the Bank registered in Russia in March 2013 with a registered capital of RUB4.20 billion.

CCB Russia, holding the comprehensive banking license issued by the Central Bank of Russia, is mainly engaged in syndicated loan, bilateral loan, trade finance, international settlement, treasury business, financial institutional business, clearing business, cash business, deposits business, and safe deposit box services, etc. At the end of 2014, total assets of CCB Russia amounted to RMB2,100 million, and shareholders' equity amounted to RMB482 million. Net profit amounted to RMB29,162,800.

### ***CCB Dubai***

China Construction Bank (Dubai) Limited is the Bank's wholly-owned subsidiary in Dubai International Financial Centre (DIFC), with a registered capital of US\$100 million.

In April 2013, CCB Dubai obtained the "level-one banking license" issued by Dubai Financial Service Authority (DFSA), which allowed it to provide the widest business range of commercial banking in this area. It is specialised in wholesale business, including deposits and loans, proprietary/agency investment transaction, credit or investment arrangement, financial products or credit advisory and custody services. CCB Dubai has proactively expanded various assets and liabilities activities, providing commercial bank businesses including syndicated loans, trade finance, international settlement and customer-driven foreign exchange trading for corporate customers since its opening. At the end of 2014, total assets of CCB Dubai amounted to RMB4,661 million, and shareholders' equity amounted to RMB608 million. Net profit reached RMB11,922,300.

### ***CCB Europe***

China Construction Bank (Europe) S.A. is a wholly-owned subsidiary of the Bank registered in Luxembourg with a registered capital of EUR200 million. In July 2013, CCB Europe obtained the full functional banking license issued by the Financial Ministry of Luxembourg. Based in Luxembourg, CCB Europe offers high quality financial services to various European customers throughout the continent.

Focusing on corporate finance and financial market businesses, CCB Europe mainly provides services to large and medium-sized Chinese enterprises in Europe and European multinational enterprises in China. At the end of 2014, total assets of CCB Europe amounted to RMB2,036 million, and shareholders' equity amounted to RMB1,516 million. Net profit reached RMB13,705,000.

### ***CCB New Zealand***

China Construction Bank (New Zealand) Limited is a wholly-owned subsidiary of the Bank registered in New Zealand with a registered capital of US\$50 million. CCB New Zealand obtained the commercial banking license with full functions issued by Reserve Bank of New Zealand in July 2014 and formally opened on 21 November 2014.

CCB New Zealand has license of wholesale and retail businesses and focuses on wholesale business at present, offering integrated and high quality financial services including corporate loans, trade financing, RMB clearing and cross-border fund transactions to Chinese enterprises in New Zealand and local customers. It will actively explore and launch retail business in the future. At the end of 2014, total assets of CCB New Zealand amounted to RMB449 million, and shareholders' equity amounted to RMB282 million.

### ***BIC in Brazil***

Banco Industrial e Comercial S.A., founded in 1938 and headquartered in Sao Paulo, Brazil, is a relatively large medium-sized bank with a registered capital of BRL2,012,809,865.25. Regarding corporate loan business as its core business, BIC is engaged in other banking businesses including treasury fund and personal credit, and non-banking financial businesses including leasing and securities. BIC has been listed on BOVESPA since 2007.

At the end of 2014, BIC had 37 domestic branches in Brazil and one Cayman branch, with outlets covering most states and main cities in Brazil. BIC had five wholly-owned subsidiaries and one joint venture (BIC held 40% share). Subsidiaries were engaged separately in equipment leasing, personal loan, securities, VISA group credit card, prepaid card issuance and data processing, and the main business of the joint venture was factoring and forfaiting business. At the end of 2014, total assets of BIC amounted to RMB36,294 million, and shareholders' equity amounted to RMB3,007 million. Net profit was a negative value of RMB290 million covering the period from the delivery date to the end of 2014.

## **Integrated Operation Subsidiaries**

The Group has preliminarily established an integrated operating framework and progressively optimised its comprehensive financial services. At the end of 2014, the Group owned domestic subsidiaries in non-banking financial sector, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, CCB Futures and CCB International and set up several banking entities providing professional and differentiated services in specific industries and regions, including Sino-German Bausparkasse and 27 rural banks. The overall business development of integrated operation subsidiaries was in a good shape with steady business expansion and sound asset quality. At the end of 2014, total assets of integrated operation subsidiaries were RMB189,545 million, an increase of 34.30% year-on-year. Net profit reached RMB2,464 million, an increase of 31.63%.

### ***CCB Trust***

CCB Trust Co., Limited has a registered capital of RMB1,527 million, of which the Bank contributes 67% and Hefei Xingtai Holding Group Corporation Limited and Hefei Municipal State-owned Assets Holding Corporation Limited contribute 27.5% and 5.5%, respectively. Its main operations include trust business, investment banking business and traditional business. Trust business mainly comprises single fund trust, collective fund trust, property trust and equity trust. Trust assets are mainly used for extending loans and investments. Investment banking business mainly comprises financial advisory, equity trust and bonds underwriting. Traditional business mainly comprises lending, equity investment and securities investment with equity funds.

At the end of 2014, the trust assets under management amounted to RMB665,835 million, ranking third among its peers. Total assets of CCB Trust were RMB8,095 million, and shareholders' equity was RMB7,305 million. Net profit was RMB869 million.

### ***CCB Life***

CCB Life Insurance Company Limited has a registered capital of RMB4,496 million, of which the Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, China Jianyin Investment Limited, Shanghai Jin Jiang International Investment and Management Company Limited, and Shanghai China-Sunlight Investment Co., Ltd contribute 51%, 19.9%, 14.27%, 5.08%, 4.9% and 4.85%, respectively. CCB Life's scope of business includes personal insurance such as life, health, accidental injury insurance and reinsurance of the above-mentioned businesses, and the use of insurance funds permitted by the national laws and regulations.

In 2014, premium income of CCB Life ranked first among the bank-affiliated insurance companies with further broadened business areas and steadily improved investment income. At the end of 2014, total assets of CCB life were RMB40,587 million, and shareholders' equity was RMB7,649 million. Net profit was RMB172 million.

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

CCB Financial Leasing Corporation Limited is a wholly-owned subsidiary of the Bank with a registered capital of RMB4.50 billion. CCB Financial Leasing mainly engages in finance leasing, transferring and buying finance leasing assets, investment of securities with fixed gains, receiving security deposits from lessees, interbank lending, borrowing from financial institutions, borrowing from overseas, sales and disposal of lease, economic advisory, establishing project company to operate finance leasing in domestic bonded areas, providing guarantee for subsidiaries and project companies in external financing and other businesses approved by the CBRC.

