中信银行 CHINA CITIC BANK | 25周年 1987-2012 用心奉献

China CITIC Bank Corporation Limited

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

Stock Code: 0998

2011 Annual Report

Corporate Introduction

Founded in 1987, CITIC Bank is among the earliest emerging commercial banks established during China's reform and opening up and China's first commercial bank participating in financing at both domestic and international markets. It is renowned at home and abroad for brushing numerous track records in the contemporary financial history in China. In 2007, CITIC Bank introduced BBVA as its strategic investor and got listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, rising as a bank with international public float. In 2009, CITIC Bank acquired CIFH, deepened the cooperation with BBVA, thereby initially establishing a "triparty" internationalized operation platform, a unique one among other domestic medium banks. In 2011, the Bank successfully completed its equity refinancing through A and H shares rights issue, laying a solid foundation for the further development.

CITIC Bank has grown into one of the strongest domestic commercial banks in terms of capital base and a fast growing national commercial bank with strong comprehensive competitive edges.

CITIC Bank has set up 35 tier-one branches, 54 tier-two branches and 684 sub-branches throughout China, which are mainly located in coastal areas in Eastern China and economically developed cities in Central and Western China. With premium service quality, over 37,000 employees of the Bank provide corporate customers with integrated financial solutions in corporate banking business, international business, treasury and capital market business and investment banking business, and provide individual customers with extensive financial products covering personal wealth management, credit card, consumer credit, private banking and going abroad financial services.

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Corporate Introduction

Registered Name in Chinese:	中信銀行股份有限公司
Registered Name in English:	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as "CNCB")
Legal Representative:	Tian Guoli
Authorized Representatives:	Chen Xiaoxian, Lin Zhengyue
Secretary to the Board of Directors:	Lin Zhengyue
Joint Company Secretary:	Lin Zhengyue, Wendy KAM Mei Ha (ACS, ACIS)
Securities Representative of Company:	Wang Junwei
Qualified Accountant:	Lu Wei (MPA, CPA)
Registered Address and Office Address:	Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing
Postal Code:	100027
Official Website:	bank.ecitic.com
Telephone Number:	+86-10-65558000
Fax Number:	+86-10-65550809
Email Address:	ir_cncb@citicbank.com
Principal Place of Business in Hong Kong:	28th floor, Three Pacific Place, 1 Queen's Road East Hong Kong
Newspapers for Information Disclosure:	China Securities Journal, Shanghai Securities News, Securities Times
Websites for Information Disclosure:	Website designated by the CSRC to publish A-share annual report: www.sse.com.cn Website designated by the SEHK to publish H-share annual report: www.hkexnews.hk
Place Where Annual Report is Kept:	Board Office, CITIC Bank
Legal Advisor as to PRC Laws:	Jun He Law Offices
Legal Advisor as to Hong Kong Laws:	Freshfields Bruckhaus Deringer

PRC Auditor:	KPMG Huazhen Accounting Firm 8th Floor, Office Building Tower 2, Oriental Plaza East, No. 1 East Chang'an Avenue, Beijing, China (Postal code: 100738)
International Auditor:	KPMG 8th Floor, Prince's Building, No. 10 Chater Road, Central, Hong Kong
A-share Registrar:	Shanghai Branch of China Securities Depository and Clearing Corporation Limited 36th Floor, China Insurance Building, No. 166 East Lujiazui Road, Pudong New District, Shanghai
H-share Registrar:	Computershare Hong Kong Investor Services Limited 46th Floor, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong
Listing Venues, Stock Name and Stock Code:	A-share Shanghai Stock Exchange CNCB 601998 H-share The Stock Exchange of Hong Kong Limited CITIC Bank 0998
Date of First Registration:	20 April 1987
Place of First Registration:	CITIC Building, No.19 Jianguomenwai Street, Beijing
Date of Registration Change:	4 August 2011
Authority of First Registration and Registration Change:	State Administration for Industry & Commerce, PRC
Registration Number of Business License:	100000000006002
Institution Number of Finance License:	B0006H111000001
Tax Registration Number:	110105101690725
Certificate of Organization Code:	10169072-5

This annual report is available in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese shall prevail.

Financial Highlights

Operating Performance

Unit: RMB million

Item	2011	2010	Growth rate (%)
Operating income	**77,092**	56,356	36.79
Total profit	**41,590**	28,695	44.94
Net profit attributable to shareholders of the Bank	**30,819**	21,509	43.28
Net operating cash flow	**300,104**	37,325	704.03
Per share			
Basic earnings per share (RMB)	**0.71**	0.53	33.96
Diluted earnings per share (RMB)	**0.71**	0.53	33.96
Net operating cash flow per share (RMB)	**6.41**	0.96	567.71

Note: In 2011, the Bank completed equity financing through rights issue. As a result, the price discount in rights shares subscription was considered when calculating basic earnings per share, and earnings per share in comparative period were recalculated based on the number of shares adjusted.

Profitability Indicators

Item	2011	2010	Increase/(decrease)
Return on average assets (ROAA)	**1.27%**	1.13%	0.14
Return on average equity (ROAE) (excluding minority interests)	**20.92%**	19.29%	1.63
Cost-to-income ratio	**29.88%**	33.63%	(3.75)
Credit cost	**0.43%**	0.36%	0.07
Net interest spread	**2.85%**	2.54%	0.31
Net interest margin	**3.00%**	2.63%	0.37

Scale Indicators

Unit: RMB million

Item	2011	2010	Growth rate (%)
Total assets	**2,765,881**	2,081,314	32.89
Total loans and advances to customers	**1,434,037**	1,264,245	13.43
Total liabilities	**2,587,100**	1,956,776	32.21
Total deposits from customers	**1,968,051**	1,730,816	13.71
Total equity attributable to the Bank's shareholders	**174,496**	120,175	45.20
Net asset per share attributable to the Bank's shareholders (RMB)	**3.73**	3.08	21.10

Asset Quality Indicators

Unit: RMB million

Item	2011	2010	Growth rate(%)/ increase/(decrease)
Performing loans	**1,425,496**	1,255,712	13.52
Non-performing loans (NPLs)	**8,541**	8,533	0.09
Allowance for impairment of loans	**23,258**	18,219	27.66
NPL ratio	**0.60%**	0.67%	(0.07)
Provision coverage ratio	**272.31%**	213.51%	58.80
Allowance for impairment of loans to total loans ratio	**1.62%**	1.44%	0.18

Note: Performing loans include normal and special-mention loans. NPLs include substandard, doubtful and loss loans.

Capital Adequacy Indicators

Item	2011	2010	Increase/(decrease)
Capital adequacy ratio	**12.27%**	11.31%	0.96
Core capital adequacy ratio	**9.91%**	8.45%	1.46
Total equity to total assets ratio	**6.46%**	5.98%	0.48

Five-Year Financial Summary

Unit: RMB million

Item	2011	2010	2009	2008 (restated)	2007
Operating performance					
Operating income	**77,092**	56,356	40,983	41,963	27,955
Total profit	**41,590**	28,695	19,265	17,713	13,172
Net profit attributable to the Bank's shareholders	**30,819**	21,509	14,320	13,296	8,322
Net operating cash flow	**300,104**	37,325	(7,697)	140,459	29,519
Per share					
Basic earnings per share (RMB)	**0.71**	0.53	0.35	0.38	0.22
Diluted earnings per share (RMB)	**0.71**	0.53	0.35	0.38	0.22
Net operating cash flow per share (RMB)	**6.41**	0.96	(0.20)	4.23	0.76
Scale indicators					
Total assets	**2,765,881**	2,081,314	1,775,031	1,319,570	1,011,186
Total loans and advances to customers	**1,434,037**	1,264,245	1,065,649	730,386	575,208
Total liabilities	**2,587,100**	1,956,776	1,668,023	1,190,196	927,095
Total deposits from customers	**1,968,051**	1,730,816	1,341,927	1,027,325	779,999
Total equity attributable to the Bank's shareholders	**174,496**	120,175	102,798	119,366	84,086
Net asset per share attributable to the Bank's shareholders (RMB)	**3.73**	3.08	2.63	3.06	2.15
Profitability indicators					
Return on average assets (ROAA)	**1.27%**	1.13%	0.94%	1.09%	0.97%
Return on average equity (ROAE)	**20.92%**	19.29%	12.91%	13.29%	14.37%
Cost-to-income ratio (excluding business tax and surcharges)	**29.88%**	33.63%	39.95%	34.72%	34.92%
Credit cost	**0.43%**	0.36%	0.25%	0.81%	0.54%
Net spread	**2.85%**	2.54%	2.39%	2.94%	2.95%
Net interest margin	**3.00%**	2.63%	2.51%	3.16%	3.12%
Asset quality indicators					
NPL ratio	**0.60%**	0.67%	0.95%	1.41%	1.48%
Provision coverage ratio	**272.31%**	213.51%	149.36%	136.11%	110.01%
Capital adequacy indicators					
Capital adequacy ratio	**12.27%**	11.31%	10.72%	14.32%	15.27%
Core capital adequacy ratio	**9.91%**	8.45%	9.17%	12.32%	13.14%

Chairman's Statement

Tian Guoli
Chairman

Hereby, I am delighted to report to all shareholders that in 2011, CITIC Bank Group realized a net profit attributable to shareholders of RMB30.819 billion, exceeding RMB30 billion for the first time in its history, up by 43.28% over the previous year; a return on average equity (ROAE) of 20.92%, 1.63 percentage points higher than the previous year; and the earnings per share of RMB0.71, an increase of RMB0.18 over the previous year, thus setting a new historical record for operating outcomes. Meanwhile, the Group continued to keep both of its NPL balance and NPL ratio at relatively low levels and its assets in sound quality while raising the provision coverage ratio to 272.31%. With the total assets amounting to RMB2.765881 trillion, exceeding RMB2.7 trillion for the first time, and the balance of customer deposits and loans reaching RMB1.968051 trillion and RMB1.434037 trillion respectively, the Group walked onto a new step forward in terms of business scale!

The year 2011 witnessed a slowdown in global economic growth, a volatile international financial market, deteriorating European sovereign debt crisis and no sign of alleviation of instability and uncertainties during the world economic recovery. China, however, maintained the momentum of steady and fairly fast economic development and achieved a positive opening of the 12th Five-Year Plan despite pressures from price hikes and structural adjustment, thanks to the resolute and effective macro-economic readjustment and control by the Central Government. In the face of such complicated domestic and external economic environments, CITIC Bank practised the "customer first" concept through out the Bank, continued to follow the development philosophy of "coordinated development of profit, quality and scale", and strived relentlessly for the goal of becoming "a first-class commercial bank that champions the competition of domestic and international banks". As a result, the Bank once again achieved an outstanding business performance, remarkable yearly growth in profitability, continuing optimization of asset quality and constant improvement of market status, presenting a splendid answer to the shareholders, customers and all communities of the society!

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In 2011, the Board of Directors of the Bank diligently implemented macro-economic readjustment and control policies of the state government and regulatory requirements, made timely, prudential and rational decisions on significant matters, guided and supervised the senior management in its work and ensured the healthy and sustained growth of all business lines of the Bank amidst fierce competition. Capitalizing on their respective technical background and professional expertise, directors of the Bank performed their due diligence with enthusiasm. By putting forward professional opinions and advices from multiple perspectives regarding the Bank's business management, internal control and risk management, directors enhanced the scientific and effective decision-making of the Board of Directors. To support its fast business development under the constraint of stringent capital supervision, the Board of Directors led the Bank accomplishing the A shares and H shares rights issue in 2011 raising RMB25.786 billion worth of proceeds, following the successful issuance of RMB16.5 billion subordinated debts in 2010, which, while complying with the regulatory requirements on capital constraints, also laid a solid ground for the Bank's future business growth and safeguarded the long-term interests of shareholders.

In 2011, all business lines of the Bank enjoyed continuing rapid development while business management capacity escalated to a brand new stage. Thanks to the construction of the "big corporate banking" platform, the Bank's corporate banking business further enhanced its sustainability through the accelerated integration and innovation of products and services plus consolidation and elevation of traditional competitive advantages. In retail banking, on the other hand, the Bank kept strengthening its mainline business management and coordinating the development of various business areas based on the construction of a full-function retail banking system, and subsequently realized further improvement of professional service quality and development of the overall marketing capacity. In addition, the Bank improved its capacity building in areas of internal control, compliance and risk management while maintaining a rapid business development. In 2011, the "Woodpecker Compliance Initiative" was carried out throughout the Bank. Mobilizing staff of the Bank at all levels to proactively identify and report potential risks in business management, the Bank effectively built a bottom-up channel for risk detection and constituted a useful attempt to address potential risks in work.

In 2011, the Bank effectively implemented its strategies on enhancing business synergy and internationalized business development to create a unique CITIC Bank pattern of development. Boosting the cooperation with financial subsidiaries under CITIC Group which are engaged in securities, trust, asset management, insurance and fund management, the Bank was able to provide its customers with "one-stop" integrated financial services in multiple areas including but not limited to wealth management product development, asset custody and corporate annuity, and thereby gradually expanding its business synergy effect. Based on the "triparty" platform for internationalization that the Bank has jointly established with BBVA, its strategic investor, and CITIC International Financial Holdings Limited (CIFH), its overseas subsidiary, the Bank took the initiative to support the "going out" strategy of large and medium-sized domestic corporate customers, closely followed the internationalization of Renminbi, gradually created an internationalized service network with unique CITIC Bank features and achieved significant breakthroughs in cross-border financing and cross-border Renminbi settlement in cooperation with CITIC Bank International Limited (CBI), a subsidiary of CIFH holding a banking license in Hong Kong.

In 2011, the Bank effectively performed its due responsibilities in economic, social and environmental development to promote harmonious and sustainable development of economy, society and the environment. Out of its deep concern for customer satisfaction and protection of customer interests, the Bank hired external service providers to conduct independent surveys on customer service satisfaction and maximized customer interests via popular state-of-the-fact product publicity campaigns and timely, efficient and effective handling of customer comments. Genuinely caring for the development of its employees and safeguarding the interests of staff on all fronts, the Bank enjoyed the coordinated development with its staff. In its efforts to be a green bank that excels in energy conservation and emission reduction, the Bank increased the proportion of electronic banking in its business activities, effectively enhanced the technology application in its business operation and kept reducing the consumption of resources such as water and electricity.

In 2011, thanks to the concerted efforts of its over 37,000 employees, the Bank maintained the highest industrial ranking in the regulatory ratings by the CBRC, rose to the 12th in the competitiveness ratings of Asian banks, 4 rankings up from the previous year, and ascended to the 73th in the ratings of global bank brands, 5 rankings up from the previous year. Because of its scientific strategic decision-making and efficient corporate governance, the Bank was named one of the "2011 Top 50 Boards of Directors of Listed Companies on China's Main Board" by *Moneyweek* magazine and the "2011 Bank of Best Corporate Governance in Asia" by the *21st Century Business Herald*. The Bank's effort in social responsibility was well received by all walks of life in society and was rewarded "Best Annual Social Responsibility Institution" in the selection of "2010 Social Responsibility Report in China's Banking Industry" organized by the Chinese Banking Association.

2012 is an important transition year of the 12th Five-Year Plan period, and a critical year for CITIC Bank to deepen its transformation and pursue new heights amidst steady growth. It is reasonable to predict that, in 2012, the world economy will continue to be trapped in weak economic recovery in developed countries while the Chinese economy will maintain the steady and fairly fast development. For the Chinese banking sector, such an economic situation implies both challenges and opportunities. How to grasp opportunities brought along by the steady macro-economic growth, economic restructuring and rapid growth of residents' wealth is critical to the future development of the Chinese banking sector. As always, CITIC Bank will closely follow the policy adjustment and the macro-economic deployment of the Central Government, grasp and make the best use of the important strategic opportunities available from social and economic transformation in China, continue to further the transformation of its development pattern, maintain its steady and rapid development and endeavor to return the trust and support from all stakeholders with prudent and outstanding performance and steadily growing market capitalization!

Tian Guoli
Chairman
30 March 2012

President's Statement

Chen Xiaoxian
President

2011 marks an extraordinary year in the course of development of CITIC Bank and another year of bumpy harvest for the Bank in all relevant areas. In the face with grim economic environments and intensifying industry regulation at home and abroad, all the staff in the Bank carefully executed all requirements of the Board of Directors and successfully completed various tasks with courage and diligence. As at the end of 2011, the Group's asset scale exceeded RMB2.7 trillion, net yearly profit broke through the threshold of RMB30 billion, NPL ratio declined to 0.6% and provision coverage ratio rose to above 270%, putting the Bank on the path of low-capital consumption development and presenting another brilliant answer to all stakeholders! Such remarkable accomplishments of CITIC Bank are attributable to diligent efforts of all staff and strong support from regulators, investors and friends of all walks of life. Hereby, I would like to extend our sincere gratitude thereto on behalf of the senior management of the Bank!

2011 marks an extraordinary year in the course of development of CITIC Bank and another year of bumpy harvest for the Bank in all relevant areas. In the face with grim economic environments and intensifying industry regulation at home and abroad, all the staff in the Bank carefully executed all requirements of the Board of Directors and successfully completed various tasks with courage and diligence. As at the end of 2011, the Group's asset scale exceeded RMB2.7 trillion, net yearly profit broke through the threshold of RMB30 billion, NPL ratio declined to 0.6% and provision coverage ratio rose to above 270%, putting the Bank on the path of low-capital consumption development and presenting another brilliant answer to all stakeholders! Such remarkable accomplishments of CITIC Bank are attributable to diligent efforts of all staff and strong support from regulators, investors and friends of all walks of life. Hereby, I would like to extend our sincere gratitude thereto on behalf of the senior management of the Bank!

Proactive restructuring of business strategies in accordance with the guiding principles of "transformation, upgrade and development" over the past year enabled the Bank to achieve outstanding performance in all aspects:

New stage of business performance. The Group realized a net profit attributable to shareholders of RMB30.819 billion, an increase of RMB9.310 billion over the previous year or up by 43.28% year-on-year, maintaining its leading position in terms of profitability in Chinese banking sector. Meanwhile, with an NPL balance of RMB8.541 billion, an NPL ratio of 0.60% and a provision coverage ratio of 272.31% as at the end of 2011, the Bank continued to maintain a sound quality in its assets. As at the end of the reporting period, the Bank recorded the total consolidated assets of RMB2.765881 trillion, an increase of 32.89% year-on-year; a balance of customer deposits of RMB1.968051 trillion, a year-on-year growth of 13.71%; and a loan balance of RMB1.434037 trillion, an increase of 13.43% year-on-year, thus becoming one of the top medium-sized commercial banks in terms of business scale in China. With 73 newly established business outlets within the territory of China in 2011, the Bank had 773 domestic outlets, maintaining a fairly high outlet growth rate.

New progress in business development. Under the capital constraints, the Bank proactively transformed and optimized the growth pattern of its corporate business, expedited the structuring of an endogenous growth mechanism for corporate business, intensified marketing and restructuring efforts, prioritized the benign development of corporate liability business and intermediary services by specifying business development targets, improving product systems and enhancing performance assessment and incentives, and thereby further consolidating its overall competitiveness in corporate banking business. In retail banking, the Bank proactively responded to the pressure of regulatory policy adjustment by emphasizing better VIP services, cross-selling of products, customer segmentation, private banking, electronic banking and credit system development, and focusing on the construction of concentrated business platforms and electronic banking channels. As a result, the Bank kept consolidating its customer base and business foundation for a sustainable development and remarkably improved the productivity of its retail banking system.

New progress in restructuring. The Bank actively expanded the sources of liabilities, orderly promoted the management and the control of assets and liabilities indicators including the loan-to-deposit ratio, and guided its branches to carry out corresponding adjustment via market means such as readjustment of economic benifits, enabling better equilibrium of assets and liabilities of the whole Bank. While enhancing the customer strategy of "two qualities and two mainstreams" (i.e. quality industries and quality enterprises, mainstream markets and mainstream customers), the Bank spared no effort to provide services for small and medium corporate customers and enhance its support to personal business loans and credit card loans, thus optimizing its credit structure in a continuous manner. By actively adjusting the structure of corporate and retail banking customers, raising contribution of small and medium corporate customers in its loan and deposit business and effectively cultivating high net value customers, the Bank enjoyed an increasingly rational customer structure. In addition, the Bank devoted major efforts to driving forward its intermediary services. Directing business development via reinforced assessment and better allocation of resources, the Bank achieved rapid growth in its intermediary services including guarantee and commitments, settlement and clearing, bank cards and consulting and advisory services, and improved its income structure significantly.

New leap forward in management capability. Policy researches into key areas were intensified. With the adoption of risk management measures by making appropriate adjustment to its credit policy, practising differentiated credit policies and actively promoting the principle of dispatching reviewers to make on-site credit approval of small business loans and personal business loans, the Bank effectively supported its own business transformation and drastically upgraded its risk management capacity. By taking the lead to implement the Basic Standards for Enterprise Internal Control, the Bank set up a preliminary framework for internal control, compliance and operational risk management with unique features, kept improving its management tools and approaches and registered remarkable enhancement of internal control and compliance management capacity. The reinforced indicator assessment of return on capital in branches served as an effective guide for the entire bank to upgrade capital use efficiency, benefiting the Bank with remarkable capacity building and quality improvement of precision management. Information technology enjoyed an accelerated development. Institutional improvement and intensified training enabled back-office management platforms, including accounting settlement and human resources, to facilitate business transformation of the Bank with better supporting and safeguarding capacities.

In the past year, the Bank kept the highest industrial ranking in the regulatory ratings by the CBRC, rose to the 12th in the competitiveness ratings of Asian banks, 4 rankings up from the previous year, ascended further to the 68th for total assets in the "Top 1000 World Banks" ratings, and stepped upward to the 73th in the ratings of global banking brands, 5 rankings up from the previous year. In addition, the Bank swept many industrial awards granted by various authoritative external organizations, a full indication of the appreciation and recognition of the Bank's market competitiveness and industrial status by the banking sector and the market at large.

In 2011, thanks to utmost guidance and full support from the Board of Directors, and based on in-depth analysis of its own development stage and advantages and disadvantages comparison with other banks, the Bank successfully developed its own Five-Year Strategic Plan for the period from 2011 to 2015 and put forward its vision for future development, namely "to become a leading commercial bank that champions the competition of domestic and international banks with leading innovation and advanced management and take the path of professional, comprehensive, internationalized and distinctive development". As at the end of August 2011, the Bank smoothly completed it's A shares and H shares rights issue and successfully raised a total proceeds of RMB25.786 billion, all of which was fully used to replenish its capital. The rights issue constituted a strong safeguard for the Bank to attain its strategic goals and laid a solid foundation to promote its long-term steady development and create more value for its shareholders.

2012, as the second year for the Bank to implement its new five-year plan and the "year of hard-nut cracking" for its way towards the strategic goal of transformation, presents severer challenges both at home and abroad. In order to grasp the major trend amidst a volatile global economy, identify opportunities amidst slowdown of economic growth, take the correct direction under the even more prudential regulatory requirements and perform due responsibility under the intensifying constraints of public opinion against the backdrop of such growing complex and ever changing external environment, we will build up our confidence, go forward with our dauntless and persistent efforts, resolutely implement strategies and guiding principles set by the Board of Directors, regard "accelerate transformation, enhance management and intensify market competitiveness" as the guiding philosophy, set "progress amidst steady development" as the basis for work, innovate concepts on development, and thereby maintaining the momentum of development and achieving first-class financial indicators, first-class management quality and first-class corporate culture. To these ends, we look forward to greeting the 25th anniversary of CITIC Bank with more impressive accomplishments!

Chen Xiaoxian
President
30 March 2012

Honors

February

- With its brand value of USD2.342 billion, CITIC Bank rose to 73rd among the "Top 500 Financial Brands" published by *The Banker* magazine of the United Kingdom, once again entering the top 100 global financial brands.
- *Euromoney* awarded CITIC Bank two awards during its 8th assessment and selection of "Global Private Banks", namely "Most Complete Private Banking Product Line" and "Best Private Banking Services for Precious Metal Transactions".

March

- The EUR60 million syndicated loan for cross-border leasing for Jazz Tel, a Spanish company, co-arranged by CITIC Bank and BBVA won the "2010 Best Project Award" from *Trade Finance*, an authoritative international journal of finance and economics.

June

- At its 4th assessment and selection of the "Best Board of Directors of Listed Companies in China", *Moneyweek* magazine named Dr. Chen Xiaoxian, President of CITIC Bank, "2011 Most Valuable President of Listed Companies in China", and awarded CITIC Bank "2011 Top 50 Boards of Directors of Listed Companies on China's Main Board".

July

- The ranking of CITIC Bank rose to 66th in terms of tier-one capital and 68th in terms of total assets in the "Top 1000 World Banks" published by *The Banker* magazine of the United Kingdom.
- CITIC Bank became the first bank in Chinese Mainland that passed the bank-enterprise express certification by the Society for Worldwide Interbank Financial Telecommunication (SWIFT).

August

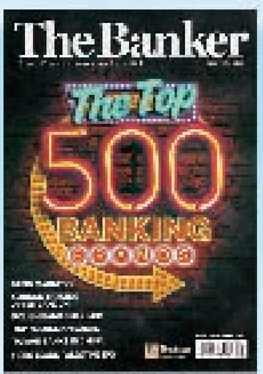
- The *Asiamoney* magazine awarded CITIC Bank "The Top provider of Foreign Exchange Services – The Most Innovative Foreign Exchange Product and Trading Concept".

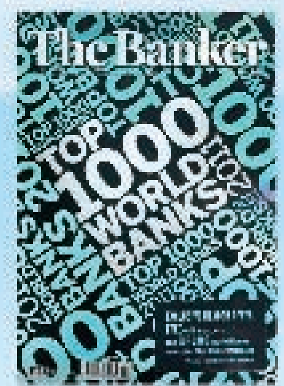
September

- CITIC Bank won the Gold Award at the "Management Action Award" Granting Ceremony sponsored by *Harvard Business Review.*

October

- *The Chinese Banker* magazine ranked CITIC Bank the 5th among other Chinese national commercial banks in its *2010 Evaluation Report* on *Competitiveness of Commercial Banks in China* and its *Ranking of Core Competitiveness of Chinese Banks.*



November

- At the "2011 Stars of China" Award Granting Ceremony sponsored by *Global Finance* magazine of the United States, CITIC Bank was honored "2011 Star of China – the Best Supply Chain Financing Supplier in China", the exclusive winner from the Chinese banking sector.
- During the assessment and selection of "Banks Most Trusted by CFOs in China in 2011" sponsored by *The CFO* magazine, CITIC Bank won the "Best Asset Custody Award" for the third consecutive year and the "Cash Management Innovation Award" concurrently.
- "2011 Financial Value List", an initiative sponsored by *China Business News*, honored CITIC Bank "Best Integrated Financial Services Provider" for its strong overall competitiveness.
- *The 2011 Blue Paper on Social Responsibility of A-Share Issuers* published by RLCCW, an authoritative pro bono organization in China, the 2010 Social Responsibility Report of China CITIC Bank was ranked the 6th amongst all sectors and the first in banking sector, making it an AA report with a positive rating outlook.

December

- Dr. Chen Xiaoxian, President of CITIC Bank, was named "Top 10 Financial Figures of China in 2011" by *The Chinese Banker* magazine, winning this particular honor for the seventh consecutive year.
- At the 6th Annual Asia Financial Conference hosted by *The 21st Century Business Herald,* CITIC Bank ranked the 12th amongst all Asian banks in terms of competitiveness and was thereby honored "2011 Bank of Best Corporate Governance in Asia".
- CITIC Bank ranked the 23rd in the "2011 Top 100 Asian Blue Chips" initiative sponsored by *FinanceAsia* magazine of Hong Kong.
- In the assessment and selection of "The Most Respected Banks and the Best Retail Banks of China in 2011" organized by *Moneyweek* magazine, CITIC Bank was awarded "Most Respected Chinese Bank in 2011" and "2011 Top 10 Best Retail Bank in China", meanwhile the Bank was the only professional financial institution named "Best Auto Loan bank in 2011".
- In the "2011 Gold List of Chinese Financial Institutions – the 4th Gold Dragon Award" co-sponsored by the Financial Institute of the CASS and *The Financial Times,* CITIC Bank was honored "Bank of the Year for Marketing", and was named among "Top 10 Financial Institutions in China in Providing Financial Services to Small and Medium-Sized Enterprises in 2011".

Professional

Our focus is to rise as a leader in traditional and new financial areas and a rule maker for innovation in business, products and services utilizing professional operation system, professional management mechanism, professional products and services as well as professional talent teams.

Economic, Financial and Regulatory Environments

The year of 2011 marked complicated and changing international political and economic situations, slowing down of global economic growth and sliding growth rate of international trade. The major economies such as the United States, European Union and Japan experienced down turns in economic growth; developed countries were yet to achieve an obvious curb on unemployment; the risks of European sovereign debts were radiating to core countries; and the international financial market suffered constant turbulence. The emerging market economies remained under the pressure of inflation. Such instability and uncertainty of world economic recovery gave rise to the increasing risks and challenges.

In the face of complicated international and domestic economic environments in 2011, the Chinese government achieved a sound overall operation of the national economy and an admirable beginning of the 12th Five-Year Plan by accelerating the transformation of its economic growth pattern, strengthening and improving macro-economic control, correctly addressing the relationship amongst steady and rapid economic development, economic restructuring and management of expected inflation, and promoting orderly transformation of economic growth from policy stimulation to self motivation. Gross domestic product (GDP) of the year reached RMB4,7156.4 billion, a growth of 9.2% over the previous year. Fixed assets investment maintained a fast growth while enjoying continuous improvement in structure, with a total investment in fixed assets amounting to RMB3,0193.3 billion, up by 23.8% over the previous year. Consumption rose quickly and steadily, with total social retail sales of consumer goods going up to RMB18,122.6 billion, 17.1% higher over the previous year. Foreign trade of the full year in 2011 registered USD3,642.1 billion, an increase of 22.5% over the previous year, and trade surplus was USD155.1 billion, down by USD26.4 billion over the previous year. Market commodity prices recorded a year-on-year increase, with food price rising by a large margin, consumer price index (CPI) up by 5.4% and producer's price index (PPI) up by 6.0% for the full year in 2011.

The financial industry in China generally continued to operate in a prudent manner. As at the end of 2011, the supply of M2, a broad measure of money supply that covers cash in circulation, and all deposits and M1, a narrow measure of money supply that covers cash in circulation and demand deposits, reached RMB85.2 trillion and RMB29.0 trillion respectively, a growth of 13.6% and 7.9% year-on-year respectively; loan balances of financial institutions totaled RMB54.8 trillion, an increase of RMB7.5 trillion; and the total deposit balance rose to RMB80.9 trillion, up by RMB9.6 trillion. The parity price exchange rate of Renminbi against US dollar stayed at RMB6.3009 as at the end of 2011, an appreciation of 5.1% over the end of the previous year. The stock market tumbled, with the Shanghai Composite Index closing at 2,199.42 at the end of 2011, down by 21.7% year-on-year. Thanks to the continuous optimization of the assets and liabilities structure, increased income from intermediary business and higher net interest margin (NIM) , the banking industry in China registered a fast growth in net profit while maintaining a stable asset quality.

In 2011, the CBRC intensified its regulatory supervision and enhanced its regulatory systems. The promulgation of the Guiding Opinion on Implementing New Regulatory Standards for the Banking Sector in China and the Measures for Asset Management of Commercial Banks (draft soliciting opinion) determined the basic framework for China's asset supervision system and the guideline for China's implementation of new international regulatory standards. By effective application of multiple regulatory means and methods, the CBRC endeavored to guide commercial banks to perfect corporate governance, optimize credit structure, intensify internal management and control, improve risk management, and thereby maintaining the momentum of sound, sustainable and steady development under the complicated and changing economic and financial situations.

The year 2011 marked the commencement of the 12th Five-Year Plan. By responding to the challenges brought about by the changing external environment, speeding up the transformation of development pattern, and deepening strategic transformation, the banking sector in China registered continuous improvement of business performance, continuous optimization of asset quality, and a general trend of positive and steady development, thus laying a solid foundation for a sound development of the Chinese economy.

Analysis of the Financial Statements

Overview

In active response to the developments in macro-economic and financial environments along with regulatory policy adjustment in 2011, the Group adhered to its guiding principle of "transformation, upgrade, and development", continued promoting the transformation of business and the adjustment of operation strategies. With all indicators in compliance with regulatory requirements, the Group achieved remarkable increase in economic benefits, maintained a sound asset quality and realized the steady growth in terms of business scale.

In 2011, the Group realized a net profit of RMB30.819 billion attributable to the Bank's shareholders, an increase of RMB9.310 billion or 43.28% over the previous year; net interest income of RMB65.106 billion, an increase of RMB16.971 billion or 35.26% over the previous year; net non-interest income of RMB11.986 billion, an increase of RMB3.765 billion or 45.80% over the previous year. The significant increase in profitability was mainly attributable to three factors: (1) steady growth in the scale of interest-earning assets and continuous increase in net interest margin, which brought along rapid growth of net interest income; (2) proactive expansion of intermediary business and effective adjustment of profitability structure, which resulted in significant increase of net fee and commission income; and (3) enhancement of sophisticated management of expenses and reasonable allocation of fee resources, which contributed to the significant improvement of input-output efficiency.

As at the end of the reporting period, the Group's total assets reached RMB2.765881 trillion, up by RMB684.567 billion or 32.89% year-on-year, of which total loans and advances to customers stood at RMB1,434.037 billion, up by RMB169.792 billion or 13.43% year-on-year; total liabilities of the Group amounted to RMB2.587100 trillion, up by RMB630.324 billion or 32.21% year-on-year, of which total deposits from customers amounted to RMB1,968.051 billion, up by RMB237.235 billion or 13.71% year-on-year. As at the end of the reporting period, the Group's non-performing Loans (NPLs) balance stood at RMB8.541 billion, up by RMB8 million or 0.09% year-on-year; NPL ratio was 0.60%, down by 0.07 percentage point year-on-year; and provision coverage ratio reached 272.31%, up by 58.80 percentage points year-on-year, registering a continuing decline of the NPL ratio and a significant increase of the provision coverage ratio.

Income Statement Analysis

Unit: RMB million

Item	2011	2010	Increase/ decrease	Growth rate (%)
Net interest income	**65,106**	48,135	16,971	35.26
Net non-interest income	**11,986**	8,221	3,765	45.80
Operating income	**77,092**	56,356	20,736	36.79
Operating expense	**(28,381)**	(22,638)	5,743	25.37
Asset impairment loss	**(7,207)**	(5,249)	1,958	37.30
Profit before taxation	**41,590**	28,695	12,895	44.94
Income tax	**(10,746)**	(6,916)	3,830	55.38
Net profit	**30,844**	21,779	9,065	41.26
Including: Net profit attributable to the Bank's shareholders	**30,819**	21,509	9,310	43.28
Minority interests	**25**	270	(245)	(90.74)

Net Interest Income

The Group's net interest income was influenced by the difference between the yield of interest-earning assets and the cost rate of interest-bearing liabilities, as well as the average balance of interest-earning assets and interest-bearing liabilities. In 2011, the Group realized a net interest income of RMB65.106 billion, up by RMB16.971 billion or 35.26% year-on-year, which was mainly attributable to the continuous increase in net interest margin and the continuous increase in interest-earning assets.

The table below sets out the average balance and average interest rate of the Group's interest-earning assets and interest-bearing liabilities.

Unit: RMB million

	2011			2010		
Item	**Average balance**	**Interest**	**Average yield/cost rate (%)**	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets						
Loans and advances to customers	**1,343,708**	**82,234**	**6.12**	1,176,711	58,820	5.00
Investment in debt securities	**237,823**	**7,636**	**3.21**	224,614	6,016	2.68
Deposits with the Central Bank	**298,864**	**4,425**	**1.48**	225,305	3,164	1.40
Deposits and placements with banks and non-bank financial institutions	**188,459**	**7,528**	**3.99**	100,653	1,609	1.60
Amounts under resale agreements	**98.934**	**4,796**	**4.85**	100,876	2,840	2.82
Others [(1)]	**—**	**4**	**—**	1,185	11	0.93
Subtotal	**2,167,788**	**106,623**	**4.92**	1,829,344	72,460	3.96
Interest-bearing liabilities						
Deposits from customers	**1,761,117**	**32,450**	**1.84**	1,515,841	20,143	1.33
Deposits and placements from banks and non-bank financial institutions	**194,295**	**7,247**	**3.73**	155,363	2,969	1.91
Amounts under repurchase agreements	**10,420**	**474**	**4.55**	2,809	46	1.64
Others [(2)]	**36,964**	**1,346**	**3.64**	36,011	1,167	3.24
Subtotal	**2,002,796**	**41,517**	**2.07**	1,710,024	24,325	1.42
Net interest income		**65,106**			48,135	
Net interest spread [(3)]			**2.85**			2.54
Net interest margin [(4)]			**3.00**			2.63

Notes: (1) Interests collected from loans written off by subsidiaries during the reporting period.
(2) Including debt securities payable and trading financial liabilities.
(3) Representing the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.
(4) Calculated by dividing the net interest income by the average balance of total interest-earning assets.

The table below sets out the changes in the Group's net interest income due to the changes of scale factor and interest rate factor, where changes under the joint influence of both factors are reflected in the changes of the interest rate factor.

Unit: RMB million

	2011 compared with 2010		
Item	**Scale factor**	**Interest rate factor**	**Total**
Assets			
Loans and advances to customers	8,350	15,064	23,414
Investment in debt securities	354	1,266	1,620
Deposits with Central Bank	1,030	231	1,261
Deposits and placements with banks and non-bank financial institutions	1,405	4,514	5,919
Amounts under resale agreements	(55)	2,011	1,956
Others	(11)	4	(7)
Changes in interest income	**11,073**	**23,090**	**34,163**
Liabilities			
Deposits from customers	3,262	9,045	12,307
Deposits and placement from banks and non-bank financial institutions	744	3,534	4,278
Amounts under repurchase agreements	125	303	428
Others	31	148	179
Changes in interest expense	**4,162**	**13,030**	**17,192**
Changes in net interest income	**6,911**	**10,060**	**16,971**

Net Interest Margin and Net Interest Spread

In 2011, the Group's net interest margin stood at 3.00%, up by 0.37 percentage point year-on-year, and net interest spread was 2.85%, up by 0.31 percentage point year-on-year. Given the impact of the macro-economic control policies in 2011, the scale expansion of the Group's interest-earning assets and credit assets slowed down. In addition to the impact of interest rate hikes, the increase in net interest spread and net interest margin was mainly attributable to the Group's proactive adoption of the following measures: (1) enhanced management of assets and liabilities, optimized resource allocation through its dynamic interest rate management mechanism, and constantly increased interest rate pricing and improvement of asset pricing capability; (2) expedited strategic transformation of its business operation, proactively adjusted business structure, rational control of high-cost capital, and expanded high-yield business areas.

Interest Income

In 2011, the Group realized an interest income of RMB106.632 billion, up by RMB34.163 billion or 47.15% year-on-year. The increase in interest income was primarily due to the increase in interest-earning assets (the loans and advances to customers in particular) and the increase in the average yield of interest-earning assets. The Group's average yield of interest-earning assets increased from 3.96% in 2010 to 4.92% in 2011, up by 0.96 percentage point. The average balance of interest-earning assets increased to RMB2,167.788 billion in 2011 from RMB1,829.344 billion in 2010, up by RMB338.444 billion or 18.50%.

Interest Income from Loans and Advances to Customers

The interest income from loans and advances to customers has always been the largest component of the Group's interest income. In 2011 and 2010, the interest income from loans and advances to customers accounted for 77.13% and 81.18% of the Group's total interest income, respectively.

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

Table 1: Classification by Term

Unit: RMB million

	2011			2010		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
The Bank						
Short-term loans	**656,320**	**44,181**	**6.73**	590,443	30,424	5.15
Long and medium-term loans	**608,977**	**35,857**	**5.89**	514,697	26,427	5.13
Subtotal	**1,265,297**	**80,038**	**6.33**	1,105,140	56,851	5.14
Overseas business	**78,411**	**2,196**	**2.80**	71,571	1,969	2.75
Total	**1,343,708**	**82,234**	**6.12**	1,176,711	58,820	5.00

Table 2: Classification by Business

Unit: RMB million

	2011			2010		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
The Bank						
Corporate loans	**998,702**	**64,028**	**6.41**	879,963	46,466	5.28
Discounted bills	**41,467**	**3,273**	**7.89**	54,886	1,965	3.58
Personal loans	**225,128**	**12,737**	**5.66**	170,291	8,420	4.94
Subtotal	**1,265,297**	**80,038**	**6.33**	1,105,140	56,851	5.14
Overseas business	**78,411**	**2,196**	**2.80**	71,571	1,969	2.75
Total	**1,343,708**	**82,234**	**6.12**	1,176,711	58,820	5.00

In 2011, the Group's interest income from loans and advances to customers stood at RMB82.234 billion, up by RMB23.414 billion or 39.81% year-on-year, including the Bank's interest income from loans and advances to customers of RMB80.038 billion, an increase of RMB23.187 billion or 40.79% year-on-year, which was mainly because the average loan yield was up by 1.19 percentage points and the average balance was increased by RMB160.157 billion. The main reasons that contributed to the increase of the average loan yield are as follows: (1) the Bank enhanced its interest rate pricing management through a series of measures of incentive-based assessment guidance and resources allocation, as a result of which, the loan interest rate grew rapidly; (2) the Bank proactively optimized its credit structure, vigorously developed small and medium-sized enterprises business and gradually expanded the scale of high-yield loans, and the "price increase offsetting scale decrease" strategy yielded good effects.

The interest income from loans and advances to customers of overseas subsidiaries stood at RMB2.196 billion, up by RMB227 million or 11.53% year-on-year.

Interest Income from Investment in Debt Securities

In 2011, the Group's interest income from investment in debt securities stood at RMB7.636 billion, up by RMB1.620 billion or 26.93% year-on-year, primarily because the average yield of debt securities increased by 0.53 percentage point and the average balance of debt securities increased by RMB13.209 billion.

Interest Income from Deposits with the Central Bank

In 2011, the Group's interest income from deposits with the Central Bank amounted to RMB4.425 billion, an increase of RMB1.261 billion or 39.85% year-on-year. This was mainly because, compared with 2010, the average balance of deposits with the Central Bank grew by RMB73.559 billion, or up by 32.65%. Meanwhile, the average yield grew from 1.40% in 2010 to 1.48% in 2011. The increase in average balance was due to the increase of deposits from customers and the raise of Renminbi statutory deposit reserve ratio within the year, resulting in the sharp increase of statutory deposit reserves; while the increase in average yield was resulted from the decrease in proportion of the average balance of relatively lower-yield excess reserve.

Interest Income from Deposits and Placements with Banks and Non-Bank Financial Institutions

In 2011, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB7.528 billion, up by RMB5.919 billion or 367.87% year-on-year, which was mainly due to the increase of 2.39 percentage points in the average yield of deposits and placements with banks and non-bank financial institutions and the increase of RMB87.806 billion in the average balance of such deposits and placements. As the market rate of deposits and placements with banks and non-bank financial institutions rose, the Group seized the opportunity, while ensuring liquidity safety, to improve the operation efficiency of working capital, which contributed to the increase of average balance and significant growth of average yield.

Interest Income from Amounts under Resale Agreements

In 2011, the Group's interest income from the amounts under resale agreements stood at RMB4.796 billion, up by RMB1.956 billion or 68.87% year-on-year, which was mainly because the average yield of the amounts under resale agreements grew from 2.82% in 2010 to 4.85% in 2011, up by 2.03 percentage points.

Interest Expense

In 2011, the Group's interest expense was RMB41.517 billion, up by RMB17.192 billion or 70.68% year-on-year. The increase in interest expense was primarily due to the increase in the average cost rate of interest-bearing liabilities and the Bank's multiple measures to grow its liability business, which further expanded the scale of interest-bearing liabilities.

The average cost rate of the Group's interest-bearing liabilities rose from 1.42% in 2010 to 2.07% in 2011, up by 0.65 percentage point, while the average balance of its interest-bearing liabilities increased from RMB1,710.024 billion in 2010 to RMB2,002.796 billion in 2011, up by RMB292.772 billion or 17.12%.

Interest Expense on Deposits from Customers

Deposits from customers have always been the primary funding source of the Group. The interest expense on deposits from customers in 2011 and 2010 accounted for 78.16% and 82.81% of the Group's total interest expense, respectively.

The table below sets out the average balance, interest expense and average cost rate of corporate deposits and personal deposits of the Group divided by product type during the periods indicated.

Unit: RMB million

	2011			2010		
Item	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
The Bank						
Corporate deposits						
Time deposits	718,757	20,767	2.89	583,987	12,209	2.09
Demand deposits	692,926	5,310	0.77	625,533	4,054	0.65
Subtotal	1,411,683	26,077	1.85	1,209,520	16,263	1.34
Personal deposits						
Time deposits	188,359	5,125	2.72	161,129	3,129	1.94
Demand deposits	62,895	290	0.46	52,206	190	0.36
Subtotal	251,254	5,415	2.16	213,335	3,319	1.56
Total for the Bank	1,662,937	31,492	1.89	1,422,855	19,582	1.38
Overseas business	98,180	958	0.98	92,986	561	0.60
Total deposits from customers	1,761,117	32,450	1.84	1,515,841	20,143	1.33

In 2011, the Group's interest expense on deposits from customers stood at RMB32.450 billion, up by RMB12.307 billion or 61.10% year-on-year.

The Bank's interest expense on deposits from customers amounted to RMB31.492 billion, up by RMB11.910 billion or 60.82% year-on-year, which was primarily due to the increase of 0.51 percentage point in average cost rate and the increase of RMB240.082 billion in the Bank's average balance of deposits from customers. The key reasons for the rise in average cost rate of deposits from customers are: (1) the Central Bank raised the benchmark interest rate for deposits from customer for five consecutive times since October 2010, and as the interest rate re-pricing gradually proceeded to its completion, the impacts of the interest rate rises became increasingly obvious; (2) the interest rate raised successively by the Central Bank shifted deposits from customers increasingly towards time deposits, as a result of which, the ratio of average balance of time deposits rose from 52.37% in 2010 to 54.55% in 2011.

The interest expense on deposits from customers of overseas subsidiaries stood at RMB958 million, up by RMB397 million or 70.77% year-on-year.

Interest Expense on Deposits and Placements from Banks and Non-Bank Financial Institutions

In 2011, the Group's interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB7.247 billion, up by RMB4.278 billion or 144.09% year-on-year, which was primarily due to the rise of average cost rate of such deposits and placements from 1.91% to 3.73%, up by 1.82 percentage points, and the increase of RMB38.932 billion in average balance thereof. The rise of average cost rate was primarily attributable to the ascending interbank offered rate on the interbank deposit market under the context of tightening monetary policy during the year; while the increase of average balance was primarily due to the business expansion, which resulted in the increase in deposits from banks and non-bank financial institutions.

Interest Expense on Other Borrowed Funds

In 2011, the Group's other interest expenses including those for issued bonds stood at RMB1.346 billion, up by RMB179 million or 15.34% year-on-year, which was primarily resulted from the Group's issuance of RMB16.5 billion worth of subordinated bonds and USD500 million worth of subordinated notes in the middle of 2010, resulting in a year-on-year growth of expense on bond interest payable in 2011.

Net Non-Interest Income

In 2011, the Group continuously improved its intermediary business management system by intensifying the work of the Intermediary Business Development Committee and the Sales and Marketing Committee, deepening the construction of seven specialized marketing platforms for international business, treasury and capital market business, investment banking, custody, credit card, wealth management and private banking business, making performance assessment on intermediary income from main business lines, and meanwhile providing dedicated funding support, which all contributed to the sustained and rapid growth of non-interest income.

In 2011, the Group realized a net non-interest income of RMB11.986 billion, up by RMB3.765 billion or 45.80% year-on-year. The proportion of the Group's net non-interest income to its operating income increased from 14.59% in 2010 to 15.55% in 2011.

Unit: RMB million

Item	2011	2010	Increase/ decrease	Growth rate (%)
Net fee and commission income	8,837	5,696	3,141	55.14
Net gain from trading securities	2,260	1,289	971	75.33
Net gain from investment securities	83	142	(59)	(41.55)
Net (loss) from arbitrage	(1)	(1)	—	—
Income from other businesses	807	1,095	(288)	(26.30)
Total net non-interest income	**11,986**	8,221	3,765	45.80

Net Fee and Commission Income

In 2011, the Group realized a net fee and commission income of RMB8.837 billion, an increase of RMB3.141 billion or 55.14% year-on-year, of which fee and commission income amounted to RMB9.481 billion, up by 50.30% year-on-year. This increase was primarily due to the Group's vigorous development of its intermediary business and the relatively rapid growth in items including consulting and advisory fees, bank card fees, settlement fees, and guarantee fees, with the growth rate of each and every of the above-mentioned items exceeding 50%.

Unit: RMB million

Item	2011	2010	Increase/ decrease	Growth rate (%)
Consulting and advisory fees	2,659	1,696	963	56.78
Bank card fees	2,283	1,455	828	56.91
Settlement fees	1,755	1,063	692	65.10
Guarantee fees	887	408	479	117.40
Wealth management fees	847	771	76	9.86
Agency fees	725	692	33	4.77
Custody and other trusted services commissions	320	208	112	53.85
Others	5	15	(10)	(66.67)
Subtotal	9,481	6,308	3,173	50.30
Fee and commission expense	(644)	(612)	32	5.23
Net fee and commission income	8,837	5,696	3,141	55.14

Net Gain from Trading

Unit: RMB million

Item	2011	2010	Increase/ decrease	Growth rate (%)
Net gain from foreign exchange trading	**1,293**	1,583	(290)	(18.32)
Debt securities	**46**	52	(6)	(11.54)
Derivatives	**919**	(316)	1,235	—
Investment funds	**1**	(23)	24	—
Financial liabilities measured at fair value through profit or loss	**1**	(7)	8	—
Net gain from trading	**2,260**	1,289	971	75.33

In 2011, the Group's net gain from trading was RMB2.260 billion, up by RMB971 million or 75.33% year-on-year, which was mainly due to the increase in the fair value of the Group's derivative through revaluation.

Loss on Asset Impairment

Unit: RMB million

Item	2011	2010	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Loans and advances to customers	**5,734**	4,238	1,496	35.30
Off-balance sheet assets [(1)]	**1,222**	338	884	261.54
Investments	**181**	579	(398)	(68.74)
Others [(2)]	**70**	94	(24)	(25.53)
Total loss on asset impairment	7,207	5,249	1,958	37.30

Notes: (1) Including the RMB1.14 billion provision for impairment losses of Farmington off-balance sheet guarantee charged by CIFH, a subsidiary of the Group.

(2) Including the impairment losses of repossessed assets, placements with banks and other assets.

In 2011, the Group's impairment losses on assets were RMB7.207 billion, up by RMB1.958 billion or 37.30% year-on-year, of which impairment losses on loans and advances to customers were RMB5.734 billion, up by RMB1.496 billion or 35.30% year-on-year.

Operating Expenses

Unit: RMB million

Item	2011	2010	Increase/ decrease	Growth rate (%)
Staff cost	**12,294**	10,053	2,241	22.29
Property and equipment expenses and amortization	**3,987**	3,345	642	19.19
General and administrative expenses	**6,757**	5,555	1,202	21.64
Total operating expenses	**23,038**	18,953	4,085	21.55
Business tax and surcharges	**5,343**	3,685	1,658	44.99
Total operating expenses	**28,381**	22,638	5,743	25.37
Cost-to-income ratio	36.81%	40.17%	Down by 3.36 percentage points	
Cost-to-income ratio (deducting business tax and surcharges)	29.88%	33.63%	Down by 3.75 percentage points	

In 2011, the Group's operating expenses amounted to RMB28.381 billion, up by RMB5.743 billion or 25.37% year-on-year, which was primarily because: (1) the Group's staff cost, property and equipment expenses, and amortization increased due to the increase of business outlets; (2) the Group's business expenses went up due to the increase in its dedicated funding support so as to promote its restructuring program.

In 2011, the Group's cost-to-income ratio stood at 29.88%, down by 3.75 percentage points year-on-year, thus maintaining relatively high input-output efficiency.

Income Tax Analysis

In 2011, the Group's income tax expense was RMB10.746 billion, up by RMB3.830 billion or 55.38% year-on-year. The Group's effective tax rate stood at 25.84%, up by 1.74 percentage points from 24.10% in 2010.

Balance Sheet Analysis

Unit: RMB million

	31 December 2011		31 December 2010	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**1,434,037**	**—**	1,264,245	—
Including:				
Corporate loans	**1,116,389**	**—**	992,272	—
Discounted bills	**49,451**	**—**	55,699	—
Personal loans	**268,197**	**—**	216,274	—
Provisions for impairment losses	**(23,258)**	**—**	(18,219)	—
Net amount of loans and advances to customers	**1,410,779**	**51.0**	1,246,026	59.9
Investments (1)	**253,388**	**9.2**	271,258	13.0
Cash and deposits with Central Bank	**366,391**	**13.2**	256,323	12.3
Net amount of deposits and placements with banks and non-bank financial institutions	**537,539**	**19.4**	130,588	6.3
Amounts under resale agreements	**162,211**	**5.9**	147,632	7.1
Others (2)	**35,573**	**1.3**	29,487	1.4
Total assets	**2,765,881**	**100.0**	2,081,314	100.0
Deposits from customers	**1,968,051**	**76.1**	1,730,816	88.5
Including:				
Corporate deposits	**1,622,087**	**62.7**	1,430,062	73.1
Personal deposits	**345,964**	**13.4**	300,754	15.4
Deposits and placement from banks and non-bank financial institutions	**540,222**	**20.9**	148,735	7.6
Amounts under repurchase agreements	**9,806**	**0.4**	4,381	0.2
Debt securities payable	**33,730**	**1.3**	34,915	1.8
Others (3)	**35,291**	**1.3**	37,929	1.9
Total liabilities	**2,587,100**	**100.0**	1,956,776	100.0

Notes: (1) Including trading investments, available-for-sale investments, held-to-maturity investments and long-term equity investments.
(2) Including interest receivables, fixed assets, intangible assets, real estate for investment purposes, goodwill, deferred income tax assets, derivative financial assets and other assets.
(3) Including trading financial liabilities, derivative financial liabilities, staff remuneration payable, tax and fee payables, interest payables, estimated liabilities, other liabilities and so on.

Most of the Group's assets are loans and advances to customers. As at the end of 2011, The Group's loans and advances to customers after deducting provisions for impairment losses accounted for 51.0% of the Group's total assets, down by 8.9 percentage points over the previous year.

For the analysis of loan business, please refer to "Management Discussion and Analysis" — "Risk Management".

Investment Businesses

Investment Portfolio Analysis

Unit: RMB million

	31 December 2011		31 December 2010	
Item	**Value**	**Proportion (%)**	Value	Proportion (%)
Debt securities				
Held-to-maturity debt securities	**108,468**	**42.8**	129,041	47.7
Available-for-sale debt securities	**126,875**	**50.1**	129,342	47.7
Debt securities measured at fair value through profit or loss	**8,188**	**3.2**	2,848	1.0
Total debt securities	**243,531**	**96.1**	261,231	96.4
Investment funds				
Available-for-sale investment funds	**5,706**	**2.3**	6,342	2.3
Investment funds measured at fair value through profit or loss	**2**	**—**	4	—
Total investment funds	**5,708**	**2.3**	6,346	2.3
Equity investments				
Available-for-sale equity investments	**40**	**—**	32	—
Equity investments for trading purposes	**—**	**—**	3	—
Long-term equity investments	**2,343**	**0.9**	2,386	0.9
Total equity investments	**2,383**	**0.9**	**2,421**	**0.9**
Available-for-sale financial assets-certificates of deposit	**1,766**	**0.7**	1,260	0.4
Total investments	**253,388**	**100.0**	271,258	100.0
Market value of listed securities in held-to-maturity debt securities	**692**		917	

Classification of Debt Securities Investment

As at the end of 2011, the Group's investment in debt securities reached RMB243.531 billion, a decrease of RMB17.700 billion or 6.78% over the end of the previous year, which was primarily because the Group adjusted its securities investments, reduced some government bonds and central bank bonds while increasing the high-yield and high credit rating medium-to-long term bonds issued by policy banks, banks and non-bank financial institutions as well as corporate bonds based on its judgment of the trend of future market rate and its adjustment of its assets and liabilities structure as well as full considerations of investment returns and risks as well as the liquidity management requirement.

Unit: RMB million

	31 December 2011		31 December 2010	
Item	**Value**	**Proportion (%)**	Value	Proportion (%)
Government	**62,150**	**25.5**	66,408	25.4
Banks and non-bank financial institutions	**47,974**	**19.7**	31,620	12.1
Policy banks	**39,709**	**16.3**	33,163	12.7
PBC	**26,860**	**11.0**	69,411	26.6
Public entities	**75**	**—**	1,725	0.7
Others *(Note)*	**66,763**	**27.5**	58,904	22.5
Total debt securities	**243,531**	**100.0**	261,231	100.0

Note: Primarily corporate bonds.

Unit: RMB million

Item	31 December 2011 Value	Proportion (%)	31 December 2010 Value	Proportion (%)	31 December 2009 Value	Proportion (%)
Domestic	224,976	92.4	238,056	91.1	169,065	84.4
Overseas	18,555	7.6	23,175	8.9	31,225	15.6
Total debt securities	**245,531**	**100.0**	261,321	100.0	200,290	100.0

Foreign Currency Denominated Debt Securities Held

As at the end of 2011, the Group held a total of USD3.906 billion worth of foreign currency denominated debt securities (equivalent to RMB24.613 billion), of which the Bank held USD1.550 billion and the Bank's overseas subsidiaries held the rest USD2.356 billion. The Group's allowance for foreign currency denominated debt securities investment impairment was USD70 million (equivalent to RMB440 million) , of which the Bank's balance of provision for impairment was USD47 million and the the balance of provision for impairment of overseas subsidiaries was the rest USD23 million.

Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of significant investments in financial debt securities held by the Group as at 31 December 2011.

Unit: RMB million

Name of Debt Securities	Book value	Maturity Date	Annual interest rate (%)	Provision for impairment
Debt Securities 1	3,012	20 February 2015	4.26	—
Debt Securities 2	2,299	7 December 2015	5.56	—
Debt Securities 3	2,205	6 May 2017	3.83	—
Debt Securities 4	1,941	2 June 2014	3.40	—
Debt Securities 5	1,769	19 April 2021	5.73	—
Debt Securities 6	1,450	24 February 2018	4.20	—
Debt Securities 7	1,447	12 June 2017	3.87	—
Debt Securities 8	1,395	19 August 2021	4.90	—
Debt Securities 9	1,315	11 October 2018	4.74	—
Debt Securities 10	1,298	29 May 2017	3.85	—
Total debt securities	**18,131**			

Investment Quality Analysis

Changes in the Provisions for Investment Impairment Loss

Unit: RMB million

Item	As at 31 December 2011	As at 31 December 2010
Beginning balance	**350**	586
Accruals during the year (1)	**181**	579
Write-offs	**(11)**	(579)
Transfer out (2)	**(80)**	(236)
Ending balance	**440**	350

Notes: (1) Equal to the net provision for impairment loss recognized in the consolidated income statement of the Group.

(2) Transfer-out includes the amount transferred from the provisions for impairment loss of investment in overdue debt securities to the provisions for bad debt, the sale of impaired investments and the impact due to changes in exchange rate.

Unit: RMB million

Item	As at 31 December 2011	As at 31 December 2010
Provisions for available-for-sale investment impairment	303	241
Provisions for held-to-maturity investment impairment	137	109
Provisions for long-term equity investment impairment	—	—
Total	**440**	350

Classification of Derivatives and Fair Value Analysis

Unit: RMB million

	31 December 2011			31 December 2010		
	Nominal principal	Fair value		Nominal principal	Fair value	
Item		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	200,104	1,627	1,314	210,359	1,481	1,521
Currency derivatives	404,074	3,036	2,438	429,730	2,985	2,591
Credit derivatives	1,050	19	11	968	7	9
Equity derivatives	15	1	1	395	5	5
Total	**605,243**	**4,683**	**3,764**	641,452	4,478	4,126

On-Balance Sheet Interest Receivables

The table below sets out the changes in interest receivables of the Group.

Unit: RMB million

Item	31 December 2010	Increase during the current period	Collected during the current period	31 December 2011
Loan interest receivables	2,921	82,234	(81,589)	3,566
Interest receivables for debt securities	2,999	7,636	(7,120)	3,515
Other interest receivables	205	16,753	(13,932)	3,026
Subtotal	6,125	106,623	(102,641)	**10,107**
Allowances for impairment losses on interest receivables	(30)	(38)	12	(56)
Total	6,095	106,585	(102,629)	**10,051**

Repossessed Assets

The table below sets out the status of the repossessed assets of the Group.

Unit: RMB million

Item	31 December 2011	31 December 2010
Original value of repossessed assets		
— Land, premises and constructions	404	487
— Others	34	234
Provisions for impairment of repossessed assets		
— Land, premises and constructions	(137)	(205)
— Others	(24)	(75)
Total book value of repossessed assets	**277**	441

Deposits from Customers

The Group

Unit: RMB million

Item	31 December 2011 Balance	31 December 2011 Proportion (%)	31 December 2010 Balance	31 December 2010 Proportion (%)	31 December 2009 Balance	31 December 2009 Proportion (%)
Corporate deposits						
Demand deposits	787,052	40.0	752,219	43.5	581,483	43.3
Time deposits	835,035	42.4	677,843	39.1	516,369	38.5
Including: negotiated	69,866	3.6	30,130	1.7	7,810	0.6
Subtotal	1,622,087	82.4	1,430,062	82.6	1,097,852	81.8
Personal deposits						
Demand deposits	91,762	4.7	87,521	5.1	66,908	5.0
Time deposits	254,202	12.9	213,233	12.3	177,167	13.2
Subtotal	345,964	17.6	300,754	17.4	244,075	18.2
Total deposits from customers	1,968,051	100.0	1,730,816	100.0	1,341,927	100.0

As at the end of 2011, deposits from customers of the Group totaled RMB1,968.051 billion, an increase of RMB237.235 billion or 13.71% over the end of the previous year.

The Bank

Unit: RMB million

Item	31 December 2011 Balance	31 December 2011 Proportion (%)	31 December 2010 Balance	31 December 2010 Proportion (%)	31 December 2009 Balance	31 December 2009 Proportion (%)
Corporate deposits						
Demand deposits	770,384	41.3	735,188	45.0	563,534	44.8
Time deposits	787,775	42.2	633,497	38.7	485,851	38.5
Including: negotiated	69,240	3.7	30,100	1.8	7,810	0.6
Subtotal	1,558,159	83.5	1,368,685	83.7	1,049,385	83.3
Personal deposits						
Demand deposits	79,753	4.3	71,140	4.4	49,066	3.9
Time deposits	227,309	12.2	194,505	11.9	160,613	12.8
Subtotal	307,062	16.5	265,645	16.3	209,679	16.7
Total deposits from customers	1,865,221	100.0	1,634,330	100.0	1,259,064	100.0

As at the end of 2011, the Bank's deposits from customers totaled RMB1,865.221 billion, an increase of RMB230.891 billion or 14.13% over the end of the previous year. The balance of corporate deposits of the Bank increased by RMB189.474 billion over the end of the previous year, of which the negotiated deposits increased by RMB39.140 billion, which was mainly because the Bank properly obtained certain negotiated deposits considering the match of the maturity of assets and liabilities and the Bank's personal deposits increased by RMB41.417 billion or 15.59% over the end of the previous year.

Breakdown of Deposits from Customers by Currency

Unit: RMB million

Item	31 December 2011 Balance	31 December 2011 Proportion (%)	31 December 2010 Balance	31 December 2010 Proportion (%)
RMB	1,816,875	92.3	1,583,501	91.5
Foreign currencies	151,176	7.7	147,315	8.5
Total	1,968,051	100.0	1,730,816	100.0

Breakdown of Deposits by Geographical Location

Unit: RMB million

Item	31 December 2011 Balance	31 December 2011 Proportion (%)	31 December 2010 Balance	31 December 2010 Proportion (%)
Bohai Rim (Note)	538,762	27.4	492,182	28.4
Yangtze River Delta	505,692	25.7	439,504	25.4
Pearl River Delta and West Strait	278,346	14.1	241,641	14.0
Central region	257,689	13.1	218,978	12.7
Western region	227,366	11.6	187,530	10.8
Northeastern region	57,160	2.9	54,495	3.1
Overseas	103,036	5.2	96,486	5.6
Total deposits from customers	1,968,051	100.0	1,730,816	100.0

Note: Including the Head Office.

Breakdown of Deposits by Remaining Maturity

The table below sets out the deposits from customers by remaining maturity as at the end of 2011.

Unit: RMB million

Item	Repayable-on-demand Amount	Repayable-on-demand Proportion (%)	Within 3 months Amount	Within 3 months Proportion (%)	Within 3 to 12 months Amount	Within 3 to 12 months Proportion (%)	Within 1 to 5 years Amount	Within 1 to 5 years Proportion (%)	After 5 years Amount	After 5 years Proportion (%)	Total Amount	Total Proportion (%)
Corporate deposits	842,524	42.8	356,333	18.1	312,704	15.9	97,796	5.0	12,730	0.6	1,622,087	82.4
Personal deposits	169,403	8.6	88,340	4.5	69,106	3.5	19,091	1.0	24	0.0	345,964	17.6
Total	1,011,927	51.4	444,673	22.6	381,810	19.4	116,887	6.0	12,754	0.6	1,968,051	100.0

Shareholders' Equity

For changes in shareholder's equity during the reporting period, please refer to "Independent Auditor's Report and Financial Report" — "Consolidated Statement of Changes in Equity".

Major Off-Balance Sheet Items

The table below sets out major off-balance sheet items and their balances as at the end of the reporting period.

Unit: RMB million

Item	31 December 2011	31 December 2010
Credit commitments		
— Banker's Acceptance bill	503,666	427,573
— Letter of guarantees issued	64,534	68,932
— Letter of credit issued	244,312	116,529
— Irrevocable loan commitments	95,218	60,496
— Credit card commitments	60,937	49,844
Subtotal	968,667	723,374
Operating leasing commitments	8,260	6,641
Capital commitments	1,438	424
Pledged assets	11,637	6,952
Total	990,002	737,391

Supplementary Financial Indicators

Major Indicators [1]	Standard (%)	Data of the Bank (%) 31 December 2011	31 December 2010	31 December 2009
Liquidity ratio				
(both RMB and Foreign currency)	≧25	**60.89**	59.11	51.61
Including: RMB	≧25	**58.97**	56.75	48.12
Foreign currencies	≧25	**96.55**	68.68	104.47
Loan-to-deposit ratio [2]				
(both RMB and Foreign currency)	≦75	**72.97**	72.83	79.62
Including: RMB	≦75	**73.26**	73.31	79.96
Foreign currencies	≦75	**65.44**	60.42	70.97

Notes: (1) The figures are calculated in accordance with the regulatory standards of Chinese banking industry.
(2) Discounted bills are included in loans.

Capital Management

The Group's objective in capital management includes: to ensure the capital adequacy ratio fulfill the regulatory requirements at any time, to establish a long-term capital replenishing mechanism for maintaining a solid capital base, to specify the asset expansion plan according to capital base for balancing capital, yields and risks and to maximize shareholders' value with controllable risks.

To achieve the above-mentioned objectives, the Group's capital management strategies are: (1) considering the Group's overall development strategy and risk preference, the Group set up a targeted range of capital adequacy ratio. Meanwhile, the Group set up internal capital alarming lines and regularly monitored the capital adequacy ratio of the whole bank. If the capital adequacy ratio or core capital adequacy ratio falls below the alarming lines, a series of measures, such as replenishing capital and adjusting asset structure or other effective methods, shall be taken immediately so as to ensure the capital adequacy ratio within the targeted range; (2) the Group reasonably utilized all sorts of capital instruments and optimized the total amount and the structure of capital in order to improve capital quality and the capability of losses bearing; and (3) the Group improved its capital management mechanism, established a scientific capital management system, improved the awareness of capital constraints so as to use capital more efficiently. Performance-based employee evaluation system emphasizing "economic profits" and "return on risk capital" was promulgated throughout the Bank. By leveraging on the internal capital allocation system, the Group realized an optimized allocation of economic capital among institutions, products, industries and clients to ensure a consistent and stable increase in return on capital.

To ensure the implementation of the afore-mentioned strategies, the Group was expediting the improvement of risk measurement techniques and steadily expanding the application of capital management in various areas such as product pricing, performance evaluation and operation plans, etc, so that the function of economic capital as an instructive baton to the Bank's business operation could have been enhanced.

The Group calculated and disclosed its capital adequacy ratio in accordance with the Measures for the Administration of Capital Adequacy Ratio of Commercial Banks (Decree of the CBRC [2004] No. 2) promulgated by the CBRC in 2004 and the relevant provisions subsequently revised.

Unit: RMB million

Item	31 December 2011	31 December 2010	31 December 2009
Total capital before deduction	**214,002**	160,928	122,735
Including: Total core capital	**171,534**	119,166	103,573
Total supplementary capital	**42,468**	41,762	19,162
Deduction: Unconsolidated equity investment and others	**4,134**	4,314	4,147
Net capital	**209,868**	156,614	118,588
Net core capital	**169,466**	116,988	101,527
Risk-weighted assets	**1,702,165**	1,385,262	1,106,648
Market risk capital	**696**	—	—
Core capital adequacy ratio	**9.91%**	8.45	9.17
Capital adequacy ratio	**12.27%**	11.31	10.72

Note: Since 2011, the regulatory authorities abolished the threshold value for charging market risk capital in the previous rules; therefore, all banks should calculate market risk capital in accordance to applicable calculation rules.

Major Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with the Accounting Standards for Business Enterprises requires the Group to make certain accounting estimates and assumptions when the Group's accounting policies are applied to determine the amounts of assets and liabilities as well as income and expenses for the reporting period. The accounting estimates and assumptions made by the Group are based on its historical experience and other factors such as reasonable expectations of future events, and are reviewed on an on-going basis. The accounting estimates and assumptions made by the Group appropriately reflected the financial positions of the Group.

The main aspects of the compilation basis of the Group's financial statements influenced by estimates and judgments include: confirmation and measurement of financial instruments (provisions for loan impairment losses and bad debt write-offs, classification of debt securities and equity investments, measurement of the fair value of investments for trading purpose and transactions designated at fair value through profit or loss, measurement of the fair value of available-for-sale investments, measurement of the fair value of derivative financial instruments) , affirmation of actuarial obligations for pension and welfare, and recognition of deferred income tax and income tax expense.

Measurement of Fair Value

The Bank measures the fair value of financial instruments according to the method stated in Price Determination Method for Financial Instruments of China CITIC Bank in Treasury and Capital Market Business. The methods for determination of fair value include the use of financial media quotes, open or individual valuation techniques, and trading counterparty or third party price inquiry. In principle, it is the Bank's priority to use the quotes from active markets to measure fair values. For financial instruments without active markets, the latest market trading quotes shall be applied. For those financial instruments without market quotes, valuation techniques or price inquiry method shall be applied.

The Bank strictly implements the internal control procedure for the measurement of fair values. The business department, the risk management department and the accounting department collectively confirm the determination method and source for the fair values of financial instruments in light of business needs. The accounting department conducts an independent evaluation on fair value based on the requirements of the accounting standards, and prepares valuation reports regularly. The risk management department reviews various valuation reports, and supervises the implementation of those valuation methods. The relevant systems and methods related to the measurement of fair values are approved by the Market Risk Management Committee of the Bank's Head Office.

