中信银行
CHINA CITIC BANK

中 信 銀 行 股 份 有 限 公 司
China CITIC Bank Corporation Limited

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

(Stock Code: 998)

ANNOUNCEMENT OF ANNUAL RESULTS FOR YEAR 2012

SUMMARY OF RESULTS

The board of directors (the "**Board of Directors**") of China CITIC Bank Corporation Limited (the "**Bank**") is pleased to announce the audited consolidated results of the Bank and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2012 (the "**reporting period**"), which have been prepared in accordance with the applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the International Financial Reporting Standards (the "**IFRS**"). The annual results have been reviewed by the Audit and Related Party Transactions Control Committee of the Bank's Board of Directors.

FINANCIAL HIGHLIGHTS

Operating Performance

Unit: RMB million

Item	**2012**	2011	Growth rate (%)
Operating income	**89,711**	77,092	16.37
Total profit	**41,609**	41,590	0.05
Net profit attributable to shareholders of the Bank	**31,032**	30,819	0.69
Net operating cash flow	**(55,426)**	300,104	(118.47)
Per share			
Basic earnings per share *(RMB)*	**0.66**	0.71	(7.04)
Diluted earnings per share *(RMB)*	**0.66**	0.71	(7.04)
Net operating cash flow per share *(RMB)*	**(1.18)**	6.41	(118.41)

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	2012	2011	Increase/ (decrease)
Return on average assets (ROAA)	**1.10%**	1.27%	(0.17)
Return on average equity (ROAE) (excluding minority interests)	**16.65%**	20.92%	(4.27)
Cost-to-income ratio	**31.58%**	29.88%	1.70
Credit cost	**0.84%**	0.43%	0.41
Net interest spread	**2.61%**	2.85%	(0.24)
Net interest margin	**2.81%**	3.00%	(0.19)

Scale Indicators

Unit: RMB million

Item	2012	2011	Growth rate (%)
Total assets	**2,959,939**	2,765,881	7.02
Total loans and advances to customers	**1,662,901**	1,434,037	15.96
Total liabilities	**2,756,853**	2,587,100	6.56
Total deposits from customers	**2,255,141**	1,968,051	14.59
Total equity attributable to the Bank's shareholders	**198,356**	174,496	13.67
Net asset per share attributable to the Bank's shareholders (RMB)	**4.24**	3.73	13.67

Asset Quality Indicators

Unit: RMB million

Item	2012	2011	Growth rate(%)/ increase/ (decrease)
Performing loans	**1,650,646**	1,425,496	15.79
Non-performing loans (NPL)	**12,255**	8,541	43.48
Allowance for impairment of loans	**35,325**	23,258	51.88
NPL ratio	**0.74%**	0.60%	0.14
Provision coverage ratio	**288.25%**	272.31%	15.94
Allowance for impairment of loans to total loans ratio	**2.12%**	1.62%	0.50

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

Capital Adequacy Indicators

Item	2012	2011	Increase/ (decrease)
Capital adequacy ratio	**13.44%**	12.27%	1.17
Core capital adequacy ratio	**9.89%**	9.91%	(0.02)
Total equity to total assets ratio	**6.86%**	6.46%	0.40

Five-Year Financial Summary

Unit: RMB million

Item	2012	2011	2010	2009	2008 (restated)
Operating performance					
Operating income	**89,711**	77,092	56,356	40,983	41,963
Total profit	**41,609**	41,590	28,695	19,265	17,713
Net profit attributable to the Bank's shareholders	**31,032**	30,819	21,509	14,320	13,296
Net operating cash flow	**(55,426)**	300,104	37,325	(7,697)	140,459
Per share					
Basic earnings per share *(RMB)*	**0.66**	0.71	0.53	0.35	0.38
Diluted earnings per share *(RMB)*	**0.66**	0.71	0.53	0.35	0.38
Net operating cash flow per share (RMB)	**(1.18)**	6.41	0.96	(0.20)	4.23
Scale indicators					
Total assets	**2,959,939**	2,765,881	2,081,314	1,775,031	1,319,570
Total loans and advances to customers	**1,662,901**	1,434,037	1,264,245	1,065,649	730,386
Total liabilities	**2,756,853**	2,587,100	1,956,776	1,668,023	1,190,196
Total deposits from customers	**2,255,141**	1,968,051	1,730,816	1,341,927	1,027,325
Total equity attributable to the Bank's shareholders	**198,356**	174,496	120,175	102,798	119,366
Net asset per share attributable to the Bank's shareholders *(RMB)*	**4.24**	3.73	3.08	2.63	3.06
Profitability indicators					
Return on average assets (ROAA)	**1.10%**	1.27%	1.13%	0.94%	1.09%
Return on average equity (ROAE)	**16.65%**	20.92%	19.29%	12.91%	13.29%
Cost-to-income ratio (excluding business tax and surcharges)	**31.58%**	29.88%	33.63%	39.95%	34.72%
Credit cost	**0.84%**	0.43%	0.36%	0.25%	0.81%
Net interest spread	**2.61%**	2.85%	2.54%	2.39%	2.94%
Net interest margin	**2.81%**	3.00%	2.63%	2.51%	3.16%
Asset quality indicators					
NPL ratio	**0.74%**	0.60%	0.67%	0.95%	1.41%
Provision coverage ratio	**288.25%**	272.31%	213.51%	149.36%	136.11%
Capital adequacy indicators					
Capital adequacy ratio	**13.44%**	12.27%	11.31%	10.72%	14.32%
Core capital adequacy ratio	**9.89%**	9.91%	8.45%	9.17%	12.32%

MANAGEMENT DISCUSSION AND ANALYSIS

Directions of Strategic Development

The Bank has put forward the vision of "constructing a first-class commercial bank with unique market value" and the mission of "irrigating the real economy, creating employee happiness, increasing shareholders' value and serving social development" based on its scientific understanding of the economic development trend, market competition and its own stage of development, determined its marketing positioning that matches its growth characteristics and clarified the growth path of "developing CITIC Bank into a century-old shop via dedication to commercial banking, a leading position in competition, rational development and refined management."

Highlighting creation of unique market value of the Bank

Focusing on the vision of "constructing a first-class commercial bank with unique market value", the Bank is committed to maintaining and developing the unique CITIC characteristics of the Bank, so as to create unique market preference, unique market resources, unique brand and unique culture of the Bank.

Highlighting support to the real economy

Keeping abreast with the general trends of economic growth pattern transformation and economic restructuring in China, and the prospect of accelerating urbanization and rapidly developing consumer finance, the tertiary industry and Internet finance, and targeting key geographical areas, key industries and key customers of economic development, the Bank put great efforts in adjustment of its business positioning, regional positioning, customer positioning and industrial positioning, refined its distribution of resources, pushed its business structure and operation model towards a better adaptation to requirements of the real economy, sought premium customers in the mainstream industries, tap into valuable customers in over-capacity industries and thereby better served the real economy.

Highlighting adjustment of business structure

In terms of corporate finance business, while maintaining the existing business features and advantages, the Bank paid more attention to structural adjustment and construction of the stratified operation system, focused on upgrading professional service capacity and innovative development capacity, and exerted vigorous efforts to develop low-capital-consuming business areas such as investment banking, cash management, trade finance, asset custody and supply chain finance. In retail finance business, the Bank emphasized the "Big Retail" strategy and accelerated development of business areas including wealth management, consumer finance, credit card, Internet banking, finance IC card, mobile payment, community finance and personal wealth management via sales-oriented transformation of outlets and construction of flagship outlets. For financial market business, the Bank regarded wealth management market making and asset management as its major profit-making business areas, strengthened its leading brand reputation in Renminbi foreign exchange and interest rate market making business, and effectively expanded cross-border Renminbi business. The Bank also accelerated the construction of the customer network for interbank business and formed customer groups with "banking, securities, finance, trust, insurance and leasing" customers at the core to promote interbank product innovation and rapid interbank business development.

Highlighting adjustment of customer structure

To stagger its competition with the major banks for business pioneering, the Bank accelerated its efforts to form an overall "Olive-shaped" customer positioning that focused on small and medium enterprises ("SMEs") in corporate banking and medium and high-end customers in retail banking, and greatly upgraded contribution of small and medium corporate customers and medium to high personal customers to the Bank's income and profit.

Highlighting priorities of strategic development

First, the Bank continuously built up its integrated strength to keep pace with market growth or achieve a growth rate higher than market average and accelerated the generation of multiple unique products with competitive edges and economy of scale in corporate finance and retail finance through the application of modern financial technology and new-generation information technology. Second, the Bank furthered its strategic transformation by paying equal attention to short and long-term objectives and taking optimization of business, customer, product and structural objectives into equal considerations to maximize return for shareholders. Third, the Bank reinforced transformation of its operation model. Total-process implantation of management accounting into key components of its operation and management enabled the Bank to change towards a differentiated intensive model of operation and management, avoid convergence-oriented competition and enhance market competitiveness. Fourth, the Bank accelerated managerial and institutional innovation, deepened application of new technologies, achieved key breakthroughs in emerging business areas and developed "one step ahead of others" advantages in several business areas. Fifth, the Bank entered into modern service industry in an all-round way, focusing on business expansion in sectors such as modern logistics, health care, education, creative industry, press and publication, modern tourism and information software.

Highlighting infrastructure construction of the Bank

The Bank was committed to enhancing its infrastructure construction and upgrading its professional management focusing on the objective of developing a strong-capacity Head Office. The Head Office plays the guiding and leading role in market planning, policy guidance, information sharing, championing marketing efforts, technical support, product innovation, resource allocation and personnel training. First, the Bank established smooth operation and management systems focusing on adjustment of its organizational structure to optimize and integrate front, middle and back offices, shortened the chain of management and improved bank management in cities with emphasis placed on expanding direct head-office management of second-tier branches, strengthened customer stratification marketing, implemented reform towards a layered operation model whereby the focus of corporate banking customers moved upward and that of retail banking and SMEs customers moved downward, enhanced management of tier-one legal entities, reinforced operation and management of subsidiaries to serve the uniform strategy, and enhanced reconstruction of processes and development of operation and management systems for higher operation and management efficiency. Second, the Bank intensified intensive and lean management of information technology, highlighted business guidance, and paced up efforts to develop core systems and substantial business systems for efficient and stable operation of its information systems. Third, system and mechanism reform of risk management was furthered. The Bank adhered to reasonable risk tolerance, fortified total risk management and risk exposure principles, highlighted vertical management, quota management and quantitative analysis of risks, implemented its differentiated credit review model and process, upheld the scientific exit mechanism, reinforced capital planning, and grasped quantitative and qualitative balance of income to risk coverage. Fourth, the Bank sped up construction of its business channels by increasing the number and optimizing the layout of physical outlets, effectively developing Internet banking, re-creating another CITIC Bank online, enhancing synergy and construction of internationalized operation platforms, and developing its unique brand. Fifth, the Bank reinforced development of its human resources and construction of incentive mechanisms. Efforts were sped up to construct fair, equitable, competitive and differentiated incentive mechanisms at front, middle and back offices, while attention was focused on employee career planning, improvement of the cadre exchange system, reinforcement of total staff training and better remuneration and welfare systems to attain the corporate culture development goal of "personalized employee management, standard over-the-counter services, data-oriented business operation and differentiated customer services".

Economic, Financial and Regulatory Environment

The year 2012 witnessed slowdown of global economic growth, frequent emergence of hot political issues, lingering in-depth impacts of the international financial crisis, continuing European sovereign debt crisis, growing risks from sovereign debt crisis in the USA and Japan, and spread of the quantitative easing policy in major countries. With economic recession and weakening demands of the United States and European Union, emerging markets and developing economies were suffering from pressures on their economic growth including downward trend of economic growth and shadow of inflation. World economic recovery, with ever more marked complexity, lengthiness and uncertainty, gave rise to increasing challenges.

In face of an increasingly tough international economic environment and domestic challenges of economic transformation and restructuring, the Chinese government achieved a sound overall socioeconomic momentum of "progress amid stability" by strengthening and improving macroscopic control and assigning more importance to growth stabilization in accordance with the theme of scientific development, along the main line of accelerating transformation of the economic growth pattern, and under the overall tone of "progress amid stability". Gross domestic product (GDP) of the year reached RMB51,932.2 billion, a growth of 7.8% over the previous year. Investment in fixed assets (excluding those made by rural households) for the whole year maintained fast growth and continuous structural improvement, totalling RMB36,483.5 billion, up by 20.6% over the previous year. Total retail sales of consumer goods went up to RMB21,030.7 billion, 14.3% higher than the previous year. Import and export of goods reached USD3,866.8 billion, an increase of 6.2% over the previous year, and trade surplus was USD231.1 billion. Consumer price index (CPI) rose by 2.6% and producer's price index (PPI) up by 1.7%.

In 2012, the financial industry in China generally continued to operate in a healthy steady manner. As at the end of 2012, the balance of M2 and M1 supply reached RMB97.42 trillion and RMB30.87 trillion respectively, a growth of 13.8% and 6.5% over the previous year respectively; loan balances of financial institutions for the full year totalled RMB62.99 trillion, an increase of RMB8.20 trillion; and the aggregate balance of Renminbi deposits rose to RMB91.74 trillion, up by RMB10.81 trillion. The parity price exchange rate of Renminbi against the US dollar stayed at 6.2855 as at the end of 2012, an appreciation of 0.25% over the end of the previous year. The stock index went up in the overall sense with the Shanghai Composite Index closing at 2,269.13 as at the end of 2012, a rise of 3.17% over the end of the previous year. Domestic commercial banks enjoyed steady operation, maintaining stable growth in their scales of assets and liabilities and operating profits, steadily raising their capital adequacy ratios and stabilizing their asset quality in general despite rebound of non-performing assets.

In 2012, the CBRC intensified its regulatory supervision and enhanced its regulatory systems. The release of the Interim Measures for Capital Management of Commercial Banks indicated that China had progressed from policy making to actual implementation vis-a-vis the new international regulatory standards for the banking sector. By innovating regulatory concepts, enhancing its organizational system for regulation purpose and intensifying regulatory capacity building, the CBRC proactively guided the banking sector to support development of the real economy, promoted reform and transformation of the banking sector, improved management and service level of the Chinese banking sector, and thereby maintained healthy, sustainable and steady development of the sector.

In 2012, by speeding up the transformation of development pattern, deepening strategic transformation, innovating service models and financial products, making continuous service improvement for small and micro businesses and supporting growth of the real economy, the banking sector in China registered a general trend of positive and steady development, and thus laid a solid foundation for healthy development of the Chinese economy.

Analysis of the Financial Statements

Overview

In response to the complicated and challenging economic situations at home and abroad in 2012, the Group adhered to its vision of "constructing a first-class commercial bank with unique market value", reinforced infrastructure construction, promoted business transformation, intensified risk control and realized steady growth of all business areas in the overall sense.

Steady growth of business scale: As at the end of the reporting period, the Group's total assets reached RMB2.959939 trillion, up by 7.02% over the end of the previous year, of which total loans and advances to customers stood at RMB1.662901 trillion, up by 15.96%; and total deposits from customers amounted to RMB2.255141 trillion, up by 14.59% over the end of the previous year.

Continuous growth of profitability with slow-down growth rate: During the reporting period, the Group realized a net profit attributable to the Bank's shareholders of RMB31.032 billion despite its prudent increase of provisions, an increase of 0.69% over the previous year; profit before provisioning of RMB54.713 billion, an increase of 12.12% over the previous year; net interest income of RMB75.486 billion, an increase of 15.94% over the previous year; and net non-interest income of RMB14.225 billion, an increase of 18.68% over the previous year.

Stable asset quality and slight rise of the NPL ratio: Impact of economic downturn resulted in general decline of asset quality of the banking sector. As at the end of the reporting period, the Group's balance of non-performing loans (NPL) stood at RMB12.255 billion, up by RMB3.714 billion or 43.48% over the end of the previous year; and its NPL ratio was 0.74%, up by 0.14 percentage point over the end of the previous year.

Stronger risk resistance: For the reporting period, the Group made RMB12.804 billion provision for loan impairment, a growth of 123.30% over the previous year. As at the end of the reporting period, provision coverage ratio of the Group reached 288.25%, up by 15.94 percentage points over the end of the previous year; and the provision to loan ratio rose to 2.12%, up by 0.50 percentage point over the end of the previous year.

Income Statement Analysis

Unit: RMB million

	2012	2011	Increase/ decrease	Growth rate (%)
Net interest income	**75,486**	65,106	10,380	15.94
Net non-interest income	**14,225**	11,986	2,239	18.68
Operating income	**89,711**	77,092	12,619	16.37
Operating expenses	**(34,979)**	(28,381)	6,598	23.25
Asset impairment loss	**(13,104)**	(7,207)	5,897	81.82
Profit before taxation	**41,609**	41,590	19	0.05
Income tax	**(10,224)**	(10,746)	(522)	(4.86)
Net profit	**31,385**	30,844	541	1.75
Including: Net profit attributable to the Bank's shareholders	**31,032**	30,819	213	0.69

Operating Income

During the reporting period, the Group realized an operating income of RMB89.711 billion, up by 16.37% over the previous year, in which net interest income accounted for 84.1%, down by 0.4 percentage point over the previous year and net non-interest income accounted for 15.9%, up by 0.4 percentage point over the previous year.

Item	**2012 (%)**	2011 (%)
Net interest income	**84.1**	84.5
Net non-interest income	**15.9**	15.5
Total	**100.0**	100.0

Net Interest Income

During the reporting period, the Group realized a net interest income of RMB75.486 billion, up by RMB10.380 billion or 15.94% over the previous year, which was mainly attributable to the continuous increase in interest-earning assets.

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

Unit: RMB million

Item	**2012** Average balance	**2012** Interest	**2012** Average yield/cost rate (%)	2011 Average balance	2011 Interest	2011 Average yield/cost rate (%)
Interest-earning assets						
Loans and advances to customers	**1,529,621**	**102,369**	**6.69**	1,343,708	82,234	6.12
Investment in debt securities	**292,622**	**10,616**	**3.63**	237,823	7,636	3.21
Deposits with the Central Bank	**390,421**	**5,842**	**1.50**	298,864	4,425	1.48
Deposits and placements with banks and non-bank financial institutions	**333,843**	**13,958**	**4.18**	188,459	7,528	3.99
Amounts under resale agreements	**121,433**	**5,208**	**4.29**	98,934	4,796	4.85
Others [(1)]	**17,149**	**817**	**4.76**	—	4	—
Subtotal	**2,685,089**	**138,810**	**5.17**	2,167,788	106,623	4.92
Interest-bearing liabilities						
Deposits from customers	**2,040,733**	**45,947**	**2.25**	1,761,117	32,450	1.84
Deposits and placements from banks and non-bank financial institutions	**366,846**	**15,021**	**4.09**	194,295	7,247	3.73
Amounts under repurchase agreements	**13,331**	**537**	**4.03**	10,420	474	4.55
Others [(2)]	**48,130**	**1,819**	**3.78**	36,964	1,346	3.64
Subtotal	**2,469,040**	**63,324**	**2.56**	2,002,796	41,517	2.07
Net interest income		**75,486**			65,106	
Net interest spread [(3)]			**2.61**			2.85
Net interest margin [(4)]			**2.81**			3.00

Notes:

(1) Including interests collected from receivables investments and 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 resulting from changes in the scale factor and the interest rate factor:

Unit: RMB million

	2012 compared with 2011		
	Scale factor	**Interest rate factor**	**Total**
Assets			
Loans and advances to customers	11,378	8,757	20,135
Investment in debt securities	1,759	1,221	2,980
Deposits with Central Bank	1,355	62	1,417
Deposits and placements with banks and non-bank financial institutions	5,801	629	6,430
Amounts under resale agreements	1,091	(679)	412
Others	—	813	813
Changes in interest income	21,384	10,803	32,187
Liabilities			
Deposits from customers	5,145	8,352	13,497
Deposits and placement from banks and non-bank financial institutions	6,436	1,338	7,774
Amounts under repurchase agreements	132	(69)	63
Others	406	67	473
Changes in interest expense	12,119	9,688	21,807
Changes in net interest income	9,265	1,115	10,380

Net Interest Margin and Net Interest Spread

During the reporting period, the Central Bank implemented two benchmark interest rate cuts for Renminbi deposits and loans and expanded the floating ranges of Renminbi deposit and loan interest rates, gradually narrowing the deposit/loan interest spread. For the reporting period, the Group's net interest margin stood at 2.81%, down by 0.19 percentage point over the previous year, and net interest spread registered 2.61%, down by 0.24 percentage point over the previous year.

Interest Income

During the reporting period, the Group realized an interest income of RMB138.810 billion, up by RMB32.187 billion or 30.19% over the previous year. The increase in interest income was primarily due to the increase in interest-earning assets and higher average yield of interest-earning assets. The Group's average yield of interest-earning assets increased from 4.92% in 2011 to 5.17% in 2012, up by 0.25 percentage point, and its average balance of interest-earning assets increased from RMB2,167.788 billion in 2011 to RMB2,685.089 billion in 2012, up by RMB517.301 billion or 23.86%.

Interest Income from Loans and Advances to Customers

During the reporting period, the Group achieved RMB102.369 billion interest income from loans and advances to customers, up by RMB20.135 billion or 24.49% over the previous year, of which the interest income from loans and advances to customers of the Bank reached RMB99.571 billion, up by RMB19.533 billion or 24.40%. Thanks to continuous rise of the Bank's loan pricing capacity, average yield of loans went up by 0.54 percentage point.

Classification by Term

The Group

Unit: RMB million

	2012			2011		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Short-term loans	**827,155**	**58,554**	**7.08**	666,517	44,578	6.69
Long and medium-term loans	**702,466**	**43,815**	**6.24**	677,191	37,656	5.56
Total	**1,529,621**	**102,369**	**6.69**	1,343,708	82,234	6.12

The Bank

Unit: RMB million

	2012			2011		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Short-term loans	**811,492**	**57,697**	**7.11**	656,320	44,181	6.73
Long and medium-term loans	**637,627**	**41,874**	**6.57**	608,977	35,857	5.89
Total	**1,449,119**	**99,571**	**6.87**	1,265,297	80,038	6.33

Classification by Business

The Group

Unit: RMB million

Item	**2012** Average balance	**2012** Interest income	**2012** Average yield (%)	2011 Average balance	2011 Interest income	2011 Average yield (%)
Corporate loans	**1,162,436**	**78,592**	**6.76**	1,059,306	65,557	6.19
Discounted bills	**74,428**	**5,589**	**7.51**	44,645	3,405	7.63
Personal loans	**292,757**	**18,188**	**6.21**	239,757	13,272	5.54
Total	**1,529,621**	**102,369**	**6.69**	1,343,708	82,234	6.12

The Bank

Unit: RMB million

Item	**2012** Average balance	**2012** Interest income	**2012** Average yield (%)	2011 Average balance	2011 Interest income	2011 Average yield (%)
Corporate loans	**1,101,507**	**76,872**	**6.98**	998,702	64,028	6.41
Discounted bills	**69,377**	**4,882**	**7.04**	41,467	3,273	7.89
Personal loans	**278,235**	**17,817**	**6.40**	225,128	12,737	5.66
Total	**1,449,119**	**99,571**	**6.87**	1,265,297	80,038	6.33

Interest Income from Investment in Debt Securities

During the reporting period, the Group's interest income from investment in debt securities stood at RMB10.616 billion, up by RMB2.980 billion or 39.03% over the previous year. Through flexible fund application in line with market trends, increased input into debt securities, and reinforced restructuring of debt securities, the Group's average balance of debt securities investment increased by RMB54.799 billion and the average yield of debt securities increased by 0.42 percentage point.

Interest Income from Deposits with the Central Bank

During the reporting period, the Group's interest income from deposits with the Central Bank amounted to RMB5.842 billion, representing an increase of RMB1.417 billion or 32.02% over the previous year. The average balance of deposits with the Central Bank grew by RMB91.557 billion due to the growth in both deposits from customers and Renminbi statutory deposit reserve within the year.

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

During the reporting period, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB13.958 billion, up by RMB6.430 billion or 85.41% over the previous year. The inter-bank treasury market enjoyed active transactions with the average balance of deposits and placements with banks and non-bank financial institutions increasing by RMB145.384 billion and the average yield of such deposits and placements going up by 0.19 percentage point.

Interest Income from Amounts under Resale Agreements

During the reporting period, the Group's interest income from amounts under resale agreements stood at RMB5.208 billion, up by RMB412 million or 8.59% over the previous year; and the average balance of amounts under resale agreements increased by RMB22.499 billion, which off-set the impacts of the 0.56 percentage point decrease in average yield.

Interest Expense

During the reporting period, the Group's interest expense was RMB63.324 billion, up by RMB21.807 billion or 52.53% over the previous year. The increase in interest expense was primarily due to the rise of average cost rate of interest-bearing liabilities.

The average cost rate of the Group's interest-bearing liabilities was 2.56%, up by 0.49 percentage point over the previous year, while the average balance of its interest-bearing liabilities was RMB2,469.040 billion, up by RMB466.244 billion or 23.28%.

Interest Expense on Deposits from Customers

During the reporting period, the interest expense on deposits from customers of the Group was RMB45.947 billion, up by RMB13.497 billion or 41.59% over the previous year, of which the interest expense on deposits from customers of the Bank was RMB44.453 billion, up by RMB12.961 billion or 41.16% over the previous year, primarily due to the fact that the average cost rate and average balance of deposits from customers increased by 0.40 percentage point and RMB275.487 billion respectively.

The Group

Unit: RMB million

Item	2012 Average balance	2012 Interest expense	2012 Average cost rate (%)	2011 Average balance	2011 Interest expense	2011 Average cost rate (%)
Corporate deposits						
Time deposits	**952,649**	**32,908**	**3.45**	762,992	21,233	2.78
Demand deposits	**754,131**	**5,546**	**0.74**	709,800	5,328	0.75
Subtotal	**1,706,780**	**38,454**	**2.25**	1,472,792	26,561	1.80
Personal deposits						
Time deposits	**247,382**	**7,152**	**2.89**	211,280	5,568	2.64
Demand deposits	**86,571**	**341**	**0.39**	77,045	321	0.42
Subtotal	**333,953**	**7,493**	**2.24**	288,325	5,889	2.04
Total	**2,040,733**	**45,947**	**2.25**	1,761,117	32,450	1.84

The Bank

Unit: RMB million

Item	2012 Average balance	2012 Interest expense	2012 Average cost rate (%)	2011 Average balance	2011 Interest expense	2011 Average cost rate (%)
Corporate deposits						
Time deposits	**907,297**	**31,980**	**3.52**	718,757	20,767	2.89
Demand deposits	**738,108**	**5,528**	**0.75**	692,926	5,310	0.77
Subtotal	**1,645,405**	**37,508**	**2.28**	1,411,683	26,077	1.85
Personal deposits						
Time deposits	**220,957**	**6,634**	**3.00**	188,359	5,125	2.72
Demand deposits	**72,062**	**311**	**0.43**	62,895	290	0.46
Subtotal	**293,019**	**6,945**	**2.37**	251,254	5,415	2.16
Total	**1,938,424**	**44,453**	**2.29**	1,662,937	31,492	1.89

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

During the reporting period, the Group's interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB15.021 billion, up by RMB7.774 billion or 107.27% over the previous year, which was primarily due to the increase of RMB172.551 billion in the average balance of deposits and placements from banks and non-bank financial institutions and the rise of average cost rate of such deposits and placements from 3.73% to 4.09%, an increase of 0.36 percentage point.

Interest Expense on Amounts Under Repurchase Agreements

During the reporting period, the Group's interest expense on amounts under repurchase agreements was RMB537 million up by RMB63 million or 13.29% over the previous year, which primarily was due to the increase of RMB2.911 billion in the average balance of the amounts under repurchase agreements, offsetting the impact from 0.52 percentage point decrease in average cost.

Interest Expense on Other Borrowed Funds

During the reporting period, the Group's other interest expenses including those for issued bonds stood at RMB1.819 billion, an increase of RMB473 million or 35.14% over the previous year, which primarily was due to the year-on-year growth of bond interest payable resulting from the Group's issuance of RMB20 billion worth of subordinated bonds and USD300 million worth of subordinated notes during the reporting period.

Net Non-Interest Income

Unit: RMB million

Item	**2012**	2011	Increase/ decrease	Growth rate (%)
Net fee and commission income	**11,210**	8,837	2,373	26.85
Net gain from trading securities	**2,335**	2,260	75	3.32
Net gain/(loss) from investment securities	**76**	83	(7)	(8.43)
Net (loss)/gain from arbitrage	**—**	(1)	1	—
Income from other businesses	**604**	807	(203)	(25.15)
Total net non-interest income	**14,225**	11,986	2,239	18.68

During the reporting period, the Group realized a net non-interest income of RMB14.225 billion, up by RMB2.239 billion or 18.68% over the previous year.

Net fee and commission income

Item	2012	2011	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Bank card fees	**3,820**	2,283	1,537	67.32
Consulting and advisory fees	**2,831**	2,659	172	6.47
Settlement fees	**2,593**	1,755	838	47.75
Wealth management fees	**1,055**	847	208	24.56
Agency fees	**967**	725	242	33.38
Custody and other trusted services commissions	**483**	320	163	50.94
Guarantee fees	**435**	887	(452)	(50.96)
Others	**10**	5	5	100.00
Subtotal	**12,194**	9,481	2,713	28.62
Fee and commission expense	**(984)**	(644)	340	52.80
Net fee and commission income	**11,210**	8,837	2,373	26.85

During the reporting period, the Group realized a net fee and commission income of RMB11.210 billion, an increase of RMB2.373 billion or 26.85% over the previous year, of which fee and commission income amounted to RMB12.194 billion, up by 28.62% over the previous year. This increase was primarily due to the rapid growth in items including bank card fees, settlement fees and wealth management fees.

Net Gain from Trading

Unit: RMB million

Item	2012	2011	Increase/ decrease	Growth rate (%)
Net gain from foreign exchange trading	**1,458**	1,293	165	12.76
Derivatives	**675**	919	(244)	(26.55)
Debt securities	**200**	46	154	334.78
Investment funds	**—**	1	(1)	—
Financial instrument designated at fair value through profit or loss	**2**	1	1	100.00
Net gain from trading	**2,335**	2,260	75	3.32

The Group's net gain from trading for the reporting period was RMB2.335 billion, a growth of RMB75 million or 3.32% over the previous year, which was mainly due to the increase in net gain from foreign exchange trading.

Loss on Asset Impairment

During the reporting period, the Group's asset impairment loss was RMB13.104 billion, growing by RMB5.897 billion or 81.82% over the previous year, of which impairment loss on loans and advances to customers stood at RMB12.804 billion, up by RMB7.070 billion or 123.30% over the previous year.

Unit: RMB million

Item	2012	2011	Year-on-year increase/ decrease	Year-on-year growth rate (%)
Loans and advances to customers	**12,804**	5,734	7,070	123.30
Off-balance sheet assets [(1)]	**131**	1,222	(1,091)	(89.28)
Investments	**(16)**	181	(197)	(108.84)
Others [(2)]	**185**	70	115	164.29
Total loss on asset impairment	**13,104**	7,207	5,897	81.82

Notes: (1) The 2011 off-balance sheet asset impairment loss includes the RMB1.14 billion provision for impairment loss 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.

Operating Expenses

During the reporting period, the Group incurred RMB34.979 billion operating expenses, an increase of RMB6.598 billion or 23.25% over the previous year, primarily due to (1) outlet expansion, which led to corresponding increase in staff costs, property and equipment expenses and amortization costs; (2) Greater support from the Group for main business line expenses to promote its restructuring and business transformation, resulting in corresponding growth of business expenses.

During the reporting period, the Group recorded a cost to income ratio of 31.58%, up by 1.70 percentage points over the previous year.

Unit: RMB million

Item	2012	2011	Increase/ decrease	Growth rate (%)
Staff cost	**15,434**	12,294	3,140	25.54
Property and equipment expenses and amortization	**4,858**	3,987	871	21.85
Others	**8,039**	6,757	1,282	18.97
Subtotal	**28,331**	23,038	5,293	22.98
Business tax and surcharges	**6,648**	5,343	1,305	24.42
Total operating expenses	**34,979**	28,381	6,598	23.25
Cost-to-income ratio	**38.99%**	36.81%		up by 2.18 percentage points
Cost-to-income ratio (deducting business tax and surcharges)	**31.58%**	29.88%		up by 1.70 percentage points

Income Tax Analysis

During the reporting period, the Group's income tax expense was RMB10.224 billion, down by RMB522 million or 4.86% over the previous year. The Group's effective tax rate stood at 24.57%, down by 1.27 percentage points from 25.84% in the previous year.

Balance Sheet Analysis

As at the end of the reporting period, total assets of the Group reached RMB2,959.939 billion, up by 7.02% over the end of the previous year, mainly due to increase in the Group's loans and advances to customers and investments and deposits with the Central Bank; and total liabilities of the Group reached RMB2,756.853 billion, up by 6.56% over the end of the previous year, mainly the result of increase in deposits from customers.

Unit: RMB million

Item	31 December 2012		31 December 2011	
	Balance	**Proportion *(%)***	Balance	Proportion *(%)*
Loans and advances to customers	**1,627,576**	**55.0**	1,410,779	51.0
Receivables investment	**56,435**	**1.9**	—	—
Investment in debt securities and equity instruments [(1)]	**346,282**	**11.7**	253,388	9.2
Cash and deposits with Central Bank	**428,167**	**14.5**	366,391	13.2
Net amount of deposits and placements with banks and non-bank financial institutions	**388,394**	**13.1**	537,539	19.4
Amounts under resale agreements	**69,082**	**2.3**	162,211	5.9
Others [(2)]	**44,003**	**1.5**	35,573	1.3
Total assets	**2,959,939**	**100.0**	2,765,881	100.0
Deposits from customers	**2,255,141**	**81.8**	1,968,051	76.1
Deposits and placement from banks and non-bank financial institutions	**388,002**	**14.1**	540,222	20.9
Amounts under repurchase agreements	**11,732**	**0.4**	9,806	0.4
Debt securities payable	**56,402**	**2.0**	33,730	1.3
Others [(3)]	**45,576**	**1.7**	35,291	1.3
Total liabilities	**2,756,853**	**100.0**	2,587,100	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, investment property, 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.

Loan Business

As at the end of the reporting period, total loans and advances of the Group reached RMB1,662.901 billion, up by 15.96% over the end of the previous year; loans and advances accounted for 55% of total assets, up by 4 percentage points over the end of the previous year.

The Group

Unit: RMB million

Item	31 December 2012 Balance	31 December 2012 Proportion (%)	31 December 2011 Balance	31 December 2011 Proportion (%)
Corporate loans	**1,253,260**	**75.4**	1,116,389	77.9
Discounted bills	**74,994**	**4.5**	49,451	3.4
Personal loans	**334,647**	**20.1**	268,197	18.7
Total loans and advances to customers	**1,662,901**	**100.0**	1,434,037	100.0
Impairment provision for loans and advances to customers	**(35,325)**		(23,258)	
Net loans and advances to customers	**1,627,576**		1,410,779	

As at the end of the reporting period, loans and advances of the Bank totalled RMB1,576.625 billion, up by 16.16% over the end of the previous year.

The Bank

Unit: RMB million

Item	31 December 2012 Balance	31 December 2012 Proportion (%)	31 December 2011 Balance	31 December 2011 Proportion (%)
Corporate loans	**1,188,415**	**75.4**	1,058,128	78.0
Discounted bills	**68,166**	**4.3**	45,332	3.3
Personal loans	**320,044**	**20.3**	253,867	18.7
Total loans and advances to customers	**1,576,625**	**100.0**	1,357,327	100.0
Impairment provision for loans and advances to customers	**(34,877)**		(22,818)	
Net loans and advances to customers	**1,541,748**		1,334,509	

Please refer to "Risk Management" section of the Announcement for risk analysis of its loan business.