In 2014, relying on strengthening the strategic synergy, CCB Financial Leasing achieved transformation of operating mode. It established overseas aircraft leasing business platform, making new progress in professional operation of aircraft leasing. At the end of 2014, total assets of CCB Financial Leasing reached RMB77,128 million, and shareholders' equity totalled RMB6,220 million. Net profit was RMB505 million.

### ***CCB International***

CCB International (Holdings) Limited is the Bank's wholly-owned subsidiary in Hong Kong, with a registered capital of US\$601 million, offering investment banking related businesses, including listing sponsoring and underwriting, merger and acquisition ("M&A") and restructuring of corporations, direct investment, assets management, securities brokerage and market research.

In 2014, CCB International continued to push forward strategic transformation with sound development of businesses. The number of projects it involved as bookrunner was in the forefront of Chinese and foreign investment banks. CCB International completed several M&A projects for Chinese conglomerates as exclusive financial consultant and made significant progress in bonds underwriting. It smoothly pushed forward assets management business and expanded RQFII business to the European market. CCB International constantly optimised its platform construction and was approved as the first trial batch of enterprises in Shanghai Free Trade Zone to conduct centralised operation and management of funds denominated in foreign currencies for the headquarters of multi-national investment corporations. At the end of 2014, total assets of CCB International amounted to RMB22,318 million, and shareholders' equity reached RMB7,400 million. Net profit reached RMB458 million.

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

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

In 2014, benefiting from the bull markets in both stocks and bonds, CCB Principal Asset Management achieved a great leap forward in various businesses. At the end of 2014, total volume of funds managed by CCB Principal Asset Management was RMB361.3 billion. In this amount, public offering fund was RMB121.6 billion and non-public offering fund was RMB112.5 billion. Total assets of CCB Principal Asset Management were RMB1,016 million, and shareholders' equity was RMB882 million. Net profit was RMB165 million.

### ***CCB Futures***

In April 2014, the Bank finished equity settlement for former Shanghai Liangmao Futures Brokerage Co., Ltd. and formally renamed it as CCB Futures Co., Ltd. CCB Futures has a registered capital of RMB436 million, of which the Bank and Shanghai Liangyou (Group) Co., Ltd contribute 80% and 20%, respectively. CCB Futures is mainly engaged in commodity futures brokerage, financial futures brokerage and other businesses permitted by regulatory authorities.

In 2014, M&A and integration process of CCB Futures progressed smoothly and all businesses maintained stable development. At the end of 2014, total assets of CCB Futures were RMB979 million, and shareholders' equity was RMB495 million.

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

Sino-German Bausparkasse Co., Ltd. has a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG held 75.10% and 24.90% of its shares respectively. As a specialised commercial bank with overall functions in housing financing sector, Sino-German Bausparkasse is engaged in taking housing savings deposits, extending housing savings loans and personal residential mortgages, and extending development loans in support of the development and construction of economically affordable housing, low-rent housing, economically affordable rent housing and price-limited housing.

In 2014, Sino-German Bausparkasse realised fast development in its housing savings business with the amount of housing savings products sales exceeding RMB10 billion. At the end of 2014, total assets of Sino-German Bausparkasse were RMB25,135 million, and shareholders' equity was RMB2,470 million. Net profit was RMB177 million.

### ***Rural banks***

At the end of 2014, the Bank sponsored the establishment of 27 rural banks in Hunan Taojiang and many other places. The registered capital of these rural banks totalled RMB2,785 million, of which RMB1,377 million was contributed by the Bank.

Rural Banks persisted in offering efficient financial services for "agriculture, farmers and rural areas" and small and micro enterprises in county regions, achieving good operating results. At the end of 2014, total assets of 27 rural banks were RMB15,266 million, total liabilities reached RMB12,159 million and shareholders' equity of the rural banks was RMB3,107 million. Loans were primarily extended for "the agriculture and small and micro enterprises", and the loan balance was RMB10,908 million, of which agriculture and small and micro enterprises related loans accounted for 88.47%. Net profit was RMB119 million.

## Analysed by Geographical Segment

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

(In millions of RMB, except percentages)	Year ended 31 December 2014		Year ended 31 December 2013	
	Amount	% of total	Amount	% of total
Yangtze River Delta	41,471	13.87	36,768	13.14
Pearl River Delta	36,709	12.27	38,469	13.75
Bohai Rim	48,212	16.12	45,019	16.10
Central	46,186	15.44	42,191	15.08
Western	50,240	16.80	46,375	16.57
Northeastern	14,931	4.99	15,597	5.57
Head office	54,996	18.39	51,492	18.40
Overseas	6,341	2.12	3,895	1.39
<b>Profit before tax</b>	<b>299,086</b>	<b>100.00</b>	<b>279,806</b>	<b>100.00</b>

The following table sets forth, as at the dates indicated, the distribution of the Group's assets by geographical segment:

(In millions of RMB, except percentages)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Yangtze River Delta	2,839,279	13.23	2,639,135	13.18
Pearl River Delta	2,230,031	10.40	2,158,746	10.78
Bohai Rim	3,030,726	14.13	2,737,198	13.67
Central	2,590,457	12.08	2,411,147	12.04
Western	2,579,135	12.02	2,500,348	12.49
Northeastern	995,140	4.64	910,474	4.55
Head office	6,252,529	29.14	5,934,221	29.63
Overseas	935,564	4.36	731,878	3.66
<b>Total assets<sup>1</sup></b>	<b>21,452,861</b>	<b>100.00</b>	<b>20,023,147</b>	<b>100.00</b>

1. Total assets exclude elimination and deferred tax assets.



The following table sets forth, as at the dates indicated, the distribution of the Group's loans and NPLs by geographical segment:

(In millions of RMB, except percentages)	As at 31 December 2014				As at 31 December 2013			
	Gross loans and advances	% of total	NPLs	NPL ratio (%)	Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	1,877,906	19.82	39,321	2.09	1,781,649	20.74	40,844	2.29
Pearl River Delta	1,299,615	13.72	17,719	1.36	1,220,420	14.21	10,680	0.88
Bohai Rim	1,633,965	17.25	10,860	0.66	1,442,213	16.79	6,695	0.46
Central	1,552,809	16.39	14,671	0.94	1,358,192	15.81	12,052	0.89
Western	1,641,394	17.32	13,039	0.79	1,461,129	17.01	7,221	0.49
Northeastern	562,403	5.94	8,471	1.51	507,751	5.91	4,551	0.90
Head office	342,476	3.61	3,250	0.95	280,597	3.27	2,645	0.94
Overseas	563,955	5.95	5,840	1.04	538,106	6.26	576	0.11
<b>Gross loans and advances to customers</b>	<b>9,474,523</b>	<b>100.00</b>	<b>113,171</b>	<b>1.19</b>	<b>8,590,057</b>	<b>100.00</b>	<b>85,264</b>	<b>0.99</b>