Items Measured at Fair Value Held

Unit: RMB million

Item	Beginning balance	Gain/loss from changes in fair value in 2011	Accumulated changes in fair value recognized in equity	Provision for impairment charged in 2011	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss for the current period	2,855	41	—	—	8,190
2. Financial derivative assets	4,478	903	—	—	4,683
3. Available-for-sale financial assets	136,976	—	255	—	134,387
Subtotal of financial assets	144,309	944	255	—	147,260
Investment properties	248	29	—	—	272
Total of financial assets	144,577	973	255	—	147,532
Financial liabilities					
1. Trading financial liabilities	10,729	—	—	—	—
2. Derivative financial liabilities	4,126	(95)	—	—	3,764
Total of financial liabilities	14,855	(95)	—	—	3,764

Financial Assets and Liabilities Denominated in Foreign Currencies Held

Unit: RMB million

Item	Beginning balance	Gain/loss from changes in fair value in 2011	Accumulated changes in fair value recognized in equity	Provision for impairment charged in 2011	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss for the current period	151	28	—	—	103
2. Derivative financial assets	1,866	163	—	—	2,218
3. Available-for-sale financial assets	32,845	—	(163)	—	29,234
4. Loans and receivables	160,686	—	—	(19)	166,349
5. Held-to-maturity investments	3,670	—	—	—	1,658
6. Investment properties	248	29	—	—	272
Total of financial assets	199,466	220	(163)	(19)	199,834
Financial liabilities	175,035	(99)	—	—	179,951

Segment Report

Business Segment

Unit: RMB million

	2011					
Item	**Corporate banking**	**Personal banking**	**Treasury business**	**CIFH**	**Other and unallocated**	**Total**
Operating income	55,404	10,427	8,994	3,002	(735)	77,092
Operating expense	(17,504)	(8,962)	(310)	(1,539)	(66)	(28,381)
Asset impairment loss	(5,230)	(714)	(38)	(1,225)	—	(7,207)
Operating profit/(loss)	32,670	751	8,646	324	(801)	41,590

	31 December 2011					
Item	**Corporate banking**	**Personal banking**	**Treasury business**	**CIFH**	**Other and unallocated**	**Total**
Segment assets	1,460,870	310,607	848,186	135,347	5,688	2,760,698
Segment liabilities	2,089,057	312,222	44,867	124,995	15,959	2,587,100
Off-balance sheet credit commitments	872,369	55,543	—	40,755	—	968,667

	2010					
Item	Corporate banking	Personal banking	Treasury business	CIFH	Other and unallocated	Total
Operating income	43,031	8,409	1,992	3,073	(149)	56,356
Operating expense	(13,556)	(7,297)	(362)	(1,285)	(138)	(22,638)
Asset impairment loss	(3,678)	(546)	—	(1,025)	—	(5,249)
Operating profit/(loss)	25,797	566	1,630	989	(287)	28,695

	31 December 2010					
Item	Corporate banking	Personal banking	Treasury business	CIFH	Other and unallocated	Total
Segment assets	1,309,027	239,356	399,306	123,464	5,343	2,076,496
Segment liabilities	1,525,051	277,972	40,594	112,757	402	1,956,776
Off-balance sheet credit commitments	640,308	44,169	—	38,897	—	723,374

The Group has maintained a leading position in corporate banking business. In 2011, the corporate banking business contributed an operating profit of RMB32.670 billion to the Group, with the proportion of 77.07%; the personal banking business contributed an operating profit of RMB751 million to the Group, with the proportion of 1.77%; the treasury business contributed an operating profit of RMB8.646 billion to the Group, with the proportion of 20.40%; and the overseas subsidiaries contributed an operating profit of RMB324 million, with the proportion of 0.76%.

Geographical Segment

Unit: RMB million

Item	2011									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central region	Western region	Northeastern region	Head Office	Hong Kong	Offset	Total
Operating income	18,258	10,107	16,478	9,540	8,117	2,115	9,475	3,002	—	77,092
Operating expense	(6,723)	(3,953)	(5,761)	(3,510)	(3,054)	(832)	(3,009)	(1,539)	—	(28,381)
Asset impairment loss	(1,932)	(872)	(935)	(1,000)	(699)	(244)	(300)	(1,225)	—	(7,207)
Operating profit/(loss)	9,603	5,282	9,782	5,030	4,364	1,039	6,166	324	—	41,590

Item	31 December 2011									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central region	Western region	Northeastern region	Head Office	Hong Kong	Offset	Total
Segment assets	641,067	407,317	740,810	337,367	314,148	69,579	855,864	139,763	(745,217)	2,760,698
Segment liabilities	629,878	401,011	730,097	331,652	308,503	68,109	735,288	127,779	(745,217)	2,587,100
Off-balance sheet credit commitments	265,912	111,062	226,460	160,111	83,237	25,587	55,543	40,755	—	968,667

Item	2010									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central region	Western region	Northeastern region	Head Office	Hong Kong	Offset	Total
Operating income	13,960	7,690	12,909	6,795	5,646	1,615	4,561	3,180	—	56,356
Operating expense	(5,351)	(2,980)	(4,560)	(2,644)	(2,326)	(628)	(2,813)	(1,336)	—	(22,638)
Asset impairment loss	(1,098)	(847)	(1,371)	(407)	(235)	(24)	(242)	(1,025)	—	(5,249)
Operating profit/(loss)	7,511	3,863	6,978	3,744	3,085	963	1,506	1,045	—	28,695

Item	31 December 2010									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central region	Western region	Northeastern region	Head Office	Hong Kong	Offset	Total
Segment assets	491,160	286,131	549,592	260,996	224,362	57,878	637,529	116,295	(547,447)	2,076,496
Segment liabilities	482,494	281,102	540,602	256,611	220,190	56,517	555,563	111,144	(547,447)	1,956,776
Off-balance sheet credit commitments	172,279	103,236	179,721	105,890	54,386	24,763	44,169	38,930	—	723,374

The Bohai Rim (including the Head Office), the Yangtze River Delta, the Pearl River Delta and the West Strait have always been the most important contributors to the Group's income and profit growth, contributing a total operating profit of RMB30.833 billion to the Group in 2011, with the proportion of 74.14%. The Group's business in Central, Western and Northeastern regions of China have been developing rapidly in recent years, and in 2011, the operating profit from these three regions amounted to RMB10.433 billion, with the proportion of 25.09%. In addition, the profit derived from operations in Hong Kong amounted to RMB324 million with the proportion of 0.77% and the economic efficiency grew steadily.

Business Overview

Corporate Banking

Business Strategies

Amidst the complicated macro-economic situation in 2011, the Bank continued to optimize its operation pattern for corporate banking business through proactive development of specialized marketing and service systems and continuous promotion of the construction of business platforms such as small business financing, investment banking, supply chain financing and corporate electronic finance, thereby further enhancing its professional services and marketing capability for corporate banking and consolidating its overall competitiveness in corporate banking business.

Business Overview

The Bank proactively optimized its corporate banking business model in 2011 based on the development of "big corporate banking" platform through intensifying resources integration and business synergy, developing the tiered customer operation system, expediting product and service integration and innovation, and boosting transaction banking business including cash management and supply chain financing. In parallel with consolidating and escalating the competitive edges of traditional corporate financing business, the Bank conducted effective adjustment to its business structure, customer structure and income structure, thus further improving its development sustainability. As at the end of the reporting period, the Bank's total balance of corporate deposit was RMB1,558.159 billion, an increase of 13.84% year-on-year; total corporate loan balance was RMB1,103.460 billion, up by 11.83% year-on-year. During the reporting period, the Bank realized a net non-interest income from corporate banking amounting to RMB6.013 billion, up by 57.41% year-on-year.

- The Bank realized a reasonable corporate customer structure. As at the end of the reporting period, the number of strategic clients was 3,690, the balance of general loans to strategic clients was RMB437.157 billion, accounting for 41.31% of the total balance of corporate general loans; the balance of general loans to small business customers reached RMB103.95 billion, an increase of RMB38.432 billion or 58.66% over the end of the previous year, accounting for 9.82% of the total balance of general corporate loans, up by 2.80[1] percentage points over the previous year.

- The Bank continued to take the lead among peers in terms of international business. During the reporting period, the Bank's cross-border Renminbi settlement reached RMB144.662 billion with a market share of 7.6%. The Bank maintained its leading position steadily amongst other Chinese-funded national commercial banks in terms of indicators such as the number of accounts of interbank transactions in cross-border Renminbi settlement, account balance, cross-border purchase and selling of Renminbi.

- Investment banking business registered a rapid growth. During the reporting period, the net non-interest income from investment banking business reached RMB2.004 billion, an increase of 50.10% year-on-year. Fee income from structured financing and bond underwriting grew by 106.67% and 74.06% respectively year-on-year.

- Small business financing business developed fast. As at the end of the reporting period, the balance of credit granted to small enterprises reached RMB246.495 billion, an increase of RMB91.176 billion or 58.70% over the end of the previous year; the balance of general loans reached RMB103.950 billion, an increase of RMB38.432 billion or 58.66% over the end of the previous year, of which the NPL balance amounted to RMB335 million and the NPL ratio was only 0.32%.

- Custody business grew against a slack market. As at the end of the reporting period, the balance of assets under custody reached RMB333.744 billion, up by 31.25% over the end of the previous year. Income from custody business during the reporting period totaled RMB320 million, up by 53.85% over the end of the previous year.

- Auto financing business registered a steady development. During the reporting period, the Bank established a "head office-to-head office" business cooperation network covering 60 automobile brands, an increase of 11 over the previous year, covering all key domestic automobile manufacturers in China. Meanwhile, during the reporting period, the Bank provided RMB336.665 billion worth of financing services to auto dealers, up by 36.87% year-on-year.

1 In the process of business management, the Bank made dynamic adjustment to the results of small business clients identification based on the changes of financial data of enterprises, and restated the figures as at the beginning of the year. The restated number of small business customers with credit extension was 11,025 and the balance of general loans was RMB65.518 billion as at the beginning of 2011.

During the reporting period, the Bank continued to acquire high reputation for its series of corporate financial service brands, receiving over 20 awards including "Excellent Competitive Corporate Banking Service Provider", "Best Supply Chain Financing Bank", "Best Investment Bank of Excellent Competitiveness", "Best Cash Management Bank", "Outstanding Contribution to Cash Management Sector in China", "Best Syndicated Loan Program" and "Innovation Award for Best Financing Services to SMEs".

Corporate Deposits and Loans

During the reporting period, the Bank kept optimizing the development strategy of corporate liability business under capital constraints, expediting the nurturing of endogenous growth mechanism for corporate liability business, intensifying marketing in areas such as institutional deposits, corporate deposits from settlement and fund raising for customers with direct-financing demands, intensifying cross-selling of corporate products, making effective use of transaction banking services including payment settlement, cash management and trade financing, enlarging up and down-stream medium and small customer groups with large customers as its core, and promoting the growth of liabilities with low cost and high stability. As at the end of the reporting period, the Bank's corporate deposit customers reached 284,000, an increase of 25,284 over the end of the previous year. The Bank's balance of corporate deposits was RMB1,558.159 billion, up by 13.84% over the end of the previous year, of which, the balance of deposits from institutional customers including fiscal and taxation entities registered RMB409.606 billion, up by 10.18% over the end of the previous year, accounting for 26.29% of the Bank's total corporate deposits.

The Bank placed emphasis on the steady growth of high-quality and high-yield asset business. By making use of the comprehensive corporate customer value evaluation system, the Bank enhanced its value analysis of credit-receiving customers, and effectively geared credit resources towards high risk premium and low capital consumption business and high comprehensive yield customers. As a result, the Bank's high-yield asset business registered a steady growth and corporate loan structure was effectively adjusted. As at the end of the reporting period, the Bank's corporate loan balance (including discounted bills) registered RMB1,103.460 billion, up by 11.83% year-on-year, and the balance for corporate general loans increased by RMB124.943 billion over the beginning of 2011, a growth of 13.39% over the end of the previous year.

Based on its "customer-oriented" philosophy, the Bank intensified its operation on corporate customers of different tiers and established differentiated marketing management model and product service system targeting different corporate customers. The Bank continued to reinforce its centralized management and unified coordination of strategic customers marketing and deepen the cooperative relationship with these customers. Meanwhile, the Bank initiated its efforts to establish a marketing management system targeting medium corporate customers, and strengthened the specialized business operation regarding small business customers, thus promoting a coordinated and reasonable structure of the Bank's large, medium and small corporate customers.

Business with Financial Institutions

During the reporting period, the Bank continued the development of interbank platforms and business cooperation, during which process the Bank verified the credit line to 17 national banks and 144 local banks. In addition, the Bank strengthened business expansion in third-party depositary and margin trading and short selling business by signing third-party depositary agreements with a total of 89 brokers and agreements on margin trading and short selling business with 16 brokers. In the meantime, the Bank made quicker progress in its cooperation with insurance companies, financial leasing companies and financial assets management corporations, and unveiled its financial service plan regarding cooperation between the Bank and insurance companies and cooperation between the Bank and financial leasing companies. While conducting effective risk prevention, the Bank seized the market opportunities to vigorously promote the development of asset businesses with other financial institutions including bank notes interbank discount under resale agreements, Renminbi non-settlement deposits with other banks and non-bank financial institutions and amounts borrowed from other banks and non-bank financial institutions, and promote the growth of monetary market related businesses including placements from and with other banks and non-bank financial institutions and debt securities repurchase so as to increase the efficiency of capital operation.

As at the end of the reporting period, the Bank's daily average balance of deposits from financial institutions registered RMB181.98 billion, of which the proportion of daily average balance of deposits from financial institutions reached 39.1%, and the daily average balance of Renminbi assets business with other financial institutions reached RMB210.98 billion.

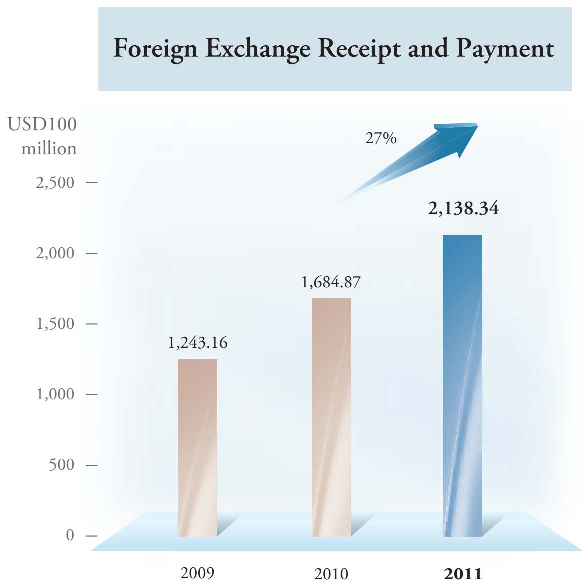
International Business

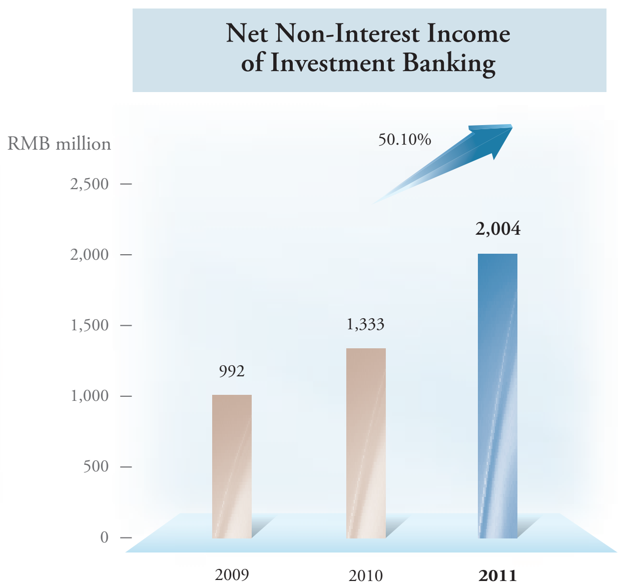
2011 witnessed the slowing down of global economic growth and shrinking demands from major European and American countries as a consequence of the European debt crisis, along with capital constraints and shortage of resources resulting from stringent financial regulation. Large customers thereby demanded even higher standard financial services, coupled with fiercer horizontal competition in international business. During the reporting period, the Bank pursued an international business development strategy featuring "structural adjustment for higher comprehensive contribution; innovation and uniqueness for sustainable development", thanks to which the Bank managed to tide against the negative market, made proactive efforts in resources allocation, incentives-based assessment orientation, customer marketing and product innovation, and upgraded its business performance to a new stage.

Guided by the 3S principle of "specialist, speed, slim", the Bank's international business achieved a coordinated development of scale and profit. During the reporting period, the Bank achieved USD213.834 billion in foreign exchange receipt and payment (including trade account and non-trade account) in its international business, up by 26.97% over the previous year, which exceeded the growth rate of China's foreign trade by 4.5 percentage points, making its ranking amongst its peers continue to rise. The Bank's intermediary business income for the reporting period totaled RMB1.995 billion, an increase of 59.1% year-on-year, setting a new record for growth rate, while interest income registered RMB984 million, representing a significant growth of economic benefits. The advantages of international business, i.e., high yields and obvious comprehensive benefits with less capital use were given full play.

During the reporting period, the Bank actively developed new businesses, constantly expanded service chains and tapped into new sources of earnings. In line with the internationalization of Renminbi and "Going Out" of Chinese enterprises, the Bank achieved rapid growth in cross-border Renminbi business and maintained its leading position among other domestic commercial banks in terms of business volume. During the reporting period, the volume of cross-border Renminbi settlement of the Bank reached RMB144.662 billion with a market share of 7.6%. The Bank took a stable lead amongst its peers in terms of indicators including the numbers of current accounts of Renminbi settlement with other banks, balances in accounts, cross-border purchase and selling of Renminbi. In the meantime, the Bank seized the market opportunity by actively expanding domestic L/C business and thereby rigorously intensifying the service system that integrated domestic and international trade. Bearing in mind the shortage of foreign exchange funds and constraints on credit scale, the Bank made active use of refinance fund to assist clients to overcome the bottleneck of resources. In 2011, the Bank's refinance business reached USD27.641 billion, up by 159% year-on-year.

During the reporting period, the Bank's international business was awarded by the *Trade Finance* magazine "Best International Business Brand" and "Best Innovator for International Business". The Bank received "Outstanding Annual Contribution to Cross-Border Renminbi Settlement Service" conferred by the MOFCOM and *International Business Daily*, received "Star of International Balance of Payment Statistics" in 2010 selected by the SAFE. In addition, the Bank became the first bank receiving SWIFT bank-enterprise express service certification in China.





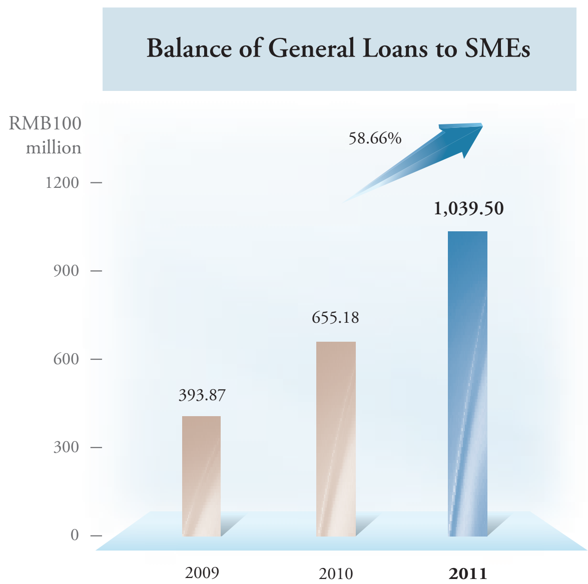
Investment Banking Business

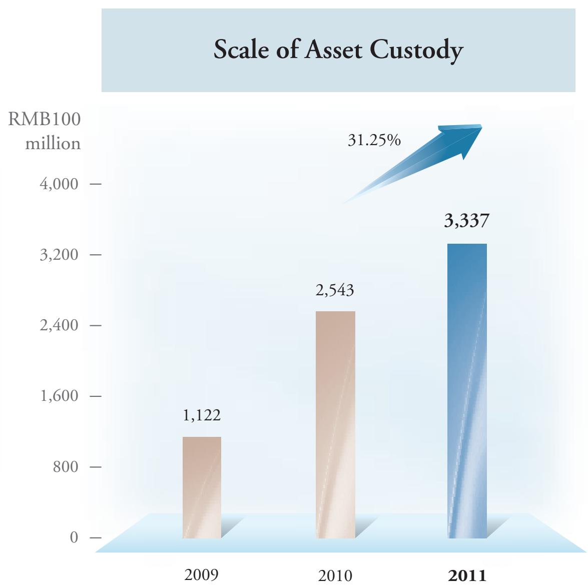
In 2011, under the macro context that traditional banking business tightened their credit scale and experienced increasing pressures from loan-to-deposit ratio and capital supervision, the Bank took the initiative to adjust its approach of development for investment banking business. By taking customers' needs of both debt and equity financing into equal consideration, the Bank achieved breakthroughs in diversification of both customer structure and profit-making pattern during the reporting period, resulting in rapid growth of business income. During the reporting period, the Bank's net non-interest income from investment banking business reached RMB2.004 billion, up by 50.10% year-on-year, accounting for 33.33% of the Bank's total net non-interest income from corporate banking business, of which structured financing and bond underwriting generated business income of RMB620 million and RMB317 million respectively, up by 106.67% and 74.06% respectively year-on-year. In 2011, various key business areas of investment banking exhibited a dynamic momentum of growth in scale, with the sales of investment banking products reaching RMB392.2 billion, up by 75% year-on-year.

In 2011, the Bank took the lead in financial industry in terms of the number of projects registered in the national interbank bond market and underwritten by it as lead underwriter and succeeded in underwriting the first batch of local government bonds, short-term commercial paper (SCP) and regional optimized collective bills. The Bank's ranking with *Bloomberg Press* remained the second in Chinese Mainland in terms of the scale of syndicated loans arranged by foreign and domestic banks. Because of its investment banking business, during the reporting period, the Bank was honored "Most Innovative Investment Bank in China" by *The Securities Times*, won the "Top Performance Award" and the "Best Transaction Award" for syndicated loan business from the China Banking Association, and the international award "Deal of the Year" from *Trade Finance*.

Transaction Banking Business

The Bank continued to optimize the organization and management model for supply chain financing business and keeps enhancing its centralized management of supply chain financing business by establishing centralized operation platform. During the reporting period, the Bank intensified its innovation and application of supply chain financing products by launching products including bill bank and bill pool pledge financing, thus further escalating the market competitiveness of the Bank's supply chain financing business. As at the end of the reporting period, the number of effective credit-receiving customers of supply chain financing business (excluding auto finance business) of the Bank reached 3,827, an increase of 1,564 over the end of the previous year, with an accumulative volume of financing reaching RMB344.7 billion, up by 66.7% year-on-year. Meanwhile, the acceptance and discount of electronic bills reached RMB137.3 billion, constituting a comprehensive market share of nearly 20%.





During the reporting period, the Bank launched depositary service of multi-bank system (MBS) for cash management in line with the trends of innovative cash management business, preliminarily established the MBS depositary system platform, initiated "cloud service" and consulting service of CITIC Bank cash management business, launched Cash Management version 5.1 online, expanded functionalities such as access to historical balance and real-name affiliated accounts, thereby diversifying the product series of cash management. The business-to-business (B2B) commercial system platform of the Bank went through continuing optimization, expanding services to satisfying cash management service for third-party transaction platform, third-party payment institutions and core merchants conducting electronic commerce (EC) and expanding service functionalities including capital management and on-line payment. The Bank became the only domestic commercial bank approved to participate in the EC intelligent payment technique project under the national science and technology support scheme in the 12th Five-Year Plan of the MOST. As at the end of the reporting period, the number of cash management projects and the number of customers reached 1,937 and 11,800 respectively, up by 32.67% and 33.9% respectively over the previous year, with the transaction volume reaching RMB11.3 trillion, an increase of 37.46% over the previous year.

Small Business Financing Business

In 2011, the Bank developed a customized financial product "Growth Support Loan" for quality small corporate customers belong to "One Chain, Two Circles, and Three Clusters"[1]. In the meantime, the Bank expedited its innovation in products and schemes, put forward unique financial products such as supply loan, sales loan, market loan, industrial/development zone loan, chamber of commerce loan and portfolio loan, etc, and launched regional optimized collective bond issuance by competitive small enterprises and loan issuance to small and micro enterprises merchandising on the Internet. These efforts stimulated business development while effectively putting risks under control.

As at the end of the reporting period, the Bank had 16,114 small business clients[2], an increase of 5,089 over the beginning of 2011, to which the total balance of credit granted reached RMB246.495 billion, increasing by RMB91.176 billion or 58.70% over the end of the previous year; the balance of general loans totaled RMB103.950 billion, growing by RMB38.432 billion or 58.66% over the end of the previous year, of which NPL balance was RMB335 million and the NPL ratio was merely 0.32%. In parallel with sound and rapid development of small business credit business, the Bank's advantages in profit-making showed gradually. As at the end of the reporting period, the interest rate of outstanding loans for small businesses was 23.69% above the benchmark interest rate, which was at the medium level in the industry and above the average level of interest rate float over the benchmark interest rate for corporate outstanding loans, and was consistent with the Bank's positioning of focusing on quality growing small business clients.

The CBRC named "Growth Support Loan", a customized financial product of the Bank for quality small corporate customers, "Unique Financial Service Product of Banking Institutions for Small Enterprises" during the reporting period.

Asset Custody Business

In 2011, asset custody and pension business of the Bank maintained rapid development against a slack market. While domestic securities market kept declining and thereby the continuous shrinkage of valuation of securities investment funds with underlying stock and debt securities and wealth management products issued by brokers, the Bank persisted with both traditional and innovative approaches which resulted in rapid growth of custody fee income, continuous record brushing of custody scale, and industrial leadership in terms of the growth rate of the scale of annuity put in operation for two consecutive years by fully leveraging on the advantages of integrated platform of CITIC Group Corporation, enabling the cross-selling of corporate and retail banking products and business interaction, actively promoting market share and industry position. As at the end of the reporting period, assets under the Bank's custody reached RMB333.744 billion, an increase of 31.25% year-on-year. During the reporting period, total income from custody fees reached RMB320 million, up by 53.85% year-on-year; while the scale of pension business under contract totaled RMB14.597 billion, up by 60.21% year-on-year.

During the reporting period, the Bank won the "Award for Best Asset Custody in China" from The *CFO* magazine for the third year and continued its position as a standing member of the Professional Committee of Asset Custody under the China Banking Association.

Auto Finance

In 2011, the Bank overcame negative factors such as sliding growth rate of the domestic auto sector and scale restriction of auto credit, kept pioneering into new markets, achieved a sustainable growth of the overall yields and thereby maintained a sound momentum of development as a whole. During the reporting period, the Bank registered substantial growth in all operation indicators including the scale of auto finance, number of cooperating auto dealers, and deposits from auto dealers, which further consolidated the Bank's competitive advantages in auto finance business.

1 One Chain refers to the up and down stream in supply chain; Two Circles refer to trade concentration area and manufacturing concentration area; Three Clusters refer to clusters of markets, chambers of commerce and development/industrial zones.

2 The Bank defines small business as enterprise and legal entity with a net asset of RMB15 million or below as at the end of the previous year or with a turnover of RMB150 million or below for the previous year.

As at the end of the reporting period, the Bank established a "head office-to-head office" business cooperation network covering 60 automobile brands, an increase of 11 over the previous year, covering all key domestic automobile manufacturers in China. The number of cooperating car dealers reached 4,035, an increase of 40.01% over the previous year. Meanwhile, the Bank provided RMB336.665 billion worth of financing services to auto dealers, up by 36.87% over the previous year, reaching another historical high. The total daily average deposits from car dealers and manufacturers registered RMB72.072 billion, up by 21.99% over the previous year. The growth rate of all indicators of the Bank's auto finance business surpassed that of the auto sales nationwide.

With its outstanding performance in auto finance business, the Bank was awarded "2011 Best Auto Finance Service Bank" in the "2011 China Auto Finance Annual Conference and Award Ceremony for 2011 China Auto Gold Engine Award" sponsored by *Moneyweek*.

Retail Banking

Business Strategy

In the face of complicated and volatile external market situation in 2011, the Bank put forward the development philosophy of "intensify management of main business lines, promote coordinated business development and improve comprehensive benefits for customers through profit-making orientation by way of customer acquiring and managing and with establishment of a comprehensive retail banking system as the foundation" for its retail banking business, and promoted all aspects of work according to this philosophy.

Business Overview

As at the end of the reporting period, the Bank's balance for personal deposits reached RMB307.062 billion, up by 15.59% year-on-year; balance of personal loans[1] of the Bank reached RMB253.867 billion, up by 26.08% year-on-year. During the reporting period, the Bank achieved RMB10.427 billion operating income from retail banking business, up by 24.00% year-on-year, accounting for 13.94% of the Bank's total operating income, of which the net non-interest income from retail banking business reached RMB3.085 billion, up by 53.10% year-on-year and accounting for 29.71% of the Bank's total net non-interest income. During the reporting period, the customer base of retail banking business was further expanded, reaching 21.1785 million as at the end of the reporting period, an increase of 12.38% year-on-year.

- The three profit drivers, i.e. personal wealth management, consumer credit and credit card, maintained steady growth.
  - — Accumulative sales of wealth management products (exclusive of structural wealth management products) during the reporting period reached RMB475.398 billion, up by 118.33% year-on-year.
  - — Balance of personal housing mortgage loans totaled RMB169.763 billion as at the end of the reporting period, up by 13.29% year-on-year, accounting for 66.87% of the balance of total personal loans.
  - — The credit card transactions volume reached RMB166.4 billion, up by 66% year-on-year, and the income from credit card business reached RMB3.6 billion, an increase of RMB1.2 billion or 48% year-on-year.
- The number of personal Internet banking customers totaled 5.7071 million, an increase of 1.2947 million or 29.34% over the beginning of 2011; while the number of personal Internet banking transactions (including online payment) and transactions volume (including online payment) reached 35.9354 million and RMB2.27 trillion respectively, 2.15 and 2.25 times respectively of that of the previous year.
- During the reporting period, the Bank continued optimizing its unique CITIC Bank "Five-type Private Banking" system, with the number of private banking customers exceeding 20,000 and outstanding improvement of main business indicators and profitability.

In 2011, the Bank won various honors for its retail banking business in numerous nation-wide award events. During the reporting period, the Bank received the "Best Retail Bank" award from both the "Most Respected Banks Initiative" hosted by *Moneyweek* magazine and the "Golden Diamond Award Initiative" hosted by Netease. The "2011 *China Business News* Financial Value List" named the Bank "Innovative Retail Bank of the Year". For retail banking products, the personal credit business of the Bank was honored "Excellent Personal Mortgage Product" by The *Asian Banker*; the Fragrant Card was named "Best Marketing Case" by *The Chinese Banker* magazine; *Moneyweek* magazine named Happy Elderly Card "Best Debit Card", while bankrate.com.cn named CITIC Bank's personal Internet banking "Personal Internet Banking of the Year Most Satisfactory to Consumers".

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1 Balance of personal loans include balance of retail credit, credit card loans and personal auto consumer loans.

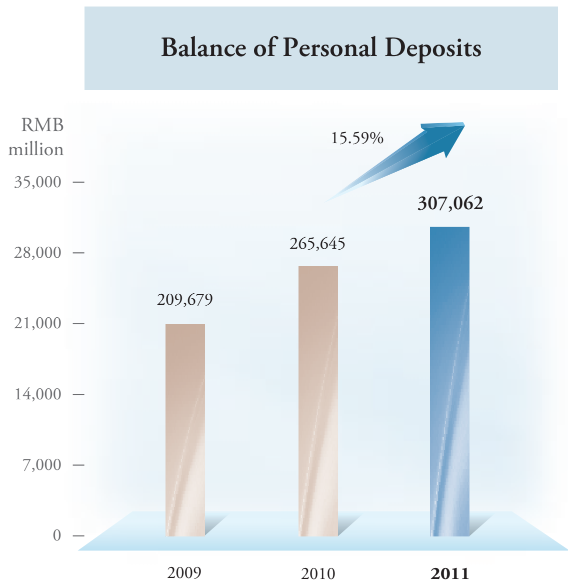
Retail Assets under Management (AUM)[1]

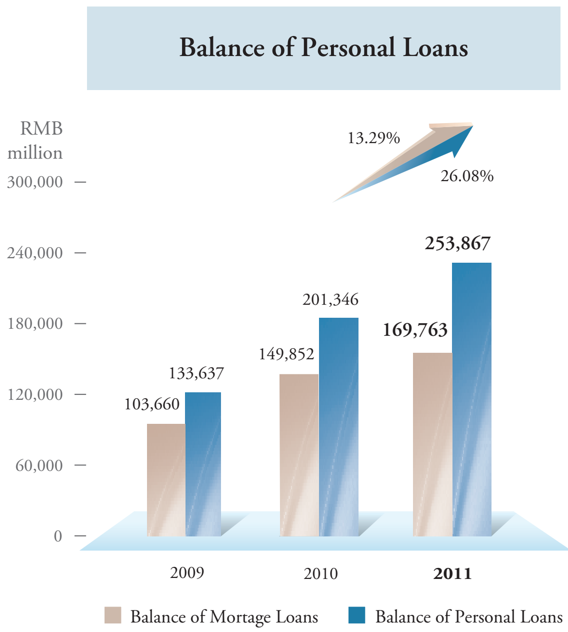
During the reporting period, the Bank put emphasis on comprehensive wealth management for retail customers, expanded channels of savings deposit, and enhanced innovation of wealth management products to promote coordinated development of savings and wealth management and jointly promote a steady growth of retail AUM. As at the end of the reporting period, the Bank's balance for personal savings deposit reached RMB307.062 billion, up by 15.59% year-on-year; while retail AUM reached RMB415.490 billion, up by 8.18% year-on-year.

Retail Credit

In 2011, by adjusting retail credit product structure, escalating marketing efforts and maintaining housing mortgage loans as the core business, the Bank vigorously developed personal business loans and credit card loans, and accelerated to expand to other consumer loans, thereby achieving a rapid growth in retail loan scale. As at the end of the reporting period, the balance of retail credit totaled RMB217.758 billion, up by 21.13% year-on-year, of which the balance of personal housing mortgage loans reached RMB169.763 billion, up by 13.29% year-on-year, the balance of personal business loans (excluding commercial housing loans and business car loans) reached RMB27.945 billion, up by 90.30% year-on-year; and the balance of commercial housing loans totaled RMB8.789 billion, up by 82.12% year-on-year. In parallel with the increase in loan scale, the Bank made great efforts to promote a continuous growth of the overall yields of retail banking business through the adjustment of product structure and improvement of loan pricing capability.

The Bank has always attached great emphasis on the risk management of retail credit. Despite tremendous changes of the macro-economic environment, both the NPL balance and NPL ratio registered a decrease and hit a historical low. The NPL balance of retail credit was RMB345 million, a drop of RMB10 million over the end of the previous year while the NPL ratio was 0.16%, down by 0.04 percentage point over the end of the previous year. Amongst others, the NPL ratio of housing mortgage loans was 0.10%, drop by 0.01 percentage point over the end of the previous year.





1 Retail assets under management (AUM) refer to the aggregate value of individual customers' savings deposits and wealth management assets under the Bank's management.

Wealth Management

In 2011, with the macro-economic policy adjustment and given the restrictions on investment in real estate, a sluggish stock market and high inflation in China, the Bank sized up the situation and captured the opportunity by actively adjusting product research and development strategies and continuously innovating wealth management products in line with market development and customer demands. In 2011, in addition to optimizing its wealth management products, including the launch of Daily Express Supreme Version, the Bank also launched innovative fixed-maturity wealth management products including Tongying Series, and series of customized products targeting specific customers, including Daijinbao, Kaixinbao, Guixiang and Xiangying, etc.. With regard to risk management, in order to further enhance risk disclosure at the early stage in the sales of personal wealth management products and ensure healthier and more orderly development of its personal wealth management business, the Bank, in line with the regulatory requirements, made further efforts to sort out and adjust the personal wealth management risk ratings, and established consistent risk assessment standards and interpretations bankwide in accordance with relevant regulatory requirements, which greatly lowered the risks in wealth management products sales and effectively protect customer interests.

The Bank further intensified the development and marketing of agency sales service during the reporting period. In pursuance with the philosophy of "adhering to market-oriented issuance, focusing on customers and providing customers with premium products on an agency basis", the Bank put stringent control over the qualification of newly introduced agents, and established good partnership with a group of fund management companies, insurance companies and brokers that enjoyed prestigious brands, stable operation and development potentials. Open-ended funds the Bank sold on an agency basis covered all types of funds including equity funds, hybrid funds, bond funds, principal guaranteed funds, money market funds, LOF, ETF, innovative close-end funds, and QDII funds. The Bank sold over 200 insurance products as an agent for 11 insurance companies including China Life Insurance Company Ltd, Ping An Life Insurance Company of China, Ltd, and Xinhua Life Insurance. Government bonds sold by the Bank on an agency basis included certificate government bonds and savings bonds. The rich varieties of agency sales service fully satisfied the diversified investment demands of different customers. As at the end of the reporting period, the fee income of the Bank generated from fund and insurance sales on agency basis totaled RMB173 million.

In 2011, the Bank focused its efforts on intensifying cross marketing to its VIP customers and conducted the special Platinum Marketing Initiative. As at the end of the reporting period, the balance of AUM of VIP customers reached RMB265.192 billion, accounting for 63.82% of the total retail AUM; the AUM of VIP customers increased by RMB17.036 billion, accounting for 54.23% of the Bank's total increment of retail AUM; and the number of VIP customers holding AUM over RMB500,000 reached 158,147, an increase of 2,621 or 1.69% year-on-year.

Thanks to its excellent performance in wealth management, the Bank was awarded multiple prizes in various events hosted by major authoritative organizations, i.e., "2011 Top Banking Brand for Wealth Management" from the "2011 the 4th Initiative for Assessment and Selection of the Most Respected Banks and Best Retail Banks in China"; "2011 Best Bank-offered Wealth Management Product" from the "2011 Hexun.com List of Banking and Financial Champions" produced by Hexun.com; and "Innovative Bank Product of 2011" from the "Golden Wealth Management Initiative" sponsored by the *Shanghai Securities News* for its Kaixinbao series of personal wealth management products.

Private Banking

The Bank provides private banking services to high net worth individuals with over RMB8 million available for investment and companies in which they have controlling or non-controlling interests. As at the end of the reporting period, the number of private banking customers of the Bank reached 23,152, indicating the Bank's private banking business entered a development stage featuring capacity release and profit orientation. Based on the service philosophy of "preserving wealth, creating wealth and enjoying life" and regarding dynamic wealth management as its core, the Bank created two major themed product lines, i.e. "Wealth-Preserving" and "Wealth-Creating" products; structured an investment consulting service system which provides private banking customers with recommendations on dynamic and adjustable wealth management portfolio; and further improved its club and "circle" models of value-added service system, with steadily improved satisfaction in customer experience.

During the reporting period, Bank's brand reputation and market influence in private banking business witnessed all-round escalation. The Private Banking Center cooperated with the China Young Entrepreneurs Association, Yabuli Chinese Entrepreneurs Forum, *Talent* Magazine, and *China Business News* on multiple productive marketing campaigns. The Bank also worked with the Chinese Banking Research Center of the Central University of Finance and Economics on publishing the Research Report on Customer Features and Future Development Trend of Private Banking in China, which represents an outstanding contribution to the research on private banking market and sector.

Private banking of the Bank won numerous awards in 2011, i.e., "Most Complete Private Banking Product Line" from *Euromoney*, "2011 Best Private Banking Services" from *Moneyweek* magazine, "Most Satisfactory Private Banking Services" from *Financial Money* magazine and "Private Banking Services of the Year" from Sohu.com.

Credit Card

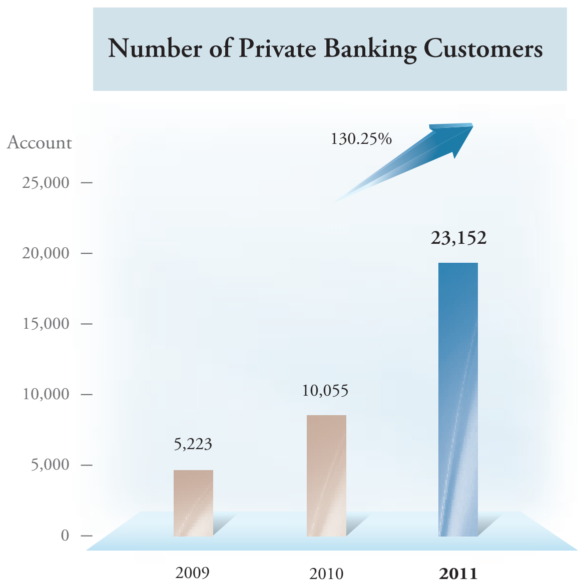
In 2011, the Bank followed the guideline of "focusing on customers and making products and services the Bank's core competitiveness" for its credit card business. Efforts were exerted to enhance the upgrading of product lines and consolidate the advantages of leading products, which helps the formation of four major customer groups, i.e., high-end customers, business travelers, females and youngsters. During the reporting period, targeting high-end customers, the Bank successfully launched the UnionPay VIP Platinum Card which, as the first of its kind focusing on health management concept, realized an issuance of over 10,000 within the first three months after the launch, generating an annual fee income of more than RMB10 million. Oriented to business travelers, the Bank successfully launched the China Eastern Airline Infinite Card on top of cards co-branded with Air China and China Southern Airlines. Further, cards co-branded with Ctrip.com and Shenzhen Airline are about to be available on the market. To satisfy the female customers group, the Magic Female Card went through comprehensive upgrade, highlighting product value positioning and customer loyalty. Meanwhile, considering preferences of different customers, the Bank set up some clubs including "Travel in Guoling", "Travel Season", "Parents-Kids Club", "Love Trust be Together" and "Fun Movie", so as to effectively satisfy the demand of customers in the whole life cycle.

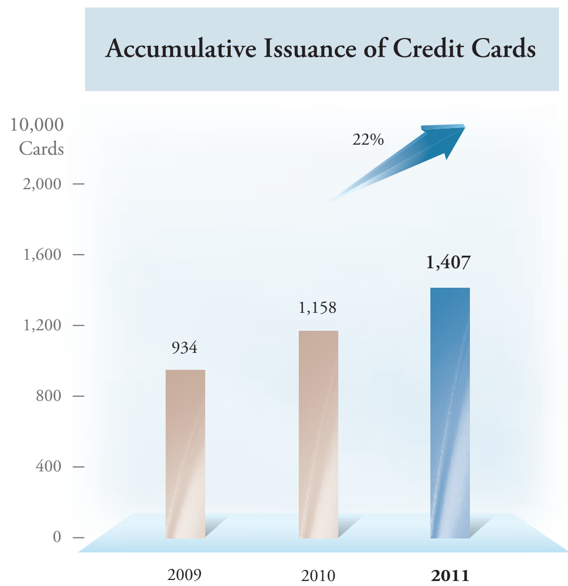
As one of the core business areas for the year, installment business of credit card consumer finance achieved brand new breakthroughs during the reporting period. Targeting its customers of payroll agency service, the Bank put forward cash installment products including "Tuan Jin Bao", "Xu Jin Bao", and "Yuan Meng Jin", etc, which, while registering new breakthroughs, laid a solid foundation for future development of consumer finance business.

As at the end of the reporting period, the Bank issued a total number of 14.07 million credit cards, up by 22% year-on-year. During the reporting period, the credit card transaction volume reached RMB166.4 billion, up by 66% year-on-year, with a total income of RMB3.6 billion, an increase of RMB1.2 billion or 48% year-on-year.

Personal Auto Consumer Credit

While maintaining its leading position in corporate auto finance business, the Bank's personal auto consumer credit business has been growing rapidly thanks to the Bank's sound cooperative relations with auto manufacturers and dealers and advanced business philosophy and operation model in the auto finance industry.





The Bank has acquired major local market shares in Beijing and Shanghai via auto consumer credit business conducted through its auto finance sub-centers in these two cities. As at the end of the reporting period, the Bank had established cooperative partnership with 59 auto brands, and its personal auto consumer credit business covered 436 dealers in Beijing and Shanghai, an increase of 44.37% year-on-year, with the balance of personal auto consumer credit registering RMB4.205 billion, an increase of RMB1.971 billion over the end of the previous year, of which NPL balance was RMB3.98 million, recording an NPL ratio of 9.47 out of ten thousand and maintaining the good quality in overall assets.

With its outstanding performance in auto finance business, the Bank was awarded "2011 Best Auto Loan Providing Bank" in the "Most Respected Bank in 2011 and Best Retail Banking" selection activity sponsored by *Moneyweek*.

Channel Development and Service Quality Management

The Bank continued to enhance its electronic banking service capacity in retail banking business in 2011. (Please refer to "Management Discussion and Analysis" – "Domestic Distribution Channels" for details.)

Meanwhile, the Bank further enhanced its professional management of services and promoted establishment of the service quality system. (Please refer to "Management Discussion and Analysis" – "Service Quality Management" for details.)

Treasury and Capital Market Business

Business Strategy

The treasury and capital market business of the Bank adhered to the development strategy of "simple products and efficient marketing" in 2011. Efforts were underway to promote the development of traditional business with competitive advantages catering to the customer demands, organically integrate the development of new businesses and expansion of effective customers and at the same time enhance the management of main business lines for the constant consolidation of business development foundation.

Business Overview

In 2011, the Bank enhanced business structure and asset distribution of its treasury and capital market business, kept consolidating its customer base and improving its business sustainability, proactively improved its institutional systems, and enhanced internal control management, as a result of which all business areas of the Bank exhibited a sound development momentum. As at the end of the reporting period, the Bank's operating income from the treasury and capital market business reached RMB8.994 billion, accounting for 12.02% of the Bank's total operating income; and the net non-interest income from the treasury and capital market business totaled RMB1.284 billion, accounting for 12.37% of the Bank's total net non-interest income.

Foreign Exchange Business

Affected by the domestic and international economic situations in 2011, the international foreign exchange market went through further volatility with escalated uncertainty of exchange rates. Confronted with such market changes, the Bank adopted positive countermeasures, and steadily promoted the fee-based income growth and the enhancement of its market competitiveness. As per requirements of regulatory authorities and in light of its own specific situations, the Bank further refined its policies, strategies and business flow of liquidity management. Continuous efforts were made to promote the establishment of the liquidity risk management information system, which resulted in comprehensive measurement of liquidity risk and satisfied the demand for steady and prudent management.

During the reporting period, the Bank took a leading position amongst small and medium commercial banks in terms of market share of foreign exchange settlement and sales and exchange gains. Once again the Bank was honored with the awards of "Best Spot Market Maker", "Most Popular Market Maker", and "Best Foreign Exchange Market Maker" in interbank foreign exchange market from the China Foreign Exchange Trading Center in 2010. In 2011, the Bank was rated "Best Local Foreign Exchange Service Provider – Most Innovative Foreign Exchange Product and Transaction Concept" in an initiative sponsored by *Asiamoney*, an authoritative magazine on foreign exchange, finance and economics.

Renminbi Denominated Bond and Interest Rate Market-Making Business

In 2011, under the pressure of domestic inflation and macro-economic readjustment, the Central Bank continued its prudent monetary policy resulting in tightened liquidity, drastic fluctuation of interest rate, and the Renminbi bond market experiencing the changes in yields featuring rising first and declining afterwards. Confronted with the negative market environment, the Bank based itself on the prerequisite of market risk control and adopted prudent transaction strategies, continuously improved its capability in pricing and trend judging and steadily conducted Renminbi denominated bond market making and interest rate derivatives market making business. Meanwhile, in parallel with active innovation and improvement of profit-making models, the Bank paid attention to its sustainability and retained high market shares in the above-mentioned business areas and further escalated its influence and competitiveness in Renminbi market.

During the reporting period, the Bank was named "2010 Excellent Market Maker of the Nationwide Interbank Bond Market" jointly by the PBC and the National Association of Financial Market Institutional Investors, being the only national joint stock commercial bank accorded this honor.

Wealth Management and Derivative Trading Business

In 2011, based on customers' needs and market environment, the Bank made full use of its "sales-trading" system by proactively managing asset portfolios and focusing on developing short-maturity and low-risk prudent bond-type financial products. On top of the existing product series, the Bank launched product series such as Guixiang, Kaixinbao, and Huiying, resulting in a 130% increase in transaction volume of wealth management business over the previous year, and effectively satisfying customers' demand for products of various maturities. The Bank also actively captured market opportunities and investment hot spots. Structural products such as Zhiying, Letou, Jiariying and Qiqiying met the demands of investors for assets value preservation and appreciation while putting risks under stringent control, promoted the rapid growth of intermediary business income and played a positive role in customer maintaining and marketing.

Persistent with its prudent development strategy, the Bank intensified its efforts to conduct market research and judgment on customer-driven derivatives, enhanced capacity building for capturing market opportunities, and satisfied customer demand for mitigating interest rate and exchange rate risks with its professional services in standardized interest rate and exchange rate derivatives.

Asset Management

The year 2011 features the slowing down of the world economic growth, further deterioration of the European debt crisis and drastic fluctuation of the international financial market. Under the pressure of inflation, the domestic monetary policy in China remained tight while the Chinese stock market experienced rapid switch from bear market to bull market. Under such a complicated macro environment, the Bank pursued the principle of balancing safety, liquidity and profitability in asset management, effectively implemented the matrix and scientific investment decision-making mechanism and therefore, further improved the quality of asset management.

During the reporting period, the Bank made positive efforts to overcome negative impacts of the Renminbi denominated bond market and adopted short-duration strategies in the first half of 2011. In the second half, the Bank captured the market opportunity of high expected yield, increased the proportions of medium-to-long term bond categories, and thus greatly improving the rate of return from Renminbi denominated bond investment business with obvious rise of market value floating surplus. Meanwhile, the Bank proactively grasped opportunities for band operation, resulting in remarkable year-on-year growth in fee-based income such as income from the spread business, and therefore the realization of both short-tem and long-term yield objectives were well ensured. In terms of foreign currency asset management, the Bank made use of the fluctuations of the international bond market by actively adjusting foreign currency assets structure and reducing assets with high expected risks, and thus further enhanced risk resilience of its assets in general.

Service Quality Management

In pursuit of the operation philosophy of "operation with integrity, customer orientation, and value creation for customers", the Bank specified its service approach and deepened its service connotation to develop a bank of integrity. Efforts were underway to focus on customers and develop brands of excellence. Through extensive reform in product service, business expansion, risk management and information technology, the Bank effectively improved the quality of its products and services and built a brand image of integrity, prudence, friendliness and excellence, thereby progressing towards a bank with renowned brand.

The Bank adopted a series of measures to enhance the management of service quality from the perspective of customer experience throughout 2011. Efforts were made to optimize organizational structure of service management so as to provide structural guarantee for service management; improve the service appraisal system for consolidation of system infrastructure of service quality; expedite transformation of outlets and enhance the standards of service quality for better customer experience; diversify the training system for construction of first-class service teams; integrate physical outlets with telephone service channel for providing unique CITIC Bank services; and strengthen the service monitoring mechanism for constantly improving customer satisfaction.

With the concerted efforts of the Bank's staff, the service qualities management of the Bank has been highly recognized by all sectors of the society. Five sub-branch outlets of the Bank won the honor of the "Top 100 Demonstration Units of China Banking Civilized and Standardized Service in China's Banking Industry in 2011", which event was organized by China Banking Association. Meanwhile, the Bank also won the "Prize for Outstanding Contribution to Civilization and Standardized Service in China's Banking Industry in 2011". In the election event of the "Star Duty Manager" providing civilized and standardized services organized by the China Banking Association, a total of 40 duty managers of the Bank won the title of "Star Duty Manager", of whom 8 duty managers were honored as "Star of Wealth Management", "Star of Glamour", "Star of Goodwill" and "Star of Smile", etc.

Integrated Financial Service Platform of CITIC Group Corporation

CITIC Group Corporation has numerous subsidiaries that are engaged in multiple business areas including banking, securities, fund, trust, insurance and futures, most of which are leaders in their respective sectors. The Bank has long been practicing the operation philosophy of "customer orientation", and gradually established its unique competitive advantages via the integrated financial service platform of CITIC Group Corporation. In the meantime, the Bank continued consolidating its cooperation with CIFH and CBI to keep refining and developing the strategy of its internationalized business operation.

Provision of Integrated Financial Solutions

The Bank provides customers with differentiated and integrated financial services through cross-selling of financial products and joint marketing of major projects.

— Underwriting of debt financing instruments. The Bank and CITIC Securities, as lead-underwriters, jointly underwrote RMB13.18 billion worth of debt financing instruments.

— Issuance of corporate wealth management products. In collaboration with CITIC Securities, the Bank issued an accumulative amount of RMB19.181 billion worth of corporate wealth management products of "CITIC Jujin Overall Wealth Management Portfolio Series" during 2011.

Extensive Sharing of Customer Resources

The Bank has been working with the four securities companies under CITIC Group Corporation, i.e. CITIC Securities, CITIC Securities (Zhejiang) , China Securities, and CITIC Wantong Securities, on third-party depositary services, becoming the main deposition management bank for CITIC Securities and CITIC Securities (Zhegjiang), and the general deposition management bank for China Securities and CITIC Wantong Securities. Meanwhile, cooperating with Tianan Insurance and CITIC-Prudential Life Insurance, subsidiaries of CITIC Group Corporation, in liabilities, settlement and cash management, the Bank became the main cooperative bank with these two insurance companies.

— Institutional customers. As at the end of the reporting period, the Bank shared 6,011 customers with the aforementioned four securities companies.
— Personal customers. As at the end of the reporting period, the number of personal accounts of third-party depositary business from the four securities companies increased by 5,000 over the previous year.

Cross-Design and Cross-Selling

— Cooperation on developing and selling personal wealth management products. The Bank has continued to strengthen its cooperation in product research and development with CITIC Trust under CITIC Group Corporation. During the reporting period, the Bank, in cooperation with CITIC Trust, issued 386 personal wealth management products and realized a sales volume of approximately RMB179.140 billion.
— Realization of the advantages of the custody business platform. Making use of the integrated financial service platform of CITIC Group Corporation and its own banking network resources, the Bank conducted all-round cooperation with CITIC Securities, CITIC Trust, China Securities, CITIC Capital, CITIC Splendid Capital and CIFL in product development, establishment of the industry (VC) fund business platform and market expansion of custody business, whereby respective resources advantages of all concerned parties were leveraged for further business development. In particular, the custody scale of PE products denominated in both Renminbi and foreign currencies jointly launched with CITIC Capital reached RMB590 million; the custody scale of the corporate collective/targeted asset management program jointly launched with CITIC Securities totaled RMB10.7 billion; and the collective fund trust scheme jointly launched with CITIC Trust registered RMB62.858 billion in scale.
— Joint development of annuity business. Since obtaining its qualification for annuity custody, the Bank has been engaged in extensive cooperation with subsidiaries of CITIC Group Corporation that hold the qualifications for annuity manager namely, CITIC Trust, CITIC Securities, and China AMC. Such cooperation has led to joint design and marketing of CITIC Xinrui, a corporate annuity product, which reached RMB77.6346 million in scale as at the end of 2011. The Bank invited CITIC Trust to act as the account manager of "Xiangrui Xingtai", a series of corporate annuity programs jointly launched by the Bank and Taikang Pension & Insurance Co., Ltd., which was valued at RMB205 million in scale as at the end of 2011. In addition, the Bank invited CITIC Securities to be the investment manager of "Splendid Life", a corporate annuity program jointly launched by the Bank and Ping An Annuity Insurance Company of China, Ltd., which totaled RMB309 million in scale as at the end of 2011. The Bank also invited China AMC to be the investment manager of "Golden Life No. 1", a corporate annuity program jointly launched by the Bank and China Merchants Bank Co., Ltd., totaling RMB124 million in scale as at the end of 2011. In customer marketing, the Bank worked with CITIC Trust and CITIC Securities on many occasions for joint customer bidding and customer service and has provided corporate annuity management services to many customers.

Cooperation with Strategic Investors

Based on the principle of friendship, mutual trust and reciprocity, the Bank accelerated its cooperation with BBVA in selected projects in a focused way, promoting all-round strategic cooperation between the two parties in all related business areas.

— Cash Management. The Bank cooperated with BBVA on marketing the MANGO (China) cash management project.

— International business. In terms of cooperation in cross-border Renminbi business, as a result of joint efforts and consultation, the Bank has opened 7 cross-border Renminbi settlement accounts for BBVA's Peru Branch, Chile Branch, Uruguay Branch, Venezuela Branch, New York Branch, Mexico Branch and Panama Branch during the reporting period, thereby completing the work of opening Renminbi accounts in major Latin American countries for BBVA.

— Treasury and capital market business. The Bank continued to enhance its cooperation with BBVA during the reporting period. Fully leveraging on the advantages of the Bank in treasury and capital market business and those of BBVA in the global financial market, the two parties conducted close cooperation in foreign exchange transaction, simple derivatives and structured wealth management products, with the annual transaction volume reaching RMB57 billion which broke even with that of 2010.

— Pension business. Since 8 November 2010 when the Bank and BBVA signed their Framework Agreement on Strategic Cooperation in Pension Business in Beijing, the two parties have been steadily promoting multi-faceted and multi-modeled cooperation in pension business within the scope of this framework agreement. Currently, the two parties are planning to carry out the cooperation in both consulting services in pension product design and pension operation system, and professional technical exchanges between the business teams of the two parties based on the rich managerial experiences of BBVA in the Latin American pension market.

— Investment banking. The Bank actively cooperated with BBVA in export credit, sub-loan, cross-border project financing and advisory services for cross-border M&A financing, which provided the Bank's strategic customers with integrated financing solutions to cross-border investment and financing. During the reporting period, the Bank and BBVA successfully organized the first Corporate and Investment Business Conference between CNCB and BBVA, and reached consensus thereby on linkage mechanism, key market regions and key clients financing support. During the reporting period, USD210 million worth of cross-border financing service was provided to customers jointly by the two parties through innovative structure design, which was a significant support to its domestic customers' demand of "going out" for financing abroad.

— Private banking. During the reporting period, with entry into effect of all major contracts between the Bank and BBVA, the private banking business cooperation unit initiated its official operation, enabling the Bank to become the only one of all domestic commercial banks that enjoys China-Europe cooperation in providing private banking services.

Information Technology

The Bank kept intensifying its input in information technology (IT) construction under the guidance of its IT Development Plan and the support of three specialized systems, i.e. application development system, operation and maintenance management system and quality safety system, so as to meet the requirement of operation and management of the Bank.

In terms of application development, the project to upgrade the core system of the Bank was under implementation and the demand development and system design were in orderly progress. The launch of the consulting project regarding data management and data standard provided a solid foundation for bankwide data asset management and application. Enterprise Customer Information Facility (ECIF) , corporate customer relation management system (Phase II) and comprehensive business management system of private banking came into operation, supporting the escalation of customer management and customer service capability. Basic platforms including unified development platform (version 1.0) , work flow platform, content management platform and organization-level project management platform were put in operation, greatly contributing to the great improvement of efficiency of development and lowering the costs of development and maintenance. Projects including corporate Internet banking version 6.3, direct link between bank and enterprises version 3.2.0.0, B2B (Phase II) , corporate financial telephone banking version 1.0.0.0, and mobile banking (iPad version) were successfully completed, continuously improving and escalating services rendered via electronic channels. In addition, a series of other projects, including market risk, liquidity risk, operational risk, internal control platform, tax control platform, financial IC card, and supply chain financing, etc. were all being implemented as scheduled.

In terms of operation and maintenance management, the Bank has been persistent in pursuing the development of an integrated operation and maintenance management system, improving the index and evaluation system for operation and maintenance management, enhancing service support and management of the Head Office to the branches in terms of production operation, actively promoting the establishment of Information Technology Infrastructure Library (ITIL) . The Bank launched and implemented the IT infrastructure construction including two centers of Internet banking and automated operation and maintenance management platform, resulting in the steady improvement in applicability of the IT system throughout the Bank. Meanwhile the Bank also improved its IT system emergency plan and organized rehearsals for many times, giving rise to the continuous enhancement of capacity building for emergency responding and security. By and large, the Bank's IT system operated in a safe and stable fashion in 2011, while the main transaction systems enjoyed steadfast improvement of applicability and stability, as result of which the Bank continued to take the lead among peers in terms of transaction success rate of UnionPay interbank debit cards and interbank credit cards.

In terms of quality safety, the Bank continued enhancing the management of quality safety and IT risks. Efforts were made to refine the quality safety management system by developing and improving a series of regulations and technical norms regarding quality safety. The Bank launched its centralized customer ID management project, established a regular safety inspection mechanism for the Internet and bank cards, completed compliance comparison with ISO27001, and standardized and intensified its coordination and supervision over quality safety through internal inspection on IT safety risks, specialized self-inspection on IT safety, and monthly quality analysis meetings.

Domestic Distribution Channels

Branches

The Bank kept optimizing the geographic layout of its branches in 2011. During the reporting period, 10 branches were opened in Bengbu, Baoji, Zhuhai, Handan, Yingkou, Weinan, Qinzhou, Longyan, Yichang and Hengyang, and 63 sub-branches were opened and 2 sub-branches in Yiwu and Zhongshan were upgraded to tier-2 sub-branches. In addition, the establishment of two other branches in Haikou and Chuzhou were approved and were under preparation. The Bank's controlled subsidiary Zhejiang Lin'an CITIC Rural Bank were approved, and began its trial operation on 9 January 2012. As at the end of the reporting period, the Bank had 773 outlets in 95 large and medium cities in Chinese Mainland, of which 35 were tier-1 branches (directly affiliated to the Head Office) , 54 were tier-2 branches and 684 were sub-branches.

The Bank will pay special attention to the requirement of transformation and cost-effectiveness in its institutional network construction during 2012. Firstly, the Bank will give more support in promoting the transformation of corporate banking business, expediting outlet configuration in cities at the prefecture level in Eastern region and selecting cities at the prefecture level in Central and Western regions. Secondly, the Bank will give more support to its retail banking business development, increasing outlet density in tier-1 cities and raising proportions of outlets in economically developed cities.

Self-Service Outlets and Self-Service Terminals

In 2011, in parallel with the enhancement of risk prevention of self-service banking, the Bank also made continuous efforts to expand the distribution networks of self-service banking and equipment and raise the substitution rate of self-service equipment in transactions. As at the end of the reporting period, the Bank had established 1,335 self-service banks and installed 4,739 self-service equipment (ATM, CDM and CRS) in Chinese Mainland, up by 13.91% and 13.02% respectively year-on-year.

Mobile Banking

The Bank first initiated the brand of "Mobile Banking" in financial industry based on the concept of "creating a bank nearby". The Bank launched iPhone version and iPad version of mobile banking on 8 March 2011 and 9 June 2011 respectively and upgraded iPad version to version 2.0 in October 2011. As at the end of the reporting period, the Bank had 72,242 mobile banking customers, an increase of 55,212 or 324.2% over the beginning of 2011 and the transaction volume reached RMB631 million, 4.9 times of that in the previous year.

Internet Banking

In pursuit of the strategy of "higher technology substitution rate" in developing personal Internet banking business, the Bank adopted the approach of concurrently promoting customer acquisition, operation and upgrading, enjoyed an increasingly matured system for operation of electronic banking customers, and maintained a momentum of leapfrog development. The electronic banking substitution rate of the Bank (in terms of the number of transactions completed via electronic banking) reached 67.68%, up by 4.38 percentage points over the beginning of 2011, which effectively diverted the number of customers and business volume of physical outlets and reduced operation costs. In terms of customer acquisition, the Bank adhered to the marketing concepts of "equal attention to quality and quantity" and "two cards plus one KEY", and adopted branch frontline marketing, cross marketing, bulk marketing and data-based marketing, maintaining a rapid and steady growth in both the number and coverage of customers. As at the end of the reporting period, the number of personal Internet banking customers reached 5.7071 million, an increase of 1.2947 million or 29.34% over the beginning of 2011, of which 3.2320 million were digital-certificate customers; the coverage of personal Internet banking customers reached 26.95%, up by 3.54 percentage points over the beginning of 2011. In terms of customer operation, the Bank carried out a series of marketing activities themed "10-Year Internet Banking with Splendid Wonders". The transaction volume of personal Internet banking registered the leapfrog growth. The number and volume of transactions for personal Internet banking reached 35.9354 million and RMB2.27 trillion respectively, 2.15 and 2.25 times of the figures of the previous year respectively. In order to satisfy customers' needs for investment and wealth management and increase its income from intermediary services, the Bank enhanced its product distribution via Internet banking system, selling RMB274.041 billion worth of personal wealth management products for the full year in 2011, accounting for 57.22% of the sales volume of wealth management products sold in all channels and 3.93 times of the sales volume of wealth management products via Internet banking in previous year; and the sales volume of funds via Internet banking were RMB11.506 billion, accounting for 47.76% of the sales volume of funds sold in all channels and 3.68 times of the sales volume of funds via Internet banking in the previous year. The Bank continued to pursue the "customer experience indices model" and the strategy for management of customer satisfaction and product suitability. In addition to optimizing and upgrading its Internet banking system, the Bank also added new online functionalities including personal credit information inquiry, CITIC-Prudential Insurance policy inquiry, online full-process pledge loan handling, "Fangyibao" loan account management, self-service revolving loan disbursement, retail customer point inquiry and conversion and online application for overseas education loan. In the meantime, other functions including interbank transfer, funds, wealth management products and online payment were further optimized. As a result, the Bank was named "Best Internet Banking of 2011" by China Financial Certification Authority.

In terms of corporate Internet banking, the Bank successfully released corporate Internet banking version 6.3 and version 6.4, enriching modular functionality of international business and third-party depositary service, further optimizing the contract signing process of corporate Internet banking; launched bank-to-enterprises linkage version 4.0, expanding other functionalities including deposit at notice, time deposit, third-party depositary business, liquidity management, collection and payment on an agency basis, and affiliated accounts management, accomplished the telephone banking version 2.0 and initially established the tiered customer service system for telephone banking, which further improved and enriched channels and functionalities of corporate Internet banking. As at the end of the reporting period, the Bank had 103,000 corporate Internet banking customers, an increase of 26,800 year-on-year, and the transaction substitution rate reached 40%, up by 9.8 percentage points year-on-year; and the transaction volume reached RMB17.42 trillion, up by 41% year-on-year.

Telephone Banking

As at the end of the reporting period, the Customer Service Center of the Bank had received 33.43 million incoming calls, including 29.78 million automated phone answering service calls, 3.65 million manual service calls, with the service level of call center of 83.27%, a customer satisfaction rate of 98.7%, and a rate of satisfaction with handling of customer complaints of 96%. The Bank's Customer Service Center had made telephone calls to 2.4675 million (person-times) customers, proactively marketed all sorts of its bank cards, wealth management products issued and fund products sold on agency basis. As at the end of the reporting period, the Bank's Customer Service Center had made telephone marketing for insurance products to 402,000 (person-times) customers, driving the increase of the number of policy accepted and the net insured amount, which contributed to the growth of fee-based income.

Thanks to its outstanding operation performance and precise operation management, the Customer Service Center of the Bank won numerous honors in 2011, such as the "Award for Excellent Operation and Knowledge Management" at the "2011 Annual Conference on Knowledge Management Practice and New Technology" hosted by the Knowledge Management Federation under the Chinese Entrepreneurs Forum; and the "Award for Elite Team of Operation Management", the "Award for Best Operation Management of Outgoing Calls", "Award for the Best Team of Outgoing Calls", "Award for the Best Outgoing Call Staff", and "Award for the Best Training Instructors" from the "2011 Top Customer Service Centers of Financial Institutions" initiative sponsored by China Financial Customer Service Development Alliance, fully demonstrating its competitiveness and reputation among peers. In addition, the center passed the ISO9000 certification for five consecutive years with "zero incompliance" backed by the enhanced internal management and its insistence on "customer first" service philosophy.

Subsidiary Business

CITIC International Financial Holdings Limited

CIFH, a controlled subsidiary of the Bank, is an investment holding company incorporated in Hong Kong. CITIC Bank and BBVA hold 70.32% and 29.68% equity interest in CIFH respectively. CIFH specializes in commercial banking business and non-banking financial services, and its commercial banking business is mainly provided by its wholly-owned subsidiary, CBI. In terms of non-banking financial services, CIFH holds 40% equity interest in CIAM, and 27.5% in CITIC Capital. The former specializes in asset management and direct investment business, while the latter focuses on investment management and consulting business in Chinese market.

In 2011, Hong Kong's economy registered a steady growth resulted from domestic vigorous consumption and tourism. However, it was obviously impacted by the deteriorated external environment and the European debt crisis in particular in the second half of 2011, showing a significant slowing down in growth rate. At the same time, encouraged by measures introduced by the Chinese government to vigorously promote the development of Hong Kong as an offshore center for Renminbi transactions, Hong Kong saw booming onshore and offshore Renminbi business, a new opportunity for the growth of Hong Kong's banking sector.

As at the end of the reporting period, CIFH had total assets of HKD173.675 billion, an increase of 15.41% over the end of the previous year. During the reporting period, CIFH realized a net profit of approximately HKD101 million, down by 90.2% over the previous year[1].

— CBI. During the reporting period, by leveraging on its leading advantages in cross-border Renminbi business, CBI seized the opportunity presented by the rapid development of offshore Renminbi business in Hong Kong, conducted close cooperation with the Bank and launched diversified Renmibi products and services to provide clients with effective investment and asset value maintenance and adding solutions and promote the sustained growth of its non-interest income and overall earnings. Moreover, CBI achieved an operating income of HKD3.419 billion, up by 13.7% over the previous year, and the profit before provision was HKD1.766 billion, up by 13.7% over the previous year.

— CIAM. CIAM specializes in asset management and direct invest business. During the reporting period, CITIC Carbon Asset Management Limited (CITIC CAM) , a subsidiary of CIAM, successfully conducted close cooperation with Kashgar Municipal Government of Xinjiang Uygur Autonomous Region. CITIC YBN Capital Limited (YBN) , another subsidiary of CIAM, innovatively developed tailor-made trust fund products for investors and participated in the set-up of CITIC Health Management during the reporting period, which successfully established its first health checking center.

— CITIC Capital. CITIC Capital specializes in investment management and consulting business. During the reporting period, CITIC Capital successfully raised various funds, including Renminbi consolidated equity investment fund, international private equity investment fund, mezzanine investment and finance fund II and China real estate investment fund IV. As at the end of the reporting period, the total asset managed by CITIC Capital was approximately USD4.3 billion.

1 If the one-time loss for the liquidation of investment by Farmington was excluded, the CIFH would have realized a net profit of approximately HKD1.472 billion in 2011.

— Risk Management. During the reporting period, CIFH continuously strengthened its management on risk structure and risk tolerance. CBI basically finished its comprehensive risk management plan which effectively improved its risk management instruments, methodology and process and continuously perfected its risk structure. Meanwhile, CBI developed an indicator for overall risk, an objective, simple and comprehensive instrument, to measure its overall risks. At the same time, CBI worked with the Bank and BBVA to promote the cooperation in risk management and make joint effort to build a more advanced risk management model and a more excellent operational model.

— Business Coordination within the Group. As a platform of the Bank's cross-border financial services, CBI was committed to constantly perfecting itself, improving its financial services and satisfying customers' needs for diversified financing and cross-border transaction settlement during the reporting period. Against the backdrop of the Bank's customers turning to overseas financing with the development of cross-border business, CBI provided customers with tailor-made offshore financing services to satisfy their diversified needs, highlighting its status as the Bank's offshore financing platform. During the reporting period, CBI significantly increased the financing limits for the Bank's corporate customers and their overseas presence in various forms of financing, including "three-in-one" product financing, loans backed by standby L/C, overseas refinancing and L/C negotiation. The total amount of overseas refinancing and L/C negotiation increased by 31% and 330% respectively over the end of the previous year. At the same time, significant breakthroughs were achieved in the cooperation between the Bank and CBI on cross-border Renminbi business. During the reporting period, the total settlement amount of CBI's cross-border Renminbi trade significantly rose and took up over 3% of market share in Hong Kong, a great contribution to the Bank's cross-border trade settlement business. CBI kept enriching the products of cross-border Renminbi business and hit historical highs in the transaction volume of Renminbi non-deliverable forward (NDF) , overseas Renminbi refinancing and MoneyGram service, of which the transaction volume of MoneyGram service increased by 320% year-on-year.

China Investment and Finance Limited

CIFL is a controlled subsidiary of the Bank established and located in Hong Kong with a registered capital of HKD25 million. The Bank holds 95% of equity interest and CBI holds the other 5% in CIFL. CIFL's business covers loan business (CIFL holds a money lender license in Hong Kong) and investment business (including fund investment, bond investment and equity investment, etc.)

— Business Development. During the reporting period, CIFL continued to implement the policy of giving differentiated treatment to loan business and investment business and gave full play to the development strategy of leveraging on different yet complementary advantages. As at the end of the reporting period, CIFL had a total asset of approximately RMB1.171 billion, a year-on-year increase of 7.93%, and realized a profit before tax of approximately RMB41 million during the reporting period, down by 14.58% year-on-year.

— Risk management. During the reporting period, CIFL continued to follow the low-risk business operation policy set by its board of directors, strictly complied with relevant risk management policies and therefore maintained a good asset quality. During the reporting period, CIFL had no new NPLs and realized a relatively low risk level in its assets.

Zhejiang Lin'an CITIC Rural Bank

The Bank promoted and established its first rural bank in Lin'an city of Zhejiang Province as an active response to the requirement of the Central Party Committee and the State Council for enhancing the development of the new socialist countryside, for implementation of the CBRC's plan to construct new rural financial institutions and in order to serve "agriculture, rural areas and farmers" with real actions and perform its social responsibility.