Investment in Debt Securities and Equity Instruments

Portfolio Analysis of Investment in Debt Securities and Equity Instruments

Unit: RMB million

Item	**31 December 2012**		31 December 2011	
	Value	**Proportion** *(%)*	Value	Proportion *(%)*
Debt securities				
Held-to-maturity debt securities	**135,144**	**39.0**	108,605	42.9
Available-for-sale debt securities	**192,340**	**55.5**	127,178	50.1
Debt securities measured at fair value through profit or loss	**12,283**	**3.5**	8,188	3.2
Total debt securities	**339,767**	**98.0**	243,971	96.2
Investment funds				
Available-for-sale investment funds	**684**	**0.2**	5,706	2.2
Investment funds measured at fair value through profit or loss	**2**	**—**	2	—
Total investment funds	**686**	**0.2**	5,708	2.2
Equity investments				
Available-for-sale equity investments	**187**	**0.1**	171	—
Investment in associates	**2,134**	**0.6**	2,212	0.9
Total equity investments	**2,321**	**0.7**	2,383	0.9
Certificates of deposit				
Available-for-sale financial assets-certificates of deposit	**3,787**	**1.1**	1,766	0.7
Total investment in debt securities and equity instruments	**346,561**	**100.0**	253,828	100.0
Impairment provision for investment in debt securities and equity instruments	**(279)**		(440)	
Net investment in debt securities and equity instruments	**346,282**		253,388	
Market value of listed securities in held-to-maturity debt securities	**848**		692	

As at the end of the reporting period, the Group's investment in debt securities reached RMB339.767 billion, an increase of RMB95.796 billion or 39.27% over the end of the previous year, which was primarily because the Group increased investment in high-yield medium to long term bonds and high-credit-rating corporate bonds based on its judgment of the trends of future market interest rates and full consideration of investment returns, risks and liquidity management requirements.

Classification of Debt Securities Investment

Unit: RMB million

Item	**31 December 2012** Value	**Proportion (%)**	31 December 2011 Value	Proportion (%)
Banks and non-bank financial institutions	**103,498**	**30.4**	48,414	19.8
Government	**73,759**	**21.7**	62,150	25.5
Policy banks	**44,720**	**13.2**	39,709	16.3
PBC	**11,533**	**3.4**	26,860	11.0
Public entities	**39**	**—**	75	—
Others (Note)	**106,218**	**31.3**	66,763	27.4
Total debt securities	**339,767**	**100.0**	243,971	100.0

Note: Primarily corporate bonds.

Debt Securities Investment at Home and Abroad

Unit: RMB million

	31 December 2012 Value	**Proportion (%)**	31 December 2011 Value	Proportion (%)	31 December 2010 Value	Proportion (%)
Domestic	**328,059**	**96.6**	224,976	92.2	238,067	91.0
Overseas	**11,708**	**3.4**	18,995	7.8	23,497	9.0
Total debt securities	**339,767**	**100.0**	243,971	100.0	261,564	100.0

Foreign Currency Denominated Debt Securities Held

As at the end of the reporting period, the Group held a total of USD2.340 billion worth of foreign currency denominated debt securities (equivalent to RMB14.709 billion), of which the Bank held USD1.470 billion, accounting for 62.8% of the total. The Group held a total of USD303 million European debt securities and had no exposure to European sovereign agencies, of which the Bank held USD104 million, which were mainly debt securities issued by financial institutions in the UK and Germany.

The Group's impairment provision for foreign currency denominated debt securities investment was USD44 million (equivalent to RMB274 million), all being impairment provision for debt securities held by the Bank.

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 2012.

Unit: RMB million

Name of Debt Securities	**Book value**	**Maturity Date**	**Annual interest rate (%)**	**Provision for impairment**
Debt Securities 1	4,044	2013-4-23	3.45	—
Debt Securities 2	4,000	2017-2-28	4.20	—
Debt Securities 3	3,179	2017-4-23	4.11	—
Debt Securities 4	3,038	2015-2-20	3.76	—
Debt Securities 5	2,830	2015-12-7	2.96	—
Debt Securities 6	2,781	2015-4-23	3.93	—
Debt Securities 7	2,637	2017-7-26	3.97	—
Debt Securities 8	2,620	2019-4-23	4.32	—
Debt Securities 9	2,196	2017-5-6	3.33	—
Debt Securities 10	2,126	2022-4-23	4.44	—
Total debt securities	**29,451**			

Changes in the Provisions for Investment Impairment Losses

Unit: RMB million

Item	**As at 31 December 2012**	As at 31 December 2011
Beginning balance	**440**	350
Accruals during the year [(1)]	**(16)**	181
Write-offs	**—**	(11)
Transfer out [(2)]	**(145)**	(80)
Ending balance	**279**	440

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

(2) Transfer-out includes the amount transferred from the provisions for impairment losses 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.

Classification of Derivatives and Fair Value Analysis

Unit: RMB million

Item	31 December 2012			31 December 2011		
	Nominal principal	**Fair value**		Nominal principal	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
Interest rate derivatives	**223,773**	**1,269**	**902**	200,104	1,627	1,314
Currency derivatives	**550,812**	**2,891**	**2,495**	404,074	3,036	2,438
Other derivatives	**21,584**	**—**	**15**	1,065	20	12
Total	**796,169**	**4,160**	**3,412**	605,243	4,683	3,764

On-Balance Sheet Interest Receivables

Unit: RMB million

Item	31 December 2011	Increase during the current period	Collected during the current period	**31 December 2012**
Loan interest receivable	3,566	102,369	(101,521)	**4,414**
Interest receivable for debt securities	3,515	10,616	(8,122)	**6,009**
Other interest receivables	3,026	25,825	(25,992)	**2,859**
Total	10,107	138,810	(135,635)	**13,282**
Allowances for impairment losses on interest receivables	(56)	(200)	14	**(242)**
Net interest receivable	10,051	138,610	(135,621)	**13,040**

Repossessed Assets

Unit: RMB million

Item	**31 December 2012**	31 December 2011
Original value of repossessed assets		
– Land, premises and constructions	**421**	404
– Others	**23**	34
Provisions for impairment of repossessed assets		
– Land, premises and constructions	**(144)**	(137)
– Others	**(23)**	(24)
Total book value of repossessed assets	**277**	277

Deposits from Customers

The Group

As at the end of the reporting period, deposits from customers of the Group totalled RMB2,255.141 billion, an increase of RMB287.090 billion or 14.59% over the end of the previous year; and deposits from customers accounted for 81.8% of total liabilities, up by 5.7 percentage points over the end of the previous year.

Unit: RMB million

Item	**31 December 2012**		31 December 2011		31 December 2010	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits						
Demand deposits	**851,951**	**37.8**	787,052	40.0	752,219	43.5
Time deposits	**990,759**	**43.9**	835,035	42.4	677,843	39.1
Including: negotiated deposits	**100,108**	**4.4**	69,866	3.6	30,130	1.7
Subtotal	**1,842,710**	**81.7**	1,622,087	82.4	1,430,062	82.6
Personal deposits						
Demand deposits	**102,120**	**4.5**	91,762	4.7	87,521	5.1
Time deposits	**310,311**	**13.8**	254,202	12.9	213,233	12.3
Subtotal	**412,431**	**18.3**	345,964	17.6	300,754	17.4
Total deposits from customers	**2,255,141**	**100. 0**	1,968,051	100. 0	1,730,816	100.0

The Bank

As at the end of the reporting period, the Bank's deposits from customers totalled RMB2,148.582 billion, an increase of RMB283.361 billion or 15.19% over the end of the previous year.

Unit: RMB million

Item	**31 December 2012**		31 December 2011		31 December 2010	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*	Balance	Proportion *(%)*
Corporate deposits						
Demand deposits	**833,520**	**38.8**	770,384	41.3	735,188	45.0
Time deposits	**948,090**	**44.1**	787,775	42.2	633,497	38.7
Including: negotiated deposits	**99,340**	**4.6**	69,240	3.7	30,100	1.8
Subtotal	**1,781,610**	**82.9**	1,558,159	83.5	1,368,685	83.7
Personal deposits						
Demand deposits	**86,953**	**4.1**	79,753	4.3	71,140	4.4
Time deposits	**280,019**	**13.0**	227,309	12.2	194,505	11.9
Subtotal	**366,972**	**17.1**	307,062	16.5	265,645	16.3
Total deposits from customers	**2,148,582**	**100.0**	1,865,221	100.0	1,634,330	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

Item	**31 December 2012**		31 December 2011	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
RMB	**2,053,129**	**91.0**	1,816,875	92.3
Foreign currencies	**202,012**	**9.0**	151,176	7.7
Total	**2,255,141**	**100.0**	1,968,051	100.0

Breakdown of Deposits by Geographical Location

Unit: RMB million

Item	**31 December 2012** Balance	**31 December 2012** Proportion (%)	31 December 2011 Balance	31 December 2011 Proportion (%)
Bohai Rim [(Note)]	**617,682**	**27.5**	538,762	27.4
Yangtze River Delta	**566,851**	**25.1**	505,692	25.7
Pearl River Delta and West Strait	**309,896**	**13.7**	278,346	14.1
Central region	**308,383**	**13.7**	257,689	13.1
Western region	**275,718**	**12.2**	227,366	11.6
Northeastern region	**70,641**	**3.1**	57,160	2.9
Overseas	**105,970**	**4.7**	103,036	5.2
Total deposits from customers	**2,255,141**	**100.0**	1,968,051	100.0

Note: Including the Head Office.

Breakdown of Deposits by Remaining Maturity

The Group

Unit: RMB million

Item	Repayable-on-demand Amount	Repayable-on-demand Proportion (%)	Within 3 months Amount	Within 3 months Proportion (%)	Within 3-12 months Amount	Within 3-12 months Proportion (%)	Within 1- 5 years Amount	Within 1- 5 years Proportion (%)	After 5 years Amount	After 5 years Proportion (%)	Total Amount	Total Proportion (%)
Corporate deposits	925,662	41.0	378,190	16.8	381,507	16.9	155,211	6.9	2,140	0.1	1,842,710	81.7
Personal deposits	210,130	9.4	91,154	4.0	81,717	3.6	29,421	1.3	9	—	412,431	18.3
Total	1,135,792	50.4	469,344	20.8	463,224	20.5	184,632	8.2	2,149	0.1	2,255,141	100.0

The Bank

Unit: RMB million

Item	Repayable-on-demand Amount	Repayable-on-demand Proportion (%)	Within 3 months Amount	Within 3 months Proportion (%)	Within 3-12 months Amount	Within 3-12 months Proportion (%)	Within 1- 5 years Amount	Within 1- 5 years Proportion (%)	After 5 years Amount	After 5 years Proportion (%)	Total Amount	Total Proportion (%)
Corporate deposits	907,232	42.1	345,310	16.1	372,826	17.4	154,102	7.2	2,140	0.1	1,781,610	82.9
Personal deposits	194,961	9.1	69,094	3.2	73,505	3.4	29,403	1.4	9	—	366,972	17.1
Total	1,102,193	51.2	414,404	19.3	446,331	20.8	183,505	8.6	2,149	0.1	2,148,582	100.0

Shareholders' Equity

Changes in shareholders' equity in the Group during the reporting period are listed in the following table:

Unit: RMB million

	2012						
Item	**Share Capital**	**Capital Reserve**	**Surplus Reserve and General Risk Provision**	**Undistributed Profit**	**Translation Gap of Foreign Currency Statements**	**Minority Shareholders' Equity**	**Total Shareholders' Equity**
Beginning balance	**46,787**	**49,705**	**29,516**	**50,622**	**(2,134)**	**4,285**	**178,781**
1. Net profit	**—**	**—**	**—**	**31,032**	**—**	**353**	**31,385**
2. Other comprehensive income	**—**	**(402)**	**—**	**—**	**14**	**92**	**(296)**
3. Profit distribution	**—**	**—**	**17,519**	**(24,303)**	**—**	**—**	**(6,784)**
Ending balance	**46,787**	**49,303**	**47,035**	**57,351**	**(2,120)**	**4,730**	**203,086**

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 2012**	31 December 2011
Credit commitments		
– Banker's Acceptance bills	**666,007**	503,666
– Letters of guarantee issued	**89,554**	64,534
– Letters of credit issued	**166,268**	244,312
– Irrevocable loan commitments	**115,246**	95,218
– Credit card commitments	**80,452**	60,937
Subtotal	**1,117,527**	968,667
Operating leasing commitments	**9,997**	8,260
Capital commitments	**681**	1,438
Pledged assets	**11,795**	11,637
Total	**1,140,000**	990,002

Supplementary Financial Indicators

Major Indicators [1]	**Standard** *(%)*	**Data of the Bank (%)** **31 December 2012**	31 December 2011	31 December 2010
Liquidity ratio				
(both RMB and Foreign currency)	≧25	**52.20**	60.89	59.11
Including: RMB	≧25	**48.85**	58.97	56.75
Foreign currencies	≧25	**86.48**	96.55	68.68
Loan-to-deposit ratio [2]	≦75	**73.59**	72.97	72.83
Including: RMB	≦75	**74.12**	73.26	73.31
Foreign currencies	≦75	**64.12**	65.44	60.42

Notes: (1) The figures were calculated in accordance with the regulatory standards of the Chinese banking industry.

(2) Discounted bills are included in loans.

Capital Adequacy Ratio

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 relevant provisions subsequently revised. As at the end of the reporting period, the Group's capital adequacy ratio and core capital adequacy ratio were 13.44% and 9.89%, up by 1.17 percentage points and down by 0.02 percentage point over the end of the previons year respectively.

Unit: RMB million

Item	**31 December 2012**	31 December 2011	31 December 2010
Total capital before deduction	**267,612**	214,002	160,928
Including: Total core capital	**196,068**	171,534	119,166
Total supplementary capital	**71,544**	42,468	41,762
Deduction: Unconsolidated equity investment and others	**4,171**	4,134	4,314
Net capital	**263,441**	209,868	156,614
Net core capital	**193,982**	169,466	116,988
Risk-weighted assets	**1,948,636**	1,702,165	1,385,262
Market risk capital (Note)	**942**	696	—
Core capital adequacy ratio	**9.89%**	9.91%	8.45%
Capital adequacy ratio	**13.44%**	12.27%	11.31%

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

Major Accounting Estimates and Assumptions

The preparation of financial statements in conformity with the PRC 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 profits and losses during 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 basis for compilation of the Group's financial statements are influenced by estimates and judgments in the following main aspects: confirmation and measurement of financial instruments (provisions for loan impairment losses and bad debt write-offs, classification of debt securities and equity investments, fair value measurement of trading investments and transactions designated at fair value through profit or loss, fair value measurement of available-for-sale investments, and fair value measurement 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 the 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, the Bank makes priority use of quotes from active markets to measure fair value. 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 measurement of fair value. The business department, the accounting department and the risk management department collectively confirm the determination method and source for fair value of financial instruments in light of business needs. The accounting department conducts independent valuation of fair value based on requirements of accounting standards, and prepares valuation reports regularly. The risk management department reviews various valuation reports, and supervises the implementation of valuation methods. The systems and methods related to the measurement of fair value 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 on changes in fair value in 2012	Cumulative changes in fair value recognized in equity	Provision for impairment (charged)/ reversed 2012	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss for the current period (Excluding financial derivative assets)	8,190	(7)	—	—	**12,285**
2. Financial derivative assets	4,683	(180)	—	—	**4,160**
3. Available-for-sale financial assets	134,404	—	(278)	10	**196,735**
Subtotal of financial assets	147,277	(187)	(278)	10	**213,180**
Investment properties	272	62	—	—	**333**
Total	147,549	(125)	(278)	10	**213,513**
Financial liabilities					
1. Derivative financial liabilities	3,764	20	—	—	**3,412**
Total of financial liabilities	3,764	20	—	—	**3,412**

Financial Assets and Liabilities Denominated in Foreign Currencies Held

Unit: RMB million

Item	Beginning balance	Gain/loss on changes in fair value in 2012	Cumulative changes in fair value recognized in equity	Provision for impairment (charged)/ reversed 2012	Ending balance
Financial assets					
1. Financial assets measured at fair value through profit or loss for the current period (Excluding financial derivative assets)	103	1	—	—	**41**
2. Financial derivative assets	2,218	1,725	—	—	**2,806**
3. Available-for-sale financial assets	29,252	—	481	10	**21,366**
4. Loans and receivables	166,349	—	—	(329)	**145,123**
5. Held-to-maturity investments	1,658	—	—	6	**1,380**
Total of financial assets	199,580	1,726	481	(313)	**170,716**
Financial liabilities	179,951	(67)	—	—	**270,225**

Segment Report

Business Segments

During the reporting period, the Group intensified concentrated operation and management, optimized resource allocation and changed the methods for information disclosure by business segment: (1) evaluated and managed operating performance and assets and liabilities of its subsidiaries according to four business segments, namely, corporate banking business, personal banking business, treasury business, and other business and un-allocated items; (2) adjusted the management model of inter-bank business, shifting inter-bank business from corporate banking to treasury business. The disclosure methods thereafter accurately reflect operating results and profit contribution of the Group's various business lines.

Unit: RMB million

	2012				
Item	**Corporate banking**	**Personal banking**	**Treasury business**	**Other business and unallocated items**	**Total**
Operating income	**63,190**	**15,228**	**10,997**	**296**	**89,711**
Costs and expenses	**(20,649)**	**(11,752)**	**(1,215)**	**(1,363)**	**(34,979)**
Asset impairment loss	**(10,440)**	**(2,086)**	**(403)**	**(175)**	**(13,104)**
Operating profit	**32,101**	**1,390**	**9,379**	**(1,261)**	**41,609**

	31 December 2012				
Item	**Corporate banking**	**Personal banking**	**Treasury business**	**Other business and unallocated items**	**Total**
Segment assets	**1,626,232**	**418,449**	**904,886**	**2,147**	**2,951,714**
Segment liabilities	**1,856,062**	**419,089**	**484,134**	**(2,432)**	**2,756,853**
Off-balance sheet credit commitments	**1,037,076**	**80,451**	**—**	**—**	**1,117,527**

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

	31 December 2011					
Item	Corporate banking	Personal banking	Treasury business	Overseas subsidiaries	Other business and unallocated items	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

The Group has maintained relatively leading position in corporate banking business among mid-sized banks. During the reporting period, corporate banking business contributed an operating profit of RMB32.101 billion to the Group, accounting for 74.88% of the Group total; personal banking business contributed an operating profit of RMB1.390 billion to the Group, accounting for 3.24% of the Group total; and treasury business contributed an operating profit of RMB9.379 billion to the Group, 21.88% of the Group total.

Geographical Segments

Unit: RMB million

2012

Item	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	**21,006**	**11,405**	**19,129**	**11,733**	**10,247**	**2,616**	**10,443**	**3,132**	**–**	**89,711**
Costs and expenses	**(7,979)**	**(4,474)**	**(7,057)**	**(4,521)**	**(3,964)**	**(1,010)**	**(4,313)**	**(1,661)**	**–**	**(34,979)**
Asset impairment loss	**(4,737)**	**(2,772)**	**(2,267)**	**(1,605)**	**(1,341)**	**(319)**	**16**	**(79)**	**–**	**(13,104)**
Operating profit	**8,290**	**4,159**	**9,805**	**5,607**	**4,942**	**1,287**	**6,146**	**1,373**	**–**	**41,609**

31 December 2012

Item	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	**720,231**	**438,698**	**727,706**	**351,283**	**356,213**	**77,278**	**962,733**	**144,134**	**(826,562)**	**2,951,714**
Segment liabilities	**709,635**	**431,981**	**715,812**	**344,631**	**349,718**	**75,502**	**825,654**	**130,482**	**(826,562)**	**2,756,853**
Off-balance sheet credit commitments	**283,996**	**139,730**	**247,185**	**170,851**	**121,042**	**30,020**	**74,906**	**49,797**	**–**	**1,117,527**

2011

Item	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
Costs and expenses	(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	9,603	5,282	9,782	5,030	4,364	1,039	6,166	324	–	41,590

31 December 2011

Item	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

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, taking up 68.25% of the Group's total operating profit during the reporting period.

Business Overview

Corporate Finance Business

Business Overview

In 2012, the Bank optimized its financial service models for large, medium and small corporate customers, promoted stratified operation for corporate customers, enhanced innovation of products and services in supply chain finance and cash management, accelerated business restructuring, and thereby achieved continuous and rapid development of corporate finance business.

The Bank expanded diversified source channels of corporate deposits, and reinforced growth of corporate liabilities that were of low cost and stable sources. Through systematic marketing to institutional customers, better cash management and provision of transaction banking products and services such as supply chain finance, the Bank pioneered into sources of corporate liabilities on the capital market and achieved continuous and steady growth of corporate deposits. The Bank further adjusted the structure of corporate asset through optimized allocation of credit resources. As a response to market-oriented interest rate reforms, the Bank made use of multiple tools such as bonds, mid-term notes, private equity bonds, and wealth management products for financing purpose, which, while expanding financing channels for customers, also promoted coordinated development of on and off-balance sheet asset business in corporate finance.

As at the end of the reporting period, corporate deposit accounts of the Bank stood at 309,700, an increase of 25,700 accounts over the end of the previous year; corporate deposit balance of the Bank reached RMB1,781.610 billion, up by 14.34% over the end of the previous year, with the balance of deposits from institutional customers including fiscal and taxation entities registering RMB477.790 billion, up by 18.15% over the end of the previous year, accounting for 26.82% of the Bank's total corporate deposits; and negotiated deposits recorded RMB99.340 billion, accounting for 5.58% of the Bank's total corporate deposits. The Bank's corporate loan balance (including discounted bills) registered RMB1,256.581 billion, up by 13.88% over the end of the previous year, and the balance for corporate general loans registered RMB1,188.415 billion, up by 12.31% over the end of the previous year. During the reporting period, the Bank realized RMB61.312 billion operating income from corporate finance business, accounting for 71.12% of its total operating income, which included net non-interest income from corporate finance business of RMB7.136 billion, 56.38% of the Bank's net non-interest income.

International Business

The Bank proactively adjusted growth speed of international business, expanded service chains, improved development efficiency and effectiveness and screened business risks, as a result of which, its international business achieved fast and sound development. During the reporting period, the Bank put forward settlement facilitation services such as "Trade Fast Track" and "Direct Investment Track" in response to new policy requirements of foreign exchange administration including regulations on customs verification for trade in goods and the policy on direct investment, and effectively enhanced quality of customer service by unique services such as customer training and "24-hour no-deadline bill submission", all of which enabled the Bank to seize early opportunities resulting from policy adjustment.

During the reporting period, the Bank achieved USD239.663 billion in foreign exchange receipts and payments (including trade account, non-trade account and capital account) in its international business, up by 8.59% over the previous year, achieving a market share of 4.55%, ranking No.6 of all national commercial banks (according to the monthly statement on statistics of international receipts and payments prepared by the State Administration of Foreign Exchange) and No.1 among all joint-stock banks. Cross-border Renminbi receipts and payments realized by the Bank totalled RMB153.1 billion, achieving a market share of 5.30%. The Bank realized RMB2.580 billion fee income in international business, up by 29.32% over the previous year.

Cross-border Renminbi business of the Bank covers all-round financial products and services such as cross-border Renminbi settlement, financing, buy and sell, bonds, direct investment. During the reporting period, the Bank successfully handled China's first case of cross-border Renminbi foreign debt business under the three parties agreement model and first case of cross-border Renminbi business for a third-party payment, thanks to its efforts to strengthening its overseas platforms and capturing the market opportunities. The Bank's trade finance business continued with fast growth. During the reporting period, the Bank introduced new financing products including but not limited to nominated negotiation, re-negotiation, forfaiting-transfer, confirmation of bill payment and Red Clause L/C finance, which satisfied extensive customer requirements. During the reporting period, cumulative amount of on-balance sheet trade finance business of the Bank recorded RMB123.700 billion, up by 58.88% over the previous year.

Investment Banking Business

The Bank continued to apply its professional operation model in investment banking, put into play its role as provider of financial intermediary services on the capital market and enhanced its differentiated competitiveness. During the reporting period, the Bank successfully underwrote the first Asset-Backed Notes (ABN) and the first batch of Super Short-Term Commercial Paper (SCP) for central SOEs with AAA rating in China, completed the first case of cross-border M & A finance arrangements for overseas delisting of Chinese enterprises and granted its first batch of option loans to SMEs with high growth potentials.

During the reporting period, the Bank recorded RMB366.230 billion cumulative financing for customers, realized RMB2.641 billion net non-interest income from investment banking business, up by 31.77% over the previous year, of which business income from asset management, bond underwriting and structured financing went up by 149.64%, 53.65% and 40.75% respectively over the previous year.

The number of debt financing instruments underwritten by the Bank in 2012 took the third place in the Chinese banking industry (as per Wind rankings of aggregate numbers of bond underwriting in 2012). Meanwhile, the Bank maintained its first place among the leading small and medium-sized joint-stock banks for syndicated loans in Mainland China (as per Bloomberg Press rankings).

Business with Financial Institutions

Business with financial institutions is an important component of the Bank's corporate finance business. For a long time, the Bank promoted the construction of a marketing service system targeting institutional customers focusing on "team, product, program and system", gradually set up its product/service system and professional service teams for institutional customers, and developed special business system and information management system thereof. While deepening its cooperation with government agencies including fiscal departments at all levels, the Bank proactively drove forward its cooperation with institutional customers in areas of public utilities such as health care, assurance of people's livelihood, culture and education. As at the end of the reporting period, the Bank recorded nearly 15,000 accounts of institutional customers, and acquired a cumulative number of 280 licenses for fiscal agency business at national and sub-national levels, covering 28 provinces (autonomous regions and municipalities directly under the central government). As such, CITIC Bank is one of the commercial banks in China with the largest number and richest varieties of licenses for fiscal agency business.

Supply Chain Finance Business

The Bank enhanced product innovation and business model optimization for its supply chain finance business. Innovative non-standard business models such as bill pool pledge financing, financing with prepayments plus receivables and financing with physical goods pledge plus receivables were launched; the product series of port finance were further improved; the management model for steel finance business was optimized; and the supply chain finance business system was developed and put into operation, enriching functions of the commercial bill business system. During the reporting period, the Bank intensified professional operation of its supply chain finance business, constructed the platform for centralized management of supply chain finance business and extended its service to industries including pharmaceuticals, paper making, construction, engineering and machinery, food and apparel.

As at the end of the reporting period, the Bank's effective credit-receiving customers in its supply chain finance business reached 9,375 accounts, an increase of 1,513 accounts over the end of the previous year; cumulative value of financing reached RMB746.668 billion, an increase of RMB65.263 billion over the previous year; balance of credit stood at RMB286.605 billion, up by RMB15.298 billion over the end of the previous year; and the Bank had attracted 65 automobile brands into its "head-office-to-head-office" business cooperation network, covering all key domestic automobile manufacturers in China. The number of cooperating car dealers reached 4,716, an increase of 681 or 16.88% over the end of the previous year.

Cash Management

The Bank further improved its cash management products system. Particulars include online operation of Cash Management version 5.2 which expands functionalities such as access to group funds reporting and multi-bank multi-currency cash pools and efforts to continue to promote the development of the online wealth management product sales system, the Wealth Management Account All in One Project, and the business system for integration of wealth and asset management.

As at the end of the reporting period, the cumulative number of cash management projects reached 2,487, up by 551 over the end of the previous year; while cumulative cash management customer accounts reached 15,148, an increase of 3,342 over the end of the previous year. During the reporting period, the Bank achieved cash management transaction value of RMB13.76 trillion, an increase of RMB2.41 trillion or 21.23% over the previous year.

Small Enterprise Finance

The Bank kept improving its operation and management structure for small enterprise finance, built up a special service system virtually covering all areas in China with active small enterprises, and strengthened regional marketing management functions of small enterprise finance centers at branches. Focusing on the target market positioning of "One Chain, Two Circles, and Three Clusters" and the marketing strategy of "cluster marketing + credit upgrading", the Bank took the initiative to construct multiple cluster marketing platforms such as fairs, chambers of commerce, associations, parks and the supply chain. As at the end of the reporting period, the Bank enjoyed cooperation with about 800 cluster platforms of small enterprises of all types, and acquired nearly 10,000 new customers via these platforms. With quicker pace in its development of products tailored to small enterprises, the Bank launched numerous new products such as legal-person property mortgage loans, micro standard collateralized loans, micro credit loan and seed funds with impressive results.

As at the end of the reporting period, the Bank had 17,329 small and micro enterprise clients[1], an increase of 1,957 over the end of the previous year, to which the total balance of credit reached RMB352.878 billion, up by RMB42.626 billion or 13.74% over the end of the previous year; the balance of general loans totalled RMB212.218 billion, up by RMB43.763 billion or 25.98% over the end of the previous year, when the NPL balance was RMB3.382 billion and the NPL ratio was merely 1.59%. In parallel with sound and rapid development of credit to small and micro enterprises, the Bank gradually exhibited the profitability and advantages of the business. As at the end of the reporting period, the interest rate of outstanding loans for small and micro enterprises was 15.83% higher than the benchmark interest rate, markedly higher than the average interest rate of corporate loans.

1 The statistical scope of small and micro businesses follows the standards on classification of large, medium, small and micro businesses as contained in the Notification on Printing and Distribution of the Provisions on Classification of Medium, Small and Micro Businesses (MIIT 2011 300) jointly issued by the Ministry of Industry and Information Technology (MIIT), the National Statistics Bureau (NSB), the National Development and Reform Commission (NDRC) and the Ministry of Finance (MOF).

In line with the development concept of shifting the focus of small business finance "downward", the Bank will promote its small enterprise finance enterprise to continue its move towards micro retail enterprises and gradually shift target industries from manufacturing to service, from commodities and raw materials to consumer goods and from production-based services to consumption-based services. With more vigorous introduction of a flat business model, the Bank will set up small-business operation and management centers at its urban branches, introduce quantitative risk control techniques, refine the standard credit granting work flow and realize concentrated batch processing of credit grant for small enterprises at its middle and back offices.

Retail Finance Business

Business Overview

In 2012, the Bank deepened the "Customer Focus" business concept in its retail banking business, and reinforced construction of its customer system, product system, service system, channel system and customer manager system. Retail banking at outlets steadily moved towards sales orientation. More comprehensive wealth management was provided to retail customers. By boosting construction of savings channels and innovating wealth management products, the Bank achieved steady growth in retail assets under management[1]. As at the end of the reporting period, the Bank's balances of personal deposits and retail AUM reached RMB366.972 billion and RMB617.063 billion respectively, up by 19.51% and 27.27% over the end of the previous year respectively.

The Bank adjusted retail credit product structure. While maintaining personal housing mortgage loans as its core business, the Bank focused on development of personal business loans and credit card loans, and paced up its expansion into other personal consumer loans. As at the end of the reporting period, the balance of retail credit totalled RMB320.044 billion, up by 26.07% over the end of the previous year, of which the balance of personal housing mortgage loans reached RMB185.935 billion, up by 9.53% over the end of the previous year; and the balance of personal business loans reached RMB63.539 billion, up by 69.23% over the end of the previous year. The Bank made great efforts to promote growth of the overall yield of its retail finance business through adjustment of retail credit product mix and improvement of product pricing capacity.

During the reporting period, the Bank achieved RMB14.106 billion operating income from retail finance, accounting for 16.36% of the Bank's total operating income, of which net non-interest income from retail finance reached RMB4.223 billion, accounting for 33.36% of the Bank's total net non-interest income. The individual customer base of the Bank was further expanded, reaching 33.12 million accounts as at the end of the reporting period, an increase of 13.1% over the end of the previous year.

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

Wealth Management

The Bank further promoted sales-oriented transformation of outlets. In parallel with the construction of VIP Wealth Management Centers at 35 branches, the Bank initiated its wealth management construction project, upgrading the current VIP wealth management system.

In response to changing customer demands, the Bank launched innovative products including entrusted equity investment and bank-securities cooperation products, which, while meeting customer needs for all-round investment, also increased retail AUM and retail liabilities.

The Bank focused on promoting the development of fund and insurance agency business. The Bank reinforced sales of money market funds, bond funds and principal-guarantee hybrid funds that were of medium and low risks in line with market situations and bank customer features. At the same time, the Bank proactively introduced premium insurance companies and products and effectively developed competitive cooperation mechanisms between its outlets and insurance companies in strict adherence to its business strategy of cooperating only with "premium companies and premium products". During the reporting period, agency fund sales of the Bank (including collective wealth management plans of securities brokerages) reached RMB40.007 billion, up by 62.59% over the previous year; and insurance sales on agency basis amounted to RMB5.686 billion, up by 137% over the previous year. Fee income from insurance agency sales doubled year-on-year, becoming a growth driver of retail fee-based business.

As at the end of the reporting period, the number of VIP customers holding AUM over RMB500,000 reached 236,800, an increase of 32.93% over the end of the previous year; the balance of AUM of VIP customers amounted to RMB383.769 billion, accounting for 62.57% of the Bank's total retail AUM; AUM of VIP customers incremental to the reporting period recorded RMB96.404 billion, accounting for 75.03% of the Bank's total incremental retail AUM.

Private Banking

During the reporting period, the Bank provides private banking services to high net worth individuals with daily average AUM of over RMB6 million and to the companies in which these individuals have controlling or non-controlling equity interests. The Bank further strengthened development of its private banking service system with the objective of "helping customers preserve wealth, create wealth and pass on wealth". Further efforts were made to conduct refined management, including provision of professional consulting and investment advisory services, establishment of an open platform for private banking products, development of a marketing system to enhance interaction between the Head Office, the branches and the sub-branches, construction of unique systems regarding training, remuneration and incentives of private banking customer managers, launch of uniform bank-wide standards for private banking services, and creation of a differentiated value-adding service system for private banking customers.

As at the end of the reporting period, standard private banking customers[1] of the Bank numbered 11,700 accounts and the balance of their AUM totalled RMB105.353 billion.

1 In pursuant of the Bank's retail customer management strategy, the Bank has its private banking centers provide uniform services to high net worth individuals with daily average AUM of over RMB6 million as at the end of the reporting period. Statistics about private banking customers was adjusted according to this definition.

Credit Card

The Bank enhanced product innovation and upgrading in its credit card business centering around the brand new branding concept of “Your love, Share it”. Innovative products such as the “I-Platinum Card” joined the high-end family. With the rights and interests of card holders and the Bank’s service system fully upgraded under the theme “Family, Business Travel and Fashion”, “I-Platinum Card” holders enjoyed high-end services such as 10% cash refund for hotel consumption, compensation of RMB1,000 for flight delays over 2 hours (inclusive) and experience of Magic SPA for six times. Due rights and interests of high-end products such as the “Supreme Leadership” No-Limit Card were upgraded. CITIC Magic Card, CITIC-Prudential Insurance Joint-Brand Card and Private Banking Card were optimized, improving customer experience. In terms of business travel, the Bank continued to boost its cooperation with partners in the business travel industry including airlines, travel agencies and brand hotels, expanded marketing scope of business travel products, and improved its all-round business travel product system that covered airlines, hotels and tourism. For research and development of products related to rights and interests of card holders, the Bank introduced innovative products including automobile rescue and assistance, global loss assistance for CPP Selective, Golf rights and interests and Gushengtang health packages, which effectively enriched the contents of existing value-adding products.

As at the end of the reporting period, the Bank issued a cumulative number of 17.1391 million credit cards, up by 21.78% over the end of the previous year. During the reporting period, credit card transaction value of the Bank and total income from credit card business amounted to RMB273.086 billion and RMB5.928 billion respectively, up by 64.10% and 63.50% over the previous year respectively. Credit card consumer loans of the Bank doubled its business income over the previous year.

Internet Banking

Internet banking, as an important direction of the Bank’s strategic development, aims at enabling the Bank to lead the industry in internet banking services, developing strong support to the Bank’s traditional business and customers, and making full use of the advantages of internet banking in business innovation for independent customer operation and creation of “another CITIC Bank online” through product innovation, brand development, market expansion, service capacity expansion, improvement of service efficiency and reduction of operation costs.

In order to actively respond to the new socioeconomic trends and development of the internet economy and to realize the supporting role of internet banking to its business, the Bank set up its Internet Banking Department at the Head Office to integrate corporate and personal internet banking business and further promote business innovation and development. During the reporting period, the Bank enjoyed rapid growth of income from fee-based internet banking business, with income of fee-based personal internet banking business amounting to RMB90.4746 million, up by 69.80% over the previous year; and that of corporate internet banking intermediate business totalling RMB155.4866 million, up by 29.58% over the previous year.