The following table sets forth, as at the dates indicated, the distribution of the Group's deposits by geographical segment:

(In millions of RMB, except percentages)	As at 31 December 2014		As at 31 December 2013	
	Amount	% of total	Amount	% of total
Yangtze River Delta	2,401,640	18.62	2,310,251	18.90
Pearl River Delta	1,873,077	14.52	1,878,995	15.37
Bohai Rim	2,344,928	18.18	2,245,632	18.37
Central	2,457,370	19.05	2,268,111	18.56
Western	2,457,312	19.05	2,388,492	19.54
Northeastern	932,976	7.23	855,591	7.00
Head office	43,358	0.34	25,671	0.21
Overseas	388,014	3.01	250,294	2.05
<b>Total deposits from customers</b>	<b>12,898,675</b>	<b>100.00</b>	<b>12,223,037</b>	<b>100.00</b>

## **Distribution Channels and Transformation of Outlets**

### **Channels Construction**

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

At the end of 2014, the Bank had a total of 14,856 domestic operating outlets, including the head office, 37 tier-one branches, 324 tier-two branches, 11,751 sub-branches, 2,742 entities under the sub-branches and a specialised credit card centre at the head office. The number of operating outlets increased by 206 over the previous year. The operating outlets were mainly distributed in large and central cities. The Bank accumulatively started 2,224 renovation projects of outlets, further improving physical environment and customer experience at the outlets.

In 2014, the total number of private banking centres and wealth management centres in operation reached 338. There were 288 small business operating centres in the form of “Credit Factory”. More than 1,500 personal loan centres were built, and the overall layout was improved with growing brand influence. Drawing on the operation experience of smart banks opened in Qianhai, Shenzhen, the Bank started up the promotion and establishment of 11 pilot branches with a focus on offering brand-new customer experience featuring “self-service, intelligence and wisdom”.

The Bank strove to develop electronic banking under the principle of “being intelligent, ubiquitous and cross-industry”, and accelerated channel construction and product innovation. As a result, both customer scales and transaction volumes of all channels grew steadily, customer quality was improved continuously, and channel application level and value creation ability were further improved. At the end of 2014, the volume of accounting transactions through electronic banking and self-service channel accounted for 88.03% of that through all channels, up by 2.63 percentage points over last year. The life service payment platform of “Joy Life” helped customers easily complete daily payments and scenario applications without leaving home, contributing to 29,492,000 transactions. “Student Benefit” was mainly targeted at college students, benefiting 6.44 million contracted customers from 2,846 colleges all over the country.

- ***Online banking***

For personal online banking, the Bank optimised the function of overseas foreign exchange remittance, realised the intelligent routing control over cross-bank transfer, and launched services such as fast transfer, application for adjusting credit card limit and changing billing address. For corporate online banking, the Bank completed the migration of existing customers to new generation corporate online banking, and accomplished promotion of overseas online banking service for nine overseas entities including Dubai, Taipei, Sydney, Tokyo, Johannesburg, London, etc., thus further expanding service channels of overseas business.

At the end of 2014, the number of personal online banking customers increased by 19.12% to 178.69 million over the previous year; the transaction volume was RMB39.60 trillion, an increase of 21.76% over the previous year; the number of transactions was 6,249 million, an increase of 19.80%. The number of corporate online banking customers reached 3.30 million, an increase of 18.15%; the transaction volume was RMB128.80 trillion, an increase of 23.53%; the number of transactions was 2,300 million, an increase of 18.34%.

- ***E.ccb.com e-commerce platform***

The Bank continued to enrich its e.ccb.com e-commerce platform and improved customer experience. The Bank redesigned the home page of the retail mall, highlighting “elegant, exclusive, exquisite and excellent” products and high-quality merchants. The Bank launched the “instalment

preference” minisite, realising the comprehensive integration of the Long Card mall and e.ccb.com’s retail mall. The corporate mall prioritised the development of high-quality merchants, further explored selected industries, released the function of enquiry for purchase, and upgraded the comprehensive home page of specialised market. In 2014, the transaction volume of e.ccb.com totalled RMB46,279 million, with 14,500 active internet merchants at the end of the year.

- ***Telephone banking***

The Bank’s customer service hotline is 95533. With the optimisation of the menu function and channel service process, as well as the rapidly growing use of emerging customer service channels such as SMS and online customer service, the service efficiency and quality continuously improved. At the end of 2014, the number of telephone banking customers was 174.02 million, an increase of 24.32 million, or 16.24%, over the previous year.

- ***Mobile banking***

The Bank launched its new mobile banking APP to provide services in five major functions, namely Mobile Banking, Joy Life, My Favourites, Shake to Transfer and QR Code Scanning. The Bank also launched its SMS banking APP where customers can directly enquire account balances, transfer and remit funds, pay bills and recharge credit, and conduct other credit card related services, which greatly improved customer experience.

At the end of 2014, the number of mobile banking customers was 146.79 million, up 25.98% over last year; the transaction volume was RMB7.38 trillion, a year-on-year increase of 101.35%; the number of transactions was 3,042 million, a year-on-year increase of 155.10%. The number of SMS financial service customers reached 243.20 million, an increase of 21.93% over last year. The number of WeChat banking customers was 14 million, of which 8.73 million customers followed the Bank’s WeChat official account and attached their bank accounts.

- ***Self-service banking***

The Bank continued to expand its self-service channels and network, improved the layout of existing channels, strengthened refinement management, and optimised equipment functions. At the end of 2014, there were 81,067 ATMs with cash services in operation, an increase of 12,054 ATMs, or 17.47% over last year. There were 21,274 self-service banks in operation, an increase of 3,396 self-service banks, or 19.00%.

## **Transformation of Outlets**

The Bank vigorously pushed forward the building of integrated outlets, and innovated comprehensive management over the outlets, to effectively enhance resources utilisation efficiency and improve comprehensive financial services ability of outlets.

With a focus on customers, the Bank strove to develop a platform of outlets with comprehensive services. The Bank elevated convenient and efficient services to customers by vigorously transforming the single-function outlets and implementing integrated teller systems. At the end of 2014, the number of integrated outlets reached 13,700, and the proportion of integrated tellers rose to 80%. Customers can enjoy the convenience and comfort brought by the Bank’s one-stop comprehensive services.