Lin'an CITIC Rural Bank has a registered capital of RMB200 million. The Bank holds 51% of its equity interest and another 13 enterprises hold the rest 49%. As at the end of the reporting period, Lin'an CITIC Rural Bank convened its incorporation general meeting and obtained the approval from the CBRC Zhejiang Bureau for commencement of business operation. This rural bank officially started its operation in 9 January 2012.

Comprehensive

Our focus is to rise as a professional and comprehensive financial services provider in various regions and multiple financial areas within the current and future financial regulatory framework.


FINE GOLD
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CHINA CITIC BANK
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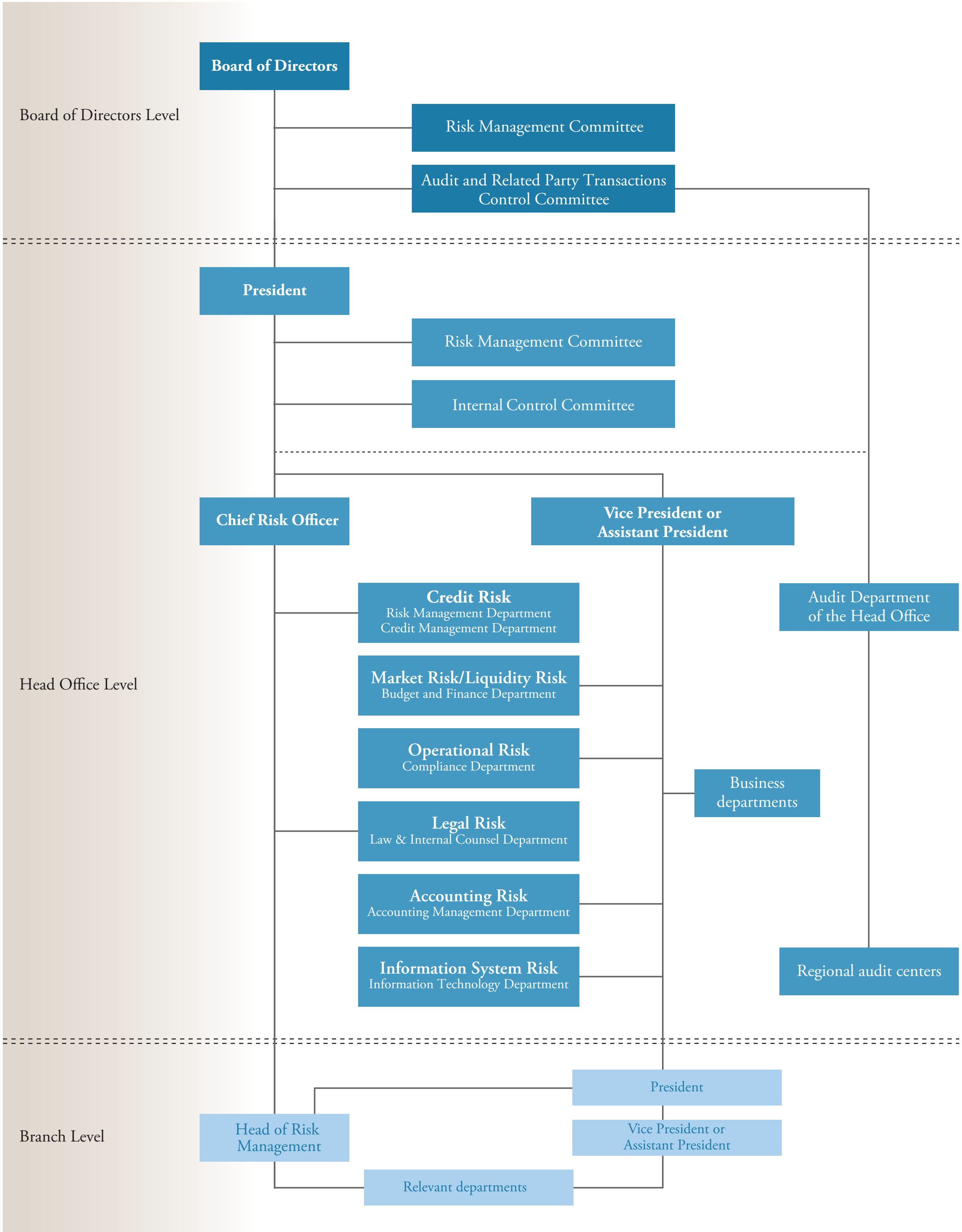
Risk Management

Risk Management Structure



Risk Management System and Techniques

The Bank remained committed in 2011 to building an independent, comprehensive, vertical and professional risk management system, cultivating a risk management culture of "pursuing risk-filtered returns", implementing the development strategy of "quality industries, quality enterprises, mainstream markets and mainstream customers", and proactively managing credit risk, liquidity risk, market risk, operational risk and other risks at all levels.

In 2011, the Bank fully launched the corporate liabilities rating system, which, after basically accomplishing the majority of its credit risk quantification efforts, and thereby entered a new stage where the focus of the risk management techniques is shifted from risk measurement to value creation. The Bank registered new progress in implementing the New Basel Capital Accord with all-round commencement of three projects, i.e. risk-weighted asset calculation, self-assessment of capital adequacy ratio, and regulatory compliance. A comprehensive self-assessment on the fulfillment of the regulatory compliance under the New Basel Capital Accord was accomplished for the first time.

Credit Risk Management

Credit risk refers to the risk that the Bank's borrower or counter-party in transaction fails to fulfill the obligations specified in the agreements. The Bank's credit risk exists primarily in the Bank's loan portfolios, investment portfolios, guarantees, undertakings, and other on and off-balance sheet risk exposures.

Risk Management on Corporate Loans

In the face of the complicated situations in 2011 featuring more intensive and frequent economic restructuring and macro readjustment in China and the rapid expansion of the Bank's credit scale, the Bank made proactive responses and adopted a series of effective measures to further strengthen its risk management in key areas. During the reporting period, the Bank focused its efforts to resolve the risks associated with Local Government Financing Vehicle (LGFV) loans, prudently conducting real estate loan business and exerting stringent control over loans to over capacity industries such as the steel industry.

— Local Government Financing Vehicle loans. The Bank continued to reinforce its withdrawal from LGFV loans with potential risk. With regard to those loans that the Bank was unable to withdraw immediately, the Bank intensified its efforts to require additional land and other forms of collaterals. In the meantime, the Bank kept putting stringent control over new loans regarding LGFV and concentrated the rights to approval of all LGFV related credit granting business at the Head Office. Except for a few land reserve centers with standardized operation and reasonable liabilities, the Bank in principle suspended all new LGFV loans approval. During the reporting period, the balance and the proportion of the Bank's LGFV loans declined dramatically, which ensured the fulfillment of its goal to "reduce existing loans and control new loans" in conducting LGFV loan business.

— Real estate loans. As an active response to the complicated real estate market, the Bank granted loans to real estate sector prudently, i.e., insisting upon the policy of total volume control of credit approval, setting more stringent access criteria for property developers and development projects, prioritizing support to residential projects with good geographic locations, reasonable prices and stronger resilience to price drop, and observing the principle of closed management of collaterals and capital. As a result, the increment and the growth rate of real estate loans declined dramatically as compared with the previous year.

— Loans to industries with overcapacity. The Bank's loans to overcapacity industries take relatively small proportion and mainly concentrate in the steel industry. To control the credit risk of the steel industry, the Bank pursued the policy of "total credit volume control, priority credit granting to qualified projects and restricting credit granting to the unqualified", focused on supporting large quality steel enterprises competitive in cost, scale and products, and exerted stringent control over project loans to steel enterprises. During the reporting period, the growth rate of general loans to steel enterprises was controlled below 1%, far behind the Bank's average loan growth rate. In addition, given the serious overcapacity and dramatic price decline of the PV industry over the previous year, the Bank adjusted its credit policy timely, strictly control the new credit approval to photovoltaic industry, thus timely reducing the credit risk exposure to this particular industry.

Risk Management on Small Business Loans

As at the end of the reporting period, with specialized organizations for small enterprise financing set up at 25 branches, the Bank formed a professional service system marked by "dedicated organizations, dedicated teams, dedicated procedures and dedicated platforms" and gradually developed its highly specialized small enterprise financial service network that enjoy wide coverage and clear facets. The Bank further clarified its risk-dispatched loan approval model, established an "embedded" risk management system, insisted upon a credit management model that separates loan approval from disbursement, thereby effectively controlling risk at earlier stage.

— Optimization of business process. To better meet the demand for business development, the Bank appropriately adjusted its criteria for small business customer identification and the business model for credit approval, and optimized the process of credit approval for small enterprises in 2011. In the meantime, the Bank developed multiple sets of standardized and individualized small business product processes based on market demands.

— Improvement of risk management techniques. In order to improve the techniques in risk management and promote a steady development of small business financing, the Bank initiated the development of a specialized credit rating model for small business customers by using external resources and making use of the Bank's historical data and business models, where relevant data analysis has been basically completed and the working on modeling is underway.

— Exploration into cluster credit approval model. In support of its positioning in targeted market and the cluster marketing model featuring "One Chain, Two Circles, and Three Clusters", and in order to achieve mass credit approval and aggregate risk control thereof for small enterprises, the Bank has been actively exploring the business model of clustered credit approval for small enterprises, developing business processes and supporting systems, with a plan to launch pilots in the key branches for small enterprise financing in Hangzhou, Nanjing, Suzhou and Dongguan branches.

— Enhancement of post-lending management. For the purpose of improving efficiency and quality of post-lending management over small enterprises loans, in 2011, the Bank developed simplified and highlighted reporting templates on post-lending inspection and asset risk classification of small enterprises, and compiled a practical manual for post-lending management of small enterprises loans, and carried out such post-lending management effectively and with effective risk control.

— Enhanced supervision and inspection. The Bank adopted business supervision and inspection as an important measure to prevent risks of small business financing in 2011. Through auditing of branches by the audit department of the Head Office, specialized business inspection over branches by business management departments of the Head Office, and self-inspection by small enterprise financing divisions of branches, the Bank was able to identify risks, prevent risks and dissolve risks on a timely basis.

Retail Management on Retail Credit

In 2011, in accordance with developments of the macro-economic situation and regulatory requirements, the Bank adjusted its credit policies, enhanced risk control and emphasized on compliant operation. Asset quality of the Bank was further improvement as a result of better personal credit system development, straightened-out business processes, and enhanced post-lending management.

— Based on changes of the macro-economic situation and regulatory requirements, the Bank made timely adjustments to its personal housing mortgage loan policies to ensure its compliant operation and controllability of risks.

— By optimizing its product structure, exploring and developing business areas of personal business loans and personal auto consumer loans, and diversifying product series, the Bank mitigated the potential risks aroused from the over-concentration of single product.

— The Bank completed the development of personal loan centers at its branches, and actively improved the retail loan management and risk control system.

— The Bank strengthened its post-lending management, ensured the compliance of person loan business and effectively enhanced the management on operational risk through measures of specialized post-lending inspection and system monitoring, etc..

— The Bank regularly monitored and briefed asset quality of personal loans, and enhanced its efforts to collect NPLs overdue for more than one year to consolidate its asset quality management.

Risk Management on Credit Card

In 2011, guided by the management concept of "pursuing risk-filtered returns", and adhering to a coordinated development of "profit, quality and scale", the Bank achieved a rapid and stable growth in credit card business through deepening business transformation and accelerating business innovation. Moreover, through a comprehensive and whole process risk control, the Bank established a complete and effective risk management system so as to enhance the risk management of the credit card business significantly.

— Establishment of a complete and effective credit card risk management system. The Bank adhered to the whole-process risk control system that integrates the Head Office and the branches as its cornerstone, and constantly improved its capability for whole-process credit card risk management. A sophisticated and effective credit card risk management system was established through a series of measures including institutional development and process design.

— Focus on adjustment of customer structure and asset portfolios. Oriented towards optimization of both risk control and customer value, and focused on adjustment of access policy and quota policy, the Bank actively introduced quality customers, increased the proportion of high-value customers, stringently restricted the access of high-risk customers, and further reduced the proportion of high-risk and low-yield customers. Concentrating efforts on increasing returns on risk assets, the Bank proactively enhanced its credit line management of cardholders, and constantly improved transaction activeness of quality customers through credit portfolio products and credit line management strategy, achieving rational allocation of credit resources and improving the efficiency of risk asset allocation.

— Establishment of a risk control system for consumer finance products. With emphasis on establishing differentiated innovation competitiveness, the Bank set up its risk control system for consumer finance products through a series of measures including improvement of approval policy, development of review and approval teams, and set-up of preliminary review positions for consumer finance, which laid a solid foundation for the rapid growth of consumer finance business.

— Formation of double life cycle measurement strategy risk management system. The Bank continued with its efforts to establish a dual-life cycle measurement strategy management system, which, by use of application, behavior scoring and retail rating and integrating economic cycle factors, covers the entire customer life cycle with credit card risk measurement tools, and escalates support to business management.

— Prevention of channel risks. Focused on developing brand new card issuing channels, the Bank further enhanced its capability in risk identification and risk interception upon first-time card issuance at the counter, and further sophisticated the fraud risk prevention system under new channels with emphasis placed on cracking down on defaulters, thereby effectively improving its overall capability to prevent default risks.

Risk Management of Treasury Business

The Risk Management Committee of the Head Office and the Risk Management Committee under the Board of Directors are responsible for determining the Bank's annual credit granting policies for its treasury and capital market business. The Treasury and Capital Market Department of the Head Office is responsible for daily operation and investment decision-making of the Bank's treasury and capital market business. According to the principle of independent risk management, the Risk Management Department and the Budget & Finance Department of the Head Office undertake their respective responsibilities in the course of decision-making on significant risks involved in treasury and capital market business.

The Bank continued to prudentially conduct its negotiable securities investment business and provided customers with fund value adding and risk avoiding services in 2011.

— Renminbi denominated bond investment. In 2011, China experienced a complicated and volatile domestic economic environment, featuring continuing tightened monetary policy, expanding credit spread, and increasing credit risks of low-rating bonds. The Bank followed its annual credit granting policy, actively carried out structural adjustment, and focused on quality enterprises within the relevant sectors as key investment targets.

— Foreign currency denominated bond investment. In 2011, the world witnessed depressed economic growth, fluctuating financial markets, deteriorating European sovereign debt crisis, and a sovereign ratings downgrade for the United States. In line with its risk management guidelines developed at the beginning of 2011, the Bank adopted proactive measures to reduce its risk exposures to European and American regions, accelerated sovereign bond investment in China and further optimized its asset structure.

— Fund value adding and risk avoiding services. On the principle of stringent risk control, the Bank proactively provided customers with risk management and fund value maintenance and value adding services. In parallel with providing value maintenance and value-adding services, the Bank also paid attention to customer adaptability analysis to effectively prevent credit risks.

Loan Monitoring and Post-Lending Management

In 2011, in order to counter the credit risks brought about by macro financial situation, the Bank, guided by the principle of "transformation, upgrade and development", strengthened the credit management to secure asset quality, and reached the management objective of "ensuring on-time and full collection of due loans and ensuring no downgrading or less downgrading of undue loans".

In terms of risk control, the Bank deepened its risk screening and on-site inspection so as to timely resolve risks and accomplished significant effects in preventing and controlling LGFV loan risks, and advanced rectification and reform to deepen the cultivation of compliance risk culture. The Bank built a post-lending inspection template to improve the quality of post-lending inspection, timely make risk disclosure and deepen risk early warning and risk dissolving. Meanwhile, the Bank sophisticated its management of collecting principals and interests of due loans and advanced the rectification on installment repayment of medium and long-term loans to ensure the on-time and full collection of the principals and interests of due loans. The Bank also implemented new regulations on loans by improving its contract and collateral management, strengthening loan-granting review and deepening operational risk management. Moreover, the Bank also encouraged branches to quit high-risk loans and enhance the adjustment to credit structure, and organized risk screening. In terms of strengthening management, the Bank enhanced the assessment based on indicators and on-site inspection, improved risk classification and provision and deepened asset quality management. Efforts were also made to upgrade system process and popularize advanced management experience to improve the overall management level. Moreover, the Bank improved the data quality and strengthened its analysis to deepen statistical analysis and standardize connected transactions, optimized functions to deepen IT-based management methods, as well as intensified its effort in branch assessment based on training to support branches in building up the management capability and the credit management team.

Credit Risk Analysis

Distribution of Loans

As at the end of the reporting period, the Group's total loan balance was RMB1,434.037 billion, an increase of RMB169.792 billion or 13.43% over the end of the previous year.

The Group continuously optimized the geographical configuration of credit assets, as a result of which, loans to different regions grew coordinately. The Group's loans were mainly to the most economically developed regions in coastal Eastern China, including the Yangtze River Delta, the Bohai Rim and the Pearl River Delta. As at the end of the reporting period, the Group's balance of loans to these three regions accounted for 66.30% in its total loans. In 2011, the increment of loans in the Yangtze River Delta was RMB48.101 billion or 14.69%, exceeding the average growth rate by 1.26 percentage points and representing the fastest growth among other regions.

In 2011, the Group proactively implemented relevant government policies regarding boosting domestic demand and appropriately enhanced its support to some quality projects in Central and Western regions, therefore the proportion of loans to these two regions increased continuously. The increment of loans to Western regions was RMB33.642 billion or 23.49%, exceeding the average growth rate by 10.06 percentage points, which registered the second among other regions, followed by that of loans to the Bohai Rim.

Concentration of Loans by Geographic Region

The Group

Unit: RMB million

	31 December 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim (Note)	379,024	26.43	346,098	27.38
Yangtze River Delta	375,635	26.19	327,534	25.91
Pearl River Delta and West Strait	196,103	13.68	174,510	13.80
Central region	187,201	13.05	159,534	12.62
Western region	176,879	12.33	143,237	11.33
Northeastern region	46,425	3.24	41,239	3.26
Overseas	72,770	5.08	72,093	5.70
Total Loans	1,434,037	100.00	1,264,245	100.00

Note: Including the Head Office.

The Bank

Unit: RMB million

	31 December 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim (Note)	378,142	27.86	345,037	29.04
Yangtze River Delta	373,731	27.54	325,678	27.41
Pearl River Delta and West Strait	194,949	14.36	173,318	14.59
Central region	187,201	13.79	159,534	13.43
Western region	176,879	13.03	143,237	12.06
Northeastern region	46,425	3.42	41,239	3.47
Total Loans	1,357,327	100.00	1,188,043	100.00

Note: Including the Head Office.

Concentration of Loans by Product

As at the end of the reporting period, the Group's corporate loan balance (excluding discounted bills) registered a stable growth, amounting to RMB1,116.389 billion, up by RMB124.117 billion or 12.51% over the end of the previous year; its personal loans grew at a fast pace and the balance reached RMB268.197 billion with the proportion up to 18.7%, an increase of RMB51.923 billion or up by 24.01% over the end of the previous year, 10.58 percentage points above the average growth rate; and its balance of discounted bills continued to decrease, reaching RMB49.451 billion, down by RMB6.248 billion or 11.22% over the end of the previous year.

The Group

Unit: RMB million

	31 December 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,116,389	77.85	992,272	78.49
Personal loans	268,197	18.70	216,274	17.11
Discounted bills	49,451	3.45	55,699	4.40
Total loans	1,434,037	100.00	1,264,245	100.00

The Bank

	31 December 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,058,128	77.96	933,185	78.55
Personal loans	253,867	18.70	201,346	16.95
Discounted bills	45,332	3.34	53,512	4.50
Total loans	1,357,327	100.00	1,188,043	100.00

Structure of Personal Loans

In 2011, the Group enjoyed a robust expansion of its retail loan business, with a loan balance as at the end of 2011 of RMB268.197 billion, up by RMB51.923 billion or 24.01% over the end of the previous year, of which the balance of credit card loans reached RMB32.133 billion, up by 64.20% over the end of the previous year, 40.19 percentage points above the average growth rate; personal consumer and non-consumer loans grew remarkably, with the loan balance reaching RMB51.776 billion, up by 56.41% over the end of the previous year, 32.4 percentage points above the average growth rate; and the housing mortgage loans grew steadily, up by 11.70% over the end of the previous year.

The Group

Unit: RMB million

	31 December 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Housing mortgage loans	178,888	66.70	160,149	74.05
Credit card loans	32,133	11.98	19,570	9.05
Others	57,176	21.32	36,555	16.90
Total personal loans	**268,197**	**100.00**	216,274	100.00

The Bank

	31 December 2011		31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Housing mortgage loans	169,763	66.87	149,852	74.42
Credit card loans	31,903	12.57	19,342	9.61
Others	52,201	20.56	32,152	15.97
Total personal loans	**253,867**	**100.00**	201,346	100.00

Concentration of Loans by Sector

In 2011, in the face with complicated and volatile economic and financial situations both at home and abroad, the Group intensified its efforts in adjusting sector structure, prioritizing allocation of its credit resources to the real economy and supply chain financing while tightening risk control over over-capacity sectors and sectors suffering greatly from the macro-economic control policies. The prerequisite of total volume control was observed and caution was exercised when granting loans to the real estate sector. New loans to real estate sector were concentrated in the top 100 national property developers and premium regional property developers that enjoyed rich property development experience and strong regional advantages while project collaterals and closed fund management were insisted upon.

As at the end of the reporting period, corporate loan balance of the Group stood at RMB1,116.389 billion, up by RMB124.117 billion or 12.51% over the end of the previous year, of which, loan balances of the three sectors including manufacturing sector, the wholesale/retail and the transportation, warehousing and postal service sector accounted aggregately for 54.14%, or amounted to RMB301.815 billion, RMB177.121 billion and RMB125.457 billion, respectively. In terms of the breakdown of increment, the wholesale/retail sector scored the fastest growth, registering an increase of RMB48.179 billion, or 37.36% over the end of the previous year, followed by the manufacturing sector, which registered an increase of RMB41.551 billion or 15.96% over the end of the previous year; and the real estate sector took the third place, with an increase of RMB16.702 billion or 23.06% over the end of the previous year.

The loan balances of the three sectors, namely production and supply of power, gas and water, water conservancy, environment and public utilities management, and public and social organizations declined by RMB1.899 billion, 11.024 billion and 4.049 billion, respectively, or down by 2.32%, 13.58% and 6.96% respectively over the end of the previous year. This decline indicates that in 2011, the Group effectively controlled its credit resources from flowing into sectors that featured long loan maturities, weak bargaining power, relatively low integrated benefits and strong government background.

The Group

Unit: RMB million

	31 December 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing sector	**301,815**	**27.03**	260,264	26.23
Transportation, warehousing and postal service	**125,457**	**11.24**	124,734	12.57
Production and supply of power, gas, water	**79,970**	**7.16**	81,869	8.25
Wholesale and retail	**177,121**	**15.87**	128,942	12.99
Real estate	**89,135**	**7.98**	72,433	7.30
Water conservancy, environment and public utilities management	**70,181**	**6.29**	81,205	8.19
Leasing and commercial services	**50,495**	**4.52**	48,444	4.88
Construction	**58,734**	**5.26**	44,798	4.51
Public and social organizations	**54,114**	**4.85**	58,163	5.86
Others	**109,367**	**9.80**	91,420	9.22
Total corporate loans	**1,116,389**	**100.00**	992,272	100.00

The Bank

Unit: RMB million

	31 December 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing sector	**295,684**	**27.94**	251,249	26.92
Transportation, warehousing and postal service	**123,333**	**11.66**	122,142	13.09
Production and supply of power, gas and water	**79,584**	**7.52**	81,561	8.74
Whole and retail	**171,650**	**16.22**	120,616	12.93
Real estate	**78,052**	**7.38**	61,780	6.62
Water conservancy, environment and public utilities management	**70,181**	**6.63**	81,155	8.70
Leasing and commercial services	**50,376**	**4.76**	48,263	5.17
Construction	**58,535**	**5.53**	44,630	4.78
Public and social organizations	**54,039**	**5.11**	58,087	6.22
Others	**76,694**	**7.25**	63,702	6.83
Total corporate loans	**1,058,128**	**100.00**	933,185	100.00

Breakdown of Loans by Type of Guarantee

In order to respond to the complicated and volatile macro-economic situation, the Group continuously optimized the composition of guarantees and strengthened loan risk mitigation and relief in 2011. The proportions of the balance of unsecured loans and guaranteed loans both maintained the downward trend, while the proportions of the balance of collateral loans and pledged loans both kept the upward trend. As at the end of the reporting period, the balance of collateral and pledged loans stood at RMB711.718 billion, up by RMB146.488 billion or 64.52% over the end of the previous year, and their proportion reached 49.63%, 4.92 percentage points higher over the end of the previous year; the balance of unsecured and guaranteed loans amounted to RMB672.868 billion, accounted for 46.92% in total loans, down by 3.96 percentage points over the end of the previous year, of which, the balance of unsecured loans was down by RMB7.191 billion over the end of the previous year.

The Group

Unit: RMB million

	31 December 2011		31 December 2010	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	329,615	22.98	336,806	26.64
Guaranteed loans	343,253	23.94	306,510	24.24
Collateral loans	523,632	36.51	434,657	34.38
Pledged loans	188,086	13.12	130,573	10.33
Subtotal	1,384,586	96.55	1,208,546	95.59
Discounted bills	49,451	3.45	55,699	4.41
Total loans	1,434,037	100.00	1,264,245	100.00

The Bank

Unit: RMB million

	31 December 2011		31 December 2010	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	318,333	23.45	322,758	27.17
Guaranteed loans	325,259	23.96	286,571	24.12
Collateral loans	487,902	35.95	399,424	33.62
Pledged loans	180,501	13.30	125,778	10.59
Subtotal	1,311,995	96.66	1,134,531	95.50
Discounted bills	45,332	3.34	53,512	4.50
Total loans	1,357,327	100.00	1,188,043	100.00

Concentration of Borrowers of Corporate Loans

The Group emphasizes the centralized risk control regarding the concentration of borrowers of its corporate loans. Currently, the Group fulfills the applicable regulatory requirements related to the concentration of borrowers. Since a single borrower is defined by the Group as a specified legal entity, one borrower can be the related party of another borrower.

The Group

Major regulatory indicator	Regulatory Standard	**31 December 2011**	31 December 2010	31 December 2009
Percentage of loans to the largest single customer (%)	≦10	**3.78**	5.21	5.06
Percentage of loans to the top 10 customers (%)	≦50	**22.10**	30.01	34.70

Notes: (1) Percentage of loans to the largest single customer = balance of loans to the largest single customer/net capital.
(2) Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital.
(3) The figures as at the end of 2009 in the above table were restated because the figure of the net capital as at the end of 2009 was restated.

The Group

Unit: RMB million

		31 December 2011		
	Sector	**Amount**	**Percentage in total loans (%)**	**Percentage in regulated capital (%)**
Borrower A	Public and social organizations	7,940	0.55	3.78
Borrower B	Public and social organizations	7,094	0.49	3.38
Borrower C	Production and supply of power, gas and water	4,900	0.34	2.33
Borrower D	Transportation, warehousing and postal service	4,697	0.33	2.24
Borrower E	Wholesale and retail	4,585	0.32	2.18
Borrower F	Manufacturing sector	4,260	0.30	2.03
Borrower G	Production and supply of power, gas and water	3,500	0.24	1.67
Borrower H	Transportation, warehousing and postal service	3,460	0.24	1.65
Borrower I	Production and supply of power, gas and water	3,000	0.21	1.43
Borrower J	Public and social organizations	2,950	0.21	1.41
Total loans		**46,386**	**3.23**	**22.10**

The Group focuses on supporting large-scale premium infrastructure projects and large premium customers. As at the end of the reporting period, the total loan balance to the top 10 corporate customers amounted to RMB46.386 billion, accounting for 3.23% of the total loan balance and 22.10% of the net capital, down by 7.91 percentage points over the previous year.

Loan Quality Analysis

Five-Class Loan Classification

The Bank measures and manages the quality of its credit assets pursuant to the Guidelines on the Classification of Loan Risks promulgated by the CBRC, which requires Chinese commercial banks to classify their credit assets into five classes, i.e. normal, special mention, sub-standard, doubtful and loss, of which the last three classes are treated as non-performing loans (NPLs).

In 2011, the Bank continued to enhance its centralized management of the different loan classes and improved its credit asset risk classification management system. While adhering to the core criteria of "safety of loan collection", different classes of loans were treated with different risk management measures after taking into full consideration various factors that may impact the quality of credit assets.

The Bank's procedure for identifying loan risk classification includes the following steps: business departments conduct post-lending inspection first, then credit granting departments of branches propose preliminary opinions, followed by an initial identification by credit management departments of branches, and then the person in charge of risk management in branches review the results; finally the Head Office make the final identification. To those loans with material changes in risk profiles, the Bank conducts the dynamic adjustment to their classification.

In 2011, thanks to the continuing collaboration with external auditors, the Bank completed sample review of credit quality and risk classification sampling (focusing on LGFV loans and loans to SMEs), and further enhanced the truthfulness and accuracy of loan class classification.

The Group

Unit: RMB million

	31 December 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Normal	**1,410,760**	**98.37**	1,244,478	98.44
Special mention	**14,736**	**1.03**	11,234	0.89
Sub-standard	**3,740**	**0.26**	2,339	0.19
Doubtful	**3,827**	**0.27**	4,870	0.38
Loss	**974**	**0.07**	1,324	0.10
Total Loans	**1,434,037**	**100.00**	1,264,245	100.00
Performing loans	**1,425,496**	**99.40**	1,255,712	99.33
Non-performing loans	**8,541**	**0.60**	8,533	0.67

Note: Performing loans include normal loans and special mention loans; and non-performing loans include sub-standard loans, doubtful loans and loss loans.

The Bank

Unit: RMB million

	31 December 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Normal	**1,335,852**	**98.42**	1,170,491	98.52
Special mention	**13,502**	**0.99**	10,066	0.85
Sub-standard	**3,486**	**0.26**	1,703	0.14
Doubtful	**3,529**	**0.26**	4,466	0.38
Loss	**958**	**0.07**	1,317	0.11
Total Loans	**1,357,327**	**100.00**	1,188,043	100.00
Performing loans	**1,349,354**	**99.41**	1,180,557	99.37
Non-performing loans	**7,973**	**0.59**	7,486	0.63

Note: Performing loans include normal loans and special mention loans; and non-performing loans include sub-standard loans, doubtful loans and loss loans.

In 2011, in order to tackle the grim macro-economic situation, the Group continuously strengthened its post-lending management by monitoring and reviewing loan collection upon maturity, post-lending inspection and loan classification. As at the end of the reporting period, the balance of normal loans increased by RMB166.283 billion over the end of the previous year, accounting for 98.37% of the total loans, and representing a slight drop of 0.07 percentage point over the beginning of 2011. The balance of special mention loans rose by RMB3.502 billion, accounting for 1.03% of the total loans, up by 0.14 percentage point over the end of the previous year. The reason why the balance and proportion of special mention loans went up was primarily that the Group adopted more stringent classification criteria, and prudentially downgraded a small part of relatively unstable normal loans to special mention class, rather than the emergence of any substantial risks thereof.

As at the end of the reporting period, the Group managed to maintain the balance and ratio of NPLs in a steady manner, of which, the balance of NPLs, as recognized based on the regulatory risk classification standard, stood at RMB8.541 billion, slightly up by RMB8 million over the end of the previous year; while the NPL ratio was 0.60%, down by 0.07 percentage point over the end of the previous year. Loans of the Group remained in sound quality. In terms of the composition of NPLs, the balance of sub-standard loans went up by RMB1.401 billion over the beginning of 2011, representing an increase of 0.07 percentage point in total loans, which was mainly due to the even more stringent classification criteria adopted by the Group, whereby some unmatured and non-overdue loans with potential risks were downgraded to sub-standard class with a view to urging branches to strengthen their post-lending inspection and monitoring for safe collection upon maturity and prevention of potential risks from deterioration. The balances and proportions of doubtful and loss loans both decreased as compared with that of the beginning of 2011, which was primarily because the Group continuously enhanced the management over loan collection and write-off.

In 2011, the Group achieved a slight increase in NPL balance and a slight decrease in NPL ratio, which is a scientific and rational outcome adapting to the current macro-economic situation. The Group is of the view that, following the slowing down of the domestic economic growth and the impact of the national macro-economic control policies, the continuous “dual drop” during the past years in Chinese banking industry will change and the NPL balance may grow slightly within the tolerable extent.

Migration of Loans

The table below sets out the migration of the Bank’s loans across the five classes during the indicated periods.

The Bank

	31 December 2011	31 December 2010	31 December 2009
Migration ratio from normal loans (%)	**1.06**	0.83	0.53
Migration ratio from special mention loans (%)	**6.37**	5.09	6.71
Migration ratio from sub-standard loans (%)	**8.22**	28.65	18.16
Migration ratio from doubtful loans (%)	**2.27**	7.32	5.35
Migration ratio from performing loans to non-performing loans (%)	**0.21**	0.10	0.32

In 2011, the Bank’s migration ratios from normal loans and special mention loans slightly went up compared with 2010. This evolvement was mainly due to the Group’s adoption of more stringent loan classification standards by downgrading some loans with potential risks to special mention class or sub-standard class, rather than the emergence of systematic risks.

Loans Overdue

The Group

Unit: RMB million

	31 December 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**1,423,305**	**99.25**	1,253,666	99.16
Loans overdue [(1)]				
1-90 days	**5,131**	**0.36**	3,185	0.25
91-180 days	**528**	**0.04**	582	0.05
181 days or above	**5,073**	**0.35**	6,812	0.54
Subtotal	**10,732**	**0.75**	10,579	0.84
Total loans	**1,434,037**	**100.00**	1,264,245	100.00
Loans overdue for 91 days or above	**5,601**	**0.39**	7,394	0.59
Restructured loans [(2)]	**3,184**	**0.22**	6,926	0.55

Notes: (1) Loans overdue refer to loans with principals or interests overdue for one day or above.
(2) Restructured loans refer to loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

The Bank

Unit: RMB million

	31 December 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**1,347,890**	**99.30**	1,179,017	99.24
Loans overdue [(1)]				
1-90 days	**4,195**	**0.31**	2,595	0.22
91-180 days or above	**509**	**0.04**	533	0.04
181 days or above	**4,733**	**0.35**	5,898	0.50
Subtotal	**9,437**	**0.70**	9,026	0.76
Total loans	**1,357,327**	**100.00**	1,188,043	100.00
Loans overdue for 91 days or above	**5,242**	**0.39**	6,431	0.54
Restructured loans [(2)]	**2,413**	**0.18**	6,278	0.53

Notes: (1) Loans overdue refer to loans with principals or interests overdue for one day or above.
(2) Restructured loans refer to loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

In 2011, the Bank firmly implemented the risk mitigation strategy of "early identification, early response, and early mitigation". Through continuously enhancing the monitoring on principals and interests of loans overdue, circulating monthly principals and interests of loans overdue in branches, the Bank urged branches to accelerate the collection of loans overdue. Those practices yielded satisfactory results. As at the end of the reporting period, the balance and proportion of loans overdue for 91 days or above decreased by RMB1.189 billion or 0.15 percentage point over the end of the previous year.

Breakdown of NPLs by Customer Type

The Group

Unit: RMB million

	31 December 2011			31 December 2010		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	7,666	89.76	0.69	7,727	90.55	0.78
Personal loans	875	10.24	0.33	806	9.45	0.37
Discounted bills	—	—	—	—	—	—
Total NPLs	8,541	100.00	0.60	8,533	100.00	0.67

The Bank

Unit: RMB million

	31 December 2011			31 December 2010		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	7,110	89.18	0.67	6,701	89.51	0.72
Personal loans	863	10.82	0.34	785	10.49	0.39
Discounted bills	—	—	—	—	—	—
Total NPLs	7,973	100.00	0.59	7,486	100.00	0.63

As at the end of the reporting period, the Group witnessed a slight decrease of RMB61 million in its balance of corporate NPLs and a decline of 0.09 percentage point in its corporate NPL ratio over the beginning of 2011, along with a slight increase of RMB69 million in its balance of personal NPLs, a decline of 0.04 percentage point in its personal NPL ratio over the beginning of 2011.

Breakdown of Personal NPLs

The Group

Unit: RMB million

	31 December 2011			31 December 2010		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Credit card loans	518	59.20	1.61	431	53.47	2.2
Housing mortgage loans	184	21.03	0.1	177	21.96	0.11
Others	173	19.77	0.3	198	24.57	0.54
Total personal NPLs	875	100.00	0.33	806	100.00	0.37

The Bank

Unit: RMB million

	31 December 2011			31 December 2010		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Credit card loans	518	60.02	1.62	430	54.78	2.22
Housing mortgage loans	175	20.28	0.10	165	21.02	0.11
Others	170	19.70	0.33	190	24.20	0.59
Total personal NPLs	863	100.00	0.34	785	100.00	0.39

As at the end of the reporting period, the Group maintained a good quality in its personal loans, with the balance of personal NPLs going up slightly by RMB69 million and the personal NPL ratio decreasing by 0.04 percentage point over the end of the previous year, lower than the average NPL ratio of the Group by 0.27 percentage point. The increase in the balance of personal NPLs was mainly concentrated in the Group's credit card business, which was consistent with the feature of high risk and high yield of credit card business.

Breakdown of NPLs by Geographic Location

The Group

Unit: RMB million

	31 December 2011			31 December 2010		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim (Note)	2,208	25.85	0.58	2,362	27.68	0.68
Yangtze River Delta	2,191	25.65	0.58	1,950	22.85	0.60
Pearl River Delta and West Strait	2,125	24.88	1.08	1,583	18.55	0.91
Central region	542	6.35	0.29	479	5.62	0.30
Western region	493	5.77	0.28	531	6.22	0.37
Northeastern region	481	5.63	1.04	651	7.63	1.58
Overseas	501	5.87	0.69	977	11.45	1.36
Total NPLs	8,541	100.00	0.60	8,533	100.00	0.67

Note: Including the Head Office.

The Bank

Unit: RMB million

	31 December 2011			31 December 2010		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim (Note)	2,208	27.69	0.58	2,362	31.55	0.68
Yangtze River Delta	2,169	27.20	0.58	1,926	25.73	0.59
Pearl River Delta and West Strait	2,079	26.08	1.07	1,537	20.53	0.89
Central region	542	6.80	0.29	479	6.40	0.3
Western region	493	6.18	0.28	531	7.09	0.37
Northeastern region	482	6.05	1.04	651	8.70	1.58
Total NPLs	7,973	100.00	0.59	7,486	100.00	0.63

Note: Including the Head Office.

Under the backdrop of a tight economic situation and a severe financial environment, the Group adopted effective measures and maintained the stability of its loan quality, and the quality of loans to the Pearl River Delta and the West Strait where export-oriented and private enterprises are concentrated was free from material impacts. The balance and ratio of NPLs of the Group in the Bohai Rim, Western region, Northeastern region and overseas areas all remained steady with slight declines. The Group's balance and ratio of Overseas NPLs, in particular, went down by RMB476 million and 0.67 percentage point over the end of the previous year, respectively. In the Yangtze River Delta, the NPL balance went up slightly by RMB241 million while the NPL ratio thereof decreased by 0.02 percentage point over the end of the previous year, which is lower than the average NPL ratio of the Group. In the Pearl River Delta and West Strait, the NPL balance and NPL ratio both registered an increase, which was resulted from some large-amount risk loans rather than from the emergence of systemic risks.

Breakdown of Corporate NPLs by Sector

The Group

Unit: RMB million

	31 December 2011			31 December 2010		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing sector	2,294	29.92	0.76	3,076	39.81	1.18
Transportation, warehousing and postal service	1,095	14.28	0.87	97	1.26	0.08
Production and supply of power, gas and water	219	2.85	0.27	219	2.83	0.27
Wholesale and retail	1,393	18.17	0.79	1,369	17.72	1.06
Real estate	889	11.60	1.00	1,103	14.27	1.52
Leasing and commercial services	328	4.28	0.65	323	4.18	0.67
Water conservancy, environment and public utilities management	485	6.33	0.69	15	0.19	0.02
Construction	130	1.70	0.22	76	0.98	0.17
Public and social organizations	—	—	—	—	—	—
Others	833	10.87	0.76	1,449	18.76	1.58
Total corporate NPLs	7,666	100.00	0.69	7,727	100.00	0.78

The Bank

Unit: RMB million

	31 December 2011			31 December 2010		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Manufacturing sector	2,216	31.17	0.75	2,941	43.89	1.17
Transportation, warehousing and postal service	1,092	15.36	0.89	96	1.43	0.08
Production and supply of power, gas and water	219	3.08	0.28	219	3.27	0.27
Wholesale and retail	1,368	19.24	0.80	1,332	19.88	1.1
Real estate	843	11.86	1.08	1,057	15.77	1.71
Leasing and commercial services	328	4.61	0.65	323	4.82	0.67
Water conservancy, environment and public utilities management	485	6.82	0.69	15	0.22	0.02
Construction	130	1.83	0.22	76	1.13	0.17
Public and social organizations	—	—	—	—	—	—
Others	429	6.03	0.56	642	9.59	1.01
Total corporate NPLs	7,110	100.00	0.67	6,701	100.00	0.72

In 2011, the overall quality of the Group's loans to various sectors remained steady. The NPL balance and NPL ratio in manufacturing and real estate sectors both decreased remarkably over the end of the previous year, with the NPL balance decreased by RMB782 million and RMB214 million respectively and the NPL ratio dropped by 0.42 and 0.52 percentage point, respectively. Loans to production and supply of power, gas and water and the construction sector continued to maintain sound quality, with their NPL ratios both being lower than the average level. The NPL balance and NPL ratio in transportation, warehousing and postal service, as well as water conservancy, environment and public utilities increased slightly over the end of the previous year, which mainly because the Group prudentially downgraded some large-amount high-way loans to the non-performing loans in order to control risk, which does not represent any universal downgrading.

Analysis of Provision for Loan Impairment

Changes in Provision for Loan Impairment

The Group sets aside adequate provisions for loan impairment in a timely manner according to the principle of prudentiality and truthfulness. Provisions for loan impairment consisted of two parts, namely, provisions based on evaluation of single items and provisions based on evaluation of portfolios.

The Group

Unit: RMB million

	As of 2011	As of 2010
Beginning balance	**18,219**	15,170
Accruals during the year [(1)]	**5,734**	4,238
Reversal of impairment allowances [(2)]	**(141)**	(133)
Transfer out [(3)]	**(37)**	(93)
Write-offs	**(683)**	(1,105)
Recoveries of loans and advances written off in previous years	**166**	142
Ending balance	**23,258**	18,219

Notes: (1) Equivalent to the net loan impairment recognized in the consolidated income statement of the Group.
(2) Equivalent to the increment of the present value of impaired loans after a period of time, which the Group recognized as interest income.
(3) Including the provision for loan impairment released from loans converted to repossessed assets.

The Bank

Unit: RMB million

	As of 2011	As of 2010
Beginning balance	**17,660**	14,620
Accruals during the year [(1)]	**5,747**	4,065
Reversal of impairment allowances [(2)]	**(131)**	(125)
Transfer out [(3)]	**(14)**	(74)
Write-offs	**(586)**	(950)
Recoveries of loans and advances written off in previous years	**142**	124
Ending balance	**22,818**	17,660

Notes: (1) Equivalent to the net loan impairment recognized in the consolidated income statement of the Bank.
(2) Equivalent to the increment of the present value of impaired loans after a period of time, which the Bank recognized it as interest income.
(3) Including the impairment allowance released from loans converted to repossessed assets.

As at the end of the reporting period, the Group's balance of provision for loan impairment increased to RMB23.258 billion from RMB18.219 billion as at the end of the previous year, an increase of RMB5.039 billion over the beginning of 2011.

In 2011, in order to respond to the economic cycle, the Group prudentially and steadily increased the proportion of provision for performing loans, with such accruals totaled RMB5.734 billion in the year, an increase of RMB1.496 billion year-on-year.

As at the end of the reporting period, the Group's provision coverage ratio and the ratio of balance of provision for loan impairment to total loans were 272.31% and 1.62% respectively, up by 58.8 percentage points and 0.18 percentage point respectively over the end of the previous respectively year, indicating that the Group is more resilient to loan risks.

Management of Market Risk

The Bank's market risk refers to the risk of its on and off-balance sheet loss resulted from unfavorable changes in market prices including interest rate, exchange rate, stock price and commodity price. The main market risks confronted by the Bank are mainly interest rate risk and exchange rate risk. The Bank has established a market risk management system covering risk identification, measurement, monitoring and control, which manages market risk by exercising product access approval and risk limit management, thereby controlling potential market risk within an acceptable level and increasing risk-adjusted returns.

The Market Risk Management Committee of the Bank's Head Office, as the decision-making body for market risk management, is responsible for formulating risk management policies and procedures and approving product access in treasury and capital market business and the risk limit. The Budget and Finance Department of the Bank, as the department in charge of market risk management, is responsible for routine operation of market risk management. Business departments are responsible for enforcing policies and procedures of market risk management to ensure that the market risk is controlled within the limit set by the Market Risk Management Committee of the Bank's Head Office.

In 2011, the international and domestic financial markets saw a more volatile situation. The crisis of European and American sovereign debts continued to deteriorate, and major economies remained weak after a brief rebound. The international market witnessed sharp fluctuations in exchange rates, interest rates and stock prices. Domestically, while the monetary policy remained tight, the interest rate in the bond market first rose and then dropped, and the credit spread of the credit bond increased to a historic height. Renminbi appreciated 5% against the US dollar during the year of 2011, but people hold different views on the trend of Renminbi judging from the market as at the end of 2011.

In 2011, in response to the volatile markets at home and abroad, the Bank optimized the market risk authorization and risk limit system, improved the efficiency of authorization and approval and reasonably adjusted the risk limit. The Bank strengthened its risk identification and monitoring in the day-to-day operation and urged business departments to actively manage market risks. At the same time, the Bank continued to promote the implementation of the market risk measurement project under the New Basel Capital Accord to enhance its risk management. Moreover, the Bank established and improved management systems, including account classification, management of derivatives and assessment of fair value to optimize the market risk policies and process. Through reasonable risk control and proactive management of market risk, the Bank ensured the sound development of its businesses based on a controllable risk-bearing level.

Management of Interest Rate Risk

Interest rate risk of the Bank mainly rises from the influence of the mismatch of asset and liability interest rate re-pricing maturity on yield and the influence of changes in market interest rate on fair value of financial instruments. The Bank effectively managed balance sheet interest rate risks and the risks in investment portfolios of treasury and capital market business primarily through derivative transactions, including swaps and forwards.

As for the balance sheet interest rate risks, the Bank carried out gap analysis to assess risks and accordingly adjusted the loan interest rate re-pricing cycle and optimized corresponding maturities of corporate deposits in the hope of effectively controlling re-pricing risks.

In respect of the interest rate risk of financial instruments in treasury and capital market business, the Bank resorted to duration analysis, sensitivity analysis, stress test and scenario simulation for risk measurement and control, and set risk limits including interest rate sensitivity, duration and exposure, etc.. The Bank also carried out effective monitoring, management and reporting on the implementation of risk limits based on advanced market risk management systems and independent internal control mid-office platform.

Analysis of Interest Rate Risk

In 2011, the economic and financial development was still confronted by various complexities with inflation rate remaining high. To ensure a stable and rapid development of economy, the central government timely adjusted its macro-economic control policies and pursued a prudent monetary policy instead of a loosened policy, which ensured that the economy and financial operation in china moved towards the planned direction. From January to July in 2011, the PBC increased the benchmark interest rates of deposit and lending for three times and the deposit reserve ratio for six times, and adjusted the money supply through open market operation; and then subsequently enhanced policy pertinence and made appropriate and timely pre-adjustment and fine adjustment to the monetary policy according to the effect of monetary policy adjustments and economic development. In December 2011, the deposit reserve ratio was reduced. Throughout the year of 2011, the market liquidity remained stable as a whole with periodic tensions; interest rate in the market maintained an upward trend amidst fluctuations and actual lending interest rate from financial institutions exhibited a steady increase.

Taking into account the impact of interest rate changes on the profits, the Bank continued its "price increase offsetting scale decrease" strategy with reference to the credit scale factor and changes in market liquidity. On the basis of effective control over the risk of maturity mismatch between assets and liabilities, the Bank proactively intensified interest rate management and pricing assessment, effectively improving its pricing management on credit assets together with reasonable control over liability costs, thereby maximizing the profits of the Bank. As at the end of the reporting period, details of interest rate gaps are set out as follows:

The Group

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Total assets	48,893	2,132,155	462,913	85,280	36,640
Total liabilities	43,935	2,007,609	383,541	117,430	34,585
Interest rate gap	4,958	124,546	79,372	(32,150)	2,055

The Bank

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Total assets	51,255	2,031,095	442,881	80,123	36,634
Total liabilities	37,330	1,912,754	372,534	113,823	31,254
Interest rate gap	13,925	118,341	70,347	(33,700)	5,380

Management of Exchange Rate Risk

The exchange rate risk of the Bank refers to the risk of on and off-balance sheet business loss resulted from unfavorable changes of exchange rate. The Bank measures exchange rate risk mainly through the analysis of foreign exchange exposure which consists of trading and non-trading exposures. Trading exposure mainly results from the position in foreign exchange trading, and non-trading exposure mainly results from the foreign currency capital and foreign currency profit. The Bank manages the exchange rate risk by conducting foreign exchange spot and forward trading and matching foreign currency denominated assets with corresponding foreign currency denominated liabilities. Meanwhile, the Bank appropriately uses derivatives, mainly foreign exchange swap, to manage foreign currency assets and liability portfolio.

Analysis of Exchange Rate Risk

The exchange rate risk of the Bank was mainly impacted by the fluctuations of Renminbi exchange rate against US dollar. In 2011, Renminbi exchange rate against US dollar went up steadily as a whole sense with an annual appreciation rate of 5%. With changing domestic and international economic and financial situations since the last third of November, the expectation of forward and offshore Renminbi exchange rate against US dollar also experienced obvious fluctuation. Confronted with the market fluctuation, the Bank strictly implemented limit management, enhanced its management and control on foreign exchange exposure and maintained its exchange rate risk within acceptable level.

As at the end of the reporting period, the foreign exchange exposure are set out as follows:

The Group

Unit: RMB million

Item	USD	HKD	Other currencies	Total
Net on-balance sheet position	34,942	821	(12,047)	23,716
Net off-balance sheet position	(29,280)	11,228	11,779	(6,273)
Total	5,662	12,049	(268)	17,443

The Bank

Unit: RMB million

Item	USD	HKD	Other currencies	Total
Net position on-balance sheet	21,426	(1,399)	(4,802)	15,225
Net position off-balance sheet	(16,700)	1,141	4,639	(10,920)
Total	4,726	(258)	(163)	4,305

Liquidity Risk Management

Liquidity risk refers to the risk that the Bank is unable to timely obtain or timely obtain at reasonable costs adequate capital to meet customer need for withdrawing matured liabilities and the Bank's own need for growing the asset business. Liquidity risk of the Bank is mainly caused by the maturity mismatch between assets and liabilities, early or concentrated withdrawal of cash by customers and fund supply for business activities such as lending, trading, and investment.

Liquidity Risk Management

The objective of liquidity management of the Bank is to identify, measure and monitor liquidity risk, control liquidity risk within a tolerable level, and thereby ensure the sound development of all business and operation of the Bank through the establishment of an effective liquidity risk management mechanism based on the set asset-liability management targets and requirements of the liquidity risk management guidelines.

The Bank pursues a unified liquidity risk management model. The Head Office is responsible for formulating liquidity risk management policies and strategies of the Group and legal entities, and managing liquidity risks at the legal entity level in a centralized manner. Domestic branches, in accordance with the requirements of the Head Office, are responsible for fund management within their respective authorisation and terms of reference. Overseas subsidiaries are responsible for developing their own strategies and procedures for liquidity risk management in accordance with the requirements of regulatory authorities within the the Group's master policy framework of liquidity risk management.

Liquidity Risk Analysis

In 2011, affected by the prudent monetary policy adjustment by the Central Bank, coupled with the impacts of submission of tax revenues to the national treasury, holidays, changes of outstanding foreign currency fund, and competition in securing deposit, etc., the market liquidity suffered from intensified fluctuation, and the liquidity risk management of the Bank therefore faced multiple difficulties and challenges, which in turn put forward more stringent requirements regarding banks' capability for liquidity risk management. Commercial banks need to adopt more forward-looking and pertinent policies for liquidity risk management, as well as dynamically adjust and flexibly apply means and measures for liquidity risk management.

In 2011, the Bank actively practiced the three-tier liquidity reserve management system, enhanced scenario analysis and stress test of liquidity risks, and constantly improved emergency response plan for liquidity risk management. By keeping a close eye on impacts on the Bank's liquidity from external policy developments and its own asset-liability structure changes, innovative products and new business, the Bank dynamically adjusted its liquidity management strategies, rationalized the arrangement of liquidity instruments and maturity structures, maintained smooth financing channels including monetary market, and continuously built up its capability in liquidity risk prevention, control and management.

In 2011, in parallel with the full use of interbank lending products, the Bank also continued its efforts to diversify the layout of other liquidity assets including deposits with banks and non-bank financial institutions, seized market opportunities to carry out portfolio restructuring, and thereby pursuing the maximization of capital operation efficiency of the Bank. In addition, the Bank steadily promoted the development of the information system on liquidity risk management with smooth system development and relevant statistical modeling in line with the requirement of the Guidelines of Liquidity Risk Management for Commercial Banks. The launch and application of the liquidity risk management information system will further improve the information platform of liquidity risk management and upgrade the overall technology in liquidity risk management.

The liquidity gaps are set out as following:

The Group

Unit: RMB million

Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
(976,379)	(37,077)	344,564	259,928	265,547	322,198	178,781

The Bank

Unit: RMB million

Payable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
(958,618)	(11,702)	329,906	236,550	251,408	326,749	174,293

Operational Risk Management and Anti-Money Laundering

Operational Risk Management

Based on the operational risk management project under the New Basel Capital Accord, the Bank continued its infrastructure development for operational risk management throughout 2011, and gradually established and improved its standardized, systematic and compliant internal control and operational risk management systems.

— Improvement of the institutional framework for operational risk management. In line with the Operational risk Management Policies of China CITIC Bank, the Bank's Head Office and branches established full-time and part-time teams for operational risk management, with the position of full-time operational risk manager set up at their respective compliance and audit departments, thereby providing organizational guarantee for operational risk management.

— Steady promotion of the design and application of operational risk management tools. By clarifying the methodologies of the three major tools for operational risk management (self assessment on risk and control, key risk indicators, and database of loss events) , the Bank gradually established its operational risk identification and evaluation mechanisms covering all business processes, developed operation procedures of the three major management tools and applied them in 10 branches, accumulating some experience for the bankwide application in 2012.

— Initiation of operational risk management system development. After defining the design requirements of the operational risk management system, the Bank started its IT program development and configuration of system functions. The adoption of IT measures for operational risk identification and evaluation, early warning and monitoring of key risk indicators, reporting of operational risk events and collection of loss data provided the Bank with technical guarantee for daily management of operational risks bankwide.

— Enhancement of the construction of the case prevention mechanism bankwide. In conjunction with the implementation of the 13 Requirements for Operation Risk Management promulgated by the CBRC and the initiative of making 2011 the "Year of Implementing Internal Control and Case Prevention", the Bank organized a comprehensive implementation of case prevention, detailed the 13 Requirements of Operation Risk Management into 20 specific requirements, formulated 49 implementation measures, identified implementation departments in charge and responsible individuals at the Head Office and branches levels and stipulated deadlines for accomplishment. The Bank thereby improved its risk prevention awareness, specified the prevention responsibilities at different levels, and established a preliminary synergized mechanism for case prevention.

— Professional training on operational risk management. In 2011, the Bank organized different sessions of professional trainings on operational risk management for full-time and part-time operational risk management personnel from the Head Office and branches to improve their management capabilities. With the use of multiple training means, including physical and video sessions, the Bank cultures and concepts of its operational risk management, elaborated on the methodologies and means of management tools, and completed the qualification training for the first batch of the most promising team of professional operational risk managers.

Anti-Money Laundering

In 2011, in line with the Law of the People's Republic of China on Anti-Money Laundering and relevant stipulations of the PBC, the Bank diligently fulfilled its anti-money laundering obligations with concrete actions and satisfactory results.

— Comprehensive, accurate and complete implementation of anti-money laundering monitoring, judgment, recording, analysis and reporting systems. Various effective means were adopted to report suspicious large-amount payments, with close attention to the money flow and usage of suspicious transaction funds from money laundry and terrorist financing.

— Serious implementation of regulatory requirements. The Bank strictly executed anti-money laundering systems including customer ID identification, maintenance of customer identity information and transaction records, and classified management of customer risk levels, effectively enhanced foundational works including customer due diligence investigation and risk level management, and thereby effectively preventing money laundering risk.

— Enhanced staff training on anti-money laundering. Trainings were organized in various forms on internal control policies, customer ID identification systems and relevant regulatory requirements for anti-money laundering purpose so as to further enhance the staff's skills in anti-money laundering and the capability to screen suspicious transactions.

Outlook

Outlook of the Operation Environment

Domestic and International Macro – Economic Development Trends

In 2012, the world economy will remain complicated as a whole, with in-depth impacts of the international financial crisis still in the course of fermentation, European debt crisis evolving into a higher level, growth of international trade slowing down , and world economic recovery to be caught in growing instability and uncertainties. According to the forecast of International Monetary Fund (IMF) , the global economy will register a growth rate of 3.3% in 2012, with 1.2% for developed economies, and 5.4% for emerging and developing economies.

In China, the year 2012 represents an important transition from the 11th Five-Year Plan to the 12th Five-Year Plan. The Chinese government will continue with its implementation of a proactive fiscal policy and a prudent monetary policy in its macro-economic readjustment, and focus on enhancing pertinence, flexibility and forward-looking nature of its macro-economic control policies while maintaining consistency and stability of its macro-economic policies. The fiscal policy will expand input into areas critical to people's livelihood and actively promote economic restructuring. The monetary policy will be based on maintaining reasonable growth of aggregate volume of currency and credit while giving priority to optimizing of credit structure. Due to the impact of declining global economic growth, it is estimated that China's economic growth will be slowing down but still maintaining a relatively steady growth in 2012.

Changes in Competition Layout of the Banking Sector

In general, horizontal competition in domestic banking sector will intensify. Leveraging on their large scales and network advantages, the large state-owned commercial banks will enjoy growing comprehensive competitiveness, small and medium-sized joint stock banks will accelerate transformation to nurture new competitive edges. Urban commercial banks, thanks to the in-depth cultivation of their respective local markets, will be strongly competitive in regional markets and business segments. Foreign banks will gradually exhibit their competitive advantages in high-end markets. With the support of policies and information technology, non-banking financial institutions will stride into the traditional banking market.

Changes in Market Demand

Firstly, deepening government policy on expanding domestic demand will result in remarkable increase of residents' income and accelerated emergence of the high-income class, thereby creating sufficient room for the development of consumer credit, credit card, wealth management and private banking businesses.

Secondly, implementation of the national strategy for coordinated regional development and construction of principal function areas will facilitate the expansion of economic growth from the East to the West and from the South to the North, stimulate a new round of Western development enthusiasm, revitalize the Northeast old industrial base, and promote the rise of Central China, all of which will exert far-reaching impacts on the allocation of banking resources and the layout of service outlets.

Thirdly, with further development of the capital market, many large quality enterprises will prefer low-cost and direct financing means such as equity and bond issuance, which means huge development opportunities for commercial banks in business areas such as bond underwriting, financial consulting and asset management.

Fourthly, as Chinese enterprises speed up their pace of "going out", Renminbi cross-border trade settlement and cross-border investment will enjoy rapid growth, which requires commercial banks to go out accordingly so as to provide their customers with more comprehensive global financial services including financing, payment and risk management both at home and abroad.

Fifthly, further government policies in favor of small and medium-sized enterprises (SMEs) development will push forward the corresponding financial services provision to a new stage. Continuing growth of SMEs in turn will bring along multiple business opportunities to commercial banks in terms of trade settlement and cash management, etc.

Operation and Development Plan of the Bank for 2012

Business Plan

In 2012, the Bank plans to increase its various deposits by an aggregate amount equivalent of RMB230 billion, representing a growth rate of about 12%.

Development Plan

The complicated external business environment and the Bank's development situation are set to make 2012 "a year of significance" in the process of the Bank's transformation. In order to speed up its development of the four systems featuring highly professional, comprehensive, international and distinctive and thereby developing into a leading commercial bank among both domestic and foreign competitors, the Bank will stick to the guiding principle of "accelerate transformation, strengthen management and accelerate to enhance market competitiveness," trying to make steady progress while focusing its efforts on the following seven aspects:

Firstly, the Bank will deepen the adjustment of its assessment and incentive mechanisms. The Bank will further revise and improve its assessment system by including three major indicators, namely profit, risk and market in the main indicators system for internally grading branches, adjusting the weight of relevant indicators to give more weights to market indicators, adopting veto approach when it comes to failures to meet core indicators, and implementing classified and differentiated assessment on branches by adjusting assessment indicator-related settings so as to improve the role of branch grading in guiding the Bank's transformation and development. The Bank will enhance resources allocation in supporting its strategic transformation, intensify resources allocation to main business lines, liability business and fee-based business and give special and significant support to high-yield and emerging strategically important businesses such as personal loan, small business financing, auto financing and credit card. The pricing management capability in pushing the strategic transformation will be further strengthened. Moreover, the Bank will expand the "target management" scope of loan pricing for main business lines, continue to relax restrictions on the authorization to branches in interest rate pricing, delegate all powers to examine and approve direct discount interest rate to branches, implement the economic profit estimation system throughout the Bank, and give further play to the functions of management accounting.

Secondly, the Bank will deepen the transformation of its corporate banking business model. The Bank will step up the in-depth reform of its corporate finance operation system, deepen the tiered management of customers in business operation, cultivate new sources of growth in corporate liability business, and deepen the construction of a unified corporate finance platform. Moreover, the Bank will accelerate the development of its transaction banking business, further improve the market recognition of its international business, increase the contribution of its treasury business to transaction banking, and develop supply chain financing and electronic banking transaction into another mainstay of its transaction banking business. Efforts will be made to facilitate the rapid development of emerging corporate businesses including underwriting and structured financing, auto financing, small businesses financing, custody and financial institution business.

Thirdly, the Bank will deepen the construction of its retail banking operation system. The Bank will strengthen the construction of its middle and high-end client marketing system by enhancing VIP client identification and marketing, product research and development mechanism and system as well as team building, and consolidate the construction of personal loan system by improving the centralized construction of professional personal loan management team, standardized business flow, business operation and risk control. Client group will be expanded and mass client system construction will be enhanced through the Bank's featured credit card and client service system. The Bank's credit card system construction will be strengthened by promoting consumer finance business and establishing a complete "integrated marketing system." Moreover, the Bank will selectively establish private banking centers at branches, intensify its research and development efforts for new wealth management products and private banking management information system, and consolidate the construction of its private banking system. The construction of an efficient "electronic marketing platform" will be strengthened by developing mobile banking as a focus and promoting the organic integration of outlet marketing and electronic channel marketing.

Fourthly, the Bank will deepen the establishment of a comprehensive risk management. The Bank will streamline the Risk Management Committee at the Head Office, develop a unified risk monitoring indicators system, unify the risk tolerance based on risk preference, and guide and promote, in a top-down manner, the credit portfolio management. Moreover, the Bank will establish a vertical and professional risk management mechanism, highlight the responsibilities and roles of the Head Office as the center for risk management, realize a leap-forward transformation from "complete in form" to "complete in substance" in lending, post-lending and loan collection system, and intensify efforts in training the risk control staff and other fundamental constructions.

Fifthly, the Bank will deepen the reform of its compliance and audit systems. By separating the Audit Department from Compliance Department at the Head Office and clearly defining their scopes of responsibility, the Bank will intensify its effort to adjust its audit and compliance systems, continuously encourage all staff to participate in the Woodpecker Compliance Campaign so as to discover and solve shortcomings in system and work flow and speed up the development of its compliance culture, and enhance its audit examination and rectification in key sectors.

Sixthly, the Bank will deepen its coordination and international development. Focusing on key problems to be tackled in its transformation, the Bank will strengthen the coordination in client marketing and process management among its internal business lines, among front, mid and back offices, and between the Head Office and branches. The Bank will further focus on comprehensive operation to conduct the in-depth coordination in marketing, client management, product development and information technology between CITIC Group's financial and non-financial subsidiaries. Further efforts will be made to bring into play CBI as a bridgehead, strengthen in-depth integration, enhance its consolidation management on subsidiaries, and lay emphasis on in-depth cooperation with strategic investor in key business areas.

Seventhly, the Bank will deepen the improvement of its fundamental management capability. The Bank has already established a strategic plan implementation promotion group to strengthen its implementation of the strategic plan for the next five years, and transform to matrix resources allocation pattern and accelerate adjustment of its organizational structure. Priority will be given to strengthening its operation system, system development and safety management so as to speed up information system construction. The Bank will effectively intensify its effort in the construction of centralized back-office operation, finish system design by the end of 2012, and establish its first regional operation center in Beijing to improve accounting basis and capability of centralized back-office support. Efforts will be made to prepare and establish prefecture-level branches in the Eastern, Central and Western regions to expand the coverage of institutional outlets in tier-one cities and facilitate reasonable distribution of outlets. Moreover, the Bank will also improve human resource management, strengthen team building and improve professional competence and comprehensive quality of all staff to provide a strong basis for the development of the Bank's businesses.

Management of Corporate Social Responsibility

In 2011, the Bank adhered to the scientific outlook on development, implemented the national industrial and environmental-friendly policies, and fulfilled its economic, social and environmental responsibilities as a banking financial institution to contribute to the harmonious and sustainable development of economy, society and environment in accordance with specific requirements of the regulatory authorities. The Bank adhered to the dedication with integrity and created a reliable bank; adhered to the harmonious development and created a people-oriented bank; adhered to the growth of market capitalization and created a bank of value; adhered to the return to society and created a bank of love; adhered to the green finance and created a green bank; adhered to innovation and created a bank with its own features. The Bank will establish and improve relevant decision-making and implementation mechanism supported by its strategy, organization and process. Meanwhile, the Bank will enhance a long-term effective mechanism to fulfil its social responsibility and strengthen its institutional management on the social responsibility. Further more, the Bank will establish and improve the internal and external evaluation mechanisms, regularly assess its fulfilment of social responsibility and proactively build rules for disclosing corporate social responsibility.

Satisfaction of Customers

Since 2007, the Bank has been employing a third-party survey agency to conduct research on the customer experience in its outlets. The research on satisfaction of customers was carried out by 8 sessions in 5 years, and the points of satisfaction in outlets increased as a whole. In 2011, 84.8 points was graded in terms of the customer satisfaction in the Bank's outlets, an increased of 2.2 points compared with the previous session. In 2011, the Credit Card Center of the Bank organized a survey on brand in the market, which was conducted by means of phone call and electronic questionnaire and covered about 2,700 customers. Through this survey, the Bank better understood customers' actual demands and consumption preference, which enabled the Bank to adjust service orientation according to customers' needs with an aim to improve satisfaction and provide exquisite and pertinent financial services.

In terms of retail banking business, the Bank prepared sales brochures according to the requirements of the CBRC and provided customers with product information in plain language. The product introduction explicitly stated the risk level, investment scope, and relevant elements of the product with plain language. Meanwhile, the Bank specifically required persons in charge of wealth management products sales in branches to disclose risks in full and not to promise any guaranteed return or fixed gains or mislead customers via advertisement. When selling financial products, the Bank would confirm that the products purchased by customers conform to their intention and would provide clear information for customers before, during and after sale of such products, reduce the risks of selling products that didn't meet customers' demands, ensure the suggestions are of high quality, treat fairly customers' complains and disputes, protect the privacy of customers' information and manage customers' reasonable expectations.

Energy Efficiency and Emission Reduction

In 2011, the Bank continued to adhere to the development strategy of "increasing the technological substitution rate" in terms of personal Internet banking. Guided by the customer demand, the Bank strived for improving customer experience by promoting development, strengthening management and adjusting the structure. The E-banking business achieved a rapid growth with fruitful results. The substitution rate of the number of electronic banking business reached 67.68% throughout the year, up by 4.38 percentage points over the previous year. As at the end of the reporting period, the number of personal Internet banking accounts of the Bank reached 5.7071 million, an increase of 1.2947 million or 29.34% over the previous year. Meanwhile, the Bank actively promoted energy saving and environmental protection and pushed forward the use of electronic banking. During the reporting period, the transaction volume substitution rate and the number of transactions substitution rate of the Bank's corporate Internet banking reached 50.66% and 40.04%.

With respect to resource consumption, as at the end of the reporting period, the electricity consumption by the Bank was approximately 96.18 million kilowatt-hours, down by 12.35 million kilowatt-hours, or 11.38%, over the previous year. Tap water consumption was about 549,400 tons, the water consumption was 36,300 tons, and the municipal water consumption was about 585,700 tons, a decrease of 748,300 tons or 56.09% over the previous year. A total of 163,926 packs of A4 copy paper were purchased, a decrease of 13,421 packs or 7.57% over the previous year. A total of 42.25 million bills were sent throughout the year, 28.60 million of which were paper bills and the rest were electronic bills and multimedia message bills. There was an increase of about 750,000 paper bills, or 2.69%, over the previous year. The electronic bill substitution rate was 32.31%, up by 10.96 percentage points over the previous year.

Happy Elderly Card

Happy Elderly Card was first issued by the Bank in Beijing on 9 October 2011 across the country. Leaders of the China National Committee on Aging extended their gratitude to the Bank for its activities of greatly supporting aging undertakings and enthusiastically serving the elderly people and called for the efforts from all walks of life to provide services and convenience for the senior citizens. The representative of the first users of platinum cards, Mr. Yan Su, spoke highly of the design idea of Happy Elderly Card for its concern for the elderly people's demands.

Based on the idea of caring and loving the senior citizens and paying attention to the actual demands, investment and financing features of the middle-aged and elderly people, the Bank specially added five exclusive functions to the Happy Elderly Card for a "Happy Life", including value-added services in caring, wealth management, convenience, health and leisure. "Pension mortgage" and "nationwide healthcare appointment reservation service" are the most outstanding two features among the value-added services of the Happy Elderly Card. In terms of elderly mortgage, the Bank, by learning the idea of "reverse mortgage" from other countries and taking into account China's actual conditions and tradition of treating the elderly, launched "pension mortgage" business first in China, which enabled the senior customers themselves or their statutory family supporters to get loans for elderly life with their real estates or houses collaterals. They just need to repay interest or part of the principal monthly and the rest in lump sum upon loan maturity. In terms of nationwide healthcare appointment reservation service, the Bank and the Chinese Hospital Association jointly launched the "exclusive reservation hotline" 95558, which would provide customers with the service of reserving appointment with more than 160 hospitals in more than 40 cities nationwide and aim at offering more opportunities to the senior citizens to see the doctor, which reflects the exclusive functions of the Happy Elderly Card featuring "thinking about what the elderly think, concerning about what the elderly concern". The issuance of the first debit card exclusively for senior citizens and various elderly-respecting-and-caring charity events are undoubtedly the corporate's meaningful trial for mitigating the aging problem in China.

Internationalized

Our focus is to rise as a cross-border financial services provider for particular customers in specific business in various regions.

Changes in Share Capital and Shareholdings of Substantial Shareholders

Changes in share capital

Table on Changes of Shareholdings

Unit: share

	Before the change		Changes (+,–)					After the change	
	Number of shares held	Percentage (%)	New issue	Bonus issue	capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
Shares subject to restrictions on sale:	**2,138,179,203**	**5.48**	**0**				**0**	**2,138,179,203**	**4.57**
Shares held by the state	0							0	
Shares held by state-owned legal persons	213,835,341	0.55						213,835,341	0.46
Other shares held by domestic investors	0							0	
Including: Shares held by domestic non-state-owned legal persons	0							0	
Shares held by domestic natural persons	0							0	
Foreign-held shares	1,924,343,862	4.93						1,924,343,862	4.11
Including: Shares held by overseas legal persons	1,924,343,862	4.93						1,924,343,862	4.11
Shares held by overseas natural persons	0							0	
Shares not subject to restrictions on sale:	**36,895,164,851**	**94.52**	**7,753,982,980**				**7,753,982,980**	**44,649,147,831**	**95.43**
Renminbi denominated ordinary shares	26,417,706,232	67.68	5,273,622,484				5,273,622,484	31,691,328,716	67.73
Domestically-listed foreign shares	0								0
Overseas-listed foreign shares	10,477,458,619	26.84	2,480,360,496				2,480,360,496	12,957,819,115	27.70
Others	0								0
Total shares	**39,033,344,054**	**100.00**	**7,753,982,980**				**7,753,982,980**	**46,787,327,034**	**100.00**

Note: During the reporting period, the reasons for changes in the Bank's shares are stated in "Issuance and Listing of Securities".