Please refer to “Domestic Distribution Channels” under “Management Discussion and Analysis” in this announcement for development details of the Bank’s online banking business including internet banking platform, mobile banking platform and e-commerce platform.

Auto Consumer Credit

The Auto Finance Center of the Bank conducted auto consumer credit business in Beijing and Shanghai enjoying important market shares. By continous innovation of business process and products and optimizing customer loan experience, the Bank maintained its regional competitive edge in the above regions. During the reporting period, the Auto Finance Center of the Bank issued 14,800 personal auto consumer loans valued at RMB3.507 billion in total, up by 0.4% over the previous year; and the stock volume and balance of personal auto credit registered 33,800 loans and RMB4.970 billion. As at the end of the reporting period, personal auto consumer credit business of the Bank covered a cumulative number of 71 auto brands and 590 dealers located in Beijing and Shanghai, an increase of 154 dealers over the end of the previous year; and the NPL ratio of personal auto consumer loans stood at 0.55%. In addition, the Bank has launched auto credit business in 10 branches including Zhengzhou Branch, Wuhan Branch, Chongqing Branch, etc. as at the end of the reporting period, and will launch the business in all branches in 2013.

Financial Market Business

Business Overview

For the reporting period, the Bank's operating income from its financial market business reached RMB10.797 billion, accounting for 12.52% of the Bank's total operating income; and its net non-interest income from financial market business totalled RMB1.299 billion, accounting for 10.26% of the Bank's total net non-interest income.

Treasury and Capital Market Business

The Bank dynamically adjusted business structure, proactively promoted strategic transformation and thereby steadily escalated its overall profitability and facilitated liabilities growth of the whole bank via product and service innovation.

The Bank reinforced product design and market risk management for FX against RMB market making business, innovated new products such as structured options and cross-border business, and created value for customers through product innovation. The Bank proactively pushed forward its Renminbi denominated bond market making business, interest rate derivatives market making business and underwriting business, endeavored to improve its capability in pricing and trend judging, tapped into actual demands of customers, and effectively satisfied customer needs for managing financial risks and improving financial earnings with the use of Renminbi denominated derivatives.

The Bank prioritized the launch of bond-asset-portfolio type wealth management products and structured wealth management products that are of low risk and stable yields, with its product system covering multiple product categories (daily open, regularly open and closed, etc.). With continuous enhancement of product R & D, the Bank was able to launch the first open bond type wealth management product with progressive yields in the banking industry that realized real-time availability of redeemed funds, which satisfied customer demand for wealth management of different maturities and achieved relatively higher yields for customers on the basis of controllable risk.

The Bank, in continuous pursuance of its prudent development strategy, focused on standardized simple derivatives business, and satisfied customer demand for financial management mainly through simple interest rate derivatives on the basis of controllable risk. Meanwhile, the Bank intensified its efforts to conduct market research, and provided customers with high quality professional hedging services.

The Bank adopted a prudent investment strategy for Renminbi denominated bond investment, took an appropriate grasp of market rhythm, made timely adjustment of duration, optimized asset structure and paid equal attention to return on asset and market risk. In terms of foreign currency bond investment, the Bank highlighted adjustment of asset structure, actively reduced assets with relatively high expected risks, and thus enhanced yield stability and risk resilience of its assets in general.

Interbank Business

To fully tap into market growth potentials of interbank business, the Bank newly established an Treasury and Financial Institutions Department at the Head office to integrate interbank business management and Renminbi liquidity risk management functions bank-wide, push forward development of interbank business, upgrade liquidity risk management and build the "CITIC Interbank Finance" brand. During the reporting period, the Bank enjoyed rapid growth of interbank business while effectively preventing risk via such means as platform construction, reasonable allocation of assets and enrichment of business products.

The Bank explored for new cooperation models of interbank business, tapped into the channel value of interbank business and constructed platforms for interbank business cooperation, focusing on 6 types of customers, namely, banks, securities companies, enterprise group financial companies, trust companies, insurance companies and financial leasing companies. The Bank increased credit lines granted to major interbank trading counterparts under the prerequisite of controllable risk. Meanwhile, the Bank constructed extensive platforms for business cooperation between itself and securities companies via the conclusion of head-office-to-head-office cooperation agreements. As at the end of the reporting period, the Bank verified credit lines to 242 customers of interbank business and granted credit lines to 148 banks, and signed strategic cooperation agreements with 19 interbank business customers. Cumulatively, the Bank signed third-party depositary agreements with 89 brokers and agreements on margin trading and short selling business with 20 brokers, recorded 57,125 incremental terminal customers for securities investment and covered over 80% of the domestic securities companies in its securities trading funds depositary business during the reporting period.

The Bank made efforts to construct a systematic marketing platform, improve performance evaluation and incentive mechanisms, enrich source channels of interbank liabilities and enhance absorption of low-cost funds. During the reporting period, daily average balance of Renminbi and foreign currency deposits from financial institutions reached RMB353.280 billion, an increase of RMB171.538 billion or 94.39% over the previous year.

The Bank optimized its asset distribution, and reinforced allocation into high-yield assets. In addition, the Bank furthered interbank business cooperation in reverse repurchase of interbank discount of bank drafts, and promoted interbank business cooperation with large state-owned banks, and national joint-stock banks in non-settlement deposits and placements with banks and non-banking financial institutions. During the reporting period, the average daily balance of interbank assets of the Bank stood at RMB396.648 billion, up by RMB169.416 billion or 74.56% over the previous year.

Special Business Area: Asset Custody Business

For its asset custody business, the Bank focused on construction of resource platforms, consolidation of customer base, and development of professional teams.

As at the end of the reporting period, assets under the Bank's custody reached RMB725.428 billion, an increase of 117.36% year-on-year, of which the scale of pension under contract totalled RMB27.903 billion, up by RMB13.306 billion or 91.16% over the previous year. During the reporting period, total intermediary income from custody business reached RMB483 million, an increase of 50.94% over the previous year; the Bank enjoyed over 200% growth in its traditional custody business including public funds and brokerage collective wealth management, became the first joint-stock bank in China to conduct QFII custody business, doubled the size of PE custody, realized full custody of insurance funds in areas such as debt investment, equity investment and property investment, linked with 12 exchanges for online trading funds custody and was listed among the top three in the whole banking industry in terms of online annuity growth rate for three consecutive years as per statistics of the Monthly Statements on Management of Enterprise Annuity Business prepared by the China Banking Association.

Special Business Area: Wealth Management Business

The Bank newly established the Wealth Management Department at the Head Office and further clarified the organizational structure for wealth management business in line with the work principle of "unified management, unified accounting, unified sales and unified branding", and the management philosophy of "separating front, middle and back offices, unifying channels and safeguarding consistent customer relationship", resulting in more standard business management and improvement of risk resilience in wealth management.

The Bank focused on expanding source channels of wealth management assets, increased scale and yield of wealth management projects, put its professional capacity of designing wealth management products into play and satisfied customized demands of customers by grasping opportunities for market investment, reinforcing innovation of research and development models and cross-platform business, constructing the Securities of Trust (SOT) model for cooperation between the Bank, securities companies and trust companies, and pioneering into credit up-grading resources of guarantee companies. As a result, the Bank increased issuance scale and integrated yields of wealth management products.

During the reporting period, the Bank earned RMB1.236 billion intermediary business income from wealth management, including RMB977 million fee income from wealth management products developed and sold by the Bank, and created wealth management yield of RMB7.290 billion for customers. As at the end of the reporting period, the Bank recorded 18 major categories of existing wealth management products in private and corporate banking plus wealth management products sold or recommended on agency basis, basically covering all wealth management product categories available at the market, with total sales of wealth management products reaching RMB926.695 billion, of which wealth management products developed and sold by the Bank, amounted to RMB863.995 billion; and products sold on agency basis totalled RMB62.7 billion in value. As at the end of the reporting period, the Bank's outstanding wealth management products of all categories reached RMB278.451 billion, including RMB238.004 billion outstanding wealth management products developed and sold by the Bank and RMB40.447 billion outstanding products sold on agency basis.

Service Quality Management

In pursuit of the service philosophy of "business integrity, customer orientation, and value creation for customers", the Bank guided all employees to raise morale and build up the sense of urgency, the sense of responsibility and the sense of crisis and thus upgraded its financial services.

The Bank continued to enhance the management of service quality from the perspective of customer experience. Efforts were made to intensify service management and improve service management mechanisms. Emphasis was placed on normalization of service management. Stringent service quality evaluation was carried out; customer complaints were managed in better ways; and awareness of service execution was reinforced. In parallel with institutional assurance of quality, efforts were made to enhance awareness of employees for professional, standard and well-regulated service execution.

Service quality management of the Bank was recognized by all sectors of the society. 28 sub-branch outlets of the Bank won the honor of "Top 1000 Demonstration Units of Civilized and Standardized Services in the Chinese Banking Industry in 2012", which event was organized by the China Banking Association. Meanwhile, the Bank won the "Award for Outstanding Contribution to the Competition for the Honor of Top 1000 Demonstration Units of Civilized and Standardized Services in the Chinese Banking Industry in 2012".

Integrated Financial Service Platform of CITIC Limited

CITIC Limited has numerous financial subsidiaries that are engaged in multiple business areas including banking, securities, fund, trust, insurance, futures and etc., most of which are of niche markets. The Bank has long been practicing, under the prerequisite of lawfulness and compliance, the business philosophy of "customer focus", and has endeavored to establish its unique competitive advantages via the integrated financial service platform of CITIC Limited. In the meantime, the Bank has continuously consolidated its cooperation with CIFH and CNCBI to steadily push forward its "going global" strategy.

Provision of Integrated Financial Solutions

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

- Underwriting of commercial papers, medium-term notes, private placement notes and asset-backed papers: During the reporting period, the Bank and CITIC Securities jointly underwrote RMB14.5 billion debt financing instruments.

- Issuance of wealth management products: During the reporting period, in collaboration with CITIC Securities, CITIC Trust China Securities and CITIC Kingview Capital, the Bank issued RMB110.857 billion worth of corporate wealth management products.

- Provision of cross-border financing solutions: During the reporting period, in cooperation with CNCBI, the Bank provided its strategic customers with a cumulative amount of USD 330 million cross-border structured financing support.

Extensive Sharing of Customer Resources

The Bank cooperates with four securities companies under CITIC Group, i.e., CITIC Securities, CITIC Securities (Zhejiang), China Securities, and CITIC Wantong Securities, on third-party depositary services, and is the main depositary bank for CITIC Securities and CITIC Securities (Zhegjiang), and the general depositary bank for China Securities and CITIC Wantong Securities.

- Institutional customers: As at the end of the reporting period, the Bank shared 4,637 institutional customers with securities companies under CITIC Group, achieving RMB11.35 million fee income for depository services during the reporting period.

- 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 persons over the end of the previous year.

Cross-Design and Cross-Selling

- Realizing advantages of the custody business platform: The Bank conducted cooperation with CITIC Securities, CITIC Trust, China Securities, CITIC Capital and CITIC Kingview Capital in product development, industrial (venture capital) fund investment platform construction and trust market pioneering and expansion. During the reporting period, the custody scale of PE products denominated in both Renminbi and foreign currencies jointly launched by the Bank and CITIC Capital reached RMB886 million; the custody scale of the collective/targeted asset management program for securities companies jointly launched by the Bank and CITIC Securities totalled RMB30.046 billion; and the collective funds trust scheme jointly launched by the Bank and CITIC Trust registered RMB17.020 billion in scale.

- Joint development of annuity business: During the reporting period, CITIC Securities was 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 totalled RMB384 million in scale. CITIC Securities acted as the investment 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 RMB290 million in scale. CITIC Securities and China AMC acted as the investment managers of “Golden Life No.1”, a corporate annuity program jointly launched by the Bank and China Merchants Bank Co., Ltd., totalling RMB168 million in scale. Corporate annuity business with CITIC Trust as trustee and CITIC Bank as custodian totalled RMB90.6133 million in scale.

- Other interbank cooperation: In cooperation with CITIC Securities Futures, the Bank jointly conducted standard bill pledge business, rendered credit support to enterprises engaged in futures hedging and sold special-account fund products of CITIC Securities Futures on agency basis. As at the end of the reporting period, the Bank had provided integrated credit support to over 20 premium customers of CITIC Securities Futures. In addition, the Bank conducted cooperation with Tianan Insurance and CITIC-Prudential Insurance in liabilities, settlement and cash management business and became the latter two's major partner bank.

Cooperative Provision of Value-added Services for Customers

The Bank kept cooperation with CITIC-Prudential Insurance to promote insurance value-added services for card holders.

- Value-added services for Fragrant Card holders: Assurance services including female surgery allowances were provided to Fragrant Card holders that satisfied certain conditions of asset management. As at the end of the reporting period, such assurance was made available to 250,000 Fragrant Card holders.

- Value added services for Happy Elderly Card holders. In view of advanced age of card holders in general, the Bank launched value-added services including personal accident insurance and hospitalization allowances for card holders, benefiting about 6,000 customers as at the end of the reporting period.

- "Hui Card" Going-abroad Finance Project: The Bank provided short-term overseas rescue and assistance insurance for Hui Card holders. Short-term travel insurance was delivered to 23,567 card holders as at the end of the reporting period.

Cooperation with Strategic Investors

Based on the principle of mutual benefit, mutual trust and reciprocity, the Bank promoted its cooperation with BBVA in prioritized projects, promoting strategic cooperation in all related business areas.

- Cash management: The two sides successfully provided cash management services to MONGO, a strategic customer of BBVA, and jointly communicated with several medium and large enterprises with regard to overseas fund management such as opening of Non-Resident Accounts (NRA) and foreign exchange settlement and sales and reached preliminary intention for cooperation thereof.

- International business: During the reporting period, international settlement and trade finance completed between the two parties totalled USD79.5918 million and USD622 million respectively. As at the end of the reporting period, the Bank has opened 11 cross-border Renminbi settlement Nostra accounts for BBVA and its subsidiaries, covering all BBVA subsidiaries in major Latin American countries. By jointly launching marketing programs, etc., the Bank and BBVA collaborated to work out financial solutions to meet demand of the Bank's customers for comprehensive cross-border financial services in their pursuit of "going global" in Latin America.

- Treasury and capital market business: Leveraging advantages of the Bank in treasury and capital market business and those of BBVA in global financial market business, the two parties conducted cooperation in foreign exchange, derivatives and wealth management business. During the reporting period, the transaction value of foreign exchange treasury business between the Bank and BBVA was around RMB34.656 billion, while the value of their derivatives transaction totalled RMB5.95 billion.

- Financial services to small enterprises: The two parties were engaged in joint research vis-à-vis standard credit granting process for small and micro enterprises, quantitative risk control techniques and construction of business operation platforms, as well as promotion of cooperation in related business areas and development of personnel exchange mechanisms.

- Investment banking: Bilateral cooperation projects in this regard mainly concentrate in cross-border equity M&A, ship finance, export credit, overseas project finance and cross-border cash management for large and medium state-owned and private enterprises that are customers of the Bank. From 2011 to the present, contractual value of cross-border financing projects jointly provided by the Bank and BBVA totalled USD260 million, including about USD50 million concluded during the reporting period. In addition, the two parties have USD 770 million cross-border financing projects being jointly promoted.

- Private banking: The two sides continued their explorations for a cooperation model consistent with their respective business development requirements, so as to provide private banking services that integrate Chinese and Spanish characteristics.

- Pension business: With reference to rich BBVA experience in pension business, the Bank promoted bilateral cooperation in pension business system development and product design.

- Economic research: The two sides co-prepared the China Real Estate Outlook-Annual Report 2012 which analysed commercial and affordable housing development in China on the basis of analysis.

Information Technology

In 2012, the Bank rendered priority support to business innovation and management, assurance for safe operation and risk control of science and technology with the application of information technology, and initiated its core new IT system development and achieved progress as scheduled.

The Bank implemented a group of key projects including the online financial supermarket, supply chain finance, internal control platform, risk measurement as per the New Basel Capital Accord and wealth management information system and put them into effective operation. Further, the Bank enhanced extension and application of its VIP wealth management system which was used as a vehicle to optimize work flows of branch-level VIP wealth management centers and VIP wealth management managers. Continuous efforts were made to promote integrated operation and maintenance (OM) management bank-wide. Consulting services regarding accreditation with ISO20000 were initiated. Thanks to its efforts to promote a uniform OM technology platform and reinforce internal control, emergency response management and regular emergency response rehearsals, the Bank enjoyed continuing upgrading of its OM capacity and management level. The Bank organized self-check of information safety and rectification thereafter as well as assessment of information system protection for different safety levels bank-wide, while protecting sensitive information and information safety in key areas.

Domestic Distribution Channels

Branches

The Bank kept optimizing the geographic layout of its branches in 2012. During the reporting period, 7 branches were opened in Haikou, Pingdingshan, Chuzhou, Zhaoqing, Linyi, Yulin, and Maonshan respectively, while 105 sub-branches were also opened for business. In addition, applications for establishment of five new branches respectively in Yinchuan, Xining, Changzhi, Jilin and Ningde were approved, with preparatory efforts already in active progress. As at the end of the reporting period, the Bank had 885 outlets in 102 large and medium cities in Chinese Mainland, of which 36 were tier-1 branches (directly affiliated to the Head Office), 60 were tier-2 branches and 789 were sub-branches.

Self-Service Outlets and Self-Service Terminals

During the reporting period, in parallel with enhanced risk prevention of self-service banking, the Bank also made efforts to expand the distribution network 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 1,572 self-service banks and installed 5,306 units of self-service equipment (ATM, CDM and CRS) in Chinese Mainland, up by 17.75% and 11.96% respectively over the end of the previous year.

Online Banking Platform

Through tapping into customer demands, explorations into product innovation and reinforcement of product research and development, the Bank kept improving its online banking product and service system. In terms of personal internet banking, the Bank developed new functions such as automatic batch pooling of funds, real-time FOREX settlement and sales, subscription for and collection of savings T-bonds and certificate T-bonds and released internet banking software Partner v.2.0, all of which increased operational convenience of its internet banking system. In terms of corporate internet banking, the Bank successfully launched Corporate Internet Banking v.6.5, which features a brand new function of fund supervision over B2B commodity e-commerce and fully optimization of the business process, trading risk and system performance. As a plus, the Bank organized a series of marketing activities including "Win the China Market with Internet Banking" and "Help Create a Blue Sky". These initiatives, while acquiring new customers, also stimulated customer activity and upgraded customer recognition and loyalty.

As at the end of the reporting period, personal internet banking customers of the Bank numbered 7.5665 million accounts, an increase of 1.8594 million or 32.58% over the end of the previous year; while corporate internet banking customers numbered 127,700, of which effective customers reached 91,300, an increase of 21,400 or 30.62% over the end of the previous year. The number and volume of transactions of personal internet banking stood at 55.5915 million and RMB3.37 trillion respectively, up by 54.70% and 48.46% over the previous year respectively. The number and volume of transactions for corporate internet banking recorded 17.9340 million and RMB21.28 trillion respectively, up by 33.70% and 22.20% over the previous year respectively. The transaction substitution rate for personal and corporate e-banking rose to 85.87% and 49.86% respectively, up by 18.19 percentage points and 9.82 percentage points over the previous year respectively.

Telephone Banking Platform

The telephone customer service center of the Bank combed business operation procedures and improved customers' experience. During the reporting period, the Customer Service Center of the Bank received 39.26 million incoming calls, including 35.18 million automated phone answering service calls and 4.08 million manual service calls, achieving a 20-second response rate of 85.77%, a customer satisfaction rate of 93.33%, and 97.59% satisfaction with handling of customer complaints. The Bank's Customer Service Center made telephone calls to 3.1942 million (person-times) customers, proactively marketed for all sorts of bank cards and wealth management products issued by the Bank and fund products sold on agency basis by the Bank. In addition, the center proactively made telephone marketing for insurance products to 196,700 (person-times) customers, driving forward growth of insurance agency business and consequently brought along higher fee-based income for the Bank.

Mobile Banking Platform

The Bank made efforts to push forward mobile banking from the perspective of "creating a handy bank for customers". During the reporting period, personal mobile banking of the Bank completed basic coverage of all versions of mobile terminals, released unique functions such as "Money Transfer via a Mobile Shake", "Express Account Transfer" and "Credit Card Installments", progressed functions related to fund products and wealth management products to the stage of test running, and set up a distinctive market image of CITIC Bank by the slogan "Just Love the Bank Following Me Around". All these have produced very positive market reaction.

The Bank enjoyed rapid growth in both account number and transaction volume of its personal mobile banking business. As at the end of the reporting period, the Bank had a cumulative number of 1.2657 million personal mobile banking customers, 17.53 times that of the previous year. Its personal mobile banking business for the reporting period recorded 295,900 transactions and RMB1.658 billion transaction value, 4.36 times and 2.63 times of that in the previous year respectively.

E-commerce Platform

Ever greater innovation of e-commerce products enabled the Bank to achieve key breakthroughs in online lending, mobile payment and financial mall, and high growth in the number of cooperating B2C e-commerce suppliers. During the reporting period, the Bank developed 166 cooperating suppliers including 55 non-financial payment institutions and 111 directly-linked suppliers, a growth of 69 suppliers over the incremental number of the previous year.

During the reporting period, the Bank recorded 14.7714 million payments made via e-commerce portals totalling RMB7.965 billion in value, up 9.70% and 15.26% over the previous year respectively.

Subsidiary Business

CITIC International Financial Holdings Limited (CIFH)

CIFH, a controlled subsidiary of the Bank, is an investment holding company incorporated in Hong Kong in 2002. 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 with its commercial banking business mainly provided by CNCBI, its wholly-owned subsidiary. CNCBI is a licensed bank incorporated and registered in Hong Kong. As at the end of the reporting period, CNCBI has set up overseas branches in New York, Los Angeles and Singapore in addition to its branches in Mainland China, Hong Kong SAR and Macau SAR. In terms of non-banking financial services, CIFH holds 40% equity interest in CIAM, and 21.39% in CITIC Capital. The former specializes in asset management and direct investment business, while the latter focuses on investment management and consulting business on the Chinese market.

2012 witnessed marked slowdown of economic growth in Hong Kong due to weakening local consumption and sluggish external economies. Offshore Renminbi business, however, maintained its momentum of sound development in Hong Kong, with marked growth recorded in both trade settlement volume and Renminbi denominated loans. Accordingly the Hong Kong banking industry increased its flexibility and efficiency of Renminbi funds application.

As at the end of the reporting period, CIFH had total assets of HKD179.088 billion, an increase of 3.12% over the end of the previous year. For the reporting period, CIFH realized a net profit of approximately HKD1.454 billion.

- CNCBI: Seizing the opportunity presented by rapid development of offshore Renminbi business in Hong Kong, CNCBI conducted close cooperation with the Bank and launched diversified Renmibi products and services to provide customers with effective solutions for value preservation and appreciation of their investments and promote sustained growth of its non-interest income and overall earnings. During the reporting period, CNCBI achieved an operating income of HKD3.715 billion, a growth of 8.68% over the previous year, and profit before provision of HKD1.907 billion, an increase of 7.97% over the previous year.

- CIAM: CIAM harvested green business expansion in environmental protection and energy conservation in line with its development strategy. CIAM made joint investment in energy management and emission reduction projects in cooperation with China Energy Conservation and Environmental Protection Group, and introduced China Energy Conservation and Environmental Protection (Hong Kong) Co., Ltd. as a strategic shareholder of CIAM Group, the CIAM platform for green listing. Via its subsidiary CITIC Carbon Asset, CIAM enthusiastically expanded carbon scrutiny and other business related to energy conservation and emission reduction, laying the foundation for development of low-carbon business in the future.

- CITIC Capital: CITIC Capital specializes in investment management and consulting business. During the reporting period, CITIC Capital and its fund products completed investment in multiple new projects, successfully did second-round financing for multiple funds including China Real Estate Investment Fund IV and the start-up business investment fund, and drew a smooth conclusion to China Real Estate Investment Fund II with successful exit from all related projects and completion of clearings thereof. As at the end of the reporting period, total assets managed by CITIC Capital was approximately USD4.1 billion.

- Risk Management: CIFH continuously enhanced its risk management structure, enriched risk management tools and improved its risk resilience. CNCBI refined its comprehensive risk indicators to measure its overall risk profile, including credit risk, market risk, business operation risk (including legal risk), current fund risk, interest rate risk, strategic risk and reputation risk. Moreover, CNCBI developed a set of comprehensive stress tests covering the whole bank and implemented brand new liquidity management tools to comply with new regulatory requirements in Hong Kong SAR. At the same time, CNCBI worked with the Bank and BBVA to promote cooperation in risk management and make joint effort to build a more advanced risk management model and better codes of operation.

- Business Coordination within the Group: CNCBI was committed to constantly perfecting its cross-border financial service platform, improving its cross-border financial services and satisfying customer needs for diversified financing and cross-border transaction settlement. Against the backdrop where the Bank's customers turned to overseas financing along with the development of cross-border business, CNCBI, as the Bank's overseas service platform, provided its customers with tailor-made overseas financing services to satisfy diversified customer financing needs. During the reporting period, CNCBI significantly increased financing quotas for the Bank's corporate customers and their overseas presences with more diversified forms of financing, including "three-in-one" product financing, loans backed by standby L/C, overseas agency payment, forfaiting and L/C negotiation. At the same time, the Bank and CNCBI achieved significant progress in their cross-border Renminbi business cooperation, extending their regions of cooperation from the Pearl River Delta and Yangtze River Delta to inland cities such as Wuhan and Chongqing.

China Investment and Finance Limited (CIFL)

CIFL is a controlled subsidiary of the Bank established in 1984 with a registered capital of HKD25 million and with both its registered address and principle place of business located in Hong Kong SAR. CIFL holds a Money Lender License issued by the Companies Registry of HKSAR Government and covers lending and investment (including fund investment, debt securities investment and equity investment, etc.) in its business scope. The Bank and CNCBI hold 95% and 5% of equity interest in CIFL respectively. Dr. Ou-Yang Qian, Vice President of the Bank, is the Chairman of CIFL.

CIFL highlighted risk management and control and asset safety in its operation and management. In 2012, CIFL enjoyed steady growth of asset scale, improvement of profitability and proportional increase of non-interest income in its lending business; and maintained a prudent strategy coupled by continuous monitoring, combing and screening of project risks in its investment business.

As at the end of the reporting period, CIFL had total assets of USD172.45 million, down by 7% over the end of the previous year, and net assets of USD33.91 million, an increase of 20% over the end of the previous year; and realized profit before tax of USD4.14 million, down by 35% over the end of the previous year.

Zhejiang Lin'an CITIC Rural Bank

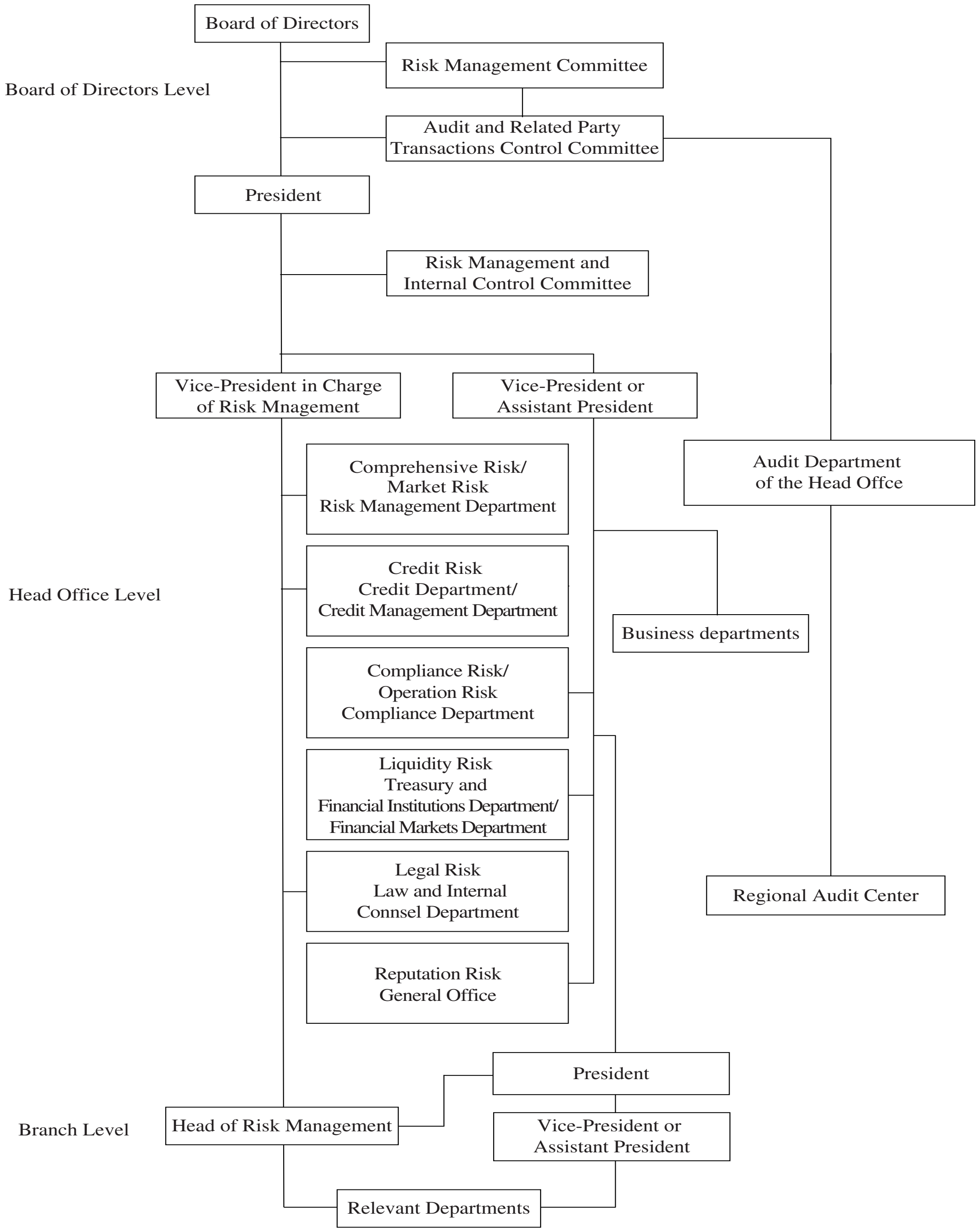
The Bank took the initiative to establish its first rural bank in Lin'an city of Zhejiang Province as a signal of its implementation of the CBRC plan for construction of new rural financial institutions and its performance of corporate social responsibility. The rural bank officially started operation on 9 January 2012. Lin'an CITIC Rural Bank, with a registered capital of RMB200 million, is mainly engaged in general commercial banking business. The Bank holds 51% of its equity interest and another 13 enterprises hold the rest 49%.

In 2012, Lin'an CITIC Rural Bank enjoyed a good beginning with rapid development of all business lines. As at the end of the reporting period, the bank recorded total assets of RMB828 million, net assets of RMB204 million, self-operating deposit balance of RMB606 million, and loan balance of RMB484 million, of which 84.5% were loans to agriculture, farmers and rural areas. During the reporting period, the Bank realized a net profit of RMB4.2676 million.

Lin'an CITIC Rural Bank has set up a relatively holistic risk management system and internal control system. As at the end of the reporting period, the bank was free of criminal cases, material errors and safety accidents, with all loans in the normal class.

Risk Management

Risk Management Structure



Risk Management System and Techniques

In 2012 the Bank remained committed to building a comprehensive, independent, vertical and professional risk management system. To improve the organizational structure of risk management, the Bank split the previous Risk Management Department at the Head Office into two, i.e., the Risk Management Department, which focuses on overall management of comprehensive risks and uniform development of risk measurement models bank-wide, and the Credit Department, which is responsible for review and approval of credit granting business and reinforcing inspection, supervision and guidance of credit review quality at the branch level.

The Bank continued with its implementation of Basel II and Basel III. Departments responsible for rectification and rectification plans were determined corresponding to the problems and deficiencies identified during the 2011 compliance self-assessment on the New Basel Accord, while regulatory benchmarking was carried out to realize compliance and rectification. During the reporting period, the Bank pilot operated its retail rating system bank-wide whereby retail loan business achieved parallel operation of the rating system and manual procedures for review and approval of retail credit. RWA measurement under the New Basel Accord was also put into operation on trial basis. With orderly progress of the market risk internal model approach project, the Bank also realized pilot operation of the market risk management system, preliminarily realizing measurement functions of indicators including VaR. Following the trial operation of the operation risk management system, the Bank started to extend application of the system in 20 branches as the first group of users.

Credit Risk Management

Credit risk refers to the risk that a 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, commitments, and other on and off-balance sheet risk exposures.

Risk Management of Corporate Loans

During the reporting period, in face of pressures including macroscopic economic slowdown and accelerating accumulation of credit risk in some areas, the Bank adopted measures to further strengthen its risk management in key areas and gradually exit from some of the high-risk industries. The Bank prudently conducted property loan business, steadily controlled the pace of credit granting to Local Government Financing Vehicles (LGFVs) and resolved the potential risks thereof, and exerted stringent control over loans to over capacity industries such as the steel industry and other related wholesale and circulation industries.

- Property loans: As an active response to the complicated property market, the Bank granted loans to the real estate sector prudently, i.e., insisting upon the policy of total volume control of credit grant, setting more stringent access criteria for property developers and projects, prioritizing support to general residential projects with good geographic locations, reasonable prices, stronger resilience to price drop and real demand , and observing the principle of closed management of collaterals and capital. As a result, the Bank's incremental amount and growth rate of property loans both declined further compared with the previous year.

- Local Government Financing Vehicle (LGFV) loans: During the reporting period, the Bank strictly controlled total LGFV loans to ensure that aggregate loan balance and balance of regulated loans remained compliant with regulatory requirements without exceeding the balances as at the end of the previous year; and made proactive efforts to restructure the existing LGFV loans, accelerated exit from customers whose loans should be either maintained or compressed, and focused on appropriate adjustment and balance of regional structure. As at the end of the reporting period, the balance and the proportion of the Bank's LGFV loans both declined dramatically compared with the end of the previous year, along with further optimized customer structure.

- Loans to industries with overcapacity: The Bank's loans to overcapacity industries took a relatively small proportion and were mainly concentrated in steel industry. To control credit risk of steel industry, the Bank pursued the policy of "controlling total credit volume, prioritizing credit to premium projects and restricting credit to the unqualified", focused on supporting large premium steel enterprises that satisfied green credit requirements and were competitive in cost, scale and products, and exerted stringent control over project loans to steel enterprises. In line with risk changes of steel trade industry during the year, the Bank, on the basis of controlling total credit, strictly reviewed truthfulness of trade backgrounds, reinforced loan disbursement and post-lending management and strengthened inspection of collaterals, third-party supervision companies and warehousing enterprises, putting overall risk under control. In addition, given the changing momentum of overcapacity industries including photovoltaic industry and ship building during the reporting period, the Bank timely adjusted its credit policy, strictly controlled new credit, and proactively reduced existing exposure to these industries.

Risk Management in Small Enterprise Finance

During the reporting period, the Bank enhanced risk management of small enterprise finance in a holistic manner by improving risk control system, upgrading risk management techniques, reinforcing credit risk monitoring and supervisory inspection and

- Implementation of the "embedded" review and approval system: The Bank fully implemented the "embedded" review and approval system at small enterprise finance centers bank-wide. On the basis of separating loan approval and extension process, the Bank improved its review and approval efficiency and professional risk control in the area of small enterprise finance.

- More intensive risk monitoring and risk analysis: The Bank conducted bank-wide risk monitoring of credit to small enterprises from multiple perspectives including region, sector and guarantee, etc., and carried out follow-up analysis regarding adjustment of the five-class classification of small enterprise loans. Its enhanced monitoring and control of business risk of small enterprises, summary and analysis of the features of such business risk and accumulation of data regarding default on the part of small enterprises provided data support for optimization of its small enterprise credit granting process and production of pertinent risk management and control measures.