With a determination on innovation, the Bank strove to develop intensive processing platforms with high-efficiency services. On the basis of completing the separation between the bank counters and back offices of over 100 non-real time businesses at the outlets, the Bank independently developed intensive operation platforms for over-the-counter businesses, and achieved real-time centralised business processing at the head office level. At the end of 2014, 14,523 outlets of the Bank achieved centralised processing of 30 types of over-the-counter businesses including cheque, remittance and

credit card application at the head office's level. The daily centralised business peak volume was approximately 920,000, demonstrating the remarkably improved operation efficiency and intensive processing capability at outlets.

With its coordination mechanism as a guarantee, the Bank developed an outlets service system featuring “targeted marketing, collaborative services, and integrated solutions”. At the end of 2014, the Bank established 17,544 integrated marketing teams to carry out collaborative marketing and established the foundational collaborative marketing mechanism among posts within outlets, teams, outlets and their supervising authorities, and specialised centres. As a result, the comprehensive marketing service ability was significantly strengthened at the outlets; customers can enjoy the thoughtful, “all-round” and “high-quality” services at the outlets.

## **Information Technology and Product Innovation**

### **Information Technology**

In 2014, the Bank intensified its efforts in information technology with a focus on ensuring safe operation and the building of the “New Generation Core Banking System”, to support the development of its businesses.

*Successive deployment of Phase II and kick-off of phase III projects of the “New Generation Core Banking System”.* Functions of Phase II projects were released in two batches, of which the first batch went live in January 2015 and the second batch was under test and scheduled to go-live in July 2015. The 34 new functions from nine Phase II projects such as customer channels, employee management, corporate cash management and personal loan project, were released ahead of schedule, to promptly respond to customers' demands and significantly improve customers and employees experience. The 19 new application projects of phase III, as well as projects of phase II under continued construction and optimisation had been approved.

*Safe operations security level was in a leading position among peers with improved capability in information technology.* In 2014, all information system operated securely. The availability rate of key systems exceeded 99.99%, and that of critical systems such as online banking system reached 100%. There was no grade three or higher-level operation incidents. While impact and frequency of all operational incidents were under effective control, the Bank remained in the industry leader position in operations security level. The core banking business system processed a peak transaction volume of 10,364 transactions per second and 412 million transactions in a day, breaking the industry record. Technical indicators such as system processing capacity, successful transaction rate and average response time ranked first in the industry. The Bank intensified full life cycle management of information technology service, independently researched and developed, and continuously optimised and promoted cloud management platform, thus continuously upgrading service level of automatic detection, automatic positioning and automatic business recovery.

*Optimising existing systems and satisfying business development requirements.* The Bank optimised functions of system in accordance with the requirements of Shanghai Clearing House to support the issuance of policy bond products. Smart banks were established in certain outlets to create a brand new customer feeling and user experience that focused on “self-service, intelligence and wisdom”. The Bank launched various services on its e.ccb.com e-commerce platform such as the One-click Purchase, Purchasing Agency, Cross-border Purchase and QR Code Purchase. Moreover, the Bank continued to strengthen the development of a globally unified payment and clearing system, to realise an end-to-end, cross-border and cross-bank one-stop processing system. Overseas core banking system and peripheral systems were deployed in 20 overseas tier-one institutions including Macau, Russia, New Zealand and Toronto.

## Product Innovation

In 2014, adhering to the goal of establishing an “innovative bank”, the Bank insisted on innovation from multiple dimensions including “customer, market, technology, globalisation and regulation”, contributing to the initial establishment of a product innovation system featuring smooth process, efficient collaboration and organic integration. With respect to corporate business, the Bank promoted various financial service solutions such as “One Belt and One Road” and Coordinated Development of Beijing-Tianjin-Hebei, launched the electronic platform of centralised payment of treasury to improve customer experience, and researched and developed four new pension products of “Yangyi” series to enrich the pension product system. With respect to retail and electronic banking businesses, the Bank introduced personal financial IC card named “Chip Card Payment” to open the channel of online self-service, issued Hot Purchase Long Card to effectively satisfy differentiated demands of customers, and carried out innovation of mobile finance by realising new functions such as electronic form filling application. With respect to investment and financial market business, the Bank introduced innovative products such as sales of physical precious metals to corporates, bonds secured by third parties, ultra-short-term financing bonds of local state-owned enterprises and financial wealth management products of supply chains. At the end of 2014, the Bank finished 1,370 product innovation projects and 223 product transplantation projects.

## Human Resources and Institutional Management

At the end of 2014, the Bank had 372,321 staff members, an increase of 1.06% compared with the previous year (in addition, the Bank had 6,275 workers dispatched by labour leasing companies, a decrease of 24.58% over the previous year). The number of staff members with academic qualifications of bachelor’s degree or above was 224,992, or 60.43%, and the number of local employees in overseas entities was 473. In addition, the Bank assumed the expenses of 52,286 retired employees.

At the end of 2014, the Bank had a total of 14,880 institutions, among which, there were 14,856 domestic institutions and 24 overseas institutions.

The following table sets forth, as at the date indicated, the geographical distribution of the Bank’s branches and staffs:

	As at 31 December 2014			
	Number of branches	% of total	Number of staff	% of total
Yangtze River Delta	2,462	16.55	57,510	15.45
Pearl River Delta	1,885	12.67	47,289	12.70
Bohai Rim	2,427	16.31	60,584	16.27
Central	3,588	24.11	83,036	22.30
Western	3,031	20.37	70,451	18.92
Northeastern	1,460	9.81	37,440	10.06
Head office	3	0.02	15,391	4.13
Overseas	24	0.16	620	0.17
<b>Total</b>	<b>14,880</b>	<b>100.00</b>	<b>372,321</b>	<b>100.00</b>

### ***Staff remuneration policies***

The Bank upholds its philosophy of standardising distribution order and building a harmonious distribution relationship. It continuously improves the intensive level of performance and remuneration management, making due contribution of remuneration management to strategic development of the Bank.

The Bank's major allocation policies and other significant matters relating to remuneration management need to be reviewed by the Nomination and Remuneration Committee under the Board and the Board. Material proposals relating to remuneration allocation are required to be voted and approved by the shareholders' general meeting, or be reported to the competent authorities of the State for approval and filing. Pursuant to relevant government policies, the annual remuneration standard of the Bank's directors, supervisors and senior executives needs to be reviewed and approved by the competent authorities at a higher level; deferred payment for their performance remuneration has also been implemented. The vesting period of deferred payment of performance remuneration needs to match the business and risk cycles, so as to make remuneration an accurate reflection of the Bank's performance. If a risk is exposed or business performance deteriorates within the vesting period, the deferred payment of performance remuneration can be retrospectively deducted.