Changes in Shares Subject to Restrictions on Sale

Name of shareholder	Balance of shares subject to restrictions on sale at the year-beginning	Number of restricted shares relieved in 2011	Increase of shares subject to restrictions on sale	Balance of shares subject to restrictions on sale at the year-end	Reasons of restrictions	Date of relief
BBVA	1,924,343,862	0	0	1,924,343,862	Note (1)	2 April 2013
NSSF	213,835,341	0	0	213,835,341	Note (2)	28 April 2013
Total	**2,138,179,203**	**0**	**0**	**2,138,179,203**	—	—

Note: (1) According to the Share and Option Purchase Agreement (as amended) entered into between BBVA and CITIC Group on 22 November 2006, BBVA can exercise all the share option in one go under this agreement. The lock-up period of the shares acquired from exercising the share option will be three years following the completion date of the share option execution. BBVA exercised the share option to buy 1,924,343,862 shares of the Bank's H shares from CITIC Group on 3 December 2009 and the transfer was completed on 1 April 2010. Therefore, the lock-up period for those shares acquired is from 1 April 2010 to 1 April 2013.

(2) According to the Implementation Rules on Transfer of Partial State-Owned Shares on the Domestic Stock Exchange to Enrich the National Council for Social Security Fund (Cai Qi [2009] No.94) jointly issued by the MOF, the SASAC, the CSRC and the NSSF on 19 June 2009, CITIC Group transferred 213,835,341 qualified shares of the Bank to the NSSF, accounting for 0.55% of the Bank's share capital. This share transfer was completed in December 2009. According to the above measures, the lock-up period for those transferred shares shall be extended for another three years in addition to the original mandatory lock-up period applicable to the former state-owned shareholders. As such, the lock-up period for the above mentioned shares will expire on 28 April 2013.

Dates when Restricted Shares Become Eligible for Trading

Eligible-for-trading date	Increase in tradable shares upon expiry of lock-up period	Balance of shares subject to restrictions on sale	Balance of shares not subject to restrictions on sale	Note
2 April 2013	1,924,343,862	213,835,341	46,573,491,693	Unlock of H shares held by BBVA
28 April 2013	213,835,341	0	46,787,327,034	Unlock of A shares held by the NSSF

Shares held by Shareholders Subject to Restrictions on Sale

Name of shareholders subject to restrictions on Sale	Class of shares	Balance of shares subject to restrictions on sale	Eligible-for-trading date	Increased tradable shares
BBVA	H-share	1,924,343,862	2 April 2013	1,924,343,862
NSSF	A-share	213,835,341	28 April 2013	213,835,341

Issuance and Listing of Securities

Issuance and Listing of Stocks

On 13 April 2006, CITIC Group and CIFH entered into an agreement, pursuant to which both parties agreed that 31 December 2005 be regarded as the price-fixing reference date for the transfer of shares, that CITIC Group transfer 19.9% equity interest of the Bank to CIFH, with the transfer price to be based on the audited value of the Bank's net asset as at 31 December 2005 following the international accounting standards, which, with a premium of 15.3% and being no lower than the appraised value of assets as verified by the MOF, would yield an actual total consideration of approximately HKD5.3008 billion, equivalent to HKD1.12 per share, and that, as a consideration, CIFH shall issue new shares to CITIC Group. On 16 November 2006, CITIC Group and CIFH concluded the Promoters' Agreement, whereby both parties agreed to jointly initiate the establishment of China CITIC Bank Corporation Limited.

On 31 December 2006, the Bank was restructured and incorporated as China CITIC Bank Corporation Limited as a whole, with CITIC Group and CIFH as promoters, and a registered capital of RMB31,113.1114 million. CITIC Group held 26,394,202,200 shares, accounting for 84.83% of the total shares of the Bank before its initial public offering, and CIFH held 4,718,909,200 shares of the Bank, accounting for 15.17% of the total shares of the Bank before its initial public offering.

In 2007, CITIC Group, the controlling shareholder of the Bank, entered into a Share and Option Purchase Agreement with BBVA, an overseas strategic investor, pursuant to which BBVA completed the purchase of 1,502,763,281 shares of the Bank from CITIC Group on 1 March 2007, accounting for 4.83% of the total shares of the Bank prior to the issuance of its A shares and H shares.

On 27 April 2007, the Bank successfully went public in Shanghai and Hong Kong concurrently. A total of 2,301,932,654 A shares and 5,618,300,000 H shares (including the state-owned shares transferred by CITIC Group to the NSSF, and the shares issued pursuant to the anti-dilution right and top-up right exercised by BBVA and CIFH respectively) were issued in the initial public offering, after which the Bank had a total share capital of 39,033,344,054 shares, consisting of 26,631,541,573 A shares and 12,401,802,481 H shares.

The Bank successfully completed its A shares and H shares rights issue on 7 July 2011 and 3 August 2011 respectively to further replenish its capital. Through the rights issue, the Bank raised the total proceeds of RMB25.786 billion, and issued a total of 5,273,622,484 A shares and 2,480,360,496 H shares respectively, after which the Bank had a total share capital of 46,787,327,034 shares, including 31,905,164,057 A shares and 14,882,162,977 H shares.

Subordinated Debts

With approval from the PBC and the CBRC, the Bank issued RMB6 billion worth of subordinated debts to institutional investors including insurance companies and investment companies in 2004, and RMB6 billion worth of subordinated bonds to institutional investors such as commercial banks, insurance companies and policy banks through public bidding in 2006, and RMB16.5 billion worth of subordinated bonds to institutional investors such as insurance companies through public bidding in 2010.

The subordinated debts issued in 2004 included four batches maturing from June 2010 to September 2010 respectively, with three of them carrying an interest calculated by adding an interest spread of 2.72% to the one-year time deposit interest rate specified by the PBC, and the other one batch bearing an interest rate calculated by adding an interest spread of 2.6% to the one-year time deposit interest rate specified by the PBC.

The subordinated bonds issued in 2006 include two types. One has a total nominal value of RMB2 billion, carrying a coupon rate of 4.12% and will be due in June 2021. The Bank may opt to redeem these bonds on 22 June 2016. If the Bank does not exercise the redemption option before its maturity, the annual coupon rate will be increased to 7.12% for the five years commencing from June 2016. The other has a total nominal value of RMB4 billion, carrying a coupon rate of 3.75% and will be due in June 2016. The Bank may opt to redeem these bonds on 22 June 2011. If the Bank does not exercise the redemption option before its maturity, the annual coupon rate will be increased to 6.75% for the five years commencing from June 2016. The Bank has already redeemed these RMB4 billion bonds on 22 June 2011.

The subordinated bonds issued in 2010 include two types. One has a total nominal value of RMB11.5 billion, carrying a coupon rate of 4.30% and will be due in May 2025. The Bank has an option to redeem these bonds on 28 May 2020. Even if the Bank does not exercise the redemption option, the coupon rate will remain unchanged for the remaining five years till the maturity of these bonds. The other has a total nominal value of RMB5 billion, carries a coupon rate of 4.0% and will be due in May 2020. The Bank has an option to redeem these bonds on 28 May 2015, and even if the Bank does not exercise the redemption option, the coupon rate will remain unchanged for the remaining five years till the maturity of these bonds.

Internal Employee Shares

There are no internal employee shares issued by the Bank.

Information on Shareholders

Total Number of Shareholders

As at the end of the reporting period, the Bank had a total of 418,315 shareholders, including 375,135 A-share shareholders and 43,180 H-share shareholders (the number of H-share shareholders were calculated with reference to the Bank's shareholder register maintained at its H-share registrar. For the cornerstone investors not included in the H-share shareholder register, the Bank took the initiative to write to them for information on their shareholdings in the Bank).

Shareholdings of the Top 10 Shareholders

Unit: Share

No.	Name of shareholder	Nature of shareholder	Class of shares	Total number of Shares held	Shareholding percentage *(%)*	Number of shares held subject to restrictions on sale	Increase or decrease of shareholding during the reporting period	Shares pledged or frozen
1	CITIC Group	State-owned	A Share	28,938,928,294	61.85	0	4,823,154,716	0
2	Hong Kong Securities Clearing Company Nominee Limited	Foreign	H Share	7,364,385,618	15.74	0	1,256,636,542	Unknown
3	BBVA	Foreign	H Share	7,018,099,055	15.00	1,924,343,862	1,163,097,447	0
4	NSSF	State-owned	A-share, H-share *(Note)*	338,513,209	0.72	213,835,341	56,418,868	Unknown
5	China Construction Bank	State-owned	H-share	168,599,268	0.36	0	0	Unknown
6	China Life Insurance (Group) Company	State-owned	H-share	91,183,695	0.19	0	62,306,695	0
7	Mizuho Corporate Bank	Foreign	H-share	81,910,800	0.18	0	13,651,800	Unknown
8	China Life Insurance Co., Ltd. — Dividends — Dividends to Individuals-005L-FH002 Shanghai	Other	A-share	49,622,493	0.11	0	8,270,416	Unknown
9	China State Shipbuilding Corporation Limited	State-owned	A-share	35,172,000	0.08	0	5,862,000	Unknown
10	China Pacific Life Insurance Corporation Limited—Traditional—Ordinary Insurance Products	Other	A-share	33,918,718	0.07	0	7,878,325	Unknown

Note: The NSSF holds both A shares and H shares in the Bank totaling 338,513,209 shares, including 213,835,341 A shares transferred from CITIC Group in 2009, 68,259,000 H shares held in the capacity of H-share cornerstone investor at the time of the Bank's initial public offering, and 42,767,068 A shares and 13,651,800 H shares subscribed during the A shares and H shares rights issue of the Bank in 2011.

Note on connected relations or concerted actions of the above shareholders: As at the end of 2011, China Life Insurance Co., Ltd. was a controlled subsidiary of China Life Insurance (Group) Company. Save for the above, the Bank was not aware of any connected relation or concerted action between shareholders.

The five H-share cornerstone investors, Mizuho Corporate Bank, NSSF, PICC Property & Casualty Company Limited, China Life Insurance (Group) Company and China Life Insurance Co., Ltd., undertook to give prior notice in writing to the Bank before selling any of their H shares subscribed under the cornerstone placing agreements after expiration of the lock-up period.

Shareholdings of the Top 10 Non-Restricted Shareholders

Unit: Share

No.	Name of Shareholder	Shares held not subject to restrictions on sale	Class of shares
1	CITIC Group	28,938,928,294	A-share
2	Hong Kong Securities Clearing Company Nominee Limited	7,364,385,618	H-share
3	BBVA	5,093,755,193	H-share
4	China Construction Bank	168,599,268	H-share
5	NSSF	124,677,868	A-share H-share
6	China Life Insurance (Group) Company	91,183,695	H-share
7	Mizuho Corporate Bank	81,910,800	H-share
8	China Life Insurance Co., Ltd. — Dividends — Dividends to Individuals-005L-FH002	49,622,493	A-share
9	China State Shipbuilding Corporation Limited	35,172,000	A-share
10	China Pacific Life Insurance Corporation Limited — Traditional — Ordinary Insurance Products	33,918,718	A-share

Note on connected relations or concerted actions of the above shareholders: As at the end of 2011, China Life Insurance Co., Ltd. was a controlled subsidiary of China Life Insurance (Group) Company. Save for the above, the Bank was not aware of any connected relation or concerted action between shareholders.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As at the end of the reporting period, interests and short positions in the shares and underlying shares of the Bank held by substantial shareholders and other persons as recorded in the register that the Bank has maintained pursuant to Section 336 of the Securities and Futures Ordinance are as follows:

Name	Number of shares held	Shareholding percentage of the issued share capital of the same class (%)	Class of shares
BBVA	10,942,096,691(L) 3,809,655,853(S)	73.52(L) 25.60(S)	H-share
	24,329,608,919(L)	91.36(L)	A-share
CITIC Group	6,916,390,854(L) 710(S)	46.47(L) 0.00(S)	H-share
	24,402,891,019(L)	91.38(L)	A-share
Lehman Brothers Asia Holdings Ltd.	732,821,000(L) 732,821,000(S)	6.32(L) 6.32(S)	H-share
Lehman Brothers Asia Ltd.	732,821,000(L) 732,821,000(S)	6.32(L) 6.32(S)	H-share
Lehman Brothers Pacific Holdings Pte Ltd.	732,821,000(L) 732,821,000(S)	6.32(L) 6.32(S)	H-share
Blackrock, Inc	750,354,847(L) 42,956,885(S)	5.04(L) 0.28(S)	H-share
JPMorgan Chase & Co.	892,598,862(L) 21,185,456(S) 206,019,543(P)	5.99(L) 0.14(S) 1.38(P)	H-share

Note: (L) — long position, (S) — short position, (P) — lending pool.

Except for the information disclosed above, as at the end of the reporting period, there were no other interests or short positions of any other person or company in the shares or underlying shares of the Bank recorded in the register that the Bank has maintained pursuant to Section 336 of the Securities and Futures Ordinance requiring disclosure in accordance with Sections II and III of Part XV of the Securities and Futures Ordinance.

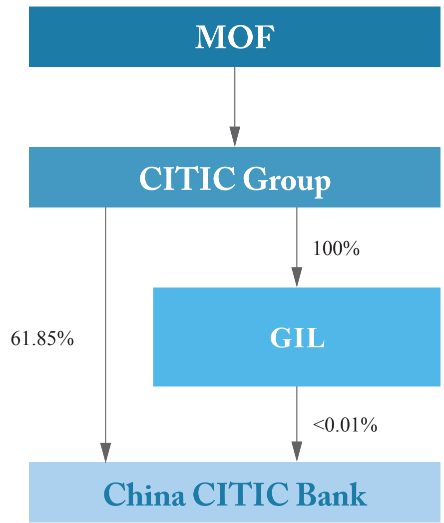
Controlling Shareholder and De Facto Controller of the Bank

CITIC Group is the controlling shareholder and de facto controller of the Bank. There was no change in the controlling shareholder and de facto controller of the Bank within the reporting period. In 2011, CITIC Group subscribed for 4,823,154,716 A shares during the Bank's A-share rights issue and the delivery was completed on 7 July 2011. As at the end of the reporting period, CITIC Group directly owned 28,938,928,294 A shares of the Bank, accounting for 61.85% of the total issued share capital of the Bank, as well as 710 H shares of the Bank through GIL, representing less than 0.01% of the Bank's total issued share capital. In total, CITIC Group holds 61.85% of the Bank's total issued and outstanding shares.

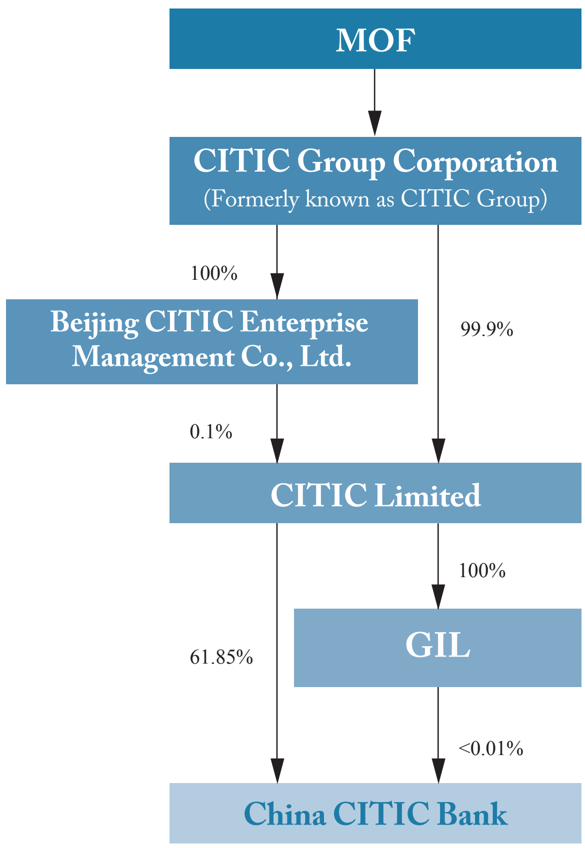
CITIC Group is China's leading state-owned multinational conglomerate, focusing its investment in financial services, information technology, energy and heavy industries, with business operations in Hong Kong, US, Canada and Australia. With registered office and place of business located in Beijing, initiated by Mr. DengXiaoping, Chief Architect of China's reform and opening-up, and approved by the State Council, CITIC Group was established in October 1979 by Mr. Rong Yiren, former Vice President of China, as the first window corporation in China for reform and opening up. After several rounds of capital changes, CITIC Group had a registered capital of RMB183.7 billion with Mr. Chang Zhenming as its legal representative as at the end of the reporting period.

On 27 December 2011, as part of its reconstructuring, CITIC Group contributed the majority of its existing operating net asset and aligned with Beijing CITIC Enterprise Management Co., Ltd., wholly-owned by CITIC Group, to establish CITIC Limited, with CITIC Group holding 99.9% of the equity interest and Beijing CITIC Enterprise Management Co., Ltd. holding 0.1% of the equity interest respectively. At the same time, CITIC Group was restructured into a wholly state-owned company as a whole and was renamed China CITIC Group Corporation, which inherited all the businesses and assets from the former CITIC Group. To complete the afore-mentioned capital contribution, CITIC Group transfers all the shares it held in the Bank to CITIC Limited as capital contribution, as a result of which CITIC Limited holds 28,938,928,294 A shares in the Bank, accounting for 61.85% of the Bank's total share capital and holds 710 H shares in the Bank through GIL, its wholly owned subsidiary, thus holding a total of 28,938,929,004 shares in the Bank, accounting for 61.85% of the Bank's total share capital. The above share transfer has been approved by the State Council and the MOF, the waiver of the takeover bid for shares held in the Bank shall be subject to the approval of the CSRC, and matters relate to the change of the Bank's controlling shareholder is still subject to the CBRC's approval. After all the above-mentioned procedures are completed, CITIC Group will maintain its status as *de facto* controller of the Bank.

The following chart illustrates the ownership structure and controlling relationship between the Bank and its *de facto* controller during the reporting period prior to the restructuring of CITIC Group:



After the completion of the restructuring of CITIC Group, the ownership structure and controlling relationship between the Bank and its de facto controller will be as follows:



Other Legal-Person Shareholders Holding 10% Shares or More

BBVA was established on 1 October 1988 and its registered capital is EUR2,402,571,431.47, with Mr. Francisco González as chairman. As at the end of December 2011, BBVA had a market capitalization of EUR32.8 billion and total assets of EUR598 billion. With 7,436 branches and outlets around the world, of which over 50% are located outside the territory of Spain, BBVA is the largest financial group in the Latin America region. With financial services covering retail banking, corporate banking, international trade finance, global market, consumer credit, asset management, private banking, pension and insurance etc., BBVA is a leading financial institution in Spain and Latin America region.

As at the end of the reporting period, BBVA held H shares representing 15.00% of the Bank's total share capital. During the reporting period, BBVA subscribed for 1,163,097,447 H-share rights shares and the delivery was completed on 1 August 2011. As of such date, BBVA holds a total of 7,018,099,055 H shares of the Bank, representing 15.00% of the Bank's total issued share capital.

Basic Information on Directors, Supervisors and Senior Management of the Bank

Board of Directors

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax remuneration received from the Bank during the reporting period (RMB10 thousand)	Whether remuneration received from shareholders of the Bank or other associated units
Tian Guoli	Chairman, Non-executive Director	Male	Dec. 1960	Jul. 2011–Jun. 2012	0	0	—	Yes
Chen Xiaoxian	Executive Director, President	Male	Jun. 1954	Jun. 2009–Jun. 2012	0	0	496.18	No
Dou Jianzhong	Non-executive Director	Male	Feb. 1955	Jun. 2009–Jun. 2012	0	0	—	Yes
Ju Weimin	Non-executive Director	Male	Aug. 1963	Jun. 2009–Jun. 2012	0	0	—	Yes
Guo Ketong	Non-executive Director	Male	Jun. 1954	Jun. 2009–Jun. 2012	0	0	—	Yes
Zhao Xiaofan (2)	Non-executive Director	Male	Mar. 1964	Aug. 2010-Jun. 2012	0	0	333.63	No
Chao Tong (1)	Executive Director, Vice President	Male	Jun. 1968	Feb. 2012-Jun. 2012	0	0	333.96	No
Chan Hui Dor Lam Doreen	Non-executive Director	Female	Feb. 1954	Jun. 2009–Jun. 2012	2,974,689	3,569,625	—	Yes
Ángel Cano Fernández	Non-executive Director	Male	Aug. 1961	May 2010-Jun. 2012	0	0	—	Yes
José Andrés Barreiro	Non-executive Director	Male	May 1958	Sept. 2009–Jun. 2012	0	0	—	Yes
Bai Chong-En	Independent Non-executive Director	Male	Oct. 1963	Jun. 2009–Jun. 2012	0	0	20	No
Xie Rong	Independent Non-executive Director	Male	Nov. 1952	Jun. 2009–Jun. 2012	0	0	20	No
Wang Xiangfei	Independent Non-executive Director	Male	Nov. 1951	Jun. 2009–Jun. 2012	0	0	20	No
Li Zheping	Independent Non-executive Director	Male	Feb. 1965	Jun. 2009–Jun. 2012	0	0	20	No
Xing Tiancai (1)	Independent Non-executive Director	Male	Aug. 1961	Feb. 2012-Jun. 2012	0	0	20	No

Notes: (1) For the change of office of Dr. Cao Tong and Dr. Xing Tiancai, please refer to "Directors, Supervisors, Senior Management and Staff" — "Appointment and Dismissal of Directors, Supervisors and Senior Management".

(2) Due to work relocation, Dr. Zhao Xiaofan left the position of the Bank's vice president, and continued to act as the Bank's non-executive director. Since 2012, Dr. Zhao will not receive remuneration from the Bank.

Board of Supervisors

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax remuneration received from the Bank during the reporting period (RMB10 thousand)	Whether remuneration received from shareholders of the Bank or other associated units
Zheng Xuexue (Note)	Supervisor	Male	Feb. 1955	Jun. 2009–Jun. 2012	0	0	—	Yes
Zhuang Yumin	External Supervisor	Female	Jul. 1962	Jun. 2009–Jun. 2012	0	0	18	No
Luo Xiaoyuan	External Supervisor	Female	Jan. 1954	Jun. 2009–Jun. 2012	0	0	18	No
Li Gang	Employee representative supervisor	Male	Mar. 1969	Apr. 2009–Apr. 2012	0	0	235.43	No
Deng Yuewen	Employee representative supervisor	Male	Jan. 1964	Apr. 2009–Apr. 2012	0	0	194.15	No

Note: Mr. Zheng Xuexue performs the duties of chairman of the Board of Supervisors before the new chairman takes office.

Senior Management

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax remuneration received from the Bank during the reporting period (RMB10 thousand)	Whether remuneration received from shareholders of the Bank or other associated units
Chen Xiaoxian	Executive Director, President	Male	Jun. 1954	Since Jun. 2009	0	0	496.18	No
Cao Tong	Executive Director Vice President	Male	Jun. 1968	Since Jun 2009	0	0	336.96	No
Sun Deshun	Vice President	Male	Nov. 1958	Since Dec. 2011	0	0	56.28	No
Ou Yang Qian	Vice President	Male	Sept. 1955	Since Jun. 2009	0	0	333.45	No
Su Guoxin	Vice President	Male	Feb. 1967	Since Jun. 2009	0	0	329.24	No
Cao Guoqiang	Vice President in charge of finance function	Male	Dec. 1964	Since Jun. 2009	0	0	332.01	No
Zhang Qiang	Vice President	Male	Apr. 1963	Since Jun. 2009	0	0	332.28	No
Cao Bin	Secretary of the Committee for Disciplinary Inspection	Male	Jan. 1962	Since Apr. 2008	0	0	310.00	No
Wang Lianfu	Chairman of Trade Union (Vice President Level)	Male	Oct. 1954	Since Dec. 2006	0	0	317.81	No
Lin Zhengyue	Secretary to the Board of Directors	Male	Jun. 1963	Since Dec. 2011	0	0	245.96	No

Changes in Shares Held by Directors, Supervisors and Senior Management

On 1 August 2011, Mrs. Chan Hui Dor Lam Doreen, non-executive director of the Bank, increased her H-share holding in the Bank from 2,974,689 to 3,569,625 due to the allotment of 594,936 shares from the Bank's H shares rights issue. Her shareholding percentage in the Bank, however, remained unchanged, 0.02% of the issued H shares. As at 31 December 2011, except for Mrs. Chan Hui Dor Lam Doreen, none of the other directors, supervisors and senior management of the Bank held any shares in the Bank.

Resume of Directors, Supervisors and Senior Management

Directors

Mr. Tian Guoli

Chinese Nationality

Chairman and non-executive director of the Bank, joined the Bank's Board of Directors in July 2011. Mr. Tian concurrently servers as vice chairman and general manager of CITIC Group Corporation, and vice chairman and general manager of CITIC Limited. From December 2010 to December 2011, he was vice chairman and general manager of CITIC Group. From July 2010 to December 2010, Mr. Tian was chairman of China Xinda Asset Management Limited. From April 1999 to July 2010, Mr. Tian was vice president and president of China Xinda Asset Management Corporation. From July 1983 to July 1997, he was subbranch vice president and subbranch president of China Construction Bank (CCB), and was vice president of CCB's Beijing branch and general manager of the Business Department at CCB head office. From July 1997 to April 1999, he was assistant president of CCB. Mr. Tian graduated from Hubei College of Finance and Economics, and he is a senior economist with extensive experience in financial sector.

Dr. Chen Xiaoxian

Chinese Nationality

Executive director and president of the Bank, joined the Bank in November 2004. Dr. Chen also serves as deputy general manager of CITIC Limited and non-executive director of CIFH and CBI. Dr. Chen is engaged by Dongbei University of Finance and Economics as professor and advisor of doctoral candidates, and holds professorship at Renmin University of China at the same time. From November 2004 to December 2011, Dr. Chen was executive director and deputy general manager of CITIC Group. Dr. Chen was director, executive vice president and vice president of China Merchants Bank (CMB) from March 2000 to October 2004, and, prior to which, he was president of the Beijing branch of CMB from December 1993 to March 2000. He served as division director, assistant president and vice president of the Beijing branch of the PBC from September 1982 to December 1993. Dr. Chen is a senior economist with 29 years' experience in China's banking industry, receiving his bachelor's degree in finance from Renmin University of China, a master's degree in finance from Southwestern University of Finance and Economics and a Ph.D. in finance from Dongbei University of Finance and Economics. Dr. Chen was named among "Top Ten Financial Figures of the Year in China" by *The Chinese Banker* magazine for 7 consecutive years from 2005 to 2011 and among "Top Ten Financial New Leaders in Finance of the Year" by the China International Finance Forum for two consecutive years in 2006 and 2007. In 2011, he was honored "2011 Most Valuable CEO of Listed Companies in China" by *Moneyweek*.

Mr. Dou Jianzhong

Chinese Nationality

Non-executive director of the Bank, and concurrently executive director of CITIC Group Corporation, executive director and deputy general manager of CITIC Limited, chairman and president of CITIC Holdings, chairman of CITIC-Prudential Life Insurance, chairman of CITIC Offshore Helicopter Corporation, director and chief executive officer (CEO) of CIFH, chairman of CBI, director of CIAM and chairman of CIAM Group Limited, director of CITIC capital, director of CIFL and director of Zhonghai Trust Co., Ltd.. Mr. Dou joined CITIC Group in 1980 and joined the Bank in 1987. He served as vice president of the Bank from April 1987 to August 1994 and president of the Bank from August 1994 to December 2004. He was executive director and assistant vice president of CITIC Group from August 1994 to April 1998 and executive director and deputy general manager of CITIC Group from April 1998 to December 2011. Mr. Dou graduated from the University of International Business and Economics in Beijing and received his master's degree in economics from Liaoning University. He is a senior economist with extensive experience in financial sector.

Mr. Ju Weimin

Chinese Nationality

Non-executive director of the Bank, and concurrently deputy general manger, chief financial officer, secretary to the board of directors of CITIC Limited. Mr. Ju is non-executive director of CITIC Pacific, CITIC Securities, CIFH, CBI, and Asia Satellite Telecommunications Co., Ltd. Mr. Ju served as assistant director and deputy director of the Financial Department of China International Trust and Investment Corporation from 1995 to 1998. He was director of China International Trust and Investment Corporation, director of the Financial Department and chief accountant from 2000 to 2002. He was managing director of Shortridge BVI Limited from 1998 to 2000, and was chairman of CITIC Trust from 2004 to 2011. Mr. Ju is a senior economist and received his bachelor's degree in economics from Hangzhou Institute of Electronic Engineering and master's degree in economics from Renmin University of China.

Mr. Guo Ketong

Chinese Nationality

Non-executive director of the Bank. Mr. Guo is also assistant general manager of CITIC Limited. He served as assistant general manager of CITIC Group from February 2010 to December 2011 and concurrently director of CITIC Group from April 2006 to December 2011. From December 2006 to April 2008, Mr. Guo was a member of the Board of Supervisors of the Bank. He has been head of Human Resources and Education Department of CITIC Group Corporation since March 2000. Before that, Mr. Guo was a director of CITIC Australia Pty. Ltd. and CITIC Real Estate. From June 1986 to March 2000, he was deputy director, director assistant, division director and deputy division director of the Human Resources Department of CITIC Group. Mr. Guo is an economist with an associate's degree from Renmin University of China.

Dr. Zhao Xiaofan

Chinese Nationality

Non-executive director of the Bank. Dr. Zhao worked for the Bank from July 1986 to November 2011. Since November 2011, Dr. Zhao has been director of the Financial Department of CITIC Group Corporation and concurrently non-executive director of the Bank. He was executive director of the Bank from August 2010 to November 2011, and vice president of the Bank from December 2001 to November 2011. He served as general manager of the Bank's Beijing Branch from April 2006 to April 2010 and assistant president of the Bank from August 1998 to December 2001. From April 1995 to August 1998, he served as staff member, deputy division chief and division chief of the Bank's General Division under the Accounting Department and deputy general manager of the Accounting Department and general manager of the Budget and Finance Department of the Bank. Dr. Zhao is a senior accountant with a bachelor's degree in finance and accounting from Renmin University of China, a master's degree in international finance from Liaoning University and a doctor's degree in finance from the School of Economics of Peking University.

Dr. Cao Tong

Chinese Nationality

Executive director and vice president of the Bank. He joined the Bank's Board of Directors in February 2012, and has concurrently been director of CIFH and CBI since October 2009, director of CITIC Prudential Life Insurance since August 2009. He was assistant president of the Bank from December 2004 to December 2006 and general manager of the Retail Banking Department of the Bank from January 2005 to March 2006. Prior to joining the Bank, Dr. Cao worked in China Merchants Bank (CMB), holding positions such as deputy manager of the Planning and Treasury Department, manager of the Business Department, assistant president and vice president of CMB's Beijing branch, as well as general manager of Personal Banking Department of CMB's head office and deputy head (person in charge) of CMB's Shenzhen Administrative Department. Dr. Cao worked at the Beijing branch of the PBC from July 1990 to January 1994. He is a senior economist enjoying 21 years of experience in China's banking industry. Dr. Cao received his bachelor's degree in economics and master's degree in economics from Renmin University of China and his Ph.D. in finance from Dongbei University of Finance and Economics.

Mrs. Chan Hui Dor Lam Doreen

Chinese Nationality

Non-executive director of the Bank, joined the Bank's Board of Directors in December 2006. Mrs. Chan concurrently serves as director, managing director and alternate chief executive officer of CIFH, director, president and chief executive officer (CEO) of CBI and chairman of CITIC Bank International (China) Limited, HKCB Finance Limited, and CITIC Insurance Brokers Limited. She sat on the Board of CITIC Group until 26 December 2011. Mrs. Chan enjoys extensive experiences in credit and risk management, human resources and strategic development. Being a member of the Council, the board of governors of university foundation and finance committee of Hong Kong Baptist University, she also serves on the board of Haven of Hope Christian Service and chairs the China Graduate School of Theology. Before joining CIFH, Mrs. Chan was in charge of the Retail Banking Department of Standard Chartered Bank (Hong Kong) Limited. She enjoys over 35 years of extensive experience in the banking sector.

Mr. Ángel Cano Fernández

Spanish Nationality

Non-executive director of the Bank, joined the Bank's Board of Directors in May 2010. Mr. Cano is chief operation officer of BBVA. From 1984 to 1991, Mr. Cano worked at Arthur Andersen, specializing in the field of Finance. From 1991 to 1998, he worked at Argentaria as an Assistant Controller, mainly responsible for the development of all the accounting functions, including the preparation of financial statements of the parent company, as well as all the different entities within the Argentaria Group. From 1998 to 2001, he was appointed controller and member of the Executive Committee. Mr. Cano continued as controller of the new Entity following the merger of BBV and Argentaria. Between 2001 and 2003, Mr. Cano held the position of chief financial officer of BBVA and continued as member of the Executive Committee. In January 2003, Mr. Cano was appointed director of the Human Resources and Services for the BBVA Group. Since December 2005, Mr. Cano takes the lead of Technology of the BBVA Group and the head of Human Resources and Information Technology. Since January 2006, he has also become responsible of the Global Transformation of the BBVA Group. Since September 2009 till present, Mr. Cano was appointed president and chief operating officer of BBVA. He received his bachelor's degree in economics and business administration from University of Oviedo (Spain).

Mr. José Andrés Barréiro

Spanish Nationality

Non-executive director of the Bank, joined the Bank's Board of Directors in September 2009. Mr. Barreiro is concurrently director of CIFH, CBI and Desarrollo Urbanistico Chamartin. From 1981 to 1983, Mr. Barreiro worked in the Bank Division of the Rumasa Group. From 1983 to 1984, Mr. Barreiro worked in the Medium and Large sized corporates Risk Department in Banco Atlantico. From 1984 to 1987, Mr. Barreiro worked in the Capital Markets area of Chase Manhattan Bank in Madrid. From 1987 to 1994, Mr. Barreiro was head of Treasury and Capital Markets for Emerging Southern Europe (Spain, Italy, Greece, Turkey and Portugal) in Bankers Trust Co. in Madrid. From 1994 to 1998, Mr. Barreiro was head of Risk in the Treasury area of Banco Santander in Madrid. From 1998 to 1999, Mr. Barreiro was deputy general manager of argentaria in Madrid and head of Treasury in Spain. From 2000 to 2005, Mr. Barreiro was deputy general manager in charge of Global Markets and Distribution area of BBVA. From 2000 to 2008, Mr. Barreiro was chairman of Altura Markets AVB (a Global Futures and Options Brokerage Organisation providing execution and clearing services on all the world's listed derivatives exchanges for all products). From 2000 to 2004, Mr. Barreiro served as director of MEFF- AIAF-SENAF. From 2000 to 2006, Mr. Barreiro was a director of CIMD. From 2002 to 2004, Mr. Barreiro was chairman of SCLV – the Spanish Securities Clearing and Settlement Service. From 2002 to 2006, Mr. Barreiro was chairman of Iberclear – Promotora para la Sociedad Gestora de los Sistemas Españoles de Liquidación, S.A. (Spanish central securities depository in charge of the clearing and settlement of securities). From 2002 to 2003, Mr. Barreiro was chairman of BBVA Bolsa, SV, SA. From 2004 to present, Mr. Barreiro is member of the Board of BME – Bolsas y Mercados Españoles. From 2005 to present, Mr. Barreiro is head of Corporate & Investment Banking and member of the Executive Committee of BBVA. From 2006 to 2009, Mr. Barreiro was chairman of Próxima Alfa Investments Sgiic, S.A.. From 2007 to present, Mr. Barreiro is member of the Board of Trustees of Fundación Estudios Financieros and vice chairman of BME – Bolsas y Mercados Españoles. Mr. Barreiro graduated from Universidad Complutense de Madrid (University of Madrid), majoring in economic theory and received his bachelor degree in economics.

Dr. Bai Chong-En

Chinese Nationality

Independent non-executive director of the Bank, joined the Bank's Board of Directors in December 2006. Dr. Bai is deputy dean of the School of Economics and Management, dean of Economics Department and director of the National Institute for Fiscal and Taxation Studies of Tsinghua University. Since 1999, he has held various positions, including assistant professor and associate professor at the School of Economics and Finance of the University of Hong Kong, distinguished professor at the School of Economics and Management of Tsinghua University, and the chair professor of Mansfield Freeman economics and advisor of doctoral candidates in the School of Economics and Management of Tsinghua University. Dr. Bai also serves as an independent director of China-Singapore Suzhou Industrial Park Development Group Co., Ltd. and New China Trust Co., Ltd., and an independent non-executive director of China Liansu Group Holdings Limited. He previously taught at Boston College in the US. Dr. Bai graduated from the University of Science and Technology of China with a bachelor's degree in mathematics, and received his Ph.D. in mathematics from the University of California, San Diego and another Ph.D. in economics from Harvard University.

Dr. Bai has made great accomplishments in fields of development and transition economics, public economics, corporate governance, finance and industrial economics. In 2006, he won the National Science Fund for Distinguished Young Scholars, and was honored Cheung Kong Scholar by the Ministry of Education of the PRC in 2007. He received the highest award of The First Pushan-BOC Award for Excellent Papers on International Economics in 2008, and the 13th Sun Yefang Award for Outstanding Papers on Economic Science in 2009. Dr. Bai holds many social positions, including member of the Forum of 50 Chinese Economists, and member of the Academic Committee of the Macro-Economic Research Institute under the National Development and Reform Commission. He was also once an advisor to the World Bank.

Dr. Xie Rong

Chinese Nationality

Independent non-executive director of the Bank, joined the Bank's Board of Directors in February 2007. Dr. Xie is vice president of Shanghai National Accounting Institute. He was partner of KPMG Accounting Firm from December 1997 to October 2002, and deputy dean, advisor of doctoral candidates, professor, associate professor and lecturer of the Accounting Department of Shanghai University of Finance and Economics from December 1985 to December 1997, during which period he spent one year at Warwick University in the United Kingdom as a senior visiting scholar, and worked as a part-time certified public accountant at Dahua Accounting Firm and PwC Dahua Accounting Firm. Dr. Xie graduated from Shanghai University of Finance and Economics with a Ph.D. in economics.

Dr. Xie is well versed in accounting, auditing and internal control of financial enterprises. He has led or participated in many research projects funded by the state government, the MOF and the Chinese Institute of Certified Public Accountants. He also holds many social positions, including member of Education and Guidance Subcommittee of Master's Degree in Accounting under the Degrees Committee of the State Council, executive director of the China Accounting Society, executive director of the China Audit Society, executive director of the Education Division of China Accounting Society, and vice chairman of the Shanghai Institute for Cost Research. He also serves as an external director of Shanghai Automotive Co., Ltd., and an independent director of Baosight Software Co., Ltd., Tianjin Capital Environmental Protection Company Limited and Sinopharm Group Co., Ltd.

Mr. Wang Xiangfei

Chinese Nationality

Independent non-executive director of the Bank, joined the Bank's Board of Directors in December 2006. Mr. Wang serves as deputy chief financial officer of Sonangol Sinopec International Limited, financial advisor of China Sonangol International Holding Limited, executive director of Nan Nan Resources Enterprise Limited (listed on SEHK) and external supervisor of Shenzhen Rural Commercial Bank Company Limited. Meanwhile, Mr. Wang is an independent non-executive director of Shandong Chenming Paper Holdings Limited (listed on SEHK, SSE and Shenzhen Stock Exchange) and SEEC Media Group Limited (listed on SEHK). From 2002 to 2008, Mr. Wang served as independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited and Chongqing Iron & Steel Company Limited (both companies are listed on SEHK and SSE). From 2006 to 2008, Mr. Wang was independent non-executive director of Shenzhen Rural Commercial Bank Company Limited. From 1997 to 2002, he was director and assistant general manager of China Everbright Group (Hong Kong), executive director of its controlled listed companies and chief executive officer of one of its controlled companies, and held senior management positions in numerous companies engaged in banking and related financial services. Mr. Wang is a senior accountant, with a bachelor's degree in economics from Renmin University of China majoring in finance in 1982 and later worked as a teaching assistant at the Finance Teaching Unit under the Department of Finance in the same university.

Mr. Li Zheping

Chinese Nationality

Independent non-executive director of the Bank, and executive officer and editor-in-chief of *Modern Bankers* press. He was chairman of Tongxin Assets Valuation Co., Ltd. from 1995 to 2003, editor-in-chief of the Theory Column of *China Securities Journal* from 1993 to 1995, a teaching assistant at the China Financial Training Center from 1989 to 1993. Mr. Li is an independent director of UBS SDIC Fund Management Co., Ltd. from August 2008 to present. Mr. Li graduated from Shanxi University of Finance and Economics with a bachelor's degree in economics, and obtained a master's degree in economics from the Graduate School of the PBC head office.

Dr. Xing Tiancai

Chinese Nationality

Independent non-executive director of the Bank, joined the Bank in February 2012. Dr. Xing is now concurrently serves as director of the School of Finance at Dongbei University of Finance and Economics, professor and advisor of doctoral candidates at this university, and works as independent director of Bohai Ferry Co., Ltd.. From July 2009 to present, Dr. Xing has been serving as independent director of Dalian Refrigeration Co., Ltd. (listed on the Shenzhen Stock Exchange). From August 1986 to December 2006, Dr. Xing successively served as vice director of Graduate School, director of Higher Education Research Office and director of Vocational and Technical School at Dongbei University of Finance and Economics, director of Huaxin Trust Financial Research Institute under Dongbei University of Finance and Economics and director of the Key Financial Analysis and Simulation Laboratory of Universities in Liaoning Province. From October 1992 to December 1995, Dr. Xing was temporarily transferred to Dalian Municipal Shareholding Reform Office and the CSRC Dalian Bureau, engaging in IPO guidance and research consulting for enterprises. Dr. Xing graduated from Dongbei University of Finance and Economics with Ph.D. in economics.

Dr. Xing has made enormous achievements in research in fields including financial market and risk management, capital market and supervision, operation and management of commercial banks and so on. In recent years, Dr. Xing published more than 20 academic monographs and textbooks, published more than 50 papers on the periodicals including *Economic Research Journal, Guangming Daily*, *Studies of International Finance* and so on, and presided over or led over 20 research projects sponsored by the state or provincial governments. Dr. Xing has multiple social titles, including member of the National Guiding Committee of Education for Master's Degree in Finance, member of National Research Society of Higher Education on Finance and Economics, expert of Higher Education Teaching Evaluation Center of the Ministry of Education, expert in project review and consulting of the China Association of Small and Medium Enterprises, expert in pilot technological and financial cooperation project of the MOST, executive director of the China International Finance Society, executive director of Finance Forum, executive director of Liaoning Society of Economic Reform, expert of Subject Appraisal Panel of Liaoning Achievement Awards of Philosophy and Social Sciences, and executive director of the Dalian Finance Society, etc.

Supervisors

Mr. Zheng Xuexue

Chinese Nationality

Supervisor of the Bank, temporarily performing the duties of chairman of the Board of Supervisors. Mr. Zheng serves as director of the Audit Department of CITIC Group corporation, and is concurrently working as chairman of the board of supervisors of CITIC Construction Co., Ltd., CITIC Investment Holdings Limited, CITIC Bohai Aluminum Industries Holding Company Limited, CITIC East China (Group) Co., Ltd., CITIC Asset Management Corporation Ltd., CITIC Heavy Industries Co., Ltd. and CITIC Real Estate and supervisor of CITIC Limited and CITIC Holdings. From April 2007 to December 2011, he was director of the Audit Department of CITIC Group. From March 2000 to April 2007, he was deputy director of the Audit Department of CITIC Group and its predecessor China International Trust and Investment Corporation. From March 1986 to March 2000, Mr. Zheng was cadre, deputy division director, division director and assistant director in CITIC Group. From March 1983 to March 1986, he worked at the Beijing Municipal Public Security Bureau. Mr. Zheng is a senior accountant and graduated from Renmin University of China in March 1983 with a bachelor's degree in economics.

Dr. Zhuang Yumin

Chinese Nationality

External supervisor of the Bank. Dr. Zhuang, professor and advisor of doctoral candidates, is currently deputy head of the School of Finance and dean of the Department of Monetary Finance of Renmin University of China and independent director of Soochow Securities Co., Ltd.. She has been teaching at the Finance Department of Renmin University of China since 1995, serving as deputy director of Finance Teaching and Research Unit and dean of Finance Department. She was deputy director of the Teaching and Research Unit of the Fiscal Department of Renmin University of China from 1984 to 1995. Dr. Zhuang graduated from the Fiscal Department of Renmin University of China with a master's degree and Ph.D. in economics.

Ms. Luo Xiaoyuan

Chinese Nationality

External supervisor of the Bank. Ms. Luo was chief accountant, member of the Examination Committee of the Chinese Institute of Certified Public Accountants (CICPA) and director of CICPA Examination Department and Registration Center. Currently she is an independent director of Hua Xia Bank. Ms. Luo is a senior economist and a CPA (non-practising). Ms. Luo graduated from the Fiscal Department of Renmin University of China with a bachelor's degree in accounting.

Mr. Li Gang

Chinese Nationality

Employee representative supervisor of the Bank, and has been serving as general manager of the Audit Department and general manager of the Compliance Department of the Bank since February 2012. From September 2009 to February 2012, he was general manager of the Bank's Compliance and Audit Department after taking charge of this department from July to September 2009. He was assistant general manager of the Budget and Finance Department and concurrently general manager of the Assets and Liabilities Management Department under the Budget and Finance Department as well as deputy general Manager of the Budget and Finance Department and concurrently general manager of the Assets and Liabilities Management Department under the Budget and Finance Department of the Bank from June 2006 to July 2009. From June 2000 to June 2006, Mr. Li held various positions in the Bank in succession, including general manager of the Budget and Finance Department of the Bank's Beijing Branch and general manager of the Treasury Management Department under the Budget and Finance Department of the Bank's Head Office. Prior to that, he also served as assistant director and deputy director of the Financial Department as well as deputy director and director of the Treasury Division of the Finance and Taxation Bureau of CITIC Daxie Development Limited. Mr. Li graduated from China Finance Institute.

Mr. Deng Yuewen

Chinese Nationality

Employee representative supervisor of the Bank. Mr. Deng has been the general manger of Investment Banking Department in the Bank's Beijing Branch since February 2012. From February 2007 to February 2012, he was general manager of the Risk Management Department of the Bank's Beijing Branch. He was in charge of the Risk Management Department of the Bank's Beijing Branch from October 2005 to February 2007 and deputy general manager of this department from February 2004 to October 2005. Prior to that, he worked in the Credit Management Department of the Bank, Retail Banking Department of Bank's Beijing Branch and the Credit Approval Department of the Bank's Shenzhen Branch from April 1996 to February 2004. Mr. Deng has been working in the Bank since April 1996. He graduated from Wuhan Technology Institute with a bachelor's degree and later received his master's degree in monetary banking from the Financial Research Institute of the PBC.

Senior Management


Dr. Chen Xiaoxian

Chinese Nationality

Executive director and president of the Bank. Please refer to "Board Directors" herein for his resume.

Dr. Cao Tong

Chinese Nationality

Executive director and vice president of the Bank. Please refer to "Board Directors" herein for his resume.

Mr. Sun Deshun

Chinese Nationality

Vice president of the Bank, joined the Bank in October 2011. Prior to that, Mr. Sun served in the Bank of Communications of China (BOCC) as vice president of BOCC's Beijing management department, concurrently president of the BOCC Beijing branch from January 2010 to October 2011, and president of the BOCC Beijing branch from December 2005 to December 2009. He worked in Haidian office, Haidian subbranch, Beijing branch and head office data center (Beijing) of Industrial and Commercial Bank of China (ICBC) from May 1984 to November 2005, holding various positions including assistant president and vice president of ICBC Beijing branch from December 1995 to November 2005, and general manager of the ICBC's head office data center (Beijing) from January 1999 to April 2004. Mr. Sun worked in the PBC from April 1981 to May 1984. Mr. Sun enjoys 30 years' experience in China's banking industry. He graduated from Dongbei University of Finance and Economics with a master's degree in economics.

Dr. Ou Yang Qian

Chinese Nationality

Vice president of the Bank, and has been working in the Bank since 1988. Dr. Ou Yang was promoted vice president of the Bank in July 1995, and currently takes charge of the Bank's treasury and capital market business, international business and information technology. He was assistant president of the Bank from April 1994 to July 1995 and in charge of research and development of the Bank's internal risk control system in 1991. In January 1989, Dr. Ou Yang worked in the Treasury Department of the Bank where he was primarily engaged in foreign exchange trading, bond trading and gold trading and in September of the same year he began to take charge of the management of asset portfolio investment. Since 2005, he has been concurrently serving as chairman of CIFL. Dr. Ou Yang is a senior economist with a master's degree in hydraulic machinery from Tsinghua University and Ph.D. in aeronautical engineering from The University of Manchester in the United Kingdom.

Mr. Su Guoxin

Chinese Nationality

Vice president of the Bank. Mr. Su used to be deputy director of the General Office of CITIC Group and concurrently secretary to chairman of CITIC Group and secretary to chairman of CITIC Bank. He started to work as secretary to chairman of CITIC Group in June 1997, worked in the Ministry of Foreign Affairs of PRC from August 1991 to October 1993, took charge of foreign affairs in CITIC Group from October 1993 to May 1997 and was employed by financial institutions such as SBC and UBS from January 1996 to January 1997. Mr. Su graduated from Tianjin Foreign Studies University with a bachelor's degree in arts, was trained as a graduate student under the United Nations Training Program in Beijing Foreign Studies University and received his master's degree in business administration (MBA) from the Open University of Hong Kong.

Mr. Cao Guoqiang

Chinese Nationality

Vice president of the Bank. Mr. Cao was assistant president of the Bank from April 2006 to March 2010 and has been serving as director of CIFH and CBI since October 2009 and director of CIFL since 2005. He was general manager of the Budget and Finance Department of the Bank from April 2005 to April 2006. Prior to that, Mr. Cao served as deputy general manager and general manager of the planning and treasury department of China Merchants Bank (CMB) head office, general manager of the Planning and treasury department of CMB's Shenzhen administrative department, director and deputy general manager (person in charge) of China Merchant Bank Pawn Co., Ltd., director of Shenzhen Speed International Investment Co., Ltd., and assistant general manager of the planning and treasury department of CMB. Mr. Cao also worked in the planning and treasury division of the PBC Shaanxi branch as senior staff member and deputy division director from July 1988 to June 1992. Mr. Cao is a senior economist with 23 years' experience in China's banking industry. He graduated from Hunan College of Finance and Economics with a bachelor's degree in monetary banking and obtained his master's degree in monetary banking from Shaanxi College of Finance and Economics.

Mr. Zhang Qiang

Chinese Nationality

Vice president of the Bank. Mr. Zhang served as assistant president of the Bank from April 2006 to March 2010. Prior to that, he was deputy general manager, executive deputy general manager and general manager of the Bank's Beijing branch from January 2000 to April 2006. From September 1990 to March 2000, he held various positions in the Bank's Credit Department, Jinan Branch and Qingdao Branch, including deputy general manager and general manager of the Credit Department of the Bank's Head Office as well as vice president and president of the Bank's branches. Mr. Zhang was assistant president of the Bank and general manager of the Corporate Banking Department of the Bank from April 2006 to March 2007. Mr. Zhang has been working at the Bank ever since he joined the Bank in September 1990, accumulating 24 years' experience in China's banking sector. Since April 2006, Mr. Zhang has been in charge of operation and management of the Bank's corporate banking, investment banking and SME financing business. He is a senior economist with a bachelor's degree in economics from Zhongnan University of Finance and Economics (now Zhongnan University of Finance, Economics and Law) and a master's degree in finance from Liaoning University.

Mr. Cao Bin

Chinese Nationality

Secretary of the Bank's Committee for Discipline Inspection. Mr. Cao joined the Bank in March 2008, prior to which he was a cadre of the Human Resources and Education Department of CITIC Group from January 2001 to February 2002. From March 2002 to August 2002, he was in charge of the General Office of CITIC Securities. From August 2002 to March 2008, he served as secretary to the board of directors and general manager of the General Office of CITIC Holdings. Mr. Cao graduated from Jilin University with a master's degree in economics.

Mr. Wang Lianfu

Chinese Nationality

Chairman of the Trade Union (vice president level) and chief compliance officer of the Bank. He was secretary of the Bank's Committee for Discipline Inspection and head of Human Resources (vice president level) from March 2006 to April 2008, secretary of the Bank's Committee for Discipline Inspection, secretary of the CPC Committee of the Bank and Chairman of the Bank's Trade Union from February 1999 to March 2006. Mr. Wang also held the position of general manager of Human Resources Department of the Bank from January 2005 to March 2006 and was assistant president of the Bank from June 1995 to February 1999. Mr. Wang has been working in the Bank ever since May 1987. From December 1984 to May 1987, he worked at the Personnel Allocation Division under the Human Resources Department of CITIC Group. Mr. Wang is a senior economist with a bachelor's degree in politics and law from Beijing Normal University and a master's degree in monetary banking from Dongbei University of Finance and Economics.

Mr. Lin Zhengyue

Chinese Nationality

Secretary to the Board of Directors of the Bank, company secretary and concurrently director of Board Office and director of the General Office of the Bank's Head Office. Mr. Lin is now concurrently director of CIFL. Mr. Lin was employer representative supervisor of the Bank from December 2006 to November 2011, president of the Bank's Changchun Branch from September 2009 to October 2011 (he led the preparation for establishing the Changchun Branch from July to September 2009). He was general manager of the Compliance and Audit Department of the Bank's Head Office from August 2007 to September 2009, assistant general manager and deputy general manager of the Compliance and Audit Department of the Bank's Head Office from June 2005 to July 2007 and deputy general manager of the Audit Department of the Bank's Nanjing Branch from March 2004 to June 2005. Prior to joining the Bank, Mr. Lin worked in Jiangsu branch of Industrial and Commercial Bank of China. Mr. Lin is a PRC economist, American Registered Financial Planner (RFP) and American Certified Financial Consultant (CFC) with 28 years of experience in China's banking sector. He received his bachelor's degree in finance from Jiangsu Radio and TV University and executive master of business administration (EMBA) from Peking University.

Appointment and Dismissal of Directors, Supervisors and Senior Management

In March 2011, Mr. Kong Dan resigned from his positions as chairman and non-executive director of the Bank due to personal work rearrangements. His resignation took effect on the day when the qualifications of his successor, Mr. Tian Guoli, for the office were approved by the CBRC.

Mr. Tian Guoli was nominated non-executive director candidate at the 20nd meeting of the Bank's Second Board of Directors held in March 2011. The nomination was adopted at the 2010 Annual General Meeting of the Bank convened in May 2011. On the same day, Mr. Tian Guoli was elected chairman of the Bank throuth the consideration and voting at the 22nd Meeting of the Bank's Second Board of Directors. Mr. Tian Guoli assumed office upon CBRC approval of his qualifications for office in July 2011.

In May 2011, Mr. Chang Zhenming resigned from his positions as vice-chairman, non-executive director, and chairman and member of the Strategic Development Committee of the Bank as required by his work arrangements.

In June 2011, Dr. Ai Hongde resigned from his positions as independent non-executive director, chairman and member of the Audit and Related Party Transactions Control Committee and member of the Nomination and Remuneration Committee under the Board of Directors of the Bank due to personal work rearrangements. To ensure effective operation of the Bank and satisfy the requirement of having independent non-executive directors of the Bank take up 1/3 of the Board membership, Dr. Ai Hongde's resignation would take effect upon the CBRC's approval of the newly appointed independent director of the Bank. In February 2012, Dr. Ai Hongde's resignation began to take effect on the day when the qualifications of his successor, Dr. Xing Tiancai, for the office was approved by the CBRC.

In November 2011, Mr. WuBeiying resigned from the office of chairman of the Board of Supervisors due to his retirement, and Mr. Wang Shuanlin resigned from the office of vice-chairman of the Board of Supervisors due to his retirement. To ensure normal operation of the Bank's corporate governance system and various work of the Board of Supervisors, the 19th Meeting of the Second Board of Supervisors, in accordance with relevant laws and regulations such as the Company Law and the Bank's Articles of Association, adopted the resolution that supervisor Zheng Xuexue shall temporarily perform the duties of chairman of the Board of Supervisors prior to the inauguration of Mr. Wu Beiying's successor, the new chairman of the Board of Supervisors.

In November 2011, Mr. Zhang Jijing resigned from his positions as non-executive director and member of the Strategic Development Committee of the Bank due to personal work rearrangements.

Dr. Cao Tong was nominated executive director candidate at the 25th meeting of the Bank's Second Board of Directors held in November 2011. In December 2011, the third extraordinary general meeting of the Bank in 2011 elected Dr. Cao Tong executive director of the Bank. In February 2012, Dr. Cao assumed the office upon CBRC's approval of his qualifications. Meanwhile, Dr. Cao Tong took his positions as member of the Strategic Development Committee and Risk Management Committee under the Board of Directors according to the resolution adopted at the 28th meeting of the Second Board of Directors of the Bank.

Mr. Sun Deshun was engaged to be vice president of the Bank at the 25th Meeting of the Bank's Second Board of Directors held in November 2011 and officially assumed office in December 2011 when his qualifications for the office were approved by the CBRC.

In November 2011, the 25th meeting of the Bank's Second Board of Directors resolved that Dr. Zhao Xiaofan no longer hold the position as vice president of the Bank due to work relocation but continue to perform his duties as non-executive director of the Bank.

Mr. Lin Zhengyue resigned his position as employee representative supervisor of the Bank in November 2011, and was afterward elected secretary to the Board of Directors of the Bank at the 25th Meeting of the Bank's Second Board of Directors and officially assumed office in December 2011 upon his qualifications for the office were approved by the CBRC. In February 2012, Mr. Lin Zhengyue was elected company secretary of the Bank at the 28th meeting of the Bank's Second Board of Directors.

In December 2011, Mr. Luo Yan resigned from his position as secretary to the Board of Directors of the Bank due to internal work rearrangements within the Bank.

As was adopted at the third extraordinary general meeting of the Bank held in December 2011, Dr. Xing Tiancai was elected independent non-executive director of the Bank and assumed the office in February 2012 upon his qualifications for the office were approved by the CBRC. Meanwhile, Dr. Xing Tiancai took his positions as member and chairman of the Audit and Related Party Transactions Control Committee under the Board of Directors according to the resolution adopted at the 28th Meeting of the Second Board of Directors of the Bank.

Remunerations of Directors, Supervisors and Senior Management

The scheme of remunerations for the Bank's directors, supervisors and senior management shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors and approved by the Board of Directors. An allowance system is implemented for independent non-executive directors and external supervisors. In accordance with applicable laws in China, the Bank has joined for its executive directors, employee representative supervisors and staff (including senior management) various types of statutory contribution and pension schemes organized by the Chinese government.

The Bank offers remuneration to executive directors, supervisors and senior management who are at the same time the employees of the Bank, which includes basic salary, bonus, employee welfare and insurances, housing fund and annuity. Independent non-executive directors and external supervisors of the Bank receive allowance from the Bank. None of the non-executive directors (excluding independent directors) and shareholder representative supervisors who serve in the shareholding institutions receives any form of salary or directors' fee from the Bank. The Bank has not provided any incentive shares to directors, supervisors or senior management.

Human Resources Management and Staff Profile

As at the end of 2011, the Bank had 37,195 employees, including 27,807 under labor contracts with the Bank and 9,388 dispatched to the Bank or hired with letters of engagement by the Bank. Among all the employees, 4,549 were managerial, 29,712 business and 2,934 in support. 4,674 employees, 12.57% of the total, hold post-graduate degrees or above; 22,956 employees, 61.72% of the total, hold bachelor's degree; 8,313 employees, 22.35% of the total, hold associate's degree, and 1,252 employees have qualifications below the associate level, accounting for 3.36% of the total. The Bank had a total of 373 retirees at the end of the reporting period.

Human Resources Management

In 2011, the Bank kept on strengthening and improving human resources management according to the principle of coordinating effective incentives with strict constraints. Great efforts were devoted to the development of management teams of branches at all levels, enhancement of benchmarking, reasonable adjustment and replenishment of the managerial teams at tier-one branches and the Head Office, revision of the consultant system, improvement of the exit mechanism of managerial staff, drafting of schemes for exchange of managers, and continuous optimization of the management structure. As a result, the overall quality and the management level of the Bank's management teams were improved significantly. The Bank adhered to its scientific market-oriented model of allocating human resources and strengthened staff allocation to priority business areas of the whole Bank with specialized professionals to improve the efficiency of human resources allocation. The Bank also exerted further efforts to develop its internal structure and refine its recruitment for continuing optimization of its personnel structure. By improving its remuneration system, standardizing and refining the deferred payment system, and reinforcing explorations into the practice of a diversified remuneration system, the Bank made impressive progress in optimizing its remuneration structure. To intensify the role of incentives and safeguard the rights and interests of employees, the Bank further regulated and improved its welfare and insurance system. Special field studies and knowledge trainings were effectively carried out to promote the performance evaluation on human resources work and to improve the Bank's professional service quality. The Bank further enhanced its informatization process, completing the project for renovating the human resources management information system, and initially building a bankwide unified human resources information platform.

Human Resources Cultivation and Development

The Bank followed the guiding principle of "enhanced cultivation of talents and overall quality improvement of human resources with focus placed on the Bank's primary tasks to facilitate the realization of the Bank's strategy", observed the philosophy of "system construction, project promotion and enhancement of all staff", and drew upon modern training concepts, thoughts and methodologies to keep improving its system of human resources cultivation and development. During the reporting period, the Bank hosted 4,086 level-one and level-two training courses at home and abroad, involving 273,840 person-times for 6,191.5 cumulative days, which provided effective personnel guarantee and intellectual support for business development, enhancement of core competitiveness and realization of strategic goals of the Bank.

During the reporting period, the Bank cooperated with prestigious universities and training organizations at home and abroad to develop teams of managerial and professional talents that possess strategic thinking, international vision and modern financial concepts, with multi-layer, multi-category, multi-channel and large-scale staff trainings organized in a continuous manner. Cultivation of core talents was reinforced. During the reporting period, 6 series and 8 batches of trainings were carried out targeting senior management, tier-2 branch leaders, medium-level managers, subbranch presidents and heads of newly established outlets, training 322 person-times in total, thereby further improving the unique leadership training system that features multi-layer and multi-category training arrangements. Through platform construction, mechanism development, and distribution of resources, the Bank has enriched its professional and technical title training system with category and ranking classified and based on post qualifications. Certification examinations for professional and technical title were organized in branches, covering 20 technical series, 80 items and 5,377 examinees. Furthermore, thanks to the continuous promotion of its "Dandelion Plan", the Bank has established a preliminary matrix system of instructors covering the entire Bank by completing the training and certification to 91 part-time instructors at the Head Office level and constructing a team of part-time instructors at 28 branches consisting of nearly 500 people.

During the reporting period, the E-learning system of the Bank was put in full operation. The system functions were further improved, the learning resources were enriched and online training was strenthened. For the full year in 2011, the E-learning system was visited by 136,000 person-times, and recorded 276,000 hours of online learning, a year-on-year growth of 53.8%. Furthermore, the Bank organized 176 online exams with the number of examinees totaling 8,622 person-times.

During the reporting period, the Bank was honored "Employer of Excellence in Education and Training" by the China Foundation for Development of Financial Education while its "New Employee Training System" won the "5th Management Action Golden Award" from the Harvard Business Review (Chinese Version).

Distinctive

Our focus is to form a distinctive competition model and a distinctive brand image through differentiated measures for different customers, business, localities and channels.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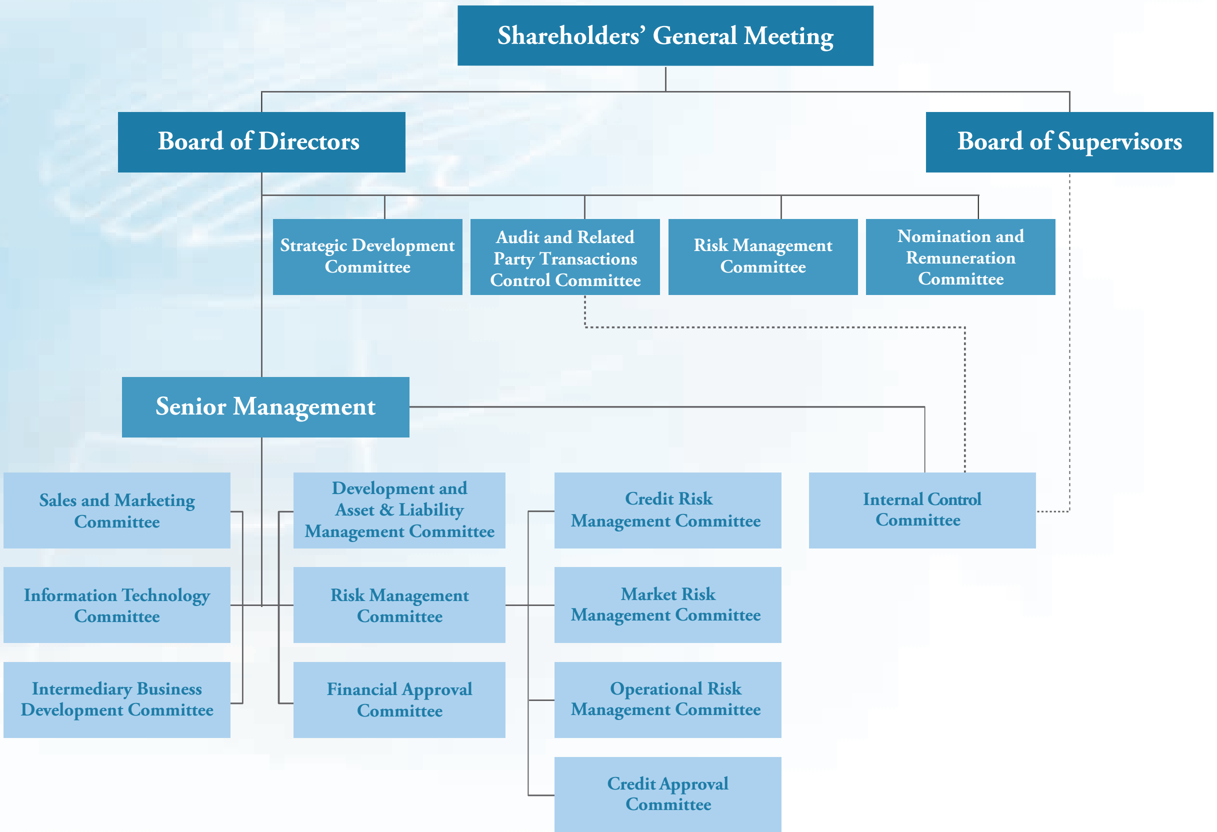
Report on Corporate Governance

Corporate Governance Structure



Overall Profile of Corporate Governance

Since its simultaneous dual listings in Shanghai and Hong Kong in April 2007 and with its continuous practices, the Bank has established and gradually improved its corporate governance structure comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the senior management, formulated and refined basic corporate governance policies and enjoyed smooth operation of its corporate governance system. In 2011, the Bank made further efforts to refine its modern corporate governance system in line with domestic and overseas regulatory requirements and based on its own reality, particulars of which are as follows:

The Bank further constructed its corporate governance system. In line with domestic and overseas regulatory requirements, the Bank formulated the Detailed Implementation Measures for the Duty Performance Assessment on Directors by Board of Directors and the Detailed Working Principles of Secretary to the Board of Directors, amended the Measures for the Board of Directors to assess the Duty Performance of Directors and Senior Management. The Bank improved the corporate governance system, so as to ensure the effective and lawful operation of corporate governance, which in turn supported the sound development of the Bank's business.

The Bank upgraded its capability in internal control, compliance and risk management. To fully implement the basic standard for implementing internal control and relevant aucilliary guidelines issued by five ministries and government authorities, the Bank formulated the Work Plan for Implementing Basic Standards for Internal Control, proactively carried out implementation projects, continuously optimized internal control environment, improved the methodologies and means for risk identification and evaluation, perfected internal control system, intensified internal control measures and continuously improved the effectiveness of internal control and the capability in risk management.

The Bank improved the level of its information disclosure. To promote the construction of its information disclosure system and the management on inside information, the Bank formulated the Measures for Accountability of Material Error regarding Annual Report Disclosure, and amended the Measures for Management of Inside Information and Insiders. To effectively protect investors' rights to know, the Bank released over 50 periodical reports and interim announcements in accordance with law and ensured truthfulness, accuracy, completeness, fairness and timeliness of information disclosure, which in turn safeguarded the legitimate rights and interests of investors.

The Bank improved the management of connected transactions. By continuously improving its connected transactions management systems, amending Measures on Related Party Transactions Management and the Implementation Rules on the Related Party Transactions Management, deepening its management concepts and strengthening management measures, the Bank further standardized the management of credit extension related party transactions, controlled the risks of connected transactions, safeguarded the interests of the Bank and its shareholders, and ensured a safe and steady business operation of the Bank.

In recognition of its outstanding performance in corporate governance, The *Moneyweek* honored the Bank "2011 Top 50 Boards of Directors of Listed Companies in China" in its initiative "Assessment and Selection of Best Boards of Directors of Chinese Listed Companies in 2011"; the SSE awarded the Bank "Honorable Nomination Award for Best Boards of Directors in 2011" in its selection of "Board of Directors of the Year 2011", and the *21st Century Business Herald* awarded the Bank "Bank of Best Corporate Governance in Asia in 2011" at the 6th Annual Asian Financial Forum it hosted.

Information on Shareholders' General Meeting, Board of Directors and Board of Supervisors

In 2011, the Bank convened one annual general meeting, three extraordinary general meetings, ten meetings of the Board of Directors and nine meetings of the Board of Supervisors, all of which were held in compliance with the procedures specified in the Bank's Articles of Association.

Shareholders' General Meeting

The Shareholders' General Meeting is the Bank's organ of power. As a company concurrently listed in Shanghai and Hong Kong, the Bank attaches great importance to its communication with domestic and overseas shareholders, and fully communicates with shareholders through press conferences or investors meetings for disclosure of financial results and announcements of important projects to ensure all shareholders have equal access to information and equal participation in major corporate events and to guarantee efficient work and scientific decision making at the general meetings. The Bank convened its 2010 annual general meeting in May 2011, and three extraordinary general meetings in April, October and December 2011, where a total of 16 proposals were considered and adopted and the shareholders also listened to the Board of Supervisors' report on the assessment on duty performance of directors by the Board of Supervisors in 2010.

The Shareholders' General Meeting makes decisions on the Bank's major matters according to law. During the reporting period, the Shareholders' General Meeting considered and approved proposals including the annual report, the work report of the Board of Directors, the work report of the Board of Supervisors, the profit distribution plan, the financial budget plan, the final accounting report, election of directors and supervisors, engagement of external auditors and their fees, use of proceeds from previous fund-raisings, special reports on connected transactions, additional budget for purchase of business premise, and issuance of Renminbi denominated bonds in Hong Kong. Through such compliant and efficient operation, the Shareholders' General Meeting managed to safeguard the legitimate rights and interests of the shareholders as a whole and ensured lawful exercise of rights by shareholders, thereby promoting the long-term, steady and sustainable development of the Bank.

Board of Directors

Composition and Responsibilities of the Board of Directors

The Board of Directors is the decision-making body of the Bank. The current Board of Directors consists of 15 members, including two executive directors, namely Dr. Chen Xiaoxian and Dr. Cao Tong; eight non-executive directors, namely Mr. Tian Guoli, Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Guo Ketong, Dr. Zhao Xiaofan, Mrs. Chan Hui Dor Lam Doreen, Mr. Ángel Cano Fernández and Mr. José Andrés Barreiro; and five independent non-executive directors, namely Dr. Bai Chong-En, Dr. Xie Rong, Mr. Wang Xiangfei, Mr. Li Zheping and Dr. Xing Tiancai. The chairman of the Board of Directors is Mr. Tian Guoli. Principal responsibilities of the Bank's Board of Directors include but are not limited to the following:

- Convene Shareholders' General Meetings and report to the general meetings on its work;
- Make decisions on development strategies, business plans and investment plans of the Bank;
- Prepare proposals for annual budgets and final accounts of the Bank;
- Prepare profit distribution plans and makeup-for-losses plans of the Bank;
- Decide upon material investments, material asset disposal plans and other major programs of the Bank in accordance with the Bank's Articles of Association or within the terms of reference authorized by the Shareholders' General Meetings;
- Formulate plans for increase or decrease of registered capital of the Bank;
- Prepare plans for merger, split, dissolution, liquidation or corporate alteration of the Bank;
- Formulate plans for issuing corporate bonds or other negotiable securities and listings thereof;
- Formulate plans for repurchase of the Bank's stocks;
- Appoint or dismiss president and secretary to the Board of Directors of the Bank, and decide upon their remunerations, rewards or punishments;
- Appoint or dismiss vice presidents and assistant to the president and other senior management members designated by the president of the Bank, and determine their remunerations, rewards and punishments;
- Propose to the Shareholders' General Meeting with regard to engagement or dismissal of accounting firms;
- Examine and approve regulations on connected transactions; examine and approve or authorize the Audit and Related Party Transactions Control Committee under the Board of Directors to approve connected transactions (excluding those that should be examined and approved by the Shareholders' General Meeting);
- other duties and powers as specified in relevant laws, administrative rules, regulations or the Bank's Articles of Association, and as delegated by the Shareholders' General Meeting.