- Better loan asset portfolio management: The Bank adopted measures to enhance loan asset portfolio management in small enterprise finance and developed rational loan asset structures so as to prevent systemic risk resulting from over concentration of lending to certain industries. Meanwhile, through its active attempts to promote the cluster credit granting model in coordination with the small enterprises cluster marketing feature, the Bank intensified risk limit management of small enterprise customers in different clusters and optimized its mix of loan asset portfolios.

- More stringent supervision and inspection: The Bank audited small enterprise finance services at key branches and urged the branches to rectify problematic areas as per the audit findings on a timely basis. Risk screenings of specialized business areas such as credit grant to and loan guarantees for small steel trade companies were reinforced, coupled by adoption of risk prevention and control measures.

Risk Management in Retail Credit Business

During the reporting period, the Bank responded to the macroscopic economic momentum and changes of regulatory requirements by making corresponding adjustment to its retail credit policy, intensifying retail credit risk control, and constructing the "embedded" review and approval system via assignment of full-time retail credit reviewers to front-desk business departments. These measures, while ensuring independent risk control, also improved efficiency of retail credit review and approval. During the reporting period, the Bank developed its systems for training in CCWA personal loan business and personnel qualification thereof, which strengthened its professional team of customer managers.

- Based on changes of the macro-economic situation and regulatory requirements, the Bank strictly implemented the government's macroscopic control policy to ensure operational compliance and risk controllability.

- By optimizing its product structure, prioritizing the development of personal business loans, innovating business model of personal business loans, and building up professional human resources, the Bank promoted business growth.

- The Bank completed the development of personal loan centers at branches, carried out compliance inspection of the branches in view of their construction of the centers and thereby supported the expansion of personal loan business to a large scale.

- The Bank strengthened post-lending management, ensured business compliance via special inspections and systematic monitoring, and prevented operation risk by means of system improvement and process development in combination with problems identified in both internal and external inspections.

- The Bank regularly monitored and announced internally asset quality of personal loans of the whole bank, and sped up collection of overdue loans via enhanced collection efforts.

Risk Management in Credit Card Business

During the reporting period, the Bank continued to improve the development of a whole-process (pre, during and post lending) comprehensive risk management system for credit card business, which ensured healthy business development.

- The Bank constructed "a system of counter-cycle credit risk management strategies based on the macro-economic risk early warning mechanism", conducted analysis of leading risk indicators that exerted greater impact on credit card business by fully sorting out external macro-economic data and internal customer data, perfected internal and external risk rating and prepared for corresponding countermeasures to escalate timeliness and sensitivity of early warning and efficiency of countermeasure implementation.

- The Bank improved the "Head Office-Credit Card Center-regional marketing service centers" risk management system, and regarded portfolio management of customer mix as the core focus and enhancement of the evaluation system as a priority task in its efforts to deepen reform of the risk management system and upgrade effectiveness of overall credit management.

- The Bank moved risk control ahead to ensure business development. Based on the dual-life cycle management system, the Bank established both internal and external economic warning mechanisms and enhanced operation risk assessment of new business areas and processes. Construction of a safe payment environment for online transactions was prioritized as a proactive response to new default risk resulting from innovation and development of payment tools and transaction models. Rules on early warning monitoring were developed to prevent cash-out risk and formation of a complete post-lending management chain covering risk monitoring, detection and elimination. Efforts were made to explore and develop differentiated collection strategies for improvement of collection efficiency via quantitative management of new platforms and tools for asset management.

- In parallel with application of multi-dimensional risk measurement tools in all key components of business credit management for better efficiency and effectiveness of business management, the Bank constructed and gradually practiced the differentiated pricing mechanism based on different risk profiles of credit product customer groups in combination with internal and external business development situations to upgrade product competitiveness. Further, the Bank improved development of its credit card business risk preference management system in parallel with implementation of the New Basel Capital Accord.

Risk Management in Treasury Business

During the reporting period, the Bank continued to prudently conduct its negotiable securities investment business and provide customers with risk avoiding and value adding services. With regard to Renminbi denominated bond investment, the Bank focused on premium enterprises in the relevant sectors as key investment targets. With regard to foreign currency denominated bond investment, the Bank adopted measures to adjust its asset structure in response to unfavorable situations resulting from the European sovereign debt crisis during the reporting period.

Loan Monitoring and Post-Lending Management

The Bank enhanced development of its credit management system for more refined management, and pushed credit management towards "substantive perfection".

During the reporting period, the Bank strengthened the construction of four systems, namely, the loan extension system, the early warning system, the risk dissolution system and the loan collection system, reinforced operation risk management for loan extension, upgraded the capacity for detection and mitigation of credit risk, and ensured timely full-amount recovery of loans. The Bank further refined and upgrade its credit management for better efficiency, effectiveness and service capacity; conducted more stringent indicator benchmarking and on-site inspection for better asset quality management; upgraded data quality and data analysis and advanced IT development for higher technology level of credit management; improved regulations and pushed for effective execution to escalate process and benchmarking management in credit business management; drove forward guidance and training efforts to upgrade the development of human resources; actively communicated information for more effective management of financial statements consolidation; and facilitated credit management in key business areas such as LGFV loans, key regions and key industries to mitigate risks in key areas.

Credit Risk Analysis

Distribution of Loans

The Group continuously optimized the geographical layout of credit assets, as a result of which, loans to different regions grew coordinately. The Group's loans were mainly granted 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 65.59% of the total. In 2012, the Bohai Rim registered the highest growth of incremental loans, an increase of RMB57.719 billion or 15.23% over the end of the previous year. In 2012, the Group proactively implemented relevant government policies on stimulating domestic demand and appropriately enhanced its support to some quality projects in Central and Western regions, as a result of which the proportion of loans to these two regions increased continuously. Increment of loans to the Central and Western regions reached RMB36.031 billion and RMB36.730 billion respectively, up by 19.25% and 20.77% respectively, exceeding the average growth rate by 3.29 and 4.81 percentage points respectively.

Concentration of Loans by Geographic Region

The Group

Unit: RMB million

	31 December 2012		31 December 2011	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Yangtze River Delta	**427,019**	**25.68**	375,635	26.19
Bohai Rim [1]	**436,743**	**26.26**	379,024	26.43
Pearl River Delta and West Strait	**226,989**	**13.65**	196,103	13.68
Central region	**223,232**	**13.43**	187,201	13.05
Western region	**213,609**	**12.85**	176,879	12.33
Northeastern region	**53,108**	**3.19**	46,425	3.24
Overseas	**82,201**	**4.94**	72,770	5.08
Total Loans	**1,662,901**	**100.00**	1,434,037	100.00

Note: (1) Including the Head Office.

The Bank

Unit: RMB million

	31 December 2012		31 December 2011	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Yangtze River Delta	**424,908**	**26.95**	373,731	27.54
Bohai Rim [(1)]	**435,620**	**27.63**	378,142	27.86
Pearl River Delta and West Strait	**226,148**	**14.34**	194,949	14.36
Central region	**223,232**	**14.16**	187,201	13.79
Western region	**213,609**	**13.55**	176,879	13.03
Northeastern region	**53,108**	**3.37**	46,425	3.42
Total Loans	**1,576,625**	**100.00**	1,357,327	100.00

Note: (1) 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 RMB1,253.260 billion, up by RMB136.871 billion or 12.26% over the end of the previous year; personal loans grew at a fast pace with balance proportion going up to 20.12%, an increase of RMB66.450 billion or 24.78% over the end of the previous year, 8.82 percentage points above the average growth rate; and balance of discounted bills reached RMB74.994 billion, up by RMB25.543 billion or 51.65% and a slight proportional increase over the end of the previous year.

The Group

Unit: RMB million

	31 December 2012		31 December 2011	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**1,253,260**	**75.37**	1,116,389	77.85
Personal loans	**334,647**	**20.12**	268,197	18.70
Discounted bills	**74,994**	**4.51**	49,451	3.45
Total loans	**1,662,901**	**100.00**	1,434,037	100.00

The Bank

Unit: RMB million

	31 December 2012		31 December 2011	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Corporate loans	**1,188,415**	**75.38**	1,058,128	77.96
Personal loans	**320,044**	**20.30**	253,867	18.70
Discounted bills	**68,166**	**4.32**	45,332	3.34
Total loans	**1,576,625**	**100.00**	1,357,327	100.00

Structure of Personal Loans

In 2012, the Group enjoyed relatively fast expansion of retail loan business, with a loan balance of RMB334.647 billion, up by RMB66.450 billion or 24.78% over the end of the previous year, of which the balance of credit card loans reached RMB54.165 billion, up by 68.57% over the end of the previous year, 43.79 percentage points above the average growth rate; personal consumer and non-consumer loans grew markedly, with the loan balance reaching RMB85.868 billion, up by 50.18% over the end of the previous year, 25.41 percentage points above the average growth rate; and housing mortgage loans grew steadily, registering an 8.79% increase over the end of the previous year.

The Group

Unit: RMB million

	31 December 2012		31 December 2011	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Housing mortgage loans	**194,614**	**58.15**	178,888	66.70
Credit card loans	**54,165**	**16.19**	32,133	11.98
Others	**85,868**	**25.66**	57,176	21.32
Total personal loans	**334,647**	**100.00**	268,197	100.00

The Bank

Unit: RMB million

	31 December 2012		31 December 2011	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Housing mortgage loans	185,935	58.10	169,763	66.87
Credit card loans	53,930	16.85	31,903	12.57
Others	80,179	25.05	52,201	20.56
Total personal loans	320,044	100.00	253,867	100.00

Concentration of Loans by Sector

In 2012, the Group intensified its efforts in adjusting sector structure, prioritizing allocation of credit resources to the real economy and supply chain finance while tightening risk control over sectors that suffered over capacity or heavy impact of the macro-economic control policy. The prerequisite of total volume control was observed and caution was exercised when granting loans to the real estate sector. New loans to the real estate sector were concentrated in the top 100 property developers nation wide and premium regional property developers that had rich property development experiences and strong resources while project collaterals and closed fund management were insisted upon.

As at the end of the reporting period, corporate loan balance of the Group was RMB1,253.260 billion, up by RMB136.871 billion or 12.26% over the end of the previous year, of which, loan balances of the four sectors including manufacturing, wholesale/retail, transportation/warehousing/postal service, and real estate, accounted aggregately for 68.53%, or amounted to RMB356.625 billion, RMB232.252 billion, RMB135.952 billion and RMB133.927 billion respectively. In terms of the breakdown of increment, the wholesale/retail sector scored the fastest growth, registering an increase of RMB55.131 billion, or 31.13% over the end of the previous year, followed by manufacturing, which registered an increase of RMB54.810 billion or 18.16% over the end of the previous year; and the real estate sector took the third place, with an increase of RMB11.816 billion or 9.68% over the end of the previous year.

The Group effectively controlled its credit resources from flowing into sectors that featured long loan maturities, weak bargaining power and relatively low overall returns. As at the end of the reporting period, the loan balances of the three sectors, namely, production and supply of power/gas/water, water conservancy/environment/public utilities management, and public/and social organizations declined by RMB20.641 billion, RMB7.284 billion and RMB3.415 billion, respectively, or down by 25.81%, 10.38% and 16.16% respectively over the end of the previous year.

The Group

Unit: RMB million

	31 December 2012		31 December 2011	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Manufacturing	**356,625**	**28.46**	301,815	27.03
Transportation, warehousing and postal service	**135,952**	**10.85**	125,457	11.24
Production and supply of power, gas, water	**59,329**	**4.73**	79,970	7.16
Wholesale and retail	**232,252**	**18.53**	177,121	15.87
Real estate	**133,927**	**10.69**	122,111	10.94
Water conservancy, environment and public utilities management	**62,897**	**5.02**	70,181	6.29
Leasing and commercial services	**53,886**	**4.30**	50,495	4.52
Construction	**63,653**	**5.08**	58,734	5.26
Public and social organizations	**17,723**	**1.41**	21,138	1.89
Others	**137,016**	**10.93**	109,367	9.80
Total corporate loans	**1,253,260**	**100.00**	1,116,389	100.00

The Bank

Unit: RMB million

	31 December 2012		31 December 2011	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Manufacturing	**352,782**	**29.68**	295,684	27.94
Transportation, warehousing and postal service	**133,782**	**11.26**	123,333	11.66
Production and supply of power, gas, water	**59,017**	**4.97**	79,584	7.52
Wholesale and retail	**220,334**	**18.54**	171,650	16.22
Real estate	**127,183**	**10.70**	111,028	10.50
Water conservancy, environment and public utilities management	**62,897**	**5.29**	70,181	6.63
Leasing and commercial services	**53,710**	**4.52**	50,376	4.76
Construction	**63,403**	**5.34**	58,535	5.53
Public and social organizations	**17,723**	**1.49**	21,063	1.99
Others	**97,584**	**8.21**	76,694	7.25
Total corporate loans	**1,188,415**	**100.00**	1,058,128	100.00

Breakdown of Loans by Type of Guarantee

The Group continuously optimized the composition of guarantees and strengthened loan risk mitigation in 2012. The proportion of the balance of unsecured loans continued to decline, while the proportion of the balance of collateral and pledged loans kept rising. As at the end of the reporting period, the balance of collateral and pledged loans stood at RMB840.161 billion, up by RMB128.443 billion or 18.05% over the end of the previous year, and the proportion reached 50.52%, 0.89 percentage point higher over the end of the previous year; the balance of unsecured and guaranteed loans amounted to RMB747.746 billion, accounted for 44.97% of total loans, down by 1.95 percentage points over the end of the previous year.

The Group

Unit: RMB million

Type of Guarantee	31 December 2012 Balance	31 December 2012 Proportion (%)	31 December 2011 Balance	31 December 2011 Proportion (%)
Unsecured loans	**329,704**	**19.83**	329,615	22.98
Guaranteed loans	**418,042**	**25.14**	343,253	23.94
Collateral loans	**630,393**	**37.91**	523,632	36.51
Pledged loans	**209,768**	**12.61**	188,086	13.12
Subtotal	**1,587,907**	**95.49**	1,384,586	96.55
Discounted bills	**74,994**	**4.51**	49,451	3.45
Total loans	**1,662,901**	**100.00**	1,434,037	100.00

The Bank

Unit: RMB million

Type of Guarantee	31 December 2012 Balance	31 December 2012 Proportion (%)	31 December 2011 Balance	31 December 2011 Proportion (%)
Unsecured loans	**317,351**	**20.13**	318,333	23.45
Guaranteed loans	**390,625**	**24.78**	325,259	23.96
Collateral loans	**595,688**	**37.78**	487,902	35.95
Pledged loans	**204,795**	**12.99**	180,501	13.30
Subtotal	**1,508,459**	**95.68**	1,311,995	96.66
Discounted bills	**68,166**	**4.32**	45,332	3.34
Total loans	**1,576,625**	**100.00**	1,357,327	100.00

Concentration of Borrowers of Corporate Loans

The Group emphasizes centralized risk control over the concentration of borrowers of its corporate loans. During the reporting period, the Group complied with the applicable regulatory requirements related to 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 2012**	31 December 2011	31 December 2010
Percentage of loans to the largest single customer (%)	≦10	**3.80**	3.78	5.21
Percentage of loans to the top 10 customers (%)	≦50	**20.98**	22.12	30.01

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.

The Group

Unit: RMB million

		31 December 2012		
	Sector	**Amount**	**Percentage in total loans *(%)***	**Percentage in regulated capital *(%)***
Borrower A	Public and social organizations	10,000	0.60	3.80
Borrower B	Manufacturing	8,100	0.49	3.07
Borrower C	Transportation, warehousing and postal service	7,985	0.48	3.03
Borrower D	Real estate	7,000	0.42	2.66
Borrower E	Mining	5,099	0.31	1.94
Borrower F	Transportation, warehousing and postal service	4,241	0.26	1.61
Borrower G	Transportation, warehousing and postal service	4,005	0.24	1.52
Borrower H	Transportation, warehousing and postal service	3,260	0.20	1.24
Borrower I	Production and supply of power, gas and water	3,004	0.18	1.14
Borrower J	Transportation, warehousing and postal service	2,563	0.15	0.97
Total loans		**55,257**	**3.33**	**20.98**

The Group focuses on supporting large-scale premium infrastructure projects and large premium customers. As at the end of the reporting period, total balance of loans from the Group to the top 10 corporate customers amounted to RMB55.257 billion, accounting for 3.33% of its total loans and 20.98% of its net capital, down by 1.14 percentage points over the end of 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 (NPL).

In 2012, the Bank continued to enhance its centralized management of classified loan risks. While adhering to the core criteria of "safety of loan collection", the Bank treated different classes of loans 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; afterward credit departments of branches propose preliminary opinions, followed by initial identification by credit management departments of branches; then the persons in charge of risk management at the branches review the results; finally the Head Office finalizes the identification. To those loans with material changes in risk profiles, the Bank conducts dynamic adjustment to classification.

During the reporting period, thanks to continuing collaboration with the external auditor, the Bank completed sample review of credit quality and risk classification (focusing on LGFV loans and loans to SMEs), and further enhanced truthfulness and accuracy of loan risk classification.

The Group

Unit: RMB million

	31 December 2012		31 December 2011	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Normal	**1,631,235**	**98.09**	1,410,760	98.37
Special mention	**19,411**	**1.17**	14,736	1.03
Sub-standard	**6,448**	**0.39**	3,740	0.26
Doubtful	**4,778**	**0.29**	3,827	0.27
Loss	**1,029**	**0.06**	974	0.07
Total Loans	**1,662,901**	**100.00**	1,434,037	100.00
Performing loans	**1,650,646**	**99.26**	1,425,496	99.40
Non-performing loans	**12,255**	**0.74**	8,541	0.60

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 2012		31 December 2011	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Normal	**1,546,363**	**98.08**	1,335,852	98.42
Special mention	**18,393**	**1.17**	13,502	0.99
Sub-standard	**6,403**	**0.41**	3,486	0.26
Doubtful	**4,459**	**0.28**	3,529	0.26
Loss	**1,007**	**0.06**	958	0.07
Total Loans	**1,576,625**	**100.00**	1,357,327	100.00
Performing loans	**1,564,756**	**99.25**	1,349,354	99.41
Non-performing loans	**11,869**	**0.75**	7,973	0.59

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

As at the end of the reporting period, the balance of normal loans increased by RMB220.475 billion over the end of the previous year, accounting for 98.09% of the total loans, down by 0.28 percentage point over the end of the previous year. The balance of special-mention loans rose by RMB4.675 billion, accounting for 1.17% of the total loans, up by 0.14 percentage point over the end of the previous year. The rise of the balance and proportion of special-mention loans was mainly due to the Group's adoption of stringent criteria of classification as expressed in prudent downgrading of some normal loans exhibiting risks such as overdue to the special-mention class.

As at the end of the reporting period, the Group managed to basically maintain the quality of loans at higher than industrial average level in the overall sense. The balance of NPL, as recognized according to the regulatory risk classification standard, was RMB12.255 billion, up by RMB3.714 billion over the end of the previous year; and NPL ratio was 0.74%, up by 0.14 percentage point over the end of the previous year. In terms of the composition of NPL, the balance of sub-standard loans went up by RMB2.708 billion over the end of the previous year, representing an increase of 0.13 percentage point in terms of proportion in total loans, which was mainly due to the appearance of credit risk and the consequent NPL among private SMEs in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim due to impact of the macro-economic and monetary policies. The balances of doubtful and loss loans both slightly increased compared with those at the end of the previous year while their respective proportions in total loans basically remained unchanged, mainly because the Group strengthened its collection and disposal of such loans. During the reporting period, the Group wrote off RMB740 million NPL principals.

During the reporting period, the Group witnessed "dual slight rise" of both NPL balance and NPL ratio, which was consistent with the marked slowdown of China's macroeconomic growth in 2012. Since the beginning of 2012, the Group had faced up to the possible decline of loan quality with preliminary judgement and response preparation. Thanks to an array of measures for risk prevention, control and mitigation adopted throughout the year, the Group achieved relatively steady changes in loan quality and put growth of NPL basically within expected range.

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 2012	31 December 2011	31 December 2010
Migration ratio from normal loans (%)	**1.16**	1.06	0.83
Migration ratio from special mention loans (%)	**6.35**	6.37	5.09
Migration ratio from sub-standard loans (%)	**24.06**	8.22	28.65
Migration ratio from doubtful loans (%)	**5.70**	2.27	7.32
Migration ratio from performing loans to non-performing loans (%)	**0.36**	0.21	0.10

As at the end of the reporting period, the Bank recorded slight rise in the migration ratio from normal loans compared with that at the end of the previous year. The main underlying reason was increasing credit risk on the part of the borrowers due to the impacts of multiple factors including slowdown of macro-economic growth, insufficient domestic and overseas demands and tightening monetary policy, which led to more loans migration from normal to non-performing.

Loans Overdue

The Group

Unit: RMB million

	31 December 2012		31 December 2011	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Loans repayable on demand	**1,641,416**	**98.71**	1,423,305	99.25
Loans overdue [(1)]				
1-90 days	**11,703**	**0.70**	5,131	0.36
91-180 days	**2,991**	**0.18**	528	0.04
181 days or above	**6,791**	**0.41**	5,073	0.35
Subtotal	**21,485**	**1.29**	10,732	0.75
Total loans	**1,662,901**	**100.00**	1,434,037	100.00
Loans overdue for 91 days or above	**9,782**	**0.59**	5,601	0.39
Restructured loans [(2)]	**4,775**	**0.29**	3,184	0.22

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 2012		31 December 2011	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Loans repayable on demand	**1,555,889**	**98.68**	1,347,890	99.30
Loans overdue [(1)]				
1-90 days	**11,297**	**0.72**	4,195	0.31
91-180 days	**2,987**	**0.19**	509	0.04
181 days or above	**6,452**	**0.41**	4,733	0.35
Subtotal	**20,736**	**1.32**	9,437	0.70
Total loans	**1,576,625**	**100.00**	1,357,327	100.00
Loans overdue for 91 days or above	**9,439**	**0.60**	5,242	0.39
Restructured loans [(2)]	**4,056**	**0.26**	2,413	0.18

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.

During the reporting period, the Group saw larger incremental amount of overdue loans than the previous year due to impact of the external economic situation. As at the end of the reporting period, the proportion of overdue loans in total loans increased by 0.54 percentage point over the end of the previous year, of which 54% were short-term and temporary overdue loans with a maturity of less than 3 months. These loans were overdue because the borrowers suffered from tight fund chains or even break of fund chains as a result of longer cycle for cash recovery, greater difficulty in obtaining bank finance or reduction of bank loans. Thanks to reinforced monitoring of overdue loan principals and interests, and to accelerated recovery of overdue loans, the Group maintained a basically stable higher than 99% recovery ratio of loans upon maturity.

Breakdown of NPL by Product

The Group

Unit: RMB million

	31 December 2012			31 December 2011		
	Balance	**Proportion**	**NPL ratio**	Balance	Proportion	NPL ratio
		(%)	***(%)***		*(%)*	*(%)*
Corporate loans	**10,963**	**89.45**	**0.87**	7,666	89.76	0.69
Personal loans	**1,284**	**10.48**	**0.38**	875	10.24	0.33
Discounted bills	**8**	**0.07**	**0.01**	—	—	—
Total	**12,255**	**100.00**	**0.74**	8,541	100.00	0.60

The Bank

Unit: RMB million

	31 December 2012			31 December 2011		
	Balance	**Proportion**	**NPL ratio**	Balance	Proportion	NPL ratio
		(%)	***(%)***		*(%)*	*(%)*
Corporate loans	**10,588**	**89.20**	**0.89**	7,110	89.18	0.67
Personal loans	**1,273**	**10.73**	**0.40**	863	10.82	0.34
Discounted bills	**8**	**0.07**	**0.01**	—	—	—
Total	**11,869**	**100.00**	**0.75**	7,973	100.00	0.59

As at the end of the reporting period, the Group saw "dual slight rise" of both corporate and personal NPL. The balance of corporate NPL and corporate NPL ratio increased by RMB3.297 billion and 0.18 percentage point respectively; while the balance of personal NPL and personal NPL ratio grew by RMB409 million and 0.05 percentage point respectively. Quality of discounted bills remained excellent.

Breakdown of Personal NPL

The Group

Unit: RMB million

	31 December 2012			31 December 2011		
	Balance	**Proportion** *(%)*	**NPL ratio** *(%)*	Balance	Proportion *(%)*	NPL ratio *(%)*
Credit card loans	**723**	**56.31**	**1.33**	518	59.20	1.61
Housing mortgage loans	**216**	**16.82**	**0.11**	184	21.03	0.10
Others	**345**	**26.87**	**0.40**	173	19.77	0.30
Total	**1,284**	**100.00**	**0.38**	875	100.00	0.33

The Bank

Unit: RMB million

	31 December 2012			31 December 2011		
	Balance	**Proportion** *(%)*	**NPL ratio** *(%)*	Balance	Proportion *(%)*	NPL ratio *(%)*
Credit card loans	**717**	**56.32**	**1.33**	518	60.02	1.62
Housing mortgage loans	**215**	**16.89**	**0.12**	175	20.28	0.10
Others	**341**	**26.79**	**0.43**	170	19.70	0.33
Total	**1,273**	**100.00**	**0.40**	863	100.00	0.34

As at the end of the reporting period, the Group's personal loans maintained good quality. The increase in the balance of personal NPL was mainly concentrated in credit card business, which was consistent with the high-risk high-yield feature of credit card business. Housing mortgage loans enjoyed the highest quality with NPL ratio being much lower than the average of retail loans.

Breakdown of NPL by Geographic Region

The Group

Unit: RMB million

	31 December 2012			31 December 2011		
	Balance	**Proportion** *(%)*	**NPL ratio** *(%)*	Balance	Proportion *(%)*	NPL ratio *(%)*
Yangtze River Delta	**5,275**	**43.04**	**1.24**	2,191	25.65	0.58
Bohai Rim	**2,581**	**21.06**	**0.59**	2,208	25.85	0.58
Pearl River Delta and West Strait	**2,244**	**18.31**	**0.99**	2,125	24.88	1.08
Central region	**625**	**5.10**	**0.28**	542	6.35	0.29
Western region	**492**	**4.01**	**0.23**	493	5.77	0.28
Northeastern region	**715**	**5.84**	**1.35**	481	5.63	1.04
Overseas	**323**	**2.64**	**0.39**	501	5.87	0.69
Total	**12,255**	**100.00**	**0.74**	8,541	100.00	0.60

The Bank

Unit: RMB million

	31 December 2012			31 December 2011		
	Balance	**Proportion** *(%)*	**NPL ratio** *(%)*	Balance	Proportion *(%)*	NPL ratio *(%)*
Yangtze River Delta	**5,257**	**44.29**	**1.24**	2,169	27.20	0.58
Bohai Rim	**2,536**	**21.37**	**0.58**	2,208	27.69	0.58
Pearl River Delta and West Strait	**2,244**	**18.91**	**0.99**	2,079	26.08	1.07
Central region	**625**	**5.26**	**0.28**	542	6.80	0.29
Western region	**492**	**4.15**	**0.23**	493	6.18	0.28
Northeastern region	**715**	**6.02**	**1.35**	482	6.05	1.04
Total	**11,869**	**100.00**	**0.75**	7,973	100.00	0.59

In 2012, due to the impact of multiple factors including slowdown of macro-economic growth, insufficient domestic and overseas demand and tightening monetary policy, some SMEs in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim where the private economy, export processing and international trade used to be economic highlights suffered tight fund chains or break of fund chains and greater difficulty in obtaining bank finance, which led to quality deterioration of loans in these areas. Incremental NPL of the Group were mainly concentrated in these localities. Thanks to effective risk mitigation measures, however, the Group managed to control its balance and ratio of NPL both under the expected levels.

As at the end of the reporting period, balance of NPL in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim increased by RMB3.084 billion, RMB373 million and RMB119 million respectively over the end of the previous year; and the corresponding NPL ratios for these three areas rose by 0.66, 0.01 and declined by 0.09 percentage point over the end of the previous year respectively. The overall domestic economic situation also led to slight increase in NPL in the Central and Northeastern regions for the Group. Compared with the end of the previous year, quality of the Group's overseas loans enjoyed continuous improvement with "dual decline" in both the balance and ratio of NPL. In general, the Group's NPL ratios in Central Region, Western Region, the Bohai Rim and overseas regions were better than average.

Breakdown of Corporate NPL by Sector

The Group

Unit: RMB million

Unit: RMB million

	31 December 2012			31 December 2011		
	Balance	**Proportion** *(%)*	**NPL ratio** *(%)*	Balance	Proportion *(%)*	NPL ratio *(%)*
Manufacturing	**4,272**	**38.96**	**1.20**	2,294	29.92	0.76
Transportation, warehousing and postal service	**207**	**1.89**	**0.15**	1,095	14.28	0.87
Production and supply of power, gas and water	**188**	**1.72**	**0.32**	219	2.85	0.27
Wholesale and retail	**4,765**	**43.46**	**2.05**	1,393	18.17	0.79
Real estate	**353**	**3.22**	**0.26**	889	11.60	1.00
Leasing and commercial services	**270**	**2.46**	**0.50**	328	4.28	0.65
Water conservancy, environment and public utilities management	**85**	**0.78**	**0.13**	485	6.33	0.69
Construction	**241**	**2.20**	**0.38**	130	1.70	0.22
Public and social organizations	**—**	**—**	**—**	—	—	—
Others	**582**	**5.31**	**0.43**	833	10.87	0.76
Total	**10,963**	**100.00**	**0.87**	7,666	100.00	0.69

The Bank

Unit: RMB million

	31 December 2012			31 December 2011		
	Balance	**Proportion** *(%)*	**NPL ratio** *(%)*	Balance	Proportion *(%)*	NPL ratio *(%)*
Manufacturing	**4,189**	**39.56**	**1.19**	2,216	31.17	0.75
Transportation, warehousing and postal service	**204**	**1.93**	**0.15**	1,092	15.36	0.89
Production and supply of power, gas and water	**188**	**1.78**	**0.32**	219	3.08	0.28
Wholesale and retail	**4,740**	**44.76**	**2.15**	1,368	19.24	0.80
Real estate	**335**	**3.16**	**0.26**	843	11.86	1.08
Leasing and commercial services	**270**	**2.55**	**0.50**	328	4.61	0.65
Water conservancy, environment and public utilities management	**85**	**0.80**	**0.13**	485	6.82	0.69
Construction	**241**	**2.28**	**0.38**	130	1.83	0.22
Public and social organizations	**—**	**—**	**—**	—	—	—
Others	**336**	**3.18**	**0.35**	429	6.03	0.56
Total	**10,588**	**100.00**	**0.89**	7,110	100.00	0.67

In 2012, the Group withstood the pressure of loan quality rebound by controlling the rise in both the balance and ratio of NPL over the end of the previous year under the acceptable levels. As at the end of the reporting period, the Group's NPL balances of wholesale and retail and manufacturing increased by RMB3.372 billion and RMB1.978 billion respectively over the end of the previous year, and the NPL ratios of the two sectors increased by 1.26 and 0.44 percentage points respectively over the end of the previous year, which was positively related to the highest proportions of loan balances of these two sectors. Transportation/warehousing/postal service, real estate, and water conservancy/environment/public utilities management enjoyed marked improvement of their loan quality over the end of the previous year, with their NPL balances reduced by RMB888 million, RMB536 million and RMB400 million respectively, and NPL ratios down by 0.72, 0.73 and 0.56 percentage point respectively. Real estate, in particular, for the first time recorded an NPL ratio better than the Group average.

Analysis of Provision for Loan Impairment

Changes in Provision for Loan Impairment

The Group set aside adequate provisions for loan impairment in a timely manner according to the principle of prudence 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 2012	As of 2011
Beginning balance	**23,258**	18,219
Accruals during the year (1)	**12,804**	5,734
Reversal of impairment allowances (2)	**(206)**	(141)
Transfer out (3)	**(54)**	(37)
Write-offs	**(742)**	(683)
Recoveries of loans and advances written off in previous years	**265**	166
Ending balance	**35,325**	23,258

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 2012	As of 2011
Beginning balance	**22,818**	17,660
Accruals during the year (1)	**12,733**	5,747
Reversal of impairment allowances (2)	**(202)**	(131)
Transfer out (3)	**(54)**	(14)
Write-offs	**(659)**	(586)
Recoveries of loans and advances written off in previous years	**241**	142
Ending balance	**34,877**	22,818

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.

As at the end of the reporting period, the Group's balance of provision for loan impairment was RMB35.325 billion, an increase of RMB12.067 billion over the end of the previous year. The Group's provision coverage ratio and the ratio of provision for loan impairment to total loans were 288.25% and 2.12% respectively, up by 15.94 percentage points and 0.50 percentage point respectively over the end of the previous year.

Management of Market Risk

Market risk refers to the risk of on and off-balance sheet losses resulting from unfavorable changes in market prices (including interest rate, exchange rate, stock price and commodity price). The main market risk confronting the Bank includes 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 quota management, thereby controlling potential market risk below the acceptable level and increasing risk-adjusted returns.

During the reporting period, in response to the volatile markets at home and abroad, the Bank optimized its market risk authorization structure, established a three-level risk limit system, improved the efficiency of daily review and approval, and reasonably adjusted its risk limit. The Bank also strengthened its day-to-day independent monitoring of market risk and improved quality of risk reporting and analysis. Moreover, the Bank enhanced institutional development of market risk policies and optimized the corresponding procedure system. Through reasonable risk control and proactive management of market risk, the Bank supported healthy development of related business with overall risk under control.

Management of Interest Rate Risk

Interest rate risk refers to the risk of losses to overall earnings and economic value of bank accounts resulting from unfavorable changes in factors such as interest rate and maturity structure, including repricing risk, yield curve risk, benchmark risk and option risk. With repricing risk and benchmark risk being its main sources of risk, the Bank managed its interest rate risk for the overall objective of observing the principle of prudent risk appetite and achieving steady growth of both net interest income and economic value with a tolerable interest rate level.

In 2012, domestic market interest rates dropped amid fluctuations while overall loan pricing of financial institutions were on the downward track in China due to the impact of the domestic and overseas economic and financial situations. In parallel with the two consecutive cuts of benchmark Renminbi deposit and loan interest rates in June and July 2012, the PBC also expanded the range of interest rate float. With continuous progress of the market-oriented interest rate reform, commercial banks in China will face more severe challenges in pricing management.

As a response to the market-oriented interest rate reform, the Bank centralized its interest rate risk through its FTP mechanism for uniform risk management, and carried out timely adjustments to the FTP prices to optimize its assets and liabilities structure. While ensuring risk controllability, the Bank reinforced pricing management in line with macro control of credit scale and market changes, guided branches to make scientific rational customer quotes with the use of advanced pricing management tools, combined pricing authorization and interest rate approval to motivate business units for better pricing management and higher returns on assets. Meanwhile, thanks to its forecast of macro-economic movement and early adoption of the strategy of extending the loan repricing cycle, the Bank mitigated negative impact of the policy on expanding floating range of loan and deposit rates during the reporting period.

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	54,013	1,811,094	876,022	150,376	68,434
Total liabilities	61,837	1,919,278	542,635	188,924	44,179
Interest rate gap	(7,824)	(108,184)	333,387	(38,548)	24,255

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	56,979	1,702,326	862,873	147,027	68,427
Total liabilities	49,936	1,846,599	519,177	184,235	40,619
Interest rate gap	7,043	(144,273)	343,696	(37,208)	27,808

Management of Exchange Rate Risk

Exchange rate risk refers to the risk of on and off-balance sheet business losses of a bank resulting from unfavorable changes of exchange rate. The Bank measures exchange rate risk mainly through the analysis of foreign exchange exposure that consists of trading and non-trading exposures. Trading exposure mainly results from the position in foreign exchange trading, while non-trading exposure mainly arises from foreign currency capital and foreign currency profit. The Bank manages 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 makes appropriate use of derivatives, mainly foreign exchange swap, to manage foreign currency assets and liability portfolios.