The Bank fully maximised the function of performance remuneration in providing incentives and setting restraints for staffs. The Bank insisted on boosting more remuneration increase for sub-branch level staffs, frontline posts, and direct value creation posts. It reinforced the remuneration management of overseas entities and subsidiaries in accordance with the Bank's strategies of integrated operation and overseas development. The Bank further strengthened the guidance of performance assessment to match remuneration to performance. The Bank also formulated relevant remuneration reduction measures for staffs that faced disciplinary actions or other penalties due to violation of rules or breach of duty.

### ***Staff training programme***

Closely following its development strategies, the Bank increased investments in training by organising training programmes for all staff members with specific focuses and at different levels and groups of employees. It focused on training for employees at all levels in accordance with the employee competence requirements of different categories, levels and posts, including job-related post certificates training for frontline employees, qualification certificates trainings for professional staff, and overall capability enhancement trainings for managerial staff. The Bank also promoted full coverage of online training and provided rich self-training resources for employees. In 2014, the Bank conducted 36,574 on-site training sessions, with a total enrolment of 1,895,300.

### ***Profiles of institutions and staff in subsidiaries***

The Bank had 41 subsidiaries with a total of 236 branches. In this amount, the number of domestic and overseas branches reached 134 and 102 respectively. The subsidiaries had 9,843 staff members (in addition, the subsidiaries had 366 workers dispatched by labour leasing companies). In this amount, the number of domestic and overseas staff members reached 6,093 and 3,750 respectively. In addition, the subsidiaries assumed the expenses of 26 retired employees.

The subsidiaries determined their remuneration and human resources management rules independently in compliance with local legislations and regulatory requirements, based on the nature of their business. They made training plans for their staffs in line with their own business needs.

## CAPITAL MANAGEMENT

The Group has implemented a comprehensive capital management, which covers regulatory capital, economic capital and accounting capital management, including but not limited to management of capital adequacy ratio, capital planning, capital raising and economic capital.

In 2014, the Group continuously strengthened the fundamental capability of capital management and proactively promoted its business transformation towards more intensive utilisation of capital. As a result, the guiding and restraint functions of capital on business development were further upgraded.

The Group promoted the implementation of the advanced capital measurement approaches, and enhanced capital management capabilities. In April 2014, the Bank was officially approved by the CBRC to implement the advanced measurement approach for capital management, being one of the first batch of banks in China to implement the advanced measurement approach. The Bank would complete the parallel information disclosure for both the new and old capital management methods in accordance with regulatory requirements during the transition period, in order to achieve continuous regulatory compliance.

The Group reinforced restraints of capital on business and accelerated the business transformation towards more intensive utilisation of capital. The Group performed in-depth analysis on the items of capital occupation and risk-weighted assets, pushed forward business structural optimisation and refined capital management, reduced ineffective capital occupation, and constantly improved capital utilisation efficiency by taking the opportunity of implementing the advanced measurement approach for capital management.

### Capital Adequacy Ratio

#### Scope for calculating capital adequacy ratios

In accordance with the regulatory requirements, the Group has to calculate and disclose capital adequacy ratios simultaneously in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks*. The scope for calculating capital adequacy ratios includes both the Bank's domestic and overseas branches and sub-branches, and financial subsidiaries (insurance companies excluded).

#### Capital adequacy ratio

The CBRC officially approved the Bank to implement the advanced measurement approach for capital management in 2014. The capital requirements of corporate credit risk exposure that meet regulatory requirements are calculated with the foundation internal rating-based approach, the capital requirements of retail credit risk exposure are calculated with the internal rating-based approach, the capital requirements of market risk are calculated with the internal models approach, and the capital requirements of operational risk are calculated with the standardised approach. Pursuant to the regulatory requirements, the Bank calculates capital adequacy ratios simultaneously with advanced capital measurement approaches and other methods, and complies with the relevant capital floors.

As at 31 December 2014, considering relevant rules in the transition period, the Group's total capital ratio, tier 1 ratio and common equity tier 1 ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 14.87%, 12.12% and 12.12%, respectively, and were in compliance with the regulatory requirements. The total capital ratio, tier 1 ratio and common equity tier 1 ratio increased by 1.53, 1.37 and 1.37 percentage points respectively compared with those as at 31 December 2013.

The increases in the Group's capital adequacy ratios were mainly due to the following factors. First, the Group continued to push forward the improvement of business structure, and enhanced the capital refinement management, with the growth rate of internal capital accumulated from profit outpacing that of risk-weighted assets. Second, the implementation of the advanced capital measurement approaches was favourable to the increases of capital adequacy ratios. Third, the Group proactively conducted capital instruments innovation, and the issuance of new eligible capital instruments effectively replenished the capital base.

The following table sets forth, as at the dates indicated, the information related to the capital adequacy ratios of the Group and the Bank.

	As at 31 December 2014		As at 31 December 2013 <sup>1</sup>	
	The Group	The Bank	The Group	The Bank
(In millions of RMB, except percentages)				
<b>Capital adequacy ratios in accordance with the <i>Capital Rules for Commercial Banks (Provisional)</i></b>				
Total capital after deductions:				
Common Equity Tier 1	1,236,730	1,166,760	1,061,684	998,380
Tier 1 capital	1,236,767	1,166,760	1,061,700	998,380
Total capital	1,516,928	1,445,219	1,316,724	1,249,850
Capital adequacy ratios:				
Common Equity Tier 1 ratio	12.12%	11.78%	10.75%	10.44%
Tier 1 ratio	12.12%	11.78%	10.75%	10.44%
Total capital ratio	14.87%	14.59%	13.34%	13.06%
<b>Capital adequacy ratios in accordance with the <i>Measures for the Management of Capital Adequacy Ratios of Commercial Banks</i></b>				
Core capital adequacy ratio	12.09%	12.02%	11.14%	11.05%
Capital adequacy ratio	14.71%	14.39%	13.88%	13.53%

1. From the half-year report 2014 onward, the Group calculates capital adequacy ratios based on the advanced capital measurement approaches and applies the rules in the transition period.