Meetings of the Board of Directors

During the reporting period, the Board of Directors of the Bank convened ten meetings (including voting by correspondence) whereby 52 proposals were deliberated and adopted, including the Bank's four regular reports, Measures for Management of Liquidity Risks, Emergency Plan for Management of Liquidity Risks, Proposal for Final Account on Remuneration of Employees, Implementation Rules of the Board of Directors for Performance Assessment of Board Directors, Measures for Accountability of Material Error regarding Annual Report Disclosure, Work Rules for the Secretary to the Board of Directors, Regulations on Investor Relations Management, Report of the Board of Directors on Performance Assessment of Board Directors during the year, Work Plan for Implementing Basic Standards for Internal Control, Measures for Management of External Equity Investment and Credit lines Extension to Related Parties. In addition, the Board of Directors listened to the work reports of the senior management regarding business operation, internal control, risk management and connected transactions management. The Director's attendance at the meetings of the Board of the Directors and the attendance rate during 2011 are as follows:

	Times of Attendance		
Director	**Mandatory attendance**	**Absence required by law**	**Attendance rate**
Kong Dan (4)	7/7	—	100%
Chang Zhenming (4)	6/6	—	100%
Tian Guoli	3/3	—	100%
Chen Xiaoxian	10/10	—	100%
Dou Jianzhong (2) (3)	10/10	—	100%
Ju Weimin	10/10	—	100%
Zhang Jijing (2) (4)	9/9	—	100%
Guo Ketong	10/10	—	100%
Zhao Xiaofan (3)	10/10	—	100%
Chan Hui Dor Lam Doreen (2)	10/10	—	100%
Ángel Cano Fernández (2)	10/10	—	100%
José Andrés Barreiro (2)	10/10	—	100%
Bai Chong-En (3)	10/10	—	100%
Ai Hongde (2) (3)	10/10	—	100%
Xie Rong (2)	10/10	—	100%
Wang Xiangfei	10/10	—	100%
Li Zheping	10/10	—	100%

Notes: (1) According to the Bank's Articles of Association, directors can entrust other directors to attend the meetings of the Board of Directors as proxy and exercise voting rights.

(2) Mr. Ángel Cano Fernández, Mr. José Andrés Barreiro, Mrs. Chan Hui Dor Lam Doreen, Mr. Dou Jianzhong, Mr. Zhang Jijing, Dr. Ai Hongde and Dr. Xie Rong were unable to attend the meeting held on 26 May 2011 in person. They entrusted other directors to attend as proxy and exercise voting rights on their behalf.

(3) Mr. Dou Jianzhong, Dr. Zhao Xiaofan, Dr. Bai Chong-En and Dr. Ai Hongde were unable to attend the meeting held on 29 August 2011 in person. They entrusted other directors to attend the meeting as proxy and exercise voting rights on their behalf.

(4) For the changes of the office of Mr. Kong Dan, Mr. Chang Zhenming, Mr. Tian Guoli, Mr. Zhang Jijing and Dr. Ai Hongde, please refer to "Directors, Supervisors, Senior Management and staff" — "Appointment and Dismissal of Directors, Supervisors and Senior Management".

Board of Directors' Implementation of Resolutions Adopted at the Shareholders' General Meetings

The 2010 annual general meeting considered and adopted the proposal on electing Mr. Tian Guoli non-executive director of the Bank. Mr. Tian has assumed the office after his qualifications for the office was approved by the CBRC.

As for the proposal on the 2010 final accounting report and the 2010 profit distribution plan as considered and adopted at the 2011 annual general meeting, the Bank's Board of Directors has already executed these resolutions.

According to the proposal on engagement of accounting firms in 2011 and their fees as considered and adopted at the 2010 annual general meeting, the Bank continued to engage KPMG Huazhen as its domestic auditor and KPMG as its overseas auditor for the year 2011, respectively.

The Bank's Board of Directors has executed the proposal on related party credit line extension to CITIC Group which was considered and adopted at the 2010 annual general meeting.

According to the proposal on the plan for interim profit distribution for 2011, the proposal on increasing the 2011 annual budget for purchase of business premise and the proposal on issuance of Renminbi denominated bonds in Hong Kong, were considered and adopted at the second extraordinary general meeting in 2011, the Bank has completed its interim profit distribution for 2011, increased the 2011 annual budget for purchase of business premise and is seeking the right opportunity to launch the relevant work for issuing Renminbi denominated bonds in Hong Kong.

At the third extraordinary general meeting in 2011, the proposal on electing Dr. Cao Tong as the Bank's director and the proposal on electing Dr. Xing Tiancai as the Bank's independent director were considered and approved. In February 2012, Dr. Cao Tong and Dr. Xing Tiancai's qualifications for relevant office were approved by the CBRC and they officially took the office.

Responsibility Statement of the Board of Directors on Financial Reports

The following statement, which sets out the responsibilities of the Board of Directors to the financial statements, should be read in conjunction with, but distinguished from, the auditor's opinion as set out in the auditor's report contained herein.

The directors acknowledge that they are responsible for preparing the financial statements of the Bank that give a true view of the operating results of the Bank for each financial year. The directors are not aware of any events or conditions that could have material and adverse impact on the Bank.

Independence of Independent Non-Executive Directors and their Duties Performance

The independent non-executive directors of the Bank have no business or financial interests in the Bank or its subsidiaries, nor do they assume any management positions in the Bank. Therefore, their independence is well guaranteed. The Bank has received a confirmation letter from each and every independent non-executive director confirming their independence and the Bank has recognised their independence.

The independent non-executive directors of the Bank attended the meetings of the Board of Directors and the specialized committees with an attendance rate of 100% and actively expressed their opinions. They also strengthened their communication with the management team and provided guidance by conducting field studies and holding meetings with the senior management. Both the Audit and Related Party Transactions Control Committee and the Nomination and Remuneration Committee under the Board of Directors were chaired by independent non-executive directors with independent non-executive directors consisting of the majority of the members. According to the Independent Directors' Working System on Annual Report, the independent non-executive directors of the Bank strengthened their communication with the auditors, giving full play to their role of supervision. During the reporting period, the independent directors did not raise any objections to the resolutions adopted by either the Board of Directors or its specialized committees.

Independent Non-Executive Directors' Statement on Undertakings Made by CITIC Group and CIFH under the Non-Competition Deed

Since 23 October 2009, CIFH has been relieved from all obligations under the Non-Competition Deed.

The independent non-executive directors of the Bank came to a conclusion on the non-competition undertakings of CITIC Group that CITIC Group had complied with the non-competition undertakings. CITIC Group provided a confirmation on its compliance with the non-competition undertakings under the Non-Competition Deed entered into with the Bank on 13 March 2007.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Hong Kong Listing Rules to regulate the securities transactions conducted by its directors and supervisors. The Bank has made special inquiries with all directors and supervisors in this regard, and all directors and supervisors confirmed that they had strictly complied with the provisions set out in the Model Code throughout the reporting period.

Specialized Committees under the Board of Directors

There are four specialized committees under the Board of Directors of the Bank, namely the Strategic Development Committee, the Audit and Related Party Transactions Control Committee, the Risk Management Committee and the Nomination and Remuneration Committee.

Strategic Development Committee

The Bank's Strategic Development Committee comprises six directors, with Mr. Tian Guoli as chairman, and Dr. Chen Xiaoxian, Mr. Dou Jianzhong, Mr. Ju Weimin, Dr. Cao Tong and Mr. José Andrés Barreiro as members. Its major responsibilities include formulation and evaluation of the Bank's business targets and long-term development strategies, business and organizational development plans, major investment and financing plans as well as other important matters that would affect the Bank's development.

During the reporting period, the Strategic Development Committee convened three meetings and adopted the proposals including the report on assessment of the strategic cooperation between CITIC Bank, CBI and BBVA, election of Mr. Tian Guoli as chairman of the Strategic Development Committee under the second Board of Directors, and the 2011-2015 Strategic Plan of CITIC Bank. Attendance by committee members at the meetings of the Strategic Development Committee in 2011 and their attendance rates are as follows:

Director	Times of attendance	Attendance rate
Tian Guoli	2/2	100%
Chen Xiaoxian	3/3	100%
Dou Jianzhong	3/3	100%
Ju Weimin	3/3	100%
Zhang Jijing *(Note)*	3/3	100%
José Andrés Barreiro	3/3	100%

Note: For the changes of the office of Mr. Zhang Jijing, please refer to "Directors, Supervisors, Senior Management and staff" — "Appointment and Dismissal of Directors, Supervisors and Senior Management".

Audit and Related Party Transactions Control Committee

The Bank's Audit and Related Party Transactions Control Committee comprises seven directors, with Dr. Xing Tiancai, an independent non-executive director of the Bank, as the chairman. The committee members include Mr. Ju Weimin, Dr. Bai Chong-En, Dr. Xie Rong, Mr. Wang Xiangfei, Mr. Li Zheping and Mr. José Andrés Barreiro. The major responsibilities of the Audit and Related Party Transactions Control Committee include supervising the Bank's internal controls, financial information and internal audit, identifying related parties of the Bank, as well as reviewing, verification and filing of the Bank's connected transactions within its authority.

During the reporting period, the Audit and Related Party Transactions Control Committee convened six meetings which reviewed, among others, proposals including credit line extension to related parties, regular reports, engagement of accounting firms for the year 2011 and their fees, the special report on connected transactions, Internal Audit Rules of CITIC Bank, revision of the Measures for Connected Transactions Management, Implementation Rules for Connected Transactions Management, and the annual caps for continuing connected transactions for a three-year period, and confirmation on the updated list of related party legal persons and natural persons. Attendance by committee members at the meetings of the Audit and Related Party Transactions control Committee in 2011 and their attendance rates are as follows:

Director	Times of attendance	Attendance rate
Ai Hongde	6/6	100%
Ju Weimin (1)	6/6	100%
Xie Rong	6/6	100%
Bai Chong-En (2)	6/6	100%
Wang Xiangfei	6/6	100%
Li Zheping	6/6	100%
José Andrés Barreiro (3)	6/6	100%

Notes: (1) Mr. Ju Weimin was unable to attend the meeting held on 21 March 2011 in person and entrusted another committee member to attend the meeting as proxy and exercise voting rights on his behalf.

(2) Dr. Bai Chong-En was unable to attend the meeting held on 21 April 2011 in person and entrusted another committee member to attend the meeting as proxy and exercise voting rights on his behalf.

(3) Mr. José Andrés Barreiro was unable to attend the meetings held respectively on 23 February, 21 March and 21 April 2011 in person and entrusted another committee member to attend the meetings as proxy and exercise voting rights on his behalf.

According to the requirements of the CSRC and divided duties for corporate governance, the Audit and Related Party Transactions Control Committee of the Bank gave full play to its role in supervising the audit and disclosure of the 2011 annual report, thereby the independence of audit. The committee reviewed the Bank's financial statements twice before the statements were submitted to the certified public accountants (CPAs) for annual audit and after the CPAs produced their preliminary audit opinions. The committee was of the view that the financial statements gives a true, acccurate and complete view of the overall situation of the Bank after several rounds of in-depth communication with the CPAs who were responsible for the annual audit.

In order to make relevant preparation, the Audit and Related Party Transactions Control Committee communicated with the CPAs responsible for annual audit on 23 December 2011 and determined the detailed timetable for auditing the 2011 financial statements, priorities in audit and methodologies for risk judgment and identification. After that, the committee conducted a preliminary review of the financial statements prepared by the Bank and formed written opinions that the data on the Bank's financial statements were complete and comprehensive enough to be presented to the CPAs who were responsible for annual audit. On 29 February 2012, presided by chairman Dr. Xing Tiancai, the committee reviewed the Bank's financial statements for the second time after the CPAs formed their preliminary opinions, and held that the CPAs' audit was independent and objective and that the audit procedure was legal and effective. By closely following up the progress draft of the audit report and the Bank's financial statements, the committee kept urging the annual audit accounting firm to conduct its work according to the agreed timetable. On 22 March 2011, the committee held a meeting and listened to the report on the Bank's overall business operation presented by the management and the report on the progress of 2011 annual audit by the CPAs, and resolved, through voting, to adopt the audited annual financial statements and to submit the financial statements to the Board of Directors for consideration. In addition, the Audit and Related Party Transactions Control Committee studied and discussed matters such as the Bank's corporate social responsibility, internal control and avoidance of horizontal competition, and deliberated relevant proposals.

Risk Management Committee

The Bank's Risk Management Committee comprises six directors with Dr. Chen Xiaoxian as chairman and Mr. Ju Weimin, Dr. Zhao Xiaofan, Dr. Cao Tong, Dr. Bai Chong-En, and Mr. Li Zheping as members. The committee is mainly responsible for formulating the Bank's strategies, policies and measures for risk management, and internal control procedures, as well as supervising and evaluating the risk management activities conducted by relevant senior management members and risk management departments of the Bank.

During the reporting period, the Risk Management Committee convened three meetings and deliberated, among others, proposals including the Bank's measures and implementation outlines for management of liquidity risk, general credit policy for 2011, emergency plan for management of liquidity risk, as well as amendments to the measures for reputational risk management and to the measures for liquidity risk management. Attendance by committee members at the meetings of the Risk Management Committee in 2011 and their attendance rates are as follows:

Director	Times of attendance	Attendance rate
Chen Xiaoxian	3/3	100%
Ju Weimin *(Note)*	3/3	100%
Zhao Xiaofan	3/3	100%
Ai Hongde *(Note)*	3/3	100%
Bai Chong-En	3/3	100%
Li Zheping	3/3	100%

Note: Mr. Ju Weimin and Dr. Ai Hongde were unable to attend the meeting held on 1 April 2011 in person and entrusted other committee members to attend the meeting as proxy and exercise voting rights on their behalf.

Nomination and Remuneration Committee

The Bank's Nomination and Remuneration Committee comprises four directors, with Mr. Wang Xiangfei, an independent non-executive director of the Bank, as chairman, and Mr. Guo Ketong, Dr. Xie Rong, and Dr. Bai Chong-En, as members. Major responsibilities of the Nomination and Remuneration Committee include formulating procedures and standards for nominating candidates for board directorship and senior management, conducting preliminary review and deliberation of the qualifications of directors and senior management candidates, formulating and supervising the implementation of the remuneration scheme for directors, supervisors and senior management, as well as other functions as authorized by the Board of Directors.

During the reporting period, the Nomination and Remuneration Committee convened five meetings to consider among others, proposals including the 2010 final accounting for employees remuneration, nomination of members for the Risk Management Committee, nomination of candidates for Board directors, nomination of candidates for senior management, nomination of candidate for the secretary to the Board of Directors, nomination of members of the Strategic Development Committee, the proposal on 2010 remuneration for senior management members, and the report on duty performance of the Nomination and Remuneration Committee as disclosed in its annual report. Attendance by committee members at the meetings of the Nomination and Remunerations Committee in 2011 and their attendance rates are as follows:

Director	Times of attendance	Attendance rate
Wang Xiangfei	5/5	100%
Guo Ketong	5/5	100%
Ai Hongde *(Note)*	5/5	100%
Xie Rong	5/5	100%
Bai Chong-En	5/5	100%

Note: Dr. Ai Hongde was unable to attend the meeting in person held on 14 March 2011, and therefore entrusted another committee member to attend the meeting as proxy and exercise voting rights on his behalf.

According to the regulatory requirements of the CSRC and divided duties regarding corporate governance, the Nomination and Remuneration Committee under the Board of Directors studied and examined the remuneration management system of the Bank and the remuneration policies and schemes for directors, independent directors, supervisors, external supervisors and senior management for 2011 and supervised the implementation of the remuneration schemes. The committee is of the view that the senior management of the Bank performed its fudiciary and due diligence obligations in 2011 within its scope of duties and responsibilities specified in relevant laws and regulations and the Bank's Articles of Association, under the leadership and authorization of the Board of Directors and with supervision and guidance from the Board of Supervisors, which in turn further increased the corporate value and shareholders' value. Upon review, the committee further holds that the remunerations for directors, independent directors, supervisors, external supervisors and senior management members as disclosed are consistent with the remuneration policies, schemes, and are made in compliance with applicable information disclosure standards of domestic and overseas regulators for listed companies. The committee confirms that the Bank did not have any share incentive scheme as at the end of 2011.

Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank accountable to the Shareholders' General Meeting. As Mr. Wu Beiying and Mr. Wang Shuanlin resigned from their respective positions as chairman and vice-chairman of the Board of Supervisors in November 2011, the Board of Supervisors unanimously adopted a resolution to authorize Mr. Zheng Xuexue to temporarily perform the duties of chairman of the Board of Supervisors prior to inauguration of the new chairman. As at the end of the reporting period, the Board of Supervisors consists of five members, namely Mr. Zheng Xuexue, Dr. Zhuang Yumin, Ms. Luo Xiaoyuan, Mr. Li Gang and Mr. DengYuewen. Among the five members, two are external supervisors, one is a shareholder representative supervisor and the rest two are employee representative supervisors. Principal responsibilities of the Board of Supervisors of the Bank include but are not limited to the following:

- Supervise directors and senior management regarding their fulfillment of duties and due diligence;
- Inquire directors and senior management;
- Propose removal of or institute legal proceedings against directors or senior management members that violate laws, administrative rules and regulations, the Bank's Articles of Association or resolutions of the Shareholders' General Meetings;
- Review and supervise financial operations of the Bank;
- Examine financial information and regular reports that the Board of Directors plans to present to the Shareholders' General Meetings such as financial reports, business reports and profit distribution plans, and, should there be any queries, engage certified public accountants or practicing auditors in the name of the Bank to assist in the re-examination;
- Audit, where necessary, business policies, risk management and internal control of the Bank and guide the internal audit department of the Bank in its work;
- Within 5 working days as of the receipt of the regular reports submitted by senior management to the banking regulatory authority of the State Council, express opinions on credit asset quality, asset-liability ratio, risk control and other matters in the said regular reports;
- Exercise other functions and powers as specified by relevant laws, administrative rules and regulations or the Articles of Association and as granted by the Shareholders' General Meetings.

In 2011, the Board of Supervisors of the Bank held nine meetings, at which the supervisors considered and adopted proposals including the annual work report of the Board of Supervisors, Implementation Rules of the Board of Supervisors for Performance Assessment of Directors, regular reports and report of the Board of Supervisors on the assessment of Directors' duty performance during the year. In addition, the Board of Supervisors supervised the Bank's operation and management by attending Board of Directors meetings as non-voting delegates, conducting field studies at some of the Bank's branches, carrying out special inspections, reviewing various documents and listening to management reports.

Senior Management

Senior management is the executive body of the Bank accountable to the Board of Directors. The Bank's senior management consists of ten members. Please refer to "Directors, Supervisors, Senior Management and Staff" for details. There is strict division of duties and separation of powers between the Bank's senior management and the Board of Directors. Authorized by the Board of Directors, the senior management manages and makes decisions on business operation within its authority. The Board of Directors assesses the performance of the senior management, the results of which will be used as the basis for determining remuneration and other incentive arrangements for senior management.

Internal Control

During the reporting period, the Bank, among the first batch of A-share and H-share dual listed companies to implement the basic standards for internal control, established financial report internal control mechanism based on the Basic Standards for Enterprise Internal Control and the ancillary guidance, which was attached with high importance by the Board of Directors and senior management. Meanwhile, the Bank fully implemented relevant regulatory requirements such as the Basic Standards for Enterprise Internal Control jointly released by five ministries and the aucillary guidance. In particular, the Bank developed its own work plan for implementing the Basic Standards for Internal control, proactively conducted internal control projects, continuously optimized the internal control environment, improved methods and means for identification and evaluation of risks, strengthened measures for internal control, expanded information exchanges and communication channels, enhanced the mechanism for internal supervision and examination, improved the internal control system, gradually developed a professional and standardized and mechanism with information technology for internal control management, cultivated a team of professional internal control managers and staff members and kept promoting the effectiveness of internal control and quality of internal control management. During the reporting period, there is no major defects in the Bank's internal control in relation to financial report.

Major Measures Adopted by the Bank in the Reporting Period

— Optimization of internal control environment. After over four years' practice of corporate governance since its dual listing in Shanghai and Hong Kong in April 2007, the Bank has established its organizational structure for internal control management primarily consisting of the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the senior management, specifying responsibilities related to internal control construction and maintenance, supervision and inspection, and thus steadily promoting implementation of internal control. At the same time, the Bank further improved its remuneration system and incentive mechanism, optimized the distribution and organizational structure of human resources, and improved the efficiency, effectiveness and professional quality of its human resources management . While inheriting the corporate culture of CITIC Group, the Bank constructed and extracted its own unique corporate culture framework covering innovation culture, performance culture, service culture, marketing culture, team culture, risk culture, institutional culture and brand culture.

— Improved risk identification and evaluation. The Bank cultivated the risk management culture of pursuing "risk-filtered return", continuously optimized its risk management system and procedures that cover all business areas of the Bank, enhanced its risk identification, assessment and measurement capability, put forward measures against identified risks, and urged the Head Office and branches to identify, control and proactively manage risks from the sources of institutional process development. With respect to credit risk, the Bank continuously enhanced its risk monitoring on key industries, enterprises and products, strived to mitigate loan risks, endeavored to promote the management of institution, process and information in risk early warning system to accelerate the construction and optimization of the risk early warning system, comprehensively extended ratings of corporate liabilities, and initiated relevant projects including weighted risk asset measurement, self assessment of capital adequacy ratio and compliance with regulatory requirements. In terms of market risk, the Bank pushed forward project development based on the Internal Models Approach for market risk under the New Basel Capital Accord, continuously strengthened the data and information system infrastructure for market risk management, and upgraded its capacity for measurement of market risk. With regard to liquidity risk, the Bank continued to optimize the three-tier Renminbi liquidity provision system and conducted stress test to enhance its capability in identifying, measuring and controlling liquidity risks. As for compliance and operational risks, the Bank sorted out its internal control and set up a framework for detailed process management that ranges from the main process to sub-processes and from components to key controls, which explicitly indicates key risk points of various operational procedures related to major products of the entire Bank and thereby laying a foundation for risk identification and assessment as well as professional and standardized management of the related systems and processes using information technology. The Bank also developed risk maps and key risk indicators (KRIs) in accordance with risk exposure and tolerance to collect and manage data so that areas with high risks or control weaknesses could be monitored and corresponding actions could be taken to mitigate risks in the future. In terms of reputational risk, the Bank revised its Measures for Reputation Risk Management, developed the corresponding Implementation Rules, and expanded their applicability to all departments of the Head Office, as well as and all overseas subsidiaries of the Bank, providing an institutional safeguard for a better management of reputation risk.

— Enhancement of internal controls. With respect to the control of authorization and approval of credit granting, the Bank strengthened the risk management of key areas of macroeconomic readjustment, with strict control over loan granting to government financing platforms, prudent loan granting to the real estate sector, strict control of loans to industries with over capacity where new credit granting to such industries shall be reviewed and approved by the Head Office, stringent control of loan increase rate, tighter verification of loan granting to prevent operational risk, tighter administration of credit-granting authorization to prevent ultra vires acts, practice of "Differentiated Authorization and Dynamic Adjustment" to regulate financial authorization and balance the relationship between management efficiency and risk controllability and improve decision-making quality and management effectiveness in a continuous manner. In terms of deposit and over-the-counter business, the Bank formulated Administrative Measures of CITIC Bank for Authorization of Accounting Business (Trial) and Administrative Measures of CITIC Bank regarding the Reservation of Seal and Stamp Specimens Provided by Corporate Customers that Open RMB Accounts at CITIC Bank and developed its electronic accounting system database that pooled the existing 328 valid accounting policies of the Bank, thus providing effective tools for standardization of the procedures for handling key over-the-counter business items together with risk prevention and control thereof and reinforcing understanding and application of the concerned systems. In terms of budget control, with the establishment of a standard unified organizational and responsibility system for budget management based on the Measures for All-round Budget Management and the supplementary rules for implementation thereof, the Bank set up a uniform platform of budget system and realized uniform management regarding the sources and representation of budget data, basis for budget preparation and process for budget management. As for financial reporting control, by formulating the Administrative Measures of CITIC Bank for Consolidation of Financial Reports, the Bank explicitly provided the scopes of financial statement consolidation and division of duties thereby, thus reinforcing the Bank's management on financial statement consolidation over its subsidiaries and effectively preventing risks therein. With respect to IT control, the Bank fulfilled tasks contained in its IT Security Plan, promoted implementation of information protection strategies based on classification and rating of information assets, reinforced implementation of IT risk management systems as well as norms and requirements in application development, system operation and assurance of quality and safety, strengthened outsourcing risk management by establishing a sustainable and effective system for monitoring of outsourcing risks, set up an index system for operation and maintenance management assessment of the whole Bank and promoted integration of the two operation and maintenance systems respectively related to system operation and web management, ensured safe and stable operation of important information systems, avoided occurrence of significant risks related to information security, and thereby further improving the precision and the specialization of IT management. In terms of performance assessment control, the Bank set up a multi-dimensional performance assessment system that combines horizontal and vertical areas, covering both quantitative assessment of business performance of branches and qualitative assessment of risk control and business management at branches.

— Expansion of channels for information exchange and communication. The Bank convened meetings at all levels on a regular or non-regular basis to brief business dynamics, discuss policies and guiding principles on business management and communicate higher-level instructions and leaders' decisions, integrated resources of the Bank to complete and optimize Phase II construction of its office system to better realize the system's role as the major channel for display, exchange, dissemination and communication throughout the Bank, and organized the "Woodpecker Compliance Action" throughout the Bank to guide all employees in their efforts of proactively identifying potential risks and put forward recommendations for effective risk prevention, which enriches the bottom-up channel for information reporting and provides a normal way of information transmission for continuous optimization of institutional management and the relevant mechanisms thereof.

— Reinforcement of the mechanism for internal supervision and inspection. The Bank strengthened the integration of inspection resources and coordinated supervision resources of the whole Bank in a comprehensive manner according to the principle of "comprehensive consolidation, higher efficiency, compliance with regulatory requirements, attention to risks and appropriate coverage", which gave rise to the integrated effect of inspection. Proactive efforts were made to screen risks related to loans to the real estate sector and banker's acceptance business, review risks of loans to government financing platforms, examine asset quality, implement measures for rectification and urge business management departments to improve systems and enhance management.

Information on the Company's Institutional Development regarding Accountability of Material Errors regarding to Annual Report Information Disclosure

Based on a series of management rules and regulations including the Measures on Information Disclosure Management and Administrative Measures for Inside Information and Information Insiders, the Bank continued to improve information disclosure system development during the preparation of the 2011 annual report. Firstly, the Bank revised the Measures on Information Disclosure Management in line with the latest regulatory requirements; secondly, the Bank developed its Measures for Accountability of Material Errors regarding Annual Report Information Disclosure, which contains detailed provisions for determination and pursuit of responsibilities related to errors in the course of annual report information disclosure. Such improvement further standardized the process of annual report preparation, effectively ensured the quality of report preparation and ensured the accuracy, completeness and compliance of contents disclosed in the annual report.

During the reporting period, the Bank did not incur any correction of material accounting errors, supplementation of any material omissions or change to any forecasted operation results.

Statement of the Board of Directors on Responsibilities in Relation to Internal Control

The purpose of the Bank's internal control over financial report is to ensure the truthfulness, completeness and reliability of information contained in financial report and to prevent material misreporting risk. The Bank has established an effective internal control system in accordance with relevant laws and regulations. The Board of Directors assessed the internal control over financial report in line with relevant laws and regulations and produced the 2011 Report of the Board of Directors of CITIC Bank Corporation Limited on Assessment of the Company's Internal Control, and are of the view that the Bank's internal control over financial report is effective on 31 December 2011 (record date). In the course of making self-assessment on the internal control over financial report by the Bank, no material defects in internal control related to non-financial report was found.

Internal Audit

The internal auditor of the Bank is responsible for supervising and evaluating the adequacy and effectiveness of the Bank's risk management and internal control and reports the findings to the Board of Directors, the Board of Supervisors, and the senior management. The Audit and Related Party Transactions Control Committee under the Board of Directors is responsible for supervising the implementation of the Bank's internal audit policies.

In 2011, the Bank continued to reinforce inspection and supervision on key areas, extended the application of off-site techniques and approaches, and greatly improved the quality and effect of auditing supervision. Major measures adopted include the following:

— The Bank reinforced the audit supervision and assessment on key business areas, key organizations and key procedures. During the reporting period, the Bank conducted special audit on credit granting to real estate sector, group clients and small enterprises, and carried out special audit on low-risk credit granting business, IT risks and connected transactions, the Bank effectively prevented risks and realized audit objectives at different levels.

— The Bank gradually enhanced the effectiveness of audit review throughout the Bank with the support of audit techniques using information technology. Fully promoting the application of the off-site audit information system, the Bank prioritized off-site audit including screening of abnormal account transactions, full-amount bank acceptance backed by guarantee money, account opening by long-position holders, and credit granting based on pledge by third-party certificate of deposit and third-party depositary transactions, thereby substantially expanding the coverage of audit supervision and upgrading the efficiency of audit review.

— The Bank strengthened the risk screening for case prevention throughout the Bank. During the reporting period, the Bank organized risk examination on large-amount non-performing loans, checks of internal control execution without prior notice, business screenings of key areas such as accounting and bank bills and regulatory screenings of employee behavior, which helped reinforce education on case prevention and application of "Six Forbids" and enhanced employee self-discipline and their awareness of case prevention and control.

— The Bank enhanced its rectification efforts. During the reporting period, the Bank carried out on-site follow-up visits regarding problems identified during its internal and external reviews for the past three years and implemented rectification measures thereof to consolidate the review outcome over the recent years and cement the foundation for better management.

Management of Connected Transactions

The Board of Directors of the Bank and its Audit and Related Party Transactions Control Committee attach great importance to the connected transactions management and carefully perform their duties of review, approval and supervision regarding management of related parties and connected transactions to ensure the legality and compliance of connected transactions conducted throughout the Bank.

In 2011, the Bank strictly adhered to the regulatory requirements of Chinese Mainland and Hong Kong and further enhanced the system development, policy improvement, process standardization, management enhancement and compliance assurance in terms of connected transactions, so as to ensure full synergy of the integrated financial platform of CITIC Group and increase of shareholders' value under the prerequisites of legality and compliance. Specific measures are as follows:

Firstly, the Bank enhanced the awareness of compliance. Intensive trainings were organized targeting over 30 branches of the Bank to improve the awareness and professional capacity bankwide regarding management of connected transactions; secondly, the Bank improved rules and regulations. Measures for Connected Transactions management and Implementation Rules for Connected Transactions management were amended to further optimize the process for connected transactions management; thirdly, the Bank refined the system of related parties. The development of a list of related parties covering 1,671 related legal persons and 1,103 related natural persons enabled a dynamic management of related parties; fourthly, the Bank set up standard operational processes. The preparation of the Manual on Connected Transactions Products provided an effective basis for accurate identification of connected transactions, unifying computation standards and standardization of internal processes; fifthly, the Bank improved its management quality. By extending the coverage of the three-year cap of continuing connected transactions to the three major related entities and eight categories of business, the Bank remarkably improved its efficiency in reviewing and approving connected transactions; and sixthly, the Bank intensified its routine monitoring and observed procedures for review, approval and disclosure in a timely manner. Such efforts ensured that connected transactions are conducted in compliance with regulatory requirements of the stock exchanges and the banking industry.

Statement on Horizontal Competition and Connected Transactions

The Bank has not been involved in any horizontal competition or connected transactions resulting from partial restructuring, industrial features, government policies or mergers & acquisitions.

Independence from the Controlling Shareholder

The Bank is fully independent from the controlling shareholder in business operation, personnel, assets, organizational structure and financial aspects, enjoys independent and complete business separate from that of its controlling shareholder and has the capability in independent business operation.

In terms of business, the Bank has a complete business structure and the capability to operate independently towards the market and is engaged independently in business operation within the authorized business scope, without interference or control by its controlling shareholder or any other related parties or adverse impact on the independence and completeness of its operation autonomy as a result of the connected relations with its controlling shareholder and other related parties.

In terms of personnel, the Bank has its own independent human resources and remuneration system. Except for the president of the Bank who concurrently served as executive director and deputy general manager of CITIC Group before the restructuring of CITIC Group and now concurrently serves as deputy general manager of CITIC Limited after CITIC Group's restructuring, none of the other members of the Bank's senior management has taken any positions in the controlling shareholder or any other entities controlled by the controlling shareholder; neither has any member of the financial staff of the Bank taken any position in the controlling shareholder or any other entities controlled by it.

In terms of assets, the Bank has the ownership of or the land use right and properties as well as such intellectual property rights as trademarks and domain names that are related to its business operation.

In terms of financial matters, the Bank has established an independent financial accounting department and an independent accounting system and financial management system to make independent financial decisions, and set up its own account according to law separate from that of its controlling shareholder. The procedures and requirements in relation to the opening of accounts with the Bank by the controlling shareholder are identical to those applicable to all other third parties, and the accounts of the controlling shareholder are completely separated from the fund and account of the Bank.

In terms of corporate structure, the Bank has established the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors, and other operational and management departments as required by its business operation and management. Independently exercising its discretion on business operation and management, the Bank is free from any mix of corporate structure with its controlling shareholder.

Develop and Review Corporate Governance Policies and Practices

The Board of Directors of the Bank has always attached great importance to the establishment and improvement of internal system on corporate governance. During the reporting period, according to regulatory requirements, the Bank amended the the Measures for the Board of Directors to Assess the Duty Performance by Directors and Senior Management and formulated a series of policies including the Detailed Implementation Measures for the Board of Directors to Assess the Duty Performance by Directors and the Detailed Working Principles for the Secretary to the Board of Directors to further improve the policies and systems of the Board of Directors and independent directors as required so as to improve the Bank's corporate governance while promoting the duty performance by directors.

Review and Supervise the Training and Continuing Professional Development of the Directors and Senior Management

The Board of Directors of the Bank has been urging the directors and senior management to participate in relevant training to promote their professional development. During the reporting period, in accordance with the relevant requirement of the CSRC and the CBRC, the Board of Directors arranged relevant directors to participate in the director training organized by the CSRC Beijing Bureau and the training on corporate governance organized by the CBRC. The Bank's directors passed all the examinations and communicated with the regulatory authorities during the training, which yields good effect.

Review and Supervise the Company's Policies Compliance with Legal and Regulatory Requirements and Practices

The Bank's Board of Directors attaches great importance to the Company's compliance with domestic and overseas laws as well as regulations and regulatory requirements. Considered and approved by the Board of Directors, the Bank formulated China CITIC Bank Compliance Policies, established and improved a bankwide compliance risk management framework, and clarified compliance risk management responsibilities, which provided a guarantee for the Bank's compliant operations in accordance with laws and regulations, and played an important role in publicizing compliance concept and promoting compliance culture.

Formulate and Review the Code of Conduct for the Staff and Directors and Supervise their Compliance

To standardize the staff's conduct and improve their quality, under the guidance of the Board of Directors, the Bank formulated China CITIC Bank Employee Code of Conduct, which stipulated on the Bank employees' professional ethics, professional discipline, professional image, office environment, and work atmosphere to encourage the employees to comply with the code of conduct. The Board of Directors developed the Management Measures for Holding and Change of Shares by CITIC Bank Directors, Supervisors and Senior Management, which detailed specifications on holding and trading the Bank's shares by directors, supervisors, senior management and related individuals and their disclosure obligations, as well as penalties for violations, to ensure that their actions are consistent with the requirements of domestic and overseas securities laws and regulations.

Compliance with the Code on Corporate Governance Practices under the Hong Kong Listing Rules

The Bank was in compliance with the provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the reporting period except for the following:

According to Code A.1.3 of the CG Code, the meeting notice shall be given at least 14 days before each regular meeting of the Board of Directors, while a 10-day notice to directors and supervisors shall be given for regular meetings of the the Board of Directors according to Article 167 of the Articles of Association of the Bank. The Bank adopted the 10-day prior notice for regular Board meetings in the Articles of Association of the Bank because it holds the view that 10-day prior notice is sufficient according to PRC Law.

Given the changes in the external operation environment, regulatory requirements, and the business scope and scale of the Bank, there is no limit to the efforts for improvement of the Bank's internal control. Therefore, the Bank will follow the requirements of external regulators, the requirements for listed companies and the criteria of leading banks in the world to continuously optimize its internal control management.

Appointment and Dismissal of Accounting Firms

As approved at the 2010 annual general meeting, the Bank employed KPMG Huazhen as its domestic auditor and KPMG as its overseas auditor for the year 2011. Ever since the Bank's IPO auditing in 2006, the two accounting firms have been serving as the Bank's auditors.

As at the end of 2011, the Group paid RMB9.20 million as audit service fees to KPMG and KMPG Huazhen for their auditing of the Group's 2011 financial statements (excluding the audit performed for the financial statements of its overseas subsidiaries and the Bank's internal control) and the Bank paid RMB1.10 million to KPMG Huanzhen as audit service fees for its auditing of the Bank's internal control in 2011; and the Group's overseas subsidiaries paid HKD5.93 million as audit service fees to KPMG.

Except for the above-mentioned audit assurance service fees, during the reporting period, the Bank paid RMB1.20 million to KPMG as service fees for its service in relation to the Bank's A shares and H shares rights issue, and paid approximately RMB3.83 million to KPMG as non-audit service fees.

Management of Investor Relations

In 2011, with the visionary leadership of the Board of Directors and the senior management, the Bank stepped onto a brand new stage in its investor relations management. In parallel with its persistence on standardized and effective management, the Bank kept enhancing its communication with investors. Through a variety of ways including the shareholders' general meetings, results press conference and road shows, routine meetings with investors, investors' forums and investors' hotline, the Bank had sufficient communication with its investors and created an effective platform for its investors to better understand its operation and management.

During the reporting period, the Bank participated in 80 external large-scale investors' forums and routine meetings with investors, and organized two results press conferences, two global conference calls, two domestic and international road shows and one reverse road show. Senior management including president of the Bank and heads of major departments all participated in the important investor activities such as road shows, reverse road show and results press conferences in person for in-depth exchanges with institutional investors, which deepened the understanding of the investors and analysts on the Bank's competitiveness and development strategies, delivered positive information to the capital market continuously, enhanced capital market confidence in the Bank, thereby laying a solid foundation for the management on the Bank's market capitalization. The Bank received routine inquiries from and conducted routine exchanges with minority shareholders by ways of email and phone calls, dealing with hundreds on cases through investors' hotline and email. Furthermore, the Bank made publicities through foreign and domestic media and its own website, improved the channels of communication between the Bank and its investors, and developed a set of diversified systems for the maintenance of investor relations, which enabled investors deeper understandings on the Bank's business operation and management and better protection of investors' interests through multiple manners.

During the reporting period, the Bank completed its A shares and H shares rights issue on 3 August 2011, raising the proceeds of RMB25.786 billion. In the process of the rights issue, the Bank carried out all-round communication with the capital market with its standardized and effective communication mechanism, made careful planning and preparation and exerted huge amount of effective efforts in areas of publicity, shareholder communication and reminders for subscription, and communicated adequately and effectively with the vast number of investors via actual and online virtual road shows, winning recognition and support from the investors and achieving a full success of the A shares and H shares rights issue.

In the future, the Bank will continue with its proactive efforts to seek continuous enhancement of its investor relations management and provide more efficient, timely and in-depth services for investors.

Information Disclosure

The Bank made information disclosure in compliance with the regulatory requirements of the listing venues and published regular reports and interim announcements to ensure the disclosure of information in a timely, fair, accurate, true and complete manner, and to safeguard the legitimate rights and interests of investors and other parties involved. As a bank concurrently listed in both Hong Kong and Shanghai, the Bank makes sure that it applies the more stringent information disclosure requirements to ensure equal treatment to all investors.

In order to promote the establishment of an information disclosure system and further enhance the transparency of information disclosure, the Bank formulated the Measures for Accountability of Material Errors regarding Annual Report Information Disclosure and made amendments to the Administrative Measures for Inside Information and Information Insiders, which further perfected the contents, forms, procedures, and management of information disclosure in the annual report, specified accountabilities for material errors in information disclosure of the annual report, and further provided rules for the management of inside information and registration of information insiders so as to ensure investors' equal access to the Bank's information. In 2011, the Bank published more than 50 announcements according to domestic and overseas regulatory requirements, including regular reports and interim announcements such as issuance of Renminbi denominated bonds in Hong Kong, construction project of CITIC Bank building, credit line to related parties, dividend distribution and the approval of director's qualifications for office, etc.

During the reporting period, the Bank continuously improved information disclosure of its regular reports based on the key focuses of investors and analysts and in line with rules of both listing venues. The Bank's full and abundant information disclosure was well received in the market. The Bank won many awards for its 2010 annual report, including the "Most Reliable Annual Report", "Silver Award for Innovative Cover Design and Production", and "Bronze Award for Best Use of Contents and Illustrations" from international award giving institutions such as MerComm, Inc.

Principal Business

The Bank engages in banking and related financial services.

Major Customers

As at the end of the reporting period, the incomes from the top five customers constituted less than 30% in the total interest income and other operating incomes of the Bank.

Profit and Dividends Distribution

The cash dividends distribution of the Bank since listing is listed as follows:

Unit: RMB million

Year for which dividends are distributed	Total amount of cash dividends (pre-tax)	Distribution ratio (%)
2008	3,330	25
2009	3,435	25
Interim of 2011 *(Note)*	2,573	18
2011	6,784	22

Note: The distribution ratio for the interim of 2011 is the ratio of the total amount of cash dividend distribution in the interim of 2011 to the net profit for the interim of 2011.

The audited profit after tax as shown on the 2011 financial statements prepared in accordance with the PRC GAAP and the International Financial Reporting Standards (IFRS), respectively, were both RMB30.730 billion.

After deducting the transfer of the profit after tax with a total amount of RMB1.441 billion finished during profit distribution for the interim of 2011, 10% of the profit after tax with a total amount of RMB1.632 billion will be transferred to the statutory surplus reserve. RMB4.300 billion will be transferred to the general reserve. No discretionary reserve will be charged.

The Bank's dividends distribution for the interim of 2011 was totaled RMB2.573billion and RMB0.055 (pre-tax) per share. The proposed dividends distribution for the year 2011 amounts to RMB6.784 billion. The total share capital of A-share and H-share shall be taken as base and the cash bonus of every 10 shares shall be RMB1.45 (pre-tax), which is denominated and declared in Renminbi. The dividend of A-share shall be paid in Renminbi. The dividend of H-share shall be paid in Hong Kong dollar, with the sum calculated in accordance with the average benchmark exchange rate of Renminbi released by the PBC one week (including the date of shareholder's general meeting) prior to the convening of shareholders' general meeting. The transfer of capital reserve to share capital plan was not applied in this year. The rest non-distributed profits will be retained to the following year. The aforesaid profit distribution plan shall be submitted to 2011 annual shareholders' general meeting for approval and implementation.

According to the Notice on the Issues Concerning Administration of Individual Income Tax after abolishment of Guo Shui Fa [1993] 045 Document (the "Notice") issued by the State Administration of Taxation of the People's Republic of China on 28 June 2011, the withholding agent shall withhold the individual income tax from the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders. The overseas resident individual shareholders shall be able to enjoy relevant tax preference pursuant to the relevant tax agreements between the countries where they are residing and the PRC, and the relevant tax arrangement between mainland China and Hong Kong (Macau). The withholding agent usually withholds the individual income tax with a tax rate of 10%. However, the withholding tax rates for respective overseas resident individual shareholders may vary depending on the relevant agreements between the countries where they are residing and the PRC, and the relevant tax arrangement between mainland China and Hong Kong (Macau).

According to the abovementioned Notice, when the aforesaid profit distribution plan is approved at 2011 annual shareholders' general meeting and is implemented, the Bank will withhold 10% of the dividend as individual income tax unless otherwise specified by the relevant tax regulations, tax agreements or the Notice.

For non-resident enterprise H shareholders, the Bank will continue to withhold 10% of the dividend as enterprise income tax according to the relevant tax regulations in line with its previous practice.

If H shareholders of the Bank have any doubt regarding the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact on the possession and disposal of H shares of the Bank.

The Bank aims at maximizing the wealth of shareholders in implementing its dividend distribution policy and, considering its own development plan and profits of the current year, scientifically decides a distribution ratio in the interests of shareholders. On proposing annual dividend distribution ratio, the Bank fully considers the balance between two factors: firstly, the dividend distribution ratio shall be in line with the Bank's medium and long-term capital plan and a support of the Bank's long-term sound development; and secondly, with the rapid growth of profit, the Bank's shareholders have the opportunity to share the Bank's development results and receive stable and abundant cash dividend each year while enjoying the increase in assets value with the increase of company's value.

Reserves

Please refer to Notes 50, 51, 52 and 53 to the Financial Statements herein for details on changes in reserves of the Bank as at the end of the reporting period.

Distributable Reserve

Please refer to the "Consolidated Statement of Changes in Equity" of the Financial Statements herein for details on distributable reserve of the Bank.

Donations

The Bank donated a total amount of approximately RMB5.88 million outbound during the reporting period.

Fixed Assets

Please refer to Note 31 to the Financial Statements herein for details on changes in fixed assets as at the end of the reporting period.

Subsidiaries

CITIC International Financial Holdings Limited

CIFH, a controlled subsidiary of the Bank established in 2002, is an investment and holding company registered in Hong Kong. CIFH engages in commercial banking and non-banking financial services. Please refer to "Management Discussion and Analysis" – "Overseas Networks" herein for details on CIFH.

CBI, a wholly-owned subsidiary of CIFH, is a licensed bank incorporated in Hong Kong. As at the end of the reporting period, CBI has established overseas branch in New York, Los Angeles and Singapore. In addition, CIFH holds 27.5% equity interest in CITIC Capital, a company specialized in investment management and consulting business in China and 40% equity interest in CIAM, a company specialized in asset management and direct investment business.

China Investment and Finance Limited

CIFL, a controlled subsidiary of the Bank established in 1984, is registered and conducts its main business in Hong Kong. CIFL holds a "money lender license" issued by the Companies Registry of the Hong Kong SAR Government, and its business covers lending and investment business, etc. Please refer to "Management Discussion and Analysis"– "Overseas Networks" herein for details on CIFL.

Zhejiang Lin'an CITIC Rural Bank

Lin'an CITIC Rural Bank, established in 2011, has a registration capital of RMB 200 million. The Bank holds 51% of its equity interest and other 13 enterprises hold the rest 49%. As at the end of the reporting period, Lin'an CITIC Rural Bank convened its founding meeting and obtained the approval from the CBRC Zhejiang Bureau for commencement of business operation. This rural bank started its operation on 9 January 2012.

Share Capital and Public Float

Please refer to Note 49 to the Financial Statements herein for details on changes in share capital of the Bank during the reporting period. According to the information publicly available as of the date on which the annual report is signed off for printing, the Board of Directors of the Bank is of the view that the Bank has sufficient public float.

Purchase, Sale or Redemption of Shares

During the reporting period, neither did the Bank nor any of its subsidiaries purchase, sell or redeem any shares of the Bank.

Pre-Emptive Rights

The Articles of Association of the Bank has no mandatory provisions on pre-emptive rights. According to the Articles of Association, the Bank may increase its registered capital by way of public offering or private offering, rights issue or bonus issue to the existing shareholders, or common reserve capitalization or by other means permitted by laws and administrative regulations as approved by the relevant authorities.

Retirement and Benefits

Please refer to Note 43 to the Financial Statements herein for details on the retirement benefits for employees provided by the Bank.

Use of Funds Raised and Material Investments with Non-Raised Funds

All proceeds raised by the Bank were used in accordance with the purposes disclosed in the prospectus, which is that all the proceeds were used to replenish the capital of the Bank and to increase the capital adequacy ratio and risk resilience capability of the Bank.

During the reporting period, the Bank raised RMB25.786 billion (deducting issuance fees) by way of A shares and H shares rights issue, the full amount of which was used to replenish the Bank's capital.

During the reporting period, no material investment was made with non-raised funds.

Issuance of Shares

Please refer to "Changes in Share Capital and Shareholding of Substantial Shareholders" – "Securities Issuance and Listing" herein for details on the Bank's share issuance during the reporting period.

Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Bank Held by Directors, Supervisors and Senior Management

As at the end of the reporting period, the interests and short positions in the shares, underlying shares and debentures of the Bank and its associated corporations (as defined in Part XV of the Hong Kong Securities and Futures Ordinance) as recorded in the register required to be kept pursuant to section 352 of the Hong Kong Securities and Futures Ordinance or otherwise notified to the Bank and the SEHK pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules of SEHK, which were held by the Directors, Supervisors and Senior Management, are as follows:

Name of director	Name of associated corporation	Nature of interests	Class/number of share interests held	Percentage in the issued share capital	Execution period
Dou Jianzhong	CIAM Group Limited	personal interests	1,250,000 shares (L) options	0.56%	9 September 2011 –8 September 2012
			1,250,000 shares (L) options		9 September 2011 –8 September 2014
Chan Hui Dor Lam Doreen	China CITIC Bank	personal interests	3,569,625 shares (L) H Shares	0.02%	–

Note: (L) – Long position

Save as disclosed above, no other directors, supervisors or senior management of the Bank hold any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations as at the end of the reporting period.

Interests of Substantial Shareholders

Please refer to "Changes in Share Capital and Shareholding of the Substantial Shareholders "–" Interests and Short Positions Held by Substantial Shareholders and Other Persons" herein for details.

Interests of Directors and Supervisors in Material Contracts

During the reporting period, neither has the Bank or its controlled companies, nor any of its subsidiaries or affiliated subsidiaries entered into any material contract in relation to the business of the Bank in which any director or supervisor has material interests, whether directly or indirectly.

No director or supervisor of the Bank has entered into any service contract with the Bank or any of its subsidiaries which cannot be terminated within one year or which requires any compensation other than the statutory compensation upon termination.

Tax Deduction and Exemption

Please refer to "Management Discussion and Analysis" – "Analysis of the Financial Statements" herein for details on tax deduction and exemption.

Auditors

Please refer to "Report on Corporate Governance" herein for details on the auditors of the Bank. A proposal of engaging the auditors of the Bank will be submitted to the upcoming 2011 annual general meeting for approval.

Relationships among Directors, Supervisors and Senior Management

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

Interests of Directors in the Business Competing with the Bank

None of the Directors of the Bank has any interest in business which directly or indirectly competes or may compete with the Bank's business.

Management of Inside Information

The Bank has already established the registration and filing mechanism of information insiders and external users of inside information, covering the scope of information insiders management both internal staff who has access to annual financial information prior to the disclosure and persons from external institutions such as auditors. Therefore, the Bank ensures that no relevant information would be leaked in any form prior to the disclosure in regular reports, thereby protecting legitimate rights and interests of the Bank's investors and parties involved.

During the reporting period, the Bank focused on system construction for management of inside information and information insiders. The Bank drafted the Measures for Accountability of Major Malpractice Regarding Annual Report Information Disclosure and amended the Administrative Measures for Inside Information and Information Insiders, and conducted self-investigation on trading of the Bank's securities by internal insiders prior to the information disclosure of annual report, which is in strict compliance with relevant provisions under the Administrative Measures for Inside Information and Information Insiders. A survey in the form of internal investigation was also carried out on the reporting of information to external parties by the Bank's affiliate institutions, and they were urged to remind external information users of their obligations to keep information in confidentiality in writing. In addition, the Bank established a filing mechanism to record the delivery of internal information to outside users, covering the basis of delivery, subject of delivery, type of information delivered, time of delivery, and whether external users are reminded in writing of their confidentiality obligation.

During the reporting period, the Bank did not identify any trading of the Bank's securities by the Bank's internal insiders prior to information disclosure of the annual report.

During the reporting period, the Bank was not subject to any regulatory action or administrative punishment imposed by regulatory bodies due to insider trading.

Material Environmental Protection or Other Social Safety Incidents

During the reporting period, the Bank did not incur any material environmental or social safety incidents.

Meetings of the Board of Supervisors

During the reporting period, a total of nine meetings were held by the Board of Supervisors of the Bank, at which 12 proposals were considered and adopted, including 2011 work report of the Board of Supervisors, Measures for Performance Assessment of Directors, Supervisors and Senior Management by the Board of Supervisors (Amended), Implementation Rules for Performance Assessment of Directors by the Board of Supervisors (Interim), 2011 Annual Report, and 2011 first quarterly report, 2011 third quarterly Report and 2011 Interim Report. Details of attendance by the supervisors are as follows:

Supervisors	Actual Attendance/Required Attendance	Attendance Rate
Wu Beiying (5)	7/7	100%
Wang Shuanlin (5)	7/7	100%
Zheng Xuexue (4)	9/9	100%
Zhuang Yumin (2)	9/9	100%
Luo Xiaoyuan (3)	9/9	100%
Lin Zhengyue (5)	7/7	100%
Li Gang	9/9	100%
Deng Yuewen	9/9	100%

Notes: (1) According to the Articles of Association, supervisors can entrust other supervisors to attend meetings of the Board of Supervisors as proxy and exercise voting rights on their behalf.

(2) Dr. Zhuang Yumin was unable to attend the meeting held on 7 November 2011 in person and entrusted another supervisor to attend the meeting as proxy and exercise the voting rights on her behalf.

(3) Ms. Luo Xiaoyuan was unable to attend the meeting held on 23 December 2011 in person and entrusted another supervisor to attend the meeting as proxy and exercise the voting rights on her behalf.

(4) Mr. Zheng Xuexue was unable to attend the meeting held on 3 March 2011 in person and entrusted another supervisor to attend the meeting as proxy and exercise the voting rights on his behalf.

(5) For the changes of the office of Mr. Wu Beiying, Mr. Wang Shuanlin and Mr. Lin Zhengyue, please refer to "Directors, Supervisors, Senior Management and Staff" – "Appointment and Dismissal of Directors, Supervisors and Senior Management".

Performance of the Board of Supervisors

During the reporting period, in order to safeguard the interests of the shareholders and depositors, the Board of Supervisors of the Bank performed its supervision and inspection duties in line with relevant laws and regulations and the Articles of Association and in accordance with the requirements of regulation and corporate governance. By convening and attending routine meetings, listening to special reports of the management, performing special investigations and researches, carrying out on-site inspections, and attending meetings and trainings organized by regulators, the supervisors performed their supervisory duties effectively, attained all goals set in the 2011 work plan of the Board of Supervisors successfully, achieved smooth operation of all items on their work agenda and kept promoting and improving the Bank's corporate governance.

Conscientious Performance of Routine Duties and Supervision on the Bank's Operating Activities According to Laws

The Board of Supervisors held nine regular and interim meetings during the reporting period, at which supervisors deliberated and adopted proposals including 2010 work report of the Board of Supervisors, 2010 annual report, and 2011 first quarterly report, 2010 third quarterly report, 2011 interim report, Measures for Performance Assessment of Directors, Supervisors and Senior Management by the Board of Supervisors, Implementation Rules for Performance Assessment of Directors by the Board of Supervisors (Trial) and other regulations, and assessed duty performance of Board directors for the year 2010. The Board of Supervisors performed due diligence on the Bank's operation in compliance with law, truthfulness of the financial reports, particulars of acquisition and disposal of assets, connected transactions, implementation of internal control mechanisms and corporate governance, and produced its independent opinion thereof.

Supervisors of the Bank attended the 2010 annual general meeting, all extraordinary general meetings in 2011 and all 10 meetings of the Board of Directors and 17 specialized committees under the Board of Directors as non-voting delegates, and attended in person the national conference of the Bank's branch presidents, and selectively attended meetings of senior management as non-voting delegates. By attending meetings as non-voting delegates, the supervisors were able to gain insights on the operation and management of the Bank, develop knowledge of the policies and major decisions made by the Board of Directors and the management team to promote business development of the Bank in a timely manner, supervise lawfulness and compliance of general meetings, meetings of the Board of Directors and the management as well as the voting procedure, effectively monitor the performance of directors and senior management of the Bank, and urge them to perform their duties with due diligence.

Frequent On-Site Inspection and Field Studies to Continuously Promote Sound Development of the Bank

The Board of Supervisors continued its special inspection on the Bank's branches in accordance with requirements of the regulators and its annual work plan. It conducted on-site inspection on two selected tier-one branches in order to check and verify the viability of note business, which is risk prone and susceptible to impacts of macro-economic tightening policies. In order to understand the financial and accounting management of new branches either under preparation or already operational, the Board of Supervisors entrusted an accounting firm to conduct special on-site inspection regarding the execution of financial/accounting systems at a selected branch. The inspection results were reported to the management, so as to urge the branch to make timely adjustments and continuously upgrade its work.

With regard to the risks related to the local government financing platform and real estate loans and the execution of the management accounting system bankwide, the Board of Supervisors paid field visits to branches in Chongqing, Chengdu, Fuzhou and Guangzhou. By penetrating the frontline of business operation, the Board gained deeper and more extensive insights into loan-related asset quality and risk management of the branches and was also able to understand problems and experiences during execution of the management accounting system.

The Board of Supervisors listened to special reports from the management and major departments at its Head Office regarding risk management, handling of government financing platform risks, management of business indicators, internal auditing and internal control. In addition, the Board of Supervisors also listened to special reports given by external auditors on audit and review of the Bank's regular reports. Through these special reports, the Board of Supervisors was able to timely gain deeper insight into the operational aspects of the Bank and potential risks and thereby raised targeted suggestions to the management regarding business decision and risk management.

Enhancement of Capacity Building of the Board of Supervisors and Improvement of Duty Performance

In 2011, the Board of Supervisors actively participated in the regulatory meetings organized by regulatory authorities such as the CBRC to earnestly learn and implement the relevant regulatory requirements and gain timely knowledge of the new regulatory requirements and the macro operation environment. The Board of Supervisors attended the annual CBRC meeting on prudential regulation, listened to CBRC's briefings on the regulatory rating results for the Bank, discussed the results and proposed improvement measures. In addition, the Board attended regular quarterly briefings organized by the CBRC in order to timely implement relevant regulatory requirements.

Members of the Board of Supervisors actively participated in the 2011 training courses for directors and supervisors organized by the CSRC Beijing Bureau. All of them passed the training tests and obtained certificates thereof. By participating in the training courses, members of the Board of Supervisors were able to improve their capability for duty performance, which, in turn, paved the way for a more effective supervisory role of the Board.

Related leaders of the Board of Supervisors participated in training workshops that were attended by equity directors and supervisors of small and medium-sized listed banks which were jointly organized by the CSRC and the CBRC. The trainings focused on knowledge of corporate governance, information disclosure, insider trading, performance assessment of directors and supervisors, etc. The Board of Supervisors leveraged the opportunity to conduct in-depth communication with the regulators, harvesting impressive results.

Implementation of Regulatory Requirements and Successful Completion of Annual Performance Assessment on Directors

According to the requirements of the Measures of Performance Assessment of Directors of Commercial Banks (Interim) issued by the CBRC, the Board of Supervisors organized annual performance assessment on directors for the year 2010. Performance of executive directors, non-executive directors and independent non-executive directors was assessed in the form of self-assessment, peer review and opinion of the Board of directors, on the basis of which the annual assessment report was drafted. As per the Measures for Performance Assessment of Directors, Supervisors and Senior Management by the Board of Supervisors and the Implementation Measures for Performance Assessment on Directors by the Board of Supervisors (Trial) and other regulations all 16 members of the Board of Directors were found qualified in their discharge of duties in 2010.

The Board of Directors, the Shareholders' General Meeting and the directors themselves were notified of the results of assessment. A separate result report was submitted to the CBRC.

Independent Opinions of the Board of Supervisors on Relevant Matters

Compliance of Business Operation

The Bank conducted business in accordance with the Company Law, Commercial Banks Law and the Articles of Association of the Bank. The decision-making procedures were lawful and valid. Neither violations of relevant laws and regulations or the Articles of Association of the Bank, nor acts that resulted in impairment of the interests of the Bank and its shareholders were identified on the part of the directors or senior management members when they executed their duties.

Authenticity of the Financial Report

The financial report for this year has reflected the financial position and operating results of the Bank in a true, objective and accurate manner.

Use of Proceeds

During the reporting period, the actual use of proceeds was consistent with the purposes stated in the Bank's prospectus for initial public offering and the prospectus for rights issue.

Acquisition and Disposal of Assets

During the reporting period, the Board of Supervisors was not aware of any asset acquisition or disposal by the Bank which might result in the impairment of the interests of the shareholders or result in loss of the Bank's assets, or which constitutes insider trading.

Related Party Transactions

During the reporting period, the Board of Supervisors was not aware of any related party transactions that might result in the impairment of the interests of the Bank or its shareholders.

Execution of Resolutions Adopted at the shareholders' General Meetings

The Board of Supervisors had no disagreement with the reports and proposals that the Board of Directors submitted to the shareholders' general meetings for consideration during the reporting period. The Board of Supervisors supervised the execution of the resolutions adopted at the general meetings and believed that the Board of Directors of the Bank diligently implemented the resolutions adopted at the general meetings.

Board of Supervisors' Review of the Report on Assessment of the Company's Internal Control

The Board of Supervisors reviewed the the 2011 Report of the Board of Directors of CITIC Bank Corporation Limited on Assessment of the Company's Internal Control and had no disagreement upon the content of the report.

Board of Supervisors' Review of the Social Responsibility Report

The Board of Supervisors reviewed the 2011 Social Responsibility Report of CITIC Bank Corporation Limited and had no disagreement upon the content of the report.

Significant Events

Material Acquisitions, Disposals or Restructurings of Assets

Save and except as disclosed herein, the Bank did not engage in any material acquisitions, disposals or restructurings of assets during the reporting period.

Material Contracts and Their Performance

During the reporting period, the Bank did not custody, contract or lease any material assets of other companies, nor did other companies custody, contract or lease any material assets of the Bank.

The guarantee business is one of the off-balance sheet business item in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantees that need to be disclosed except for the financial guarantee services that are within the approved business scope of the Bank.

Specialized Explanations and Independent Opinions of Independent Directors Concerning the Guarantees Offered by the Bank to External Parties

We, as independent directors of China CITIC Bank, examined the guarantees offered by China CITIC Bank to external parties in an impartial, fair and objective manner, and hereby express the following specialized explanations and opinions:

Upon our inspection, the guarantees offered by the Group to external parties are primarily letter of guarantee, and letter of guarantee business is one of the regular banking services within the approved business scope of the Bank. As at the end of the reporting period, the balance of letters of guarantee issued by the Group was an equivalent to RMB64.534 billion.

The Bank has attached great importance to the management of risks related to the such business, and formulated creditability standards of the guaranteed obligor, the operation procedures and the examination and approval procedures for the guarantee business based on the characteristics of risks associated therewith. During the reporting period, the above mentioned business went well, with no illegal guarantee issued. We are of the view that the Bank has effectively controlled the risks related to its guarantee business.

Independent Directors of China CITIC Bank Corporation Limited
Bai Chong-En, Xie Rong, Wang Xiangfei, Li Zheping, Xing Tiancai

Material Litigations and Arbitrations

The Bank has been involved in several litigations and arbitrations cases during its daily business operations. Most of these litigations and arbitrations were initiated by the Group to enforce loan repayment, and there were also litigations and arbitrations resulting from disputes with clients. As at the end of the reporting period, the Group was involved in 94 litigations and arbitrations with disputed amount exceeding RMB30 million each (either as plaintiff/claimant or defendant/respondent) with an aggregate disputed amount of RMB6.336 billion. There were 47 outstanding cases (regardless of the disputed amounts) where the Group acted as defendant/respondent with an aggregate disputed amount of RMB242 million. The management of the Group is of the view that these legal actions do not have any material impact on the financial position of the Bank.

Material Related Party Transactions

When entering into related party transactions with the related parties during its ordinary course of business, the Bank sticks to normal commercial terms and executed the transactions with terms available to related parties being no more favorable than those available to independent third parties for similar transactions. Please refer to Note 63 Related Parties to the financial statements herein for detailed data about the related party transactions.

Related Party Transactions involving Disposal and Acquisition of Assets

Save and except as disclosed herein, the Bank was not engaged in any related party transactions involving disposal and acquisition of assets during the reporting period.

Credit Extension Related Party Transactions

The Bank attached great importance to the daily monitoring and management of related party transactions involving credit extension and ensured the legality and compliance of such transactions by enhancing relevant measures such as process-oriented management, risk review and post-lending management. As at the end of the reporting period, the credit balance extended to related parties totaled RMB6.38 billion, of which the credit balance to CITIC Group and its subsidiaries totaled RMB3.83 billion and the credit balance to BBVA and its subsidiaries totaled RMB2.54 billion. The above-mentioned credit granting business to related shareholders together with the risk exposure thereof, with its sound underlying quality, was all normal bank loans and therefore would not have material impact on the normal operation of the Bank in terms of transaction volume, structure and quality.

When granting credit to related parties, the Bank only entered into such transactions on normal commercial terms with prices available to related parties being no more favorable than those available to independent third parties of similar transactions. Meanwhile, the Bank followed the requirements on approval and disclosure by the SSE and the CBRC. As at the end of the reporting period, there was no fund exchange and appropriation in violation of the provisions of the Notice of CSRC on Issues Concerning the Standardization of Fund Exchange between Listed Companies and Related Parties and External Guarantee Provided by Listed Companies (Zheng Jian Fa [2003] No. 56) and the Notice of CSRC on Standardization of the External Guarantee Activities of Listed Companies (Zheng Jian Fa [2005] No. 120). The related party loans granted by the Bank to its largest shareholder CITIC Group and its controlled companies had no adverse impact on the operation result and financial position of the Bank.

Non-Credit Extension Continuing Connected Transactions

According to the framework agreements on continuing connected transactions, the Bank conducted transactions with CITIC Group and its associates, BBVA and its associates, and CIFH and its subsidiaries within the corresponding annual caps of the year. During the reporting period, the Bank entered into three additional framework agreements, i.e. the CITIC Bank/CITIC Group Call Center Outsourcing Services Framework Agreement with CITIC Group and its associates, the CITIC Bank/BBVA Loan Asset Transfer Framework Agreement with BBVA and its associates, and the CITIC Bank/CIFH Loan Asset Transfer Framework Agreement with CIFH and its associates. The annual cap as specified in CITIC Bank/CITIC Group Asset Custody Services Framework Agreement, which was entered into with CITIC Group and its associates, was adjusted. According to the applicable provisions of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Chapter 10 of Rules of the Shanghai Stock Exchange for the Listing of Stocks, we hereby provide details on the above-mentioned continuing connected transactions as follows:

Non-credit extension continuing transactions with CITIC Group and its associates

Third-Party Escrow Services

According to the Third-Party Escrow Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the third-party escrow services provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2011, the annual cap for the transactions under the Third-Party Escrow Service Framework Agreement was RMB40 million while the actual amount incurred was RMB11 million as at the end of the reporting period.

Investment Product Agency Sales Service

According to the Investment Product Agency Sales Service Framework Agreement renewed between the Bank and CITIC Group in August 2010, the agency sales services to be provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The sales commissions payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In 2011, the annual cap for the transactions under the Investment Product Agency Sales Service Framework Agreement was RMB683.1 million while the actual amount incurred was RMB99 million as at the end of the reporting period.

Asset Custody Services

According to the Asset Custody Services Framework Agreement renewed between the Bank and CITIC Group in August 2010, the asset custody services to be provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The asset custody fees payable to the Bank by CITIC Group and its associates shall be determined based on the relevant market rates and subject to periodic reviews. In October 2011, the Bank adjusted the annual cap for the transactions under the Asset Custody Service Framework Agreement. The new cap was RMB200 million while the actual amount incurred was RMB88 million as at the end of the reporting period.

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement renewed between the Bank and CITIC Group in August 2010 and approved by the third extraordinary general meeting in 2010, the transactions to be conducted between the Bank and CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) the statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the loan assets minus appropriate discounting to reflect the appropriate risks of the loan assets. In 2011, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was RMB40 billion while the actual amount incurred was zero as at the end of the reporting period.

Financial Consulting and Asset Management Services

According to the Financial Consulting and Asset Management Service Framework Agreement entered into between the Bank and CITIC Group in August 2010, the financial consulting and asset management services to be provided by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. There is no fixed price or rate for such services. The prices and rates applicable to a particular type of services shall be determined upon negotiations between the parties on arm's length negotiate or be based on the prevailing market prices and rates applicable to independent counterparties for the same transactions. In 2011, the annual cap for the transactions under the Financial Consulting and Asset Management Service Framework Agreement was RMB111 million while the actual amount incurred was RMB10 million as at the end of the reporting period.

Technology Services

According to the Technology Service Framework Agreement entered into between the Bank and CITIC Group in August 2010, CITIC Group and its associates provided services to the Bank including the development of management information system and trading information system, and services such as integration, maintenance and support and outsourcing. The service fees payable by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. There is no fixed price or rate for such services. The prices and rates applicable to a particular type of services shall be determined upon negotiations between the parties on arm's length basis and be based on the prevailing market prices and rates applicable to independent counterparties for identical transactions. In 2011, the annual cap for the transactions under the Technology Service Framework Agreement was RMB70.6 million while the actual amount incurred was RMB57 million as at the end of the reporting period.

Capital Market Transactions

According to the Capital Market Transactions Master Agreement entered into between the Bank and CITIC Group in August 2010, the Bank, CITIC Group and its associates shall conduct capital market transactions according to applicable common market practices and on normal commercial terms. There is no fixed price or rate for the transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for identical transactions. In 2011, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as the case may be) of the transactions under the Capital Market Transactions Master Agreement was RMB1.2 billion respectively and that for the fair value of derivative financial instruments (whether recorded as assets or liabilities) was RMB4.2 billion. As at the end of the reporting period, net realized gain of the transactions under the Capital Market Transactions Master Agreement was RMB304 million, the fair value of financial derivatives recorded as assets was RMB67 million and RMB33 million recorded as liabilities.

Call Center Outsourcing Services

According to the Call Center Outsourcing Services Framework Agreement entered into between the Bank and CITIC Group in October 2011, CITIC Group and its associates shall provide call center outsourcing services to the Bank, including staff, premises, equipment and system to the Bank, such as customer calling services, telephone banking services, telephone sales, call reminders for payment collection, review and examination via calls, operation consulting, training, digit information service, marketing consulting, interactive marketing, etc. The service fees payable by the Bank to CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. There is no fixed price or rate for such services. The prices and rates applicable to a particular type of services shall be determined upon negotiations between the parties on arm's length basis and be based on the market prices and rates applicable to independent counterparties for identical transactions. In 2011, the annual cap for transactions under the Call Center Outsourcing Services Framework Agreement was RMB280 million. As at the end of the reporting period, actual amount incurred was RMB118 million.

Non-Credit Extension Continuing Transactions with BBVA and its Associates

Interbank Transactions

According to the Interbank Transactions Master Agreement entered into between the Bank and BBVA in 2009, the Bank and BBVA Group shall conduct interbank transactions in their ordinary and usual course of business according to applicable common interbank transaction practices and on normal commercial terms. There is no fixed price or rate for the transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for identical transactions. In 2011, the annual cap for realized gains, realized losses, unrealized gains and unrealized losses (as the case may be) of the transactions under the Interbank Transactions Master Agreement were RMB480 million respectively, and that for the fair value of derivative financial instruments, whether recorded as assets or liabilities, was RMB450 million. As at the end of the reporting period, net realized gain was RMB79 million; while the fair value of financial derivatives recorded as assets was RMB221 million and RMB152 million recorded as liabilities.

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and BBVA in October 2011, the transactions to be conducted between the Bank and BBVA and its associates shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) the statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the financial assets minus appropriate discounting to reflect the appropriate risks of the loan assets. In 2011, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was USD150 million while the actual amount incurred was zero as at the end of the reporting period.

Non-Credit Extension Continuing Related Party Transactions with CIFH and its Subsidiaries

Capital Market Transactions

According to the Capital Market Transactions Master Agreement entered into between the Bank and CIFH in August 2010, the Bank, CIFH and its subsidiaries shall conduct capital market transactions according to applicable general market practices and on normal commercial terms. There is no fixed price or rate for the transactions. The prices and rates applicable to a particular type of transactions shall be the prevailing market prices or the rates generally applicable to independent counterparties for the same transactions. In 2011, the annual cap under the framework agreement for realized gains, realized losses, unrealized gains and unrealized losses (as the case may be) of the transactions under the Capital Market Transactions Master Agreement was RMB1 billion respectively and that for the fair value of the derivative financial instruments (whether recorded as assets or liabilities) was RMB3.5 billion. As at the end of the reporting period, the net realized gain and losses of the transactions under the Capital Market Transactions Master Agreement, the fair value of financial derivatives recorded as assets and the fair value of financial derivatives recorded as liabilities were zero.