Exchange rate risk of the Bank is mainly impacted by the fluctuations of RMB exchange rate against the US dollar. During the reporting period, the Bank took the initiative to control market risk, adjusted risk limit according to both market and PBC policy changes, enhanced management and control of foreign exchange exposure and ensured controllability of its exchange rate risk.

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

The Group

Unit: RMB million

Item	USD	HKD	Other currencies	Total
Net on-balance sheet position	6,313	(8,370)	(20,127)	(22,184)
Net off-balance sheet position	(7,699)	20,945	19,847	33,093
Total	(1,386)	12,575	(280)	10,909

The Bank

Unit: RMB million

Item	USD	HKD	Other currencies	Total
Net on-balance sheet position	(7,302)	(4,564)	(12,285)	(24,151)
Net off-balance sheet position	6,152	4,209	11,964	22,325
Total	(1,150)	(355)	(321)	(1,826)

Liquidity Risk Management

Liquidity risk refers to the risk that the Bank is unable to obtain adequate capital in a timely manner or at reasonable costs in a timely manner to meet customer need for withdrawing matured liabilities and its own need for growing the asset business. Liquidity risk of the Bank is mainly caused by the maturity mismatch between assets and liabilities, pre-maturity or concentrated withdrawal of money by customers and business activities such as funding loans, transactions, and investments.

The objective of liquidity management of the Bank is to identify, measure and monitor liquidity risk, control liquidity risk below the tolerable level, and thereby ensure normal operation and sound development of the Bank's business 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 of the Bank, and managing liquidity risks at the legal entity level in a centralized manner. Domestic branches, in accordance with requirements of the Head Office, are responsible for fund management within their respective authorization and terms of reference. All domestic and overseas affiliates are responsible for developing their own strategies and procedures for liquidity risk management in accordance with the requirements of regulatory authorities within the Group's master policy framework of liquidity risk management.

During the reporting period, the PBC implemented prudent monetary policy, and satisfied rational liquidity needs of the banking system via two downward adjustments of the statutory deposit reserve ratio and continuous operation of open-market reverse repurchase, as a result of which, market liquidity remained stable in the overall sense. Due to the impact of various factors including payment and deposit of fiscal tax revenues, holidays and changes in funds outstanding for foreign exchange, etc., however, multiple periodical liquidity fluctuations did appear.

The Bank continuously reinforced institutional development for liquidity risk management in parallel with better relevant implementation outlines and emergency response plans. In addition to active practice of the three-tier liquidity reserve management system and intensive monitoring of cash flow gap risk, the Bank also emphasized scenario analysis and stress test, and ensured applicability of emergency response plans for liquidity risk management through real rehearsals. By keeping a close eye on impact of external policy developments, its own asset-liability structural changes, and innovative products and new business items on its liquidity profile, the Bank dynamically adjusted its liquidity management strategies, made full use of money market instruments such as inter-bank lending and borrowing, continued to diversify the allocation of highly liquid assets such as deposits with banks and non-bank financial institutions and inter-bank discount repurchase, maintained smooth financing channels including the money market and the open market, and pursued maximization of fund operation profits under the prerequisite of controllable liquidity risk and steady development of other business items including credit extension and debt securities investment. In addition, steady progress of the liquidity risk management information system helped the Bank improve its management approaches and technologies and thereby enhance its liquidity risk management.

As at the end of the reporting period, liquidity gaps are set out as follows:

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
(1,075,837)	(2,151)	354,494	240,366	298,748	387,466	203,086

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
(1,046,154)	(941)	344,475	221,859	284,635	393,192	197,066

Operation Risk Management and Anti-Money Laundering

Operation Risk Management

Operation risk refers to the risk of losses resulting from imperfect or deficient internal procedures, employees and IT systems and external incidents, including legal risk but excluding strategic risk and reputation risk. In terms of operation risk management, the Bank identifies, evaluates, monitors, controls, mitigates and reports operation risk via the construction of an operation risk management framework. Risk management and control measures are adopted by the Bank to reduce losses arising from operation risk, promote development of an operation risk management system and refine the operation risk management mechanism for dynamic management and continuous improvement.

During the reporting period, the Bank further defined operation risk appetite and tolerance, established and improved various operation risk management regulations, developed the operation risk management system, initiated application of the three major tools for operation risk management, enhanced training in professional operation risk management, publicized and advocated high-standard employee codes of conduct and clear risk bottom lines of the Bank, created an operation risk management environment with joint participation of all staff and made preliminary efforts to prepare for application regarding regulatory compliance with the New Capital Accord.

The Bank was free of material loss incidents resulting from operation risk during the reporting period, with its overall risk profile evaluated at medium to low level.

Anti-Money Laundering

During the reporting period, in line with the Law of the People's Republic of China on Anti-Money Laundering and relevant departmental rules and regulations on anti-money laundering stipulated by regulators, the Bank diligently fulfilled its anti-money laundering obligations by efforts against money laundering on all fronts and effective implementation of regulatory requirements.

- Implementation of internal regulations on anti-money laundering monitoring, judgment, recording, analysis and reporting: Various effective means were adopted to report suspicious large-amount payments, with close attention paid to the money flow and usage of suspicious transaction funds from money laundry and terrorist financing.

- Implementation of regulatory requirements: The Bank strictly executed anti-money laundering regulations including customer ID identification, maintenance of customer identity information and transaction records, and classified management of customer risk levels, explored for the construction of a practical system for reporting of suspicious transactions, and thereby effectively prevented money laundering risk.

- Intensive training on anti-money laundering: Trainings were organized in various forms for managers at different levels and staff in general to enhance awareness of anti-money laundering throughout the Bank and build up employee capacity against money laundering in terms of job skills and identification of suspicious transactions.

Reputation Risk Management

Reputation risk refers to the risk of negative assessment of a commercial bank by its stakeholders due to the bank's operational, managerial or other behavior or external incidents. A reputation incident refers to any behavior or incident that triggers reputation risk of a commercial bank.

During the reporting period, the Bank amended the Measures of China CITIC Bank Corporation Limited for Management of Reputation Risk, and urged its subordinate units to develop implementation rules for the Measures. By improving its reputation risk management mechanisms, upgrading its public opinion monitoring system, and reinforcing training of reputation risk managers, the Bank further enhanced its reputation risk management.

Capital Management

The Group's capital management serves the following objectives: (1) to establish normal capital management and control processes and dynamic capital replenishment mechanisms, maintain a reasonable capital adequacy ratio, keep satisfying regulatory requirements, prevent potential risks in all categories and ensure safe operation of the Bank; (2) to optimize allocation of capital resources, guide business behavior and increase shareholder value on the basis of risk capital and the strategic orientation; and (3) to optimize aggregate quantity and overall structure of capital and reduce capital financing cost with the use of various capital instruments.

The Group adopted the following capital management strategies: (1) formulating a scientific capital plan with dynamic adjustment in line with economic and financial situations; (2) developing practical capital adequacy ratio plans at different stages to define target ranges of capital adequacy ratio, set up internal capital alert, regularly monitor capital adequacy situation of the Group, maintain rational growth of risk assets and manage capital in a proactive manner; (3) reinforcing the capital constraint mechanism with effective measures to improve capital use efficiency. A performance evaluation system focusing on "economic profits" and "return on risk capital" was practiced throughout the Group. The system for internal guidance of economic capital was leveraged to realize optimum allocation of economic capital among various entities, products and industries of the Group; and (4) rational application of various capital instruments to optimize overall capital quantity and structure and reduce financing cost.

In 2012, in response to the requirements of changing external situations and internal management, the Group continued to improve its process of capital management and enhanced such management from the perspectives of capital planning, replenishment, allocation and evaluation: (1) based on its medium and long-term capital plans, the Group developed its annual economic capital management plan and conducted rolling monitoring and analysis accordingly; (2) through guidance by internal economic measures, the Group optimized allocation of capital in different geographical regions and business areas; (3) the Group enhanced its operation and management assessment system centering around "return on risk capital"; (4) the Group successfully issued RMB20 billion subordinated debts in June 2012, further replenishing its supplementary capital and laying a foundation for meeting the new regulatory requirements; (5) the Group actively promoted upgrading of its risk measurement techniques, rendering strong technical support to refined capital management.

From 2013 onward, the Bank will calculate, manage and disclose its capital adequacy ratio according to the Interim Measures for Capital Management of Commercial Banks promulgated by the CBRC in June 2012. At present, the Bank has completed huge preparatory efforts in terms of capital reserve, institutional improvement, system development, talent introduction, training, publicity and advocacy to enhance its risk resistance, upgrade its capital management and ensure compliance with the new regulatory requirements.

Profit and Dividends Distribution

During the reporting period, for the purpose of implementing the CSRC Circular on Issues Related to Further Implementation of Cash Dividends Distribution by Listed Companies and CSRC Beijing Bureau's Circular on Issues Related to Further Enhancing Cash Dividends Distribution by Listed Companies, ensuring reasonable investment return to investors and enabling investors to develop stable expectations on investment returns, the Bank amended the provisions on profit distribution in its Articles of Association, further clarifying issues such as its policy on cash dividends distribution and payout ratio of cash dividends, etc. Specific amendments include the following:

(1) Basis for profit distribution: The amended provision clarifies that the basis for profit distribution is the parent company's after-tax profit as shown on the financial statements prepared in accordance with PRC GAAP.

(2) Principle for profit distribution: The sentence "and give considerations to long-term interests, overall interests of all shareholders and sustainable development of the Bank at the same time" was placed after the existing sentence "The profit distribution policy of the Bank shall focus on generating reasonable return for investors and maintain policy continuity and stability".

(3) Intervals for profit distribution: a provision was added stating that interim profit distribution can be made where conditions permit.

(4) Forms of profit distribution: a new provision was added stipulating explicitly that the combination of cash and stock shall be allowed as a form of dividend distribution in addition to the existing cash or stock dividends distribution.

(5) Conditions and proportions for cash dividend distribution and reasons for no cash dividends distribution: The amended Articles of Association make it clear that the Bank shall distribute dividends mainly in the form of cash. Except under special circumstances, the Bank's annual profit distribution made in cash shall be no less than 10% of the parent company's after-tax profit. In case that no cash dividends will be distributed, the Bank shall explain the underlying reasons therefor and the usage of the retained earnings in the proposal submitted to the Shareholders' General Meeting for deliberation and disclose information thereof in its periodic reports.

(6) Conditions for distribution of stock dividends: The conditions for the Bank to distribute stock dividends were added to the existing clause, with the amended provision reading "In circumstances where the Bank operates well and where the Board of Directors believes that the stock price of the Bank mismatches its equity size and that distribution of stock dividends is beneficial to the overall interests of all shareholders of the Bank, a proposal on distribution of stock dividends may be produced and submitted to the Shareholders' General Meeting for approval and subsequent implementation, provided that the afore-mentioned conditions for cash dividend distribution are met."

(7) Review and deliberation procedures for adjusting the profit distribution policy: The review and deliberation procedures for adjusting the profit distribution policy were added, which reads "In the case of *force majeure* such as wars and natural disasters, changes in external business environment that have material impact on the Bank's business operation, or material changes in the Bank's own operation profiles, the Bank may adjust the profit distribution policy specified in the Articles of Association. When the Bank intends to adjust its profit distribution policy, a written proposal shall be prepared by the Board of Directors, reviewed and deliberated by the independent directors and submitted to the Shareholders' General Meeting for adoption in the form of a special resolution. For review and deliberation of matters concerning policy alteration regarding profit distribution, the Bank shall provide an online voting platform in accordance with the requirements of the securities regulatory authorities of the places where it is listed".

(8) Online voting: a provision was added stipulating that, for review and deliberation of proposals concerning profit distribution plans and policy adjustment for profit distribution, the Bank shall provide an online voting platform in accordance with the requirements of the securities regulatory authorities of the places where it is listed.

The above amendments to the Articles of Association of the Bank regarding the Bank's profit distribution policy were prepared by the Board of Directors, deliberated and adopted via voting at the Shareholders' General Meeting and officially became effective upon approval by the CBRC. The amendments regarding profit distribution policy provide for the minimum proportion of profit distribution made in cash under general circumstances, offer shareholders an online voting platform for participation in voting for the proposals on distribution plans, and thereby fully protect the legitimate rights and interests of minority investors. In the course of amending the Articles of Association, the Bank's independent directors expressed independent opinions and agreed to the amendments to the existing provisions on profit distribution in the Articles of Association. The conditions and procedures for profit distribution policy adjustment were compliant and transparent.

The Bank has not distributed profit through a transfer of capital reserve to share capital since its IPO. Cash dividends distribution of the Bank in the past three years is listed as follows:

Unit: RMB million

Year for which dividends are distributed	Cash dividends every ten shares (RMB yuan) (pre-tax)	Total amount of Cash dividends (pre-tax)	Net profit attributable to shareholders of the Bank	Distribution ratio (%) (Note)
2008	0.853	3,330	13,320	25.00%
2009	0.880	3,435	14,320	23.99%
Interim of 2011	0.550	2,573	15,024	17.13%
2011	1.450	6,784	30,819	22.01%

Note: Distribution ratio is the ratio of the total amount of cash dividends for the current period to the net profit attributable to the shareholders of the Bank on the consolidated financial statements.

After-tax profit as shown on the Bank's audited 2012 financial statements prepared in accordance with PRC GAAP and the International Financial Reporting Standards (IFRS), respectively, were both RMB30.180 billion.

The Bank transferred 10% of its after-tax profit as shown on the financial statements prepared in accordance with PRC GAAP to the statutory surplus reserve, which is RMB3.018 billion. The Bank allocated the general reserve of RMB14.5 billion. No discretionary reserve was allocated.

The Bank proposed to distribute final dividends for the year 2012 with a total amount of RMB7.018 billion, which shall be denominated and declared in Renminbi and paid to A-share holders in Renminbi and to H-share holders in Hong Kong dollar. Based on the total share capital of A shares and H shares, the final cash dividends will be RMB1.50 (pre-tax) for every 10 shares. The dividends for H share holders shall be paid in Hong Kong dollar, with the amount to be calculated in accordance with the average benchmark exchange rate of Renminbi to Hong Kong dollar as released by the PBC one week prior to the convening of the Shareholders' General Meeting (inclusive of the date of the Shareholders' General Meeting). No scheme for transfer of capital reserve to share capital will be applied for the current year. Retained profit after dividends payment shall be carried forward to the following year. The aforesaid profit distribution plan shall be submitted to the 2012 Annual Shareholders' General Meeting for approval and implementation thereafter.

In accordance with the Corporate Income Tax Law of the People's Republic of China effective since 1 January 2008 and its implementation rules, the Bank has the obligation to withhold and pay corporate income tax at the tax rate of 10% for dividends payable to non-resident corporate shareholders on its H-share register of members. All H shares held in the name of non-individual shareholders, including those registered in the name of Hong Kong Securities Clearing Company Nominee Limited, other agencies or trustees, other organizations or institutions, shall be deemed as shares held by non-resident corporate shareholders. As such, the dividends payable to these shareholders shall be subject to the corporate income withholding tax. For change of its shareholder identity, an H-share holder need inquire relevant agencies or trust organizations for formalities thereof. The Bank shall withhold and pay such corporate income tax in strict compliance with the law or requirements of the relevant governmental departments and based strictly on its H-share register of members as at 6 June 2013.

According to the provisions of the Notice of the State Administration of Taxation of the People's Republic of China on Collection and Administration of Individual Income Tax after Abolishment of the Guo Shui Fa [1993] No. 045 Document (Guo Shui Han [2011] No. 348, referred to as "the Notice" hereinafter), the Bank shall withhold and pay individual income tax for dividends payable to its individual H-share holders, while individual H-share holders of the Bank shall be entitled to relevant tax benefits pursuant to the tax agreements between their countries of domicile and China and the tax arrangements between mainland China and Hong Kong (Macau) SAR.

Where the individual H-share holder is a resident of Hong Kong SAR, Macau SAR, or a country that has agreed to a 10% dividends tax rate with China, the Bank shall withhold and pay individual income tax for the shareholder's dividends receivable at the tax rate of 10%.

Where the individual H-share holder is a resident of a country that has agreed to a lower than 10% dividends tax rate with China, the Bank shall withhold and pay individual income tax for the shareholder's dividends receivable at the tax rate of 10%. In accordance with the Notice of the State Administration of Taxation on Printing and Distributing the Administrative Measures on Preferential Treatments to Non-Residents under Tax Agreements (for trial implementation) (Guo Shui Fa [2009] No. 124) and the Notice, upon application and submission of relevant materials by the individual shareholder, the withholding agent may apply for such preferential treatments under the tax agreements on behalf of the shareholder in accordance with the requirements of the Notice, and rebate the over-withheld amount to the shareholder after review and approval thereof by competent tax authorities.

Where the individual H-share shareholder is a resident of a country that has agreed to a dividends tax rate ranged between 10% and 20% with China, the Bank shall withhold and pay individual income tax for the shareholder's dividends receivable at the actual tax rate bilaterally agreed. Where the individual H-share holder is a resident of a country that has no dividends tax agreement with China or that has agreed to a 20% dividends tax rate with China or otherwise, the Bank shall withhold and pay individual income tax for the shareholder's dividends receivable at the 20% tax rate. The Bank shall not be held responsible for any claims resulting from inaccurate determination of shareholder identity or any disputes regarding the withholding system.

Shareholders of the Bank must consult their tax advisors for relevant tax implication under the laws and regulations of Chinese Mainland, Hong Kong SAR and other jurisdictions resulting from possession and disposal of H shares of the Bank.

Shareholdings in Other Listed Companies and Financial Enterprises

As at the end of the reporting period, the Group's holding of shares and securities in other listed companies are as follows:

Unit: RMB

No.	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
1	00762	China Unicom (HK)	7,020,000.00	—	4,125,467.49	—	5,302,536.82	(1,177,069.33)	Available-for-sale financial assets	Cash purchase
2	V	Visa Inc.	7,509,605.39	—	47,957,141.51	81,105.23	32,494,532.10	15,462,609.41	Available-for-sale financial assets	Gift/Bonus share
3	MA	Mastercard International	201,629.69	—	2,340,846.04	3,244.21	1,780,763.20	560,082.84	Available-for-sale financial assets	Bonus share
Total			**14,731,235.08**		**54,423,455.04**	**84,349.44**	**39,577,832.12**	**14,845,622.92**		

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 period	Accounting item	Source of investment
China Union Pay Co. Ltd.	70,000,000.00	87,500,000	4.24%	113,750,000.00	3,062,500.00	—	Available-for-sale financial assets	Cash purchase
SWIFT	161,127.66	22	—	491,358.75	—	—	Available-for-sale financial assets	Bonus share
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	—	4,176,549.34	—	—	Available-for-sale financial assets	Bonus share
Electronic Payment Services Company (HK) Ltd.	14,263,759.80	2	—	13,135,332.82	—	—	Available-for-sale financial assets	Bonus share
Total	**88,960,234.79**			**131,553,240.91**	**3,062,500.00**			

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 RMB364 million as at the end of the reporting period.

Outlook

Outlook on the Operation Environment

Domestic and International Macro Economic Development Trends

The year 2013 will witness continuing complexity of the international economic situation, ongoing low-rate growth of the world economy, rise of protectionism in various forms, and growing pressure of potential inflation and asset bubbles, with the world economy shifting from the pre-crisis rapid development stage to the period of in-depth transformation and adjustment. According to the forecast of International Monetary Fund (IMF), the global economy will register a growth rate of 3.5% in 2013, with 1.4% for developed economies, and 5.5% for emerging and developing economies.

2013 is the beginning year for China to fully implement the spirit of the 18th Congress of the Communist Party of China and for the new Chinese government to start its governance. The Chinese government will continue with its execution of proactive fiscal policy and prudent monetary policy, and put into full play the roles of counter-cycle adjustment and pushing forward restructuring. The fiscal policy will improve the structural tax cut policy in combination with taxation reform. The monetary policy will increase its operational flexibility, expand overall scale of non-government financing to an appropriate extent and maintain appropriate loan increase and general stability of the Renminbi exchange rate. China is expected to keep an approximately 8% economic growth rate in 2013.

Changes in Market Demand

At present, China is still in a period of important strategic opportunities. In the course of economic transformation, new urbanization, consumer finance and modern service industry will bring great opportunities to the development of banks.

First, with marked acceleration of urbanization, tier-two and tier-three cities will enjoy huge development potentials. In the upcoming 5 to 10 years, urbanization ratio in China will grow by around one percentage point per annum, which, by driving forward investment and consumption, will markedly increase its contribution to economic growth. Tier-two and tier-three cities, in particular, will witness significant acceleration in urbanization process, requiring banks to enhance their arrangements and increase their resource input.

Second, consumer finance will enter a golden period of development, bringing along a promising prospect to retail banking. Driven by economic transformation and the income distribution system reform, consumer finance will enter "a golden era". Ample space will be available for personal consumer credit business in housing, automobile, tourism and decoration and emerging consumer finance business such as installment payment, online lending, credit card overdraft and mobile payment.

Third, service sector will enter an era characterized by rapid growth. According to international experience when urbanization ratio exceeds 50% and per capita GDP reaches USD5,000, service sector will enter an era characterized by rapid growth. Vigorous expansion into service sector such as personal consumer credit, online e-commerce, modern logistics, culture/entertainment/tourism, education and healthcare will bring large numbers of base customer groups to commercial banks and thereby facilitate the commercial banks to adjust their customer mix and business structure.

Potential Risks and Countermeasures

Interest rate liberalization in China is expected to continue in 2013. Liberalization of interest rate may lead to rise in deposit cost and decline in loan interest rate and thereby narrow the spread between deposit and loan interest rates and affect the profitability of commercial banks. At the same time, interest rate liberalization may also increase interest rate fluctuation on the market, resulting in marked increase of interest rate risk and liquidity risk of banks. In proactive response to the challenges presented by interest rate liberalization, the Bank is endeavoring to transform its operation and management models and adjust its customer structure, business structure and income structure while promoting construction of refined management platforms such as fund transfer pricing (FTP) and management accounting and continuously upgrading its management capacity over interest rate pricing. In view of the potential risks resulting from interest rate liberalization, the Bank will also enhance its risk management on all fronts, especially its management of bank account interest rate risk.

Under the prudent monetary policy environment, factors such as funds outstanding for foreign exchange and payment and deposit of fiscal tax revenue may lead to periodical tightness of market liquidity and affect the Bank's liquidity. With furtherance of interest rate liberalization, banks will be caught in ever fiercer competition for deposits and face the pressure of maintaining deposit stability. Due to strong similarity in market direction, interbank business and innovative business, once in the rapid development track, may cause derived liquidity risk. As such, the Bank will observe the principle of prudent liquidity risk management, adhere to a prudent orientation of liquidity risk strategy, and adopt pertinent measures to ensure safety of liquidity. Major measures include: further strengthen analysis and judgment of monetary policy and market liquidity to enable proactive response to changes in policy environment and market conditions; further optimize the mix of deposit customers by increasing the proportions of retail deposits and deposits from small and medium corporate customers, while guiding branches and sub-branches to increase stability of deposits by means of more intensive marketing, evaluation and price guidance; and reinforce scale and exposure management of interbank and innovative business to effectively control derived risks.

Business Plan and Development Directions of the Bank for 2013

Business Plan

The Bank targets for approximately 14% growth of aggregate assets and around 14% growth of self-operating deposits in 2013. Proactive efforts will be made to adjust and optimize its business structure, customer structure and profit structure, achieve steady increase of net profit and control NPL ratio at a relatively low level.

Development Directions

In 2013, the Bank will follow its guiding philosohpy “expand deposit scale, promote structural transformation and upgrade management level” and focuse its efforts on the following seven aspects:

Enhance marketing to improve business competitiveness: The Bank will focus on liabilities business and prioritize taking in stable low-cost settlement deposits and savings to realize rapid scale expansion of liabilities at controllable cost, speed up restructuring of assets business, and vigorously develop fee-based business.

Drive the focus of corporate customers upward and that of retail customers downward: The Bank will steadily implement the policy of moving the focus of big corporate customers upward to highlight the status of medium corporate customers as the core customer group of the Bank and pace up movement of the focus of retail customers downward to accelerate the construction of a service system for small and micro enterprises.

Speed up information technology and operation system development to render effective support to business growth: The Bank will pool resources and make the best use of time to promote construction of core systems, reinforce cooperation between IT and business departments, enhance safety, and further develop data centers and disaster backup centers to ensure efficient business operation.

Develop outlets and internet banking with a quicker pace to increase the Bank’s stamina for future development: The Bank will exert further efforts to accelerate its institutional development, and steadily promote direct management of tier-two branches, while accelerating the construction of its organizational framework and service system for internet banking, speeding up development of mobile payment and e-commerce and increasing input into e-channel construction.

Intensify internal risk control capability building to ensure stable asset quality: With firm adherence to its “proactive but prudent” risk preference, the Bank will actively grasp the macro development opportunities, upgrade capability for comprehensive risk management and control, reinforce risk management and control in retail credit and small enterprise finance, and enhance compliant operation and audit of key areas.

Further the guiding role of performance evaluation and support development of key geographical regions and business areas: The Bank will enhance the guiding role of performance evaluation by constructing a scientific comprehensive performance evaluation system. Meanwhile, more resource input will be made to increase support to strategic priorities. Credit business scale expansion will focus on supporting development of low-capital-consuming business lines and financial input will lean towards key regions, key customers, key products and innovative business areas.

Reinforce development of support and assurance systems to ensure safe, stable and healthy operation of the Bank: The Bank will strengthen the construction of its accounting system and projects that are operated bank-wide in a concentrated manner, improve corporate governance and investor relations management, refine market value management, and enhance development of operation assurance systems.

Management of Corporate Social Responsibility

When developing its overall strategy, the Bank does not only consider its economic responsibilities but also relevant environmental and social responsibilities. With the value proposition fit for a social citizen of excellence, the Bank assumed its social duties in a proactive manner.

In 2012, the Bank further clarified the definition of social responsibility and data entry thereof via its internal systems and regulated the contents and procedures of information disclosure regarding the performance of social responsibility throughout the Bank. Experts from KPMG Huanzhen and Beijing Normal University were engaged by the Bank to deliver special trainings on social responsibility concepts and data submission for social responsibility data submitters throughout the Bank.

Actively implemented the state's strategic policy

While adhering to the principle of commercialized operation, the Bank gave priority to supporting agricultural development and growth of grain production. The Bank encouraged branches located in areas with higher levels of agricultural industrialization to expand loans to high-performance agricultural enterprises and appropriately increased the proportion of loan to the agriculture sector. The Bank also encouraged branches to support the construction of the new socialist countryside by prioritizing support to leading agricultural enterprises and high-performance SMEs in the local areas, helping the development of leading agricultural segments such as foreign-exchange earning agriculture and eco-farming, and thereby promoting industrialization of the agriculture sector.

In active response to the calls of the state and the regulators, the Bank increased its input into the development of outlets in the western region, contributing to the improvement of financial services in the western region. From 2008 to 2012, the Bank established in western region four tier-one branches in Nanning, Lanzhou, Guiyang and Urumqi, representing 50% of the incremental tier-one branches. In addition, the Bank also set up outlets in multiple western cities including Qujing, Dali, Baoji, Weinan, Yulin, Baotou, Ordos, Liuzhou, Qinzhou and Yibin, raising the proportion of outlets in the western region from 10% of the total as at the beginning of 2008 to 15% at present, and registering a 164% growth rate of outlets in the western region, twice the average rate bank-wide.

Performed social responsibility with industry characteristics

The Bank rendered active support to emerging industries and industries enjoying priority government support such as energy conservation, and environmental protection, green economy, new energy, new materials and creative industry, to key projects in industries that were consistent with the 12th Five-Year Plan and local economic development plans such as energy and chemicals, metallurgy and mining, equipment manufacturing, environmental protection and energy conservation, and to professional manufacturers of high-end generally applied equipment in the "professional, precise, unique and new" category that met the requirements of the 12th Five-Year Plan for Development of High-end Equipment Manufacturing and enjoyed distinctive competitive edges in the sector.

Provided reassuring security to employees

The Bank followed the philosophy of "promoting the Bank's development and safeguarding the employee's rights and interests" when caring for the staff, and regarded "mutual care and love between the employer and the employees, and joint efforts of the employer and the employees for development, harmony and win-win" as the fundamental criteria for building a company with harmonious labor relationship. With people orientation, the Bank tried its best to address issues that were the most direct, the most practical and of the greatest concern to the staff, so as to achieve the goal of "development by the staff, for the staff, with fruits of development shared with the staff and building happiness for the staff ".

Endeavored to be a green bank proficient in energy conservation and emission reduction

For the whole year of 2012, 22.5035 million transactions with an aggregate transaction value of RMB11.228 billion were processed via the Bank's electronic B2C channels, a growth of 10.48% in volume and a decrease of 37.49% in transaction value over the previous year respectively; 7.7321 million transactions were processed via Alipay Express Payment fetching a total transaction value of RMB3.263 billion; and the number of cash-out transactions reached 527,700, with an aggregate transaction value of RMB1.635 billion. The Bank actively expanded e-commerce and provided online shopping payment services for netizens. The Bank's cooperation partners included 166 non-financial payment institutions and directly-linked stores, 68 more than the previous year.

In 2012, the Bank produced an annual number of 54.88 million credit card account statements and 28.38 million hard-copy account statements, with the rest being electronic statements or MMS messages, of which the delivery of hard-copy statements decreased by 220,000 envelopes or 0.77%. Substitution rate of electronic statements for the whole year was 48.30%, 15.99 percentage points higher than the previous year. As at the end of the reporting period, total substitution rate of electronic statements of the Bank reached 57.01%.

Launched the "Trust and Filial Piety" initiative to show respect and care for senior citizens

In cooperation with the 21st Century Business Herald, the Bank launched a pro bono program named "Trust and Filial Piety" to advocate respect and care for the old-aged. The initiative started on 10 July 2012 in Beijing, with the National Committee on Ageing serving as the instructing unit. Since launching, this initiative was carried out in cities housing 25 branches of the Bank. Relevant activities included door-to-door services delivered to nursing homes for the elderly, visits to senior citizens and gifting them with life necessities and organization of events to show love and respect to the elderly.

In close combination with the features of banking business that targets the senior citizens, and to effectively satisfy the real needs of the elderly, the business halls of the Bank's 25 branches that participated in the "Trust and Filial Piety" initiative took the lead to open counters that prioritized services to the elderly during the reporting period, in the hope of enabling the Bank the first commercial bank in China delivering priority over-the-counter services to senior citizens within the largest possible scope.

CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

Changes in share capital

Table on Changes of Shareholdings

Unit: shares

	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**	**4.57**	**0**				**0**	**2,138,179,203**	**4.57**
1. Shares held by the state	0							0	
2. Shares held by state-owned legal persons	213,835,341	0.46	0				0	213,835,341	0.46
3. Shares held by other domestic investors	0							0	
Including: Shares held by domestic non-state-owned legal persons	0							0	
Shares held by domestic natural persons	0							0	
4. Foreign-held shares	1,924,343,862	4.11	0				0	1,924,343,862	4.11
Including: Shares held by overseas legal persons	1,924,343,862	4.11	0				0	1,924,343,862	4.11
Shares held by overseas natural persons	0							0	
Shares not subject to restrictions on sale:	**44,649,147,831**	**95.43**	**0**				**0**	**44,649,147,831**	**95.43**
1. Renminbi denominated ordinary shares	31,691,328,716	67.73	0				0	31,691,328,716	67.73
2. Domestically-listed foreign shares	0							0	
3. Overseas-listed foreign shares	12,957,819,115	27.70	0				0	12,957,819,115	27.70
4. Others	0							0	
Total shares	**46,787,327,034**	**100.00**	**0**				**0**	**46,787,327,034**	**100.00**

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 2012	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**	**—**	**—**

Notes: (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 the 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 MOF, SASAC, CSRC and NSSF on 19 June 2009, CITIC Group transferred 213,835,341 qualified shares of the Bank to NSSF, accounting for 0.55% of the Bank's share capital. Such 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 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

From 2006 to 2007, the Bank successfully completed its restructuring into a joint-stock company, introduced BBVA as its foreign strategic investor, and successfully went public in Shanghai and Hong Kong concurrently. Please refer to the Bank's prospectus for IPO and annual reports issued between 2007 and 2011 (inclusive) for details of the Bank's restructuring, introduction of the strategic investor and the IPO.

The Bank successfully completed its A-share and H-share rights issue on 7 July 2011 and 3 August 2011 respectively to further replenish its capital. Through the rights issue, the Bank raised 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 PBC and CBRC, the Bank issued RMB6 billion worth of subordinated debts to institutional investors such as commercial banks, insurance companies and policy banks through public bidding in 2006, RMB16.5 billion worth of subordinated debts to institutional investors such as insurance companies through public bidding in 2010, and RMB20 billion worth of subordinated debts to institutional investors such as insurance companies through public bidding in 2012.

Please refer to the 2011 Annual Report of the Bank for details regarding the Bank's issuance of subordinated debts in 2006 and 2010. The subordinated debts issued by the Bank in 2012 are of a single variety. With a total nominal value of RMB20 billion, the debts carry a coupon rate of 5.15% and will mature in June 2027. The Bank has an option to redeem these debts on 21 June 2022, provided prior approval is obtained from relevant regulators. Even if the Bank does not exercise the redemption option by that date, the coupon rate will remain unchanged for the remaining five years till the maturity of the debts.

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 386,930 shareholders, including 346,185 A-share holders and 40,745 H-share holders. As at the end of the 5th trading day prior to the date of this Announcement (i.e., 22 March 2013), the total number of shareholders of the Bank was 378,572, including 338,350 A-share holders and 40,222 H-share holders.

Shareholdings of Top 10 Shareholders

Unit: Share

No.	Name of shareholder	Nature of shareholder	Class of shares	Total number of Shares held	Shareholding percentage (%)	Balance of shares subject to restrictions on sale	Increase or decrease of shareholding during the reporting period	Shares pledged or frozen
1	CITIC Group	State-owned Legal Person	A-share	28,938,928,294	61.85	0	0	0
2	Hong Kong Securities Clearing Company Nominee Limited	Overseas Legal person	H-share	7,367,642,072	15.75	0	3,256,454	Unknown
3	BBVA	Overseas Legal person	H-share	7,018,099,055	15.00	1,924,343,862	0	0
4	NSSF[(2)]	State	A-share, H-share	338,513,209	0.72	213,835,341	0	Unknown
5	China Construction Bank	State-owned Legal Person	H-share	168,599,268	0.36	0	0	Unknown
6	Mizuho Corporate Bank	Overseas Legal person	H-share	81,910,800	0.18	0	0	Unknown
7	Shanghai Pudong Development Bank-Changxinjinli Equity Fund	Other	A-share	60,828,321	0.13	0	60,828,321	Unknown
8	China State Shipbuilding Corporation Limited	State-owned Legal Person	A-share	35,172,000	0.08	0	0	Unknown
9	Csop Asset Management Co., Ltd. -A50ETF	Other	A-share	31,697,828	0.07	0	31,697,828	Unknown
10	Industry and Commerce Bank of China Limited	State-owned Legal Person	A-share	31,034,400	0.07	0	0	Unknown
10	Dongfeng Automobile Group Corporation Limited	State-owned Legal Person	A-share	31,034,400	0.07	0	0	Unknown
10	SINOCHEM Group	State-owned Legal Person	A-share	31,034,400	0.07	0	0	Unknown
10	Hebei Construction Investment (Group) Limited Liability Corporation	State-owned Legal Person	A-share	31,034,400	0.07	0	0	Unknown

Notes: (1) The shareholdings of H-Share holders is calculated based on the Bank's share register maintained with the H-Share registrar of the Bank.

(2) NSSF holds both A shares and H shares of the Bank with an aggregate of 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 issues of the Bank in 2011.

(3) Note on connected relations or concerted actions of the above shareholders: As at the end of the reporting period, the Bank was not aware of any connected relation or concerted action between the above-mentioned shareholders.