## Composition of capital

The following table sets forth, as at the dates indicated, the information related to the composition of capital of the Group in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

(In millions of RMB)	As at 31 December 2014	As at 31 December 2013
<b>Common Equity Tier 1 capital</b>		
Qualifying common share capital	250,011	250,011
Capital reserve <sup>1</sup>	139,761	116,321
Surplus reserve	130,515	107,970
General reserve	169,478	153,825
Retained earnings	556,756	442,554
Minority interest given recognition in Common Equity Tier 1 capital	4,456	3,729
Others <sup>2</sup>	(6,262)	(5,948)
<b>Deductions for Common Equity Tier 1 capital</b>		
Goodwill <sup>3</sup>	2,501	1,415
Other intangible assets (excluding land use right) <sup>3</sup>	1,592	1,609
Cash-flow hedge reserve	(10)	(148)
Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation	3,902	3,902
<b>Additional Tier 1 capital</b>		
Minority interest given recognition in Additional Tier 1 capital	37	16
<b>Tier 2 capital</b>		
Directly issued qualifying Tier 2 instruments including related stock surplus	149,839	144,000
Provisions in Tier 2 <sup>4</sup>	127,878	110,918
Minority interest given recognition in Tier 2 capital	2,444	106
<b>Common Equity Tier 1 capital after deductions <sup>5</sup></b>	1,236,730	1,061,684
<b>Tier 1 capital after deductions <sup>5</sup></b>	1,236,767	1,061,700
<b>Total capital after deductions <sup>5</sup></b>	1,516,928	1,316,724

1. The investment revaluation reserve is included in capital reserve.
2. Others mainly contain foreign exchange reserve.
3. Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.
4. As at 31 December 2013, provisions in Tier 2 were calculated in accordance with the related requirements under the regulatory weight approach.
5. Common Equity Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after deductions is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after deductions is calculated by netting off the corresponding deduction items from the total capital.

### **Risk-weighted assets**

The following table sets forth, as at the dates indicated, the information related to the risk-weighted assets of the Group in accordance with the *Capital Rules for Commercial Banks (Provisional)*. Corporate credit risk-weighted assets that meet the regulatory requirements are calculated with the foundation internal rating-based approach, the retail credit risk-weighted assets are calculated with the internal rating-based approach, the market risk-weighted assets are calculated with the internal models approach and the operational risk-weighted assets are calculated with the standardised approach.

(In millions of RMB)	As at 31 December 2014	As at 31 December 2013 <sup>1</sup>
Credit risk-weighted assets	8,739,574	8,984,419
Market risk-weighted assets	54,302	43,685
Operational risk-weighted assets	915,727	844,686
Additional risk-weighted assets arising due to the application of capital floors	494,040	N/A
<b>Total risk-weighted assets</b>	<b>10,203,643</b>	<b>9,872,790</b>

1. As at 31 December 2013, the Group's credit risk-weighted assets were calculated with the regulatory weight approach, the market risk-weighted assets were calculated with the standardised approach, and the operational risk-weighted assets were calculated with the basic indicator approach.

## Leverage Ratio

As at 31 December 2014, the Group's leverage ratio, calculated in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks*, was 6.51%, above the regulatory requirements. Compared with that as at 31 December 2013, the Group's leverage ratio rose by 0.50 percentage points, which was mainly because the growth rate of Tier 1 capital after deductions accumulated from profit outpaced that of on and off-balance sheet assets.

(In millions of RMB, except percentages)	As at 31 December 2014	As at 31 December 2013
<b>Leverage Ratio<sup>1</sup></b>	6.51%	6.01%
Tier 1 capital	1,244,752	1,068,478
Deductions from tier 1 capital	(7,985)	(6,778)
<b>Tier 1 capital after deductions</b>	1,236,767	1,061,700
On-balance sheet assets after adjustment <sup>2</sup>	16,727,212	15,361,296
Off-balance sheet items after adjustment <sup>3</sup>	2,279,397	2,310,227
<b>On and off-balance sheet assets after adjustment<sup>4</sup></b>	18,998,623	17,664,745

1. Leverage ratio is calculated in accordance with relevant regulatory requirements. The tier 1 capital after deductions is consistent with that used in the calculation of capital adequacy ratio by the Group.
2. On-balance sheet assets after adjustment include derivatives calculated using the current risk exposure approach and other on-balance sheet assets.
3. Off-balance sheet items after adjustment include unconditionally cancellable commitments with a conversion factor of 10% and other off-balance sheet items.
4. On and off-balance sheet assets after adjustment = On-balance sheet assets after adjustment + Off-balance sheet items after adjustment – Deductions from tier 1 capital.

## PROSPECTS

In 2015, the global economy will continue its imbalanced slow recovery as a whole. While the US economy is on the track of strong recovery with a solid basis, the Euro zone and Japan is in weak recovery with prominent structural conflicts, and the growth of emerging economies slows down in face of various risks such as sharp fall of bulk commodity prices, currency devaluation and capital outflow. Domestically, China's GDP growth remains within a reasonable range in spite of insufficient economic restructuring and de-capacity.

Against the backdrop of the economic “new normal”, the banking industry enters into a new stage featuring slow growth of profit, reconstitution of growth power and transformation of development pattern, facing the coexistence of challenges and opportunities. The slowdown of economy accompanies rising credit default risk; the fund distribution trend challenges banks' ability of sound operation; interest rate liberalisation is further promoted, resulting in huge transformation pressure on profit model which mainly focuses on interest spreads of deposit and loan; increasing fluctuations of exchange rate impact banks' foreign exchange and overseas business development; and the further tightened regulatory policies intensify the competition of the banking industry. On the other hand, the implementation of China's major strategies and reforms creates vast potential and new opportunities for the banking industry; RMB internationalisation provides new opportunities for development of international business; the upgrading of consumption ushers in a golden age of personal business; and financial market-oriented reforms create opportunities for banks' financial services in innovative asset management, comprehensive financing and assets securitisation.

In 2015, the Group will seize new opportunities to explore new pattern and continuously create new value. Efforts will be made in the following areas. First, the Group will deepen reforms and accelerate the implementation of transformation and development strategy. By establishing comprehensive business management system, strengthening comprehensive marketing and service and improving comprehensive operation, the Group will provide customers with comprehensive financial services. Second, the Group will optimise operations and proactively support the development of real economy. The Group will actively support national development strategy by giving full play to traditional advantages, and accelerate credit structure adjustment to satisfy credit needs of key national projects and emerging service industry, as well as the credit needs of agriculture-related enterprises and small and micro enterprises. Moreover, the Group will provide comprehensive financial services for the upgrading of consumption, and solidify the brand advantages in internet financial businesses such as the e-commerce platform of “e.ccb.com”, “Credit Card Mall” and “ehome” and optimise the coordination mechanism of on and off-line channels, to bring efficient and convenient services to customers. Third, the Group will strengthen management to further exploit internal growth potential. The Group will improve service ability by optimising organisational structure under the principal of intensification, realise sustainable development of businesses by intensifying capital management, and contribute to the decrease of social financing cost by improving self-pricing capability. Furthermore, the Group will comprehensively improve risk prevention and control capability to ensure stable credit asset quality, and strengthen refined management by continuously controlling expenses.

# CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

## CHANGES IN SHARES

Unit: share

	1 January 2014		Increase/(Decrease) during the reporting period					31 December 2014	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
<b>I. Shares subject to selling restrictions</b>	-	-	-	-	-	-	-	-	-
<b>II. Shares not subject to selling restrictions</b>									
1. RMB ordinary shares	9,593,657,606	3.84	-	-	-	-	-	9,593,657,606	3.84
2. Overseas listed foreign investment shares	91,967,394,499	36.78	-	-	-	138,644,000	138,644,000	92,106,038,499	36.84
3. Others <sup>1</sup>	148,449,925,381	59.38	-	-	-	(138,644,000)	(138,644,000)	148,311,281,381	59.32
<b>III. Total number of shares</b>	250,010,977,486	100.00	-	-	-	-	-	250,010,977,486	100.00

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

## **DETAILS OF SECURITIES ISSUANCE AND LISTING**

Pursuant to the resolution of the first extraordinary general meeting of 2011 and upon approval of the CBRC and the PBOC, the Bank issued subordinated bonds of RMB40 billion with a term of 15 years and a fixed coupon rate of 4.99% in November 2012. At the end of the tenth year, the issuer has an option to redeem the bonds subject to pre-conditions. All proceeds raised from the issuance of subordinated bonds were used to replenish the supplementary capital of the Bank. Pursuant to the resolution of the 2012 annual general meeting and upon approval of the CBRC and the PBOC, the Bank issued Tier 2 capital bonds of RMB20 billion in the national interbank bond market with a term of 15 years and a fixed coupon rate of 5.98% in August 2014. At the end of the tenth year, the issuer has an option to redeem the bonds. All proceeds raised from the issuance of bonds were used to replenish the Tier 2 capital of the Bank. In November 2014, the Bank issued Tier 2 capital bonds of RMB2 billion to overseas institutional investors, with a term of 10 years and a fixed coupon rate of 4.90% for the first five years. At the end of the fifth year, the issuer has an option to redeem the bonds. All proceeds raised from the issuance of bonds were used to replenish the Tier 2 capital of the Bank.

## **NUMBER OF SHAREHOLDERS AND PARTICULARS OF SHAREHOLDING**

At the end of the reporting period, the Bank had a total of 698,999 shareholders, of whom 51,038 were holders of H-shares and 647,961 were holders of A-shares. As at 23 March 2015, the Bank had a total of 723,424 shareholders, of whom 50,551 were holders of H-shares and 672,873 were holders of A-shares.

Unit: share

Ult. share

Total number of shareholders	698,999 (Total number of registered holders of A-shares and H-shares as at 31 December 2014)				
Particulars of shareholding 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	State	57.03	142,590,494,651 (H-shares)	None	None
		0.23	570,941,976 (A-shares)	None	None
HKSCC Nominees Limited <sup>1</sup>	Foreign legal person	30.46	76,161,402,476 (H-shares)	None	Unknown
Temasek <sup>1,2</sup>	Foreign legal person	5.79	14,473,825,216 (H-shares)	None	None
State Grid <sup>1,3</sup>	State-owned legal person	1.08	2,705,173,730 (H-shares)	None	None
Baosteel Group	State-owned legal person	0.80	2,000,000,000 (H-shares)	None	None
		0.10	246,560,498 (A-shares)	None	None
Ping An Life Insurance Company of China, Ltd. –Traditional – Ordinary insurance products	Domestic non-state-owned legal person	0.86	2,143,438,329 (A-shares)	None	None
Yangtze Power <sup>1</sup>	State-owned legal person	0.41	1,015,613,000 (H-shares)	None	None
Reca Investment Limited	Foreign legal person	0.34	856,000,000 (H-shares)	None	None
Ping An Life Insurance Company of China, Ltd. –Traditional – High interest rate insurance policy products	Domestic non-state-owned legal person	0.17	419,776,970 (A-shares)	None	None
Hong Kong Securities Clearing Company Limited <sup>4</sup>	Foreign legal person	0.04	112,112,047 (A-shares)	None	None

- On 31 December 2014, Temasek held a total of 14,473,825,216 H-shares of the Bank. State Grid and Yangtze Power held 2,705,173,730 H-shares and 1,015,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Save for the aforesaid H-shares of the Bank held by Temasek, State Grid and Yangtze Power, 76,161,402,476 H-shares of the Bank were held under the name of HKSCC Nominees Limited.
- On 16 January 2015, Temasek declared its interests to Hong Kong Stock Exchange. According to this declaration, Temasek held 14,419,443,216 H-shares (long position) of the Bank, accounting for 5.99% and 5.77% of the H-shares issued and total shares issued by the Bank respectively.
- As at 31 December 2014, the holding of H-shares of the Bank by State Grid through its wholly-owned subsidiaries was as follows: State Grid Yingda International Holdings Group Co., Ltd. held 795,687,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Luneng Group Co., Ltd. held 582,204,000 shares, and Shenzhen Guoneng International Trading Co., Ltd. held 12,000,000 shares.
- On 31 December 2014, foreign shareholders held 112,112,047 A-shares of the Bank through the Northbound trading under the name of Hong Kong Securities Clearing Company Limited.
- Some of the shareholders mentioned above are managed by the same entity. Apart from this, the Bank is not aware of any connected relations or concerted action among the shareholders.

## **SUBSTANTIAL SHAREHOLDERS OF THE BANK**

Huijin is the controlling shareholder of the Bank, holding 57.26% of the shares of the Bank as at the end of the reporting period. Huijin is a wholly state-owned company established in accordance with the Company Law on 16 December 2003 with the approval of the State Council. Both of its registered capital and paid-in capital are RMB828,209 million. Its legal representative is Mr. Ding Xuedong and its organisation code is 71093296-1. Huijin makes equity investment in key state-owned financial institutions as authorised by the State, and exercises the contributor's rights and obligations in key state-owned financial institutions up to its contribution on behalf of the State to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial activities, nor does it intervene in daily operations of the key state-owned financial institutions in which it holds controlling shares.