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and CIFH in October 2011, the transactions to be conducted between the Bank and CIFH and its subsidiaries shall be made on terms no more favorable than those available to independent third parties. The price payable by the transferee shall be determined on the basis of the following principles: (1) the statutory or guidance prices prescribed by the PRC government; (2) where there is no government-prescribed price or guidance price, the market prices shall prevail; and (3) where there is neither such government-prescribed price or guidance price nor market price, the price shall be determined by the book value of the financial assets minus appropriate discounting to reflect the appropriate risks of the loan assets. In 2011, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was USD250 million while actual amount incurred was USD650 million as at the end of the reporting period.

The independent non-executive directors of the Bank have reviewed the continuing connected transactions during the reporting period and have confirmed that these continuing connected transactions were:

(1) in the ordinary and usual course of business of the Bank;

(2) on normal commercial terms;

(3) in accordance with the relevant agreements governing them and the terms of which are fair and in the interests of shareholders of the Bank as a whole.

The auditor has obtained a list of the continuing connected transactions prepared by the Bank's management. Based on the auditor's work conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, in respect of the disclosed continuing connected transactions nothing has come to the auditor's attention that causes the auditor to believe that:

(1) The disclosed continuing connected transactions have not been approved by the Bank's board of directors;

(2) For transactions involving the provision of goods or services by the Group, the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) The transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(4) With respect to the aggregate amount of each of the continuing connected transactions, the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements dated 27 August 2009, 11 August 2010 and 27 October 2011 made by the Bank in respect of each of the disclosed continuing connected transactions.

Shareholdings in Other Listed Companies and Financial Enterprises

As at the end of the reporting period, the Group's shareholdings held in other listed companies are as follows:

Unit: RMB

Stock code	Stock name	Initial investment amount	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Book value at the beginning of the reporting period	Changes in shareholder's equity during the reporting period	Accounting item	Source of investment
00762	China Unicom (HK)	7,020,000.00	—	5,302,536.82	3,864,412.39	8,515,118.78	978,984.47	Available-for-sale financial assets	Cash purchase
V	Visa Inc.	7,509,605.39	—	32,494,532.10	83,105.64	23,627,618.05	8,866,914.05	Available-for-sale financial assets	Gift/Bonus share
MA	Mastercard International	201,629.69	—	1,780,763.20	1,662.11	1,121,395.54	659,367.66	Available-for-sale financial assets	Bonus share
Total		14,731,235.08		39,577,832.12	3,949,180.14	33,264,132.37	10,505,266.18		

As at the end of the reporting period, the Group's shareholdings in non-listed financial enterprises are as follows:

Unit: RMB

Name of company	Initial investment amount	Number of shares held (share)	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Changes in shareholder's equity during the reporting	Accounting item	Source of investment
China Union Pay Co. Ltd.	70,000,000.00	87,500,000	4.24%	113,750,000.00	2,450,000.00	—	Available-for-sale financial assets	Cash purchase
SWIFT	161,127.66	22	—	133,050.19	—	—	Available-for-sale financial assets	Bonus share
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,178,911.74	—	—	Available-for-sale financial assets	Bonus share
Electronic Payment Services Company (HK) Ltd.	14,263,759.80	2	—	13,142,762.60	—	—	Available-for-sale financial assets	Bonus share
Total	88,960,234.79			131,204,724.53	2,450,000.00			

Note: Apart from the equity investment set out in the table above, CIFL, a subsidiary of the Bank, also held private equity fund with a net value of RMB353 million as at the end of the reporting period.

Punishment and Remedial Actions of the Company, Board of Directors, Directors and Senior Management

During the reporting period, neither the Bank or the Board of Directors, nor Directors or Senior Management of the Bank was subject to investigation, administrative punishment, ban of entry into securities markets and circular of criticism by the CSRC, or punishment by other administrative authorities for being identified as inappropriate candidate, or public reprimands from any stock exchanges. Furthermore, none of the Bank's Board of Directors, Directors or Senior Management was subject to any punishment from other regulators that may have any material impact on the operations of the Bank.

Appropriation of Funds by the Controlling Shareholder and Other Related Parties

There is no appropriation of the Bank's funds by either the controlling shareholder or other related parties. The auditor has issued the 2011 Special Statement on Fund Appropriation by the Controlling Shareholder and Other Related Parties for China CITIC Bank Corporation Limited.

Undertakings by the Company or its Shareholders Holding 5% or More Shares in the Company

The shareholders who hold 5% or more shares in the Bank are CITIC Group and BBVA.

On 28 September 2010, CITIC Group undertook that if it participates in subscription for the shares from the Bank's rights issue, CITIC Group shall not transfer or entrust others to manage its rights shares, nor will CITIC Group ask the Bank to repurchase such rights shares within 5 years as of the delivery date of the said shares, and that upon maturity of the lock-up period of the said shares CITIC Group shall obtain the consent of the relevant regulator (s) on the transfer of the said rights shares and the shareholder qualification of the transferee (s) should CITIC Group decide to make such transfer (s) . In 2011, CITIC Group subscribed for 4,823,154,716 A shares of the Bank from the said rights issue and the delivery was completed on 7 July 2011.

According to the restructuring plan of CITIC Group approved by the State Council and the MOF, CITIC Group and CITIC Limited entered into a restructuring agreement on 16 January 2012, according to which the shares in the Bank held by CITIC Group shall be acquired by CITIC Limited. This acquisition is subject to the CSRC approval on waiving purchaser's obligation of tender offer. This share transfer is a part of the overall restructuring of CITIC Group in accordance with the approval of the State Council and the MOF and is recognized as share transfer under the common control with no change of de facto controlling shareholder. Pursuant to the restructuring agreement, CITIC Limited inherits relevant rights and obligations attached to the assets contributed by CITIC Group.

On 23 September 2010, BBVA undertook that as a strategic investor of the Bank, BBVA shall regard its investment in the Bank as long-term investment and that BBVA shall intend to hold its allotment from this rights issue within at least 5 years as of the date of delivery completion thereof, except for special situations (including but not limited to any requirements of the law or those imposed by any regulatory authorities or government bodies or securities exchanges that enjoy jurisdiction over the Bank, applying for, being applied for or being declared bankruptcy or becoming insolvent, or occurrence of macroscopic economic events, force majeure or other objective situations that exert material adverse impacts on operation or financial position of the Bank) . In 2011, BBVA subscribed for 1,163,097,447 H shares in the Bank's H-share rights issue and the delivery was completed on 1 August 2011. On 22 June 2011, BBVA undertook that it would subscribe in cash for all the H shares that the Bank provisionally allotted to it according to the terms in the rights issue prospectus, and that its existing H shares plus the newly acquired H shares through the rights issue would not lead to BBVA holding more than 15% of the total equity of the Bank.

Save and except for the afore-mentioned undertakings and the undertakings made by CITIC Group upon listings of the Bank on 27 April 2007, no other undertakings were made during the reporting period. The Bank is not aware of any violation of the previous undertakings on the part of shareholders that hold 5% or more of the Bank's shares.

Change of the Bank's Controlling Shareholder

Please refer to "Changes in Share Capital and Shareholding of the Substantial Shareholders" – "Controlling Shareholder and De Facto Controller of the Bank" for information on change of the Bank's controlling shareholder.

Progress of Other Significant Events

On 19 October 2011, the Bank held the second extraordinary general meeting in 2011, where the proposal on the issue of Renminbi denominated bonds in Hong Kong was considered and adopted. The Bank will launch the relevant work in accordance with the resolution adopted at the extraordinary general meeting.

On 6 March 2012, the Bank held the first extraordinary general meeting in 2012, where the proposal on issue of subordinated bonds and special small and micro enterprises financial bonds were considered and adopted. The Bank will launch the relevant work in accordance with the resolution adopted at the extraordinary general meeting.

Independent Auditor's Report

Independent auditor's report to the shareholders of China CITIC Bank Corporation Limited

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

We have audited the consolidated financial statements of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 146 to 270, which comprise the consolidated and Bank statements of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

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

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong,

30 March 2012

Consolidated Statement of Comprehensive Income

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

	Note	2011	2010
Interest income		106,623	72,460
Interest expense		(41,517)	(24,325)
Net interest income	6	65,106	48,135
Fee and commission income		9,481	6,308
Fee and commission expense		(644)	(612)
Net fee and commission income	7	8,837	5,696
Net trading gain	8	2,260	1,289
Net gain from investment securities	9	83	142
Net hedging loss	10	(1)	(1)
Other operating income		807	1,095
Operating income		77,092	56,356
Operating expense	11	(28,381)	(22,638)
Operating Profit before impairment		48,711	33,718
Impairment losses on			
— Loans and advances to customers	12	(5,734)	(4,238)
— Others	12	(1,473)	(1,011)
Total impairment losses		(7,207)	(5,249)
Revaluation gain on investment properties		29	54
Share of profits of associates		57	172
Profit before tax		41,590	28,695
Income tax	16	(10,746)	(6,916)
Net profit		30,844	21,779
Other comprehensive income for the year			
Available-for-sale financial assets			
— Net changes in fair value		765	(450)
— Net amount transferred to profit or loss		340	(66)
Exchange difference on translating foreign operations		(652)	(476)
Other comprehensive income of associates		34	42
Total other comprehensive income/(loss)		487	(950)
Income tax effects relating to each component of other comprehensive income/(loss)		(280)	136
Other comprehensive income/(loss), net of tax	18	207	(814)
Total comprehensive income		31,051	20,965
Net profit attributable to:			
Shareholders of the Bank		30,819	21,509
Non-controlling interests		25	270
		30,844	21,779
Total comprehensive income attribute to:			
Shareholders of the Bank		31,227	20,812
Non-controlling interests		(176)	153
		31,051	20,965
Basic and diluted earnings per share (RMB)	17	0.71	0.53

The notes on pages 153 to 270 form part of these financial statements.

Consolidated Statement of Financial Position

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

	Note	31 December 2011	31 December 2010
Assets			
Cash and balances with central bank	19	**366,391**	256,323
Deposits with banks and non-bank financial institutions	20	**386,535**	81,955
Placements with banks and non-bank financial institutions	21	**151,004**	48,633
Trading financial assets	22	**8,190**	2,855
Positive fair value of derivatives	23	**4,683**	4,478
Financial assets held under resale agreements	24	**162,211**	147,632
Interest receivable	25	**10,051**	6,095
Loans and advances to customers	26	**1,410,779**	1,246,026
Available-for-sale financial assets	27	**134,518**	137,109
Held-to-maturity investments	28	**108,468**	129,041
Investments in associates	29	**2,212**	2,253
Fixed assets	31	**10,116**	9,974
Investment properties	32	**272**	248
Goodwill	33	**818**	857
Intangible assets	34	**254**	217
Deferred tax assets	35	**2,971**	2,565
Other assets	36	**6,408**	5,053
Total assets		**2,765,881**	2,081,314
Liabilities			
Deposits from banks and non-bank financial institutions	38	**535,546**	141,663
Placements from banks and non-bank financial institutions	39	**4,676**	7,072
Trading financial liabilities	40	**—**	10,729
Negative fair value of derivatives	23	**3,764**	4,126
Financial assets sold under repurchase agreements	41	**9,806**	4,381
Deposits from customers	42	**1,968,051**	1,730,816
Accrued staff costs	43	**8,861**	7,853
Taxes payable	44	**4,015**	2,598
Interest payable	45	**13,599**	8,569
Provisions	46	**36**	36
Debts securities issued	47	**33,730**	34,915
Other liabilities	48	**5,016**	4,018
Total liabilities		**2,587,100**	1,956,776

The notes on pages 153 to 270 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

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

	Note	31 December 2011	31 December 2010
Equity			
Share capital	49	**46,787**	39,033
Share premium and other reserve	50	**49,491**	31,574
Investment revaluation reserve	51	**214**	(632)
Surplus reserve	52	**8,691**	5,618
General reserve	53	**20,825**	15,698
Retained earnings		**50,622**	30,576
Exchange difference		**(2,134)**	(1,692)
Total equity attributable to shareholders of the Bank		**174,496**	120,175
Non-controlling interests		**4,285**	4,363
Total equity		**178,781**	124,538
Total liabilities and equity		**2,765,881**	2,081,314

Approved and authorised for issue by the board of directors on 30 March 2012.

Tian Guoli	**Chen Xiaoxian**	**Cao Guoqiang**	**Wang Kang**	**Company Stamp**
Chairman	*President*	*Vice President in charge of finance function*	*General Manager of Budget and Finance Department*	

The notes on pages 153 to 270 form part of these financial statements.

Statement of Financial Position

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

	Note	31 December 2011	31 December 2010
Assets			
Cash and balances with central bank	19	**365,318**	255,394
Deposits with banks and non-bank financial institutions	20	**379,964**	67,157
Placements with banks and non-bank financial institutions	21	**125,535**	39,221
Trading financial assets	22	**7,899**	2,298
Positive fair value of derivatives	23	**3,002**	3,094
Financial assets held under resale agreements	24	**162,261**	147,692
Interest receivable	25	**9,449**	5,615
Loans and advances to customers	26	**1,334,509**	1,170,383
Available-for-sale financial assets	27	**116,839**	119,032
Held-to-maturity investments	28	**108,720**	129,301
Investment in subsidiaries	30	**9,986**	9,884
Fixed assets	31	**9,619**	9,508
Intangible assets	34	**254**	217
Deferred tax assets	35	**2,890**	2,473
Other assets	36	**5,743**	4,548
Total assets		**2,641,988**	1,965,817
Liabilities			
Deposits from banks and non-bank financial institutions	38	**540,810**	143,775
Placements from banks and non-bank financial institutions	39	**819**	5,813
Trading financial liabilities	40	**—**	10,729
Negative fair value of derivatives	23	**2,684**	2,869
Financial assets sold under repurchase agreements	41	**9,806**	4,381
Deposits from customers	42	**1,865,221**	1,634,330
Accrued staff costs	43	**8,595**	7,618
Taxes payable	44	**3,900**	2,573
Interest payable	45	**13,111**	8,243
Provisions	46	**36**	36
Debt securities issued	47	**18,500**	22,500
Other liabilities	48	**4,213**	3,360
Total liabilities		**2,467,695**	1,846,227
Equity			
Share capital	49	**46,787**	39,033
Share premium and other reserve	50	**51,619**	33,706
Investment revaluation reserve	51	**428**	(451)
Surplus reserve	52	**8,691**	5,618
General reserve	53	**20,750**	15,650
Retained earnings		**46,018**	26,034
Total equity		**174,293**	119,590
Total liabilities and equity		**2,641,988**	1,965,817

Approved and authorised for issue by the board of directors on 30 March 2012.

Tian Guoli	**Chen Xiaoxian**	**Cao Guoqiang**	**Wang Kang**	**Company Stamp**
Chairman	*President*	*Vice President in charge of finance function*	*General Manager of Budget and Finance Department*	

The notes on pages 153 to 270 form part of these financial statements.

Consolidated Statement of Changes In Equity

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

	Note	Share capital	Share premium	Other reserve	Investment Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 1 January 2011		39,033	31,301	273	(632)	5,618	15,698	30,576	(1,692)	4,363	124,538
Movements during the year											
(I) Net profit		–	–	–	–	–	–	30,819	–	25	30,844
(II) Other comprehensive income	18	–	–	4	846	–	–	–	(442)	(201)	207
Total comprehensive income		–	–	4	846	–	–	30,819	(442)	(176)	31,051
(III) Contributions by equity shareholders											
1. Rights issue		7,754	17,913	–	–	–	–	–	–	–	25,667
2. Non-controlling interests of a new subsidiary		–	–	–	–	–	–	–	–	98	98
(IV) Profit appropriations											
1. Appropriations to surplus reserve	52	–	–	–	–	3,073	–	(3,073)	–	–	–
2. Appropriations to general reserve	53	–	–	–	–	–	5,127	(5,127)	–	–	–
3. Appropriations to shareholders	54	–	–	–	–	–	–	(2,573)	–	–	(2,573)
As at 31 December 2011		46,787	49,214	277	214	8,691	20,825	50,622	(2,134)	4,285	178,781

	Note	Share capital	Share premium	Other reserve	Properties Revaluation reserve	Investment Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange difference	Non-controlling interests	Total equity
As at 1 January 2010 (before restatement)		39,033	30,910	221	1,451	(236)	3,535	12,562	17,939	(1,372)	4,210	108,253
Change in accounting policy		–	391	33	(1,451)	–	–	–	(218)	–	–	(1,245)
As at 1 January 2010 (restated)		39,033	31,301	254	–	(236)	3,535	12,562	17,721	(1,372)	4,210	107,008
Movements during the year												
(I) Net profit		–	–	–	–	–	–	–	21,509	–	270	21,779
(II) Other comprehensive income	18	–	–	19	–	(396)	–	–	–	(320)	(117)	(814)
Total comprehensive income		–	–	19	–	(396)	–	–	21,509	(320)	153	20,965
(III) Profit appropriations												
1. Appropriations to surplus reserve	52	–	–	–	–	–	2,083	–	(2,083)	–	–	–
2. Appropriations to general reserve	53	–	–	–	–	–	–	3,136	(3,136)	–	–	–
3. Appropriations to shareholders		–	–	–	–	–	–	–	(3,435)	–	–	(3,435)
As at 31 December 2010		39,033	31,301	273	–	(632)	5,618	15,698	30,576	(1,692)	4,363	124,538

The notes on pages 153 to 270 form part of these financial statements.

Consolidated Cash Flow Statement

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

	2011	2010
Operating activities		
Profit before tax	**41,590**	28,695
Adjustments for:		
— Revaluation gain on investments, derivatives and investment properties	**(878)**	(30)
— Investment gains	**(122)**	(310)
— Net gain on disposal of fixed assets	**(7)**	(456)
— Unrealised foreign exchange losses	**190**	255
— Impairment losses	**7,207**	5,249
— Depreciation and amortisation	**1,340**	1,195
— Interest expense on subordinated debts issued	**1,251**	1,098
— Dividend income from equity investment	**(18)**	(4)
— Income tax paid	**(10,939)**	(5,459)
	39,614	30,233
Changes in operating assets and liabilities:		
Increase in balances with central bank	**(102,624)**	(69,978)
Increase in deposits with banks and non-bank financial institutions	**(14,762)**	(32,403)
Increase in placements with banks and non-bank financial institutions	**(67,903)**	(1,679)
(Increase)/decrease in trading financial assets	**(4,864)**	2,145
(Increase)/decrease in financial assets held under resale agreements	**(14,582)**	37,551
Increase in loans and advances to customers	**(174,787)**	(201,193)
Increase/(decrease) in deposits from banks and non-bank financial institutions	**394,215**	(133,077)
(Decrease)/Increase in placements from banks and non-bank financial institutions	**(2,235)**	2,570
(Decrease)/Increase in trading financial liabilities	**(10,729)**	8,305
Increase in financial assets sold under repurchase agreements	**5,431**	323
Increase in deposits from customers	**244,435**	393,211
Increase in other operating assets	**(6,194)**	(32,434)
Increase in other operating liabilities	**15,089**	33,751
Net cash flows from operating activities	**300,104**	37,325
Investing activities		
Proceeds from disposal and redemption of investments	**493,354**	399,602
Proceeds from disposal of fixed assets, land use rights, and other assets	**79**	736
Cash received from equity investment income	**37**	58
Payments on acquisition of investments	**(502,095)**	(438,147)
Payments on acquisition of fixed assets, land use rights and other assets	**(1,973)**	(1,647)
Net cash flows used in investing activities	**(10,598)**	(39,398)

The notes on pages 153 to 270 form part of these financial statements.

Consolidated Cash Flow Statement (continued)

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

	Note	2011	2010
Financing activities			
Proceeds from share issuance, including interest income received and net of issuing costs		**25,667**	—
Cash received from debt securities issued		**—**	19,798
Capital contribution by non-controlling interests		**98**	—
Cash paid for redemption of debt securities		**(4,000)**	(5,990)
Interest paid on debt securities issued		**(1,312)**	(823)
Dividends paid		**(2,573)**	(3,435)
Net cash flows from financing activities		**17,880**	9,550
Net increase in cash and cash equivalents		**307,386**	7,477
Cash and cash equivalents as at 1 January		**173,910**	167,248
Effect of exchange rate changes on cash and cash equivalents		**(2,213)**	(815)
Cash and cash equivalents as at 31 December	55	**479,083**	173,910
Cash flows from operating activities include:			
Interest received		**102,730**	70,533
Interest paid, excluding interest expense on subordinated debts/bonds issued		**(35,174)**	(21,762)

The notes on pages 153 to 270 form part of these financial statements.

(Expressed in millions of Renminbi unless otherwise stated)

1 Corporate information

China CITIC Bank Corporation Limited (the "Bank" or "CNCB") is a joint stock company incorporated in the People's Republic of China (the "PRC" or "Mainland China") on 31 December 2006. Headquartered in Beijing, the Bank's registered office is located at Block C, Fuhua Mansion, No.8 Chaoyangmen Beidajie, Dongcheng District, Beijing, China.

For the purpose of these financial statements, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, finance leasing and other non-banking financial services.

As at 31 December 2011, the Group mainly operates in Mainland China with branches covering 27 provinces, autonomous regions and municipalities. In addition, the Bank's subsidiaries have operations in Mainland China, Hong Kong and other overseas countries and regions.

CNCB (previously known as "CITIC Industrial Bank") was a state-owned financial institution established on 20 April 1987 with the approval of the State Council of the PRC ("State Council"). CITIC Industrial Bank was wholly owned by CITIC Group Company ("CITIC Group"), which was previously known as China International Trust and Investment Corporation and renamed as CITIC Group Corporation on 27 December 2011. CITIC Industrial Bank was renamed to China CITIC Bank on 2 August 2005.

China CITIC Bank was restructured into the Bank by the end of 2006. With the approval from the China Banking Regulatory Commission ("CBRC"), CITIC Group and CITIC International Finance Holdings Limited ("CIFH"), a CITIC Group fellow subsidiary, as joint promoters established the Bank as a joint stock company in December 2006 and renamed as China CITIC Bank Corporation Limited.

The Bank obtained the business license No.1000001000600 on 31 December 2006, as approved by the State Administration for Industry and Commerce ("SAIC") of the PRC, and renewed and obtained the financial service certificate No. B0006H111000001 on 15 May 2007, as approved by the CBRC. On 26 April 2011, the business license number was renewed as 100000000006002, as approved by the SAIC. The Bank is under the supervision of the banking regulatory bodies empowered by the State Council. The overseas financial operations of the Group are under the supervision of their respective local jurisdictions.

The Bank issued A shares and H shares through initial public offerings (the "Offerings") in April 2007. Upon completion of the Offerings, the Bank listed its A shares and H shares on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited on 27 April 2007, respectively.

In 2011, the Bank issued 7,754 million rights shares to both A shareholders and H shareholders with a par value of RMB1 each ("Rights Issue").

The financial statements were approved by the Board of Directors of the Bank on 30 March 2012.

2 Basis of preparation

These financial statements have been prepared on a going concern basis.

The consolidated financial statements for the year ended 31 December 2011 comprise the Bank and its subsidiaries and the Group's interest in associates.

(a) Accounting year

The accounting year of the Group is from 1 January to 31 December.

2 Basis of preparation (Continued)

(b) Functional currency and presentation currency

The functional currency of the Bank is Renminbi. The functional currencies of overseas subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into Renminbi for the preparation of the consolidated financial statements according to Note 4(2) (b). The financial statements of the Group are presented in Renminbi and, unless otherwise stated, expressed in millions of Renminbi.

(c) Measurement basis

These financial statements have been prepared on the historical cost basis except:

— financial assets and financial liabilities at fair value through profit or loss (including trading assets and trading liabilities) (see Note 4(3))

— available-for-sale financial assets, except for those whose fair value can't be measured reliably (see Note 4(3))

— fair value hedged items(see Note 4(4))

— investment properties (see Note 4(10)).

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Judgments made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent period are discussed in Note 4(24). Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3 Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain revised IFRSs, a number of amendments to and interpretations of IFRSs. Of these, the following developments are first effective for the current accounting period and relevant to the financial statements of the Group:

- Revised IAS 24(2009), *Related party disclosures*
- Amendments to IAS32, *Financial Instruments: Presentation*
- Amendments to IFRIC 14, IAS 19, *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*
- IFRIC 19, *Extinguishing financial liabilities with equity instruments*;
- Improvements to IFRSs (2010);

3 Statement of compliance (Continued)

The amendments to IAS 32 and IFRIC14 have had no material impact on the Group's financial statements as they are consistent with policies already adopted by the Group. IFRIC 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The revised IAS 24 revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period.

The revised IAS 24 also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in note 60 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Significant accounting policies and accounting estimates

(1) Consolidated financial statements

(a) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

(b) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where 1) the aggregate of the fair value at the acquisition date of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds 2) the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where 1) is less than 2), the difference is recognised in profit or loss for the current period. The costs of the issuance of equity or debt securities as a part of the consideration paid for the acquisition are included as a part of initial recognition amount of the equity or debt securities. Other acquisition-related costs arising from the business combination are recognised as expenses in the periods in which the costs are incurred. The difference between the fair value and the carrying amount of the assets transferred is recognised in profit or loss. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

4 Significant accounting policies and accounting estimates (Continued)

(1) Consolidated financial statements (Continued)

(b) Business combinations involving entities not under common control (Continued)

The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date.

(c) Consolidated financial statements

The consolidated financial statements comprise the Bank and its subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its operating activities. In assessing control, potential voting rights, are taken into account by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated statement of financial position and the consolidated statement of comprehensive income, respectively, based on their carrying amounts, from the date that common control was established. Net profit earned by the acquiree prior to the date of acquisition is separately disclosed.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into consolidated financial statements from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

The portion of a subsidiary's equity that is not attributable to the Bank whether directly or indirectly through subsidiaries is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented in the consolidated statement of comprehensive income below the "net profit" line item as "non-controlling interests".

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

4 Significant accounting policies and accounting estimates (Continued)

(1) Consolidated financial statements (Continued)

(c) Consolidated financial statements (Continued)

Where the Bank acquired a non-controlling interest from a subsidiary's non-controlling parties, the difference between the investment cost for acquiring the non-controlling interest and the corresponding reduction of non-controlling interest in the consolidated financial statements, or where the Bank disposed of part of its interest in a subsidiary without loss of control over the subsidiary, difference between the proceeds of the disposal and the share of the net identifiable assets of the subsidiary corresponding to the interest being disposed of, is adjusted to the capital reserve in the consolidated statement of financial position. If the credit balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the remaining equity investment is remeasured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognised as investment income for the current period when control is lost. The amount recognised in other comprehensive income in relation to the former subsidiary's equity investment is reclassified as investment income for the current period when control is lost.

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(d) Special purpose entities

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

4 Significant accounting policies and accounting estimates (Continued)

(2) Foreign currency translations

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into Renminbi by applying the spot exchange rates at the dates of the transaction. Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the reporting date. The resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity investments, which is recognised in other comprehensive income.

(b) Translation of financial statements denominated in foreign currency

The foreign currency financial statements are translated into Renminbi for the preparation of consolidated financial statements. The assets and liabilities in the foreign currency financial statements are translated into Renminbi at the spot exchange rates prevailing at the reporting date. The equity items, except for "retained earnings", are translated to Renminbi at the spot exchange rates at the dates on which such items arose. Income and expenses in the profit or loss are translated into Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions. The resulting exchange differences are presented as "exchange difference" in the consolidated statement of financial position within the shareholder's equity.

(3) Financial instruments

(a) Categorisation

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

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

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

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

Financial assets and financial liabilities are designated at fair value through the profit or loss upon initial recognition when: (i) the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement bases of the financial assets or financial liabilities; or (iii) a contract contains one or more embedded derivatives, i.e. an entire hybrid (combined) contract, unless: (1) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the hybrid (combined) contract; or (2) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative is prohibited.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(a) Categorisation (Continued)

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

Other financial liabilities

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

(b) Derivatives and embedded derivatives

Derivatives mainly include forward and swap contracts performed in foreign currency market and interest rate market. The Group uses derivatives to hedge its exposure on foreign exchange and interest rate risks. The Group adopts hedge accounting in accordance with Note 4(4) for derivatives designated as hedging instruments if the hedge is effective. Other derivatives are accounted for as trading financial assets or financial liabilities. Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as assets while the negative fair value is recognised as liabilities. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

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

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(c) Recognition and derecognition

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

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

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

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged/cancelled, or (ii) an agreement between the Group and an existing lender to exchange the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(d) Measurement

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

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

A gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss.

A gain or loss on an available-for-sale financial asset is recognized directly in other comprehensive income, except for impairment losses and foreign exchange gains or losses resulted from monetary financial assets, until the financial asset is derecognized, at which time the cumulative gains or losses previously recognized in other comprehensive income are removed from other comprehensive income and recognized in profit or loss.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(d) Measurement (Continued)

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from other comprehensive income to the profit or loss.

For financial instrument carried at amortised cost, a gain or loss is recognized in profit or loss when the financial instrument is derecognized, impaired, or through the amortization process.

(e) Impairment

The Group assesses at the reporting date the carrying amount of a financial asset (other than those at fair value through profit or loss). If there is objective evidence that the financial asset is impaired, the Group will recognize the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired included the following events that occurred after the initial recognition of the asset and that the event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated:

— significant financial difficulty of the borrower or issuer;

— a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

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

— it becoming probable that the borrower will enter bankruptcy or other financial reorganizations;

— disappearance of an active market for that financial asset because of financial difficulties of the issuer;

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

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer;

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

— other objective evidence indicating there is an impairment of a financial asset.

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(e) *Impairment (Continued)*

Loans and receivables and held-to-maturity investments

Individual assessment

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

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

Collective assessment

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

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

Individually assessed loans and receivables with no objective evidence of impairment are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar credit risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

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

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

Collective assessment covers those loans and receivables that were impaired at the reporting date but was not individually identified as such until some time in the future. As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of financial assets.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(e) *Impairment (Continued)*

Impairment reversal and loan written-off

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

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

Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. The renegotiated loans are classified as impaired loans and advances and assessed individually for impairment upon restructuring. Renegotiated loans are subject to ongoing monitoring. Should the renegotiated loans, after being verified, meet specific standards by the end of monitoring period, it is no longer considered to be impaired.

Available-for-sale financial assets

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

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be treated in accordance with following principle: (i) the impairment loss on debt instruments classified as available-for-sale should be reversed, with the amount of the reversal recognised profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale should not be reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income; or (iii) the impairment loss of available-for-sale equity investments carried at cost should not be reversed. The impairment losses recognised in an interim period in respect of such financial assets are not reversed in a subsequent period. This is the case even if no loss or a smaller loss would have been recognised had the impairment been assessed only at the end of the year to which the interim period relates.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(f) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on quoted market prices without any deduction for transaction costs that may occur on sale or other disposal. The appropriate quoted price in an active market for a financial asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, etc, and represent prices of actual and regularly occurring market transactions on an arm's length basis.

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

(g) Offsetting

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

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

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

The cash advanced or received is recognised as amounts held under resale and repurchase agreements on the statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

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

(4) Hedging

Hedge accounting is a method which recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item in the same accounting period(s).

Hedged items are the items that expose the Group to risks of changes in fair value and that are designated as being hedged.

A hedging instrument is a designated derivative whose changes in fair value are expected to offset changes in the fair value of the hedged item.

The hedge is assessed by the Group for effectiveness on an ongoing basis and determined to have been highly effective throughout the accounting periods for which the hedging relationship was designated.

4 Significant accounting policies and accounting estimates (Continued)

(4) Hedging (Continued)

The hedge is considered to be highly effective when it meets both the criteria as follows:

- the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value attributive to the hedged risk during the period for which the hedge is designated.

- the changes in fair value or cash flow must offset each other in the range of 80 percent to 125 percent.

Fair Value Hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The gain or loss from re-measuring the hedging instrument at fair value is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged item is a financial instrument measured at amortised cost, any adjustment to the carrying amount of the hedged item is amortised to profit or loss from the adjustment date to the maturity date using the recalculated effective interest rate at the adjustment date.

(5) Investment in Subsidiaries

Initial Recognition

The initial cost of an investment obtained through a business combination involving entities under common control is the Group's share of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.

For an investment in subsidiary obtained through a business combination not involving enterprises under common control and achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date. Any amounts recognised in other comprehensive income relating to the previously-held equity interest in the acquiree, are reclassified to profit or loss as investment income when the equity investment is disposed of.

The initial cost of an investment obtained through a business combination involving entities not under common control, the initial investment cost represents the aggregate of the fair values of assets transferred, liabilities assumed, and equity securities issued by the Company, in exchange for control of the acquire.

The investment is recognised at the cost of capital injected into the subsidiary if it is set up by the Group.

4 Significant accounting policies and accounting estimates (Continued)

(5) Investment in Subsidiaries (Continued)

Measurement and recognition of investment gains or losses

In the Company's financial statements, investments in subsidiaries are accounted for using the cost method.

The Group's proportion of dividends or profits declared to distribute by subsidiaries are recognized as current investment gain, except for the declared but not distributed dividends or profits included in the consideration paid for acquisition.

The investments are stated at cost less impairment losses (see Note 4(14)) in the balance sheet.

(6) Investment in associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associates for the year. The Group's interest in associate is included in the consolidated financial statements from the date that significant influence commences until the date that significant influence or ends.

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

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

(7) Fixed asset

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

(a) Cost

Fixed assets are stated at cost upon initial recognition. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises the construction materials, direct labor costs and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Subsequent to initial recognition, fixed assets are stated at cost less accumulated depreciation and impairment losses.

Where an item of fixed assets comprises major components having different useful lives, they are accounted for as separate items of fixed assets.

4 Significant accounting policies and accounting estimates (Continued)

(7) Fixed asset (Continued)

(b) Subsequent costs

The Group recognises in the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense when incurred.

(c) Depreciation

Depreciation is calculated to write off the cost, less residual value if applicable, of fixed assets and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. The estimated useful lives are as follows:

	Estimated useful lives
Bank premises	30 – 35 years
Computer equipment and others	3 – 10 years

No depreciation is provided in respect of construction in progress.

The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

(d) Impairment

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(14).

(e) Disposal and retirement

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

(8) Land use rights

Land use rights are stated at cost less amortisation. Land use rights are amortised on a straight-line basis over the respective periods of grant.

Impairment loss on land use rights is accounted for in accordance with the accounting policies as set out in Note 4(14).

(9) Intangible assets

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

Impairment loss on intangible assets is accounted for in accordance with the accounting policies as set out in Note 4(14).

4 Significant accounting policies and accounting estimates (Continued)

(10) Investment properties

Investment properties are land and/or buildings which are owned and/or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use. Investment properties are stated in the statement of financial position at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

The Group makes estimation of the fair value of investment properties, based on market price and other related information from active real estate market where the property is located.

(11) Lease

Leases which transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

(a) Finance leases

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

Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(3)(e).

(b) Operating leases

Where the Group leases out assets under operating leases, the assets are included in the statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 4(7) except where the asset is classified as an investment property. Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(14). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 4(18)(d).

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

4 Significant accounting policies and accounting estimates (Continued)

(12) Goodwill

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

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

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

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(14).

(13) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

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

Impairment losses on initial classification and on subsequent remeasurement are recognised in the statement of comprehensive income.

(14) Allowances for impairment of non-financial assets

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

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

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

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

4 Significant accounting policies and accounting estimates (Continued)

(14) Allowances for impairment of non-financial assets (Continued)

(a) Testing CGU with goodwill for impairment

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

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

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

(b) Impairment loss

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

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

(c) Reversing an impairment loss

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

An impairment loss in respect of goodwill is not reversed.

(15) Employee benefits

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

4 Significant accounting policies and accounting estimates (Continued)

(15) Employee benefits (Continued)

(a) Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, The Group has joined a defined contribution retirement plan for the employees arranged by local government organisations of labour and social security. The Group is required to make contributions to a separate entity which could be the government or publicly administered retirement schemes at certain rates of the salaries, bonuses and certain allowances of its employees. The contributions are charged to the profit or loss for the current period on an accrual basis. A member of the schemes is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date, payable by local government organisations of labour and social security.

In addition to the statutory provision plan, the Bank's employees have joined its annuity scheme (the "scheme") which was established by the CITIC Group in accordance with policies regarding the state owned enterprise annuity policy. The Bank has made annuity contributions in proportion to its employee's gross wages which are expensed in profit or loss when the contributions are made.

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss as and when the contribution fall due.

(b) Housing provident funds and other social insurance

Apart from retirement benefits, in accordance with the related laws, regulations and policies of the PRC, the Group participates in required social insurance programmes, including housing provident funds, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance, etc. The Group makes contributions of housing provident funds and social insurance to government agencies in a certain percentage of salary and expensed in profit or loss.

(c) Supplementary retirement benefits

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine its present values. In calculating the Group's obligations, any cumulative unrecognised gains or losses is recognised in profit or loss.

(16) Provisions and contingent liabilities

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

A possible obligation arising from past transactions or events whose existence can only be confirmed by the occurrence or non-occurrence of one or more future uncertain events; or a present obligation that arises from past transactions or events and it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4 Significant accounting policies and accounting estimates (Continued)

(17) Fiduciary activities

The Group acts in a fiduciary capacity as a custodian, trustee, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the financial statement as the risks and rewards of the assets reside with the customers.

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

(18) Income recognition

Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

(a) Interest income

Interest income arising from the use of entity assets by others is recognised in income statement based on the duration and the effective interest rate. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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

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

(b) Fee and commission income

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

(c) Dividend income

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

4 Significant accounting policies and accounting estimates (Continued)

(18) Income recognition (Continued)

(d) Rental income from operating lease

Rental income received under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(e) Finance income from finance lease and hire purchase contract

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

(19) Income tax

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

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

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

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

(20) Cash equivalents

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

(21) Profit distribution

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

4 Significant accounting policies and accounting estimates (Continued)

(22) Related parties

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

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled, joint controlled or significantly influenced by the Bank's parents;

(d) an investor who has joint control or can exercise significant influence over the Group;

(e) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Group;

(f) an associate of the Group, including its subsidiaries;

(g) an jointly controlled entity of the Group, including its subsidiaries;

(h) principal individual investors of the Group, and close family members of such individuals;

(i) key management personnel of the Group and close family members of such individuals;

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

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

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

(23) Operating segments

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

The amount reported for each operating segment item is the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

4 Significant accounting policies and accounting estimates (Continued)

(24) Significant accounting estimates and judgements

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

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

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flow of that asset. For impairment loss for held-to-maturity security investments, the Group measures the impairment loss on the basis of the instrument's fair value using an observable market price as at the measurement date. The impairment loss for an available-for-sale debt security is the difference between the acquisition costs (net of any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in the profit or loss at the measurement date.

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

(b) *Impairment of available-for-sale equity investments*

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

(c) *Fair value of financial instruments*

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

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period.

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

4 Significant accounting policies and accounting estimates (Continued)

(24) Significant accounting estimates and judgements (Continued)

(d) *Classification of held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments if the Group has the intention and ability to hold them until maturity. In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(e) *Income taxes*

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

(f) *Employee retirement benefit obligations*

The Group has established liabilities in connection with supplementary retirement benefits. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. Actual results that differ from the assumptions are recognised the Group's profit and loss at the end of each reporting period. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's expense related to its employee retirement benefit obligations.

5 Taxation

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

Business tax

Business tax is charged at 5% on taxable income.

City construction tax

City construction tax is calculated at the range of 1% to 7% of business tax.

Education surcharge

Education surcharge is calculated as 3% of business tax.

Income tax

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

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

(Expressed in millions of Renminbi unless otherwise stated)

6 Net interest income

	2011	2010
Interest income arising from:		
Deposits with central banks	**4,425**	3,164
Deposits with banks and non-bank financial institutions	**3,442**	802
Placements with banks and non-bank financial institutions	**4,086**	807
Financial assets held under resale agreements	**4,796**	2,840
Loans and advances to customers (note (i))		
— corporate loans	**65,557**	47,823
— personal loans	**13,272**	8,999
— discounted bills	**3,405**	1,998
Investments in debt securities (note (ii))	**7,636**	6,016
Others	**4**	11
	106,623	72,460
Interest expense arising from:		
Deposits from banks and non-bank financial institutions	**(6,823)**	(2,746)
Placements from banks and non-bank financial institutions	**(424)**	(223)
Trading financial liabilities	**(95)**	(82)
Financial assets sold under repurchase agreements	**(474)**	(46)
Deposits from customers	**(32,450)**	(20,143)
Debts securities issued	**(1,251)**	(1,084)
Others	**—**	(1)
	(41,517)	(24,325)
Net interest income	**65,106**	48,135

Notes:
(i) Interest income arising from loans and advances to customers includes interest income accrued on individually assessed impaired financial assets of RMB159 million for the year ended 31 December 2011 (2010: RMB142 million).
(ii) Interest income from investments in debt securities is mainly derived from unlisted investments.
(iii) Interest income includes interest income arising from financial assets designated at fair value through profit and loss of RMB188 million (2010: RMB195 million); interest expense includes interest expense arising from financial liabilities designated at fair value through profit and loss of RMB95 million (2010: RMB82 million).

(Expressed in millions of Renminbi unless otherwise stated)

7 Net fee and commission income

	2011	2010
Fee and commission income		
Consultancy and advisory fees	**2,659**	1,696
Bank card fees	**2,283**	1,455
Settlement fees	**1,755**	1,063
Commission for wealth management services	**847**	771
Agency fees and commission (note (i))	**725**	692
Guarantee fees	**887**	408
Commission for custodian business	**320**	208
Others	**5**	15
Total	**9,481**	6,308
Fee and commission expense	**(644)**	(612)
Net fee and commission income	**8,837**	5,696

Note: (i) Agency fees and commission include fees and commission for underwriting bonds and investment funds, agency fees for insurance service and others, and fees from entrusted lending business.

8 Net trading gain

	2011	2010
Trading profit/(loss):		
— debt securities	**46**	52
— foreign currencies	**1,293**	1,583
— derivatives	**919**	(316)
— investment funds	**1**	(23)
— financial instrument designated at fair value through profit and loss	**1**	(7)
Total	**2,260**	1,289

9 Net gain from investment securities

	2011	2010
Net gain from sale of available-for-sale securities	**252**	55
Net revaluation (loss)/gain reclassified from other comprehensive income on disposal	**(192)**	67
Others	**23**	20
Total	**83**	142

10 Net hedging loss

	2011	2010
Net loss of fair value hedge	**(1)**	(1)

(Expressed in millions of Renminbi unless otherwise stated)

11 Operating expenses

	Note	2011	2010
Staff costs			
— salaries and bonuses		**8,924**	7,406
— social insurance		**994**	759
— welfare expenses		**753**	562
— housing fund		**498**	398
— labor union expenses and employee education expenses		**367**	301
— housing allowance		**229**	173
— defined contribution retirement schemes		**195**	156
— supplementary retirement benefits		**6**	3
— others		**328**	295
Subtotal		**12,294**	10,053
Property and equipment expenses			
— rent and property management expenses		**1,702**	1,345
— depreciation		**915**	841
— amortisation expenses		**425**	354
— electronic equipment operating expenses		**311**	275
— maintenance		**273**	222
— others		**361**	308
Subtotal		**3,987**	3,345
Business tax and surcharges		**5,343**	3,685
Other general and administrative expenses			
— audit fees		**16**	15
— others		**6,741**	5,540
Subtotal		**6,757**	5,555
Total		**28,381**	22,638

12 Impairment losses on assets

	Note	2011	2010
Impairment losses charged on/(reversed from)			
— Loans and advances to customers		**5,734**	4,238
— Available-for-sale financial assets		**148**	579
— Held-to-maturity investments		**33**	—
— Off-balance sheet assets	(i)	**1,222**	338
— Repossessed assets		**(62)**	76
— Others		**132**	18
Total		**7,207**	5,249

Notes: (i) In prior years, CIFH's wholly-owned subsidiary, CITIC Bank International Limited ("CBI") entered into two credit default swaps ("CDS") with a notional value of USD 456 million, or the equivalent of RMB 2,873 million, with the senior loan provider of Farmington Finance Limited ("Farmington") as a partial credit protection against non-performance of a term loan to Farmington provided by this senior loan provider. In 2011, the senior loan provider exercised its right under the CDS and demanded CBI for payment of USD 209 million, or the equivalent of RMB 1,314 million for the settlement of the CDS. CBI has settled the payment and the Group had no outstanding CDS as at 31 December 2011.

(Expressed in millions of Renminbi unless otherwise stated)

13 Directors' and Supervisors' emoluments

The aggregate of the emoluments before individual income tax borne by the Bank in respect of the Directors and Supervisors who held office during the year is as follows:

	2011						
	Fees RMB'000	Salaries RMB'000	Discretionary bonus payable RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	(note(iii)) Other benefits in kind RMB'000	Total RMB'000
Executive directors							
Chen Xiaoxian	—	900	3,816	4,716	208	38	4,962
Non-executive Directors							
Tian Guoli (note(i))	—	—	—	—	—	—	—
Dou Jianzhong	—	—	—	—	—	—	—
Ju Weimin	—	—	—	—	—	—	—
Guo Ketong	—	—	—	—	—	—	—
Zhao Xiaofan (note(i))	—	600	2,544	3,144	156	36	3,336
Chan Hui Dor Lam	—	—	—	—	—	—	—
José Andrés Barreiro	—	—	—	—	—	—	—
Ángel Cano Fernández	—	—	—	—	—	—	—
Independent non-executive Directors							
Bai Chong En	200	—	—	200	—	—	200
Ai Hongde	200	—	—	200	—	—	200
Xie Rong	200	—	—	200	—	—	200
Wang Xiangfei	200	—	—	200	—	—	200
Li Zheping	200	—	—	200	—	—	200
Supervisors/External Supervisors/ Employee supervisors							
Zhuang Yumin	180	—	—	180	—	—	180
Luo Xiaoyuan	180	—	—	180	—	—	180
Zheng Xuexue (note(ii))	—	—	—	—	—	—	—
Deng Yuewen	—	111	1,700	1,811	110	21	1,942
Li Gang	—	129	2,079	2,208	111	35	2,354
Former Directors and Supervisors resigned in 2011 (note(ii))							
Kong Dan	—	—	—	—	—	—	—
Chang Zhenming	—	—	—	—	—	—	—
Zhang Jijing	—	—	—	—	—	—	—
Wu Beiying	—	500	1,902	2,402	126	28	2,556
Wang Shuanlin	—	458	1,902	2,360	123	29	2,512
Lin Zhengyue	—	162	2,079	2,241	112	107	2,460
	1,360	2,860	16,022	20,242	946	294	21,482

(Expressed in millions of Renminbi unless otherwise stated)

13 Directors' and Supervisors' emoluments (Continued)

	2010						
	Fees RMB'000	Salaries RMB'000	Discretionary bonus payable RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	(note(iii)) Other benefits in kind RMB'000	Total RMB'000
Executive directors							
Chen Xiaoxian	—	900	3,832	4,732	197	33	4,962
Zhao Xiaofan (note(i))	—	600	2,555	3,155	151	30	3,336
Non-executive Directors							
Kong Dan	—	—	—	—	—	—	—
Chang Zhenming	—	—	—	—	—	—	—
Dou Jianzhong	—	—	—	—	—	—	—
Ju Weimin	—	—	—	—	—	—	—
Zhang Jijing	—	—	—	—	—	—	—
Chan Hui Dor Lam	—	—	—	—	—	—	—
Guo Ketong	—	—	—	—	—	—	—
Jose Andres Barreiro	—	—	—	—	—	—	—
Angel Cano Fernández	—	—	—	—	—	—	—
Independent non-executive Directors							
Bai Chong En	200	—	—	200	—	—	200
Ai Hongde	200	—	—	200	—	—	200
Xie Rong	200	—	—	200	—	—	200
Wang Xiangfei	200	—	—	200	—	—	200
Li Zheping	200	—	—	200	—	—	200
Supervisors/External Supervisors/ Employee supervisors							
Wu Beiying (note(i))	—	600	2,299	2,899	149	31	3,079
Wang Shuanlin	—	550	2,299	2,849	137	32	3,018
Zhuang Yumin	180	—	—	180	—	—	180
Luo Xiaoyuan	180	—	—	180	—	—	180
Zheng Xuexue	—	—	—	—	—	—	—
Lin Zhengyue	—	161	1,718	1,879	115	123	2,117
Deng Yuewen	—	111	1,643	1,754	119	19	1,892
Li Gang	—	129	1,838	1,967	88	30	2,085
Former Directors and Supervisors resigned in 2010							
Wang Chuan	—	—	—	—	—	—	—
	1,360	3,051	16,184	20,595	956	298	21,849

Notes: (i) Mr. Tian Guoli was appointed as chairman of the Board of Directors and non-executive director in July 2011. Mr. Zhao Xiaofan resigned the position of vice president of the Bank in November 2011 but would continue to perform his duties as non-executive director.

(ii) Mr. Kong Dan resigned the position of Chairman of the Board of Directors and non-executive director in March 2011 and his resignation took effect in July 2011. Mr. Chang Zhenming resigned the position of vice-chairman of the Board of Directors and non-executive director in May 2011. Mr. Zhang Jijing resigned the position of non-executive director in November 2011. Mr. Wu Beiying resigned the position of Chairman of the Board of Supervisors in November 2011. Supervisor Zheng Xuexue shall be the Acting Chairman of the Board of Supervisors prior to inauguration of the new Chairman of the Board of Supervisors. Mr. Wang Shuanlin resigned the position of vice-chairman of the Board of Supervisors in November 2011. Mr. Lin Zhengyue resigned his position as employee representative supervisor of the Bank in November 2011, was afterwards engaged to be Secretary to the Board of Directors of the Bank in December 2011.

(iii) Other benefits in kind included the Bank's contributions to medical fund, housing provident fund and other social insurances, which are payable to labour and social securities authorities based on the lower of certain percentages of the salaries or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to a defined contribution retirement schemes set up by CITIC Group in accordance with the relevant government policies, and supplementary medical insurance scheme.

(iv) None of the Directors and Supervisors received any inducements, or compensation for loss of office, or waived any emoluments during the years ended 31 December 2011 and 2010.

(Expressed in millions of Renminbi unless otherwise stated)

14 Individuals with highest emoluments

For the year ended 31 December 2011, of the five individuals with the highest emoluments, two (2010: two) are Directors whose emoluments are disclosed in Note 13 above. The aggregate of the emoluments before individual income tax in respect of the other three (2010: three) highest paid individuals are as follows:

	2011 **RMB'000**	2010 RMB'000
Salaries and other emoluments	**1,908**	1,876
Discretionary bonuses	**7,649**	7,701
Retirement scheme contributions	**470**	450
Total	**10,027**	10,027

The emoluments before individual income tax of the three (2010: three) individuals with the highest emoluments are within the following bands:

	2011	2010
RMB 3,000,001 – RMB 3,500,000	**3**	3
RMB 3,500,001 – RMB 4,000,000	**—**	—

15 Loans to directors, supervisors and officers

Loans to the Directors, Supervisor and Officers (and their affiliates) of the Bank as defined under section 161B of the Hong Kong Companies Ordinance during the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
Aggregate amount of relevant loans outstanding at year end	**23**	26

	2011	2010
Maximum aggregate amount of relevant loans outstanding during the year	**26**	31

16 Income tax

(a) Recognised in the statement of comprehensive income

	2011	2010
Current tax		
— Mainland China	**11,230**	7,177
— Hong Kong	**201**	85
— Overseas	**5**	(6)
Deferred tax	**(690)**	(340)
Income tax	**10,746**	6,916

(Expressed in millions of Renminbi unless otherwise stated)

16 Income tax (Continued)

(b) Reconciliation between income tax expense and accounting profit

	2011	2010
Profit before tax	**41,590**	28,695
Income tax calculated at statutory tax rate	**10,398**	7,174
Effect of different tax rates in other regions	**(13)**	(87)
Tax effect of non-deductible expenses (Note (i))	**567**	338
Tax effect of non-taxable income		
— Interest income arising from PRCgovernment bonds	**(156)**	(345)
— Others	**(50)**	(164)
Income tax	**10,746**	6,916

Note: (i) The amounts primarily represent tax effect of entertainment expenses, advertisement expenses and marketing expenses in excess of the deductible amounts.

17 Earnings per share

Earnings per share information for the year ended 31 December 2011 and 2010 is computed by dividing the consolidated net profit attributable to shareholders of the Bank by the weighted average number of shares in issue during the year. As described in Note 1, the Bank completed the Rights Issue in 2011. In the calculation of earnings per share, the weighted average number of shares outstanding during 2011 and 2010 were calculated as if the bonus elements without consideration included in the Rights Issue had existed from the beginning of the comparative year. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year ended 31 December 2011 and 2010.

	Note	2011	2010
Net profit attributable to shareholders of the Bank		**30,819**	21,509
Weighted average number of shares in issue or deemed to be in issue as originally reported (in million shares)			39,033
Basic and diluted earnings per share as originally reported (in RMB)			0.55
Weighted average number of shares after Rights Issue (in million shares)	(a)	**43,357**	40,908
Basic and diluted earnings per share after Rights Issue (in RMB)		**0.71**	0.53

(a) Weighted average number of shares after Rights Issue

	2011	2010
Issued ordinary shares before Rights issue	**39,033**	39,033
Weighted average number of shares issued in Right Issue	**4,324**	1,875
Weighted average number of shares after Rights Issue	**43,357**	40,908

(Expressed in millions of Renminbi unless otherwise stated)

18 Other comprehensive income

	2011	2010
Other comprehensive income of available-for-sale financial assets		
— Net changes in fair value recognised during the year	**765**	(450)
— Net amount transferred to profit or loss	**340**	(66)
Income tax relating to other comprehensive income of available-for-sale financial assets	**(279)**	136
Other comprehensive income/(loss) for available-for-sale financial assets, net of tax	**826**	(380)
Shares of other comprehensive income of associates	**34**	42
Income tax relating to shares of other comprehensive income of associates	**(1)**	—
Shares of other comprehensive income of associates, net of tax	**33**	42
Exchange differences on translation	**(652)**	(476)
Net other comprehensive income/(loss) during the year	**207**	(814)

19 Cash and balances with central banks

	The Group		The Bank	
	2011	2010	**2011**	2010
Cash	**4,972**	4,034	**4,808**	3,876
Balances with central banks				
— Statutory deposit reserve funds (note (i))	**297,991**	197,838	**297,247**	197,109
— Surplus deposit reserve funds (note (ii))	**60,638**	52,428	**60,473**	52,388
— Fiscal deposits	**2,790**	2,023	**2,790**	2,021
Total	**366,391**	256,323	**365,318**	255,394

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

As at 31 December 2011, the statutory deposit reserve placed with the PBOC was calculated at 19.0% (2010: 16.5%) of eligible Renminbi deposits for domestic branches of the Bank. The Bank was also required to deposit an amount equivalent to 5% (2010: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve.

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

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

(ii) The surplus deposit reserve is maintained with the PBOC for the purposes of clearing.

(Expressed in millions of Renminbi unless otherwise stated)

20 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
In Mainland China					
— Banks		**370,377**	60,551	**338,266**	60,519
— Non-bank financial institutions		**126**	251	**32,617**	251
Subtotal		**370,503**	60,802	**370,883**	60,770
Outside Mainland China					
— Banks		**14,925**	11,858	**9,081**	6,387
— Non-bank financial institutions		**1,107**	9,295	**—**	—
Subtotal		**16,032**	21,153	**9,081**	6,387
Gross balance		**386,535**	81,955	**379,964**	67,157
Less: Allowances for impairment losses	37	**—**	—	**—**	—
Net balance		**386,535**	81,955	**379,964**	67,157

(b) Analysed by remaining maturity

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
Demand deposits		**27,421**	31,831	**19,850**	17,033
Time deposits with remaining maturity					
— within one month		**284,783**	30,900	**284,783**	30,900
— between one month and one year		**74,331**	19,224	**75,331**	19,224
Gross balance		**386,535**	81,955	**379,964**	67,157
Less: Allowances for impairment losses	37	**—**	—	**—**	—
Net balance		**386,535**	81,955	**379,964**	67,157

(Expressed in millions of Renminbi unless otherwise stated)

21 Placements with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
In Mainland China					
— Banks		**131,599**	35,039	**112,518**	31,766
— Non-bank financial institutions		**10,456**	4,649	**10,456**	4,649
Subtotal		**142,055**	39,688	**122,974**	36,415
Outside Mainland China					
— Banks		**8,957**	8,953	**1,663**	1,954
— Non-bank financial institutions		**—**	—	**906**	860
Subtotal		**8,957**	8,953	**2,569**	2,814
Gross balance		**151,012**	48,641	**125,543**	39,229
Less: Allowances for impairment losses	37	**(8)**	(8)	**(8)**	(8)
Net balance		**151,004**	48,633	**125,535**	39,221

(b) Analysed by remaining maturity

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
Within one month		**68,900**	31,798	**58,332**	26,090
Between one month and one year		**82,082**	11,182	**67,181**	8,609
Over one year		**30**	5,661	**30**	4,530
Gross balance		**151,012**	48,641	**125,543**	39,229
Less: Allowances for impairment losses	37	**(8)**	(8)	**(8)**	(8)
Net balance		**151,004**	48,633	**125,535**	39,221

22 Trading financial assets

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
Held for trading purpose:					
— Debt trading financial assets	(i)	**7,899**	2,298	**7,899**	2,298
— Equity trading financial assets	(ii)	**—**	3	**—**	—
— Investment funds	(ii)	**2**	4	**—**	—
Financial assets designated at fair value through profit and loss	(iii)	**289**	550	**—**	—
Total		**8,190**	2,855	**7,899**	2,298

There was no significant limitation on the ability of the Group and the Bank to dispose of trading financial assets.

(Expressed in millions of Renminbi unless otherwise stated)

22 Trading financial assets (Continued)

(i) Debt trading financial assets were measured at fair value and were issued by:

	The Group		The Bank	
	2011	2010	**2011**	2010
In Mainland China				
— Government	**325**	—	**325**	—
— PBOC	**1,726**	10	**1,726**	10
— Policy banks	**663**	67	**663**	67
— Banks and non-bank financial institutions	**389**	59	**389**	59
— Corporate entities	**4,796**	2,130	**4,796**	2,130
Subtotal	**7,899**	2,266	**7,899**	2,266
Outside Mainland China				
— Government	—	32	—	32
— Banks and non-bank financial institutions	—	—	—	—
Subtotal	—	32	—	32
Total	**7,899**	2,298	**7,899**	2,298
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	—	—	—	—
Unlisted	**7,899**	2,298	**7,899**	2,298
Total	**7,899**	2,298	**7,899**	2,298

(ii) Equity trading financial assets and investment funds were measured at fair value and were issued by:

	The Group		The Bank	
	2011	2010	**2011**	2010
Outside Mainland China				
— Corporate entities	**2**	7	—	—
Total	**2**	7	—	—
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	—	3	—	—
Unlisted	**2**	4	—	—
Total	**2**	7	—	—

(Expressed in millions of Renminbi unless otherwise stated)

22 Trading financial assets (Continued)

(iii) Financial assets designated at fair value through profit and loss issued by:

	The Group		The Bank	
	2011	2010	**2011**	2010
In Mainland China				
— Government	**15**	25	—	—
— Banks and non-bank financial institutions	**158**	413	—	—
— Corporate entities	**101**	112	—	—
Subtotal	**274**	550	—	—
Outside Mainland China				
— Banks and non-bank financial institutions	**15**	—	—	—
Subtotal	**15**	—	—	—
Total	**289**	550	—	—
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	**64**	70	—	—
Unlisted	**225**	480	—	—
Total	**289**	550	—	—

23 Derivatives

Derivatives include forward and swap transactions undertaken by the Group in the foreign exchange and interest rate markets. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to produce risk management solutions to suit individual customer needs. These positions are actively managed through entering back to back deals with external parties to ensure the Group's net exposures remained are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage and hedge its own asset and liability portfolios and structural positions. Derivatives, except for derivatives which are designated as effective hedging instruments (Note 23(i)), are held for trading. The held for trading classification includes those derivatives used for sales and trading activities and those used for risk management purposes but which do not meet the qualifying criteria for hedge accounting.

The following tables provide an analysis of the notional amounts of derivatives and the corresponding fair values at the reporting date. The notional amounts of the derivatives indicate the volume of transactions outstanding at the reporting date; they do not represent amounts at risk.

	The Group					
	2011			2010		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging Instruments						
— Interest rate derivatives	**4,970**	**396**	**—**	5,870	48	40
Non-Hedging Instruments						
— Interest rate derivatives	**195,134**	**1,231**	**1,314**	204,489	1,433	1,481
— Currency derivatives	**404,074**	**3,036**	**2,438**	429,730	2,985	2,591
— Credit derivatives	**1,050**	**19**	**11**	968	7	9
— Equity derivatives	**15**	**1**	**1**	395	5	5
Total	**605,243**	**4,683**	**3,764**	641,452	4,478	4,126

(Expressed in millions of Renminbi unless otherwise stated)

23 Derivatives (Continued)

	The Group					
	2011			2010		
	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Non-Hedging Instruments						
— Interest rate derivatives	157,630	960	999	163,018	885	961
— Currency derivatives	246,430	2,023	1,674	286,138	2,202	1,899
— Credit derivatives	1,050	19	11	968	7	9
Total	405,110	3,002	2,684	450,124	3,094	2,869

Credit risk weighted amounts

	The Group		The Bank	
	2011	2010	2011	2010
Interest rate derivatives	803	959	440	425
Currency derivatives	4,886	3,581	1,744	1,621
Credit derivatives	29	28	29	28
Equity derivatives	—	19	—	—
Total	5,718	4,587	2,213	2,074

The credit risk weighted amount of Mainland China business has been computed in accordance with the rules set by the CBRC, and depends on the status of the counterparties and the maturity characteristics of the instruments.

The credit risk weighted amount of Hong Kong business has been computed in accordance with Banking (Capital) Rules set by Hong Kong Monetary Authority ("HKMA"), and depends on the status of the counterparties and the maturity characteristics of the instruments.

(i) Fair value hedge

The subsidiaries of the Group utilize fair value hedge to avoid fair value changes of financial assets and financial liabilities caused by market interest rate fluctuation. Interest rate swap contracts are used for hedging interest risks arising from available-for-sale debt securities, certificates of deposit issued and subordinated debts.

The fair value changes of hedging instruments mentioned above and net gain/(loss) from hedged items are recorded in profit and loss.

(Expressed in millions of Renminbi unless otherwise stated)

24 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
In Mainland China					
— PBOC		**24,410**	—	**24,410**	—
— Banks		**123,321**	107,572	**123,321**	107,572
— Non-bank financial institutions		**14,300**	39,426	**14,300**	39,426
— Corporate entities		**—**	634	**—**	634
Subtotal		**162,031**	147,632	**162,031**	147,632
Outside Mainland China					
— Banks		**180**	—	**180**	—
— Non-bank financial institutions		**—**	—	**50**	60
Subtotal		**180**	—	**230**	60
Gross balance		**162,211**	147,632	**162,261**	147,692
Less: Allowances for impairment losses	37	**—**	—	**—**	—
Net balance		**162,211**	147,632	**162,261**	147,692

(b) Analysed by remaining maturity

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
Within one month		**143,590**	95,096	**143,590**	95,096
Between one month and one year		**16,168**	51,968	**16,218**	52,028
More than one year		**2,453**	568	**2,453**	568
Gross balance		**162,211**	147,632	**162,261**	147,692
Less: Allowances for impairment losses	37	**—**	—	**—**	—
Net balance		**162,211**	147,632	**162,261**	147,692

25 Interest receivable

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
Debt securities		**3,515**	2,999	**3,411**	2,872
Loans and advances to customers		**3,566**	2,921	**3,287**	2,704
Others		**3,026**	205	**2,807**	69
Gross balance		**10,107**	6,125	**9,505**	5,645
Less: Allowance for impairment losses	37	**(56)**	(30)	**(56)**	(30)
Net balance		**10,051**	6,095	**9,449**	5,615

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers

(a) Analysed by nature

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
Corporate loans					
— Loans		**1,114,685**	990,435	**1,058,128**	933,185
— Discounted bills		**49,451**	55,699	**45,332**	53,512
— Lease payments receivable		**1,704**	1,837	**—**	—
Subtotal		**1,165,840**	1,047,971	**1,103,460**	986,697
Personal loans					
— Residential mortgages		**178,888**	160,149	**169,763**	149,852
— Credit cards		**32,133**	19,570	**31,903**	19,342
— Others		**57,176**	36,555	**52,201**	32,152
Subtotal		**268,197**	216,274	**253,867**	201,346
Gross balance		**1,434,037**	1,264,245	**1,357,327**	1,188,043
Less:	37				
— Individual impairment allowances		**(3,959)**	(4,727)	**(3,800)**	(4,474)
— Collective impairment allowances		**(19,299)**	(13,492)	**(19,018)**	(13,186)
Net balance		**1,410,779**	1,246,026	**1,334,509**	1,170,383

(b) Analysed by assessment method of allowance for impairment losses

The Group

2011

	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances	**1,425,496**	**877**	**7,664**	**1,434,037**	**0.60%**
Less: Impairment allowances against loans and advances	**(18,547)**	**(752)**	**(3,959)**	**(23,258)**	
Net loans and advances	**1,406,949**	**125**	**3,705**	**1,410,779**	

2010

	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances	1,255,712	801	7,732	1,264,245	0.67%
Less: Impairment allowances against loans and advances	(12,822)	(670)	(4,727)	(18,219)	
Net loans and advances	1,242,890	131	3,005	1,246,026	

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses (Continued)

The Bank

	2011				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances	**1,349,354**	**863**	**7,110**	**1,357,327**	**0.59%**
Less: Impairment allowances against loans and advances	**(18,266)**	**(752)**	**(3,800)**	**(22,818)**	
Net loans and advances	**1,331,088**	**111**	**3,310**	**1,334,509**	

	2010				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are collectively assessed	Impaired loans and advances (note (i)) for which allowances are individually assessed	Total	Gross impaired loans and advances as a % of gross total loans and advances
Gross loans and advances	1,180,557	785	6,701	1,188,043	0.63%
Less: Impairment allowances against loans and advances	(12,518)	(668)	(4,474)	(17,660)	
Net loans and advances	1,168,039	117	2,227	1,170,383	

(i) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

— individually, or

— collectively; that is the portfolios of homogeneous loans and advances

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses (Continued)

(ii) As at 31 December 2011, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB7,664 million (2010: RMB7,732 million). The covered portion and uncovered portion of these loans and advances were RMB2,972 million (2010 RMB1,235 million) and RMB4,692 million (2010: RMB6,497 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB3,353 million (2010: RMB1,418 million). The individual impairment allowances made against these loans and advances were RMB3,959 million (2010: RMB4,727 million).

As at 31 December 2011, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB7,110 million (2010: RMB6,701 million). The covered portion and uncovered portion of these loans and advances were RMB2,538 million (2010: RMB994 million) and RMB4,572 million (2010: RMB5,707 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB2,675 million (2010: RMB1,017 million). The individual impairment allowances made against these loans and advances were RMB3,800 million (2010: RMB4,474 million).

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation.

(c) Movements of allowances for impairment losses

The Group

	2011			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
As at 1 January	12,822	670	4,727	18,219
Charge for the year				
— new impairment allowances charged to profit or loss	5,739	211	1,048	6,998
— impairment allowances released to profit or loss	—	(46)	(1,218)	(1,264)
Unwinding of discount	—	—	(141)	(141)
Transfers out	(14)	—	(23)	(37)
Write-offs	—	(129)	(554)	(683)
Recoveries of loans and advances previously written off	—	46	120	166
As at 31 December	18,547	752	3,959	23,258

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

(c) Movements of allowances for impairment losses (Continued)

The Group (Continued)

	2010			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
As at 1 January	8,855	926	5,389	15,170
Charge for the year				
— new impairment allowances charged to profit or loss	3,977	201	1,448	5,626
— impairment allowances released to profit or loss	—	(6)	(1,382)	(1,388)
Unwinding of discount	—	—	(133)	(133)
Transfers out	(10)	—	(83)	(93)
Write-offs	—	(457)	(648)	(1,105)
Recoveries of loans and advances previously written off	—	6	136	142
As at 31 December	12,822	670	4,727	18,219

The Bank

	2011			
	Loans and advances for which allowances are collectively assessed	**Impaired loans and advances for which allowances are collectively assessed**	**Impaired loans and advances for which allowances are individually assessed**	**Total**
As at 1 January	**12,518**	**668**	**4,474**	**17,660**
Charge for the year				
— new impairment allowances charged to profit or loss	**5,748**	**206**	**943**	**6,897**
— impairment allowances released to profit or loss	**—**	**(40)**	**(1,110)**	**(1,150)**
Unwinding of discount	**—**	**—**	**(131)**	**(131)**
Transfer out	**—**	**—**	**(14)**	**(14)**
Write-offs	**—**	**(122)**	**(464)**	**(586)**
Recoveries of loans and advances previously written off	**—**	**40**	**102**	**142**
As at 31 December	**18,266**	**752**	**3,800**	**22,818**

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

(c) Movements of allowances for impairment losses (Continued)

The Bank (Continued)

	2010			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
As at 1 January	8,582	923	5,115	14,620
Charge for the year				
— new impairment allowances charged to profit or loss	3,936	189	1,292	5,417
— impairment allowances released to profit or loss	—	—	(1,352)	(1,352)
Unwinding of discount	—	—	(125)	(125)
Transfers out	—	—	(74)	(74)
Write-offs	—	(444)	(506)	(950)
Recoveries of loans and advances previously written off	—	—	124	124
As at 31 December	12,518	668	4,474	17,660

(d) Overdue loans analysed by overdue period

The Group

	2011				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	1,118	343	510	490	2,461
Guaranteed loans	447	76	548	1,097	2,168
Loans with pledged assets					
— Loans secured by tangible assets	3,370	602	807	957	5,736
— Loans secured by monetary assets	196	59	82	30	367
Total	5,131	1,080	1,947	2,574	10,732

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

(d) Overdue loans analysed by overdue period (Continued)

The Group (Continued)

	2010				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	634	841	739	397	2,611
Guaranteed loans	268	184	663	1,305	2,420
Loans with pledged assets					
— Loans secured by tangible assets	2,147	769	1,149	1,071	5,136
— Loans secured by monetary assets	136	44	28	204	412
Total	3,185	1,838	2,579	2,977	10,579

The Bank

	2011				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**1,105**	**341**	**503**	**444**	**2,393**
Guaranteed loans	**379**	**52**	**514**	**1,068**	**2,013**
Loans with pledged assets					
— Loans secured by tangible assets	**2,686**	**468**	**766**	**915**	**4,835**
— Loans secured by monetary assets	**25**	**59**	**82**	**30**	**196**
Total	**4,195**	**920**	**1,865**	**2,457**	**9,437**

	2010				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	599	246	693	397	1,935
Guaranteed loans	87	130	580	1,263	2,060
Loans with pledged assets					
— Loans secured by tangible assets	1,852	681	1,138	1,027	4,698
— Loans secured by monetary assets	57	44	28	204	333
Total	2,595	1,101	2,439	2,891	9,026

Overdue loans represent loans of which the principal or interest are overdue one day or more.