Shareholdings of 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	7,367,642,072	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	Mizuho Corporate Bank	81,910,800	H-share
7	Shanghai Pudong Development Bank — Changxinjinli Equity Fund	60,828,321	A-share
8	China State Shipbuilding Corporation Limited	35,172,000	A-share
9	Csop Asset Management Co., Ltd. — A50ETF	31,697,828	A-share
10	Industry and Commerce Bank of China Limited	31,034,400	A-share
10	Dongfeng Automobile Group Corporation Limited	31,034,400	A-share
10	SINOCHEM Group	31,034,400	A-share
10	Hebei Construction Investment (Group) Limited Liability Corporation	31,034,400	A-share

Notes: (1) The shareholdings of H-Share holders is calculated based on the Bank's share register maintained with the H-Share registrar of the Bank.

(2) Note on connected relations or concerted actions of the above shareholders: As at the end of the reporting period, the Bank was not aware of any connected relation or concerted action between the above-mentioned 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 maintained pursuant to Section 336 of the Securities and Futures Ordinance are as follows:

Name	Number of shares held	Shareholding percentage in the issued share capital of the same class (%)	Class of shares
BBVA	10,942,096,691(L)	73.52(L)	H-share
	3,809,655,853(S)	25.60(S)	
BBVA	24,329,608,919(L)	91.36(L)	A-share
CITIC Group	7,032,455,195(L)	47.25(L)	H-share
CITIC Group	28,938,928,294(L)	90.70(L)	A-share
CITIC Limited	28,938,928,294(L)	90.70(L)	A-share
Lehman Brothers Asia Holdings Ltd.	732,821,000(L)	6.32(L)	H-share
	732,821,000(S)	6.32(S)	
Lehman Brothers Asia Ltd.	732,821,000(L)	6.32(L)	H-share
	732,821,000(S)	6.32(S)	
Lehman Brothers Pacific Holdings Pte Ltd.	732,821,000(L)	6.32(L)	H-share
	732,821,000(S)	6.32(S)	
Blackrock, Inc	892,963,138(L)	6.00(L)	H-share
	112,619,808(S)	0.75(S)	

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

Save as 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 which are required to be disclosed in accordance with Sections II and III of Part XV of the Securities and Futures Ordinance that was recorded in the register maintained pursuant to Section 336 of the Securities and Futures Ordinance.

Controlling Shareholder and De Facto Controller of the Bank

As at the date of this Announcement, CITIC Limited is the controlling shareholder of the Bank, and CITIC Group is the de facto controller of the Bank. CITIC Limited 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 its wholly owned subsidiary GIL, representing less than 0.01% of the Bank's total issued share capital. In total, CITIC Limited 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. Initiated by Mr. Deng Xiaoping, 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. Its registered address and place of business are both in Beijing.

On 27 December 2011, as part of its restructuring, CITIC Group contributed, together with its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd., the majority of its existing operating net assets to establish CITIC Limited, with CITIC Group and Beijing CITIC Enterprise Management Co., Ltd. holding 99.9% and 0.1% respectively of CITIC Limited's equity interest. CITIC Group was restructured into a wholly state-owned company as a whole and renamed as CITIC Group Corporation, which inherited all business lines and assets from the former CITIC Group. To complete the afore-mentioned capital contribution, CITIC Group transferred all the shares it held in the Bank to CITIC Limited as capital contribution, as a result of which CITIC Limited directly and indirectly holds 28,938,929,004 shares in the Bank, accounting for 61.85% of the Bank's total shares. As at the end of the reporting period, the above share transfer has been approved by the State Council, the MOF, the CBRC, the CSRC and Hong Kong Monetary Authority. On 25 February 2013, the relevant transfer formalities for the above-mentioned share transfer were officially completed with the approval from the Shanghai Stock Exchange and the Shanghai Branch of China Securities Depositary and Clearing Corporation Limited.

As at the end of the reporting period, CITIC Group had a registered capital of RMB183.703 billion with Chang Zhenming being its legal representative and 10168558-X being its organizational code. Its business scope covers: investment in and management of domestic and overseas financial enterprises and related industries including banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; investment in energy, transportation infrastructure, mining, forestry resources development and raw materials industry, machinery manufacturing, real estate development, information infrastructure, basic telecommunications and value-added telecom services, environmental protection, pharmaceuticals, biological engineering and new materials, aviation, transportation, warehousing, hotels, tourism, domestic and international trade, commerce, education, press, media, culture and sports, domestic and overseas project design, construction, contracting and sub-contracting, and industrial investment; project tendering, exploration, design, construction, supervision, contracting and sub-contracting and consulting services; asset management; capital operation; Internet information services; dispatch of workers in need for overseas projects consistent with its resources, scale and performance.

As at the end of the reporting period, CITIC Limited had a registered capital of RMB128.0 billion with Chang Zhenming being its legal representative and 71783170-9 being its organizational code. Its business scope covers: investment in and management of domestic and overseas financial enterprises and related industries covering banking, securities, insurance, trust, futures, leases, funds and credit cards, information infrastructure, basic telecommunications and value-added telecom services, energy, transportation infrastructure, mining, forestry resources development and raw materials industry, machinery manufacturing, real estate development, environmental protection, pharmaceuticals, biological engineering and new materials, aviation, transportation, warehousing, hotels, tourism, domestic and international trade, commerce, education, press, media, culture and sports, domestic and overseas project design, construction, contracting and sub-contracting, and consulting services; asset management; and capital operation.

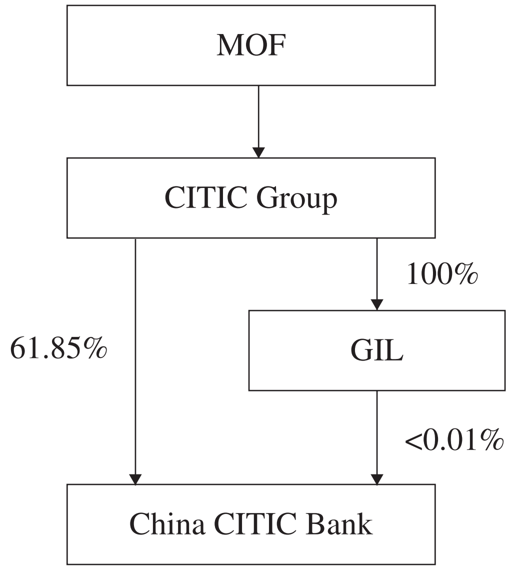
As at the end of 2011, CITIC Group recorded total assets of RMB3,277.053 billion, realized net profit attributable to shareholders of RMB36.516 billion and net increase in cash and cash equivalents of RMB312.924 billion in 2011. As at the end of 2011, CITIC Limited recorded total assets of RMB3,200.553 billion, realized net profit attributable to its shareholders of RMB36.005 billion and net increase in cash and cash equivalents of RMB310.914 billion in 2011.

In the future, CITIC Group will stick to and consolidate its integrated business layout where CITIC Group holds the controlling equity interest and the subsidiaries conducts specialized business operation, so as to optimize resource allocation, further improve profitability of industrial investment business and the contribution thereof to CITIC Group, and thereby develop CITIC Group into a large conglomerate with coordinated growth of both financial services and industrial investment.

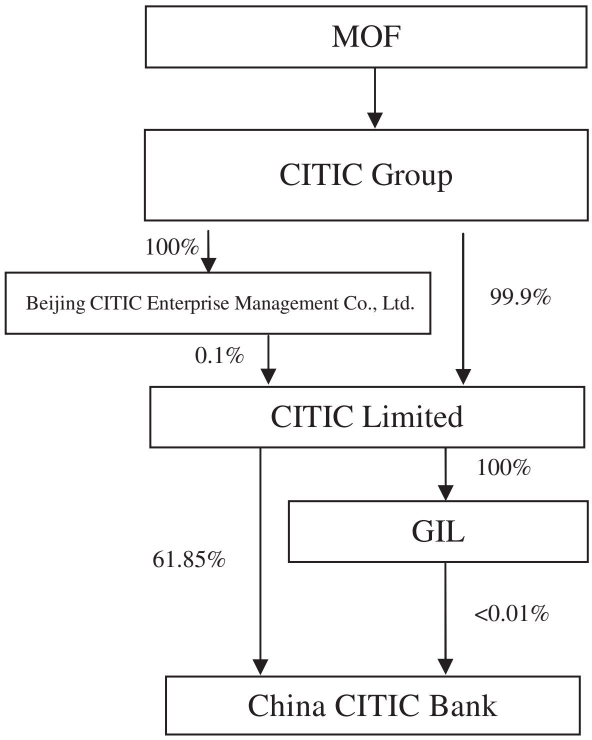
Interests in domestic and overseas listed companies held by CITIC Group and CITIC Limited as at the end of the reporting period are listed as follows:

Name of Shareholder	Name of Listed Company	Listing venue	Stock Code	Shareholding Percentage
CITIC Limited	CITIC Securities Company Limited	Shanghai Hong Kong	600030 06030	20.30%
CITIC Group	CITIC Securities Company Limited	Shanghai Hong Kong	600030 06030	0.58%
CITIC Limited	CITIC Heavy Industries Co., Ltd.	Shanghai	601608	63.87%
CITIC Limited	Sinopec Yizheng Chemical Fibre Company Limited	Shanghai	600871	18.00%
CITIC Limited	CITIC Pacific Limited	Hong Kong	00267	57.51%
CITIC Limited	CITIC Resources Holdings Limited	Hong Kong	01205	59.06%
CITIC Limited	Asia Satellite Telecommunications Holdings Limited	Hong Kong	01135	37.59%
CITIC Limited	CITIC 21CN Company Limited	Hong Kong	00241	1.19%
CITIC Limited	DVN (Holdings) Limited	Hong Kong	00500	20.88%

The following chart illustrates the ownership structure and controlling relationship between the Bank and its de facto controller during the reporting period:



As at the date of this Announcement, the ownership structure and controlling relationship between the Bank and its de facto controller is as follows:

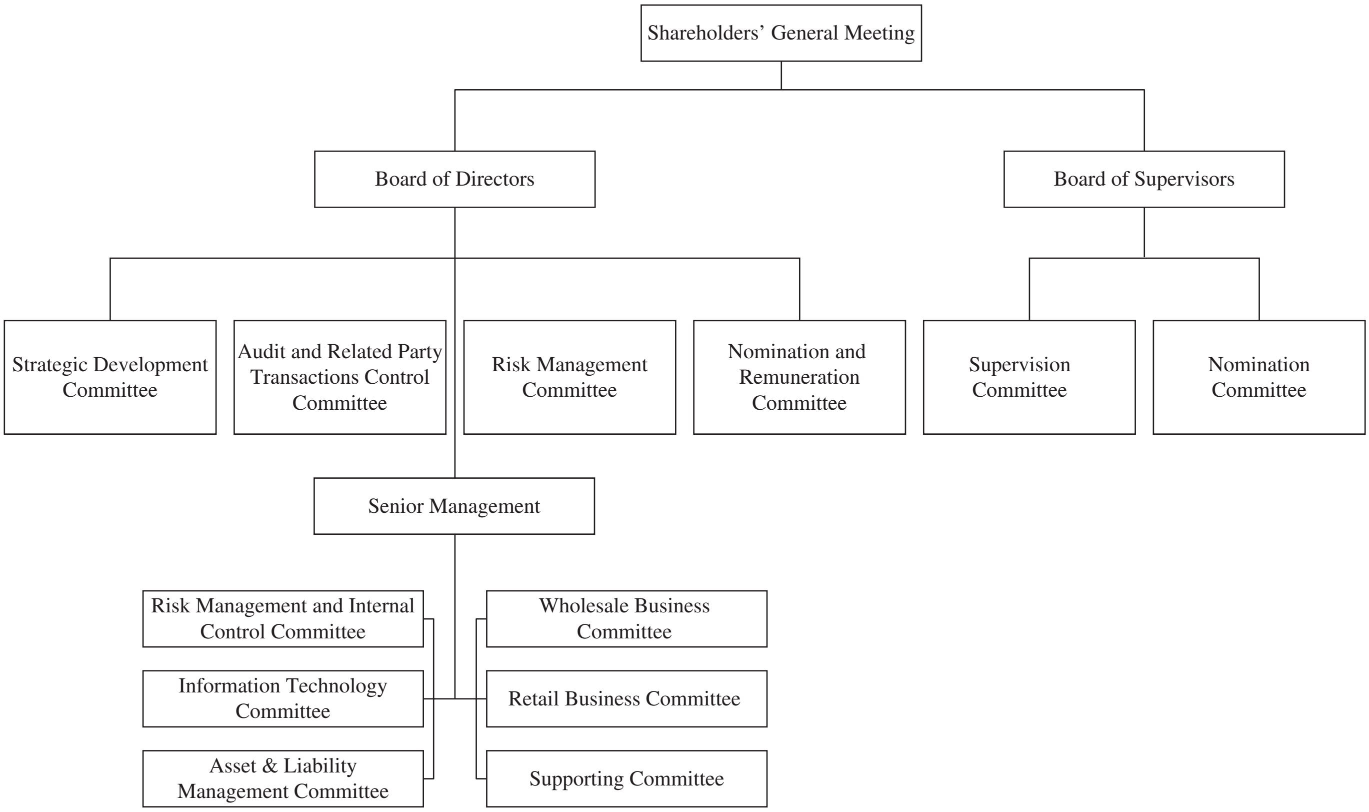


Other Legal-Person Shareholders Holding 10% Shares or More

BBVA was established on 1 October 1988 with its registered capital being EUR2,669,936,277.05, with Mr. Francisco González being its chairman. BBVA is a global financial group. As at the end of December 2012, BBVA had a market capitalization of EUR37.9 billion and total assets of EUR637 billion. With 7,978 branches and outlets around the world, of which over 50% are located outside the territory of Spain, BBVA is the largest financial group in Latin America region. With its 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 the Latin America region.

As at the end of the reporting period, 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.

Corporate Governance Structure



Overall Profile of Corporate Governance

Since its simultaneous dual listings in Shanghai and Hong Kong in April 2007 and with over five years' corporate governance practice, the Bank has gradually improved its corporate governance structure comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the senior management and is steadily pushing forward various efforts for better corporate governance. In 2012, the Bank made further efforts to refine its modern corporate governance structure in line with domestic and overseas regulatory requirements and based on its own reality. There is no discrepancy between the Bank's institutional structure and operation of corporate governance and the corresponding requirements stipulated in the PRC Company Law and regulations issued by the CSRC.

In 2012, in addition to amending internal regulations such as the Measures for Management of Reputation Risk, the Measures for Management of Liquidity Risk and the Compliance Policies, the Bank formulated the Administrative Measures for Regular Reports Review and amended the Administrative Measures for Inside Information and Information Insiders in accordance with changes in relevant regulatory requirements and internal demand for information disclosure management, improving the Bank's corporate governance internal regulations.

By improving its related party transactions management systems, deepening its management concepts and strengthening management measures, the Bank further regularized the management of credit extension related party transactions, controlled the risks of related party transactions, and safeguarded interests of the Bank and its shareholders.

The Bank released over 90 regular reports and interim announcements in accordance with law and ensured the truthfulness, accuracy, completeness, fairness and timeliness of information disclosure, which in turn safeguarded the legitimate rights and interests of investors and stakeholders.

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

In 2012, the Bank convened one Annual Shareholders' General Meeting, two Extraordinary Shareholders' General Meetings, thirteen meetings of the Board of Directors and six 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

Shareholders' General Meetings and Shareholders' right

The Bank is committed to active dialogue with its shareholders and discloses information about important developments of the Group to its shareholders, investors and other stakeholders.

The annual shareholders' general meeting of the Bank provides an effective communication platform between the shareholders and the Board of Directors. For convening a shareholders' general meeting, the Bank shall issue a written notice 45 days prior to the date of the meeting, informing all shareholders on record of the matters to be deliberated as well as the date and venue of the meeting. Shareholders who intend to attend the meeting shall send their written reply slip to the Bank 20 days before the date of the meeting. Directors, supervisors and senior management of the Bank will attend the shareholders' general meeting and answer shareholders' questions at the meeting. Auditors engaged by the Bank to audit the annual report also attend the shareholders' general meeting and answer relevant questions in relation to external audit, the audit reports and their contents, accounting policies and independence of auditors.

Unless otherwise provided for or arranged, shareholders of the Bank may vote by poll at the shareholders' general meeting according to domestic and overseas regulatory rules. Details of the voting procedure are explained to the shareholders at the beginning of the meeting to ensure familiarity of the shareholders with such procedures. Chairman of the shareholders' general meeting shall put forward respective proposals vis-à-vis each and every important issue. Voting results shall be published on the official website of the Bank and the websites designated by the domestic and overseas stock exchanges where the Bank is listed within the same business day on which the shareholders' general meeting is convened.

In accordance with the Bank's Articles of Association, extraordinary shareholders' general meetings may also be convened upon written request of shareholders that individually or jointly hold 10% or more of the Bank's voting shares (actual numbers of shares are calculated as per the shareholdings of the requesting shareholders on the dates when such written requests are made). Shareholders that jointly hold 3% or more of the Bank's shares are entitled to present to the Bank their proposals for the shareholders' general meetings. Shareholders that individually or jointly hold 3% or more of the Bank's shares may produce their interim proposals and submit them to the convener of the shareholders' general meetings 10 days prior to the meeting. Within two days upon the receipt of such proposals, the convener shall issue supplementary notice for the shareholders' general meeting, announce contents of the proposals and submit the proposals to the shareholders' general meeting for deliberation.

If shareholders want to make inquiries to the Board of Directors, they may raise their inquiries to the Board of Directors or the Bank via email to ir_cncb@citicbank.com or via other contacts as provided on the Bank's website. The Bank has published all of its announcements, press releases and useful company information on its website to improve its information transparency.

Convening of Shareholders' General Meetings during the Reporting Period

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 announcement, press conferences and investors meetings for disclosure of financial results and announcement 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.

On 30 May 2012, the Bank held the 2011 Annual Shareholders' General Meeting, deliberated and adopted the 2011 Work Report of the Broad of Directors, the 2011 Work Report of the Board of Supervisors, the 2011 Annual Report, the 2011 Financial Report, the Financial Budget Plan for 2012, the 2011 Profit Distribution Plan, the 2012 Plan for Engagement of Auditors and Their Remunerations, as well as proposals on election of the Third Broad of Directors and approval of allowances for directors, election of non-employee-representative supervisors of the Third Board of Supervisors and approval of allowances for supervisors, estimate amount for recurring related-party transactions with related parties under CITIC Group during their ordinary and usual course of business in 2012, the Special Report on Related Party Transactions in 2011, amendments to the Bank's Articles of Association plus corresponding amendments to Rules of Procedure of the Shareholders' General Meeting and those of the Board of Directors, and amendments to the Bank's Articles of Association plus corresponding amendments to the Rules of Procedure of the Board of Supervisors. Mr. Tian Guoli, Chairman of the Bank, and Dr. Cao Tong, director of the Bank were present at the 2011 Annual Shareholders' General Meeting together with independent directors Dr. Bai Chong-En, Mr.Wang Xiangfei, Mr. Li Zheping, and Dr. Xing Tiancai.

On 6 March 2012, the Bank convened its first Extraordinary Shareholder's General Meeting in 2012 at which proposals on issuance of subordinated bonds and financial bonds specialised for small and miniature enterprises and amendments to relevant articles of the Bank's Articles of Association as a result of the change in the Bank's controlling shareholder were adopted. The Bank's directors Dr. Chen Xiaoxian and Dr. Xing Tiancai were present at the meeting.

On 18 October 2012, the Bank convened its second Extraordinary Shareholder's General Meeting in 2012 at which proposals on appointment of Dr. Zhu Xiaohuang as executive director of the Bank, appointment of Mr. Zhang Xiaowei and Mr. Gonzalo José Toraño Vallina as non-executive directors of the Bank, and amendments to the Bank's Articles of Association regarding profit distribution, etc. were adopted. The Bank's directors, Dr. Cao Tong and Dr. Xing Tiancai were present at the meeting.

During the reporting period, the Bank's directors Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Guo Ketong, Dr. Zhao Xiaofan, Mrs. Chan Hui Dor Lam Doreen, Mr. José Andrés Barreiro, Mr. Ángel Cano Fernández, Dr. Ai Hongde and Dr. Xie Rong were unable to attend the shareholders' general meetings of the Bank due to other work arrangements.

The Bank has disclosed resolutions of the shareholders' general meetings on its website and the websites designated by the stock exchanges where the Bank is listed.

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. Zhu Xiaohuang and Dr. Cao Tong; eight non-executive directors, namely Mr. Tian Guoli, Dr. Chen Xiaoxian, Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Guo Ketong, Mr. Zhang Xiaowei, Mr. Ángel Cano Fernández and Mr. Gonzalo José Toraño Vallina; and five independent non-executive directors, namely Mr. Li Zheping, Dr. Xing Tiancai, Ms. Liu Shulan, Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew.

The principal responsibilities of the Board of Directors of the Bank include the following:

- to convene the shareholders general meetings and to make a work report to the meeting;
- to implement the resolutions adopted by the shareholders general meeting;
- to determine the development strategies, business plans and investment proposals of the Bank;
- to prepare the annual financial budget and final accounts of the Bank;
- to prepare the profit distribution plans and plans for making up losses of the Bank;
- in accordance with the Articles of Association and within the scope of authorization of the shareholders general meeting, to determine the major investment, major assets acquisition and disposal and other major matters;
- to prepare proposals for the increase or reduction of registered capital of the Bank;

- to prepare proposals for merger, division, dissolution, liquidation or change in the form of the Bank;

- to prepare proposals for the issue of debt securities or other valuable papers with the purpose of replenishment of the capital of the Bank as well as the listing thereof;

- to decide all the matters in relation to the issue of debt securities other than those with the purpose of replenishment of the capital of the Bank;

- to prepare proposals for repurchase of shares of the Bank;

- to prepare proposals for the amendment of the Articles of Association;

- to appoint or dismiss the President of the Bank and the Secretary of the Board of Directors and to determine matters relating to their remuneration, rewards and punishment;

- according to the nomination of the President, to appoint and dismiss the vice president and president assistant of the head office and other members of the Senior Management to be appointed by the Board of Directors, and to determine matters relating to their remuneration, awards and punishment;

- to review and establish the basic management system and internal management structure of the Bank;

- to establish, improve and ensure the effective implementation of the internal control system of the Bank;

- to review and establish the codes and standards of the Bank, which shall specify the codes of conduct for management and business staff at all levels, require explicitly employees at all levels to promptly report the possible conflict of interest, specify the specific accountability terms and establish a corresponding mechanism to handle the same;

- to decide the establishment of domestic tier one (directly controlled) branch, directly controlled institutions and overseas institutions;

- to decide the policies and procedures on disclosure of information of the Bank;

- to decide the information reporting system and request the senior management personnel to report on operation matters of the Bank to it on a regular basis;

- to propose the appointment or removal of the accounting firms;

- to formulate procedures on management of related party transactions; to review and approve or authorize the audit and related party transactions control committee under the Board of Directors to approve the related party transactions (except for the related party transactions that should be approved by the shareholders general meeting in accordance with applicable laws); to report on related party transactions and the implementation of the relevant procedures to the shareholders general meeting;

- to review and approve the proposals submitted by each committee under the Board of Directors;

- according to the applicable regulatory requirements, to listen to the work reports of the President of the Bank and other senior management, and to monitor and ensure the effective discharge of their managerial responsibilities;

- to review and approve the rules of procedure of Board of Directors;

- to exercise any other authorities prescribed by administrative regulations, rules or the Articles of Association or conferred by the shareholders general meetings.

Meetings of the Board of Directors

In 2012, the Board of Directors of the Bank convened 13 meetings (including nine meetings voted by correspondence) whereby 71 proposals were deliberated and adopted, including the Banks' first quarterly reports, interim report, third quarterly report for 2012 and annual report for 2011, issuance of subordinated bonds and special financial bonds specialized for small and miniature enterprises, change of the Bank's controlling shareholder, amendments to relevant provisions of the Articles of Association as a result of the change in the Bank's controlling shareholder, credit line extension to related parties under CITIC Group, changes to the specialized committees under the Board of Directors, appointment of the President of the Bank, amendments to the Bank's Articles of Association regarding profit distribution, Implementation Outlines of the Measures for Liquidity Risks Management, Emergency Response Plan for Liquidity Risks Management, and Final Account on Remuneration of Employees, etc. In addition, the Board of Directors listened to the work reports of the senior management regarding business operation, internal control and compliance and management of related party transactions. The Director's attendance at the meetings of the Board of Directors during the reporting period and the attendance rates thereof are listed as follows:

Members of the Board of Directors	Physical attendance/ number of meetings	Attendance by proxy/ number of meetings
Tian Guoli	13/13	—
Chen Xiaoxian	13/13	—
Zhu Xiaohuang	—	—
Dou Jianzhong	11/13	2/13
Ju Weimin	12/13	1/13
Guo Ketong	12/13	1/13
Cao Tong	10/10	—
Zhang Xiaowei	—	—
Ángel Cano Fernández	9/13	4/13
Gonzalo José Toraño Vallina	—	—
Li Zheping	13/13	—
Xing Tiancai	10/10	—
Liu Shulan	4/4	—
Wu Xiaoqing	4/4	—
Wong Luen Cheung Andrew	3/3	—
Non-incumbent Directors		
Zhao Xiaofan	5/8	3/8
Chan Hui Dor Lam Doreen	8/8	—
José Andrés Barreiro	11/13	2/13
Ai Hongde	2/3	1/3
Bai Chong-En	7/9	2/9
Xie Rong	9/9	—
Wang Xiangfei	10/10	—

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's operation as a going concern.

Independence of Independent Non-Executive Directors and their Performance of Duties

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 an annual confirmation letter from each and every independent non-executive director confirming their independence and the Bank has recognized their independence.

The independent non-executive directors of the Bank, through attending the Shareholders' General Meetings, meetings of the Board of Directors and the specialized committees under the Board of Directors, effectively discharged their duties. They also enhanced their understanding of business development at the branches by means including field surveys and symposiums. 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 constitute a majority of the members. According to the Working System on Annual Reporting by Independent Directors, the independent non-executive directors of the Bank increased their communication with the auditors, giving full play to their role of independent supervision. On 3 February 2012, the Bank convened its 28th meeting of the second Board of Directors at which Independent Director Mr. Wang Xiangfei abstained from voting for the Proposal on Approving Mr. Xing Tiancai's Succession to chairmanship of the Audit and Related Party Transactions Control Committee due to personal reservations. Except for that, the independent directors did not raise any objections to the resolutions adopted by either the Board of Directors or its specialized committees during the reporting period.

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 (the "Model Code") 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 seven directors, with Mr. Tian Guoli as chairman, and Dr. Chen Xiaoxian, Dr. Zhu Xiaohuang, Mr. Dou Jianzhong, Mr. Ju Weimin, Dr. Cao Tong and Mr. Gonzalo José Toraño Vallina as members. Its principal 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.

In 2012, the Strategic Development Committee convened three meetings and adopted proposals on the 2011 assessment report of the strategic cooperation between CITIC Bank, CNCBI and BBVA, election of the chairman of the Strategic Development Committee under the Third Board of Directors, and Opinions on Several Issues Related to the Development Strategy of CITIC Bank, respectively, Directors' attendance at the meetings of the Strategic Development Committee in 2012 and their attendance rates are as follows:

	Physical attendance/ number of meetings	Attendance by proxy/ number of meetings
Incumbent Members		
Tian Guoli	3/3	—
Chen Xiaoxian	3/3	—
Zhu Xiaohuang	—	—
Dou Jianzhong	2/3	1/3
Ju Weimin	2/3	1/3
Cao Tong	3/3	—
Gonzalo José Toraño Vallina	—	—
Non-incumbent Members		
José Andrés Barreiro	2/3	1/3

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 chairman. The other members of the committee include Mr. Ju Weimin, Mr. Li Zheping, Ms. Liu Shulan, Ms. Wu Xiaoqing, Mr. Wong Luen Cheung Andrew and Mr. Gonzalo José Toraño Vallina. The principal responsibilities of the Audit and Related Party Transactions Control Committee include supervising the Bank's internal control, financial information and internal audit, identifying related parties of the Bank, as well as reviewing and keeping filing of the Bank's related party transactions within its authority.

In 2012, the Audit and Related Party Transactions Control Committee convened seven meetings in which the committee reviewed, among others, proposals regarding credit line extension to related parties, quarterly, interim and annual reports of the Bank, engagement of auditors for 2012 and their remunerations, the special report on related party transactions, Internal Audit Rules of CITIC Bank, Program for Implementation of the Internal Control Regulations, and application for annual caps for continuing connected transactions, etc. Directors' attendance at the meetings of the Audit and Related Party Transactions Control Committee in 2012 and their attendance rates are as follows:

	Physical attendance/ number of meetings	Attendance by proxy/ number of meetings
Incumbent Members		
Xing Tiancai	6/6	—
Ju Weimin	4/7	3/7
Li Zheping	7/7	—
Liu Shulan	2/2	—
Wu Xiaoqing	2/2	—
Wong Luen Cheung Andrew	2/2	—
Mr. Gonzalo José Toraño Vallina	—	—
Non-incumbent members		
Ai Hongde	—	1/1
Bai Chong– En	5/5	—
Xie Rong	5/5	—
Wang Xiangfei	5/5	—
José Andrés Barreiro	6/7	1/7

According to the requirements of the CSRC and division of duties for corporate governance, the Audit and Related Party Transactions Control Committee of the Bank gave full play to its supervisory role in the audit and disclosure of the Bank's 2012 annual report, thereby safeguarding the independence of audit. The committee reviewed the Bank's financial statements twice, one before the statements were submitted to the certified public accountants (CPAs) for annual audit and one after the CPAs produced their preliminary audit opinions. The committee was of the view that the financial statements gave a true, accurate 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 in writing with the CPAs responsible for annual audit on 25 December 2012 and determined the overall timetable for the audit of the 2012 financial statements, priorities of audit and methodologies for judgment and identification of risks. After the communication, the committee members conducted a preliminary review of the financial statements prepared by the Bank and agreed to present the statements to the CPAs responsible for annual audit. On 28 February 2013, the committee members reviewed the Bank's financial statements again. By follow-up review of the progress draft of the audit report on the Bank's financial statements, the committee kept urging the auditors to conduct their work according to the agreed timetable. On 20 March 2013, 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 2012 annual audit by the CPAs, and resolved by voting to adopt the audited annual financial statements and submit them to the Board of Directors for deliberation. In addition, the Audit and Related Party Transactions Control Committee studied and discussed matters such as the Bank's corporate social responsibilities, internal control and avoidance of horizontal competition, and reviewed the relevant proposals.

During the reporting period, the Audit and Related Party Transactions Control Committee deliberated and adopted the Proposal on Engagement of Auditors for 2012 and their remunerations, recommending that the Bank continues to engage KPMG Huazhen as its domestic auditor and KPMG as its overseas auditor in 2012.

Risk Management Committee

The Bank's Risk Management Committee comprises seven directors with Mr. Gonzalo José Toraño Vallina as chairman and Dr. Chen Xiaoxian, Dr. Zhu Xiaohuang, Mr. Ju Weimin, Dr. Cao Tong, Mr. Li Zheping and Ms. Wu Xiaoqing 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.

In 2012, the Risk Management Committee convened three meetings and deliberated, among others, proposals on the Bank's implementation outlines for the Measures on Liquidity Risk Management (v.3.0, 2012 edition), on emergency response plans for liquidity risk management (v.3.0, 2012 edition), on approval of Dr. Chen Xiaoxian's resignation from his position as Chairman of the Risk Management Committee under the Third Board of Directors of the Bank, and on appointment of Mr. Gonzalo José Toraño Vallina as Chairman of the Risk Management Committee. Directors' attendance at the meetings of the Risk Management Committee in 2012 and their attendance rates are as follows:

	Physical attendance/ number of meetings	Attendance by proxy/ number of meetings
Incumbent Members		
Gonzalo José Toraño Vallina	—	—
Chen Xiaoxian	3/3	—
Zhu Xiaohuang	—	—
Ju Weimin	2/3	1/3
Cao Tong	3/3	—
Li Zheping	3/3	—
Wu Xiaoqing	1/1	—
Non-incumbent Members		
Zhao Xiaofan	1/2	1/2
Bai Chong-En	2/2	—

Nomination and Remuneration Committee

The Bank's Nomination and Remuneration Committee comprises five directors, with Mr. Wong Luen Cheung Andrew, an independent non-executive director of the Bank, as chairman, and Mr. Guo Ketong, Dr. Xing Tiancai, Ms. Liu Shulan and Ms. Wu Xiaoqing, as members. Principal responsibilities of the Nomination and Remuneration Committee include formulating procedures and standards for nominating candidates for directorship and senior management, conducting preliminary review on the qualifications of candidates for directorship and senior management, formulating and supervising the implementation of the remuneration schemes for directors and senior management, as well as other functions as authorized by the Board of Directors.

In 2012, the Nomination and Remuneration Committee convened six meetings to consider, among others, proposals on the 2011 final account on employee remuneration, on nomination of members for the specialized committees under the Board of Directors, on nomination of candidates for Directors, on nomination of candidates for senior management, on 2011 remunerations for senior management, and on duty performance of the Nomination and Remuneration Committee to be disclosed in annual report. Directors' attendance at the meetings of the Nomination and Remunerations Committee in 2012 and their attendance rates are as follows:

	Physical attendance/ number of meetings	Attendance by proxy/ number of meetings
Incumbent Members		
Wong Luen Cheung Andrew	2/2	—
Guo Ketong	5/6	1/6
Xing Tiancai	5/5	—
Liu Shulan	2/2	—
Wu Xiaoqing	2/2	—
Non-incumbent Members		
Ai Hongde	—	1/1
Bai Chong-En	4/4	—
Xie Rong	4/4	—
Wang Xiangfei	4/4	—

According to the regulatory requirements of the CSRC and division of duties for corporate governance purpose, 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 non-executive directors, supervisors, external supervisors and senior management in 2012 and supervised the implementation of the remuneration schemes. The committee is of the view that the senior management of the Bank performed its fiduciary and due diligence duties in 2012 within its scope of authorities 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 under the supervision and guidance from the Board of Supervisors, which in turn further increased the corporate value and shareholders' value of the Bank. Upon review, the committee further holds that the remunerations for directors, independent non-executive directors, supervisors, external supervisors and senior management members as disclosed by the Bank are consistent with relevant remuneration policies and 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 2012.

During the reporting period, the Nomination and Remuneration Committee performed the procedure for nomination of directors and senior management in line with the Bank's Rules of Procedure for the Nomination and Remuneration Committee under the Board of Directors, including conducting preliminary review on the qualifications for office of the board director candidates based on written materials about the nominees and with integrated considerations given to the candidates' work experiences, professional qualifications and expertise, and putting forward relevant recommendations to the Board of Directors; and conducting preliminary review on the qualifications for office of candidates for the senior management that the Board intends to appoint or remove and putting forward relevant recommendations to the Board.

Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank, and is accountable to the Shareholders' General Meeting. The Board of Supervisors of the Bank consists of five members. The Bank's supervisor Mr. Zheng Xuexue temporarily discharges the responsibilities of Chairman of the Board of Supervisors prior to inauguration of the new chairman. Members of the Board of Supervisors also include Dr. Zhuang Yumin, Ms. Luo Xiaoyuan, Mr. Li Gang and Mr. DengYuewen, among whom, two are external supervisors, one is a shareholder representative supervisor and the other two are employee representative supervisors. The number of members and composition of the Board of Supervisors are in compliance with regulatory requirements and provisions of the Bank's Articles of Association.

During the reporting period, the Board of Supervisors of the Bank held six meetings, at which the supervisors considered and adopted 13 proposals on the annual work report of the Board of Supervisors, on the Measures of the Board of Supervisors for Performance Evaluation of Directors, Supervisors and Senior Management (as amended), on the Implementation Rules for the Measures of the Board of Supervisors for Performance Evaluation of Directors (Pilot), on the 2011 Annual Report, on the First and Third Quarterly Reports and the Interim Report of the Bank in 2012. 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 branches and sub-branches, carrying out special inspections, reviewing various documents and listening to management reports. The Board of Supervisors also conducted field studies at peers both at home and abroad to understand work experiences of their peers in other institutions for better duty performance. The Board of Supervisors holds no objections to the matters under its supervision during the reporting period.