Considering the audited financial report of Huijin for the year 2014 will be provided when all the institutions in which Huijin holds interests finish the audits of their financial statements, the following financial data are the audited data for the year 2013. As at 31 December 2013, total assets of Huijin were RMB2,650,373,613 thousand, total liabilities were RMB 135,993,548.5 thousand, and total shareholders' equity was RMB2,514,380,064.5 thousand. Net profit for 2013 was RMB450,150,738.8 thousand. Net cash flows from operating activities, investing activities and financing activities for 2013 were RMB41,743,761.4 thousand.



As at 31 December 2014, the basic information on the enterprises whose shares were directly held by Huijin is as follows:

No.	Institution Name	Shareholding percentage held by Huijin (%)
1	China Development Bank Corporation	47.63
2	Industrial and Commercial Bank of China Limited <sup>1,2</sup>	35.12
3	Agricultural Bank of China Limited <sup>1,2</sup>	40.28
4	Bank of China Limited <sup>1,2</sup>	65.52
5	China Construction Bank Corporation <sup>1,2</sup>	57.26
6	China Everbright Group Ltd. <sup>3</sup>	55.67
7	China Everbright Bank Company Limited <sup>1,2</sup>	41.24
8	China Export & Credit Insurance Corporation	73.63
9	China Reinsurance (Group) Corporation	84.91
10	New China Life Insurance Company Limited <sup>1,2</sup>	31.34
11	China Jianyin Investment Limited	100.00
12	China Galaxy Financial Holdings Co., Ltd.	78.57
13	Shenyin & Wanguo Securities Co., Ltd. <sup>4</sup>	55.38
14	China International Capital Corporation Limited	43.35
15	China Securities Co., Ltd.	40.00
16	China Investment Securities Co., Ltd.	100.00
17	China Everbright Industry Group Limited	100.00
18	Jiantou Zhongxin Assets Management Co., Ltd.	70.00
19	Guotai Junan Investment Management Co., Ltd.	14.54

1. As at 31 December 2014, the A-share listed companies held by Huijin, the controlling shareholder of the Bank.

2. As at 31 December 2014, the H-share listed companies held by Huijin, the controlling shareholder of the Bank.

3. On 8 December 2014, China Everbright Group was restructured as China Everbright Group Ltd., and Huijin held 55.67% of share capital of China Everbright Group Ltd.. Huijin treated its nine billion shareholding of China Everbright Bank Company Limited and the 100% equity of China Everbright Industry Group Limited as its investment in China Everbright Group Ltd., and related transfer procedures were in progress.

4. On 26 January 2015, Shenwan Hongyuan Group Co., Ltd., established by the merger of Shenyin & Wanguo Securities Co., Ltd. and Hong Yuan Securities Co., Ltd., was listed on the Shenzhen Stock Exchange. Huijin held 25.03% equity of Shenwan Hongyuan Group Co., Ltd.. In addition, China Jianyin Investment Limited held 32.89% equity of Shenwan Hongyuan Group Co., Ltd..

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, there were no other corporate shareholders holding 10% or more of shares of the Bank (excluding HKSCC Nominees Limited), nor were there any internal staff shares.

## OTHER INFORMATION

### Purchase, Sale and Redemption of Shares

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

### Corporate Governance

The Bank is committed to maintaining a high-level of corporate governance. In strict compliance with the Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the listing venues, the Bank optimised its corporate governance structure and improved related rules based on its corporate governance practices. During the reporting period, the Bank elected new executive directors, non-executive directors and independent non-executive directors, and amended its Articles of Association. The Bank also formulated management measures on capital adequacy ratio, and reporting procedure of major risk events.

The Bank has complied with the code provisions of the *Corporate Governance Code and Corporate Governance Report* as set out in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange. The Bank has also substantially adopted the recommended best practices therein.

During the reporting period, the Bank recorded and registered information of relevant insiders who possessed inside information. Neither illegal insider dealing nor unusual movement in the stock price caused by leaks of insider information were identified.

### Compliance with Model Code for Securities Transactions by Directors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code in the year ended 31 December 2014.

### Profit and dividends

The profit of the Group for the year ended 31 December 2014 and the Group's financial position as at that date are set out in the "Financial Statements". The financial position and operating results as well as related changes during the reporting period are set out in the "Management Discussion and Analysis".

In accordance with the resolutions passed at the 2013 annual general meeting held on 26 June 2014, the Bank paid an annual cash dividend for 2013 of RMB0.300 per share (including tax), totalling approximately RMB75,003 million, to all of its shareholders whose names appeared on the register of members on 9 July 2014.

The Board recommends a cash dividend for 2014 of RMB0.301 per share (including tax), subject to the approval of the 2014 annual general meeting. If approved by the annual general meeting, the dividend will be distributed to the shareholders whose names appeared on the register of members of the Bank after the closing of the stock market on 30 June 2015. The expected payment date of the H-shares annual cash dividend for 2014 is 24 July 2015. The expected payment date of the A-shares annual cash dividend for 2014 is 1 July 2015.

The Bank's register of members will be closed from 25 June 2015 to 30 June 2015, both days inclusive, during which period no transfer of H-shares will be effected. In order to receive the final dividend, holders of H-shares of the Bank, who have not registered the transfer documents, must deposit the transfer documents together with the relevant share certificates at the H-Share registrar

of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 24 June 2015. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

The 2014 annual general meeting will be held on 15 June 2015. 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 16 May 2015 to 15 June 2015 (both days inclusive), during which period no transfer of shares will be effected. In order to attend the 2014 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 15 May 2015. 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 "HKExnews" website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk), Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn) and the Bank at [www.ccb.com](http://www.ccb.com). The annual report prepared in accordance with IFRS and PRC GAAP will be published on the "HKExnews" website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk), Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn) and the Bank at [www.ccb.com](http://www.ccb.com) in due course.

### **Review of Annual Results**

The audit committee has reviewed the Annual Report 2014 of the Bank. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, the Bank's external auditors, have audited the financial statements of the Bank prepared in accordance with PRC GAAP and those prepared in accordance with IFRS respectively, and have issued unqualified audit reports.

By order of the board of directors

**CHINA CONSTRUCTION BANK CORPORATION**

**Zhang Jianguo**

*Vice chairman, executive director and president*

27 March 2015

As of the date of this announcement, the Bank's executive directors are Mr. Wang Hongzhang and Mr. Zhang Jianguo; non-executive directors are Ms. Chen Yuanling, Mr. Xu Tie, Mr. Guo Yanpeng and Mr. Dong Shi; and independent non-executive directors are Mr. Zhang Long, Ms. Elaine La Roche, Mr. Chung Shui Ming Timpson, Mr. Wim Kok, Mr. Murray Horn and Ms. Margaret Leung Ko May Yee.