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

(e) Lease payments receivables

Lease payments receivables transactions are made by the Group's subsidiary, CIFH, which include net investment in machines and equipment leased to customers under finance leases and hire purchase contracts having the characteristics of finance leases. These contracts usually run for an initial period of 5 to 20 years, with an option for acquiring the leased asset at nominal value. The total minimum lease payments receivable under finance leases and hire purchase contracts and their present values are as follows:

	The Group			
	2011		2010	
	Present value of minimum leases receivables	Minimum leases receivables	Present value of minimum leases receivables	Minimum leases receivables
Within 1 year (including 1 year)	209	252	180	222
1 year to 2 years (including 2 years)	166	197	134	167
2 years to 3 years (including 3 years)	96	120	92	120
Over 3 years	1,233	1,464	1,431	1,704
Less:	1,704	2,033	1,837	2,213
— Individual impairment allowances	(1)		(1)	
— Collective impairment allowances	—		—	
Net balance	1,703		1,836	

27 Available-for-sale financial assets

		The Group		The Bank	
	Note	2011	2010	2011	2010
Debt securities	(i)	126,875	129,342	111,357	112,889
Investment funds	(ii)	5,706	6,342	5,353	6,018
Certificates of deposit	(iii)	1,766	1,260	—	—
Equity investments	(iv)	171	165	129	125
Total		134,518	137,109	116,839	119,032

(Expressed in millions of Renminbi unless otherwise stated)

27 Available-for-sale financial assets (Continued)

(i) Debt securities issued by

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
In Mainland China					
— Government		**17,306**	9,794	**16,711**	9,794
— PBOC		**11,611**	42,085	**11,611**	42,085
— Policy banks		**14,415**	11,549	**14,415**	11,549
— Banks and non-bank financial institutions		**19,753**	6,107	**19,471**	5,795
— Corporate entities		**46,300**	39,403	**46,300**	39,342
Subtotal		**109,385**	108,938	**108,508**	108,565
Outside Mainland China					
— Government		**5,605**	4,207	**195**	1,849
— Policy banks		**—**	46	**—**	46
— Banks and non-bank financial institutions		**9,573**	13,042	**2,813**	2,294
— Public entities		**—**	348	**—**	348
— Corporate entities		**2,615**	2,985	**—**	—
Subtotal		**17,793**	20,628	**3,008**	4,537
Gross balance		**127,178**	129,566	**111,516**	113,102
Less: Allowance for impairment losses	37	**(303)**	(224)	**(159)**	(213)
Net balance		**126,875**	129,342	**111,357**	112,889
Listed in Hong Kong		**3,706**	3,655	**3,706**	3,655
Listed outside Hong Kong		**1,114**	3,883	**973**	2,528
Unlisted		**122,055**	121,804	**106,678**	106,706
Total		**126,875**	129,342	**111,357**	112,889

(ii) Investment funds issued by

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
Outside Mainland China					
— Banks and non-bank financial institutions		**5,706**	6,359	**5,353**	6,018
Gross balance		**5,706**	6,359	**5,353**	6,018
Less: Allowance for impairment losses	37	**—**	(17)	**—**	—
Net balance		**5,706**	6,342	**5,353**	6,018
Listed in Hong Kong		**—**	—	**—**	—
Listed outside Hong Kong		**—**	—	**—**	—
Unlisted		**5,706**	6,342	**5,353**	6,018
Total		**5,706**	6,342	**5,353**	6,018

(Expressed in millions of Renminbi unless otherwise stated)

27 Available-for-sale financial assets (continued)

(iii) Certificates of deposit issued by

	The Group		The Bank	
	2011	2010	**2011**	2010
In Mainland China				
— Banks and non-bank financial institutions	**467**	306	—	—
Outside Mainland China				
— Banks and non-bank financial institutions	**1,299**	954	—	—
Total	**1,766**	1,260	—	—
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	—	—	—	—
Unlisted	**1,766**	1,260	—	—
Total	**1,766**	1,260	—	—

(iv) Equity investments issued by

	The Group		The Bank	
	2011	2010	**2011**	2010
In Mainland China				
— Corporate entities	**119**	114	**114**	114
Outside Mainland China				
— Banks and non-bank financial institutions	**15**	11	**15**	11
— Corporate entities	**37**	40	—	—
Total	**171**	165	**129**	125
Listed in Hong Kong	**5**	9	—	—
Listed outside Hong Kong	**35**	23	**15**	11
Unlisted	**131**	133	**114**	114
Total	**171**	165	**129**	125

(Expressed in millions of Renminbi unless otherwise stated)

28 Held-to-maturity investments

Held-to-maturity investments are debt securities, issued by:

		The Group		The Bank	
	Note	**2011**	2010	**2011**	2010
In Mainland China					
— Government		**38,871**	52,320	**38,871**	52,320
— PBOC		**13,523**	27,316	**13,523**	27,316
— Policy banks		**24,631**	21,501	**24,631**	21,501
— Banks and non-bank financial institutions		**17,862**	11,579	**17,862**	11,579
— Corporate entities		**12,531**	13,597	**12,531**	13,597
Subtotal		**107,418**	126,313	**107,418**	126,313
Outside Mainland China					
— Government		**28**	30	**28**	30
— Banks and non-bank financial institutions		**664**	742	**979**	1,073
— Public sector entities		**75**	1,377	**75**	1,372
— Corporate entities		**420**	688	**357**	622
Subtotal		**1,187**	2,837	**1,439**	3,097
Gross balance		**108,605**	129,150	**108,857**	129,410
Less: Allowance for impairment losses	37	**(137)**	(109)	**(137)**	(109)
Net balance		**108,468**	129,041	**108,720**	129,301
Listed in Hong Kong		**119**	125	**119**	125
Listed outside Hong Kong		**544**	819	**796**	1,084
Unlisted		**107,805**	128,097	**107,805**	128,092
Net balance		**108,468**	129,041	**108,720**	129,301
Fair value of held-to-maturity investments		**108,244**	125,644	**108,494**	125,888
In which: Market value of listed securities		**692**	917	**942**	1,248

In 2011, the Group sold held-to-maturity investments with a gross carrying value of RMB 4,064 million prior to their maturity dates (2010: nil), among which RMB 3,098 million had a remaining maturity of less than three months. The disposal of the remaining RMB 966 million was related to certain foreign currency bonds for the purpose of avoiding potential credit risk. The amount of disposed held-to-maturity investments accounts for 3.15% (2010: nil) of the portfolio before the disposal.

(Expressed in millions of Renminbi unless otherwise stated)

29 Investment in associates

(a) The Group holds the investment in associates through CIFH. Details of the principal associates as at 31 December 2011 are as follows:

Name of company	Forms of business structure	Place of incorporation	Percentage of shares and voting right held by the Group	Principal activities	Nominal value of issued shares
CITIC Capital Holding Limited ("CCHL")	Incorporated	Hong Kong	27.5%	Investment holding	HKD 49 million
CITIC International Assets Management Limited ("CIAM")	Incorporated	Hong Kong	40%	Investment and assets management	HKD 2,020 million

(b) Financial information of the above associates is as follows:

Name of Enterprise	2011 Total assets	Total liabilities	Total net assets	Operating income	Net profit
CCHL	8,658	3,910	4,748	534	199
CIAM	2,531	330	2,201	89	—

(c) Movement of the Group's investment in associates

	CCHL	CIAM	Total
Initial investment cost	1,038	893	1,931
As at 1 January 2011	1,375	878	2,253
Investment income and other comprehensive income recognised under equity method	74	10	84
Dividend received	—	(18)	(18)
Exchange difference	(66)	(41)	(107)
As at 31 December 2011	1,383	829	2,212

	CCHL	CIAM	Total
As at 1 January 2010	1,317	823	2,140
Investment income and other comprehensive income recognised under equity method	106	86	192
Dividend received	—	(19)	(19)
Exchange difference	(48)	(12)	(60)
As at 31 December 2010	1,375	878	2,253

(Expressed in millions of Renminbi unless otherwise stated)

30 Investment in subsidiaries

	Note	The Bank 2011	The Bank 2010
Investment in subsidiaries			
— CIFH	(i)	**9,797**	9,797
— China Investment and Finance Limited ("CIFL")	(ii)	**87**	87
— Zhejiang Lin'an CITIC Rural Bank Corporation Limited ("Lin'an Rural Bank")	(iii)	**102**	—
Total		**9,986**	9,884

Major subsidiaries of the Group as at 31 December 2011 are as follows:

Name of company	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership held by subsidiaries of the Bank	The Group's effective interest
CIFH (note (i))	Hong Kong	HKD 7,459 million	Commercial banking and other financial services	70.32%	—	70.32%
CIFL (note (ii))	Hong Kong	HKD 25 million	Lending services	95%	5%	98.5%
Lin'an Rural Bank (note(iii))	Mainland China	RMB 200 million	Commercial banking	51%	—	51%

Note: (i) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope covers commercial banking and non-banking financial services. The Bank acquired 70.32% of CIFH's shares and voting right through business combination under common control on 23 October 2009. CITIC Bank International Limited ("CBI") is wholly owned by CIFH.

(ii) CIFL was founded in Hong Kong in 1984 with a registered capital of HKD25 million. It also has a "Money Lending License" issued by the Hong Kong Company Registrar. Its business scope includes capital market investment, lending and a number of other related services. The Bank holds 95% of CIFL's shares and voting rights. The remaining 5% shares are held by CIFH, the Bank's subsidiary.

(iii) Lin'an Rural Bank was founded in Zhejiang Province of Mainland China, in 2011 with a registered capital of RMB 200 million. Its principal activities are commercial banking. Lin'an Rural Bank has not commenced operations as at 31 December 2011. The Bank holds 51% of Lin'an Rural Bank's shares and voting rights.

Apart from the above, the Bank has consolidated SPEs which are controlled by the Bank.

(Expressed in millions of Renminbi unless otherwise stated)

31 Fixed assets

The Group

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2011	**8,847**	**701**	**4,246**	**13,794**
Additions	**122**	**193**	**823**	**1,138**
Transfers from construction in progress	**2**	**(2)**	**—**	**—**
Disposals	**(34)**	**—**	**(144)**	**(178)**
Exchange difference	**(20)**	**—**	**(34)**	**(54)**
As at 31 December 2011	**8,917**	**892**	**4,891**	**14,700**
Accumulated depreciation:				
As at 1 January 2011	**(1,528)**	**—**	**(2,292)**	**(3,820)**
Depreciation charges	**(318)**	**—**	**(597)**	**(915)**
Disposals	**7**	**—**	**114**	**121**
Exchange difference	**5**	**—**	**25**	**30**
As at 31 December 2011	**(1,834)**	**—**	**(2,750)**	**(4,584)**
Net carrying value:				
As at 1 January 2011 (Note (i))	**7,319**	**701**	**1,954**	**9,974**
As at 31 December 2011 (Note (i))	**7,083**	**892**	**2,141**	**10,116**

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2010 (Before restatement)	8,995	901	4,620	14,516
Change in accounting policies	(102)	—	(898)	(1,000)
As at 1 January 2010 (Restated)	8,893	901	3,722	13,516
Additions	122	49	661	832
Transfers from construction in progress	249	(249)	—	—
Surplus on revaluation on the date of transfers to investment properties	35	—	—	35
Transfers to investment properties	(94)	—	—	(94)
Disposals	(331)	—	(115)	(446)
Exchange difference	(27)	—	(22)	(49)
As at 31 December 2010	8,847	701	4,246	13,794
Accumulated depreciation:				
As at 1 January 2010 (Before restatement)	—	—	(2,783)	(2,783)
Change in accounting policies	(1,311)	—	899	(412)
As at 1 January 2010 (Restated)	(1,311)	—	(1,884)	(3,195)
Depreciation charges	(317)	—	(524)	(841)
Transfers to investment properties	21	—	—	21
Disposals	71	—	98	169
Exchange difference	8	—	18	26
As at 31 December 2010	(1,528)	—	(2,292)	(3,820)
Net carrying value:				
As at 1 January 2010 (Restated)	7,582	901	1,838	10,321
As at 31 December 2010 (Note (i))	7,319	701	1,954	9,974

(Expressed in millions of Renminbi unless otherwise stated)

31 Fixed assets (continued)

The Bank

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2011	**8,348**	**701**	**3,561**	**12,610**
Additions	**120**	**192**	**698**	**1,010**
Transfers from construction in progress	**2**	**(2)**	**—**	**—**
Disposals	**(34)**	**—**	**(140)**	**(174)**
As at 31 December 2011	**8,436**	**891**	**4,119**	**13,446**
Accumulated depreciation:				
As at 1 January 2011	**(1,333)**	**—**	**(1,769)**	**(3,102)**
Depreciation charges	**(308)**	**—**	**(534)**	**(842)**
Disposals	**7**	**—**	**110**	**117**
As at 31 December 2011	**(1,634)**	**—**	**(2,193)**	**(3,827)**
Net carrying value:				
As at 1 January 2011 (note (i))	**7,015**	**701**	**1,792**	**9,508**
As at 31 December 2011 (note (i))	**6,802**	**891**	**1,926**	**9,619**

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2010 (Before restatement)	8,360	901	3,984	13,245
Change in accounting policies	(375)	—	(900)	(1,275)
As at 1 January 2010 (Restated)	7,985	901	3,084	11,970
Additions	122	49	565	736
Transfers from construction in progress	249	(249)	—	—
Disposals	(8)	—	(88)	(96)
As at 31 December 2010	8,348	701	3,561	12,610
Accumulated depreciation:				
As at 1 January 2010 (Before restatement)	—	—	(2,271)	(2,271)
Change in accounting policies	(1,036)	—	900	(136)
As at 1 January 2010 (Restated)	(1,036)	—	(1,371)	(2,407)
Depreciation charges	(298)	—	(478)	(776)
Disposals	1	—	80	81
As at 31 December 2010	(1,333)	—	(1,769)	(3,102)
Net carrying value:				
As at 1 January 2010 (Restated)	6,949	901	1,713	9,563
As at 31 December 2010 (note (i))	7,015	701	1,792	9,508

(Expressed in millions of Renminbi unless otherwise stated)

31 Fixed assets (continued)

Note:

(i) As at 31 December 2011, the net book value of the Group's premises for which the ownership registration procedures had not been completed was approximately RMB 615 million (2010: RMB 654 million). The Group anticipated that there would be no significant issues or costs in completing such procedures.

(ii) Analysed by remaining term of leases

The net carrying value of bank premises at the reporting date is analysed by the remaining terms of the leases as follows:

	The Group		The Bank	
	2011	2010	**2011**	2010
Long term leases (over 50 years), held in Hong Kong	**69**	72	**—**	—
Medium term leases (10-50 years), held in Hong Kong	**187**	205	**—**	—
Medium term leases (10-50 years), held in Mainland China	**6,802**	7,015	**6,802**	7,015
Permanent term lease, held in overseas	**25**	27	**—**	—
Total	**7,083**	7,319	**6,802**	7,015

32 Investment properties

	The Group		The Bank	
	2011	2010	**2011**	2010
Fair value as at 1 January	**248**	161	**—**	—
Addition:				
— Change in fair value	**29**	54	**—**	—
— Transfer from fixed assets	**—**	73	**—**	—
Decrease:				
— Disposal	**—**	(34)	**—**	—
Exchange difference	**(5)**	(6)	**—**	—
Fair value as at 31 December	**272**	248	**—**	—

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties locate and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 31 December 2011.

All investment properties of the Group were revalued at 31 December 2011 by an independent firm of surveyors, Prudential Surveyors (Hong Kong) Limited, on an open market value basis. The revaluation surplus or deficit have been credited or charged to the profit and loss respectively. Prudential Surveyors (Hong Kong) Limited has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

(Expressed in millions of Renminbi unless otherwise stated)

32 Investment properties (continued)

(a) Analysed by remaining term of leases

The net carrying value of investment properties at the reporting date is analysed by the remaining terms of the leases as follows:

	The Group		The Bank	
	2011	2010	**2011**	2010
Long term leases (over 50 years), held in Hong Kong	**11**	10	**—**	—
Medium term leases (10-50 years), held in Hong Kong	**234**	214	**—**	—
Medium term leases (10-50 years), held in Mainland China	**27**	24	**—**	—
Total	**272**	248	**—**	—

33 Goodwill

The Bank acquired 70.32% of CIFH's shares on 23 October 2009, which was accounted for as a business combination under common control and therefore no goodwill was recognised. The goodwill recognised in CIFH's financial statements arises from CIFH's business combination of subsidiaries under non-common control before the above business combination, and remains in the consolidated statement of financial position of the Group.

	The Group		The Bank	
	2011	2010	**2011**	2010
As at 1 January	**857**	887	**—**	—
Exchange difference	**(39)**	(30)	**—**	—
As at 31 December	**818**	857	**—**	—

Goodwill is allocated to the Group's identified cash-generating units (CGU) as follows:

	The Group		The Bank	
	2011	2010	**2011**	2010
Corporate Banking	**818**	857	**—**	—

The recoverable amount of the CGU was determined based on value-in-use calculations for purpose of impairment test. These calculations used cash flow projections based on financial budgets approved by management covering a maximum of five-year period. Subsequent to the cash flow projection period, cash flow for the first five years, the next five years and subsequent years is estimated at 9%, 4% and 3% (2010: 10.5%, 3.5% and 3.5%) growth rate respectively, which does not exceed the long-term average growth rate for the business in which the CGU operates. Management determined the budgeted gross margin based on past performance and its expectation on market development. The pre-tax discount rate used was 12.5% (2010:12.3%) which reflects specific risks relating to the relevant segment.

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

(Expressed in millions of Renminbi unless otherwise stated)

34 Intangible assets

The Group and the Bank

	Software	Others	Total
Cost			
As at 1 January 2011	**392**	**14**	**406**
Additions	**94**	**14**	**108**
As at 31 December 2011	**486**	**28**	**514**
Amortization			
As at 1 January 2011	**(181)**	**(8)**	**(189)**
Charge for the year	**(70)**	**(1)**	**(71)**
As at 31 December 2011	**(251)**	**(9)**	**(260)**
Net carrying value			
As at 1 January 2011	**211**	**6**	**217**
As at 31 December 2011	**235**	**19**	**254**

	Software	Others	Total
Cost			
As at 1 January 2010	285	14	299
Additions	107	—	107
As at 31 December 2010	392	14	406
Amortization			
As at 1 January 2010	(126)	(8)	(134)
Charge for the year	(55)	—	(55)
As at 31 December 2010	(181)	(8)	(189)
Net carrying value			
As at 1 January 2010	159	6	165
As at 31 December 2010	211	6	217

35 Deferred tax assets

(a) Analysed by nature

	The Group			
	2011		2010	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
— Impairment allowances	**8,091**	**1,999**	5,203	1,275
— Fair value adjustments	**(639)**	**(182)**	628	136
— Employee retirement benefits and salary payable	**5,300**	**1,325**	4,412	1,103
— Others	**(702)**	**(171)**	202	51
Total	**12,050**	**2,971**	10,445	2,565

(Expressed in millions of Renminbi unless otherwise stated)

35 Deferred tax assets (Continued)

(a) Analysed by nature (Continued)

	The Bank			
	2011		2010	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
— Impairment allowances	7,816	1,954	4,900	1,225
— Fair value adjustments	(904)	(226)	380	95
— Employee retirement benefits and salary payable	5,300	1,325	4,412	1,103
— Others	(652)	(163)	200	50
Total	11,560	2,890	9,892	2,473

(b) Movement of deferred tax assets

The Group

	Impairment allowances	Fair value adjustment	Employee retirement benefits and salary payable	Others	Total deferred tax assets
As at 1 January 2011	1,275	136	1,103	51	2,565
Recognized in profit or loss	726	(36)	222	(222)	690
Recognized in other comprehensive income	—	(280)	—	—	(280)
Exchange difference	(2)	(2)	—	—	(4)
As at 31 December 2011	1,999	(182)	1,325	(171)	2,971
As at 1 January 2010	943	182	915	55	2,095
Recognized in profit or loss	332	(176)	188	(4)	340
Recognized in other comprehensive income	—	130	—	—	130
As at 31 December 2010	1,275	136	1,103	51	2,565

(Expressed in millions of Renminbi unless otherwise stated)

35 Deferred tax assets (Continued)

(b) Movement of deferred tax assets (Continued)

The Bank

	Impairment allowances	Fair value adjustments	Employee retirement benefits and salary payable	Others	Total deferred tax assets
As at 1 January 2011	**1,225**	**95**	**1,103**	**50**	**2,473**
Recognized in profit or loss	**729**	**(28)**	**222**	**(213)**	**710**
Recognized in other comprehensive income	**—**	**(293)**	**—**	**—**	**(293)**
As at 31 December 2011	**1,954**	**(226)**	**1,325**	**(163)**	**2,890**
As at 1 January 2010	897	128	915	55	1,995
Recognized in profit or loss	328	(175)	188	(5)	336
Recognized in other comprehensive income	—	142	—	—	142
As at 31 December 2010	1,225	95	1,103	50	2,473

Note:

(i) The Bank has no material unrecognised deferred tax assets or liabilities as at 31 December 2011(31 December 2010: nil).

36 Other assets

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
Leasehold improvements		**959**	860	**959**	860
Repossessed assets	(i)	**277**	441	**277**	290
Land use rights		**615**	621	**615**	621
Prepaid rent		**396**	320	**394**	314
Prepaid income tax		**2**	51	**—**	—
Others	(ii)	**4,159**	2,760	**3,498**	2,463
Total		**6,408**	5,053	**5,743**	4,548

(i) Repossessed assets

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
Premises		**404**	487	**404**	484
Others		**34**	234	**34**	35
Gross balance		**438**	721	**438**	519
Less: Allowance for impairment losses	37	**(161)**	(280)	**(161)**	(229)
Net balance		**277**	441	**277**	290

(Expressed in millions of Renminbi unless otherwise stated)

36 Other assets (Continued)

(ii) Others

	Note	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
Gross balance		**4,859**	3,380	**4,195**	3,078
Less: Allowance for impairment losses	37	**(700)**	(620)	**(697)**	(615)
Net balance		**4,159**	2,760	**3,498**	2,463

37 Movements of allowances for impairment losses

The Group

	Note	2011 As at 1 January	2011 Charge for the year	2011 Reversal for the year	2011 Transfer in/(out)	2011 Write-offs	2011 As at 31 December
Deposit with banks and non-bank financial institutions	20	**—**	**—**	**—**	**—**	**—**	**—**
Placements with banks and non-bank financial institutions	21	**8**	**—**	**—**	**—**	**—**	**8**
Financial assets held under resale agreements	24	**—**	**—**	**—**	**—**	**—**	**—**
Interest receivable	25	**30**	**38**	**(7)**	**—**	**(5)**	**56**
Loans and advances to customers	26	**18,219**	**6,998**	**(1,264)**	**(12)**	**(683)**	**23,258**
Available-for-sale financial assets	27	**241**	**148**	**—**	**(75)**	**(11)**	**303**
Held-to-maturity investments	28	**109**	**33**	**—**	**(5)**	**—**	**137**
Repossessed assets	36(i)	**280**	**1**	**(63)**	**(25)**	**(32)**	**161**
Other assets	36(ii)	**620**	**114**	**(13)**	**(16)**	**(5)**	**700**
Gross balance		**19,507**	**7,332**	**(1,347)**	**(133)**	**(736)**	**24,623**

	Note	2010 As at 1 January	2010 Charge for the year	2010 Reversal for the year	2010 Transfer in/(out)	2010 Write-offs	2010 As at 31 December
Deposit with banks and non-bank financial institutions	20	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	21	9	—	—	(1)	—	8
Financial assets held under resale agreements	24	—	—	—	—	—	—
Interest receivable	25	—	31	—	—	(1)	30
Loans and advances to customers	26	15,170	5,626	(1,388)	(84)	(1,105)	18,219
Available-for-sale financial assets	27	371	579	—	(130)	(579)	241
Held-to-maturity investments	28	215	—	—	(106)	—	109
Repossessed assets		378	79	(3)	(138)	(36)	280
Other assets	36(i)	590	14	(27)	90	(47)	620
Gross balance	36(ii)	16,733	6,329	(1,418)	(369)	(1,768)	19,507

(Expressed in millions of Renminbi unless otherwise stated)

37 Movements of allowances for impairment losses (Continued)

The Bank

		2011					
	Note	As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	20	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	21	8	—	—	—	—	8
Financial assets held under resale agreements	24	—	—	—	—	—	—
Interest receivable	25	30	38	(7)	—	(5)	56
Loans and advances to customers	26	17,660	6,897	(1,150)	(3)	(586)	22,818
Available-for-sale financial assets	27	213	—	—	(54)	—	159
Held-to-maturity investments	28	109	33	—	(5)	—	137
Repossessed assets	36(i)	229	1	(13)	(24)	(32)	161
Other assets	36(ii)	615	114	(13)	(17)	(2)	697
Gross balance		18,864	7,083	(1,183)	(103)	(625)	24,036

		2010					
	Note	As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out)	Write-offs	As at 31 December
Deposit with banks and non-bank financial institutions	20	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	21	9	—	—	(1)	—	8
Financial assets held under resale agreements	24	—	—	—	—	—	—
Interest receivable	25	—	31	—	—	(1)	30
Loans and advances to customers	26	14,620	5,417	(1,352)	(75)	(950)	17,660
Available-for-sale financial assets	27	300	—	—	(87)	—	213
Held-to-maturity investments	28	215	—	—	(106)	—	109
Repossessed assets	36(i)	366	24	—	(136)	(25)	229
Other assets	36(ii)	587	13	(27)	89	(47)	615
Gross balance		16,097	5,485	(1,379)	(316)	(1,023)	18,864

Note:

Transfer in/(out) includes the effect of exchange rate and disposals during the year. Besides allowances for impairment losses above, the Group also charged impairment losses for off-balance sheet assets. Details are disclosed in Note 12.

(Expressed in millions of Renminbi unless otherwise stated)

38 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	2011	2010	**2011**	2010
In Mainland China				
— Banks	**413,583**	72,315	**413,599**	72,272
— Non-bank financial institutions	**121,396**	69,315	**122,396**	69,315
Subtotal	**534,979**	141,630	**535,995**	141,587
Outside Mainland China				
— Banks	**567**	33	**4,815**	2,188
Subtotal	**567**	33	**4,815**	2,188
Total	**535,546**	141,663	**540,810**	143,775

39 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	2011	2010	**2011**	2010
In Mainland China				
— Banks	**634**	5,298	**—**	5,000
— Non-bank financial institutions	**819**	813	**819**	813
Subtotal	**1,453**	6,111	**819**	5,813
Outside Mainland China				
— Banks	**3,223**	961	**—**	—
Subtotal	**3,223**	961	**—**	—
Total	**4,676**	7,072	**819**	5,813

40 Trading financial liabilities

	The Group		The Bank	
	2011	2010	**2011**	2010
Financial liabilities designated at fair value through profit or loss				
— Structured deposits	**—**	10,729	**—**	10,729
Total	**—**	10,729	**—**	10,729
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**—**	—	**—**	—
Unlisted	**—**	10,729	**—**	10,729
Total	**—**	10,729	**—**	10,729

(Expressed in millions of Renminbi unless otherwise stated)

41 Financial assets sold under repurchase agreements

(a) Analysed by types and locations of counterparties

	The Group		The Bank	
	2011	2010	**2011**	2010
In Mainland China				
— PBOC	**541**	21	**541**	21
— Banks	**—**	300	**—**	300
— Non-bank financial institutions	**8,800**	4,000	**8,800**	4,000
Subtotal	**9,341**	4,321	**9,341**	4,321
Outside Mainland China				
— Banks	**50**	60	**50**	60
— Non-bank financial institutions	**415**	—	**415**	—
Subtotal	**465**	60	**465**	60
Total	**9,806**	4,381	**9,806**	4,381

(b) Analysed by types of collaterals

	The Group		The Bank	
	2011	2010	**2011**	2010
Discounted bills	**541**	21	**541**	21
Debt securities	**9,265**	4,060	**9,265**	4,060
Loans and advances to customers	**—**	300	**—**	300
Total	**9,806**	4,381	**9,806**	4,381

42 Deposits from customers

Analysed by natures of deposits

	The Group		The Bank	
	2011	2010	**2011**	2010
Demand deposits				
— Corporate customers	**782,261**	746,278	**765,593**	729,247
— Personal customers	**91,762**	87,521	**79,753**	71,140
Subtotal	**874,023**	833,799	**845,346**	800,387
Time and call deposits				
— Corporate customers	**835,035**	677,843	**787,775**	633,497
— Personal customers	**254,202**	213,233	**227,309**	194,505
Subtotal	**1,089,237**	891,076	**1,015,084**	828,002
Outward remittance and remittance payables	**4,791**	5,941	**4,791**	5,941
Total	**1,968,051**	1,730,816	**1,865,221**	1,634,330

(Expressed in millions of Renminbi unless otherwise stated)

42 Deposits from customers (Continued)

Deposits from customers included pledged deposits for:

	The Group		The Bank	
	2011	2010	**2011**	2010
Bank acceptances	**231,807**	218,083	**231,602**	218,082
Letters of credit	**47,665**	24,875	**47,356**	24,803
Guarantees	**10,693**	6,389	**10,196**	6,389
Others	**52,774**	40,792	**47,758**	37,073
Total	**342,939**	290,139	**336,912**	286,347

43 Accrued staff costs

The Group

		2011			
	Note	**As at 1 January**	**Accrual for the year**	**Accrual for the year**	**As at 31 December**
Salaries and bonuses		**7,358**	**8,924**	**(8,000)**	**8,282**
Welfare expenses		**—**	**753**	**(753)**	**—**
Social insurance	(i)	**19**	**994**	**(992)**	**21**
Housing fund		**16**	**498**	**(494)**	**20**
Housing allowance		**28**	**229**	**(229)**	**28**
Defined contribution retirement schemes	(ii)	**—**	**195**	**(192)**	**3**
Supplementary retirement benefits	(iii)	**39**	**6**	**(4)**	**41**
Labor union expenses and employee education expenses		**272**	**367**	**(289)**	**350**
Others		**121**	**328**	**(333)**	**116**
Total		**7,853**	**12,294**	**(11,286)**	**8,861**

		2010			
	Note	As at 1 January	Accrual for the year	Accrual for the year	As at 31 December
Salaries and bonuses		6,612	7,406	(6,660)	7,358
Welfare expenses		—	562	(562)	—
Social insurance	(i)	20	759	(760)	19
Housing fund		7	398	(389)	16
Housing allowance		29	173	(174)	28
Defined contribution retirement schemes	(ii)	—	156	(156)	—
Supplementary retirement benefits	(iii)	40	3	(4)	39
Labor union expenses and employee education expenses		228	301	(257)	272
Others		51	295	(225)	121
Total		6,987	10,053	(9,187)	7,853

(Expressed in millions of Renminbi unless otherwise stated)

43 Accrued staff costs (Continued)

The Bank

	Note	2011 As at 1 January	Accrual for the year	Accrual for the year	As at 31 December
Salaries and bonuses		**7,127**	**8,108**	**(7,215)**	**8,020**
Welfare expenses		**—**	**747**	**(747)**	**—**
Social insurance	(i)	**19**	**987**	**(985)**	**21**
Housing fund		**16**	**494**	**(490)**	**20**
Housing allowance		**28**	**227**	**(227)**	**28**
Defined contribution retirement schemes	(ii)	**—**	**191**	**(188)**	**3**
Supplementary retirement benefits	(iii)	**39**	**6**	**(4)**	**41**
Labor union expenses and employee education expenses		**271**	**365**	**(286)**	**350**
Others		**118**	**259**	**(265)**	**112**
Total		**7,618**	**11,384**	**(10,407)**	**8,595**

	Note	2010 As at 1 January	Accrual for the year	Accrual for the year	As at 31 December
Salaries and bonuses		6,441	6,693	(6,007)	7,127
Welfare expenses		—	556	(556)	—
Social insurance	(i)	20	755	(756)	19
Housing fund		7	392	(383)	16
Housing allowance		29	173	(174)	28
Defined contribution retirement schemes	(ii)	—	154	(154)	—
Supplementary retirement benefits	(iii)	40	3	(4)	39
Labor union expenses and employee education expenses		228	299	(256)	271
Others		47	220	(149)	118
Total		6,812	9,245	(8,439)	7,618

(i) ***Social insurance***

Social insurance includes costs of statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labor and social security, the Group joins statutory retirement plan for the employees as set out by city and provincial governments. The Group is required to make contributions based on defined ratios of the salaries, bonuses and certain allowances of the employees to the statutory retirement plan under the administration of the government.

(ii) ***Defined contribution retirement schemes***

In addition to the above statutory retirement plan, the Bank's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group. The Scheme is managed by the CITIC Group. The Bank has made annuity contributions at 4% of its employee's gross wages. In 2011, the Bank made annuity contribution amounting to RMB 191 million (2010: RMB 154 million).

The Group's employees based in Hong Kong join the Mandatory Provident Fund Scheme with certain contribution ratios pursuant to the relevant laws and regulations.

(Expressed in millions of Renminbi unless otherwise stated)

43 Accrued staff costs (Continued)

(iii) Supplementary retirement benefits

The Group pays supplementary retirement benefits for its qualified employees in Mainland China. Both current staff and retired staff join this supplementary retirement benefits. The balance at the reporting date represents the present value of un-contributed fund.

The Group's obligations in respect of the supplementary retirement benefits as at the reporting date based on the projected unit credit actuarial cost method were reviewed by qualified staff (a member of Society of Actuaries in America) of an external independent actuary: Tower Watson.

Save for the above schemes in 43(i) to 43(iii), the Group has no other material obligation for payment of retirement benefits beyond the contributions.

44 Taxes payable

	The Group		The Bank	
	2011	2010	**2011**	2010
Income tax	**1,876**	1,216	**1,773**	1,201
Business tax and surcharges	**2,126**	1,371	**2,121**	1,368
Others	**13**	11	**6**	4
Total	**4,015**	2,598	**3,900**	2,573

45 Interest payable

	The Group		The Bank	
	2011	2010	**2011**	2010
Deposits from customers	**11,533**	7,783	**11,314**	7,685
Debt securities issued	**623**	668	**458**	538
Others	**1,443**	118	**1,339**	20
Total	**13,599**	8,569	**13,111**	8,243

46 Provisions

The Group and the Bank

	2011	2010
Litigation provisions	**36**	36

Movement of provisions:

	2011	2010
As at 1 January	**36**	50
Charge for the year	**—**	36
Reversal for the year	**—**	(10)
Transfer out	**—**	(40)
As at 31 December	**36**	36

(Expressed in millions of Renminbi unless otherwise stated)

47 Debt securities issued

		The Group		The Bank	
	Note	**2011**	2010	**2011**	2010
Notes issued	(i)	**322**	197	**—**	—
Certificates of deposit issued	(ii)	**8,576**	5,943	**—**	—
Subordinated debts bonds issued:					
— by the Bank	(iii)	**18,500**	22,500	**18,500**	22,500
— by CIFH	(iv)	**6,332**	6,275	**—**	—
Total		**33,730**	34,915	**18,500**	22,500

(i) The notes were issued by CBI and measured at amortized cost.

(ii) The certificates of deposit were issued by CIFH and measured at amortized cost.

(iii) The carrying value of the Bank's subordinated debts bonds issued as at 31 December represents:

	Note	**2011**	2010
ubordinated fixed rate bonds maturing:			
— in June 2016	(a)	**—**	4,000
— in May 2020	(b)	**5,000**	5,000
— in June 2021	(c)	**2,000**	2,000
— in May 2025	(d)	**11,500**	11,500
Total		**18,500**	22,500

(a) On 22 June 2011, the Bank exercised the call option and redeemed the subordinated bonds at par value.

(b) The interest rate per annum on the subordinated fixed rate bonds issued on 28 May 2010 is 4.00%. The Bank has an option to redeem the debts on 28 May 2015. If they are not redeemed early, the interest rate of the debts will remain 4.00% per annum for the next five years.

(c) The interest rate per annum on the subordinated fixed rate bonds issued on 22 June 2006 is 4.12%. The Bank has an option to redeem the debts on 22 June 2016. If they are not redeemed early, the interest rate of the debts will increase to 7.12% per annum for the next five years.

(d) The interest rate per annum on the subordinated fixed rate bonds issued on 28 May 2010 is 4.30%. The Bank has an option to redeem the debts on 28 May 2020. If they are not redeemed early, the interest rate of the debts will remain 4.30% per annum for the next five years.

(Expressed in millions of Renminbi unless otherwise stated)

47 Debt securities issued (Continued)

(iv) The carrying value of CIFH's subordinated notes issued as at 31 December represents:

	Note	2011	2010
Perpetual subordinated fixed rate notes	(a)	**1,582**	1,678
Subordinated floating rate notes maturing in December 2017	(b)	**1,261**	1,323
Subordinated fixed rate notes maturing in June 2020	(c)	**3,489**	3,274
Total		**6,332**	6,275

(a) Subordinated notes with an interest rate of 9.125% per annum and with face value of USD 250 million were issued on 23 May 2002 by CKWH-UT2 Limited, a wholly owned subsidiary of CIFH. CBI unconditionally and irrevocably guarantees all amounts payable under the notes. These subordinated notes can be called by CKWH-UT2 Limited in 2012.

(b) On 30 November 2007, CBI launched a USD 2 billion Medium Term Notes Programme ("the Programme"). Under the Programme, CBI, subject to compliance with all relevant laws, regulations and directives, may from time to time issue subordinated notes denominated in any currency agreed between CBI and the relevant dealers as defined.

Under the Programme, CBI issued subordinated floating rate notes with face value of USD 250 million on 11 December 2007. The interest rate per annum is the LIBOR for three-month US dollar deposits plus an interest margin of 1.75%. The notes are listed on the SGX-ST and mature on 12 December 2017.

(c) Subordinated notes with an interest rate of 6.875% per annum and with face value of USD 500 million were issued on 24 June 2010 by CBI. The notes are listed on SGX-ST and mature on 24 June 2020.

48 Other liabilities

	The Group		The Bank	
	2011	2010	2011	2010
Settlement accounts	**1,169**	1,229	**1,169**	1,229
Dormant accounts	**169**	190	**169**	190
Payment and collection clearance accounts	**444**	197	**444**	197
Government bonds redemption payable	**61**	97	**61**	97
Others	**3,173**	2,305	**2,370**	1,647
Total	**5,016**	4,018	**4,213**	3,360

49 Share capital

Structure of share capital

	The Group and the Bank	
	2011	2010
A-Share	**31,905**	26,631
H-Share	**14,882**	12,402
Total	**46,787**	39,033

(Expressed in millions of Renminbi unless otherwise stated)

49 Share capital (Continued)

Movement of share capital

	The Group and the Bank	
	2011	2010
As at 1 January	**39,033**	39,033
Rights Issue	**7,754**	—
— A share	**5,274**	—
— H share	**2,480**	—
As at 31 December	**46,787**	39,033

The Bank issued 5,274 million A shares and 2,480 million H shares with a par value of RMB 1 each in Rights Issue during 2011. KPMG Huazhen verified the share capital received and issued verification reports KPMG-A(2011)CR No.0013 and KPMG-A(2011)CR No.0017 on 7 July 2011 and 29 July 2011 respectively.

50 Share premium and other reserve

Structure of Reserve

		The Group		The Bank	
	Note	**2011**	2010	**2011**	2010
Share premium	(i)	**49,214**	31,301	**51,619**	33,706
Other reserve		**277**	273	**—**	—
Total		**49,491**	31,574	**51,619**	33,706

(i) Share premium arises from the issuance of share prices in excess of their par value.

Movements of share premium during the year were as follows:

	The Group		The Bank	
	2011	2010	**2011**	2010
As at 1 January	**31,301**	31,301	**33,706**	33,706
Gross proceeds upon Rights Issue	**25,786**	—	**25,786**	—
Less: Par value	**(7,754)**	—	**(7,754)**	—
Issuing costs	**(119)**	—	**(119)**	—
As at 31 December	**49,214**	31,301	**51,619**	33,706

51 Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised and is dealt with in accordance with the Group accounting policies.

	The Group		The Bank	
	2011	2010	**2011**	2010
As at 1 January	**(632)**	(236)	**(451)**	(23)
Changes in fair value of available-for-sale financial assets during the year	**866**	(473)	**1,084**	(520)
Net amount transferred to profit or loss	**263**	(61)	**88**	(50)
Less: Tax expense	**(283)**	138	**(293)**	142
As at 31 December	**214**	(632)	**428**	(451)

(Expressed in millions of Renminbi unless otherwise stated)

52 Surplus reserve

Movement of Surplus reserve

	The Group and the Bank	
	2011	2010
As at 1 January	**5,618**	3,535
Appropriations	**3,073**	2,083
As at 31 December	**8,691**	5,618

Under relevant PRC Laws, the Bank and the Bank's subsidiaries in Mainland China are required to appropriate 10% of its net profit, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders at the Annual General Meeting.

Subject to the approval of shareholders, statutory and discretionary surplus reserves may be used to make good prior year losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

53 General reserve

	The Group		The Bank	
	2011	2010	**2011**	2010
As at 1 January	**15,698**	12,562	**15,650**	12,526
Appropriations	**5,127**	3,136	**5,100**	3,124
As at 31 December	**20,825**	15,698	**20,750**	15,650

Pursuant to relevant MOF notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets. The Bank and the Group's banking subsidiaries in Mainland China have complied with the above requirements as of 31 December 2011.

54 Profit appropriations

(a) Profit appropriations and distributions other than dividends declared during the year

	The Group		The Bank	
	2011	2010	**2011**	2010
Appropriations to				
— Statutory surplus reserve fund	**3,073**	2,083	**3,073**	2,083
— General reserve	**5,127**	3,136	**5,100**	3,124
As at 31 December	**8,200**	5,219	**8,173**	5,207

In accordance with the approval from the Board of Directors dated 29 August 2011, the Bank appropriated RMB1,441 million to statutory surplus reserve fund and RMB800 million to general reserve in the first half year of 2011.

In accordance with the approval from the Board of Directors dated 30 March 2012, the Bank appropriated RMB1,632 million to statutory surplus reserve fund and RMB4,300 million to general reserve in the second half year of 2011.

The Group's subsidiary CBI (China) made an appropriation to general reserve in accordance with relevant regulatory requirements.

(Expressed in millions of Renminbi unless otherwise stated)

54 Profit appropriations (Continued)

(b) In accordance with the resolution approved at the Second Extraordinary General Meeting of the Bank held on 19 October 2011, the Bank declared cash dividend of RMB0.55 per ten shares in respect of the period ended 30 June 2011 to its A shareholders and H shareholders whose names appeared on the register of shareholders of the Bank as at 10 November 2011 and 31 October 2011 respectively. The dividend amounting to RMB2,573 million was distributed on 17 November 2011.

(c) On 30 March 2012, the Board of Directors proposed a cash dividend of RMB1.45 per ten shares in respect of the year ended 31 December 2011. Subject to the approval of the shareholders at the Annual General Meeting, the total amount of approximately RMB6,784 million is payable to those on the register of shareholders as at the relevant record date. This proposal was deemed as a non-adjusting event after the reporting period and has not been recognised as liability at the reporting date.

55 Notes to consolidated cash flow statement

Cash and cash equivalents

The Group

	2011	2010
Cash	**4,972**	4,034
Surplus deposit reserve funds	**60,638**	52,428
Deposits with banks and non-bank financial institutions due within three months when acquired	**334,790**	44,876
Placements with banks and non-bank financial institutions due within three months when acquired	**66,868**	31,938
Investment securities due within three months when acquired	**11,815**	40,634
Subtotal	**474,111**	169,876
Total	**479,083**	173,910

56 Commitments and contingent liabilities

(a) Credit commitments

Credit commitments take the form of loan commitments, credit card limits, financial guarantees and letters of credit.

Loan commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantee provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully advanced. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

(Expressed in millions of Renminbi unless otherwise stated)

56 Commitments and contingent liabilities (Continued)

(a) Credit commitments (Continued)

	The Group		The Bank	
	2011	2010	**2011**	2010
Contractual amount				
Loan commitments				
— with an original maturity of within one year	**79,634**	39,177	**54,376**	18,676
— with an original maturity of one year or beyond	**15,584**	21,319	**12,616**	16,193
Subtotal	**95,218**	60,496	**66,992**	34,869
Guarantees	**64,534**	68,932	**63,852**	65,474
Letters of credit	**244,312**	116,529	**239,779**	113,394
Acceptances	**503,666**	427,573	**501,746**	426,538
Credit card commitments	**60,937**	49,844	**55,543**	44,169
Total	**968,667**	723,374	**927,912**	684,444

(b) Credit commitments analysed by credit risk weighted amount

	The Group		The Bank	
	2011	2010	**2011**	2010
Credit risk weighted amount of credit commitments	**375,757**	252,529	**371,066**	244,547

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 counterparties and the maturity characteristics. The risk weighting used range from 0% to 100%. The credit risk weighted amounts stated above have taken into account the effects of bilateral netting arrangements.

There are no relevant standards prescribed in IFRS with regard to the calculation of the above credit risk weighted amounts.

(c) Capital commitments

The Group had the following authorised capital commitments at 31 December:

	The Group		The Bank	
	2011	2010	**2011**	2010
— Contracted for	**750**	326	**728**	277
— Authorized but not contracted for	**688**	98	**687**	81

(Expressed in millions of Renminbi unless otherwise stated)

56 Commitments and contingent liabilities (Continued)

(d) Operating lease commitments

The Group leases certain properties 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. At 31 December, the Group's future minimum lease payments under non-cancellable operating leases were as follows:

	The Group		The Bank	
	2011	2010	**2011**	2010
Within one year	**1,409**	1,170	**1,264**	1,039
After one year but within two years	**1,294**	1,075	**1,154**	971
After two years but within three years	**1,204**	988	**1,095**	900
After three years but within five years	**1,772**	1,657	**1,598**	1,474
After five years	**2,581**	1,751	**2,438**	1,536
Total	**8,260**	6,641	**7,549**	5,920

(e) Outstanding litigations and disputes

As at 31 December 2011, the Group was the defendant in certain pending litigations with gross claims of RMB242 million (2010: RMB255 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB36 million (2010: RMB36 million). The Group believes that these accruals are reasonable and adequate.

(f) Securities underwriting obligations

The Group has no underwriting commitments of securities as at 31 December 2011 and 2010.

(g) 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 below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	The Group and the Bank	
	2011	2010
Bonds redemption obligations	**5,465**	6,619

The Group estimates that the possibility of redemption before maturity is remote.

(h) Provision against commitments and contingent liabilities

The Group has assessed and has made provision (Note 46) for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities at the reporting date in accordance with its accounting policies.

(Expressed in millions of Renminbi unless otherwise stated)

57 Pledged assets

(a) Financial assets pledged as collaterals

The carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities at the reporting date are disclosed as below.

	The Group		The Bank	
	2011	2010	**2011**	2010
Discounted bills	**606**	21	**606**	21
Debt securities	**10,961**	4,711	**10,961**	4,711
Loans and advances to customers	**—**	300	**—**	300
Others	**70**	1,920	**—**	—
Total	**11,637**	6,952	**11,567**	5,032

(b) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2011, the Group did not hold any collateral under resale agreements for which the Group was permitted to sell or repledge in the absence of default for the transactions. As at 31 December 2010, the Group held collateral under resale agreements of RMB 9 million at fair value for which the Group was permitted to sell or repledge in the absence of default for the transactions.

58 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals. All entrusted loans are made under the instruction or at the direction of these entities or individuals and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group generally does not take on credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the instruction of the entrustor and receives fee income for the services provided.

Trust assets are not assets of the Group and are not recognised on the statement of financial position. Surplus funding is accounted for as deposits from customers. Income received and receivable for providing these services is included in profit or loss as fee income.

At the reporting date, the entrusted assets and liabilities were as follows:

	The Group and the Bank	
	2011	2010
Entrusted loans	**108,556**	99,662
Entrusted funds	**108,556**	99,662

(Expressed in millions of Renminbi unless otherwise stated)

58 Transactions on behalf of customers (Continued)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers. The funds obtained from wealth management services are invested in investment products, including government bonds, PBOC bills, notes issued by policy banks, short-dated corporate notes, entrusted loans, corporate loans and IPO shares. The credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers who invest in these products. The Group only earns commission which represents the charges on customers in relation to the provision of custody, sales and management services. The income is recognised in the profit or loss as commission income.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised on the statement of financial position. The funds obtained from wealth management services that have not yet been invested are recorded under deposits from customers.

At the reporting date, the assets and liabilities under wealth management services were as follows:

	The Group		The Bank	
	2011	2010	**2011**	2010
Investments under wealth management services	**137,903**	168,983	**72,665**	103,649
Funds from wealth management services	**137,903**	168,983	**72,665**	103,649

Amongst the above funds from wealth management service, RMB 24,747 million was entrusted to CITIC Trust Co., Ltd. ("CITIC Trust"), a wholly owned subsidiary of CITIC Group, as at 31 December 2011 (2010: RMB 23,692 million).

59 Segment reporting

The segment reporting is disclosed in accordance with the accounting policy set out in note 4(23). Measurement of segment assets and liabilities, and segment income and expense is based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities do not include deferred tax assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the year to acquire fixed assets, construction in progress, intangible assets and other long-term assets.

(a) Business segments

The Group comprises the following main business segments for management purpose:

Corporate banking

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

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(a) Business segments (Continued)

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit services and securities agency services.

Treasury business

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

Overseas subsidiaries

This segment covers commercial banking, assets management and other non-banking financial services of CIFH, CIFL and their subsidiaries in Hong Kong and other regions. The Group manages CIFH, CIFL and their subsidiaries as a separate segment.

Others

These represent head office assets, liabilities, income and expenses that are not directly attributable to a segment and reconciling items between management accounting and financial accounting due to differences in accounting treatments.

	2011					
	Corporate Banking	Personal Banking	Treasury Business	Overseas subsidiaries	Others and Unallocated	Total
External net interest income	38,587	7,734	17,275	1,510	—	65,106
Internal net interest income/(expense)	10,804	(392)	(9,565)	35	(882)	—
Net interest income/(expense)	49,391	7,342	7,710	1,545	(882)	65,106
Net fee and commission income	5,198	3,063	82	494	—	8,837
Net trading gain/(loss)	564	4	1,036	705	(49)	2,260
Net gain/(loss) from investment securities	—	2	166	(85)	—	83
Net hedging loss	—	—	—	(1)	—	(1)
Other operating income	251	16	—	344	196	807
Operating income/(expense)	55,404	10,427	8,994	3,002	(735)	77,092
Operating expenses						
— depreciation and amortization	(625)	(565)	(74)	(73)	(3)	(1,340)
— others	(16,879)	(8,397)	(236)	(1,466)	(63)	(27,041)
Impairment losses	(5,230)	(714)	(38)	(1,225)	—	(7,207)
Revaluation gain on investment properties	—	—	—	29	—	29
Share of profits of associates	—	—	—	57	—	57
Profit/(loss) before tax	32,670	751	8,646	324	(801)	41,590
Capital expenditure	561	499	66	128	2	1,256

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(a) Business segments (Continued)

	31 December 2011					
	Corporate Banking	Personal Banking	Treasury Business	Overseas subsidiaries	Others and Unallocated	Total
Segment assets	**1,460,870**	**310,607**	**848,186**	**135,347**	**5,688**	**2,760,698**
Investment in associates	—	—	—	2,212	—	2,212
Deferred tax assets						2,971
Total asset						**2,765,881**
Segment liabilities	**2,089,057**	**312,222**	**44,867**	**124,995**	**15,959**	**2,587,100**
Deferred tax liabilities	—	—	—	—	—	—
Total liabilities						**2,587,100**
Off-balance sheet credit commitments	**872,369**	**55,543**	**—**	**40,755**	**—**	**968,667**

	2010					
	Corporate Banking	Personal Banking	Treasury Business	Overseas subsidiaries	Others and Unallocated	Total
External net interest income	34,633	5,541	6,370	1,574	17	48,135
Internal net interest income/(expense)	4,578	853	(5,038)	12	(405)	—
Net interest income/(expense)	39,211	6,394	1,332	1,586	(388)	48,135
Net fee and commission income	2,992	2,002	96	598	8	5,696
Net trading gain/(loss)	481	2	484	375	(53)	1,289
Net gain from investment securities	—	—	80	20	42	142
Net hedging loss	—	—	—	(1)	—	(1)
Other operating income	347	11	—	495	242	1,095
Operating income/(expense)	43,031	8,409	1,992	3,073	(149)	56,356
Operating expenses						
— depreciation and amortization	(582)	(482)	(62)	(65)	(4)	(1,195)
— others	(12,974)	(6,815)	(300)	(1,220)	(134)	(21,443)
Impairment losses	(3,678)	(546)	—	(1,025)	—	(5,249)
Revaluation gain on investment properties	—	—	—	54	—	54
Share of profits of associates	—	—	—	172	—	172
Profit/(loss) before tax	25,797	566	1,630	989	(287)	28,695
Capital expenditure	786	690	75	94	2	1,647

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(a) Business segments (Continued)

	31 December 2010					
	Corporate Banking	Personal Banking	Treasury Business	Overseas subsidiaries	Others and Unallocated	Total
Segment assets	1,309,027	239,356	399,306	123,464	5,343	2,076,496
Investment in associates	—	—	—	2,253	—	2,253
Deferred tax assets						2,565
Total asset						2,081,314
Segment liabilities	1,525,051	277,972	40,594	112,757	402	1,956,776
Deferred tax liabilities						—
Total liabilities						1,956,776
Off-balance sheet credit commitments	640,308	44,169	—	38,897	—	723,374

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 27 provinces, autonomous regions and municipalities directly under the central government. The Bank's principal subsidiaries, CIFL and CIFH are registered and operating in Hong Kong. Another subsidiary, Lin'an Rural Bank is registered in Mainland China.

In presenting information by geographical segment, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

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

— "Yangtze River Delta" refers to the following areas where tier-1 branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an Rural Bank;

— "Pearl River Delta and West Strait" refers to the following areas where tier-1 branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou and Xiamen;

— "Bohai Rim" refers to the following areas where tier-1 branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and Tangshan;

— "Central" region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

— "Western" region refers to the following areas where tier-1 branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang and Lanzhou;

— "Northeastern" region refers to the following areas where tier-1 branch of the Group is located: Shenyang, Changchun and Harbin;

— "Head Office" refers to the headquarter of the Bank, the Auto Financial Services, the Private Banking and the Credit Card Center; and

— "Hong Kong" includes all the operations of CIFL, CIFH and its subsidiaries.

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(b) Geographical segments (Continued)

	2011									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	14,761	7,077	11,342	7,231	7,265	1,961	13,959	1,510	—	65,106
Internal net interest income/(expense)	1,224	1,832	2,928	1,169	26	(83)	(7,131)	35	—	—
Net interest income	15,985	8,909	14,270	8,400	7,291	1,878	6,828	1,545	—	65,106
Net fee and commission income	1,815	976	1,711	1,019	755	209	1,858	494	—	8,837
Net trading gain	320	156	367	81	48	16	567	705	—	2,260
Net gain/(loss) from investment securities	—	—	1	—	—	—	167	(85)	—	83
Net hedging loss	—	—	—	—	—	—	—	(1)	—	(1)
Other operating income	138	66	129	40	23	12	55	344	—	807
Operating income	18,258	10,107	16,478	9,540	8,117	2,115	9,475	3,002	—	77,092
Operating expense										
— depreciation and amortisation	(272)	(144)	(257)	(131)	(136)	(38)	(289)	(73)	—	(1,340)
— others	(6,451)	(3,809)	(5,504)	(3,379)	(2,918)	(794)	(2,720)	(1,466)	—	(27,041)
Impairment losses	(1,932)	(872)	(935)	(1,000)	(699)	(244)	(300)	(1,225)	—	(7,207)
Revaluation gain on investment properties	—	—	—	—	—	—	—	29	—	29
Share of profits of associates	—	—	—	—	—	—	—	57	—	57
Profit before tax	9,603	5,282	9,782	5,030	4,364	1,039	6,166	324	—	41,590
Capital expenditure	167	70	204	134	267	23	263	128	—	1,256

	31 December 2011									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	641,067	407,317	740,810	337,367	314,148	69,579	855,864	139,763	(745,217)	2,760,698
Interests in associates	—	—	—	—	—	—	—	2,212	—	2,212
Deferred tax assets										2,971
Total assets										2,765,881
Segment liabilities	629,878	401,011	730,097	331,652	308,503	68,109	735,288	127,779	(745,217)	2,587,100
Deferred tax liabilities										—
Total liabilities										2,587,100
Off-balance sheet credit commitment	265,912	111,062	226,460	160,111	83,237	25,587	55,543	40,755	—	968,667

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(b) Geographical segments (Continued)

	2010									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	11,058	5,477	8,884	5,328	5,098	1,388	9,312	1,590	—	48,135
Internal net interest income/(expense)	1,433	1,322	2,461	810	62	98	(6,198)	12	—	—
Net interest income	12,491	6,799	11,345	6,138	5,160	1,486	3,114	1,602	—	48,135
Net fee and commission income	1,080	648	1,113	562	430	106	1,151	606	—	5,696
Net trading gain	257	118	275	65	33	14	154	373	—	1,289
Net gain from investment securities	—	—	1	—	—	—	79	62	—	142
Net hedging loss	—	—	—	—	—	—	—	(1)	—	(1)
Other operating income	132	125	175	30	23	9	63	538	—	1,095
Operating income	13,960	7,690	12,909	6,795	5,646	1,615	4,561	3,180	—	56,356
Operating expense										
— depreciation and amortisation	(259)	(122)	(227)	(107)	(108)	(34)	(273)	(65)	—	(1,195)
— others	(5,092)	(2,858)	(4,333)	(2,537)	(2,218)	(594)	(2,540)	(1,271)	—	(21,443)
Impairment losses	(1,098)	(847)	(1,371)	(407)	(235)	(24)	(242)	(1,025)	—	(5,249)
Revaluation gain on investment properties	—	—	—	—	—	—	—	54	—	54
Share of profits of associates	—	—	—	—	—	—	—	172	—	172
Profit before tax	7,511	3,863	6,978	3,744	3,085	963	1,506	1,045	—	28,695
Capital expenditure	236	115	377	160	441	49	175	94	—	1,647

	31 December 2010									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	491,160	286,131	549,592	260,996	224,362	57,878	637,529	116,295	(547,447)	2,076,496
Interests in associates	—	—	—	—	—	—	—	2,253	—	2,253
Deferred tax assets										2,565
Total assets										2,081,314
Segment liabilities	482,494	281,102	540,602	256,611	220,190	56,517	555,563	111,144	(547,447)	1,956,776
Deferred tax liabilities										—
Total liabilities										1,956,776
Off-balance sheet credit commitment	172,279	103,236	179,721	105,890	54,386	24,763	44,169	38,930	—	723,374

60 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

— **Credit risk:** Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligations or commitments to the Group.

— **Market risk:** Market risk arises from unfavourable changes in market prices (interest rate, exchange rate, stock price or commodity price) that lead to a loss of on-balance-sheet or off-balance-sheet business in the Group.

— **Liquidity risk:** Liquidity risk arises when the Group, in meeting the customer's demand of liabilities due or the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.

— **Operational risk:** the risk arising from matters such as non-adherence to systems and procedures or from fraud resulting in financial or reputation loss.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

(a) Credit risk

This category includes credit and counterparty risks from loans and advances, issuer risks from the securities business, counterparty risks from trading activities, and country risks. The Group identifies and manages this risk through its target market definitions, credit approval process, post-disbursement monitoring and remedial management procedures. It arises primarily from credit business. In treasury business, credit risk represents impairment losses of asset value attributable to the Group resulting from lowering of ratings for issuers of debt securities.

Credit business

In addition to underwriting standards, the principal means of managing credit risk is the credit approval process. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction.

The Group undertakes ongoing credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The Risk Management Committee monitors overall portfolio risk as well as individual problem loans, both actual and potential, on a regular basis.

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans and advances are classified as non-impaired and impaired based on the different risk level. When one or more event demonstrates there is objective evidence of impairment and causes losses, corresponding loans and advances are considered to be classified as impaired. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The Group applies a series of criteria in determining the classification of loans. The loan classification criteria focuses on a number of factors, including (i) the borrower's ability to repay the loan; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the net realizable value of any collateral; and (v) the prospect for the support from any financially responsible guarantor. The Group also takes into account the length of time for which payments of principal and interest on a loan are overdue.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

The Group's retail credit policy and approval process are designed for the fact that there are high volumes of relatively homogeneous, small value transactions in each retail loan category. Because of the nature of retail banking, the credit policies are based primarily on statistical analyses of risks with respect to different products and types of customers. The Group monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers' application for loans.

Concentration of credit risk exists when changes in geographic, economic or industrial factors similarly affect the Group's counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instruments is diversified along industry, geographic and product sectors.

Treasury business

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical area. The system closely monitors the credit exposure on a real-time basis, regularly reviews its credit limit policies and adjusts the credit limits, taken into accounts various factors including market condition at the time.

(i) Maximum credit risk exposure

The maximum exposure to credit risk at the reporting date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	The Group		The Bank	
	2011	2010	**2011**	2010
Balances with central banks	**361,419**	252,289	**360,510**	251,518
Deposits with bank and non-bank financial institutions	**386,535**	81,955	**379,964**	67,157
Placements with banks and non-bank financial	**151,004**	48,633	**125,535**	39,221
Trading financial assets	**8,188**	2,848	**7,899**	2,298
Positive fair value of derivatives	**4,683**	4,478	**3,002**	3,094
Financial assets held under resale agreements	**162,211**	147,632	**162,261**	147,692
Interest receivable	**10,051**	6,095	**9,449**	5,615
Loans and advances to customers	**1,410,779**	1,246,026	**1,334,509**	1,170,383
Available-for-sale financial assets	**128,641**	130,602	**111,357**	112,889
Held-to-maturity investments	**108,468**	129,041	**108,720**	129,301
Other financial assets	**3,811**	2,532	**3,286**	2,257
Subtotal	**2,735,790**	2,052,131	**2,606,492**	1,931,425
Credit commitments	**968,667**	723,374	**927,912**	684,444
Maximum credit risk exposure	**3,704,457**	2,775,505	**3,534,404**	2,615,869

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments are as follows:

The Group

	Note	2011			
		Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Gross balance		7,664	30	—	724
Allowance for impairment		(3,959)	(8)	—	(440)
Net balance		3,705	22	—	284
— Collectively assessed					
Gross balance		877	—	—	—
Allowance for impairment		(752)	—	—	—
Net balance		125	—	—	—
Overdue but not impaired	(1)				
Gross balance		4,815	—	—	—
Within which					
— Less than 3 months		4,551	—	—	—
— 3 months to 1 year		264	—	—	—
— Over 1 year		—	—	—	—
Allowance for impairment		(187)	—	—	—
Net balance		4,628	—	—	—
Neither overdue nor impaired					
Gross balance		1,420,681	537,517	162,211	245,013
Allowance for impairment	(2)	(18,360)	—	—	—
Net balance		1,402,321	537,517	162,211	245,013
Net balance of total assets		1,410,779	537,539	162,211	245,297

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments are as follows: (Continued)

The Group (continued)

	Note	2010 Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Gross balance		7,732	31	—	368
Allowance for impairment		(4,727)	(8)	—	(333)
Net balance		3,005	23	—	35
— Collectively assessed					
Gross balance		801	—	—	29
Allowance for impairment		(670)	—	—	—
Net balance		131	—	—	29
Overdue but not impaired	(1)				
Gross balance		3,162	—	—	—
Within which					
— Less than 3 months		2,972	—	—	—
— 3 months to 1 year		188	—	—	—
— Over 1 year		2	—	—	—
Allowance for impairment		(94)	—	—	—
Net balance		3,068	—	—	—
Neither overdue nor impaired					
Gross balance		1,252,550	130,565	147,632	262,427
Allowance for impairment	(2)	(12,728)	—	—	—
Net balance		1,239,822	130,565	147,632	262,427
Net balance of total assets		1,246,026	130,588	147,632	262,491

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments are as follows: (Continued)

The Bank

	Note	2011 Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Gross balance		7,110	30	—	405
Allowance for impairment		(3,800)	(8)	—	(296)
Net balance		3,310	22	—	109
— Collectively assessed					
Gross balance		863	—	—	—
Allowance for impairment		(752)	—	—	—
Net balance		111	—	—	—
Overdue but not impaired	(1)				
Gross balance		4,037	—	—	—
Within which					
— Less than 3 months		3,773	—	—	—
— 3 months to 1 year		264	—	—	—
— Over 1 year		—	—	—	—
Allowance for impairment		(182)	—	—	—
Net balance		3,855	—	—	—
Neither overdue nor impaired					
Gross balance		1,345,317	505,477	162,261	227,867
Allowance for impairment	(2)	(18,084)	—	—	—
Net balance		1,327,233	505,477	162,261	227,867
Net balance of total assets		1,334,509	505,499	162,261	227,976

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments are as follows: (Continued)

The Bank (continued)

	Note	2010 Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments
Impaired					
— Individually assessed					
Gross balance		6,701	31	—	357
Allowance for impairment		(4,474)	(8)	—	(322)
Net balance		2,227	23	—	35
— Collectively assessed					
Gross balance		785	—	—	—
Allowance for impairment		(668)	—	—	—
Net balance		117	—	—	—
Overdue but not impaired	(1)				
Gross balance		2,574	—	—	—
Within which					
— Less than 3 months		2,422	—	—	—
— 3 months to 1 year		150	—	—	—
— Over 1 year		2	—	—	—
Allowance for impairment		(87)	—	—	—
Net balance		2,487	—	—	—
Neither overdue nor impaired					
Gross balance		1,177,983	106,355	147,692	244,453
Allowance for impairment	(2)	(12,431)	—	—	—
Net balance		1,165,552	106,355	147,692	244,453
Net balance of total assets		1,170,383	106,378	147,692	244,488

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments are as follows: (Continued)

Notes:

(1) Collaterals and other credit enhancements for overdue but not impaired loans and advances

As at 31 December 2011, the above loans and advances of the Group which were overdue but not impaired and which were subject to individual assessment were RMB673 million (2010: RMB309 million). The covered portion and uncovered portion of these loans and advances were RMB476 million (2010: RMB38 million) and RMB197 million (2010: RMB271 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB1,584 million (2010: RMB179 million).

As at 31 December 2011, the above loans and advances of the Bank which were overdue but not impaired and which were subject to individual assessment were RMB218 million (2010: RMB34 million). The covered portion and uncovered portion of these loans and advances were RMB83 million (2010: RMB3 million) and RMB135 million (2010: RMB31 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB104 million (2010: RMB18 million).

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation.

(2) The balances represent collectively assessed allowances of impairment losses.

(iii) Loans and advances to customers analysed by economic sector concentrations:

	The Group					
	2011			2010		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	**301,815**	**21.0**	**108,903**	260,264	20.6	86,555
— Wholesale and retail	**177,121**	**12.4**	**98,792**	128,942	10.2	64,381
— Transportation, storage and postal services	**125,457**	**8.8**	**46,507**	124,734	9.9	38,889
— Real estate	**89,135**	**6.2**	**71,008**	72,433	5.7	54,059
— Production and supply of electric power, gas and water	**79,970**	**5.6**	**11,632**	81,869	6.5	9,130
— Water, environment and public utility management	**70,181**	**4.9**	**29,174**	81,205	6.5	28,103
— Construction	**58,734**	**4.1**	**19,918**	44,798	3.5	12,153
— Public management and social organizations	**54,114**	**3.8**	**38,796**	58,163	4.6	35,086
— Rental and business services	**50,495**	**3.5**	**26,697**	48,444	3.8	22,174
— Others	**109,367**	**7.6**	**34,078**	91,420	7.2	24,758
Subtotal	**1,116,389**	**77.9**	**485,505**	992,272	78.5	375,288
Personal loans	**268,197**	**18.7**	**226,213**	216,274	17.1	189,942
Discounted bills	**49,451**	**3.4**	**—**	55,699	4.4	—
Gross loans and advances to customers	**1,434,037**	**100.0**	**711,718**	1,264,245	100.0	565,230

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers analysed by economic sector concentrations: (continued)

	The Bank					
	2011			2010		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	295,684	21.8	105,263	251,249	21.1	82,442
— Wholesale and retail	171,650	12.6	94,427	120,616	10.2	61,256
— Transportation, storage and postal services	123,333	9.1	44,835	122,142	10.3	37,012
— Production and supply of electric power, gas and water	79,584	5.9	11,541	81,561	6.8	9,099
— Real estate	78,052	5.8	60,066	61,780	5.2	43,548
— Water, environment and public utility management	70,181	5.2	29,174	81,155	6.8	28,103
— Construction	58,535	4.3	19,823	44,630	3.8	12,039
— Public management and social organizations	54,039	4.0	38,796	58,087	4.9	35,086
— Rental and business services	50,376	3.7	26,677	48,263	4.1	22,093
— Others	76,694	5.6	25,318	63,702	5.3	18,964
Subtotal	1,058,128	78.0	455,920	933,185	78.5	349,642
Personal loans	253,867	18.7	212,483	201,346	17.0	175,560
Discounted bills	45,332	3.3	—	53,512	4.5	—
Gross loans and advances to customers	1,357,327	100.0	668,403	1,188,043	100.0	525,202

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers analysed by economic sector concentrations: (continued)

Impaired loans and individual and collective impairment allowances in respect of economic sectors which constitute 10% or more of total loans and advances to customers are as follows:

The Group

	2011				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	**2,294**	**1,469**	**3,537**	**672**	**(446)**
Wholesale and retail	**1,393**	**889**	**2,080**	**948**	**(72)**

	2010				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	3,076	2,144	2,647	648	(351)
Wholesale and retail	1,369	860	1,245	464	(81)

The Bank

	2011				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	**2,216**	**1,449**	**3,515**	**725**	**(411)**
Wholesale and retail	**1,368**	**877**	**2,046**	**920**	**(28)**

	2010				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	2,941	2,084	2,566	546	(339)
Transportation, storage and postal services	96	77	1,201	251	—
Wholesale and retail	1,332	845	1,186	476	(62)

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers analysed by geographical sector risk concentrations:

The Group

	2011			2010		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	379,024	26.4	167,580	346,098	27.4	139,571
Yangtze River Delta	375,635	26.2	188,053	327,534	25.9	147,473
Pearl River Delta and West Strait	196,103	13.7	107,572	174,510	13.8	88,514
Central	187,201	13.1	90,712	159,534	12.6	65,359
Western	176,879	12.3	90,767	143,237	11.3	68,137
Northeastern	46,425	3.2	27,146	41,239	3.3	19,701
Outside Mainland China	72,770	5.1	39,888	72,093	5.7	36,475
Total	1,434,037	100.0	711,718	1,264,245	100.0	565,230

The Bank

	2011			2010		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	378,142	27.9	166,831	345,037	29.0	138,630
Yangtze River Delta	373,731	27.5	186,321	325,678	27.4	145,829
Pearl River Delta and West Strait	194,949	14.4	106,626	173,318	14.6	87,546
Central	187,201	13.8	90,712	159,534	13.4	65,359
Western	176,879	13.0	90,767	143,237	12.1	68,137
Northeastern	46,425	3.4	27,146	41,239	3.5	19,701
Total	1,357,327	100.0	668,403	1,188,043	100.0	525,202

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers analysed by geographical sector risk concentrations: (continued)

Impaired loans and individual and collective impairment allowances in respect of geographic sectors which constitute 10% or more of total advances to customers are as follows:

The Group

	2011 Impaired loans and advances	2011 Individually assessed impairment allowances	2011 Collectively assessed impairment allowances
Bohai Rim (including Head Office)	**2,208**	**1,269**	**5,670**
Yangtze River Delta	**2,191**	**987**	**5,455**
Pearl River Delta and West Strait	**2,125**	**865**	**2,574**
Central	**542**	**168**	**2,552**
Western	**493**	**302**	**2,163**

	2010 Impaired loans and advances	2010 Individually assessed impairment allowances	2010 Collectively assessed impairment allowances
Bohai Rim (including Head Office)	2,362	1,385	4,479
Yangtze River Delta	1,950	1,132	3,497
Pearl River Delta and West Strait	1,583	910	1,870
Central	479	336	1,568
Western	531	425	1,390

The Bank

	2011 Impaired loans and advances	2011 Individually assessed impairment allowances	2011 Collectively assessed impairment allowances
Bohai Rim (including Head Office)	**2,208**	**1,269**	**5,670**
Yangtze River Delta	**2,169**	**976**	**5,454**
Pearl River Delta and West Strait	**2,079**	**865**	**2,574**
Central	**542**	**168**	**2,552**
Western	**493**	**302**	**2,163**

	2010 Impaired loans and advances	2010 Individually assessed impairment allowances	2010 Collectively assessed impairment allowances
Bohai Rim (including Head Office)	2,362	1,385	4,479
Yangtze River Delta	1,926	1,123	3,496
Pearl River Delta and West Strait	1,537	910	1,870
Central	479	336	1,568
Western	531	425	1,390

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(v) Loans and advances to customers analysed by types of collaterals

	The Group		The Bank	
	2011	2010	**2011**	2010
Unsecured loans	**329,615**	336,806	**318,333**	322,758
Guaranteed loans	**343,253**	306,510	**325,259**	286,571
Secured loans				
— Tangible assets other than monetary assets	**523,632**	434,657	**487,902**	399,424
— Monetary assets	**188,086**	130,573	**180,501**	125,778
Subtotal	**1,384,586**	1,208,546	**1,311,995**	1,134,531
Discounted bills	**49,451**	55,699	**45,332**	53,512
Gross loans and advances to customers	**1,434,037**	1,264,245	**1,357,327**	1,188,043

(vi) Rescheduled loans and advances to customers

The Group

	2011		2010	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**3,184**	**0.22%**	6,926	0.55%
Less:				
— rescheduled loans and advances overdue more than 3 months	**1,748**	**0.12%**	2,205	0.17%
— rescheduled loans and advances overdue less than 3 months	**1,436**	**0.10%**	4,721	0.38%

The Bank

	2011		2010	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**2,413**	**0.18%**	6,278	0.53%
Less:				
— rescheduled loans and advances overdue more than 3 months	**1,716**	**0.13%**	2,175	0.18%
— Rescheduled loans and advances overdue less than 3 months	**697**	**0.05%**	4,103	0.35%

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider.

60 Financial risk management (Continued)

(b) Market risk

Market risk refers to risks that may cause a loss of on-balance-sheet and off-balance-sheet business for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has constructed a market risk management system that formulates procedures to identify, measure, supervise and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and quota management.

The Market Risk Committee is responsible for formulating the Group's market risk management policies and procedures and examining the access of product and risk exposure threshold of the Treasury and Capital Market Business. The Budget and Finance Department is responsible for the day-to-day management of market risks, including formulating procedures to identify, assess, measure and control market risks. The business departments are responsible for carrying out the various policies and procedures of market risk management and ensuring that risk levels are within the set limits.

The Group uses its sensitivity analysis, exposure and gap of interest rate re-pricing as the primary instruments to monitor market risk.

Interest rate risk and currency risk are major market risks that confront the Group.

Interest rate risk

The Group's interest rate exposures mainly comprise the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjusts the ratio of floating and fixed rate accounts, the loan re-pricing cycle, as well as optimises the term structure of its deposits according to the gap status.

The Group implements various methods, such as duration analysis, sensitivity analysis, stress testing and scenario simulation, to measure and monitor interest risk exposure; risk exposure limits, such as interest rate sensitivity, duration and risk exposure are set regularly, and the relevant implementation of these limits are also supervised, managed and reported on a regular basis.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The following tables indicate the effective interest rates for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities as at the end of the reporting period.

The Group

	Effective interest rate (note (i))	2011 Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.48%	366,391	4,972	361,419	—	—	—
Deposits with banks and non-bank financial institutions	3.66%	386,535	—	369,257	17,278	—	—
Placements with banks and non-bank financial institutions	4.33%	151,004	22	113,112	37,870	—	—
Financial assets held under resale agreements	4.85%	162,211	—	155,771	4,055	2,385	—
Loans and advances to customers (note (ii))	6.12%	1,410,779	180	1,081,119	324,266	3,947	1,267
Investments (note (iii))	3.21%	253,388	8,146	51,477	79,444	78,948	35,373
Others		35,573	35,573	—	—	—	—
Total assets		2,765,881	48,893	2,132,155	462,913	85,280	36,640
Liabilities							
Deposits from banks and non-bank financial institutions	3.73%	535,546	297	526,568	8,681	—	—
Placements from banks and non-bank financial institutions	4.25%	4,676	—	3,857	—	819	—
Financial assets sold under repurchase agreements	4.55%	9,806	—	9,650	156	—	—
Deposits from customers	1.84%	1,968,051	8,347	1,461,348	370,437	115,165	12,754
Debts securities issued	3.58%	33,730	—	6,186	4,267	1,446	21,831
Others		35,291	35,291	—	—	—	—
Total liabilities		2,587,100	43,935	2,007,609	383,541	117,430	34,585
Asset-liability gap		178,781	4,958	124,546	79,372	(32,150)	2,055

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group (continued)

	2010						
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.40%	256,323	4,034	252,289	—	—	—
Deposits with banks and non-bank financial institutions	1.73%	81,955	—	78,152	3,803	—	—
Placements with banks and non-bank financial institutions	1.49%	48,633	23	45,209	3,401	—	—
Financial assets held under resale agreements	2.82%	147,632	—	129,913	17,225	494	—
Loans and advances to customers (note (ii))	5.00%	1,246,026	171	958,047	276,648	10,637	523
Investments (note (iii))	2.68%	271,258	2,617	90,738	83,498	77,751	16,654
Others		29,487	29,487	—	—	—	—
Total assets		2,081,314	36,332	1,554,348	384,575	88,882	17,177
Liabilities							
Deposits from banks and non-bank financial institutions	1.84%	141,663	206	131,678	9,779	—	—
Placements from banks and non-bank financial institutions	3.43%	7,072	—	5,860	399	—	813
Financial assets sold under repurchase agreements	1.63%	4,381	—	4,381	—	—	—
Deposits from customers	1.33%	1,730,816	9,115	1,347,898	317,059	53,256	3,488
Debts securities issued	3.72%	34,915	—	4,177	1,935	6,481	22,322
Others		37,929	27,201	9,014	1,694	20	—
Total liabilities		1,956,776	36,522	1,503,008	330,866	59,757	26,623
Asset-liability gap		124,538	(190)	51,340	53,709	29,125	(9,446)

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The following tables indicate the effective interest rates for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities as at the end of the reporting period.

The Bank

	Effective interest rate (note (i))	2011 Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.48%	365,318	4,808	360,510	—	—	—
Deposits with banks and non-bank financial institutions	4.21%	379,964	—	364,394	15,570	—	—
Placements with banks and non-bank financial institutions	5.09%	125,535	22	91,795	33,718	—	—
Financial assets held under resale agreements	4.85%	162,261	—	155,821	4,055	2,385	—
Loans and advances to customers (note (ii))	6.33%	1,334,509	—	1,017,165	312,962	3,121	1,261
Investments (note (iii))	3.29%	243,444	15,468	41,410	76,576	74,617	35,373
Others		30,957	30,957	—	—	—	—
Total assets		2,641,988	51,255	2,031,095	442,881	80,123	36,634

	Effective interest rate (note (i))	2011 Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Liabilities							
Deposits from banks and non-bank financial institutions	3.78%	540,810	—	528,753	12,057	—	—
Placements from banks and non-bank financial institutions	5.69%	819	—	—	—	819	—
Financial assets sold under repurchase agreements	4.57%	9,806	—	9,650	156	—	—
Deposits from customers	1.90%	1,865,221	4,791	1,374,351	360,321	113,004	12,754
Debts securities issued	4.16%	18,500	—	—	—	—	18,500
Others		32,539	32,539	—	—	—	—
Total liabilities		2,467,695	37,330	1,912,754	372,534	113,823	31,254
Asset-liability gap		174,293	13,925	118,341	70,347	(33,700)	5,380

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank (continued)

	2010						
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.40%	255,394	3,876	251,518	—	—	—
Deposits with banks and non-bank financial institutions	2.02%	67,157	—	63,354	3,803	—	—
Placements with banks and non-bank financial institutions	2.00%	39,221	23	36,196	3,002	—	—
Financial assets held under resale agreements	2.82%	147,692	—	129,973	17,225	494	—
Loans and advances to customers (note (ii))	5.14%	1,170,383	—	889,165	270,229	10,469	520
Investments (note (iii))	2.73%	260,515	10,163	79,487	78,995	75,217	16,653
Others		25,455	25,455	—	—	—	—
Total assets		1,965,817	39,517	1,449,693	373,254	86,180	17,173

	2010						
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Liabilities							
Deposits from banks and non-bank financial institutions	1.84%	143,775	446	133,550	9,779	—	—
Placements from banks and non-bank financial institutions	4.15%	5,813	—	5,000	—	—	813
Financial assets sold under repurchase agreements	1.63%	4,381	—	4,381	—	—	—
Deposits from customers	1.38%	1,634,330	5,941	1,262,069	311,172	51,660	3,488
Debts securities issued	4.22%	22,500	—	—	—	—	22,500
Others		35,428	24,700	9,014	1,694	20	—
Total liabilities		1,846,227	31,087	1,414,014	322,645	51,680	26,801
Asset-liability gap		119,590	8,430	35,679	50,609	34,500	(9,628)

60 Financial risk management (Continued)

(b) Market risk (Continued)

Notes:

(i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers at Group level, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB6,300 million as at 31 December 2011 (2010: RMB5,556 million).

For loans and advances to customers at Bank level, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB5,152 million as at 31 December 2011 (as at 31 December 2010: RMB4,228 million).

(iii) Investments include the trading financial assets, available-for-sale financial assets, held-to-maturity investments and investments in associates.

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis at 31 December 2011 and 31 December 2010.

	2011 Change in interest rates (in basis point)		2010 Change in interest rates (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/Increase in annualized net interest income (in millions of RMB)	**(1,841)**	**1,841**	(916)	916

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain simplified assumptions. The analysis measures only the impact of changes in the interest rates within one year, showing how annualized interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods (i.e., all the assets and liabilities that reprice or mature within three months reprice or mature immediately, and all the assets and liabilities that reprice or mature after three months but within one year reprice or mature immediately after three months), (ii) there is a parallel shift in the yield curve and in interest rates, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Currency risk

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance-sheet and off-balance sheet business of the bank. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial tools, mainly foreign exchange swaps, to manage its exposure.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The exposures at the reporting date were as follows:

The Group

			2011		
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	362,517	3,379	337	158	366,391
Deposits with banks and non-bank financial institutions	358,217	24,158	1,859	2,301	386,535
Placements with banks and non-bank financial institutions	133,096	13,950	3,929	29	151,004
Financial assets held under resale agreements	162,211	—	—	—	162,211
Loans and advances to customers	1,294,067	70,119	44,000	2,593	1,410,779
Investments	220,183	17,462	11,943	3,800	253,388
Others	29,939	2,780	2,563	291	35,573
Total assets	2,560,230	131,848	64,631	9,172	2,765,881
Liabilities					
Deposits from banks and non-bank financial institutions	527,889	5,289	410	1,958	535,546
Placements from banks and non-bank financial institutions	249	3,077	529	821	4,676
Financial assets sold under repurchase agreements	9,341	465	—	—	9,806
Deposits from customers	1,816,875	77,790	57,709	15,677	1,968,051
Debts securities issued	20,429	7,592	3,797	1,912	33,730
Others	30,382	2,693	1,365	851	35,291
Total liabilities	2,405,165	96,906	63,810	21,219	2,587,100
Net on-balance sheet position	155,065	34,942	821	(12,047)	178,781
Credit commitments	844,890	97,629	18,235	7,913	968,667
Derivatives (note (i))	6,409	(29,280)	11,228	11,779	136

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group (continued)

	2010				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	252,374	3,349	446	154	256,323
Deposits with banks and non-bank financial institutions	53,287	17,106	9,925	1,637	81,955
Placements with banks and non-bank financial institutions	35,730	9,842	2,861	200	48,633
Financial assets held under resale agreements	147,632	—	—	—	147,632
Loans and advances to customers	1,135,409	62,248	45,940	2,429	1,246,026
Investments	232,661	26,310	8,795	3,492	271,258
Others	24,455	1,357	3,284	391	29,487
Total assets	1,881,548	120,212	71,251	8,303	2,081,314
Liabilities					
Deposits from banks and non-bank financial institutions	135,472	5,176	333	682	141,663
Placements from banks and non-bank financial institutions	5,000	1,213	46	813	7,072
Financial assets sold under repurchase agreements	4,321	60	—	—	4,381
Deposits from customers	1,583,501	67,083	64,094	16,138	1,730,816
Debts securities issued	23,002	6,803	4,845	265	34,915
Others	30,652	4,857	1,739	681	37,929
Total liabilities	1,781,948	85,192	71,057	18,579	1,956,776
Net on-balance sheet position	99,600	35,020	194	(10,276)	124,538
Credit commitments	594,287	100,058	17,433	11,596	723,374
Derivatives (note (i))	11,068	(35,463)	13,928	10,953	486

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank

			2011		
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	361,721	3,274	183	140	365,318
Deposits with banks and non-bank financial institutions	353,019	23,997	736	2,212	379,964
Placements with banks and non-bank financial institutions	121,558	3,923	54	—	125,535
Financial assets held under resale agreements	162,211	50	—	—	162,261
Loans and advances to customers	1,290,513	41,868	23	2,105	1,334,509
Investments	228,607	13,035	642	1,160	243,444
Others	29,519	1,278	3	157	30,957
Total assets	2,547,148	87,425	1,641	5,774	2,641,988
Liabilities					
Deposits from banks and non-bank financial institutions	533,225	5,233	394	1,958	540,810
Placements from banks and non-bank financial institutions	—	—	—	819	819
Financial assets sold under repurchase agreements	9,341	465	—	—	9,806
Deposits from customers	1,796,754	58,643	2,591	7,233	1,865,221
Debts securities issued	18,500	—	—	—	18,500
Others	30,260	1,658	55	566	32,539
Total liabilities	2,388,080	65,999	3,040	10,576	2,467,695
Net on-balance sheet position	159,068	21,426	(1,399)	(4,802)	174,293
Credit commitments	844,113	76,580	312	6,907	927,912
Derivatives (note (i))	11,099	(16,700)	1,141	4,639	179

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank (continued)

			2010		
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	251,957	2,980	309	148	255,394
Deposits with banks and non-bank financial institutions	48,222	16,826	523	1,586	67,157
Placements with banks and non-bank financial institutions	34,201	4,963	57	—	39,221
Financial assets held under resale agreements	147,632	60	—	—	147,692
Loans and advances to customers	1,134,116	34,786	76	1,405	1,170,383
Investments	241,693	16,838	517	1,467	260,515
Others	24,394	721	—	340	25,455
Total assets	1,882,215	77,174	1,482	4,946	1,965,817
Liabilities					
Deposits from banks and non-bank financial institutions	137,523	5,285	285	682	143,775
Placements from banks and non-bank financial institutions	5,000	—	—	813	5,813
Financial assets sold under repurchase agreements	4,321	60	—	—	4,381
Deposits from customers	1,576,386	45,680	5,095	7,169	1,634,330
Debts securities issued	22,500	—	—	—	22,500
Others	28,941	5,523	198	766	35,428
Total liabilities	1,774,671	56,548	5,578	9,430	1,846,227
Net on-balance sheet position	107,544	20,626	(4,096)	(4,484)	119,590
Credit commitments	594,126	79,045	380	10,893	684,444
Derivatives (note (i))	15,179	(23,762)	4,236	4,710	363

Note:

(i) The derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and loss. The following table sets forth, as at 31 December 2011 and 31 December 2010, the results of the Group's foreign exchange rate sensitivity analysis on the assets and liabilities at the same date.

	2011 Change in foreign currency exchange rate (in basis point)		2010 Change in foreign currency exchange rate (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/increase in annualized net profit (in millions of RMB)	**(28)**	**28**	(2)	2

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rate against RMB, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net foreign exchange gain and loss resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk arises when the Group is unable to receive sufficient funds in a timely manner cost-effectively to meet the bank's customers deposit withdrawals due and expansion of the bank asset base. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities; customers may withdraw in advance, or concentrate their withdrawals.

The Group has implemented overall liquidity risk management on the entity level. The headquarters has the responsibility for developing the whole Group's liquidity risk policies, strategies, and implements centralised management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by holding liquid assets (including deposits at PBOC, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The Group regularly or irregularly stress tests its liquidity position.

In terms of measuring liquidity risk, the Group principally uses liquidity gap analysis. Different scenarios are applied to assess the impact on liquidity for proprietary trading and client businesses.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Group

	2011						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note (i))	Total
Assets							
Cash and balances with central banks	65,610	—	—	—	—	300,781	366,391
Deposits with banks and non-bank financial institutions	27,421	341,836	17,278	—	—	—	386,535
Placements with banks and non-bank financial institutions	—	108,922	42,060	—	—	22	151,004
Financial assets held under resale agreements	—	155,703	4,055	2,453	—	—	162,211
Loans and advances to customers (note (ii))	3,551	257,878	619,927	278,386	246,130	4,907	1,410,779
Investment securities	5,479	25,157	62,904	102,434	54,531	2,883	253,388
Others	7,018	6,792	3,812	1,481	494	15,976	35,573
Total assets	109,079	896,288	750,036	384,754	301,155	324,569	2,765,881
Liabilities							
Deposits from banks and non-bank financial institutions	56,558	469,311	9,677	—	—	—	535,546
Placements from banks and non-bank financial institutions	—	3,082	759	835	—	—	4,676
Financial assets sold under repurchase agreements	—	9,650	156	—	—	—	9,806
Deposits from customers	1,011,927	444,673	381,810	116,887	12,754	—	1,968,051
Debts securities issued	—	2,108	7,453	2,338	21,831	—	33,730
Others	16,973	4,541	5,617	4,766	1,023	2,371	35,291
Total liabilities	1,085,458	933,365	405,472	124,826	35,608	2,371	2,587,100
(Short)/Long position	(976,379)	(37,077)	344,564	259,928	265,547	322,198	178,781

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Group (continued)

	2010						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note (i))	Total
Assets							
Cash and balances with central banks	57,193	—	—	—	—	199,130	256,323
Deposits with banks and non-bank financial institutions	31,831	47,397	2,727	—	—	—	81,955
Placements with banks and non-bank financial institutions	—	38,263	4,717	4,960	670	23	48,633
Financial assets held under resale agreements	—	129,337	17,727	568	—	—	147,632
Loans and advances to customers (note (ii))	2,284	224,589	480,708	312,830	221,695	3,920	1,246,026
Investment securities	6,171	67,002	65,947	94,428	34,889	2,821	271,258
Others	7,421	2,960	2,706	2,926	642	12,832	29,487
Total assets	104,900	509,548	574,532	415,712	257,896	218,726	2,081,314
Liabilities							
Deposits from banks and non-bank financial institutions	66,100	65,784	9,779	—	—	—	141,663
Placements from banks and non-bank financial institutions	—	5,603	257	399	813	—	7,072
Financial assets sold under repurchase agreements	—	4,381	—	—	—	—	4,381
Deposits from customers	978,528	377,006	317,154	54,640	3,488	—	1,730,816
Debts securities issued	—	204	3,392	5,721	25,598	—	34,915
Others	13,556	11,860	6,367	3,926	722	1,498	37,929
Total liabilities	1,058,184	464,838	336,949	64,686	30,621	1,498	1,956,776
(Short)/Long position	(953,284)	44,710	237,583	351,026	227,275	217,228	124,538

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Bank

	2011						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note (i))	Total
Assets							
Cash and balances with central banks	65,281	—	—	—	—	300,037	365,318
Deposits with banks and non-bank financial institutions	19,850	341,836	18,278	—	—	—	379,964
Placements with banks and non-bank financial institutions	—	90,177	35,336	—	—	22	125,535
Financial assets held under resale agreements	—	155,753	4,055	2,453	—	—	162,261
Loans and advances to customers (note (ii))	2,773	242,399	600,296	255,637	228,901	4,503	1,334,509
Investment securities	5,479	18,486	59,397	95,568	54,290	10,224	243,444
Others	5,335	6,791	3,845	1,484	494	13,008	30,957
Total assets	98,718	855,442	721,207	355,142	283,685	327,794	2,641,988
Liabilities							
Deposits from banks and non-bank financial institutions	58,479	470,274	12,057	—	—	—	540,810
Placements from banks and non-bank financial institutions	—	—	—	819	—	—	819
Financial assets sold under repurchase agreements	—	9,650	156	—	—	—	9,806
Deposits from customers	983,231	382,795	373,437	113,004	12,754	—	1,865,221
Debts securities issued	—	—	—	—	18,500	—	18,500
Others	15,626	4,425	5,651	4,769	1,023	1,045	32,539
Total liabilities	1,057,336	867,144	391,301	118,592	32,277	1,045	2,467,695
(Short)/Long position	(958,618)	(11,702)	329,906	236,550	251,408	326,749	174,293

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Bank (continued)

	2010						
	Repayable on demand	Less than three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note (i))	Total
Assets							
Cash and balances with central banks	56,264	—	—	—	—	199,130	255,394
Deposits with banks and non-bank financial institutions	17,033	47,397	2,727	—	—	—	67,157
Placements with banks and non-bank financial institutions	—	31,379	3,320	4,499	—	23	39,221
Financial assets held under resale agreements	—	129,397	17,727	568	—	—	147,692
Loans and advances to customers (note (ii))	1,846	212,258	463,194	286,042	204,058	2,985	1,170,383
Investment securities	6,171	60,887	60,451	89,034	33,929	10,043	260,515
Others	5,936	2,958	2,655	2,926	642	10,338	25,455
Total assets	87,250	484,276	550,074	383,069	238,629	222,519	1,965,817
Liabilities							
Deposits from banks and non-bank financial institutions	68,212	65,784	9,779	—	—	—	143,775
Placements from banks and non-bank financial institutions	—	5,000	—	—	813	—	5,813
Financial assets sold under repurchase agreements	—	4,381	—	—	—	—	4,381
Deposits from customers	945,115	322,915	311,172	51,640	3,488	—	1,634,330
Debts securities issued	—	—	—	—	22,500	—	22,500
Others	11,826	11,861	6,342	3,926	722	751	35,428
Total liabilities	1,025,153	409,941	327,293	55,566	27,523	751	1,846,227
(Short)/Long position	(937,903)	74,335	222,781	327,503	211,106	221,768	119,590

Notes:

(i) For cash and balances with central banks, the indefinite period amount represents statutory deposit reserves and fiscal balances maintained with the PBOC. For placements with banks and non-bank financial institutions, loans and advances to customers and investments represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

(ii) For loans and advances to customers, the indefinite period amount represents the balance being impaired or overdue for more than one month. The balance not impaired and overdue within one month is included in repayable on demand.

(iii) For financial assets at fair value through profit or loss, derivatives and available-for-sale investments, the remaining term to maturity does not represent the Group's intended holding period.

60 Financial risk management (Continued)

(d) Operational risk

Operational risk includes the risk of direct or indirect loss due to an event or action causing failure of technology, processes, infrastructure and personnel, and other risks having an operational impact.

The Group manages this risk through a control-based environment by establishing a framework of policies and procedures in order to identify, assess, control, manage and report risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. This has allowed the Group to identify and address the major operational risk inherent in all key products, activities, processes and systems. Key controls include:

— authorisation limits for various business activities to branches and functions are delegated after consideration of their respective business scope, risk management capabilities and credit approval procedures. Such authorities are revised on a timely basis to reflect changes in market conditions and business development and risk management needs;

— the use of the single legal responsibility framework and strict disciplinary measures in order to ensure accountability;

— systems and procedures to identify, control and report on the major risks: credit, market, liquidity and operational;

— promotion of a risk management culture throughout the organisation by building a team of risk management professionals, providing formal training and having an appraisal system in place, to raise the overall risk awareness among the Group's employees;

— cash management and account management are in compliance with the relevant regulations, and for improving training on anti-money laundering to ensure our staff are well-equipped with the necessary knowledge and basic skills;

— the review and approval by senior management of comprehensive financial and operating plans which are prepared by branches;

— the assessment of individual branches' financial performance against the comprehensive financial and operating plan; and

— the maintenance of contingent facilities (including backup systems and disaster recovery schemes) to support all major operations, especially back office operations, in the event of an unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain operational events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operation risk. Its management information system can record and store lost data and events of operation risk to further support operation risk control and self assessment, as well as monitor key risk indicators.

(Expressed in millions of Renminbi unless otherwise stated)

61 Capital Adequacy Ratio

Capital adequacy ratio management is the key part of the Bank's capital management. The Bank calculates and discloses capital adequacy ratios since 2004 in accordance with *Regulation Governing Capital Adequacy of Commercial Banks* issued by the CBRC in February 2004, which was amended by CBRC in July and November 2007, and other relevant guidelines. These guidelines may have significant differences with the relevant requirements in Hong Kong or other regions and countries. The capital of the Bank is analysed into core capital and supplementary capital. The core capital mainly includes paid-up share capital or ordinary shares, capital reserve, surplus reserve, retained earnings, and non-controlling interests, after the deduction of dividends declared after the reporting date, as well as deductions of 100% of goodwill and 50% of unconsolidated equity investments. Supplementary capital includes general provisions and subordinated debts/bonds issued.

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated debts/bonds issued included in the supplementary capital should not exceed 50% of the core capital. At present, the Group is fully compliant with the legal and regulatory requirements in this respect.

Capital adequacy ratio management is a core issue of capital management. The capital adequacy ratio reflects the Group's sound operations and risk management capability. The Group's capital adequacy ratio management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio.

The Group's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

The capital adequacy ratios of the Group as at 31 December 2011 and 2010 calculated based on the relevant regulations by in the PRC were as follows:

	2011	2010
Capital adequacy ratio (note (i))	**12.27%**	11.31%
Core capital adequacy ratio (note (ii))	**9.91%**	8.45%
Components of capital base		
Core capital:		
— Share capital	**46,787**	39,033
— Capital reserve, investment revaluation reserve and exchange difference	**47,357**	29,250
— Surplus reserve and general reserve	**29,516**	21,316
— Retained earnings (note (iii))	**43,589**	25,204
— Non-controlling interest	**4,285**	4,363
Total core capital	**171,534**	119,166
Supplementary capital:		
— General provision for doubtful debts	**18,547**	12,822
— Subordinated debts/bonds issued	**23,566**	28,775
— Fair value change of financial assets	**355**	165
Total supplementary capital	**42,468**	41,762
Total capital base before deductions	**214,002**	160,928
Deductions:		
— Goodwill	**818**	857
— Unconsolidated equity investments	**2,230**	2,267
— Others	**1,086**	1,190
Total capital base after deductions	**209,868**	156,614
Core capital base after deductions	**169,466**	116,988
Risk weighted assets	**1,702,165**	1,385,262
Market risk capital	**696**	—

(Expressed in millions of Renminbi unless otherwise stated)

61 Capital Adequacy Ratio (Continued)

Note:

(i) Capital Adequacy Ratio ("CAR") equals to total capital base after deductions divided by the sum of risk weighted assets and 12.5 times of market risk capital.

(ii) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deduction of 100% of goodwill, 50% of unconsolidated equity investments, and other items, by the sum of risk weighted assets and 12.5 times of market risk capital.

(iii) The retained earnings are net of the cash dividend in respect of the year ended 31 December 2011 proposed by the Board of Directors which is subject to approval of the shareholders at the Annual General Meeting.

62 Fair value

(a) Financial assets

The Group's financial assets mainly include cash, amounts due from central bank, banks and other financial institutions, loans and advances to customers, and investments.

Amounts due from central banks, banks and other financial institutions

Amounts due from central banks, banks and other financial institutions are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Loans and advances to customers are repriced at market rates annually at lease. Accordingly, their carrying values approximate the fair values.

Investments

Available-for-sale investments and trading debt securities are stated at fair value on the balance sheet. The carrying values and the fair values of held-to-maturity debt securities are presented in Note 28.

(b) Financial liabilities

The Group's financial liabilities mainly include amounts due to banks and other financial institutions, deposits from customers, certificate of deposit, and subordinated debts/bonds issued. The carrying values of financial liabilities approximated their fair values at the reporting date except as follows:

	The Group			
	Carrying values		Fair values	
	2011	2010	**2011**	2010
Certificate of deposit (not for trading purpose)	**8,576**	5,943	**8,577**	5,289
Debt securities issued	**322**	197	**322**	197
Subordinated debts/bonds issued	**24,832**	28,775	**23,003**	27,673

	The Bank			
	Carrying values		Fair values	
	2011	2010	**2011**	2010
Subordinated debts/bonds issued	**18,500**	22,500	**17,002**	20,814

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments

The table below analyses financial instruments, measured at fair value in accordance with note 4(3)(f) by the level in the fair value hierarchy into which the fair value treatment is categorised:

	The Group			
	Level 1 (note (i))	**Level 2 (note (i))**	**Level 3 (Note(ii)-(iii))**	**Total**
As at 31 December 2011				
Assets				
Trading financial assets	**113**	**8,037**	**40**	**8,190**
Positive fair value of derivatives	**12**	**4,639**	**32**	**4,683**
Available-for-sale financial assets	**15,178**	**118,836**	**390**	**134,404**
Total	**15,303**	**131,512**	**462**	**147,277**
Liabilities				
Negative fair value of derivatives	**—**	**(3,691)**	**(73)**	**(3,764)**
Total	**—**	**(3,691)**	**(73)**	**(3,764)**

	The Group			
	Level 1 (note (i))	Level 2 (note (i))	Level 3 (Note(ii)-(iii))	Total
As at 31 December 2010				
Assets				
Trading financial assets	548	2,266	41	2,855
Positive fair value of derivatives	26	4,302	150	4,478
Available-for-sale financial assets	15,424	121,140	412	136,976
Total	15,998	127,708	603	144,309
Liabilities				
Financial liabilities designated at fair value through profit and loss	—	(10,729)	—	(10,729)
Negative fair value of derivatives	(1)	(3,941)	(184)	(4,126)
Total	(1)	(14,670)	(184)	(14,855)

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments (Continued)

	The Bank			
	Level 1 (note (i))	Level 2 (note (i))	Level 3 (Note(ii)-(iii))	Total
As at 31 December 2011				
Assets				
Trading financial assets	—	7,899	—	7,899
Positive fair value of derivatives	—	2,970	32	3,002
Available-for-sale financial assets	6,081	110,629	15	116,725
Total	6,081	121,498	47	127,626
Liabilities				
Negative fair value of derivatives	—	(2,611)	(73)	(2,684)
Total	—	(2,611)	(73)	(2,684)

	The Bank			
	Level 1 (note (i))	Level 2 (note (i))	Level 3 (Note(ii)-(iii))	Total
As at 31 December 2010				
Assets				
Trading financial assets	32	2,266	—	2,298
Positive fair value of derivatives	—	2,944	150	3,094
Available-for-sale financial assets	8,020	110,838	60	118,918
Total	8,052	116,048	210	124,310
Liabilities				
Financial liabilities designated at fair value through profit and loss	—	(10,729)	—	(10,729)
Negative fair value of derivatives	—	(2,685)	(184)	(2,869)
Total	—	(13,414)	(184)	(13,598)

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments (Continued)

(i) During the current year, there were no significant transfer between Level 1 and Level 2 of the fair value hierarchy.

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

The Group

	Assets				Liabilities		
	Trading financial assets	Positive fair value of derivatives	Available-for-sale financial assets	Total	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	Total
As at 1 January 2011	41	150	412	603	—	(184)	(184)
Total gain or losses:							
— In profit or loss	3	(113)	7	(103)	—	120	120
— In other comprehensive income	—	—	29	29	—	—	—
Settlements	(2)	(5)	(57)	(64)	—	(9)	(9)
Exchange loss	(2)	—	(1)	(3)	—	—	—
As at 31 December 2011	40	32	390	462	—	(73)	(73)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (note (iii))	3	(14)	7	(4)	—	36	36

	Assets				Liabilities		
	Trading financial assets	Positive fair value of derivatives	Available-for-sale financial assets	Total	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	Total
As at 1 January 2010	177	476	988	1,641	(1,147)	(840)	(1,987)
Total gain or losses:							
— In profit or loss	6	(676)	(412)	(1,082)	1,138	620	1,758
— In other comprehensive income	(1)	—	(102)	(103)	—	—	—
Issues	(1)	—	—	(1)	—	—	—
Settlements	(140)	350	(62)	148	9	36	45
As at 31 December 2010	41	150	412	603	—	(184)	(184)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (note (iii))	6	66	3	75	—	(31)	(31)

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments (Continued)

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy: (continued)

The Bank

	Assets				Liabilities		
	Trading financial assets	Positive fair value of derivatives	Available-for-sale financial assets	Total	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	Total
As at 1 January 2011	—	150	60	210	—	(184)	(184)
Total gain or losses:							
— In profit or loss	—	(113)	7	(106)	—	120	120
Settlements	—	(5)	(52)	(57)	—	(9)	(9)
As at 31 December 2011	—	32	15	47	—	(73)	(73)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (note (iii))	—	(14)	7	(7)	—	36	36

	Assets				Liabilities		
	Trading financial assets	Positive fair value of derivatives	Available-for-sale financial assets	Total	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	Total
As at 1 January 2010	137	475	55	667	(1,147)	(839)	(1,986)
Total gain or losses:							
— In profit or loss	3	(675)	1	(671)	1,138	619	1,757
— In other comprehensive income	—	—	13	13	—	—	—
Settlements	(140)	350	(9)	201	9	36	45
As at 31 December 2010	—	150	60	210	—	(184)	(184)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (note (iii))	3	66	1	70	—	(31)	(31)

(iii) In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain/(loss), net gain/(loss) arising from investment securities and impairment losses in the statement of comprehensive income.

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties

(a) Relationship of related parties

(1) Related parties of the Group include CITIC Group and its fellow entities, subsidiaries, joint ventures and associates of the Group as well as BBVA, which is a strategic investor in the Group.

(2) CITIC Group, the major shareholder of the Group, is a state-owned company established in Beijing in 1979. CITIC Group's core business covers financial services, industrial investments and business services in Mainland China and Overseas.

(3) According to the relevant requirements on information disclosures of listed companies issued by CSRC, all parties that hold more than 5% of a listed company's shares should be recognized as related parties of the company. BBVA is a multinational financial services company registered in Spain. BBVA is mainly engaged in retail banking, asset management, private banking and wholesale banking operations. BBVA held 15% of the Bank's share as of 31 December 2011 (2010: 15%) and therefore BBVA is recognised as a related party of the Group with significant influence.

(4) Besides the subsidiaries of the Bank mentioned in Note 30, CITIC Group is also a related party of the Bank that has control relations.

(b) Related party transactions

During the relevant years, the Group entered into transactions with related parties in the ordinary course of its banking business including lending, investment, deposit and off-balance sheet transactions. The banking transactions were priced at the relevant market rates prevailing at the time of each transaction. Transactions during the relevant years and the corresponding balances outstanding at the reporting dates are as follows:

	2011			
	Ultimate holding company and fellow entities	**BBVA**	**Associates**	**Subsidiaries Note (i)**
Profit and loss				
Interest income	**364**	**49**	**1**	**16**
Fee and commission income	**209**	**—**	**—**	**—**
Interest expense	**(1,748)**	**(128)**	**(2)**	**(51)**
Net trading gain	**49**	**74**	**32**	**1**
Other service fees	**(425)**	**(3)**	**—**	**(44)**

	2010			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
Interest income	219	29	2	12
Fee and commission income	278	5	60	—
Interest expense	(515)	(73)	(9)	(4)
Net trading gain/(loss)	596	(56)	—	6
Other service fees	(82)	—	(1)	(29)

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (Continued)

(b) Related party transactions (Continued)

	2011			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
Assets				
Gross loans and advances to customers	5,350	186	162	—
Less: individually assessed allowances for impairment loss	—	—	—	—
collectively assessed allowances for impairment loss	(77)	(2)	—	—
Loans and advances to customers (net)	5,273	184	162	—
Gross amount of deposits and placements with banks and non-bank financial institutions	5,606	503	—	2,124
Less: Allowances for impairment losses	(8)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	5,598	503	—	2,124
Investments	751	743	—	11,562
Financial assets held under resale agreements	—	—	—	50
Other assets	133	258	—	3
Liabilities				
Deposits from customers	21,954	410	854	209
Deposits and placements from banks and non-bank financial institutions	20,534	—	—	5,342
Debts securities issued	2,624	2,249	—	—
Financial assets sold under repurchase agreements	8,000	—	—	—
Other liabilities	178	189	—	38
Off-balance sheet items				
Guarantees and letters of credit	818	2,664	—	—
Acceptances	471	—	—	—
Guarantees received	55	32	—	290
Nominal amount of derivatives	6,465	22,318	—	63

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (Continued)

(b) Related party transactions (Continued)

	2010			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
Assets				
Gross loans and advances to customers	1,980	—	273	—
Less: individually assessed allowances for impairment loss	—	—	—	—
collectively assessed allowances for impairment loss	(28)	—	—	—
Loans and advances to customers (net)	1,952	—	273	—
Gross amount of deposits and placements with banks and non-bank financial institutions	33	3	—	1,100
Less: Allowances for impairment losses	(8)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	25	3	—	1,100
Investments	1,029	943	—	10,215
Financial assets held under resale agreements	—	—	—	60
Other assets	44	115	1	3
Liabilities				
Deposits from customers	28,215	—	2,736	44
Deposits and placements from banks and non-bank financial institutions	10,282	—	—	2,187
Debts securities issued	—	2,305	—	—
Financial assets sold under repurchase agreements	4,000	—	—	—
Other liabilities	791	40	2	—
Off-balance sheet items				
Guarantees and letters of credit	182	—	—	—
Acceptances	361	—	—	—
Guarantees received	165	2	3	357
Nominal amount of derivatives	6,491	31,854	—	68

Notes:

(i) The related party transactions between the Bank and the subsidiaries and among the subsidiaries are eliminated on consolidation.

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (Continued)

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group enters into banking transactions with key management personnel and their close family members and those companies controlled or significantly influenced by them in the normal course of business. Other than those disclosed as below, there are no material transactions and balances between the Group and these individuals or those companies controlled or significantly influenced by them.

The aggregate amount of relevant loans outstanding as at 31 December 2011 to directors, supervisors and executive officers amounted to RMB22.86 million (as at 31 December 2010: RMB26.06 million).

The aggregate of the compensations in respect of directors and supervisors is disclosed in Note 13. The executive officers' compensations during the years are as follows:

	2011 **RMB'000**	2010 RMB'000
Salaries and other emoluments	**4,614**	4,442
Discretionary bonuses	**19,998**	19,435
Contributions to defined contribution retirement schemes	**1,216**	1,148
	25,828	25,025

(d) Contributions to defined contribution retirement schemes and supplementary retirement benefits

The Group has established a supplementary defined contribution plan for its qualified employees. The plan is administered by CITIC Group. The Group pays supplementary retirement benefits for its qualified employees in Mainland China (Note 43(iii)).

(e) Transactions with other state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations ("state-owned entities").

Transactions with other state-owned entities include but are not limited to the following:

— lending and deposit taking;

— taking and placing of inter-bank balances;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

— sale, purchase, underwriting and redemption of bonds issued by other state-owned entities;

— purchase, sale and leases of property and other assets; and

— rendering and receiving of utilities and other services.

63 Related parties (Continued)

(e) Transactions with other state-owned entities in the PRC (Continued)

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

64 Ultimate parent

The Bank's controlling shareholder, CITIC Group has restructured its corporate structure with the establishment of a wholly-owned subsidiary, CITIC Limited on 27 December 2011, and the subsequent transfer of a majority of its assets into CITIC Limited (the "Restructuring"). Upon completion of the Restructuring, the shares of the Bank will be held by CITIC Limited which will in turn be wholly-owned by CITIC Group. Up to the date of this report, the relevant regulatory approval for the change of the Bank's controlling shareholder is still in progress.

65 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2011

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements.

- Amendments to IFRS 7, *Financial instruments: Disclosures,* "Transfers of financial assets"
- Amendments to IAS 12, *Income taxes* "Deferred tax: Recovery of underlying assets"
- Amendments to IFRS 1, *First time adoption of International Financial Reporting Standards* "Severe hyperinflation and removal of fixed dates for first-time adopters"
- Amendments to IAS 1, *Presentation of financial statements* "Presentation of items of other comprehensive income"
- IFRS 9 *Financial instruments*
- IFRS 10 *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Revised IAS 19, *Employee benefits*
- IAS 27 (2011), *Separate financial statements*
- IAS 28 (2011), *Investments in associates and joint ventures*

The Group is in the process of making assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for IFRS 9, Financial instruments, and IFRS 13, Fair value measurement, which may have an impact on the Group's results and financial position.

66 Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

67 Events after the reporting date

Up to the date of this report, the Group had no material events that require disclosure in or adjustments of these financial statements after the reporting date.

(Expressed in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the audited financial statements, and is included herein for information purposes only.

1 Difference between the financial statements prepared in accordance with IFRSs and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation (the "Bank") prepares consolidated financial statements, which includes the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2011 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the net profit for the year ended 31 December 2011 or total equity as at 31 December 2011 between the Group's consolidated financial statements prepared in accordance with IFRSs and that prepared in accordance with PRC GAAP respectively.

2 Liquidity ratios

	31 December 2011	31 December 2010
RMB current assets to RMB current liabilities	**58.97%**	56.75%
Foreign currency current assets to foreign currency current liabilities	**96.55%**	55.78%

The above liquidity ratios were calculated based on the financial statements under PRC GAAP with reference to the revised formula issued by the China Banking Regulatory Commission (the "CBRC") in 2006.

3 Currency concentrations

	31 December 2011			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**131,848**	**64,631**	**9,172**	**205,651**
Spot liabilities	**(96,906)**	**(63,810)**	**(21,219)**	**(181,935)**
Forward purchases	**167,992**	**21,317**	**33,557**	**222,866**
Forward sales	**(197,183)**	**(10,089)**	**(21,783)**	**(229,055)**
Options	**(89)**	**—**	**5**	**(84)**
Net long/(short) position	**5,662**	**12,049**	**(268)**	**17,443**

	31 December 2010			
	US Dollars	HK Dollars	Others	Total
Spot assets	110,335	71,242	8,305	189,882
Spot liabilities	(86,621)	(71,070)	(18,726)	(176,417)
Forward purchases	185,001	30,497	26,340	241,838
Forward sales	(222,510)	(15,575)	(15,633)	(253,718)
Net (short)/long position	(13,795)	15,094	286	1,585

(Expressed in millions of Renminbi unless otherwise stated)

4 Cross-border claims

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

For the purpose of these 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, balances and placements with banks and other financial institutions, holding of trade bills and certificates of deposit and investment securities.

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

	31 December 2011			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**11,970**	**172**	**10,840**	**22,982**
— of which attributed to Hong Kong	**3,711**	**68**	**5,426**	**9,205**
Europe	**16,469**	**2**	**2,267**	**18,738**
North and South America	**8,233**	**235**	**1,618**	**10,086**
Total	**36,672**	**409**	**14,725**	**51,806**

	31 December 2010			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	2,780	73	820	3,673
— of which attributed to Hong Kong	1,464	73	638	2,175
Europe	7,729	287	2	8,018
North and South America	6,583	3,277	817	10,677
Total	17,092	3,637	1,639	22,368

(Expressed in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical segments

	31 December 2011 Gross loans and advances	Loans and Advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	**379,024**	**2,206**	**2,208**
Yangtze River Delta	**375,635**	**1,250**	**2,191**
Pearl River Delta and West Strait	**196,103**	**1,189**	**2,125**
Central	**187,201**	**265**	**542**
Western	**176,879**	**251**	**493**
Northeastern	**46,425**	**150**	**481**
Outside Mainland China	**72,770**	**290**	**501**
Total	**1,434,037**	**5,601**	**8,541**

	31 December 2010 Gross loans and advances	Loans and Advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	346,098	2,397	2,362
Yangtze River Delta	327,534	1,725	1,950
Pearl River Delta and West Strait	174,510	1,254	1,583
Central	159,534	478	479
Western	143,237	363	531
Northeastern	41,239	324	651
Outside Mainland China	72,093	853	977
Total	1,264,245	7,394	8,533

Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and has been identified:

— individually; or

— collectively: that is portfolios of homogeneous loans and advances.

(Expressed in millions of Renminbi unless otherwise stated)

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(i) Gross overdue amounts due from banks and other financial institutions

	31 December 2011	31 December 2010
Gross amounts due from banks and other financial institutions which have been overdue	**30**	31
As a percentage of total gross amounts due from banks and other financial institutions	**0.01%**	0.02%

Note:

All overdue amounts have been overdue over 12 months.

(ii) Gross amounts of overdue loans and advances to customers

	31 December 2011	31 December 2010
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	**528**	582
— between 6 and 12 months	**552**	1,256
— over 12 months	**4,521**	5,556
Total	**5,601**	7,394
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.04%**	0.05%
— between 6 and 12 months	**0.04%**	0.10%
— over 12 months	**0.31%**	0.44%
Total	**0.39%**	0.59%

— The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

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

(Expressed in millions of Renminbi unless otherwise stated)

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (Continued)

(ii) Gross amounts of overdue loans and advances to customers (Continued)

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

— As at 31 December 2011, the loans and advances to customers of RMB4,551 million (2010: 6,452 million) and RMB1,050 million (2010: 942 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans were RMB964 million (2010: 996 million) and RMB3,587 million (2010: 5,456 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB1,182 million (2010: 1,168 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB3,374 million (2010: 4,158 million).

7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 31 December 2011, over 90% of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the financial statements.

Documents Available for Inspection

1. Original of the 2011 Annual Report bearing the signature of the chairman of the Bank.

2. Financial statements bearing stamps of the Bank and signatures of the legal representative of the Bank, president of the Bank, vice president of the Bank in charge of financial function and general manager in charge of the Budget and Finance Department of the Bank.

3. Original of the audit report bearing the stamp of the accounting firm, together with signature and stamp of the CPA.

4. Originals of all documents and announcements of the Company that have been disclosed on the newspapers designated by the CSRC during the reporting period.

5. Articles of Association of China CITIC Bank Corporation Limited.

Reference for Shareholders

Information on Shares

Listing

On 27 April 2007 the Bank was simultaneously listed at SSE and SEHK.

Ordinary Shares

The number of issued and outstanding shares of the Bank are 46,787,327,034, including 31,905,164,057 A shares and 14,882,162,977 H shares.

Dividends

The Board of Directors has suggested the payout of a final cash dividend at RMB1.45 (pre-tax) every 10 shares, which would be submitted to the 2011 annual general meeting for approval.

Stock Code and Stock Name

A-share

SSE	601998 CNCB
Reuters	601998.SS
Bloomberg	601998 CH

H-share

SEHK	0998 CITIC Bank
Reuters	998.HK
Bloomberg	998 HK

Shareholders' Inquiry

If shareholders have any inquiry about their shareholdings, such as share transfer, "street name" shares, address redirecting and loss of share certificate, please post letters to the following addresses:

A-share
China Securities Depository and Clearing Corporation Limited Shanghai Branch
36/F, China Insurance Building, No. 166 Lu Jia Zui East Road, Pudong New District, Shanghai
Tel: +86-21-68870142

H-share
Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong
Tel: +852-28658555
Fax: +852-28650990
E-mail: hkinfo@computershare.com.hk

Credit Rating

Moody's Investors Service: rating of Baa2 for long-term deposits; P-2 for short-term deposits; D for financial strength; and the rating prospect is stable.

Fitch ratings: Individual rating is D; support rating is 2.

Index Constituent Stock

A-share Index of SSE
SSE 180 Index
SSE Composite Index
SSE Corporate Governance Index
New SSE Composite
Index Shanghai-Shenzhen 300 Index
SZSE 100 INDEX
China Securities Index 100 Index
China Securities Index 800 Index

Investors' Inquiry

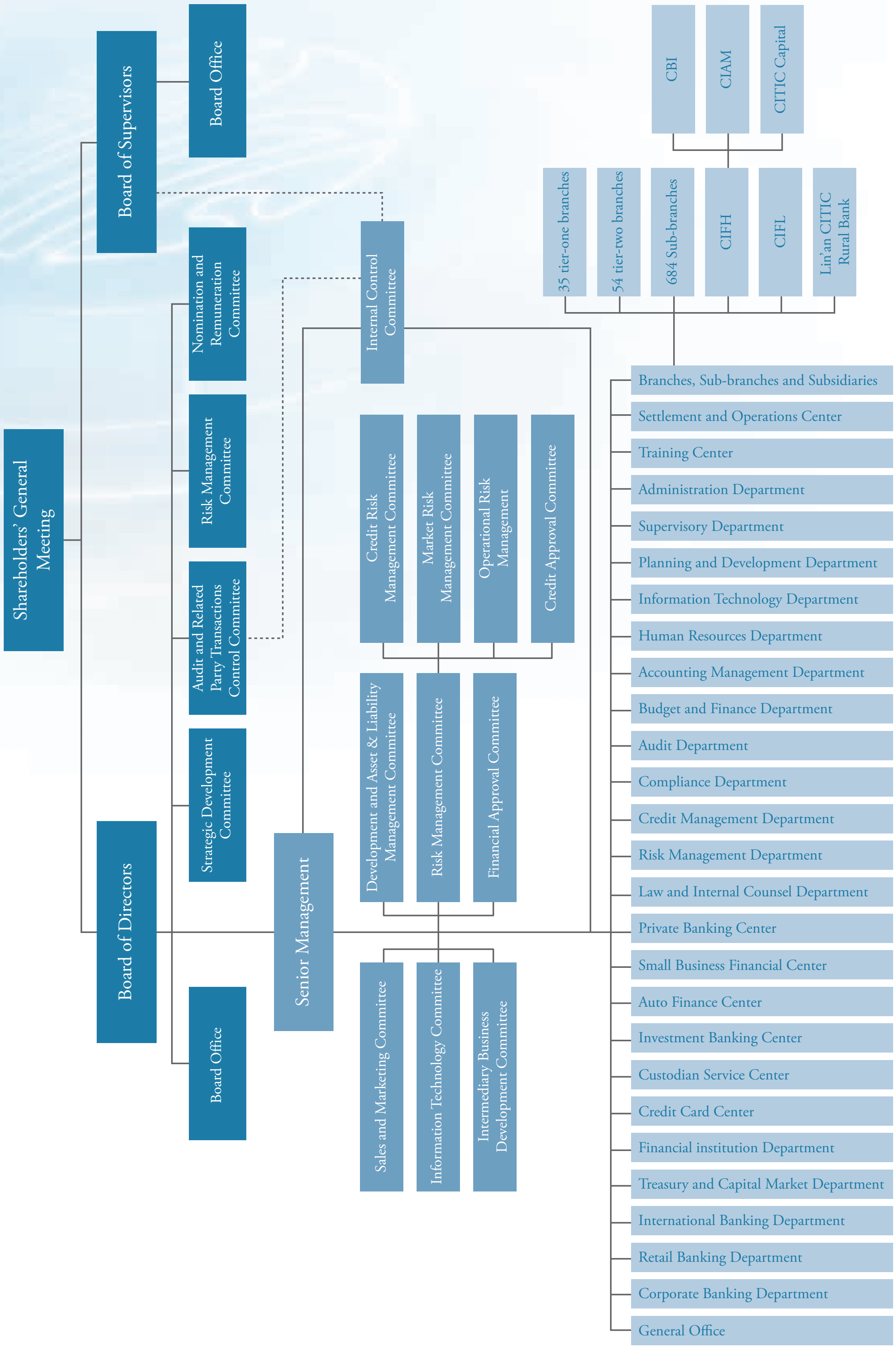
For any inquiry, H-share investors may contact:
Investor Relations Team of China CITIC Bank Corporation Limited
Address: 15F, Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing
Tel: +86-10-65558000
Fax: +86-10-65550809
E-mail: ir_cncb@citicbank.com

Other Information

This annual report is available in both the Chinese and English languages. To obtain copies of the annual report prepared in accordance with the international accounting standards, please write to Computershare Hong Kong Investor Services Limited, the Bank's H-share Registrar. For copies of the annual report prepared in accordance with the PRC accounting standards, please visit places of business of the Bank. This annual report is also available (in both the Chinese and English languages) on the following websites: bank.ecitic.com, www.sse.com.cn, www.hkexnews.hk.

Should you have any queries about how to obtain copies of this annual report or how to access the annual report on the Bank's website, please call the Bank's hotline at +86-10-65558000 or +852-28628555.

Corporate Structure



List of Domestic and Overseas Affiliates

As at the end of the reporting period, the Bank had 773 outlets in 95 large and medium-sized cities in China (excluding Hong Kong Special Administrative Region), consisting of 35 tier-one branches, 54 tier-two branches and 684 sub-branches; and 1 domestic subsidiary and 2 overseas subsidiaries.

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices		Address	Tel and Fax
1	Beijing	1	Head Office	Address: Postal Code: Website: SWIFT BIC:	Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing 100027 bank.ecitic.com CIBKCNBJ	Tel: 010-65558888 Fax: 010-65550801 Hotline: 95558
		50	Beijing branch	Address: Postal Code:	Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing 100140	Tel: 010-66211769 Fax: 010-66211770
2	Tianjin	27	Tianjin Branch	Address: Postal Code:	No. 14, Nanjing Road, Hexi District, Tianjin 300042	Tel: 022-23028880 Fax: 022-23028800
3	Hebei Province	29				
	Shijiazhuang	20	Shijiazhuang Branch	Address: Postal Code:	No. 209, Xinhua East Road, Shijiazhuang, Hebei Province 050000	Tel: 0311-87884438 Fax: 0311-87884436
	Tangshan	7	Tangshan Branch	Address: Postal Code:	No. 46, Xinhua West Road, Tangshan, Hebei Province 063000	Tel: 0315-3738508 Fax: 0315-3738522
	Baoding	1	Baoding Branch	Address: Postal Code:	No. 733, Yuhua West Road, Baoding 071000	Tel: 0312-2081598 Fax: 0312-5881160
	Handan	1	Handan Branch	Address: Postal Code:	No. 183, Lianfang East Road, Handan 056004	Tel: 0310-7050655 Fax: 0310-7050655
4	Liaoning Province	57				
	Shenyang	19	Shenyang Branch	Address: Postal Code:	No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province 110014	Tel: 024-31510456 Fax: 024-31510234
	Dalian	19	Dalian Branch	Address: Postal Code:	No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province 116001	Tel: 0411-82821868 Fax: 0411-82804126
	Anshan	7	Anshan Branch	Address: Postal Code:	No. 35, Wuyi Road, Tiedong District, Anshan, Liaoning Province 114001	Tel: 0412-2211988 Fax: 0412-2230815
	Fushun	5	Fushun Branch	Address: Postal Code:	No. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province 113001	Tel: 0413-3886701 Fax: 0413-3886711
	Huludao	6	Huludao Branch	Address: Postal Code:	No. 50, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province 125001	Tel: 0429-2808185 Fax: 0429-2800885
	Yingkou	1	Yingkou Branch	Address: Postal Code:	No. 8, Yinggang Road, Bayu District, Liaoning Province 115007	Tel: 0417-8208988 Fax: 0417-8208989
5	Shanghai	37	Shanghai Branch	Address: Postal Code:	Aurora Plaza, No. 99. Fucheng Road, Pudong New District, Shanghai 200120	Tel: 021-58771111 Fax: 021-58776606
6	Jiangsu Province	81				
	Nanjing	12	Nanjing Branch	Address: Postal Code:	No. 348, Zhongshan Road, Nanjing, Jiangsu Province 210008	Tel: 025-83799181 Fax: 025-83799000
	Wuxi	15	Wuxi Branch	Address: Postal Code:	No. 112, Renmin Road, Wuxi, Jiangsu Province 214031	Tel: 0510-82707177 Fax: 0510-82709166
	Changzhou	9	Changzhou Branch	Address: Postal Code:	Boai Plaza, No. 72, Boai Road, Changzhou, Jiangsu Province 213003	Tel: 0519-88108833 Fax: 0519-88107020
	Yangzhou	8	Yangzhou Branch	Address: Postal Code:	No. 171, Weiyang Road, Yangzhou, Jiangsu Province 225300	Tel: 0514-87890717 Fax: 0514-87890531
	Taizhou	5	Taizhou Branch	Address: Postal Code:	No. 15, Gulou Road, Taizhou 225300	Tel: 0523-86399111 Fax: 0523-86399120
	Suzhou	20	Suzhou Branch	Address: Postal Code:	No. 258, Zhuhui Road, Suzhou, Jiangsu Province 215006	Tel: 0512-65190307 Fax: 0512-65198570
	Nantong	3	Nantong Branch	Address: Postal Code:	Nantong Tower, No. 20, Central Renmin Road, Nantong, Jiangsu Province 226001	Tel: 0513-81120909 Fax: 0513-81120900

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices		Address	Tel and Fax
	Zhenjiang	1	Zhenjiang Branch	Address: Postal Code:	No. 11, Changjiang Road, Zhenjiang, Jiangsu Province 212001	Tel: 0511-89886201 Fax: 0511-89886200
7	Zhejiang Province	76				
	Hangzhou	25	Hangzhou Branch	Address: Postal Code:	No. 88, Yan'an Road, Hangzhou, Zhejiang Province 310002	Tel: 0571-87032888 Fax: 0571-87089180
	Wenzhou	10	Wenzhou Branch	Address: Postal Code:	Building 2, North Quarter, Nature City Garden Phase II, Shifu Road, Wenzhou 325000	Tel: 0577-88858466 Fax: 0577-88858575
	Jiaxing	9	Jiaxing Branch	Address: Postal Code:	No. 639, East Zhongshan Road, Jiaxing, Zhejiang Province 314000	Tel: 0573-82097693 Fax: 0573-82093454
	Shaoxing	9	Shaoxing Branch	Address: Postal Code:	No. 289, West Renmin Road, Shaoxing, Zhejiang Province 312000	Tel: 0575-85227222 Fax: 0575-85110428
	Ningbo	17	Ningbo Branch	Address: Postal Code:	CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province 315010	Tel: 0574-87733065 Fax: 0574-87973742
	Taizhou	2	Taizhou Branch	Address: Postal Code:	No. 489, Shifu Avenue, Taizhou, Zhejiang Province 318000	Tel: 0576-81889666 Fax: 0576-88819916
	Lishui	1	Lishui BranSch	Address: Postal Code:	No.1, Zijin Road, Lishui, Zhejiang Province 323000	Tel: 0578-2082977 Fax: 0578-2082985
	Yiwu	3	Yiwu Branch	Address: Postal Code:	No. 100, Huangyuan Road, Yiwu, Zhejiang Province 322000	Tel: 0579-85378838 Fax: 0579-85378817
8	Anhui Province	19				
	Hefei	14	Hefei Branch	Address: Postal Code:	No. 78, Huizhou Avenue, Hefei, Anhui Province 230001	Tel: 0551-2622426 Fax: 0551-2625750
	Wuhu	3	Wuhu Branch	Address: Postal Code:	X1-X4, West Jing Street, No. 8, Jinghu Road, Wuhu 241000	Tel: 0553-3888685 Fax: 0553-3888685
	Anqing	1	Anqing Branch	Address: Postal Code:	No. 101, Zhongxing Road, Anqing, Anhui Province 246005	Tel: 0556-5280606 Fax: 0556-5280605
	Bengbu	1	Bengbu Branch	Address: Postal Code:	No. 859, Caifu Plaza, Tushan East Road, Bengbu, Anhui Province 233000	Tel: 0552-2087000 Fax: 0522-2087000
9	Fujian Province	40				
	Fuzhou	16	Fuzhou Branch	Address: Postal Code:	No. 99, Hudong Road, Fuzhou 350001	Tel: 0591-87538066 Fax: 0591-87537066
	Xiamen	13	Xiamen Branch	Address: Postal Code:	CITIC Bank Building (Huijing City), No. 81, West Hubin Road, Xiamen, Fujian Province 361001	Tel: 0592-2995685 Fax: 0592-2389037
	Quanzhou	6	Quanzhou Branch	Address: Postal Code:	Building of the People's Bank of China, Fengze Street, Quanzhou, Fujian Province 362000	Tel: 0595-22148619 Fax: 0595-22148222
	Putian	3	Putian Branch	Address: Postal Code:	1/F & 2/F, Phoenix Building, No. 81, Licheng Avenue, Chengxiang District, Putian, Fujian Province 351100	Tel: 0594-2853280 Fax: 0594-2853260
	Zhangzhou	1	Zhangzhou Branch	Address: Postal Code:	1/F -4/F, Yiqun Building, West Shengli Road, Zhangzhou 363000	Tel: 0596-2995568 Fax: 0596-2995207
	Longyan	1	Longyan Branch	Address: Postal Code:	No. 153, Fushan International Center, Denggao West Road, Xinluo District, Longyan, Fujian Province 364000	Tel: 0597-2956510 Fax: 0597-2956500
10	Shandong Province	59				
	Jinan	13	Jinan Branch	Address: Postal Code:	CITIC Plaza, No. 150, Leyuan Street, Jinan, Shandong Province 250011	Tel: 0531-86911315 Fax: 0531-86929194
	Qingdao	18	Qingdao Branch	Address: Postal Code:	No. 22, Mid Hong Kong Road, Qingdao, Shandong Province 266071	Tel: 0532-85022889 Fax: 0532-85022888
	Zibo	7	Zibo Branch	Address: Postal Code:	No. 109, Xincun West Road, Zhangdian District, Zibo, Shandong Province 255032	Tel: 0533-2212123 Fax: 0533-2212123
	Yantai	5	Yantai Branch	Address: Postal Code:	No. 207, Shengli Road, Zhifu District, Yantai, Shandong Province 264001	Tel: 0535-6611030 Fax: 0535-6611032
	Weihai	9	Weihai Branch	Address: Postal Code:	No. 2, North Qingdao Road, Weihai, Shandong Province 264200	Tel: 0631-5336802 Fax: 0631-5314076
	Jining	4	Jining Branch	Address: Postal Code:	No. 28, Gongxiao Road, Jining, Shandong Province 272000	Tel: 0537-2338888 Fax: 0537-2338888
	Weifang	1	Weifang Branch	Address: Postal Code:	No. 246 East Shengli Street, Kuiwen District, Weifang, Shandong Province 261041	Tel: 0536-8056002 Fax: 0536-8056002
	Dongying	1	Dongying Branch	Address: Postal Code:	No. 128, Fuqian Avenue, Dongcheng, Dongying, Shandong Province 257091	Tel: 0546-7922255 Fax: 0546-8198666

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices		Address	Tel and Fax
11	Henan Province	25				
	Zhengzhou	19	Zhengzhou Branch	Address: Postal Code:	No. 26, North Jingsan Road, Zhengzhou, Henan Province 450008	Tel: 0371-65792800 Fax: 0371-65792900
	Luoyang	3	Luoyang Branch	Address: Postal Code:	No. 2, Nanchang Road, Jianxi District, Luoyang, Henan Province 471000	Tel: 0379-64682858 Fax: 0379-64682875
	Jiaozuo	1	Jiaozuo Branch	Address: Postal Code:	No. 1736, Tanan Road, Jiaozuo, Henan Province 454000	Tel: 0391-8768282 Fax: 0391-8789969
	Nanyang	1	Nanyang Branch	Address: Postal Code:	Intersection of Meixi Road & Zhongzhou Road, Nanyang, Henan Province 473000	Tel: 0377-61628299 Fax: 0377-61628299
	Anyang	1	Anyang Branch	Address: Postal Code:	Anyang Workers' Cultural Palace, No. 30, Jiefang Avenue, Anyang, Henan Province 455000	Tel: 0372-5998026 Fax: 0377-5998086
12	Hubei Province	24				
	Wuhan	21	Wuhan Branch	Address: Postal Code:	No. 747, Hankou Construction Avenue, Wuhan, Hubei Province 430015	Tel: 027-85355111 Fax: 027-85355222
	Xiangfan	2	Xiangfan Branch	Address: Postal Code:	No. 1, Paopu Street, South People's Square, Xiangfan, Hubei Province 441000	Tel: 0710-3454199 Fax: 0710-3454166
	Yichang	1	Yichang Branch	Address: Postal Code:	No. 2 Meianchangdi Office Wing, Floor 1 & 2, Xilinyi Road, Xilin District, Yichang, Hubei Province 443000	Tel: 0717-6495558 Fax: 0717-6433689
13	Hunan Province	24				
	Changsha	23	Changsha Branch	Address: Postal Code:	No. 456, Wuyi Street, Changsha, Hunan Province 410011	Tel: 0731-84582177 Fax: 0731-84582179
	Hengyang	1	Hengyang Branch	Address: Postal Code:	No. 38, Jiefangdadao, Huaxin Development Zone, Hengyang, Hunan Province 421001	Tel: 0734-8669859 Fax: 0734-8669899
14	Guangdong Province	84				
	Guangzhou	24	Guangzhou Branch	Address: Postal Code:	CITIC Plaza, No. 233, North Tianhe Road, Guangzhou, Guangdong Province 510613	Tel: 020-87521188 Fax: 020-87520668
	Foshan	7	Foshan Branch	Address: Postal Code:	No. 140, Central Fenjiang Road, Foshan, Guangdong Province 528000	Tel: 0757-83989999 Fax: 0757-83309903
	Shenzhen	27	Shenzhen Branch	Address: Postal Code:	5/F–7/F, CITIC Tower, CITIC Plaza, No. 1093, Mid Shennan Road, Shenzhen, Guangdong Province 518031	Tel: 0755-25942568 Fax: 0755-25942028
	Dongguan	22	Dongguan Branch	Address: Postal Code:	Nanfeng Center, No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province 523070	Tel: 0769-22667888 Fax: 0769-22667999
	Jiangmen	1	Jiangmen Branch	Address: Postal Code:	1/F–2/F, Gladden Hotel, No. 188 Fazhan Avenue, Beixin District, Jiangmen, Guangdong Province 529000	Tel: 0750-3939016 Fax: 0750-3939029
	Huizhou	1	Huizhou Branch	Address: Postal Code:	1/F & 5/F, Dalong Building (Phase II), No. 2 Wenhua 1st Road, Jiangbei, Huizhou, Guangdong Province 516000	Tel: 0752-2898837 Fax: 0752-2898851
	Zhuhai	1	Zhuhang Branch	Address: Postal Code:	No. 1, Guanhaimingju Floor 1 &2, Jidajingshan Road, Xiangzhou District, Zhuhai, Guangdong Province 519015	Tel: 0756-3292936 Fax: 0756-3292956
	Zhongshan	1	Zhongshan Branch	Address: Postal Code:	No. 82, Dixing Plaza 2, Zhongshansi Road, Zhongshan, Guangdong Province 528400	Tel: 0760-88668318 Fax: 0760-88668315
15	Chongqing	19	Chongqing Branch	Address: Postal Code:	Block B, Chongqing International Trade Center, No. 56, Qingnian Road, Yuzhong District, Chongqing 400010	Tel: 023-63107677 Fax: 023-63107527
16	Sichuan Province					
	Chengdu	27	Chengdu Branch	Address: Postal Code:	Huaneng Building Annex, No. 47, 4th Section, South Renmin Road, Wuhou District, Chengdu, Sichuan Province 610041	Tel: 028-85258888 Fax: 028-85258898
17	Yunnan Province	20				
	Kunming	18	Kunming Branch	Address: Postal Code:	Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province 650021	Tel: 0871-3648666 Fax: 0871-3648667
	Qujing	1	Qujing Branch	Address: Postal Code:	1/F-2F, Block B, Jinsui Phase III, No. 310, West Nanning Road, Qilin District, Qujing, Yunnan Province 655000	Tel: 0874-3119536 Fax: 0874-3115696
	Dali	1	Dali Branch	Address: Postal Code:	1/F, Meideng Hotel, No. 116, Cangshan Road, Economic Development Zone, Dali, Yunnan Province 671000	Tel: 0872-2323278 Fax: 0872-2323278

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Tel and Fax
18	Guizhou Province				
	Guiyang	2	Guiyang Branch	Address: Fuzhong International Plaza, No. 126, Xinhua Road, Guiyang, Guizhou Province Postal Code: 550002	Tel: 0851-5587009 Fax: 0851-5587377
19	Gansu Province				
	Lanzhou	4	Lanzhou Branch	Address: No. 638, West Donggang Road, Lanzhou, Gansu Province Postal Code: 730000	Tel: 0931-8890600 Fax: 0931-8890699
20	Shaanxi Province	21			
	Xi'an	19	Xi'an Branch	Address: CITIC Tower, No. 89, North Chang'an Road, Xi'an, Shaanxi Province Postal Code: 710061	Tel: 029-87820018 Fax: 029-87817025
	Baoji	1	Baoji Branch	Address: No 50, Caifu Plaza B, Gaoxindadao, Baoji, Shaanxi Province Postal Code: 721013	Tel: 0917-3158818 Fax: 0917-3158807
	Weinan	1	Weinan Branch	Address: Xinda Plaza, Shijimingzhu Plaza, Chaoyangdajie, Weinan, Shaanxi Province Postal Code: 714000	Tel: 0913-2089610 Fax: 0913-2089606
21	Shanxi Province	10			
	Taiyuan	9	Taiyuan Branch	Address: Block A, Princes' Palace Commercial Building, No. 9, Fuxi Street, Taiyuan, Shanxi Province Postal Code: 030002	Tel: 0351-3377040 Fax: 0351-3377000
	Datong	1	Datong Branch	Address: 1/F-3/F, 19-21 Podium Building, Yu Hua Di Jing, Intersection of Yuhe West Road & Pingcheng East Street, Datong, Shanxi Province Postal Code: 037008	Tel: 0352-2513800 Fax: 0352-2513779
22	Jiangxi Province	8			
	Nanchang	7	Nanchang Branch	Address: Tower A, No. 16, Hengmao Guoji Huacheng, No. 333, South Square Road, Nanchang Postal Code: 330003	Tel: 0791-6660109 Fax: 0791-6660107
	Pingxiang	1	Pingxiang Branch	Address: Yun Yuan Building, No.16, East Jianshe Road, Pingxiang, Jiangxi Province Postal Code: 337000	Tel: 0799-6890078 Fax: 0799-6890005
23	Inner Mongolia Autonomous Region	9			
	Hohhot	5	Hohhot Branch	Address: No. 68, Xinhua Avenue, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010020	Tel: 0471-6664933 Fax: 0471-6664933
	Baotou	2	Baotou Branch	Address: No. 64, Youyi Avenue, Rare-Earth Hi-Tech Industrial Development Zone, Baotou, Inner Mongolia Autonomous Region Postal Code: 014030	Tel: 0472-5338909 Fax: 0472-5338929
	Erdos	2	Erdos Branch	Address: CITIC Bank Tower, North Tianjiao Road, Dongsheng District, Erdos, Inner Mongolia Autonomous Region Postal Code: 017000	Tel: 0477-8188000 Fax: 0477-8188002
24	Guangxi Zhuang Autonomous Region	8			
	Nanning	6	Nanning Branch	Address: No. 36-1, Shuangyong Road, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	Tel: 0771-5569881 Fax: 0771-5569889
	Liuzhou	1	Liuzhou Branch	Address: No. 7, South Side of Guizhong Avenue, Liuzhou, Guangxi Zhuang Autonomous Region Postal Code: 545026	Tel: 0772-2083625 Fax: 0772-2083622
	Qinzhou	1	Qinzhou Branch	Address: No. 10, Xingfuyuan Shidaimingcheng, South Building Floor 1 to 3, Yongfu West Road, Qinzhou, Guangxi15 Postal Code: 535000	Tel: 0777-2366139 Fax: 0777-3253388
25	Heilongjiang Province				
	Harbin	5	Harbin Branch	Address: No. 233, Hongqi Avenue, Xiangfang District, Harbin, Heilongjiang Province Postal Code: 150090	Tel: 0451-55558112 Fax: 0451-53995558
26	Jilin Province				
	Changchun	6	Changchun Branch	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130041	Tel: 0431-81910011 Fax: 0431-81910123
27	Xinjiang Uighur Autonomous Region				
	Urumqi	2	Urumqi Branch	Address: CITIC Bank Tower, No.165, North Xinhua Road, Urumqi Postal Code: 830002	Tel: 0991-2365966 Fax: 0991-2365888
28	Hong Kong Special Administrative Region	1	China Investment and Finance Limited	Address: Room 2106, 21/F, Tower 2, Lippo Centre, No. 89, Queensway, Hong Kong	Tel: +852-25212353 Fax: +852-28017399
		1	CITIC International Financial Holdings Limited	Address: Room 2701-9, 27/F, CITIC Tower 1 Tim Mei Avenue, Central, Hong Kong	Tel: +852-36073000 Fax: +852-25253303
29	Zhejiang Province	1			
	Lin'an	1	Zhejiang Lin'an CITIC Rural Bank	Address: No. 777, Shijing Street, Jincheng Road, Lin'an, Zhejiang Province Postal Code: 311300	Tel: 0571-61109006 Fax: 0571-61106889

Definition

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Bank/Company/China CITIC Bank/CITIC Bank	China CITIC Bank Corporation Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.
Central Bank/PBC	The People's Bank of China
CBI	CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
CBRC	China Banking Regulatory Commission
China AMC	China Asset Management Co., Ltd.
China Securities	China Securities Co., Ltd.
CIAM	CITI International Assets Management Limited
CIFL	China Investment and Finance Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Capital	CITIC Capital Holdings Limited
CITIC Group	CITIC Group, renamed CITIC Group Corporation on 27 December 2011 after restructuring
CITIC Group Corporation	CITIC Group Corporation
CITIC Holdings	CITIC Holdings Company Limited
CITIC Limited	CITIC Limited
CITIC Pacific	CITIC Pacific Limited
CITIC-Prudential Life Insurance	CITIC-Prudential Life Insurance Company Ltd.
CITIC-Prudential Fund Management	CITIC-Prudential Fund Management Company Ltd.
CITIC Real Eastate	CITIC Real Estate Corporation Limited
CITIC Resources	CITIC Resources Holdings Limited
CITIC Securities	CITIC Securities Co., Ltd.
CITIC Securities (Zhejiang)	CITIC Securities (Zhejiang) Co., Ltd.
CITIC Splended Capital	CITIC Splended Capital Management Co., Ltd.
CITIC Trust	CITIC Trust Co., Ltd.
CITIC Wantong Securities	CITIC Wantong Securities Co., Ltd.
Commercial Banks Law	Law of the People's Republic of China on Commercial Banks
Company Law	Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
GIL	Gloryshare Investments Limited
Group	China CITIC Bank Corporation Limited and its subsidiaries
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank
MOF	Ministry of Finance of the People's Republic of China
MOFCOM	Ministry of Commerce of the People's Republic of China
MOST	The Ministry of Science and Technology of the People's Republic of China
NSSF	National Council for Social Security Fund
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
State Council	State Council of the People's Republic of China
Tianan Insurance	Tianan Insurance Company Limited of China

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