Supervisors' attendance at the meetings of the Board of Supervisors and their attendance rates are as follows:

Members of the Board of Supervisors	Physical attendance/ number of meetings	Attendance by proxy/ number of meetings
Zheng Xuexue	5/6	1/6
Zhuang Yumin	6/6	—
Luo Xiaoyuan	6/6	—
Li Gang	5/6	1/6
Deng Yuewen	6/6	—

Specialized Committees under the Board of Supervisors

There are Supervision Committee and Nomination Committee under the Board of Supervisors of the Bank.

Supervision Committee

The Supervision Committee comprises four supervisors, with Mr. Zheng Xuexue as chairman and Dr. Zhuang Yumin, Ms. Luo Xiaoyuan and Mr. Li Gang as members.

During the reporting period, the Supervision Committee convened two meetings to consider, among others, proposals on the Bank's 2012 Interim Report and the Third Quarterly Report of 2012. Supervisors' attendance at the meetings of the Supervision Committee in 2012 and their attendance rates are as follows:

Committee Member	Physical attendance/ number of meetings	Attendance by proxy/ number of meetings
Zheng Xuexue	1/2	1/2
Zhuang Yumin	2/2	—
Luo Xiaoyuan	2/2	—
Li Gang	2/2	—

Nomination Committee

The Nomination Committee comprises three supervisors with Dr. Zhuang Yumin as chairman and Ms. Luo Xiaoyuan and Mr. Deng Yuewen as members.

Independent Opinions of the Board of Supervisors on Relevant Matters

Compliance of Business Operation

The Bank conducted business in accordance with the PRC Company Law, the PRC Commercial Banks Law and its Articles of Association. The decision-making procedures were lawful and valid. No violations of relevant laws and regulations or the Articles of Association of the Bank, or acts that would impair interests of the Bank and its shareholders were identified on the part of the directors or senior management members during their course of duty performance.

Truthfulness of the Financial Report

The financial report for this year gives a true, objective and accurate view of the financial position and operating results of the Bank.

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 might constitute 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.

Implementation 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 implementation of the resolutions adopted at the Shareholders' General Meetings and believed that the Board of Directors of the Bank diligently implemented the resolutions adopted at the Shareholders' General Meetings.

Review by the Board of Supervisors of the Social Responsibility Report

The Board of Supervisors reviewed the Social Responsibility Report of China CITIC Bank Corporation Limited for year 2012 and had no disagreement regarding the content of the report.

Senior Management

The senior management is the executive body of the Bank and is accountable to the Board of Directors. The Bank's senior management consists of nine members. There is strict division of duties and separation of power between the Bank's senior management and the Board of Directors. As authorized by the Board of Directors, the senior management manages and makes decisions on business operation within its mandate. The Board of Directors evaluates the performance of the senior management, the results of which shall be used as the basis for determining remunerations and other incentive arrangements for the senior management.

Establishment and Implementation of Performance Evaluation and Incentive Mechanisms for Senior Management

The Bank makes performance evaluation on the senior management on annual basis with focuses on virtue, ability, diligence, performance and integrity, and makes comprehensive assessment on their abilities to discharge duties. The result of annual performance evaluation is linked to the completion of operating targets, which is the important basis for the performance-based remuneration, appointment or removal, adjustments of positions and the participation of trainings.

Management of Related Party Transactions

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

In 2012, the Bank strictly adhered to the regulatory requirements in China Mainland and Hong Kong SAR and further promoted the development of systems, regulations and procedures for related party transactions management. Increasingly comprehensive and refined related party transactions management effectively supported sound development of all business of the Bank, facilitated full synergy with CITIC Group and increased shareholders' value. Specific measures included the following: Firstly, the Bank reinforced its related parties management, following the principle of "classified identification and tougher management". In combination with restructuring of CITIC Group into a joint-stock company and re-election of Board of Directors, the Bank updated its list of related parties covering 1,307 related party legal persons and 1,103 related party natural persons, and carried out dynamic management based on the regulatory requirements of SSE, SEHK, CBRC respectively and accounting standards. Secondly, the Bank regularized its management of credit extension to related parties, established a pre-disclosure mechanism for such credit extension, performed the related party transaction approval procedures for the RMB28.9 billion worth of credit extension to CITIC Group, and timely cleaned projects the credit line for which expired, all of which greatly improved use efficiency of credit lines extended to related parties. Thirdly, the Bank improved its management on non-credit granting related party transactions. In addition to applying for caps for continuing connected transaction for 2012 and 2013, the Bank set caps for wealth management services, comprehensive services and property leasing in addition to the existing eight major categories of business and expanded the continuing connected transaction cap coverage to 40 business lines, which, not only expanded management coverage, but also saved review and approval costs. Fourthly, the Bank intensified its daily monitoring efforts, and performed procedures for review, approval, disclosure, reporting and filing in a timely manner to ensure that its connected transactions were conducted in compliance with regulatory requirements of the stock exchanges and the banking industry.

Statement on Horizontal Competition and Related Party Transactions

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

Independence from the Controlling Shareholder

The Bank is fully independent from the controlling shareholder in business operation, staff, assets, organizational structure and financial matters, and enjoys independent and complete business separate from that of its controlling shareholder and has the capability of 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 operating autonomy as a result of the related relationship with its controlling shareholder and other related parties.

In terms of staff, the Bank has its own independent labor, staff and payroll management systems. Except for the President of the Bank who concurrently served as Deputy General Manager of CITIC Limited, 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 the controlling shareholder.

In terms of assets, the Bank has the ownership or use right of the land and buildings 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 accounting and finance department, an independent accounting system and an independent financial management framework for independent financial decision making, set up its own bank account according to law and shares no bank account with 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 any other third party that has opened accounts with the Bank, and the accounts of the controlling shareholder are completely separated from the fund and accounts of the Bank.

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

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

CITIC Group transferred the 70.32% equity interest in CIFH it held to CITIC Bank on 23 October 2009, basically solving the issue of horizontal competition between CITIC Bank and CIFH since the Bank's IPO. Since 23 October 2009, CIFH has been released 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, holding that CITIC Group complied with its non-competition undertakings during the reporting period. CITIC Group produced a statement on compliance with its non-competition undertakings under the Non-Competition Deed that it entered into with the Bank dated 13 March 2007.

Development and Review of Corporate Governance Policies and Practices

The Board of Directors of the Bank always attaches great importance to the establishment and improvement of its internal systems related to corporate governance. According to regulatory requirements, the Bank formulated a series of policies and regulations in this regard, including the Measures of the Board of Directors on Performance Evaluation of Directors and Senior Management and the Implementation Rules for the Measures of the Board of Directors on Performance Evaluation of Directors and the Detailed Working Principles for the Secretary to the Board of Directors, further improving regulatory requirements of the Board of Directors and independent directors and upgrading the Bank's corporate governance while enhancing duty performance by directors.

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

The Board of Directors of the Bank keeps urging the directors and senior management to participate in relevant trainings for better professional development. During the reporting period, in accordance with CSRC and CBRC requirements, the Board of Directors arranged directors to participate in trainings for directors organized by CSRC Beijing Bureau and trainings on qualifications of independent directors organized by SSE. All participants from the Bank smoothly passed all the examinations, and these trainings achieved very good results.

During the reporting period, the Bank's incumbent directors and supervisors received the following external trainings:

Name	Title	Trainer	Training Model	Training Duration (day)
Tian Guoli	Chairman	CSRC Beijing Bureau	Concentrated lecturing	1
Chen Xiaoxian	Executive Vice Chairman	CSRC Beijing Bureau	Concentrated lecturing	1
Dou Jianzhong	No-executive Director	CSRC Beijing Bureau	Concentrated lecturing	1
Ju Weimin	No-executive Director	CSRC Beijing Bureau	Concentrated lecturing	1
Guo Ketong	No-executive Director	CSRC Beijing Bureau	Concentrated lecturing	1
Cao Tong	Executive Director, Vice President	CSRC Beijing Bureau	Concentrated lecturing	2
Ángel Cano Fernández	No-executive Director	CSRC Beijing Bureau	Remote training	–
Liu Shulan	Independent Director	SSE	Concentrated lecturing	4
Wu Xiaoqing	Independent Director	SSE	Concentrated lecturing	4
Zheng Xuexue	Supervisor	CSRC Beijing Bureau	Concentrated lecturing	2
Zhuang Yumin	External Supervisor	CSRC Beijing Bureau	Concentrated lecturing	1
Luo Xiaoyuan	External Supervisor	CSRC Beijing Bureau	Concentrated lecturing	2
Li Gang	Employee representative supervisor	CSRC Beijing Bureau	Concentrated lecturing	1
Deng Yuewen	Employee representative supervisor	CSRC Beijing Bureau	Concentrated lecturing	1

In addition, newly appointed directors received comprehensive induction materials on various topics, covering legal and regulatory requirements on listed companies and directors' duty. The directors also reviewed the monthly updates and other reading materials provided to them concerning latest developments in the business and industry of the Bank as well as related legal and regulatory requirements. Below is a name by name summary of the directors' continuing professional development during the reporting period.

	Trainings on business, directors' duty and corporate governance	**Comprehensive induction materials**	**Monthly updates and other reading materials on latest developments in the business and industry of the Bank as well as related legal and regulatory requirements**
Non-executive directors			
Tian Guoli *(Chairman)*	✓		✓
Chen Xiaoxian *(First Vice-Chairman)*	✓		✓
Dou Jianzhong	✓		✓
Ju Weimin	✓		✓
Guo Ketong	✓		✓
Zhang Xiaowei	✓		✓
Ángel Cano Fernández	✓		✓
Gonzalo José Toraño Vallina	✓	✓	✓
Executive directors			
Zhu Xiaohuang *(President)*	✓	✓	✓
Cao Tong *(Vice-President)*	✓	✓	✓
Independent non-executive directors			
Li Zheping	✓		✓
Xing Tiancai	✓	✓	✓
Liu Shulan	✓	✓	✓
Wu Xiaoqing	✓	✓	✓
Wong Luen Cheung Andrew	✓	✓	✓

Furthermore, Mr. Lin Zhengyue, the Board secretary and company secretary of the Bank attended a 3-day (a total of 17.5 hours) training organized by the Hong Kong Institute of Chartered Secretaries, covering topics including disclosure of interests, amendments to the Hong Kong Listing Rules, connected transactions and notifiable transactions, communication with shareholders and investor relations management, disclosure of inside information and management and control of insider dealings.

Review and Supervision of the Company's Policies and Practices for Compliance with Legal and Regulatory Requirements

The Bank's Board of Directors attaches great importance to the Company's compliance with domestic and overseas laws and regulations and regulatory requirements. Upon consideration and approval by the Board of Directors, the Bank formulated China CITIC Bank Compliance Policies, established and improved a bank-wide 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 the compliance concept and promoting a compliance culture.

Formulation and Review of the Code of Conduct for Employees and Directors of the Bank and Compliance Supervision thereof

To regularize employee conduct and improve employee quality, the Bank formulated the China CITIC Bank Employee Code of Conduct under the guidance of the Board of Directors, stipulating on professional ethics, professional discipline, professional image, office environment, and work atmosphere of the Bank's employees to encourage compliance with the code of conduct among the employees. The Board of Directors formulated the Measures for Management of Shareholdings and Changes in Shareholdings by CITIC Bank Directors, Supervisors and Senior Management, regularizing the holding and trading of the Bank's shares by directors, supervisors, senior management and their associates, their disclosure obligations, and penalties for violations, to ensure that their actions are consistent with the requirements of domestic and overseas securities laws and regulations.

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

The Bank was in compliance with all code provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) throughout the three months ended 31 March 2012 and all code provisions as well as most of the recommended best practices of the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012), set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the nine months ended 31 December 2012, except for the following:

According to Code A.1.3 of the Corporate Governance Code, the board meeting notice shall be given at least 14 days before each regular board meeting, while a 10-day notice to directors and supervisors shall be given for regular board meetings 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 its Articles of Association because 10-day prior notice is deemed as sufficient according to laws of the People's Republic of China.

According to Code A.6.7. of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend general meetings. Due to other engagements, certain directors were unable to attend the general meetings of the Bank. See details in the subsection headed "Shareholders' General Meeting — Convening of Shareholders' General Meetings during the Reporting Period".

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.

Management of Investor Relations

The Bank ensures sufficient communication with its investors through a variety of ways, including the Shareholders' General Meetings, results-release press conferences and road shows, routine meetings with investors, investors' forums and investors' hotline. Shareholders may inquire directors, senior management members and heads of various major departments of the Bank in person at the results-release press conferences and road shows, routine meetings with investors and investors' forums. The Bank receives routine inquiries from and conducts routine exchanges with minority shareholders by ways of email and phone calls. Its investor relations team brings questions raised by shareholders to the Board of Directors and other related departments and makes timely replies thereto.

In 2012, the Bank organized one results-release press conference, two global conference calls, one domestic road show and one international road show, hosted 77 visits by investors and analysts and participated in nine large-scale investors' forums at home and abroad. Senior management including President of the Bank and heads of major departments all participated in important investor activities such as road shows and results-release press conferences, which deepened investors and analysts' understanding of the Bank's competitiveness and strategic adjustment, and built up investor confidence in purchasing and long-term holding of the Bank's stocks.

Information Disclosure

The Bank makes information disclosure in compliance with the regulatory requirements of the places where it is listed and publishes regular reports and interim announcements to ensure timely, fair, accurate, true and complete disclosure of information, and to safeguard 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 treatments to all investors.

The Bank improved preparation and disclosure of regular reports and interim announcements in strict compliance with internal rules and regulations such as the Regulations on Information Disclosure Management and the Measures for Accountability of Material Errors in Annual Report Information Disclosure, and reinforced management of inside information and registration of information insiders in stringent compliance with the Administrative Measures for Inside Information and Information Insiders so as to ensure equal access of all investors to the Bank's information. During the reporting period, the Bank published more than 90 announcements according to domestic and overseas regulatory requirements, including regular reports and interim announcements on a series of events such as issuance of subordinated bonds, change of controlling shareholder, credit line extension to related parties, dividends distribution and approval of director's qualifications for office.

SIGNIFICANT EVENTS

Principal Business

The Bank is engaged in banking and related financial services.

Major Customers

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

Material Litigations and Arbitrations

The Bank has been involved in several litigation and arbitration cases during its ordinary and usual course of business. 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 112 litigations and arbitrations with disputed amount exceeding RMB30 million each (either as plaintiff/claimant or defendant/respondent) with an aggregate disputed amount of RMB6.825 billion. There were 48 outstanding cases (regardless of the disputed amounts) where the Group acted as defendant/respondent with an aggregate disputed amount of RMB227 million.

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 Special Explanations for Non-operating Fund Appropriation and Other Related Fund Transactions of China CITIC Bank Corporation Limited in 2012.

Material Acquisitions, Disposals or Restructurings of Assets

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

Material Related Party Transactions

When entering into related party transactions with the related parties during its ordinary and usual 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.

Related Party Transactions involving Disposal and Acquisition of Assets

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

Credit Extension Related Party Transactions

The Bank attaches great importance to the day-to-day monitoring and management of related party transactions involving credit extension and ensures the lawfulness and compliance of such transactions through measures such as enhanced process-oriented management, risk review and post-lending management. As at the end of the reporting period, the balance of credit extended to related parties totalled RMB6.737 billion, of which the balance of credit extended to CITIC Group and its subsidiaries totalled RMB5.739 billion and that to BBVA and its subsidiaries totalled RMB998 million. With sound underlying business quality, all of the above-mentioned credit granted to related party shareholders were normal loans with proper credit risk exposure and therefore would not have material impact on the normal operation of the Bank in terms of transaction volume, structure and quality.

When extending 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 of 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 results and financial position of the Bank.

Non-Credit Extension Continuing Connected Transactions

The Bank continues to perform the continuing connected transactions framework agreements that it concluded respectively with CITIC Group and its associates, with BBVA and its associates, and with CIFH and its subsidiaries, and conducted transactions within the respective annual caps. During the reporting period, the Bank entered into seven additional framework agreements, i.e., the CITIC Bank/CITIC Group Capital Market Transactions Framework Agreement, the CITIC Bank/CITIC Group Financial Consulting and Asset Management Service Framework Agreement, the CITIC Bank/CITIC Group Wealth Management Service Framework Agreement, the CITIC Bank/CITIC Group Comprehensive Service Framework Agreement and the CITIC Bank/CITIC Group Property Lease Framework Agreement with CITIC Group and its associates; the CITIC Bank/BBVA Interbank Transactions Master Agreement with BBVA and its associate; and the CITIC Bank/CIFH Capital Market Transactions Framework Agreement with CIFH and its subsidiaries. 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 the 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 connected 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 on 11 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 review on a periodic basis. In 2012, the annual cap for the transactions under the Third-Party Escrow Service Framework Agreement was RMB50 million while the actual amount incurred as of the end of the reporting period was RMB12.3 million.

Investment Product Agency Sales Service

According to the Investment Product Agency Sales Service Framework Agreement renewed between the Bank and CITIC Group on 11 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 review on a periodic basis. In 2012, the annual cap for the transactions under the Investment Product Agency Sales Service Framework Agreement was RMB1.3543 billion while the actual amount incurred as of the end of the reporting period was RMB45.9 million.

Asset Custody Services

According to the Asset Custody Service Framework Agreement renewed between the Bank and CITIC Group on 11 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. On 26 October 2011, the Bank increased the annual cap for the transactions under the Asset Custody Service Framework Agreement. The revised cap for such transactions in 2012 was RMB300 million while the actual amount incurred as at the end of the reporting period was RMB66.5 million.

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement renewed between the Bank and CITIC Group on 11 August 2010 and approved by the Third Extraordinary Shareholders' General Meeting of the Bank in 2010, the loan asset transfer 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 after appropriate discounting to reflect the appropriate risks of the loan assets. In 2012, the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was RMB48 billion while the actual amount incurred as of the end of the reporting period was RMB72.4 million.

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 on 11 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 parties agreed to determine the price and rates that are not more favorable than those available to independent third party through arm's length negotiations, or to determine the price and rates applicable to a particular type of service according to the prevailing market prices or rates applicable to independent counterparties for the same transactions. In 2012, the annual cap for the transactions under the Financial Consulting and Asset Management Service Framework Agreement was RMB117.0 million while the actual amount incurred as of the end of the reporting period was RMB6.4 million.

Technology Services

According to the Technology Service Framework Agreement entered into between the Bank and CITIC Group on 11 August 2010, CITIC Group and its associates provide services to the Bank including development and integration of the management information system and trading information systems, as well as maintenance, support and outsourcing services. 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 through negotiations between the parties on arm's length basis and based on the prevailing market prices and rates applicable to independent counterparties for the same transactions. In 2012, the annual cap for the transactions under the Technology Service Framework Agreement was RMB82.6 million while the actual amount incurred as of the end of the reporting period was RMB17.2 million.

Capital Market Transactions

According to the Capital Market Transactions Master Agreement entered into between the Bank and CITIC Group on 11 August 2010, the Bank and CITIC Group and its associates shall conduct capital market transactions in their ordinary and usual course of business according to applicable normal 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 normally applicable to independent counter-parties for the same transactions. In 2012, 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 RMB1.3 billion respectively and that for the fair value of derivative financial instruments (whether recorded as assets or liabilities) was RMB4.2 billion. As of the end of the reporting period, the actual net interest expenditure incurred under this agreement recorded RMB357.4 million, while the fair value of financial derivatives recorded as assets was RMB29.6 million and that of financial derivatives recorded as liabilities was RMB10.1 million.

Call Center Outsourcing Services

According to the Call Center Outsourcing Service Framework Agreement entered into between the Bank and CITIC Group on 26 October 2011, CITIC Group and its associates shall provide call center outsourcing services to the Bank including staff, premises, equipment and system, such as customer calling services, telephone banking services, telephone sales, debt collection via telephone and verification via telephone, operation consultancy services, training services, digital information services, marketing consultancy services, and interactive marketing services, 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 through negotiations between the parties on arm's length basis and based on the prevailing market prices or rates applicable to independent counter-parties for the same transactions. In 2012, the annual cap for transactions under the Call Center Outsourcing Service Framework Agreement was RMB440 million, while actual amount incurred as of the end of the reporting period stood at RMB167.9 million.

In addition, the Bank entered into the CITIC Bank/CITIC Group Wealth Management Service Framework Agreement, the CITIC Bank/CITIC Group Comprehensive Service Framework Agreement and the CITIC Bank/CITIC Group Property Lease Framework Agreement on 27 December 2012 to regulate the relevant transactions with CITIC Group and its associates, and set respective annual caps for the year 2013 for the transactions under those framework agreements. Transactions under those framework agreements occurred in the year of 2012 did not reach the thresholds for reporting, announcement and independent shareholders approval under the listing rules of both Shanghai Stock Exchange and Hong Kong Stock Exchange.

Non-Credit Extension Continuing Connected Transactions with BBVA and its Associates

Interbank Transactions

According to the Interbank Transactions Master Agreement entered into between the Bank and BBVA on 27 December 2012, the Bank and BBVA Group shall conduct interbank transactions in their ordinary and usual course of business according to applicable normal interbank 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 normally used by independent counter-parties for the same transactions. In 2012, 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 RMB580 million respectively, while the cap for the fair value of derivative financial instruments recorded as assets was RMB1.25 billion and that for the fair value of derivative financial instruments recorded as liabilities was RMB1.15 billion. As of the end of the reporting period, the trading gains less losses generated under the Interbank Transactions Master Agreement registered RMB127.7 million; and the fair value of financial derivatives recorded as assets was RMB325.9 million and that of financial derivatives recorded as liabilities stood at RMB112.3 million.

Loan Asset Transfer

According to the Loan Asset Transfer Framework Agreement entered into between the Bank and BBVA on 26 October 2011, loan asset transfer transactions 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 loan assets after appropriate discounting to reflect the appropriate risks of the loan assets. In 2012, the annual cap for the transactions under the framework agreement was USD150 million while the actual amount incurred as of the end of the reporting period was zero.

Non-Credit Extension Continuing Connected Transactions with CIFH and its Subsidiaries

Capital Market Transactions and Loan Asset Transfer

According to the Capital Market Transactions Master Agreement entered into between the Bank and CIFH on 11 August 2010 and the Loan Asset Transfer Framework Agreement entered into between the Bank and CIFH on 26 October 2011, the Bank and CIFH and its subsidiaries shall conduct their transactions according to applicable common market practices and on normal commercial terms during their ordinary and usual course of business. In 2012, 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 billion respectively and that for the fair value of derivative financial instruments (whether recorded as assets or liabilities) was RMB3.5 billion; and the annual cap for the transactions under the Loan Asset Transfer Framework Agreement was USD300 million. As of the end of the reporting period, the actual trading amount incurred under the Capital Market Transactions Master Agreement and the Loan Asset Transfer Framework Agreement were both nil.

Saved as disclosed above, there are no connected transactions or continuing connected transactions which are subject to the requirements of reporting, announcement or approval of independent shareholders under the listing rules of The Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. The Company has always been in compliance with the requirements on disclosure of connected transactions under the listing rules of The Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

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 conducted:

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

(2) on normal commercial terms; and

(3) in accordance with the relevant agreements governing them, on fair and reasonable terms and in the interest of the shareholders of the Bank as a whole.

The auditor has obtained a list of the continuing connected transactions prepared by the Bank's senior management. Based on the auditor's work conducted in accordance with the 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 11 August 2010, 27 October 2011 and 27 December 2012 made by the Bank in respect of each of the disclosed continuing connected transactions.

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 items in the ordinary and usual 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 verification, the guarantees offered by the Group to external parties are primarily letters 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 value balance of letters of guarantee issued by the Group was equivalent to RMB89.554 billion.

The Bank attaches great importance to the management of risks related to such business, and formulated creditability standards of the guaranteed obligor, as well as 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, and there was no illegal guarantee issued. We are of the view that the Bank has effective control over the risks related to its guarantee business.

Independent Directors of China CITIC Bank Corporation Limited
Li Zheping, Xing Tiancai, Liu Shulan, Wu Xiaoqing, Wong Luen Cheung Andrew

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

As at the date of this report, shareholders who hold 5% or more shares in the Bank are CITIC Limited and BBVA.

On 16 April 2012, CITIC Limited undertook that , within 5 years upon completion of its acquisition of the shares in CITIC Bank, CITIC Limited will not transfer the shares in CITIC Bank so acquired (except for circumstances where CITIC Limited transfers shares in CITIC Bank to CITIC Limited's related parties in accordance with applicable laws and regulations or as approved by the regulatory authorities, or where the shares are assigned as stated-owned assets for free pursuant to the state-owned assets supervision and administration procedures); if CITIC Limited transfers the shares in CITIC Bank upon the expiry of the lock-up period, it shall obtain the prior consent form the regulatory authority in terms of the transfer and the qualification of the purchaser as a shareholder of CITIC Bank. On 25 February 2013, CITIC Limited completed delivery of the Bank's shares so acquired. By now, CITIC Limited holds directly 28,938,928,294 A shares in the Bank, accounting for 61.85% of the total shares of the Bank, and holds indirectly 710 H shares in the Bank through GIL, accounting for less than 0.01% of the total shares of the Bank. CITIC Limited holds an aggregate of 61.85% shares in the Bank. The above undertaking of CITIC Limited has become effective since 25 February 2013.

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 for at least 5 years as of the date of delivery 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 operating 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. The above undertakings by BBVA has become effective since 1 August 2011.

Save for the afore-mentioned undertakings, no other undertakings were made during the reporting period by shareholders that hold 5% or more of the Bank's shares. The Bank is not aware of any violation of the previous undertakings on the part of shareholders that hold 5% or more of its shares.

Appointment and Dismissal of Accounting Firms

As approved at the 2011 Annual Shareholders' General Meeting, the Bank continued to employ KPMG Huazhen (Special General Partnership) as its domestic auditor and KPMG as its overseas auditor for 2012. Ever since the Bank's IPO auditing in 2006, the Bank has been hiring the two accounting firms as its auditors. The two accounting firms provided audit services to the Bank for a duration of 6 and 7 consecutive years respectively while Wang Hongyang and Yu Jie, as signing CPAs for auditing of the Bank's A-share financial statements, served the Bank for 4 and 1 consecutive years respectively.

As at the end of the reporting period, the Group paid RMB9.70 million as audit service fees to KPMG and KMPG Huazhen (Special General Partnership) for their auditing of the Group's 2012 financial statements (excluding the audit performed for the financial statements of the Bank's overseas subsidiaries and the Bank's internal control); and the Group's overseas subsidiaries paid HKD7.73 million as audit service fees to KPMG.

The Bank employed KPMG Huazhen (Special General Partnership) as its domestic auditor and paid KPMG Huanzhen (Special General Partnership) RMB1.10 million as audit service fees for its auditing of the Bank's internal control in 2012.

Except for the above-mentioned audit assurance service fees, the Bank paid approximately RMB4.05 million to KPMG as non-audit service fees during the reporting period.

Amendment of the Articles of Association

Due to the rights shares issue, expansion of business scope and changes in relevant laws and regulations, during the reporting period the Bank made the following amendments to its Articles of Association vis-à-vis provisions on its equity structure, business scope and policy on dividends distribution. With approval by the shareholders' general meeting of the Bank and by the CBRC, the amendments have officially entered into effect.

Articles Amended	Date of Approval By Shareholders' General Meeting	Date of CBRC Approval
Article 20	6 March 2012	9 October 2012
Article 2.1, Article 7.1, Article 14, Article 34.1, Article 55, Article 70, Article 101, Article 102, Article 104, Article 107, Article 118, Article 128, Article 135, Article 136, Article 140.2, Article 141.2, Article 144.1, Article 153, Article 158, Article 170, Article 171.1, Article 182, Article 255, Article 256, Article 259, Article 260, Article 263, Article 264, Article 265 Article 311.	30 May 2012	9 October 2012
Article 259, Article 267	18 October 2012	24 December 2012

For details of the amendments to the Bank's Articles of Association during the reporting period, please refer to announcements made by the Bank on its official website and the websites as designated by the domestic and overseas stock exchanges where it is listed. Investors may also check the full version of the amended Articles of Association on those websites.

Equity Incentive Scheme

The Bank did not have any equity incentive scheme as at the end of the reporting period.

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 prospectuses for the IPO and the rights issue, which means 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, no material investment was made by the Bank with non-raised funds.

Punishments and Remedial Actions of the Company and Relevant Parties

During the reporting period, none of the Bank, its directors, its supervisors, its senior management members, its shareholders holding more than 5% of the Bank's equity interest, its de facto controller or its acquirer was subject to investigation by competent authorities, injunction by judicial bodies or disciplinary bodies, transfer to judicial bodies or pursuit of criminal liabilities, investigation or administrative punishment by CSRC, ban of entry into securities markets, being identified as inappropriate candidate, punishment by other administrative authorities or public censure by any stock exchanges, or punishment by other regulators that may have any material impact on business operation of the Bank.

Distributable Reserves

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

Donations

The Bank donated a total amount of approximately RMB6.8514 million during the reporting period.

Public Float

According to the information publicly available, as of the date on which this announcement is finalized, 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 the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank.

Pre-Emptive Rights

Chinese laws, administrative regulations and departmental rules do not contain mandatory provisions on pre-emptive rights for purchase of shares of listed companies. Neither does the Articles of Association of the Bank. 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.

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 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.

Tax Deduction and Exemption

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

Material Environmental Protection or Other Social Safety Incidents

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

Other Significant Events

The Bank has disclosed all significant events incurred during the reporting period that are on the list of significant events to be disclosed as per Article 67 of the PRC Securities Law and Article 30 of the Measures for Management of Information Disclosure by Listed Companies in the form of interim announcement on its own official website and the websites designated by the exchanges where the Bank is listed.

Closure of Register of Members

The Annual General Meeting of the Bank for year 2012 will be held on Tuesday, 28 May 2013. The Bank's register of members will be closed from Saturday, 27 April 2013 to Tuesday, 28 May 2013 (both dates inclusive) and from Saturday, 1 June 2013 to Thursday, 6 June 2013 (both dates inclusive), respectively.

In order to qualify for attending and voting at the annual general meeting of the Bank for year 2012, unregistered holders of H shares of the Bank should ensure that all share transfer documents together with the relevant share certificates must be lodged with the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 26 April 2013.

In order to qualify for receiving the final dividends proposed by the Bank, which is subject to the shareholders' approval at the forthcoming annual general meeting of the Bank for year 2012, holders of H shares of the Bank should ensure that all share transfer documents together with the relevant share certificates must be lodged with the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the address specified above no later than 4:30 p.m. on Friday, 31 May 2013.

If the Bank's proposal for final dividend distribution is approved by the shareholders at the forthcoming annual general meeting of the Bank for year 2012, the Bank will engage Bank of China (Hong Kong) Trustee Limited as the receiving agent in Hong Kong (the "**Receiving Agent**") for payment of the H share dividends. The final dividends will be distributed by the Receiving Agent to the H shareholders of the Bank as shown on the Bank's register of members on 6 June 2013.

Publication of Results Announcement and Annual Report

Both the Chinese and English versions of this results announcement are available on the websites of the Bank (bank.ecitic.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2012 Annual Report of the Bank containing all the information required by the Listing Rules will be published on the websites of the Bank (bank.ecitic.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) in due course. In the event of any discrepancies in interpretations between the English version and the Chinese version, the Chinese version shall prevail. The Bank also prepared an annual report for year 2012 in Chinese in accordance with the PRC GAAP, which is available on the websites of the Bank (bank.ecitic.com) and Shanghai Stock Exchange (www.sse.com.cn).

FINANCIAL REPORT

Auditor's Opinion

KPMG, the Group's external auditors, have audited the consolidated financial statements of the Group for the year ended 31 December 2012, and expressed the following audit 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 2012 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."

Financial Statements

China CITIC Bank Corporation Limited
Consolidated statement of comprehensive income
For the year ended 31 December 2012
(Expressed in millions of Renminbi unless otherwise stated)

	Note	**2012**	2011
Interest income		**138,810**	106,623
Interest expense		**(63,324)**	(41,517)
Net interest income	*4*	**75,486**	65,106
Fee and commission income		**12,194**	9,481
Fee and commission expense		**(984)**	(644)
Net fee and commission income	*5*	**11,210**	8,837
Net trading gain		**2,335**	2,260
Net gain from investment securities		**76**	83
Net hedging loss		**–**	(1)
Other operating income		**604**	807
Operating income		**89,711**	77,092
Operating expense		**(34,979)**	(28,381)
Operating Profit before impairment		**54,732**	48,711
Impairment losses on			
– Loans and advances to customers		**(12,804)**	(5,734)
– Others		**(300)**	(1,473)
Total impairment losses		**(13,104)**	(7,207)
Revaluation gain on investment properties		**62**	29
Share of (losses)/gains of associates		**(59)**	57
Losses of deemed disposal of associates		**(22)**	–
Profit before tax		**41,609**	41,590
Income tax	*6*	**(10,224)**	(10,746)
Net profit		**31,385**	30,844

China CITIC Bank Corporation Limited
Consolidated statement of comprehensive income (continued)
For the year ended 31 December 2012
(Expressed in millions of Renminbi unless otherwise stated)

	Note	**2012**	2011
Net profit		**31,385**	30,844
Other comprehensive income for the year			
Available-for-sale financial assets			
– Net changes in fair value		**(361)**	765
– Net amount transferred to profit or loss		**(101)**	340
Exchange difference on translating foreign operations		**12**	(652)
Other comprehensive income of associates		**5**	34
Total other comprehensive (loss)/income		**(445)**	487
Income tax effects relating to each component of other comprehensive (loss)/income		**149**	(280)
Other comprehensive (loss)/income, net of tax		**(296)**	207
Total comprehensive income		**31,089**	31,051
Net profit attributable to:			
Shareholders of the Bank		**31,032**	30,819
Non-controlling interests		**353**	25
		31,385	30,844
Total comprehensive income attribute to:			
Shareholders of the Bank		**30,644**	31,227
Non-controlling interests		**445**	(176)
		31,089	31,051
Basic and diluted earnings per share (RMB)	*7*	**0.66**	0.71

China CITIC Bank Corporation Limited
Consolidated statement of financial position
As at 31 December 2012
(Expressed in millions of Renminbi unless otherwise stated)

	Note	**31 December 2012**	31 December 2011
Assets			
Cash and balances with central bank		**428,167**	366,391
Deposits with banks and non-bank financial institutions		**236,591**	386,535
Placements with banks and non-bank financial institutions		**151,803**	151,004
Trading financial assets		**12,285**	8,190
Positive fair value of derivatives	*8*	**4,160**	4,683
Financial assets held under resale agreements		**69,082**	162,211
Interest receivable		**13,040**	10,051
Loans and advances to customers	*9*	**1,627,576**	1,410,779
Available-for-sale financial assets		**196,849**	134,518
Held-to-maturity investments		**135,014**	108,468
Investment classified as receivables		**56,435**	–
Investments in associates		**2,134**	2,212
Fixed assets		**11,520**	10,116
Investment properties		**333**	272
Goodwill		**817**	818
Intangible assets		**339**	254
Deferred tax assets		**6,091**	2,971
Other assets		**7,703**	6,408
Total assets		**2,959,939**	2,765,881
Liabilities			
Deposits from banks and non-bank financial institutions		**370,108**	535,546
Placements from banks and non-bank financial institutions		**17,894**	4,676
Negative fair value of derivatives	*8*	**3,412**	3,764
Financial assets sold under repurchase agreements		**11,732**	9,806
Deposits from customers		**2,255,141**	1,968,051
Accrued staff costs		**10,578**	8,861
Taxes payable		**4,558**	4,015
Interest payable		**21,499**	13,599
Provisions		**93**	36
Debts securities issued		**56,402**	33,730
Other liabilities		**5,436**	5,016
Total liabilities		**2,756,853**	2,587,100

China CITIC Bank Corporation Limited
Consolidated statement of financial position (continued)
As at 31 December 2012
(Expressed in millions of Renminbi unless otherwise stated)

	31 December 2012	31 December 2011
Equity		
Share capital	**46,787**	46,787
Share premium and other reserve	**49,488**	49,491
Investment revaluation reserve	**(185)**	214
Surplus reserve	**11,709**	8,691
General reserve	**35,326**	20,825
Retained earnings	**57,351**	50,622
Exchange difference	**(2,120)**	(2,134)
Total equity attributable to shareholders of the Bank	**198,356**	174,496
Non-controlling interests	**4,730**	4,285
Total equity	**203,086**	178,781
Total liabilities and equity	**2,959,939**	2,765,881

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

Tian Guoli
Chairman

Zhu Xiaohuang
President

Cao Guoqiang
Vice President in charge of finance function

Wang Kang
General Manager of Budget and Finance Department

Company stamp

China CITIC Bank Corporation Limited
Statement of financial position
As at 31 December 2012
(Expressed in millions of Renminbi unless otherwise stated)

	Note	**31 December 2012**	31 December 2011
Assets			
Cash and balances with central bank		**426,886**	365,318
Deposits with banks and non-bank financial institutions		**235,424**	379,964
Placements with banks and non-bank financial institutions		**129,052**	125,535
Trading financial assets		**12,209**	7,899
Positive fair value of derivatives	*8*	**2,665**	3,002
Financial assets held under resale agreements		**69,132**	162,261
Interest receivable		**12,534**	9,449
Loans and advances to customers	*9*	**1,541,748**	1,334,509
Available-for-sale financial assets		**181,862**	116,839
Held-to-maturity investments		**134,952**	108,720
Investment classified as receivables		**56,435**	–
Investment in subsidiaries		**9,986**	9,986
Fixed assets		**10,997**	9,619
Intangible assets		**339**	254
Deferred tax assets		**6,073**	2, 890
Other assets		**7,338**	5,743
Total assets		**2,837,632**	2,641,988
Liabilities			
Deposits from banks and non-bank financial institutions		**383,493**	540,810
Placements from banks and non-bank financial institutions		**15,923**	819
Negative fair value of derivatives	*8*	**2,677**	2,684
Financial assets sold under repurchase agreements		**11,241**	9,806
Deposits from customers		**2,148,582**	1,865,221
Accrued staff costs		**10,241**	8,595
Taxes payable		**4,495**	3,900
Interest payable		**20,988**	13,111
Provisions		**93**	36
Debt securities issued		**38,470**	18,500
Other liabilities		**4,363**	4,213
Total liabilities		**2,640,566**	2,467,695

China CITIC Bank Corporation Limited
Statement of financial position (continued)
As at 31 December 2012
(Expressed in millions of Renminbi unless otherwise stated)

	31 December 2012	31 December 2011
Equity		
Share capital	**46,787**	46,787
Share premium and other reserve	**51,619**	51,619
Investment revaluation reserve	**(195)**	428
Surplus reserve	**11,709**	8,691
General reserve	**35,250**	20,750
Retained earnings	**51,896**	46, 018
Total equity	**197,066**	174,293
Total liabilities and equity	**2,837,632**	2,641,988

Approved and authorised for issue by the board of directors on 28 March 2013.

Tian Guoli
Chairman

Zhu Xiaohuang
President

Cao Guoqiang
Vice President in charge of finance function

Wang Kang
General Manager of Budget and Finance Department

Company stamp

China CITIC Bank Corporation Limited
Consolidated statement of changes in equity
For the year ended 31 December 2012
(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 2012		46,787	49,214	277	214	8,691	20,825	50,622	(2,134)	4,285	178,781
Movements during the year											
(I) Net profit		–	–	–	–	–	–	31,032	–	353	31,385
(II) Other comprehensive income		–	–	(3)	(399)	–	–	–	14	92	(296)
Total comprehensive income		–	–	(3)	(399)	–	–	31,032	14	445	31,089
(III) Profit appropriations											–
1. Appropriations to surplus reserve	11	–	–	–	–	3,018	–	(3,018)	–	–	–
2. Appropriations to general reserve	11	–	–	–	–	–	14,501	(14,501)	–	–	–
3. Appropriations to shareholders		–	–	–	–	–	–	(6,784)	–	–	(6,784)
As at 31 December 2012		46,787	49,214	274	(185)	11,709	35,326	57,351	(2,120)	4,730	203,086

	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		–	–	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	11	–	–	–	–	3,073	–	(3,073)	–	–	–
2. Appropriations to general reserve	11	–	–	–	–	–	5,127	(5,127)	–	–	–
3. Appropriations to shareholders		–	–	–	–	–	–	(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

China CITIC Bank Corporation Limited
Consolidated cash flow statement
For the year ended 31 December 2012
(Expressed in millions of Renminbi unless otherwise stated)

	2012	2011
Operating activities		
Profit before tax	**41,609**	41,590
Adjustments for:		
– Revaluation loss/(gain) on investments, derivatives and investment properties	**105**	(878)
– Investment losses/(gains)	**20**	(122)
– Net loss/(gain) on disposal of fixed assets and other assets	**4**	(7)
– Unrealised foreign exchange losses	**60**	190
– Impairment losses	**13,104**	7,207
– Depreciation and amortisation	**1,517**	1,340
– Interest expense on debt securities issued	**1,778**	1,251
– Dividend income from equity investment	**(15)**	(18)
– Income tax paid	**(13,788)**	(10,939)
	44,394	39,614
Changes in operating assets and liabilities:		
Increase in balances with central bank	**(58,577)**	(102,624)
Decrease/(increase) in deposits with banks and non-bank financial institutions	**25,608**	(14,762)
Increase in placements with banks and non-bank financial institutions	**(19,601)**	(67,903)
Increase in trading financial assets	**(1,663)**	(4,864)
Decrease/(increase) in financial assets held under resale agreements	**93,129**	(14,582)
Increase in loans and advances to customers	**(228,474)**	(174,787)
Increase in investment classified as receivables	**(56,435)**	–
(Decrease)/increase in deposits from banks and non-bank financial institutions	**(165,427)**	394,215
Increase/(decrease) in placements from banks and non-bank financial institutions	**13,802**	(2,235)
Decrease in trading financial liabilities	**–**	(10,729)
Increase in financial assets sold under repurchase agreements	**1,437**	5,431
Increase in deposits from customers	**287,328**	244,435
Increase in other operating assets	**(1,499)**	(6,194)
Increase in other operating liabilities	**10,552**	15,089
Net cash flows (used)/from operating activities	**(55,426)**	300,104

China CITIC Bank Corporation Limited
Consolidated cash flow statement (continued)
For the year ended 31 December 2012
(Expressed in millions of Renminbi unless otherwise stated)

	2012	2011
Investing activities		
Proceeds from disposal and redemption of investments	**547,608**	493,354
Proceeds from disposal of fixed assets, land use rights, and other assets	**4**	79
Cash received from equity investment income	**14**	37
Payments on acquisition of investments	**(645,390)**	(502,095)
Payments on acquisition of fixed assets, land use rights and other assets	**(3,588)**	(1,973)
Net cash flows used in investing activities	**(101,352)**	(10,598)
Financing activities		
Proceeds from share issuance, including interest income received and net of issuing costs	**–**	25,667
Cash received from debt securities issued	**35,365**	–
Capital contribution by non-controlling interests	**–**	98
Cash paid for redemption of debt securities	**(12,831)**	(4,000)
Interest paid on debt securities issued	**(1,152)**	(1,312)
Dividends paid	**(6,784)**	(2,573)
Net cash flows from financing activities	**14,598**	17,880
Net (decrease)/increase in cash and cash equivalents	**(142,180)**	307,386
Cash and cash equivalents as at 1 January	**479,083**	173,910
Effect of exchange rate changes on cash and cash equivalents	**(75)**	(2,213)
Cash and cash equivalents as at 31 December	**336,828**	479,083
Cash flows from operating activities include:		
Interest received	**135,635**	102,730
Interest paid, excluding interest expense on debt securities issued	**(53,529)**	(35,174)

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 2012, the Group mainly operates in Mainland China with branches covering 28 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.

1 Corporate information *(continued)*

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"), and completed the registration of the revised registered capital on 5 July 2012.

The financial statements were approved by the Board of Directors of the Bank on 28 March 2013.

2 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:

- 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 7 Financial instruments: disclosures

The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to IAS 12 Income taxes

Under IAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to IAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under IAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

2 Statement of compliance *(continued)*

Previously, where investment properties were held under leasehold interests, the group assumed that the property's value would be recovered through use and measured deferred tax accordingly. As a result of adopting the amendments to IAS 12, the group reviewed its investment property portfolio and concluded that the presumption in the amended IAS 12 is not rebutted in respect of its investment properties located in Hong Kong. Therefore, the deferred tax relating to these properties has been re-measured on the basis of recovering their carrying amounts entirely through sale. In respect of the group's investment properties located in Mainland China, the group determined that these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended IAS 12 is rebutted for these properties. As a result, the group continues to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

This change in policy has been applied prospectively by not restating the balances at 1 January 2011 and 31 December 2011, as the impact on the comparatives is not material.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 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 and Local education surcharges

Education surcharge and Local education surcharges are calculated as 3% and 2% of business tax respectively.

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.

4 Net interest income

	2012	2011
Interest income arising from:		
Deposits with central banks	**5,842**	4,425
Deposits with banks and non-bank financial institutions	**6,800**	3,442
Placements with banks and non-bank financial institutions	**7,158**	4,086
Financial assets held under resale agreements	**5,208**	4,796
Investment classified as receivables	**795**	
Loans and advances to customers *(note (i))*		
– corporate loans	**78,592**	65,557
– personal loans	**18,188**	13,272
– discounted bills	**5,589**	3,405
Investments in debt securities *(note (ii))*	**10,616**	7,636
Others	**22**	4
	138,810	106,623
Interest expense arising from:		
Deposits from banks and non-bank financial institutions	**(14,779)**	(6,823)
Placements from banks and non-bank financial institutions	**(242)**	(424)
Trading financial liabilities	**(41)**	(95)
Financial assets sold under repurchase agreements	**(537)**	(474)
Deposits from customers	**(45,947)**	(32,450)
Debts securities issued	**(1,778)**	(1,251)
	(63,324)	(41,517)
Net interest income	**75,486**	65,106

Notes:

(i) Interest income arising from loans and advances to customers includes interest income accrued on individually assessed impaired financial assets of RMB249 million for the year ended 31 December 2012 (2011: RMB159 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 RMB370 million (2011: RMB188 million); interest expense includes interest expense arising from financial liabilities designated at fair value through profit and loss of RMB41 million (2011: RMB95 million).

5 Net fee and commission income

	2012	2011
Fee and commission income		
Consultancy and advisory fees	**2,831**	2,659
Bank card fees	**3,820**	2,283
Settlement fees	**2,593**	1,755
Commission for wealth management services	**1,055**	847
Agency fees and commission (note(i))	**967**	725
Guarantee fees	**435**	887
Commission for custodian business	**483**	320
Others	**10**	5
Total	**12,194**	9,481
Fee and commission expense	**(984)**	(644)
Net fee and commission income	**11,210**	8,837

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.

6 Income tax

(a) Recognised in the statement of comprehensive income

	2012	2011
Current tax		
– Mainland China	**12,979**	11,230
– Hong Kong	**198**	201
– Overseas	**14**	5
Deferred tax	**(2,967)**	(690)
Income tax	**10,224**	10,746

6 Income tax *(continued)*

(b) Reconciliation between income tax expense and accounting profit

	2012	2011
Profit before tax	**41,609**	41,590
Income tax calculated at statutory tax rate	**10,402**	10,398
Effect of different tax rates in other regions	**(112)**	(13)
Tax effect of non-deductible expenses (Note (i))	**474**	567
Tax effect of non-taxable income		
– Interest income arising from PRC government bonds	**(488)**	(156)
– Others	**(52)**	(50)
Income tax	**10,224**	10,746

Note:

(i) The amounts primarily represent tax effect of entertainment expenses, advertisement expenses and marketing expenses in excess of the deductible amounts.

7 Earnings per share

Earnings per share information for the year ended 31 December 2012 and 2011 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. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year ended 31 December 2012 and 2011.

	2012	2011
Net profit attributable to shareholders of the Bank	**31,032**	30,819
Weighted average number of shares (in million shares)	**46,787**	43,357
Basic and diluted earnings per share (in RMB)	**0.66**	0.71

8 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 8(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					
	2012			2011		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging Instruments						
– Interest rate derivatives	**6,450**	**470**	**3**	4,970	396	–
Non-Hedging Instruments						
– Interest rate derivatives	**217,323**	**799**	**899**	195,134	1,231	1,314
– Currency derivatives	**550,812**	**2,891**	**2,495**	404,074	3,036	2,438
– Other derivatives	**21,584**	**–**	**15**	1,065	20	12
Total	**796,169**	**4,160**	**3,412**	605,243	4,683	3,764

8 Derivatives *(continued)*

	The Bank					
	2012			2011		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Non-Hedging Instruments						
– Interest rate derivatives	**181,469**	**732**	**765**	157,630	960	999
– Currency derivatives	**357,286**	**1,933**	**1,897**	246,430	2,023	1,674
– Other derivatives	**21,584**	**–**	**15**	1,050	19	11
Total	**560,339**	**2,665**	**2,677**	405,110	3,002	2,684

Nominal amount analysed by remaining maturity

	The Group		The Bank	
	2012	2011	**2012**	2011
Within three months	**307,371**	200,834	**220,054**	148,951
Between three months and one year	**321,598**	242,642	**269,131**	181,253
Between one year and 5 years	**163,907**	156,881	**71,004**	73,317
Over five years	**3,293**	4,886	**150**	1,589
Total	**796,169**	605,243	**560,339**	405,110

Credit risk weighted amounts

	The Group		The Bank	
	2012	2011	**2012**	2011
Interest rate derivatives	**747**	803	**392**	440
Currency derivatives	**5,876**	4,886	**2,515**	1,744
Other derivatives	**3,893**	29	**3,893**	29
Total	**10,516**	5,718	**6,800**	2,213

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.

8 Derivatives *(continued)*

(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 and subordinated debts issued.

The fair value changes of hedging instruments mentioned above and net gain/(loss) from hedged items are recorded in profit and loss.

9 Loans and advances to customers

(a) Analysed by nature

		The Group		The Bank	
	Note	**2012**	2011	**2012**	2011
Corporate loans					
– Loans		**1,252,217**	1,114,685	**1,188,415**	1,058,128
– Discounted bills		**74,994**	49,451	**68,166**	45,332
– Lease payments receivable		**1,043**	1,704	**—**	—
Subtotal		**1,328,254**	1,165,840	**1,256,581**	1,103,460
Personal loans					
– Residential mortgages		**194,614**	178,888	**185,935**	169,763
– Credit cards		**54,165**	32,133	**53,930**	31,903
– Others		**85,868**	57,176	**80,179**	52,201
Subtotal		**334,647**	268,197	**320,044**	253,867
Gross balance		**1,662,901**	1,434,037	**1,576,625**	1,357,327
Less:	*10*				
– Individual impairment allowances		**(6,699)**	(3,959)	**(6,484)**	(3,800)
– Collective impairment allowances		**(28,626)**	(19,299)	**(28,393)**	(19,018)
Net balance		**1,627,576**	1,410,779	**1,541,748**	1,334,509

9 Loans and advances to customers *(continued)*

(b) Analysed by assessment method of allowance for impairment losses

The Group

	2012				
	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	**1,650,646**	**1,296**	**10,959**	**1,662,901**	**0.74%**
Less: Impairment allowances against loans and advances	**(27,643)**	**(983)**	**(6,699)**	**(35,325)**	
Net loans and advances	**1,623,003**	**313**	**4,260**	**1,627,576**	

	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	

9 Loans and advances to customers *(continued)*

(b) Analysed by assessment method of allowance for impairment losses (continued)

The Bank

	2012				
	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	**1,564,756**	**1,273**	**10,596**	**1,576,625**	**0.75%**
Less: Impairment allowances against loans and advances	**(27,411)**	**(982)**	**(6,484)**	**(34,877)**	
Net loans and advances	**1,537,345**	**291**	**4,112**	**1,541,748**	

	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	

9 Loans and advances to customers *(continued)*

(b) Analysed by assessment method of allowance for impairment losses (continued)

(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.

(ii) As at 31 December 2012, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB10,959 million (2011: RMB7,664 million). The covered portion and uncovered portion of these loans and advances were RMB3,052 million (2011: RMB2,972 million) and RMB7,907 million (2011: RMB4,692 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB3,295 million (2011: RMB3,353 million). The individual impairment allowances made against these loans and advances were RMB6,699 million (2011: RMB3,959 million).

As at 31 December 2012, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB10,596 million (2011: RMB7,110 million). The covered portion and uncovered portion of these loans and advances were RMB2,850 million (2011: RMB2,538 million) and RMB7,746 million (2011: RMB4,572 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB3,014 million (2011: RMB2,675 million). The individual impairment allowances made against these loans and advances were RMB6,484 million (2011: RMB3,800 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.

9 Loans and advances to customers *(continued)*

(c) Movements of allowances for impairment losses

The Group

	2012			
	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	**18,547**	**752**	**3,959**	**23,258**
Charge for the year				
– new impairment allowances charged to profit or loss	**9,096**	**415**	**4,244**	**13,755**
– impairment allowances released to profit or loss	**—**	**(56)**	**(895)**	**(951)**
Unwinding of discount	**—**	**—**	**(206)**	**(206)**
Transfers in/(out)	**—**	**—**	**(54)**	**(54)**
Write-offs	**—**	**(184)**	**(558)**	**(742)**
Recoveries of loans and advances previously written off	**—**	**56**	**209**	**265**
As at 31 December	**27,643**	**983**	**6,699**	**35,325**

	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 in/(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

9 Loans and advances to customers *(continued)*

(c) Movements of allowances for impairment losses (continued)

The Bank

	2012			
	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	**18,266**	**752**	**3,800**	**22,818**
Charge for the year				
– new impairment allowances charged to profit or loss	**9,145**	**407**	**4,091**	**13,643**
– impairment allowances released to profit or loss	**–**	**(51)**	**(859)**	**(910)**
Unwinding of discount	**–**	**–**	**(202)**	**(202)**
Transfer in/(out)	**–**	**–**	**(54)**	**(54)**
Write-offs	**–**	**(177)**	**(482)**	**(659)**
Recoveries of loans and advances previously written off	**–**	**51**	**190**	**241**
As at 31 December	**27,411**	**982**	**6,484**	**34,877**

	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 in/(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

9 Loans and advances to customers *(continued)*

(d) Overdue loans analysed by overdue period

The Group

	2012				
	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	**2,210**	**1,083**	**483**	**668**	**4,444**
Guaranteed loans	**2,525**	**1,103**	**341**	**1,070**	**5,039**
Loans with pledged assets					
– Loans secured by tangible assets	**5,467**	**2,774**	**693**	**862**	**9,796**
– Loans secured by monetary assets	**1,501**	**432**	**253**	**20**	**2,206**
Total	**11,703**	**5,392**	**1,770**	**2,620**	**21,485**

	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

9 Loans and advances to customers *(continued)*

(d) Overdue loans analysed by overdue period (continued)

The Bank

	2012				
	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	**2,151**	**1,082**	**483**	**650**	**4,366**
Guaranteed loans	**2,514**	**1,097**	**327**	**1,060**	**4,998**
Loans with pledged assets					
– Loans secured by tangible assets	**5,135**	**2,716**	**602**	**861**	**9,314**
– Loans secured by monetary assets	**1,497**	**432**	**109**	**20**	**2,058**
Total	**11,297**	**5,327**	**1,521**	**2,591**	**20,736**

	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

Overdue loans represent loans of which the principal or interest are overdue one day or more.

9 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			
	2012		2011	
	Present value of minimum leases receivables	**Minimum leases receivables**	Present value of minimum leases receivables	Minimum leases receivables
Within 1 year (including 1 year)	**187**	**216**	209	252
1 year to 2 years (including 2 years)	**119**	**137**	166	197
2 years to 3 years (including 3 years)	**67**	**81**	96	120
Over 3 years	**670**	**782**	1,233	1,464
	1,043	**1,216**	1,704	2,033
Less:				
– Individual impairment allowances	**—**		(1)	
– Collective impairment allowances	**—**		—	
Net balance	**1,043**		1,703	

10 Movements of allowances for impairment losses

The Group

2012

	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		**—**	**—**	**—**	**—**	**—**	**—**
Placements with banks and non-bank financial institutions		**8**	**—**	**(5)**	**5**	**—**	**8**
Financial assets held under resale agreements		**—**	**—**	**—**	**—**	**—**	**—**
Interest receivable		**56**	**231**	**(31)**	**—**	**(14)**	**242**
Loans and advances to customers	*9*	**23,258**	**13,755**	**(951)**	**5**	**(742)**	**35,325**
Available-for-sale financial assets		**303**	**6**	**(16)**	**(144)**	**—**	**149**
Held-to-maturity investments		**137**	**—**	**(6)**	**(1)**	**—**	**130**
Investment classified as receivables		**—**	**—**	**—**	**—**	**—**	**—**
Repossessed assets		**161**	**39**	**(38)**	**14**	**(9)**	**167**
Other assets		**700**	**22**	**(33)**	**2**	**(44)**	**647**
Gross balance		**24,623**	**14,053**	**(1,080)**	**(119)**	**(809)**	**36,668**

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		—	—	—	—	—	—
Placements with banks and non-bank financial institutions		8	—	—	—	—	8
Financial assets held under resale agreements		—	—	—	—	—	—
Interest receivable		30	38	(7)	—	(5)	56
Loans and advances to customers	*9*	18,219	6,998	(1,264)	(12)	(683)	23,258
Available-for-sale financial assets		241	148	—	(75)	(11)	303
Held-to-maturity investments		109	33	—	(5)	—	137
Investment classified as receivables		—	—	—	—	—	—
Repossessed assets		280	1	(63)	(25)	(32)	161
Other assets		620	114	(13)	(16)	(5)	700
Gross balance		19,507	7,332	(1,347)	(133)	(736)	24,623

10 Movements of allowances for impairment losses *(continued)*

The Bank

	Note	2012 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		–	–	–	–	–	–
Placements with banks and non-bank financial institutions		8	–	(5)	5	–	8
Financial assets held under resale agreements		–	–	–	–	–	–
Interest receivable		56	231	(31)	–	(14)	242
Loans and advances to customers	*9*	22,818	13,643	(910)	(15)	(659)	34,877
Available-for-sale financial assets		159	–	(16)	1	–	144
Held-to-maturity investments		137	–	(6)	(1)	–	130
Investment classified as receivables		–	–	–	–	–	–
Repossessed assets		161	39	(38)	14	(9)	167
Other assets		697	15	(33)	2	(35)	646
Gross balance		24,036	13,928	(1,039)	6	(717)	36,214

	Note	2011 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		–	–	–	–	–	–
Placements with banks and non-bank financial institutions		8	–	–	–	–	8
Financial assets held under resale agreements		–	–	–	–	–	–
Interest receivable		30	38	(7)	–	(5)	56
Loans and advances to customers	*9*	17,660	6,897	(1,150)	(3)	(586)	22,818
Available-for-sale financial assets		213	–	–	(54)	–	159
Held-to-maturity investments		109	33	–	(5)	–	137
Investment classified as receivables		–	–	–	–	–	–
Repossessed assets		229	1	(13)	(24)	(32)	161
Other assets		615	114	(13)	(17)	(2)	697
Gross balance		18,864	7,083	(1,183)	(103)	(625)	24,036

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.

11 Profit appropriations and retained earnings

(a) Profit appropriations and distributions other than dividends declared during the year

	The Group		The Bank	
	2012	2011	**2012**	2011
Appropriations to				
– Statutory surplus reserve fund	**3,018**	3,073	**3,018**	3,073
– General reserve	**14,501**	5,127	**14,500**	5,100
As at 31 December	**17,519**	8,200	**17,518**	8,173

In accordance with the approval from the Board of Directors dated 28 March 2013, the Bank appropriated RMB3,018 million to statutory surplus reserve fund and RMB14,500 million to general reserve in year 2012. The Group's subsidiary CNCBI (China) made an appropriation to general reserve in accordance with relevant regulatory requirements.

(b) In accordance with the resolution approved in the Annual General Meeting of the Bank on 30 May 2012, a total amount of approximately RMB6,784 million (RMB145 cents per 10 shares) were distributed in the form of cash dividend to the Bank's shareholders on 25 July 2012.

(c) On 28 March 2012, the Board of Directors proposed a cash dividend of RMB1.50 per ten shares in respect of the year ended 31 December 2012. Subject to the approval of the shareholders at the Annual General Meeting, the total amount of approximately RMB7,018 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.

(d) As at 31 December 2012, the retained earnings included the statutory surplus reserve of RMB28 million contributed by the subsidiaries and attributable to the Bank (31 December 2011: RMB18 million), of which RMB10 million (2011: RMB5 million) was the appropriation made by the subsidiaries for the year ended 31 December 2012. The statutory surplus reserve in the retained earnings which is contributed by subsidiaries cannot be further distributed.

12 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.

	The Group		The Bank	
	2012	2011	**2012**	2011
Contractual amount				
Loan commitments				
– with an original maturity of within one year	**100,858**	79,634	**67,499**	54,376
– with an original maturity of one year or beyond	**14,388**	15,584	**12,679**	12,616
Subtotal	**115,246**	95,218	**80,178**	66,992
Guarantees	**89,554**	64,534	**86,140**	63,852
Letters of credit	**166,268**	244,312	**162,004**	239,779
Acceptances	**666,007**	503,666	**664,502**	501,746
Credit card commitments	**80,452**	60,937	**74,906**	55,543
Total	**1,117,527**	968,667	**1,067,730**	927,912

(b) Credit commitments analysed by credit risk weighted amount

	The Group		The Bank	
	2012	2011	**2012**	2011
Credit risk weighted amount of credit commitments	**414,221**	375,757	**410,520**	371,066

12 Commitments and contingent liabilities *(continued)*

(b) Credit commitments analysed by credit risk weighted amount (continued)

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	
	2012	2011	**2012**	2011
– Contracted for	**612**	750	**582**	728
– Authorized but not contracted for	**69**	688	**69**	687

(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	
	2012	2011	**2012**	2011
Within one year	**1,935**	1,409	**1,760**	1,264
After one year but within two years	**1,786**	1,294	**1,625**	1,154
After two years but within three years	**1,656**	1,204	**1,509**	1,095
After three years but within five years	**2,236**	1,772	**2,002**	1,598
After five years	**2,384**	2,581	**2,051**	2,438
Total	**9,997**	8,260	**8,947**	7,549

12 Commitments and contingent liabilities *(continued)*

(e) Outstanding litigations and disputes

As at 31 December 2012, the Group was the defendant in certain pending litigations with gross claims of RMB227 million (2011: RMB242 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB93 million (2011: 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 2012 and 2011.

(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	
	2012	2011
Bonds redemption obligations	**4,525**	5,465

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 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.

13 Segment reporting

The segment reporting is disclosed in accordance with the accounting policy set out by the Group. 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 assets (including both tangibles assets and intangible assets) whose estimated useful lives are over one year.

(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.

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 and interbank 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 bonds issued.

13 Segment reporting *(continued)*

(a) Business segments (continued)

Others and unallocated

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.

Changes in disclosure of segment results and assets and liabilities in 2012

The Group has further strengthened the centralized operations management and optimized the resource allocation at Group level during the reporting period, by assessing and managing overseas subsidiaries' results and liabilities based on four main business segments, i.e Corporate banking, Personal banking, Treasury business as well as Others and unallocated. As a result, the Group did not separately disclosing such information 'in the "overseas subsidiaries" segment and changed the disclosure of business segments accordingly. In addition, the Group restructures the management model of its business with other financial institution related, and disclose such business in "Treasury business" instead of "Corporate business". Compared to the old method, the new method better reflect the resource consumption and contributions to results of the Group's four business segments, and is more conducive to the Group's strategic management and decision-making of business operations.

The 2011 comparative figures have not been restated as it is impractical. Segment information as at 31 December 2012 has been presented using both the new and old methods.

13 Segment reporting *(continued)*

(a) Business segments (continued)

The segment information as at 31 December 2012 has been presented using the new method as below:

	2012				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income	48,409	11,778	15,299	–	75,486
Internal net interest income/(expense)	7,208	(1,157)	(6,070)	19	–
Net interest income	55,617	10,621	9,229	19	75,486
Net fee and commission income/(expense)	6,595	4,502	117	(4)	11,210
Other net income *(note 1)*	978	105	1,651	281	3,015
Operating income	63,190	15,228	10,997	296	89,711
Operating expenses					
– depreciation and amortization	(752)	(661)	(74)	(30)	(1,517)
– others	(19,897)	(11,091)	(1,141)	(1,333)	(33,462)
Impairment losses	(10,440)	(2,086)	(403)	(175)	(13,104)
Revaluation gain on investment properties	–	–	–	62	62
Share of losses of associates	–	–	–	(59)	(59)
Losses of deemed disposal of associates	–	–	–	(22)	(22)
Profit/(loss) before tax	32,101	1,390	9,379	(1,261)	41,609
Capital expenditure	1,426	1,073	112	22	2,633

13 Segment reporting *(continued)*

(a) Business segments (continued)

The segment information as at 31 December 2012 has been presented using the new method as below (continued):

	31 December 2012				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	1,626,232	418,449	904,886	2,147	2,951,714
Investment in associates	—	—	—	2,134	2,134
Deferred tax assets					6,091
Total asset					2,959,939
Segment liabilities	1,856,062	419,089	484,134	(2,432)	2,756,853
Deferred tax liabilities					—
Total liabilities					2,756,853
Off-balance sheet credit commitments	1,037,076	80,451	—	—	1,117,527

13 Segment reporting *(continued)*

(a) Business segments (continued)

The segment information as at 31 December 2012 has been presented using the old method as below:

	2012					
	Corporate Banking	Personal Banking	Treasury Business	Overseas subsidiaries	Others and Unallocated	Total
External net interest income	52,659	11,745	9,181	1,885	16	75,486
Internal net interest income/(expense)	5,699	(1,842)	(3,294)	–	(563)	–
Net interest income/(expense)	58,358	9,903	5,887	1,885	(547)	75,486
Net fee and commission income	6,410	4,197	75	528	–	11,210
Other net income *(note 1)*	832	33	1,172	719	259	3,015
Operating income/(expense)	65,600	14,133	7,134	3,132	(288)	89,711
Operating expenses						
– depreciation and amortization	(714)	(652)	(68)	(82)	(1)	(1,517)
– others	(20,207)	(10,701)	(285)	(1,579)	(690)	(33,462)
Impairment (losses)/reversal	(10,820)	(2,084)	55	(79)	(176)	(13,104)
Revaluation gain on investment properties	–	–	–	62	–	62
Share of losses of associates	–	–	–	(59)	–	(59)
Losses of deemed disposal of associates	–	–	–	(22)	–	(22)
Profit/(loss) before tax	33,859	696	6,836	1,373	(1,155)	41,609
Capital expenditure	1,372	1,049	108	104	–	2,633

13 Segment reporting *(continued)*

(a) Business segments (continued)

The segment information as at 31 December 2012 has been presented using the old method as below (continued):

	31 December 2012					
	Corporate Banking	Personal Banking	Treasury Business	Overseas subsidiaries	Others and Unallocated	Total
Segment assets	1,991,094	389,131	427,274	130,617	13,598	2,951,714
Investment in associates	—	—	—	2,134	—	2,134
Deferred tax assets						6,091
Total asset						2,959,939
Segment liabilities	2,185,058	361,830	68,895	129,287	11,783	2,756,853
Deferred tax liabilities						—
Total liabilities						2,756,853
Off-balance sheet credit commitments	992,824	74,906	—	49,797	—	1,117,527

13 Segment reporting *(continued)*

(a) Business segments (continued)

	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
Other net income *(note 1)*	815	22	1,202	963	147	3,149
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

13 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

Note 1: Other net income consists of net trading gain, net gain from investment securities, net hedging loss and other operating income.

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 28 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 Xiamen and Haikou;

13 Segment reporting *(continued)*

(b) Geographical segments (continued)

— "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.

13 Segment reporting *(continued)*

(b) Geographical segments (continued)

	2012									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	14,505	8,533	12,079	8,344	8,840	2,427	18,873	1,885	—	75,486
Internal net interest income/(expense)	3,786	1,737	4,489	2,087	396	(101)	(12,394)	—	—	—
Net interest income	18,291	10,270	16,568	10,431	9,236	2,326	6,479	1,885	—	75,486
Net fee and commission income	2,222	905	2,015	1,172	920	248	3,200	528	—	11,210
Other net income *(note 1)*	493	230	546	130	91	42	764	719	—	3,015
Operating income	21,006	11,405	19,129	11,733	10,247	2,616	10,443	3,132	—	89,711
Operating expense										
— depreciation and amortisation	(290)	(155)	(293)	(167)	(163)	(45)	(322)	(82)	—	(1,517)
— others	(7,689)	(4,319)	(6,764)	(4,354)	(3,801)	(965)	(3,991)	(1,579)	—	(33,462)
Impairment (losses)/reversal	(4,737)	(2,772)	(2,267)	(1,605)	(1,341)	(319)	16	(79)	—	(13,104)
Revaluation gain on investment properties	—	—	—	—	—	—	—	62	—	62
Share of losses of associates	—	—	—	—	—	—	—	(59)	—	(59)
Losses of deemed disposal of associates	—	—	—	—	—	—	—	(22)	—	(22)
Profit before tax	8,290	4,159	9,805	5,607	4,942	1,287	6,146	1,373	—	41,609
Capital expenditure	230	100	845	169	798	29	358	104	—	2,633

	31 December 2012									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	720,231	438,698	727,706	351,283	356,213	77,278	962,733	144,134	(826,562)	2,951,714
Interests in associates	—	—	—	—	—	—	—	2,134	—	2,134
Deferred tax assets										6,091
Total assets										2,959,939
Segment liabilities	709,635	431,981	715,812	344,631	349,718	75,502	825,654	130,482	(826,562)	2,756,853
Deferred tax liabilities										—
Total liabilities										2,756,853
Off-balance sheet credit commitment	283,996	139,730	247,185	170,851	121,042	30,020	74,906	49,797	—	1,117,527

13 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
Other net income *(note 1)*	458	222	497	121	71	28	789	963	–	3,149
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

Note 1: Other net income consists of net trading gain, net gain from investment securities, net hedging loss and other operating income.

14 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 February 2013, the relevant regulatory approval for the change of the Bank's controlling shareholder has been obtained and the registration has been finished.

15 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.

DEFINITIONS

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Bank/Company/China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.
Central Bank/PBC	The People's Bank of China
CBRC	China Banking Regulatory Commission
China AMC	China Asset Management Co., Ltd.
China Securities	China Securities Co., Ltd.
CIAM	CITIC 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 Corporation, formerly known as CITIC Group which was renamed as CITIC Group Corporation on 27 December 2011 after restructuring
CITIC Holdings	CITIC Holdings Company Limited

CITIC Kingview	CITIC Kingview Capital Management Co., Ltd.
CITIC Limited	CITIC Limited
CITIC Pacific	CITIC Pacific Limited
CITIC-Prudential Insurance	CITIC-Prudential Life Insurance 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 Trust	CITIC Trust Co., Ltd.
CITIC Wantong Securities	CITIC Wantong Securities Co., Ltd.
CNCBI	China CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
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
KPMG Huazhen	KPMG Huazhen Certified Public Accountants (Special General Partnership)
MOF	Ministry of Finance 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 Co., Ltd.

By order of the Board of
China CITIC Bank Corporation Limited
Tian Guoli
Chairman

Beijing, the PRC

28 March 2013

As at the date of this announcement, the executive directors of the Bank are Dr. Zhu Xiaohuang and Dr. Cao Tong; the non-executive directors are Mr. Tian Guoli, Dr. Chen Xiaoxian, Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Guo Ketong, Mr. Zhang Xiaowei, Mr. Ángel Cano Fernández and Mr. Gonzalo José Toraño Vallina; and the independent non-executive directors are Mr. Li Zheping, Dr. Xing Tiancai, Ms. Liu Shulan, Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew.