中信银行
CHINA CITIC BANK

China CITIC Bank Corporation Limited

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

Stock Code: 0998

2012 Annual Report

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors, and senior management of the Bank confirm that the information contained herein does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for its truthfulness, accuracy and completeness.

The Board of Directors of the Bank adopted the full text and summary of the 2012 Annual Report on 28 March 2013. 15 out of the 15 eligible directors attended the meeting, including 14 attending in person, and one attending by proxy. Director Ángel Cano Fernández asked Director Gonzalo José Toraño Vallina to attend and vote as his proxy due to other work arrangements. The supervisors of the Bank attended the meeting as non-voting delegates.

The Bank's 2012 annual financial reports prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were audited by KPMG Huazhen (Special General Partnership) and KPMG in accordance with the auditing standards of Mainland China and Hong Kong respectively.

The "Profit and Dividends Distribution" in "Management Discussion and Analysis" of the report discloses the Bank's Profit Distribution Plan for 2012 as adopted by the Board of Directors and to be submitted to the 2012 Annual Shareholders' General Meeting for deliberation. The Bank proposes to distribute final dividends for 2012 with a total amount of RMB7.018 billion, representing RMB1.50 (pre-tax) for every 10 shares based on the total share capital of A-Shares and H-Shares.

The terms the "Bank", the "Company" and "CITIC Bank" mentioned herein all refer to China CITIC Bank Corporation Limited while the term the "Group" mentioned herein refers to China CITIC Bank Corporation Limited and its subsidiaries.

Mr. Tian Guoli as Chairman of the Board of Directors, Mr. Zhu Xiaohuang as President of the Bank, Mr. Cao Guoqiang as Vice President of the Bank in charge of finance function, and Mr. Wang Kang as General Manager of the Budget and Finance Department, hereby guarantee the truthfulness and completeness of the financial report contained in the 2012 Annual Report.

Material Risk Reminder

The Bank has described in detail the major risks that it is exposed to in operation and management and its responses thereto. Please refer to "Risk Management" and "Outlook" in Chapter 6 "Management Discussion and Analysis" for details.

Corporate Introduction

CITIC Bank was founded in 1987, and has been constantly dedicated to business innovation, serving customers and creating excellent value in the past 26 years. It has now grown into a national commercial bank with strong and comprehensive competitive edges. It ranked the 48th by tier one capital and the 53rd by total assets among global banks by *The Banker* magazine in the UK in 2012 as it was able to deliver solid performance in profitability and asset quality. It succeeded in A+H listing in April 2007, and now has almost 900 branch outlets and entities in mainland China and over 30 in Hong Kong, Macau, the USA and Singapore.

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Corporate Introduction

Corporate Information

Registered Name in Chinese	中信銀行股份有限公司
Registered Name in English	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as “CNCB”)
Legal Representative	Tian Guoli
Authorized Representatives	Zhu Xiaohuang, Lin Zhengyue
Secretary to the Board of Directors	Lin Zhengyue
Joint Company Secretary	Lin Zhengyue, Wendy KAM Mei Ha (ACS, ACIS)
Securities Representative of Company	Wang Junwei
Registered Address and Office Address	Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing
Postal Code	100027
Official Website	bank.ecitic.com
Telephone Number/Fax Number	+86-10-65558000/+86-10-65550809
Email Address	ir_cncb@citicbank.com
Principal Place of Business in Hong Kong	28th floor, Three Pacific Place, 1 Queen's Road East Hong Kong
Newspapers for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times
Websites for Information Disclosure	Website designated by the CSRC to publish A-share annual report：www.sse.com.cn Website designated by the SEHK to publish H-share annual report：www.hkexnews.hk
Place Where Annual Report is Kept	Office of the Board of Directors and Board of Supervisors, CITIC Bank
Legal adviser as to PRC Laws	Jun He Law Offices
Legal adviser as to Hong Kong Laws	Freshfields Bruckhaus Deringer
PRC Auditor	KPMG Huazhen (Special General Partnership) 8th Floor, Office Building Tower 2, Oriental Plaza East, No. 1 East Chang'an Avenue, Beijing, China (Postal code: 100738)
Signing CPAs	Wang Hongyang & Yu Jie
International Auditor	KPMG 8th Floor, Prince's Building, No. 10 Chater Road, Central, Hong Kong
Sponsor 1 for Continuous Supervision and Guidance	China International Capital Corporation Limited
Office Address	27-28th Floors, China World Office Two, No.1 Jianguomenwai Avenue, Beijing
Signing Representatives of the Sponsor	Fang Baorong & Lin Longhua

Sponsor 2 for Continuous Supervision and Guidance	CITIC Securities Co., Ltd.
Office Address	23rd Floor, CITIC Securities Mansion, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
Signing Representatives of the Sponsor	Sheng Zifei & Dai Jiaming
Period of Continuous Supervision and Guidance	13 July 2011 to 31 December 2012
A-share Registrar	Shanghai Branch of China Securities Depository and Clearing Corporation Limited 36th Floor, China Insurance Building, No. 166 East Lujiazui Road, Pudong New District, Shanghai
H-share Registrar	Computershare Hong Kong Investor Services Limited 46th Floor, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong
Listing Venue, Stock Name and Stock Code	A-share: Shanghai Stock Exchange CNCB 601998 H-share: The Stock Exchange of Hong Kong Limited CITIC Bank 0998
Date of Business License Registration	23 November 2012
Authority of Registration	State Administration for Industry & Commerce, PRC
Registration Number of Business License	100000000006002
Institution Number of Finance License	B0006H111000001
Tax Registration Number	110105101690725
Certificate of Organization Code	10169072-5

Contact Persons and Contact Details

	Secretary to the Board of Directors	**Securities Representative of the Company**
Name	Lin Zhengyue	Wang Junwei
Address	Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing	Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing
Telephone Number	+86-10-65558000	+86-10-65558000
Fax Number	+86-10-65550809	+86-10-65550809
Email Address	ir_cncb@citicbank.com	ir_cncb@citicbank.com

Registration Change

	First registration	Registration for changes due to establishment of China CITIC Bank Corporation Limited	Registration as at the end of the reporting period
Date of Registration	19 April 1987	31 December 2006	23 November 2012
Place of Registration	State Administration for Industry & Commerce, PRC	State Administration for Industry & Commerce, PRC	State Administration for Industry & Commerce, PRC
Registration Number of Business License	01600	1000001000600	100000000006002
Institution Number of Finance License	0521	B10611000H0001	B0006H111000001
Tax Registration Number	110105101690725	110105101690725	110105101690725
Organization Code	–	10169072-5	10169072-5

Changes in Principal Business since Listing

Since its listing on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited in April 2007, the Bank has made only one registration for change in business scope at the State Administration for Industry and Commerce, which was on 23 November 2012.

As at the end of the reporting period, the business scope of the Bank covers: (1) licensed business items, including: absorption of public deposits; granting of short, medium and long-term loans; domestic and overseas settlement; bill acceptance and discount; issuance of financial bonds; agency issuance business, agency redemption and underwriting of government bonds; trading of government bonds and financial bonds; interbank borrowing and lending; trading and agency trading of foreign exchange; bank card business; L/C services and guarantee; agency collection and payment; safe deposit box services; foreign exchange settlement and sales; open-ended funds agency business; gold business; custody services for securities investment funds, enterprise annuities, insurance funds and QFIIs; other business approved by the banking regulatory authority under the State Council; concurrent insurance agency business (expiring on 8 September 2014); and (2) general business: none.

Change of the Controlling Shareholder since Listing

From its listing on 27 April 2007 till the end of this reporting period, CITIC Group was the controlling shareholder and de facto controller of the Bank. In February 2013, with approval from the PRC State Council, MOF, CBRC, CSRC and Hong Kong Monetary Authority, CITIC Group transferred all its equity interest in the Bank to CITIC Limited and completed all registration formalities thereof. As a result, CITIC Limited has become the controlling shareholder of the Bank while CITIC Group remains the Bank's de facto controller.

Please refer to "Changes in Share Capital and Shareholdings of Substantial Shareholders" of the report for details regarding change of the Bank's controlling shareholder.

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

Financial Highlights

Operating Performance

Unit: RMB million

Item	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. NPLs 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%

Tian Guoli

Chairman

Chairman's Statement

Now, I am delighted to report to all shareholders that as at the end of 2012, the Group had total assets of RMB2,959.939 billion, up by 7.02% over the end of the previous year; deposits from customers of RMB2,255.141 billion, up by 14.59% over the end of the previous year; and balance of outstanding loans of RMB1,662.901 billion, up by 15.96% over the end of the previous year. Meanwhile, the Group realized a net profit attributable to shareholders of RMB31.032 billion, representing a return on average assets (ROAA) of 1.10%, and a return on average equity (ROAE) of 16.70%, maintaining stable operating performance. NPL balance and NPL ratio rose slightly to RMB12.255 billion and 0.74% respectively, indicating steady asset quality. The provision-loan ratio exceeded 2% for the first time to reach 2.12%, representing a remarkable increase of 0.50 percentage point over the end of the previous year and enhanced risk coverage of provisioning. The Bank overcame negative market factors, grasped market trends, and completed the issuance of RMB20.0 billion worth of subordinated debts. This helped to raise the Bank's capital adequacy ratio to 13.44% as at the end of 2012, up by 1.17 percentage points over the end of the previous year, and laid a solid foundation for meeting CBRC's new capital regulatory requirement, improving capital structure and accelerating the implementation of the New Basel Capital Accord.

The year 2012 witnessed continuing slow growth of the global economy, lingering US fiscal problem and European sovereign debt crisis, and general slowdown of growth in emerging economies. Guided by the Central Government's macro-economic readjustment and control policy, the Chinese economy exhibited the sign of stabilization amidst slowing down, although problems such as economic transformation and restructuring and constraints from resources and environment remained prominent. Impacts of accelerating interest rate liberalization and implementation of the new capital regulation requirement led to major changes in the policy environment for banking operation in China and made it imperative and inevitable for the Chinese banking industry to speed up its strategic transformation. In the face of such complicated external environment, CITIC Bank continued to practice the "customer focus" concept, regarded service to the real economy as its inherent responsibility, and endeavored to increase shareholder value. As a result, the Bank maintained healthy steady growth and achieved delightful progress.

Now, I am delighted to report to all shareholders that as at the end of 2012, the Group had total assets of RMB2,959.939 billion, up by 7.02% over the end of the previous year; deposits from customers of RMB2,255.141 billion, up by 14.59% over the end of the previous year; and balance of outstanding loans of RMB1,662.901 billion, up by 15.96% over the end of the previous year. Meanwhile, the Group realized a net profit attributable to shareholders of RMB31.032 billion, representing a return on average assets (ROAA) of 1.10%, and a return on average equity (ROAE) of 16.70%, maintaining stable operating performance. NPL balance and NPL ratio rose slightly to RMB12.255 billion and 0.74% respectively, indicating steady asset quality. The provision-loan ratio exceeded 2% for the first time to reach 2.12%, representing a remarkable increase of 0.50 percentage point over the end of the previous year and enhanced risk coverage of provisioning. The Bank overcame negative market factors, grasped market trends, and completed the issuance of RMB20.0 billion worth of subordinated debts. This helped to raise the Bank's capital adequacy ratio to 13.44% as at the end of 2012, up by 1.17 percentage points over the end of the previous year, and laid a solid foundation for meeting CBRC's new capital regulatory requirement, improving capital structure and accelerating the implementation of the New Basel Capital Accord. In 2012, with a ranking of 48th in terms of tier-one capital on the list of "Top 1000 World Banks" published by *The Banker* magazine of the United Kingdom, CITIC Bank became the first Chinese joint-stock commercial bank to enter the list of Top 50 banks in the world.

In 2012, the Board of Directors of the Bank diligently implemented the macro-economic readjustment and control policy of the Central Government, and conducted in-depth research and scientific decision making regarding significant issues including formulation of development strategy and amendment to the Articles of Association, which promoted and ensured sustained, rapid and healthy growth of all business lines of the Bank. Successful election of members for a new session of Board of Directors and Board of Supervisors and engagement of the new senior management enabled the Bank to ensure a smooth transition of corporate governance, operation and management. On behalf of the Board of Directors, I hereby would like to extend our sincere gratitude to all non-incumbent directors and senior management members for their enormous contribution to the Bank during their terms of office, and our warm welcome to all new members of the Board of Directors and the senior management! I am confident that CITIC Bank will step onto a new stage of business development under the leadership of its new Board of Directors, Board of Supervisors and senior management.

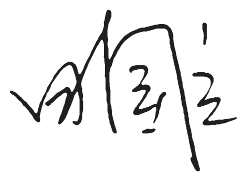
In 2012, the Bank enjoyed further consolidation of its market position in traditional business, rapid creation of competitive edges in emerging business and steady development of all business lines thanks to its proactive efforts to optimize its business structure. As for corporate banking business, the Bank topped the list of all medium commercial banks in terms of major business indicators, attributable mainly to optimization of its financial service model for corporate customers, deepening of stratified operation for large, medium and small corporate customers, more vigorous product innovation, effective development of low-capital-consuming products, and pace-up of its entry into the service industry on all fronts. In retail banking, the Bank realized continuous expansion of its customer base and quicker release of production capacity after comprehensively enhancing construction of its operation and management systems, accelerating sales-oriented transformation of outlets, improving medium to high-end wealth management systems, promoting credit card business toward in-depth growth, and developing internet banking from the strategic height. Under the prerequisite of lawful and compliant operation, the Bank continued to enhance its cooperation with financial subsidiaries of CITIC Limited engaged in securities, fund, trust, insurance and futures, conducted extensive cooperation through the CITIC integrated financial service platform in areas including sharing of customer resources, cross design and cross selling of products and provision of value-added services to customers, which gradually gave rise to unique competitiveness of the Bank. The Bank ranked 12th on the Competitiveness Rankings of Asian Banks for the second time in a row and was named "Bank of the Best Integrated Financial Services in Asia". Of the "Top 500 Banking Brands" published by *The Banker* magazine of the United Kingdom, the Bank enjoyed a ranking of 69th, 4 places up from last year, plus increase of brand value for five consecutive years.

The Board of Directors of the Bank, as always, paid great attention to internal control and risk management. By promoting holistic combing of internal controls and construction of internal management platform systems, the Board optimized the Bank's internal control environment, expanded channels for information exchange and communication and reinforced internal supervision. In the process of further enhancing its independent, vertical and professional comprehensive risk management system, the Bank highlighted maximization of long-term bank value with support from advanced risk quantification techniques and by means of better economic capital management and internal capital management pricing. With its outstanding performance in corporate governance, the Board was named "Outstanding Board of Directors" during the competition for the "Golden Roundtable Award" hosted by *The Board of Directors* magazine, was listed among the "Best Boards of Directors of Listed Companies in China" by the *Moneyweek* magazine and won the Gold Award for "Best Corporate Governance in 2012" from *The Asset* magazine in Hong Kong.

The Bank promoted harmonious and sustainable development of economy, society and environment with its enthusiastic performance of social responsibility. Numerous *pro bono* activities such as the "Trust and Filial Piety" initiative for respect and care of the elderly were well recognized by all communities of the society. Thanks to its excellent performance of corporate social responsibility (CSR), the Bank won a great number of honors including "Enterprise with the Strongest Sense of Social Responsibility" and "Enterprise of Excellence in Corporate Social Responsibility Rankings". RKS, in its rating of CSR reports released by A-Share issuers, granted AA rating to the *2011 Social Responsibility Report of China CITIC Bank* and ranked it the best in the Chinese banking sector.

In 2012, the Bank paced up its reform and development and further clarified its development strategy, development goals and market positioning by setting 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 shareholder value and serving social development". Under the guidance of the new development strategy, the Bank will try its best to ensure return to shareholders with first-class performance, first-class brand and first-class core competitiveness.

Looking forward to 2013, we expect further exhibition of sovereign debt problems in developed countries and negative overflow effect of their quantitative easing monetary policies plus lingering difficulties of global economic growth. Pulled by new economic growth highlights such as stimulation of domestic demands and urbanization, the Chinese economy will enjoy a bright prospect in the medium to long term on the one hand, but will suffer from problems in its economic structure including imbalance, lack of coordination and non-sustainability, and face gradual emergence of risks accumulated in its course of rapid economic growth on the other. Taking the opportunities available from economic transformation and restructuring, the Bank will stringently control risks, speed up strategic transformation, stick to development with unique CITIC Bank features and create professionalized and differentiated competitiveness. Such endeavors will enable the Bank to ensure return to shareholders and all communities of the society for their consistent trust and support with excellent performance!



Chairman
28 March 2013

Zhu Xiaohuang
President

President's Statement

On behalf of the senior management of the Bank, I would like to take this opportunity to extend our sincere gratitude to all investors and friends for their care and support, to the Board of Directors and the Board of Supervisors for their guidance and help, and to all employees for their dedication and contributions. At this new historic starting point, the Bank will properly handle the relationship between present interests and long-term development, risk and benefit, the Head Office and branches/sub-branches, front office and middle & back offices, domestic and overseas operations, push forward in-depth strategic transformation, and strive to build a century-old bank through rational development and refined management!

2012 saw complicated changes in world economy, marked slowdown of economic growth in China and fiercer competition in the banking sector. In face with such a grim operation environment, the Bank reinforced infrastructure construction, deepened strategic transformation and enhanced market competitiveness, and made remarkable achievements.

Business performance in line with market pace and asset quality in continuous stability

As at the end of 2012, the consolidated total assets of the Group reached RMB2,959.939 billion, representing an increase of 7.02% over the end of the previous year; deposits from customers stood at RMB2,255.141 billion, representing an increase of 14.59% over the end of the previous year; and the balance of outstanding loans totalled RMB1,662.901 billion, up by 15.96% over the end of the previous year. For the whole year, the Group realized net profit attributable to shareholders of RMB31.032 billion, up by 0.69% over the previous year; net interest income of RMB75.486 billion, up by 15.94% over the previous year; and net non-interest income of RMB13.949 billion, up by 17.79% over the previous year, against the backdrop of two interest rate cuts by the Central Bank and the Bank's proactive increase of provision accruals.

In 2012, the banking industry encountered decline of asset quality in general. The Group, accordingly, saw slight increase in its total amount of non-performing loans and NPL ratio, but both at levels lower than their respective industry averages. As at the end of 2012, the Group's consolidated balance of non-performing loans stood at RMB12.255 billion, up by RMB3.714 billion over the end of the previous year; consolidated NPL ratio was 0.74%, up by 0.14 percentage point over the end of the previous year; consolidated provision to loan ratio rose to 2.12%, of which the provision to loan ratio of the Bank recorded 2.21%, representing a marked increase of 0.53 percentage point over the end of the previous year. With the successful issuance of RMB20 billion worth of subordinated debts, the Bank raised its capital adequacy ratio to 13.44%, up by 1.17 percentage points over the end of the previous year.

Continuous deepening of business restructuring and marked improvement of essential management capability

In 2012, in the process of further business restructuring, the Bank strategically pushed forward development of retail banking and sped up intermediary business while maintaining and upgrading the market position of its corporate business. Efforts were reinforced to adjust customer mix and asset structure for the purpose of developing an overall "Olive-shaped" customer structure that focused on medium enterprises in corporate banking and medium to high-end customers in retail banking. For the whole year, year-on-year growth rates of loans to small and micro businesses, personal business loans and credit card loans reached 25.98%, 69.23% and 68.57% respectively, far higher than the average loan growth rate of 15.96% bank-wide, thus further optimizing the structure of loan categories. With the proportion of daily average medium and long-term loans falling to 45.92%, 4.48 percentage points down from the previous year, the Bank embraced a more reasonable asset term structure. Thanks to its ongoing efforts to optimize its income structure, the proportion of non-interest income in total operating income recorded 15.60%, up by 0.21 percentage point over the previous year.

The Bank exerted more efforts to refine its management. Focusing on the objective of developing a strong-capacity Head Office, and in accordance with the principle of "customer focus and market orientation", the Bank optimized and adjusted its departmental setup, reinforced the role of front, middle and back offices in guiding branches in terms of market planning, policy guidance, champion marketing efforts, planning, evaluation and resource allocation, strengthened scale control and capital management, and enhanced evaluation guidance and pricing capability. More vigorous efforts to conduct comprehensive risk management and construct the audit and compliance systems markedly built up the Bank's capability for risk control and internal control. Quicker pace in channel development of internet banking and physical outlets enabled the Bank to record RMB24.65 trillion transaction value via internet banking, a growth of 25.05% over the previous year, and a total number of 885 branch outlets and entities with 112 newly established during the year, creating a new record in the speed of outlet construction. Management level of the Bank registered continuous enhancement thanks to the Bank's continuous efforts to deepen synergy and internationalized operation, promote rectification of irregular operation, reinforce accounting management and intensify concentrated operation of back offices.

Steady growth of market competitiveness and brand value and faster pace of in-depth strategic transformation

In 2012, the Bank ranked 69th among the "Top 500 Banking Brands" published by *The Banker* magazine of the United Kingdom, 4 places up from last year. Interbrand, an internationally renowned consulting company, ranked CITIC Bank the 19th on its list of "Top 50 Chinese Brands in 2012". The Bank ranked 48th in terms of tier-one capital and 53rd in terms of total assets on the list of "Top 1000 World Banks" published by *The Banker* magazine of the United Kingdom. All these together with numerous other industrial awards that the Bank won from domestic and overseas authoritative institutions indicate full recognition of the Bank's market competitiveness and industrial status by the banking sector and the market.

In its Opinions on Several Issues Regarding Strategic Development of CITIC Bank, the Bank 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 shareholder value and serving social development", and highlighted its unique market preference, unique market resources, unique banking brand and unique corporate culture. Consistent efforts were put in place to support the real economy, deepen business restructuring, optimize operation and management systems and mechanisms, enter the service industry on all fronts, vigorously develop SME financing business, retail banking, investment banking, cash management, financial market and internet banking, unearth and comb generally applicable values and basic standards for the construction of a century-old bank with sustainable development.

In 2013, the world economy and the Chinese economy will both somehow turn for the better, but quite a number of uncertainties will remain. The Bank will resolutely implement relevant government policies and regulatory requirements, and, under the guidance of its Board of Directors, focus its efforts on the following seven aspects along the main thread of "expanding deposit scale, promoting structural transformation and upgrading management level": (1) enhance marketing to improve business competitiveness; (2) drive the focus of its service for corporate customers upward and that of retail customers downward; (3) speed up information technology and operation system development to render effective support to its business growth; (4) develop outlets and internet banking with a quicker pace to increase the Bank's stamina for future development; (5) intensify internal risk control capacity building to ensure steady asset quality; (6) further the guiding role of performance evaluation and support development of key geographical regions and business areas; and (7) reinforce development of support and assurance systems to ensure safe, stable and healthy operation of the Bank.

On behalf of the senior management of the Bank, I would like to take this opportunity to extend our sincere gratitude to all investors and friends for their care and support, to the Board of Directors and the Board of Supervisors for their guidance and help, and to all employees for their dedication and contributions. At this new historic starting point, the Bank will properly handle the relationship between present interests and long-term development, risk and benefit, the Head Office and branches/sub-branches, front office and middle & back offices, domestic and overseas operations, push forward in-depth strategic transformation, and strive to build a century-old bank through rational development and refined management!

Executive Director and President
28 March 2013

Honors

February

- CITIC Bank ranked 69th among the "Top 500 Banking Brands" published by *The Banker* magazine of the United Kingdom.

April

- *The Asian Banker* magazine honored CITIC Bank "Excellence of Retail Financial Service-Best Credit Risk Management Bank in China".

May

- The Board of Directors of the Bank was honored "Outstanding Board of Directors" during the competition for the "Golden Roundtable Award" hosted by *The Board of Directors* magazine.
- CITIC Bank won four awards including the "Best Innovative Financial Service Award" during the competition for the "2012 Chinese Financial Innovation Award" sponsored by *The Chinese Banker* magazine.

July

- CITIC Bank ranked 48th in terms of tier-one capital and 53rd in terms of total assets on the list of "Top 1000 World Banks" published by *The Banker* magazine of the United Kingdom.

September

- CITIC Bank was honored "Best Domestic Foreign Exchange Service Provider" in the "FX POLL 2012" sponsored by the *ASIA MONEY* magazine.

October

- CITIC Bank was honored "Best Brand for Corporate Financial Services in 2012" by the *CFO* magazine.

November

- CITIC Bank won two awards, i.e. "Best Integrated Financial Service Provider" and "Most Innovative Retail Banking Business" in the "2012 China Financial Value List (CFV)", an initiative sponsored by *China Business News*.

December

- At the Annual Asia Financial Conference & Launch of the Research Report on Competitiveness Rankings of Asian Banks in 2012 hosted by *The 21st Century Business Herald*, CITIC Bank ranked 12th among all Asian banks in terms of competitiveness and was honored "Bank of Best Integrated Financial Services in Asia".
- In the "Gold Medal List of Chinese Financial Institutions – the Gold Dragon Award" co-sponsored by the Chinese Academy of Social Sciences and *The Financial Times*, CITIC Bank was honored "Bank of the Year for Public Good".
- Interbrand, an internationally renowned consulting company, ranked CITIC Bank the 19th in its list of "Top 50 Chinese Brands in 2012".

Dedication to Business

Boasting a corporate banking business team with rich experience and a retail banking business development strategy with unique features, the Bank delivers to customers advanced corporate banking services such as international trade settlement and investment banking, and retail banking services with good reputation such as credit card and financial services for going broad.

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 store 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) was up by 2.6% and producer's price index (PPI) down 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 end of 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 RMB2,959.939 billion, up by 7.02% over the end of the previous year, of which total loans and advances to customers stood at RMB1,662.901 billion, up by 15.96%; and total deposits from customers amounted to RMB2,255.141 billion, 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: During 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

	2012			2011		
Item	**Average balance**	**Interest**	**Average yield/cost rate (%)**	Average balance	Interest	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

	2012			2011		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	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

	2012			2011		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	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

	2012			2011		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	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

	2012			2011		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	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

	31 December 2012		31 December 2011	
Item	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		31 December 2011	
	Balance	Proportion (%)	Balance	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		31 December 2011	
	Balance	Proportion (%)	Balance	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" of the Report 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

	31 December 2012		31 December 2011	
Item	**Balance**	**Proportion (%)**	Balance	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	31 December 2012 Proportion (%)	31 December 2011 Value	31 December 2011 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	31 December 2012 Proportion (%)	31 December 2011 Value	31 December 2011 Proportion (%)	31 December 2010 Value	31 December 2010 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 Nominal principal	Fair value Assets	Liabilities	31 December 2011 Nominal principal	Fair value 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

	31 December 2012		31 December 2011		31 December 2010	
Item	**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

	31 December 2012		31 December 2011		31 December 2010	
Item	**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

	31 December 2012		31 December 2011	
Item	**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

	31 December 2012		31 December 2011	
Item	**Balance**	**Proportion (%)**	Balance	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

Item	2012 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 previous 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

Item	2011					
	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

Item	31 December 2011					
	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

Item	2012									
	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

Item	31 December 2012									
	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.

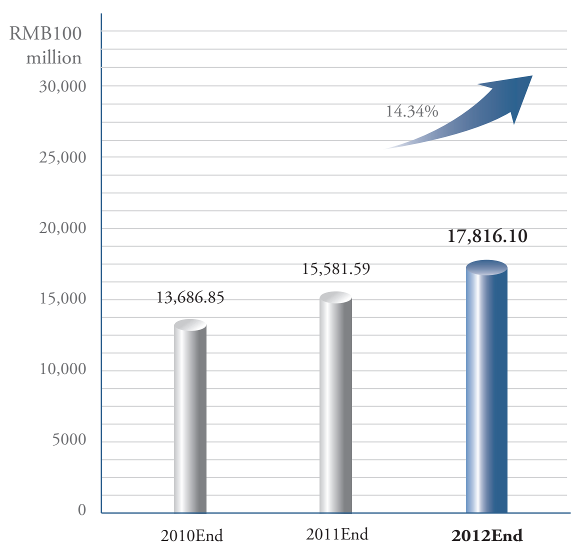
During the reporting period, the Bank achieved USD239.663 billion in foreign exchange receipts and payments (including trade account, non-trade account and capital account) in its international business, up by 8.59% over the previous year, achieving a market share of 4.55%, ranking No.6 of all national 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.

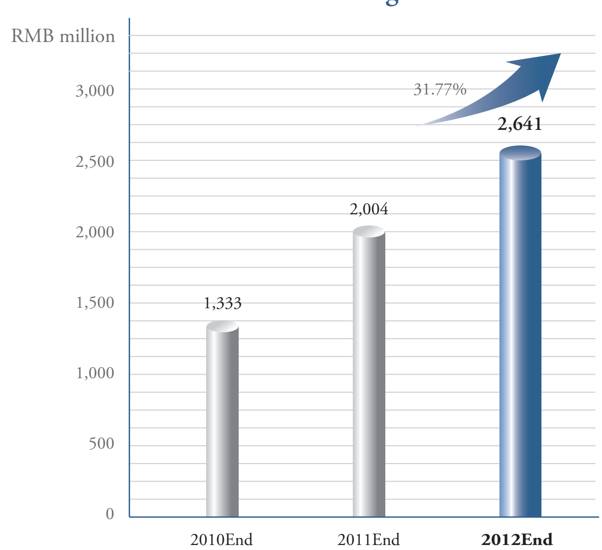
Investment Banking Business

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.

Balance of Corporate Deposits



Net Non-Interest Income of Investment Banking



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).

Institutional Banking Business

Institutional banking business 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.

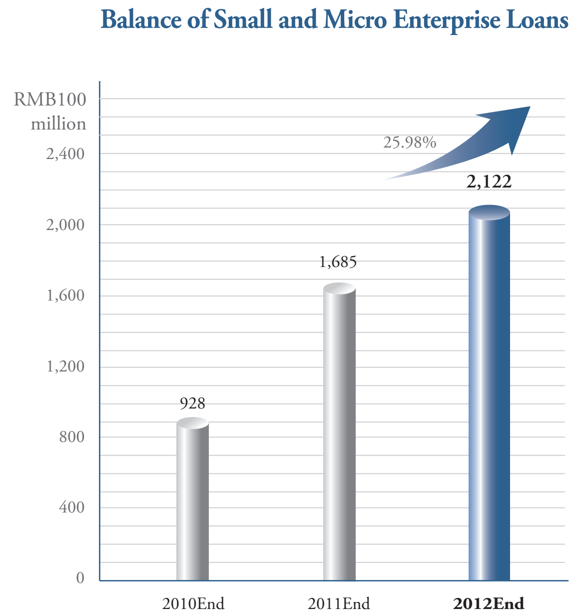
As at the end of the reporting period, the cumulative number of cash management projects reached 2,487, up by 551 over the end of the previous year; while cumulative cash management customer accounts reached 15,148, an increase of 3,342 over the end of the previous year. During the reporting period, 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.

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.



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).

Retail Finance Business

Business Overview

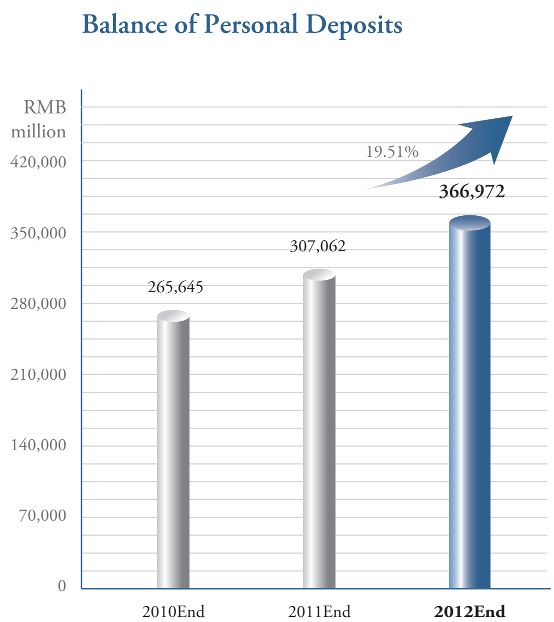
In 2012, the Bank deepened the "Customer Focus" business concept in its retail banking business, and reinforced construction of its customer system, product system, service system, channel system and customer manager system. Retail banking at outlets steadily moved towards sales orientation. More comprehensive 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.

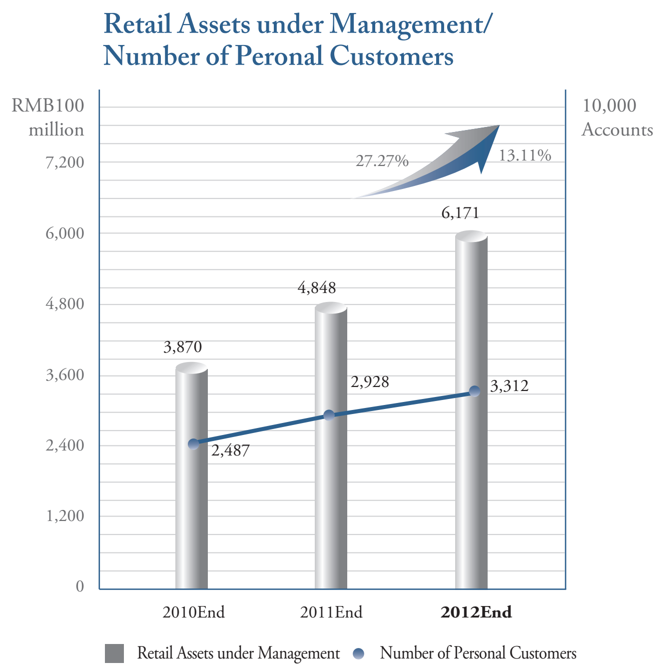
The Bank adjusted retail credit product structure. While maintaining personal housing mortgage loans as its core business, the Bank focused on development of personal business loans and credit card loans, and paced up its expansion into other personal consumer loans. As at the end of the reporting period, 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.

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.





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

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.

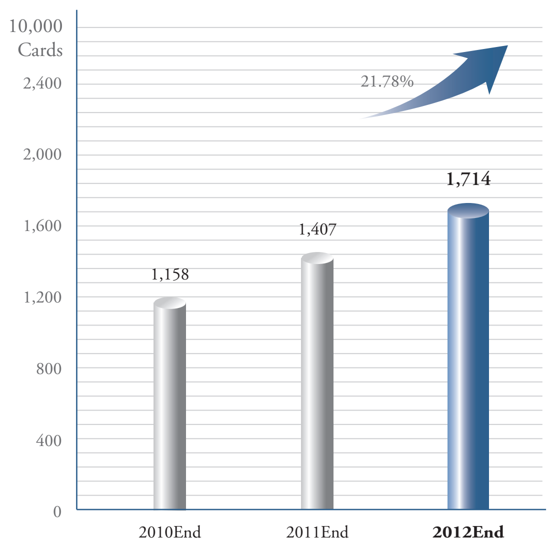
As at the end of the reporting period, the number of VIP customers holding AUM over RMB500,000 reached 236,800, an increase of 32.93% over the end of the previous year; the balance of AUM of VIP customers amounted to RMB383.769 billion, accounting for 62.57% of the Bank's total retail AUM; AUM of VIP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

Private Banking

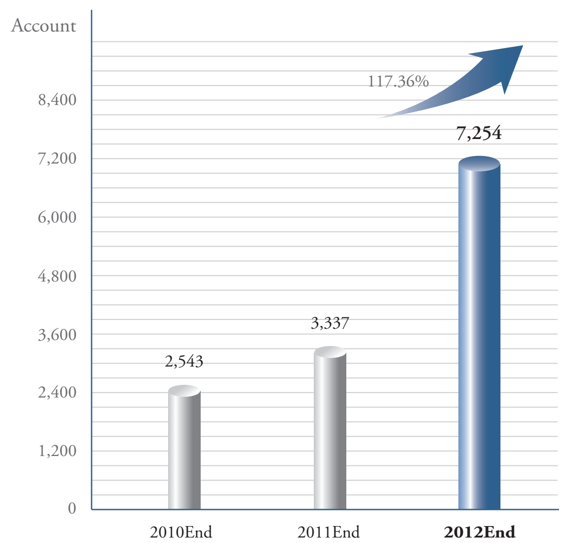
During the reporting period, the Bank provides private banking services to high net worth individuals with daily average AUM of over RMB6 million and to the companies in which these individuals have controlling or non-controlling equity interests. The Bank further strengthened development of its private 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.

Accumulative Issuance of Credit Cards



Assets under Custody



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 Report 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

During 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".

CITIC Integrated Financial Service Platform

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-a-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 USD770 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.

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 Special Administrative Region (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 Renminbi 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.

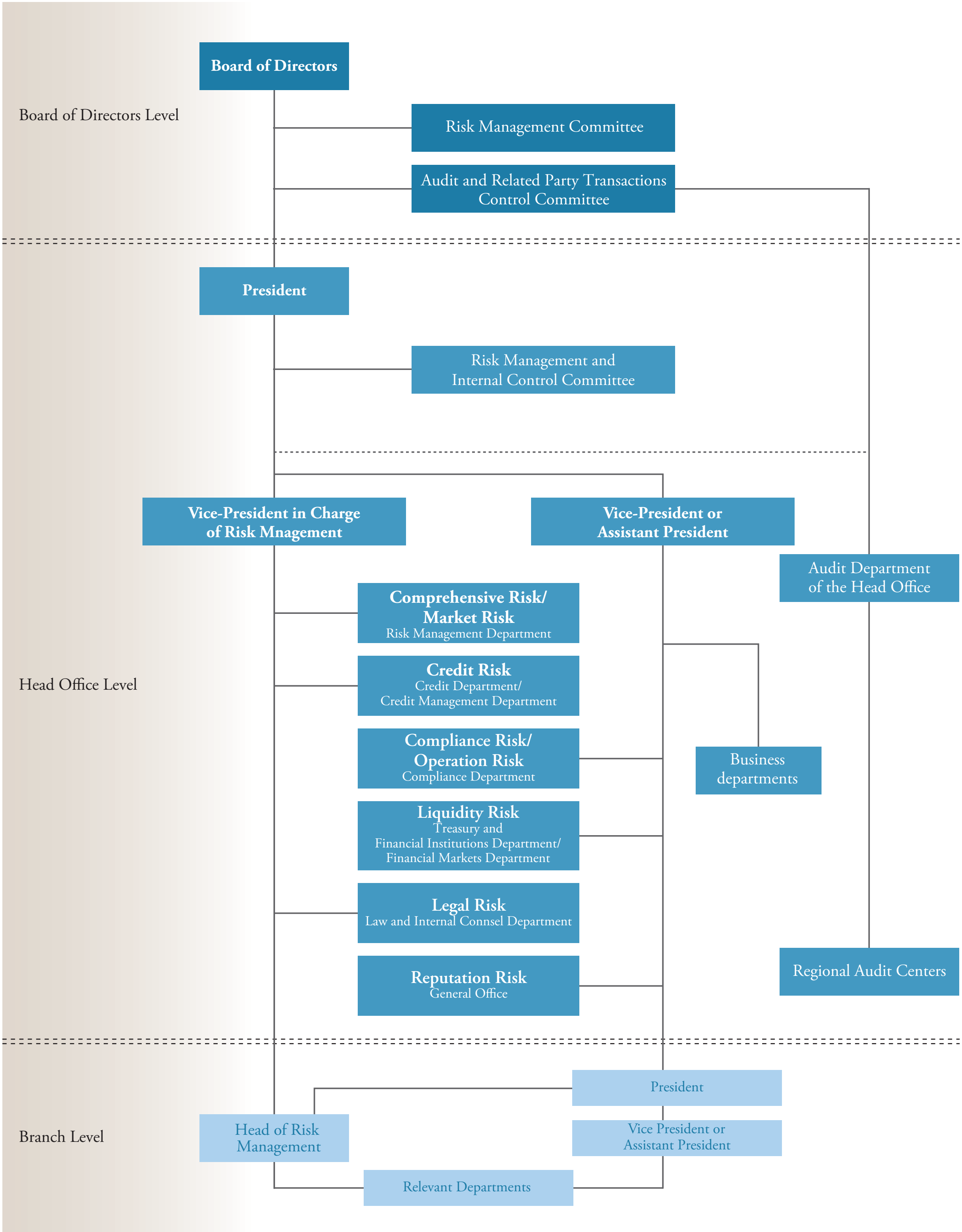
Lin'an CITIC Rural Bank has set up a relatively holistic risk management system and internal control system. As at the end of the reporting period, the bank was free of criminal cases, material errors and safety accidents, with all loans in the normal class.

Dedication to Development

Through two decades of development, CITIC Bank has established 36 tier-one branches, 60 tier-two branches and nearly 900 branch outlets and entities in Mainland China, and set up more than 30 institutions in Hong Kong, Macau, the USA and Singapore.

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

	31 December 2012		31 December 2011	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	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

	31 December 2012		31 December 2011	
Type of Guarantee	Balance	Proportion (%)	Balance	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

	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 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 philosophy "expand deposit scale, promote structural transformation and upgrade management level" and focus 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.

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 daily business operations. Most of these litigations and arbitrations were initiated by the Group to enforce loan repayment, and there were also litigations and arbitrations resulting from disputes with clients. As at the end of the reporting period, the Group was involved in 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. Please refer to Note 63 to the Financial Statements herein for details.

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 accounted to RMB6.737 billion, of which the balance of credit extended to CITIC Group and its subsidiaries accounted to RMB5.739 billion and that to BBVA and its subsidiaries accounted to 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. Save as disclosed above, none of the transactions disclosed as related party transactions in note 63(b) to the Financial Statements is a connected transaction or a continuing connected transaction for the Bank as defined under the Hong Kong Listing Rules or they are connected transactions or continuing connected transactions for the Bank exempt from reporting, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules. 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 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.

Reserves

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

Distributable 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.

Fixed Assets

Please refer to Note 32 to the Financial Statements herein for details on the changes in the fixed assets of the Bank as at the end of the reporting period.

Retirement and Benefits

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

Public Float

Please refer to Note 49 to the Financial Statements herein for details on changes in share capital of the Bank during the reporting period. According to the information publicly available, as of the date on which this Report 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.

中信银行
CHINA CITIC BANK
6226 9020 0948
MEMBER SINCE
11
GOOD THRU
03/31
NSK YLX
UnionPay
银联

Dedication to Innovation

The Bank makes consistent efforts to support the real economy, deepen business restructuring, enter the service sector on all fronts, vigorously develop SME finance, cash management, internet banking and other emerging business, and accelerate innovation in key products and procedures to gradually pursue a growth approach with unique characteristics and innovation.

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 the annual results 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	Industrial and Commercial 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	Industrial and Commercial 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 of the issued share capital of the same class (%)	Class of shares
BBVA	10,942,096,691(L) 3,809,655,853(S)	73.52(L) 25.60(S)	H-share
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) 732,821,000(S)	6.32(L) 6.32(S)	H-share
Lehman Brothers Asia Ltd.	732,821,000(L) 732,821,000(S)	6.32(L) 6.32(S)	H-share
Lehman Brothers Pacific Holdings Pte Ltd.	732,821,000(L) 732,821,000(S)	6.32(L) 6.32(S)	H-share
Blackrock, Inc	892,963,138(L) 112,619,808(S)	6.00(L) 0.75(S)	H-share

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 Report, 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.

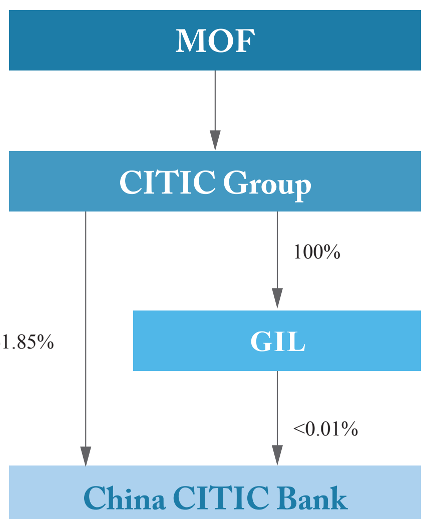
As at the end of 2011, CITIC Group recorded total assets of RMB3,277.053 billion, realized net profit attributable to shareholders of RMB36.516 billion and net increase in cash and cash equivalents of RMB312.924 billion in 2011. As at the end of 2011, CITIC Limited recorded total assets of RMB3,200.553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

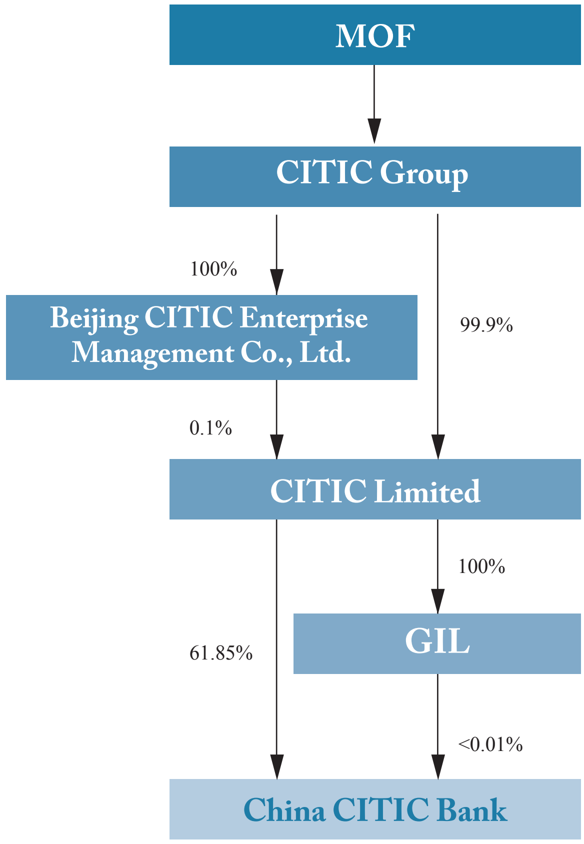
Interests in domestic and overseas listed companies held by CITIC Group and CITIC Limited as at the end of the reporting period are listed as follows:

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 the disclosure of the Report, 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.

Basic Information on Directors, Supervisors and Senior Management of the Bank (as at the disclosure date of the report)

Board of Directors

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding
Tian Guoli	Chairman, Non-executive Director	Male	Dec. 1960	May. 2012-May. 2015	0	0
Chen Xiaoxian	First Vice Chairman, Non-executive director	Male	Jun. 1954	May. 2012-May. 2015	0	0
Zhu Xiaohuang	Executive Director, President	Male	Jul. 1956	May. 2012-May. 2015	0	0
Dou Jianzhong	Non-executive Director	Male	Feb. 1955	May. 2012-May. 2015	0	0
Ju Weimin	Non-executive Director	Male	Aug. 1963	May. 2012-May. 2015	0	0
Guo Ketong	Non-executive Director	Male	Jun. 1954	May. 2012-May. 2015	0	0
Cao Tong	Executive Director, Vice President	Male	Jun. 1968	May. 2012-May. 2015	0	0
Zhang Xiaowei	Non-executive Director	Male	Oct. 1957	Jan. 2013-May. 2015	0	0
Ángel Cano Fernández	Non-executive Director	Male	Aug. 1961	May. 2012-May. 2015	0	0
Gonzalo José Toraño Vallina	Non-executive Director	Male	Nov. 1960	Jan. 2013-May. 2015	0	0
Li Zheping	Independent Non-executive Director	Male	Feb. 1965	May. 2012-Jan. 2015	0	0
Xing Tiancai	Independent Non-executive Director	Male	Aug. 1961	May. 2012-May. 2015	0	0
Liu Shulan	Independent Non-executive Director	Female	Nov. 1945	Oct. 2012-May. 2015	0	0
Wu Xiaoqing	Independent Non-executive Director	Female	Oct. 1953	Oct. 2012-May. 2015	0	0
Wong Luen Cheung Andrew	Independent Non-executive Director	Male	Aug. 1957	Nov. 2012-May. 2015	0	0

Board of Supervisors

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding
Zheng Xuexue (Note)	Supervisor	Male	Feb. 1955	May. 2012-May. 2015	0	0
Zhuang Yumin	External Supervisor	Female	Jul. 1962	May. 2012-May. 2015	0	0
Luo Xiaoyuan	External Supervisor	Female	Jan. 1954	May. 2012-May. 2015	0	0
Li Gang	Employee Representative Supervisor	Male	Mar. 1969	May. 2012-May. 2015	0	0
Zheng Yuewen	Employee Representative Supervisor	Male	Jan. 1964	May. 2012-May. 2015	0	0

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

Senior Management

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding
Zhu Xiaohuang	Executive Director, President	Male	Jul. 1956	Since Sep. 2012	0	0
Sun Deshun	Vice President	Male	Nov. 1958	Since May. 2012	0	0
Cao Tong	Executive Director,Vice President	Male	Jun. 1968	Since May. 2012	0	0
Ou Yang Qian	Vice President	Male	Sep. 1955	Since May. 2012	0	0
Su Guoxin	Vice President	Male	Feb. 1967	Since May. 2012	0	0
Cao Guoqiang	Vice President in charge of finance function	Male	Dec. 1964	Since May. 2012	0	0
Zhang Qiang	Vice President	Male	Apr. 1963	Since May. 2012	0	0
Wang Lianfu	Secretary of Committee for Disciplinary Inspection, Chief Compliance Officer	Male	Oct. 1954	Since Dec. 2006	0	0
Lin Zhengyue	Secretary to the Board of Directors	Male	Jun. 1963	Since May. 2012	0	0

Non-incumbent Directors and Supervisors (From 1 January 2012 till the Disclosure Date of the Report)

Name	Position prior to departure from office	Gender	Date of birth	Departure time	Year-beginning shareholding	Year-end shareholding
Zhao Xiaofan	Non-executive Director	Male	Mar. 1964	Aug. 2012		
Chan Hui Dor Lam Doreen	Non-executive Director	Female	Feb. 1954	Aug. 2012	3,569,625	3,569,625
José Andrés Barreiro	Non-executive Director	Male	May. 1958	Jan. 2013	0	0
Ai Hongde	Independent Non-executive Director	Male	Feb. 1955	Feb. 2012	0	0
Bai Chong-En	Independent Non-executive Director	Male	Oct. 1963	Oct. 2012	0	0
Xie Rong	Independent Non-executive Director	Male	Nov. 1952	Oct. 2012	0	0
Wang Xiangfei	Independent Non-executive Director	Male	Nov. 1951	Nov. 2012	0	0
Cao Bin	Secretary of the Committee for Disciplinary Inspection	Male	Jan. 1962	Mar. 2013	0	0

Changes in Shares Held by Directors, Supervisors and Senior Management

As at the end of the reporting period, Mrs. Chan Hui Dor Lam Doreen held 3,569,625 H-shares of the Bank, accounting for 0.02% of the issued H-shares of the Bank. Except for Mrs. Chan Hui Dor Lam Doreen, none of the other directors, supervisors and senior management of the Bank, either incumbent or non-incumbent, during the reporting period, held any shares in the Bank.

Resumes of Directors, Supervisors and Senior Management

Directors

Mr. Tian Guoli

Chinese Nationality

Chairman and non-executive director of the Bank, joined the Bank's Board of Directors in July 2011. Mr. Tian concurrently serves as Vice Chairman and General Manager of CITIC Group and Vice Chairman and General Manager of CITIC Limited. Mr. Tian was Chairman of China Xinda Asset Management Limited from July to December 2010, and Vice President and President of China Xinda Asset Management Corporation between April 1999 and July 2010. Mr. Tian worked on various positions at China Construction Bank (CCB), including, deputy general manager and general manager of a CCB sub-branch, Vice President of CCB Beijing Branch and General Manager of the Business Department at CCB Head Office from July 1983 to July 1997, and Assistant President of CCB from July 1997 to April 1999. Mr. Tian graduated from Hubei College of Finance and Economics. He is a senior economist with rich experiences in the financial sector.

Dr. Chen Xiaoxian

Chinese Nationality

First Vice Chairman and non-executive director of the Bank, joined the Bank in November 2004. Dr. Chen also serves as Chairman of CNCBI and non-executive director of CIFH. He is engaged by Dongbei University of Finance and Economics as professor and advisor of doctoral candidates and holds professorship at Renmin University of China at the same time. From November 2004 to September 2012, Dr. Chen was President of the Bank. Since December 2006, Dr. Chen has been director of the Bank. From December 2011 to August 2012, he was Deputy General Manager of CITIC Limited. From November 2004 to December 2011, Dr. Chen was executive director and Deputy General Manager of CITIC Group. Dr. Chen was director, Executive Vice President and Vice President of China Merchants Bank (CMB) from March 2000 to October 2004, prior to which, he was President of CMB Beijing Branch from December 1993 to March 2000. In addition, he served as division head, Assistant President and Vice President of PBC Beijing Branch from September 1982 to December 1993. Dr. Chen is a senior economist with 30 years' experience in the Chinese banking industry. He received a bachelor's degree in finance from Renmin University of China, a master's degree in finance from Southwestern University of Finance and Economics and a Ph.D. in finance from Dongbei University of Finance and Economics. Dr. Chen was named "Top Ten Financial Figures of the Year in China" by *The Chinese Banker* magazine for 7 consecutive years from 2005 to 2011 and "Top Ten New Leaders in Finance of the Year" by the China International Finance Forum for two consecutive years between 2006 and 2007. In 2011, he was honored "2011 Most Valuable CEOs of Listed Companies in China" by *Moneyweek*.

Dr. Zhu Xiaohuang

Chinese Nationality

Executive director and President of the Bank. Dr. Zhu became President of the Bank in September 2012 and took office as executive director and President of the Bank in January 2013 and as Deputy General Manager of CITIC Limited in August 2012. He worked for China Construction Bank (CCB) as executive director and Vice President from February 2011 to August 2012, as executive director, Vice President and Chief Risk Officer from July 2010 to February 2011, as Vice President and Chief Risk Officer from June 2008 to July 2010, as Chief Risk Officer from April 2006 to June 2008, as Executive Vice Chairman of CCB Risk Management and Internal Control Committee from March 2006 to April 2006, as General Manager of CCB Corporate Banking Department from October 2004 to March 2006, as President of CCB Guangdong Branch from May 2001 to October 2004, as Deputy Head of CCB General Office, Deputy Head of CCB Credit Department No.1, Deputy General Manager of CCB Credit Management Department, Vice President of CCB Liaoning Branch and General Manager of CCB Business Department from September 1993 to May 2001, and as staff, deputy division head and division head of the Laws and Regulations Division of the CCB General Office from February 1982 to September 1993. Dr. Zhu is a senior economist receiving special allowance from the Chinese government. He received a bachelor's degree in finance and credit for infrastructure from Hubei College of Finance and Economics in 1982, a junior diploma in economic law from Peking University in October 1985 and a Ph. D. in world economics from Sun Yat-sen University in 2006.

Mr. Dou Jianzhong

Chinese Nationality

Non-executive director of the Bank, and concurrently executive director of CITIC Group, executive director and Deputy General Manager of CITIC Limited, Chairman and President of CITIC Holdings, Chairman of CITIC-Prudential Insurance, Chairman of CITIC Offshore Helicopter Corporation, director and Chief Executive Officer of CIFH, director of CIAM and Chairman of CIAM Group Limited, director of CITIC Capital, and director of Zhonghai Trust Co., Ltd. Mr. Dou joined CITIC Group in 1980 and the Bank in 1987. He served as vice president of the Bank from April 1987 to August 1994 and president of the Bank from August 1994 to December 2004. Mr. Dou was executive director and assistant vice president of CITIC Group from August 1994 to April 1998 and executive director and deputy general manager of CITIC Group from April 1998 to December 2011. Mr. Dou graduated from the University of International Business and Economics in Beijing and received his master's degree in economics from Liaoning University. He is a senior economist with extensive experience in the financial sector.

Mr. Ju Weimin

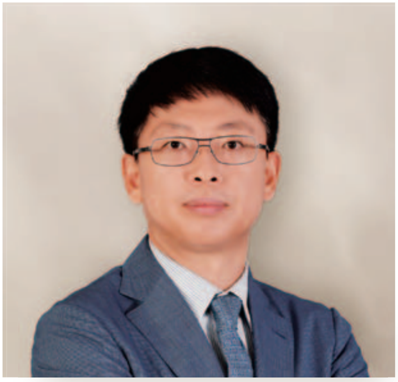
Chinese Nationality

Non-executive director of the Bank, and concurrently Deputy General Manager, Chief Financial Officer and Secretary to the Board of Directors of CITIC Limited, Chairman of CITIC Resources Holdings Limited, Chairman of Asia Satellite Telecommunications Co., Ltd., and non-executive director of CITIC Pacific, CITIC Securities, CIFH, and CNCBI. Mr. Ju served as director assistant and deputy director of the Financial Department of China International Trust and Investment Corporation from 1995 to 1998, in charge of financial management. He was Managing Director of Shortridge BVI Limited from 1998 to 2000, in charge of corporate management. He was board director, director of the Financial Department and chief accountant of China International Trust and Investment Corporation from 2000 to 2002, managing the finance and treasury business. He worked as Chairman of CITIC Trust from 2004 to 2011 responsible for corporate management. Mr. Ju received his qualification of senior economist from China International Trust and Investment Corporation in August 1998, and his master's degree in economics from Renmin University of China majoring in accounting in 1987.

Mr. Guo Ketong

Chinese Nationality

Non-executive director of the Bank and concurrently Assistant General Manager of CITIC Limited. He served as Assistant General Manager of CITIC Group from February 2010 to December 2011 and concurrently director of CITIC Group from April 2006 to December 2011. From December 2006 to April 2008, Mr. Guo was a member of the Board of Supervisors of the Bank. He has been Head of the Human Resources and Education Department of CITIC Group from March 2000 to January 2013. Before that, Mr. Guo was director of CITIC Australia Pty. Ltd. and CITIC Real Estate. From June 1986 to March 2000, he was deputy director, director assistant, division head and deputy division head of the Human Resources Department of CITIC Group. Mr. Guo is an economist with a junior diploma from Renmin University of China.



Dr. Cao Tong

Chinese Nationality

Executive director and Vice President of the Bank, joined the Bank's Board of Directors in February 2012. He has concurrently been director of CIFH and CNCBI since October 2009. He was Assistant President of the Bank from December 2004 to December 2006 and General Manager of the Retail Banking Department of the Bank from January 2005 to March 2006. Prior to joining the Bank, Dr. Cao worked at China Merchants Bank (CMB), holding positions including deputy manager of the Planning and Treasury Department, manager of the Business Department, assistant president and vice president of CMB Beijing Branch, as well as general manager of Personal Banking Department of CMB Head Office and deputy head (person in charge) of CMB Shenzhen Management Department. Dr. Cao worked at PBC Beijing Branch from July 1990 to January 1994. He is a senior economist enjoying 22 years of experience in China's banking industry. Dr. Cao received his bachelor's and master's degrees in economics from Renmin University of China and his Ph.D. in finance from Dongbei University of Finance and Economics.

Mr. Zhang Xiaowei

Chinese Nationality

Non-executive director of the Bank, joined the Bank's Board of Directors in January 2013. Mr. Zhang is now director and President of CNCBI. Before joining CNCBI, Mr. Zhang was executive director and General Manager of Wing Lung Bank Limited from January 2012 to September 2012, President of CMB Hong Kong Branch from 2002 till the end of 2011, and Chief Representative of CMB Hong Kong Office when he led the preparation for establishment of CMB Hong Kong Branch. Ealier, he served as Vice President of the Hong Kong Branch of the Bank of Communications (BoCom) between 1995 and 2000, as Head of International Business and Vice President of BoCom Hainan Branch from 1991 to 1995, and as staff, deputy division head and division head at the Planning Department, the Office for Reform and Restructuring and the International Business Department at the Head Office of Agricultural Bank of China (ABC) between 1984 and 1991. Mr. Zhang enjoys 28 years of banking industry practicing experience in Mainland China and Hong Kong. He graduated from the Graduate School of PBC with a master's degree in monetary banking.

Mr. Ángel Cano Fernández

Spanish Nationality

Non-executive Director of the Bank, joined the Bank's Board of Directors in May 2010.

Mr. Cano is Chief Operation Officer of BBVA. From 1984 to 1991, Mr. Cano worked at Arthur Andersen, specializing in the field of Finance. From 1991 to 1998, he worked at Argentaria as an Assistant Controller, mainly responsible for the development of all the accounting functions, including the preparation of financial statements of the parent company, as well as all the different entities within the Argentaria Group. From 1998 to 2001, he was appointed controller and member of the Executive Committee. Mr. Cano continued as controller of the new Entity following the merger of BBV and Argentaria. Between 2001 and 2003, Mr. Cano held the position of Chief Financial Officer of BBVA and continued as Member of the Executive Committee. In January 2003, Mr. Cano was appointed Director of the Human Resources and Services for the BBVA Group. Since December 2005, Mr. Cano takes the lead of Technology of the BBVA Group and the head of Human Resources and Information Technology. Since January 2006, he has also become responsible of the Global Transformation of the BBVA Group. Since September 2009 till present, Mr. Cano was appointed President and Chief Operating Officer of BBVA.

He received his bachelor's degree in economics and business administration from University of Oviedo (Spain).

Mr. Gonzalo José Toraño Vallina

Spanish Nationality

Non-executive director of the Bank, joined the Bank's Board of Directors in January 2013. Mr. Gonzalo José Toraño Vallina is Managing Director & head of Asia Pacific of BBVA and concurrently non-executive director and member of the Audit Committee of CIFH, plus non-executive director and member of the Audit Committee and the Credit and Risk Management Committee of CNCBI. Between September 2010 and March 2011, Mr. Gonzalo José Toraño Vallina headed the retail banking business of BBVA Asia in Hong Kong. From August 2007 to August 2010, Mr. Gonzalo José Toraño Vallina held various positions including Consumer Finance Director of BBVA, Chairman of BBVA Finanzia, Chairman of UNO-e Bank, Chairman of BBVA Finanziamento, and Chairman of Finanzia SpA Italia. He also served as Managing Director of Corporate Development Department of BBVA between 2002 and 2007 and as Managing Director of Corporate Finance of BBVA between 1999 and 2002. He was CEO of Banco de Negocios Argentaria S.A from 1996 to 1999 and headed the Investment Banking Department of Argentaria from 1993 to 1996.

As representative of BBVA, Mr. Gonzalo José Toraño Vallina was board director at various entities. Before joining BBVA, Mr. Gonzalo José Toraño Vallina worked at PWC (1983-1986), Lloyds Bank (1986-1987) and Banco Hispanoamericano (1987-1993) and later Banco Central Hispano. Mr. Gonzalo José Toraño Vallina graduated from Complutense University of Madrid majoring in economics and business and obtained his MBA from Instituto de Empresa Business School.

Mr. Li Zheping

Chinese Nationality

Independent non-executive director of the Bank, and executive officer and editor-in-chief of *Modern Bankers* press. He was Chairman of TongXin Assets Appraisal Co., Ltd. from 1995 to 2003, editor-in-chief of the Theory Column of *China Securities Journal* from 1993 to 1995, a teaching assistant at the China Financial Training Center from 1989 to1993. Mr. Li is an independent director of UBS SDIC Fund Management Co., Ltd. from August 2008 to present. He graduated from Shanxi University of Finance and Economics with a bachelor's degree in economics, and obtained a master's degree in economics from the Graduate School of the PBC Head Office.

Dr. Xing Tiancai

Chinese Nationality

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

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

Ms. Liu Shulan

Chinese Nationality

Independent non-executive director of the Bank, joined the Board of the Bank in October 2012. Ms. Liu retired from her previous job in April 2006. Between September 2004 and April 2006, Ms. Liu was executive director and Vice President of China Construction Bank Corporation Limited. She served as Vice President of China Construction Bank (CCB) from February 1992 to September 2004 and concurrently Deputy Secretary of the CCB Party Committee since October 2000; as General Manager of CCB Public Relations Department from September 1990 to February 1992; and as Vice President and Deputy Party Secretary of CCB Inner Mongolia Branch and currently President of the Inner Mongolia Branch of China Investment Bank from June 1983 to September 1990. Prior to that, Ms. Liu worked for the Regional Finance Department of Inner Mongolia and Municipal Finance and Taxation Bureau of Ordos and Finance and Taxation Bureau of Hangjin Prefecture. With her long-term work at large state-owned commercial banks, Ms. Liu enjoys rich management experiences in the financial service industry. She is a senior economist and graduated from the Central University of Finance and Economics.

Ms. Wu Xiaoqing

Chinese Nationality

Independent non-executive director of the Bank, joined the Board of the Bank in October 2012. Ms. Wu retired from her previous job in October 2008. She was Deputy Chief Accountant of SinoSteel Corporation and Chairperson of SinoSteel Asset Management Company from September 2005 to October 2008; Deputy Chief Accountant of SinoSteel Corporation and director of SinoSteel Asset Management Company from December 1999 to September 2005; and Deputy Director and Director of the Finance Department of SinoSteel Corporation from January 1995 to December 1999. Before that, Ms. Wu worked at the Finance Department of the Government Offices Administration of the State Council and Finance Department of China Metallurgical Raw Materials Corporation. Through her long years' work in finance and accounting management, Ms. Wu has accumulated rich experiences in finance management and accounting of large state-owned enterprises and is familiar with accounting standards and laws and regulations related to enterprise taxation. She is a PRC CPA (non-practising) and a senior accountant with her bachelor's degree in accounting from the Fiscal Department of Renmin University of China.

Mr. Wong Luen Cheung Andrew

Chinese Nationality

Independent non-executive director of the Bank, joined the Board of the Bank in November 2012. Mr. Wong is director of Henderson China Holdings and senior advisor to Mr. Lee Ka Kit, Vice Chairman of the Board of Directors of Henderson Land Development Company Limited. Mr. Wong is an external director of Yantian Port Holdings in Shenzhen, independent non-executive director of ACE Insurance Company Limited, board member of China Overseas Friendship Association and board member of China Warmth Project Foundation. From 1 July 2010 onward, Mr. Wong is engaged by Keefe Bruyette & Woods Asia Limited, a US investment bank, as its senior advisor. Mr. Wong held multiple positions at the Royal Bank of Canada (RBC), including Deputy Chief Representative of RBC China Region, Representative of RBC South China and President of RBC Shanghai Branch. He also served UBS at various positions, including Head of UBS China and executive director of UBS Debt Capital Market. Mr. Wong once worked as China director of Citicorp International, the commercial bank of Citibank Group. In addition, Mr. Wong headed the Greater China business of Hang Seng Bank Limited and served as Managing Director of DBS Bank Hong Kong Limited in charge of Greater China enterprise and investment banking business. Since 2002, Mr. Wong has been a member of CPPCC Shengzhen and holds the positions of part-time Deputy Director of the Committee for Hong Kong, Macau, Taiwan and Foreign Affairs and Head of the Financial Team. From 2011 onward, Mr. Wong is Deputy Director of the Financial Committee under the Guangdong Provincial Association for Promotion of Cooperation between Guangdong, Hong Kong and Macau. From July 2006 to June 2012, he was independent non-executive director of China Minsheng Bank Corporation Limited and chaired the Audit Committee, Risk Management Committee, Nomination Committee and Remuneration and Evaluation Committee under the Board of Directors. Mr. Wong was honored "Independent Director of Excellence in China" by SSE in 2010 and a Medal of Honor by the Government of Hong Kong SAR in 2011.

Supervisors

Mr. Zheng Xuexue

Chinese Nationality

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

Dr. Zhuang Yumin

Chinese Nationality

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

Ms. Luo Xiaoyuan

Chinese Nationality

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

Mr. Li Gang

Chinese Nationality

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

Mr. Deng Yuewen

Chinese Nationality

Employee representative supervisor of the Bank, and General Manager of the Risk Management Division of the Bank's Beijing Branch since February 2007. From February 2007 to February 2012, Mr. Li was General Manager of the Risk Management Department of the Bank's Beijing Branch. He headed this department from October 2005 to February 2007 and was Deputy General Manager of the department from February 2004 to October 2005. Prior to that, he worked in the Credit Management Department of the Bank, Retail Banking Department the Bank's Beijing Branch and the Credit Approval Department of the Bank's Shenzhen Branch from April 1996 to February 2004. Mr. Deng's employment with the Bank dated back to April 1996. He graduated from Wuhan Technology Institute with a bachelor's degree and later obtained his master's degree in monetary banking from the Financial Research Institute of PBC.

Senior Management

Dr. Zhu Xiaohuang

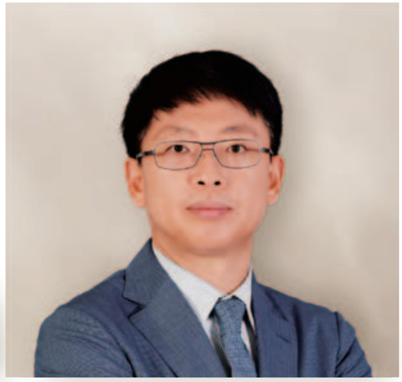
Chinese Nationality

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

Mr. Sun Deshun

Chinese Nationality

Vice President of the Bank, joined the Bank in October 2011. Prior to that, Mr. Sun served the Bank of Communications of China (BoCom) as Vice President of BoCoM Beijing Management Department and concurrently President of BoCom Beijing Branch from January 2010 to October 2011, and as President of BoCom Beijing Branch from December 2005 to December 2009. He worked with Haidian Office, Haidian Sub-branch, Beijing Branch and Head Office Data Center (Beijing) of ICBC from May 1984 to November 2005, holding various positions including Assistant President and Vice President of ICBC Beijing Branch from December 1995 to November 2005, and General Manager of the ICBC Head Office Data Center (Beijing) from January 1999 to April 2004. Earlier, Mr. Sun was an employee of PBC from April 1981 to May 1984. Mr. Sun enjoys 30 years' experiences in China's banking industry. He is a graduate of Dongbei University of Finance and Economics with a master's degree in economics.



Dr. Cao Tong

Chinese Nationality

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

Dr. Ou Yang Qian

Chinese Nationality

Vice President of the Bank, and has been working at the Bank since 1988. Dr. Ou-Yang was promoted Vice President of the Bank in July 1995, and takes charge of the Bank's treasury and capital market business, international business and information technology at present. He was Assistant President of the Bank from April 1994 to July 1995 and was in charge of research and design of the Bank's internal risk control system in 1991. In January 1989 Dr. Ou-Yang worked in the Treasury Department of the Bank where he was primarily engaged in foreign exchange transactions, bond transactions and gold trading and in September of the same year he began to participate in management of asset portfolio investment. Since 2005, he concurrently serves as Chairman of CIFL. Dr. Ou-Yang is a senior economist and received a master's degree in hydraulic machinery from Tsinghua University and a doctoral degree in aeronautical engineering from the University of Manchester in the UK.

Mr. Su Guoxin

Chinese Nationality

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

Mr. Cao Guoqiang

Chinese Nationality

Vice President of the Bank. Mr. Cao was Assistant President of the Bank from April 2006 to March 2010 and has been serving as director of CIFH and CNCBI since October 2009 and concurrently as director of CIFL since 2005. He was General Manager of the Budget and Finance Department of the Bank from April 2005 to April 2006. Prior to that, Mr. Cao served as Deputy General Manager and General Manager of the Planning and Treasury Department of CMB Head Office, General Manager of the Planning and Treasury Department of CMB Shenzhen Management Department, director and Deputy General Manager (person in charge) of China Merchant Bank Pawn Co., Ltd, director of Shenzhen Speed International Investment Co., Ltd, and Assistant General Manager of the Planning and Treasury Department of CMB. Mr. Cao also worked in the Planning and Treasury Division of the PBC Shaanxi Branch as senior staff member and deputy division head from July 1988 to June 1992. Mr. Cao is a senior economist with 24 years' experience in China's banking industry and graduated with a full-time master's degree. He graduated from Hunan College of Finance and Economics with a bachelor's degree in monetary banking and obtained his master's degree in monetary banking from Shaanxi College of Finance and Economics.

Mr. Zhang Qiang

Chinese Nationality

Vice President of the Bank. Mr. Zhang served as Assistant President of the Bank from April 2006 to March 2010. Prior to that, he was Deputy General Manager, Executive Deputy General Manager and General Manager of the Bank's Beijing Branch from January 2000 to April 2006. From September 1990 to March 2000, he held various positions in the Bank's Credit Department, Jinan Branch and Qingdao Branch, including Deputy General Manager and General Manager of the Credit Department of the Head Office as well as vice president and president of branches. Mr. Zhang was Assistant President of the Bank and General Manager of the Corporate Banking Department of the Bank from April 2006 to March 2007. Mr. Zhang has been working at the Bank ever since he joined the Bank in September 1990, accumulating 25 years' experience in the Chinese banking industry. Since April 2006, Mr. Zhang has been in charge of operation and management of the Bank's corporate banking, investment banking and SME finance business. He is a senior economist with a bachelor's degree in economics from Zhongnan University of Finance and Economics (now Zhongnan University of Finance, Economics and Law) and a master's degree in finance from Liaoning University.

Mr. Cao Bin

Chinese Nationality

Mr. Cao joined the Bank in March 2008 to be the Secretary of the Bank's Committee for Disciplinary Inspection, and left the Bank due to a position change in March 2013. Prior to that he was a cadre of the Human Resources and Education Department of CITIC Group from January 2001 to February 2002. From March 2002 to August 2002, he was in charge of the General Office of CITIC Securities. From August 2002 to March 2008, he served as Secretary to the Board and General Manager of the General Office of CITIC Holdings. Mr. Cao graduated from Jilin University with a master's degree in economics.

Mr. Wang Lianfu

Chinese Nationality

Secretary of the Bank's Committee for Disciplinary Inspection and Chief Compliance Officer of the Bank. He was Chairman of the Trade Union (Vice President level) and Chief Compliance Officer of the Bank from April 2008 to February 2013. He was Secretary of the Bank's Committee for Disciplinary Inspection and Head of Human Resources (Vice President level) from March 2006 to April 2008, Secretary of the Bank's Committee for Disciplinary Inspection, Secretary of the CPC Committee of the Bank and Chairman of the Bank's Trade Union from February 1999 to March 2006. Mr. Wang also served as General Manager of the Human Resources Department of the Bank from January 2005 to March 2006 and as Assistant President of the Bank from June 1995 to February 1999. Mr. Wang has been working for the Bank ever since May 1987. From December 1984 to May 1987, he worked at the Personnel Allocation Division of the Human Resources Department of CITIC Group. Mr. Wang is a senior economist with a bachelor's degree in politics and law from Beijing Normal University and a master's degree in monetary banking from Dongbei University of Finance and Economics.

Mr. Lin Zhengyue

Chinese Nationality

Secretary to the Board and Company Secretary of the Bank and concurrently director of CIFL. Mr. Lin became Board Secretary of the Bank in December 2011 and concurrently President of the Bank's Kunmin Branch in February 2013. From November 2011 to November 2012, Mr. Lin was Head of the Bank's Board Office and General Office. He was employee representative supervisor of the Bank from December 2006 to November 2011, President of the Bank's Changchun Branch from September 2009 to October 2011 (he led the preparation for establishing the Changchun Branch from July to September 2009), General Manager of the Compliance and Audit Department of the Bank's Head Office from August 2007 to September 2009, Assistant General Manager and Deputy General Manager of the Compliance and Audit Department of the Bank's Head Office from June 2005 to July 2007 and Deputy General Manager of the Audit Department of the Bank's Nanjing Branch from March 2004 to June 2005. Prior to joining the Bank, Mr. Lin worked at ICBC Jiangsu Branch. Mr. Lin is a PRC economist, US Registered Financial Planner (RFP) and US Certified Financial Consultant (CFC) with 29 years of practicing experience in the Chinese banking industry. He received his bachelor's degree in finance from Jiangsu Television University and EMBA from Peking University.

Appointment and Dismissal of Directors, Supervisors and Senior Management

Dr. Cao Tong was nominated executive director candidate at the 25th meeting of the Bank's Second Board of Directors held in November 2011. In December 2011, the Third Extraordinary Shareholders' General Meeting of the Bank in 2011 elected Dr. Cao Tong executive director of the Bank. In February 2012, Dr. Cao formally assumed office upon CBRC approval of his qualifications.

As was adopted at the Third Extraordinary Shareholders' General Meeting of the Bank held in December 2011, Dr. Xing Tiancai was elected independent non-executive director of the Bank and assumed office in February 2012 upon CBRC approval of his qualifications.

In February 2012, Mr. Lin Zhengyue was appointed Company Secretary of the Bank at the 28th Meeting of the Second Board of Directors of the Bank.

In May 2012, the 2011 Annual Shareholders' General Meeting of the Bank elected the Third Board of Directors of the Bank. Board members are: Mr. Tian Guoli, Dr. Chen Xiaoxian, Mr. Dou Jianzhong, Mr. Ju Weimin, Mr. Guo Ketong, Dr. Zhao Xiaofan, Dr. Cao Tong, Mrs. Chan Hui Dor Lam Doreen, Mr. Ángel Cano Fernández, Mr. José Andrés Barreiro, Mr. Li Zheping, Mr. Xing Tiancai, Ms. Liu Shulan, Ms. Wu Xiaoqing, and Mr. Wong Luen Cheung Andrew. Except for Ms. Liu Shulan, Ms. Wu Xiaoqing, and Mr. Wong Luen Cheung Andrew, all others assumed office as directors of the Third Board of Directors of the Bank after adoption of the resolution of the Annual Shareholders' General Meeting. In October 2012, Ms. Liu Shulan and Ms. Wu Xiaoqing assumed office as directors of the Bank upon CBRC approval of their qualifications; while Dr. Bai Chong-en and Dr. Xie Rong officially left their positions as directors of the Bank. In November 2012, Mr. Wong Luen Cheung Andrew assumed office as director of the Bank upon CBRC approval of his qualifications; while Mr. Wang Xiangfei officially left his position as director of the Bank.

The Third Board of Supervisors of the Bank was elected in May 2012, consisting of non-employee representative supervisors elected by the 2011 Annual Shareholders' General Meeting of the Bank and employee representative supervisors elected via democratic procedures, namely, Mr. Zheng Xuexue, Dr. Zhuang Yumin, Ms. Luo Xiaoyuan, Mr. Li Gang and Mr. Deng Yuewen.

In May 2012, the first meeting of the Third Board of Directors of the Bank adopted the resolution on electing Mr. Tian Guoli Chairman of the Third Board of Directors of the Bank.

In May 2012, the first meeting of the Third Board of Directors of the Bank adopted the resolution on employing Dr. Chen Xiaoxian to be President of the Bank, Dr. Cao Tong, Mr. Sun Deshun, Dr. Ou-Yang Qian, Mr. Su Guoxin, Mr. Cao Guoqiang and Mr. Zhang Qiang respectively to be Vice President of the Bank and Mr. Lin Zhengyue to be Secretary to the Board.

In August 2012, Mr. José Andrés Barreiro resigned his positions as Board director and member of special committees under the Board of Directors of the Bank due to personal work rearrangements. His resignation took effect on the day when the qualifications of Mr. Gonzalo José Toraño Vallina, his successor, were approved by the CBRC in January 2013.

In August 2012, Dr. Chen Xiaoxian resigned his position as President of the Bank due to work rearrangements. The second meeting of the Third Board of Directors of the Bank adopted the resolution on employing Dr. Zhu Xiaohuang to be President of the Bank. Dr. Zhu Xiaohuang's qualifications were approved by the CBRC in September 2013 upon which date Dr. Zhu Xiaohuang officially assumed office as President of the Bank while the resignation of Dr. Chen Xiaoxian took effect simultaneously.

In August 2012, the second meeting of the Third Board of Directors of the Bank adopted the resolution on electing Dr. Chen Xiaoxian First Vice Chairman of the Board of Directors of the Bank. Dr. Chen Xiaoxian officially inaugurated office as First Vice Chairman of the Board of Directors of the Bank in September 2012 upon CBRC approval of his qualifications.

In August 2012, Dr. Zhao Xiaofan resigned his positions as Board director and members of special committees under the Board of Directors of the Bank due to personal work rearrangements. Mrs. Chan Hui Dor Lam Doreen resigned her position as Board director of the Bank due to personal work rearrangements. Their resignations took effect on the day when their letters of resignations were served to the Board of Directors of the Bank.

In October 2012, the Second Extraordinary Shareholders' General Meeting of the Bank in 2012 adopted the resolution on electing Dr. Zhu Xiaohuang executive director of the Bank, and Mr. Zhang Xiaowei and Mr. Gonzalo José Toraño Vallina directors of the Bank. In January 2013, Dr. Zhu Xiaohuang assumed office as executive director of the Bank, and Mr. Zhang Xiaowei and Mr. Gonzalo José Toraño Vallina assumed offices as directors of the Bank upon CBRC approval of their qualifications.

In March 2013, Mr Cao Bin resigned the position as Secretary of the Bank's Committee for Disciplinary Inspection due to work change.

As per the voting results of the meetings of the Bank's Third Board of Directors and its special committees, chairmen and members of the special committees of the Board of Directors of the Bank as at the disclosure date of this report are listed as follows:

Strategic Development Committee: Chaired by Mr. Tian Guoli, the committee has Dr. Chen Xiaoxian, Dr. Zhu Xiaohuang, Mr. Dou Jianzhong, Mr. Ju Weimin, Dr. Cao Tong and Mr. Gonzalo José Toraño Vallina as its members.

Risk Management Committee: Chaired by Mr. Gonzalo José Toraño Vallina, the committee has Dr. Chen Xiaoxian, Dr. Zhu Xiaohuang, Mr. Ju Weimin, Dr. Cao Tong, Mr. Li Zheping and Ms. Wu Xiaoqing.

Audit and Related Party Transactions Control Committee: Chaired by Dr. Xing Tiancai, the committee has Mr. Ju Weimin, Mr. Li Zheping, Ms. Liu Shulan, Ms. Wu Xiaoqing, Mr. Wong Luen Cheung Andrew and Mr. Gonzalo José Toraño Vallina.

Nomination and Remuneration Committee: Chaired by Mr. Wong Luen Cheung Andrew, the committee has Mr. Guo Ketong, Dr. Xing Tiancai, Ms. Liu Shulan and Ms. Wu Xiaoqing.

As per the voting results of the meetings of the Bank's Third Board of Supervisors and its special committees, chairmen and members of the special committees of the Board of Supervisors as at the date of disclosure of this report are listed as follows:

Nomination Committee: The committee has Dr. Zhuang Yumin as Chairperson and Ms. Luo Xiaoyuan and Mr. Deng Xiaowen as its members.

Supervision Committee: The committee has Mr. Zheng Xuexue as Chairperson and Dr. Zhuang Yumin, Ms. Luo Xiaoyuan and Mr. Li Gang as its members.

Remunerations of Directors, Supervisors and Senior Management

The scheme of remunerations for the Bank's directors, supervisors and senior management shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors and approved by the Board of Directors. An allowance system is implemented for independent non-executive directors and external supervisors. In accordance with applicable PRC laws, the Bank has participated in various types of statutory contribution and pension schemes organized by the Chinese government for the benefit of its executive directors, employee representative supervisors and staff including senior management. Actual pre-tax remunerations that all directors, supervisors and senior management members (both incumbent and non-incumbent) received from the Bank during the reporting period totalled RMB26.7966 million.

The Bank offers remunerations to executive directors, supervisors and senior management members who are at the same time employees of the Bank, which includes basic salary, bonus, employee welfare and insurance, housing fund and annuity. Independent non-executive directors and external supervisors of the Bank receive allowances from the Bank. None of the non-executive directors (excluding independent directors) and shareholder representative supervisors who hold positions in our shareholders receives any form of salary or directors' fee from the Bank. After enquiries, the Bank was unable to obtain all information on remunerations received by the non-executive directors and shareholder representative supervisors from our shareholders. The Bank has not provided any incentive shares to directors, supervisors or senior management.

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

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

Name of director	Name of associated corporation	Nature of interests	Class/number of share interests held	Percentage in the issued share capital	Exercise period
Dou Jianzhong	CIAM Group Limited	Personal interests	1,250,000 share options *(L)*	0.28%	2011.09.09-2014.09.08

Note: (L) — long position

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

Interests of Directors and Supervisors in Material Contracts

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

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

Relationships among Directors, Supervisors and Senior Management

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

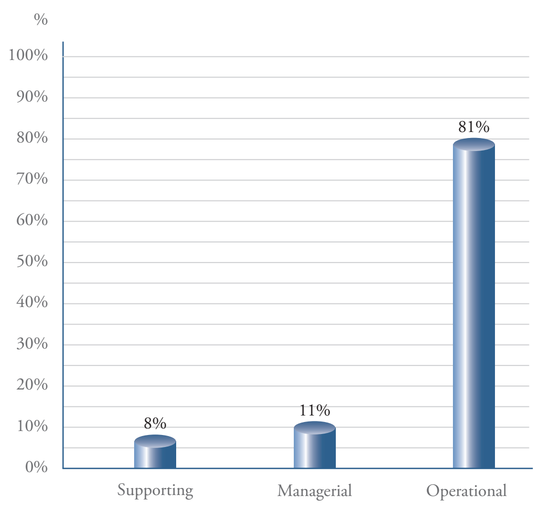
Interests of Directors in Business Competing with the Bank

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

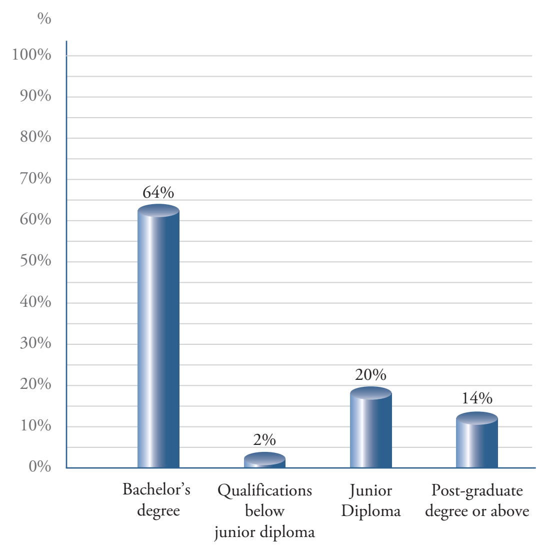
Human Resources Management and Staff Profile

As at the end of the reporting period, the Bank had 41,365 employees, including 32,097 under labor contracts with the Bank and 9,268 dispatched to the Bank or hired with letters of engagement by the Bank. Of all the employees, 4,749 served as managerial function, 33,214 served as technical function and 3,402 served as supporting function. 5,662 employees, 13.69% of the total, held post-graduate degrees or above; 26,506 employees, 64.08% of the total, held bachelor's degrees; 8,187 employees, 19.79% of the total, held junior diplomas, and 1,010 employees had qualifications below junior diploma level, accounting for 2.44% of the total. The Bank paid for a total number of 447 retirees.

Professional Composition



Education Level



As at the end of the reporting period, CIFH (including its affiliates) had 1,842 employees, of whom 160 served as managerial function, 930 served as operational function and 752 served as supporting function. 314 employees, 17.04% of the total, held post-graduate degrees or above; 694 employees, 37.68% of the total, held bachelor's degrees; 274 employees, 14.88% of the total, held junior diplomas, and 560 employees had qualifications below junior diploma level, accounting for 30.40% of the total.

Human Resources Management

The Bank kept on strengthening and improving its human resources management according to the principle of coordinating effective incentives and strict constraints. During the reporting period, great efforts were devoted to the development of management teams of branches and sub-branches at all levels, enhancement of relevant mechanisms, reasonable adjustment and staffing of the managerial teams at tier-one branches and the Head Office, continuous optimization of the management structure, promotion of cadre exchange, enhancement of the performance evaluation system, and selection of the most suitable candidates for concerned posts through competition. As a result, overall quality and management skills of the Bank's management teams were improved significantly.

The Bank adhered to its scientific market-oriented model of allocating human resources to optimize its personnel structure, and strengthened allocation of specialized professionals to priority business areas of the whole Bank to upgrade staffing efficiency. The Bank also exerted further efforts to adjust its internal structure, introduced various types of talents in a timely and effective manner and improved its labor relation management. Impressive progress in remuneration management of the Bank included more guidance and supervision of branches and sub-branches, refinement of the remuneration structure, and continuous reinforcement of exploration and practice of a diversified remuneration system, amendment to various remuneration regulations, standardization and improvement of the welfare and insurance system, assurance of employee rights and interests and enhanced role of incentives.

In addition to more human resources exchanges between the Head Office and the branches, the Bank also intensified technical trainings to improve service quality. With smooth completion of the project for bank-wide extension, optimization and upgrading of the e-HR system, the Bank enhanced its IT-based management and provided fast and accurate information of all types to operation and management of the whole bank.

Human Resources Cultivation and Development

The Bank closely followed its business development strategy for cultivation and development of its human resources. With focus placed on cultivation of core talents, the Bank intensified on-the-job training of employees. During the reporting period, the Bank hosted 4,171 training courses of all categories at home and abroad, which, totalling 300,000 person-times, provided a strong support to business development.

Cultivation of core talents was reinforced with emphasis placed on professionalization and internationalization. During the reporting period, 6 series and 13 batches of trainings were carried out targeting senior management, tier-2 branch leaders, medium-level managers, sub-branch general managers and heads of newly established outlets. The Bank designed and launched the training system for qualifying with the CITIC Bank Certificate of Risk Manager (CCRM) and further improved the the training system for qualifying with the CITIC Bank Certificate of Wealth Adviser (CCWA), building a brand for training professional talent with its own intellectual property. The Bank set up a team of researchers at Head Office through strict selection. The Bank intensified the driving force of main business lines at the Head Office in training, organizing 168 technical training projects during the reporting period, training 19,200 person-times for a cumulative number of 778 training days, and guided branches to organize 4,003 tier-two training projects, training 284,000 person-times. In addition, during the reporting period the Bank organized two professional exams covering 19 business lines, participated by 10,575 staffs.

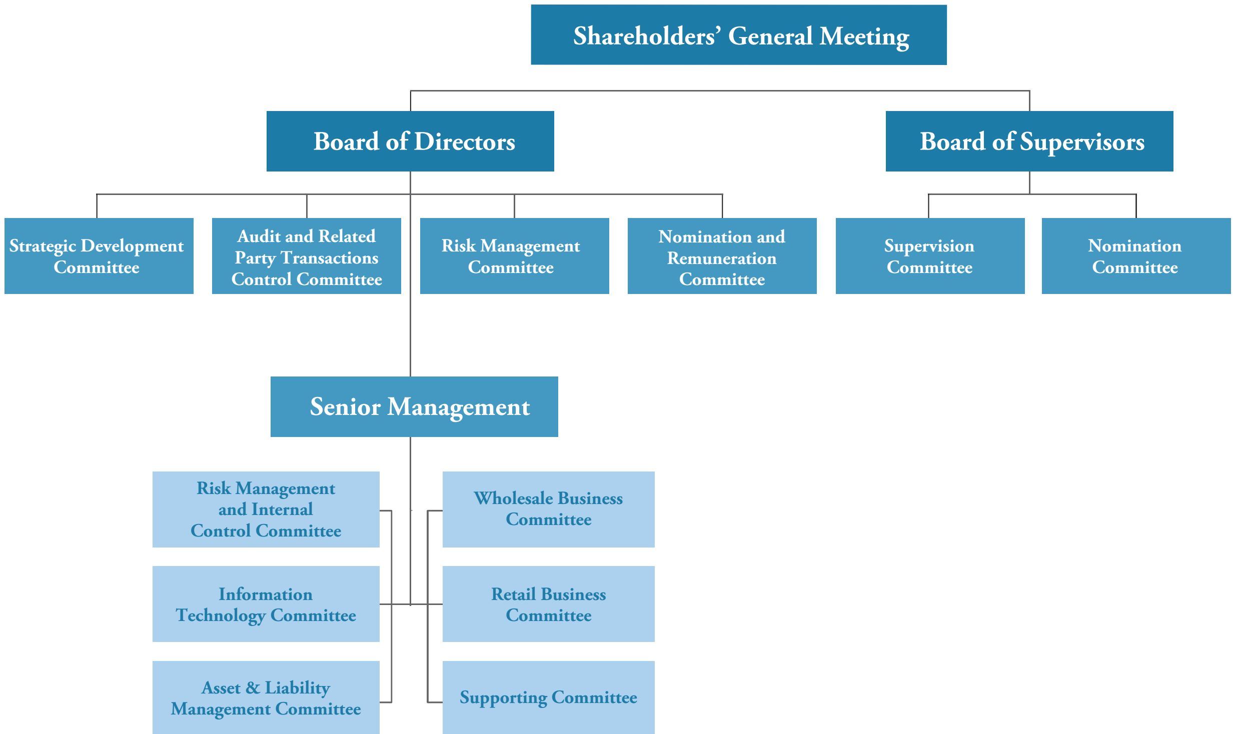
The E-learning system of the Bank was further developed on all fronts and realized full coverage of the online on-the-job system. During the reporting period, the Bank organized 341 online examinations covering 12 business lines and all branches, with 103,000 person-times of participation, and established a preliminary online training archive system, with gradual exhibition of integrated benefits. The E-learning system achieved over 95% coverage, cumulative visits of 1.898 million person-times and cumulative online learning duration of 2.495 million hours.

During the reporting period, the Bank introduced ISO 10015, the international training quality management system, and was certified successfully to ensure higher efficiency for training management.

Dedication to Future

The Bank puts forward the vision of "constructing a first-class commercial bank with unique market value", and endeavors to build the Bank into a "century-old store" through differentiated operation and refined management.

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, 13 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 announcements, 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	—
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. Deng Yuewen, 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 2012 Social Responsibility Report of China CITIC Bank Corporation Limited 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	First 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

Furthermore, 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 three-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.

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.

Internal Control

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

The purpose of the Bank's internal control is to ensure legality and compliance of operation, assets safety, and truthfulness and completeness of information contained in the financial report to improve business efficiency and effect, and to implement development strategy. The Board of Directors authorized departments responsible for internal audit to make a self-assessment on the effectiveness of internal control structure and operation in accordance with *the Basic Standards for Enterprise Internal Control, the Guidelines for Assessment of Enterprise Internal Control,* and the requirements of the Bank's rules and measures on internal control. The Board of Directors produced the 2012 Report of China CITIC Bank Corporation Limited on Assessment of Internal Control, and were of the view that the report was valid as at 31 December 2012 (record date). In the course of assessing its internal control, the Bank was not aware of any material defects in internal control.

The Board of Supervisors reviewed the 2012 Report of the Board of Directors of China CITIC Bank Corporation Limited on Assessment of Internal Control and had no disagreement with the content of the report.

Development of the Internal Control System and Major Measures Adopted by the Bank

During the reporting period, the Bank successfully passed the inspection by CSRC Beijing Bureau on implementation of internal control regulations, formulated the Plan for Implementation of Internal Control Regulations in 2012 in compliance with the CBRC principle for implementation of internal control, namely "steady implementation, step-by-step furtherance and year-by-year enhancement", and started implementation after approval by the Board of Directors. Through endeavors such as all-round combing and assessment of internal control and construction of the internal control management platform, the Bank further optimized its internal control environment, improved its risk assessment, strengthened its measures for internal control, expanded its information exchanges and communication channels, and enhanced the mechanism for internal supervision.

- Optimized the internal control environment: The Bank kept refining its internal control management structure that primarily consists of the Board of Directors, the Board of Supervisors, the senior management and the "three lines of defenses" in line with domestic and overseas regulatory requirements and in combination with its strategic development objectives, actively explored and constructed a unique CITIC Bank corporate culture system with value propositions and codes of conduct as its core, exerted continuing efforts to reinforce talent cultivation via more intensive on-the-job training of all staff, and thereby fully realized the supporting, assuring and promoting roles of internal control in business development of the Bank.

- Improved risk evaluation: With respect to credit risk management, the Bank enhanced development of its risk early warning and mitigation system, regularized the process of information collection and submission, and deepened credit operation analysis to upgrade data quality and statistical analytic capability. Timely field studies or special review of credit risk in key risk areas, classified post-lending management of key sectors, and increased post-lending examination frequency helped the Bank to enhance its risk analysis, assessment and monitoring. With respect to market risk management, the Bank made reasonable adjustment to its risk limit, improved independence and coverage of market risk monitoring and proactively pushed forward application of the market risk measurement model in its internal management. With respect to liquidity risk management, the Bank continued to enhance the three-tier Renminbi liquidity provision system, carried out continuous monitoring of Renminbi liquidity risk and developed a uniform bank-wide information management platform to optimize means and measures for liquidity risk management. With respect to compliance risk management, the Bank amended the Compliance Policies of China CITIC Bank and further defined responsibilities and duties of its branches and subsidiaries at home and abroad in identification and evaluation of compliance risk. In addition, the Bank constructed an internal control management platform system, which, based on the results of institutional development and internal controls combing, set up two databases on the internal and external regulations module, one for internal regulations covering 1,886 regulations and the other for external regulations covering 107,600 regulations, and consolidated the internal control combing results of the 263 main processes on 11 modules into the internal control combing module, thus laying a sound system basis for risk identification and assessment. With respect to reputation risk management, the Bank further clarified frequencies for reporting public opinions by its domestic and overseas branches and subsidiaries and the mechanism for publicity interaction between Mainland China and Hong Kong SAR via revision of its Measures for Reputation Risk Management, and released the Guiding Handbook of CITIC Bank on Rehearsals in Response to Public Opinions to help the Head Office and the branches respond to negative publicities and assess risks in better ways.

- Enhanced internal control: With respect to credit granting, the Bank adopted various measures such as more stringent management regarding review and approval of loan extension, reinforcing post-lending risk monitoring and optimizing functions of the information system to build up its capacity for risk control. With respect to deposit and over-the-counter business, the Bank printed and distributed the Accounting Practices of CITIC Bank to regularize accounting treatment of basic business and improve accuracy of accounting; printed and distributed 18 regulations including the Accounting Measures of CITIC Bank for Inter-bank Agency Payment Business to regularize work flows of processing key over-the-counter business items and regulate key points of risk prevention and control. With respect to the computer information system, the Bank enhanced safety regulations for applications development, code scanning and system configuration to eliminate potential risk from the sources, improved plans on changes to operation and maintenance and emergency responses, and developed network configuration management platforms and operation service process platforms to optimize risk management and control measures such as review and approval of changes, operation review and post audit. As for financial authorization, the Bank followed the principle of "uniform standards, budget constraints, corresponding-level authorization and differentiated management" to refine its mechanism for review and approval of financial authorization and upgrade approval efficiency and decision making quality. With respect to property loss risk, the Bank formulated the Administrative Measures for Uniform Insurance of the Properties of CITIC Bank and the Guidelines for Risk Self Examination, organized the entire bank to conduct self examination of property risks, increased awareness of proactive risk prevention and control among all branches and sub-branches and reasonably controlled financial costs. With respect to budget management, the Bank carried out dynamic management and control of budget preparation, budget execution monitoring, rolling forecasting and budget adjustment to timely correct disparities between budget targets and actual execution. With respect to performance evaluation, the Bank set up two evaluation systems, namely, business planning and mainline promotion, for multi-dimensional and all-round performance evaluation management of its branches.

- Expanded channels for information exchange and communication: The Bank adjusted its internal information reporting mechanism by adding new columns including Integrated Management Bulletin and Marketing Bulletin to its intranet, initiating editing of the Daily Dynamics and enhanced internal information exchange and communication. The "Woodpecker Compliance Action" continued its role as an information communication channel guiding all employees to identify potential risks and produce effective risk prevention and control suggestions in a proactive manner. Through means such as coordination with regulatory inspection, global road shows and results-release press conferences, the Bank successfully communicated with external regulators, investors and analysts and increased its transparency.

- Reinforced the mechanism for internal supervision and inspection: The Bank has set up an internal supervision and inspection mechanism that consists of three defense lines, i.e. Line 1 of self examination, Line 2 of supervisory inspection, and Line 3 of audit inspection. During the reporting period, in line with requirements of the external economic and financial situations and the Bank's overall development, supervision and inspection of the supply chain, domestic reimbursement refinance, auto finance and property loans was carried out successively with close attention paid to the momentum of case prevention and more intensive efforts exerted to prevent cases via rolling screening and better staff conduct management.

Internal Audit

The Audit Department of the Bank is responsible for supervising and evaluating the adequacy and effectiveness of the Bank's risk management and internal control and reporting the findings to the Board of Directors, the Board of Supervisors, and the senior management. The Audit and Related Party Transactions Control Committee and the Internal Control Committee of the Bank are responsible for management of internal audit.

The Bank deepened reform of its audit system, reinforced audit of business areas prone to cases and high potential risks and made full use of IT technologies and means to improve audit effectiveness during the reporting period. Major measures adopted include: (1) Establishment of new regional audit centers, which increased independence of audit; (2) Greater intensity and higher frequency of audit supervision: The Bank further expanded audit coverage through special audit of the supply chain, domestic reimbursement refinance, auto finance, property loans, small enterprise and personal business loans and wealth management, implementation of the New Capital Accord and information safety and all-round audit of some branches; and (3) Higher audit efficiency and better audit results through optimized off-site audit techniques. During the reporting period, off-site audit techniques were used to conduct rolling screening of areas related to case prevention, promote compliant operation and enable the Bank to be case free throughout the year.

External Audit of Internal Control

During the reporting period, the Bank engaged KPMG Huazhen to audit the effectiveness of its internal control over financial reporting as at 31 December 2012 in accordance with relevant requirements of the Guidelines on Audit of Enterprise Internal Control and the professional standards for China's Certified Public Accountants. Based on the audit findings, KPMG Huazhen presented its Audit Report on Internal Control to the Bank. Please refer to the announcement dated 28 March 2013 published by the Bank on the official website of SSE and the website designated by SEHK.

As per the audit opinion on the Bank's internal control on financial reporting set out in its Audit Report on Internal Control, KPMG Huazhen is of the view that the Bank maintained, in all material aspects, effective internal control over its financial reporting as at 31 December 2012 in accordance with the Basic Standards for Enterprise Internal Control and relevant requirements.

Information on the Institutional Development regarding Accountability of Material Errors in Annual Report Information Disclosure

Based on a series of management rules and regulations including the Measures on Information Disclosure Management, Administrative Measures for Inside Information and Information Insiders, Measures for Accountability of Material Errors regarding Annual Report Information Disclosure and Administrative Measures for Preparation and Disclosure of Periodic Reports, the Bank continued to improve institutional construction for information disclosure during the reporting period. Firstly, the Bank revised the Administrative Measures for Preparation and Disclosure of Periodic Reports in line with the latest regulatory requirements and division of duties. Secondly, the Bank developed its Administrative Measures for Review of Periodic Reports, which contains detailed provisions for the process of preparing and reviewing periodic reports. Such revision further regularized the internal control process of annual report preparation and review, effectively controlled the quality of report preparation and ensured accuracy, completeness and compliance of contents disclosed in the annual report.

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

Management of Inside Information

The Bank has already established a mechanism for registration and filing of information insiders and external users of inside information, incorporating into the scope of insider management both internal personnel and persons from external agencies such as auditors that have access to annual financial information prior to disclosure. The Bank ensures that no relevant information is leaked in any form prior to disclosure in periodic reports, thereby protecting legitimate rights and interests of the Bank's investors and concerned parties.

With close attention paid to institutional construction for management of inside information and information insiders, the Bank formulated the Measures for Accountability of Material Errors regarding Annual Report Information Disclosure and made amendments to the Administrative Measures for Inside Information and Information Insiders, examined information insiders' trading of the Bank's securities prior to disclosure of the annual report in strict accordance with the Administrative Measures for Inside Information and Information Insiders, collected statistical data, via internal investigations, on its affiliates' external information reporting, and required the affiliates to remind external information users, in writings, to observe confidentiality obligations. Meanwhile, the Bank established its system on registration and filing of external information submission, which registered and recorded submission basis, submission time, external recipients and categories of information submitted as well as written reminders to external information user to observe their confidentiality obligation.

During the reporting period, the Bank was not aware of any trading of the Bank's securities by information insiders prior to disclosure of its annual report, and the Bank was not subject to any regulatory action or administrative punishment imposed by regulators due to insider trading.

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

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

We have audited the consolidated financial statements of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 154 to 280, which comprise the consolidated and Bank statements of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 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.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong,
28 March 2013

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	6	**75,486**	65,106
Fee and commission income		**12,194**	9,481
Fee and commission expense		**(984)**	(644)
Net fee and commission income	7	**11,210**	8,837
Net trading gain	8	**2,335**	2,260
Net gain from investment securities	9	**76**	83
Net hedging loss	10	**—**	(1)
Other operating income		**604**	807
Operating income		**89,711**	77,092
Operating expense	11	**(34,979)**	(28,381)
Operating Profit before impairment		**54,732**	48,711
Impairment losses on			
— Loans and advances to customers	12	**(12,804)**	(5,734)
— Others	12	**(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	16	**(10,224)**	(10,746)
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	18	**(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)	17	**0.66**	0.71

The notes on pages 161 to 280 form part of these financial statements.

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	19	**428,167**	366,391
Deposits with banks and non-bank financial institutions	20	**236,591**	386,535
Placements with banks and non-bank financial institutions	21	**151,803**	151,004
Trading financial assets	22	**12,285**	8,190
Positive fair value of derivatives	23	**4,160**	4,683
Financial assets held under resale agreements	24	**69,082**	162,211
Interest receivable	25	**13,040**	10,051
Loans and advances to customers	26	**1,627,576**	1,410,779
Available-for-sale financial assets	27	**196,849**	134,518
Held-to-maturity investments	28	**135,014**	108,468
Investment classified as receivables	29	**56,435**	—
Investments in associates	30	**2,134**	2,212
Fixed assets	32	**11,520**	10,116
Investment properties	33	**333**	272
Goodwill	34	**817**	818
Intangible assets	35	**339**	254
Deferred tax assets	36	**6,091**	2,971
Other assets	37	**7,703**	6,408
Total assets		**2,959,939**	2,765,881
Liabilities			
Deposits from banks and non-bank financial institutions	39	**370,108**	535,546
Placements from banks and non-bank financial institutions	40	**17,894**	4,676
Negative fair value of derivatives	23	**3,412**	3,764
Financial assets sold under repurchase agreements	41	**11,732**	9,806
Deposits from customers	42	**2,255,141**	1,968,051
Accrued staff costs	43	**10,578**	8,861
Taxes payable	44	**4,558**	4,015
Interest payable	45	**21,499**	13,599
Provisions	46	**93**	36
Debts securities issued	47	**56,402**	33,730
Other liabilities	48	**5,436**	5,016
Total liabilities		**2,756,853**	2,587,100

The notes on pages 161 to 280 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

As at 31 December 2012
(Expressed in millions of Renminbi unless otherwise stated)

	Note	31 December 2012	31 December 2011
Equity			
Share capital	49	**46,787**	46,787
Share premium and other reserve	50	**49,488**	49,491
Investment revaluation reserve	51	**(185)**	214
Surplus reserve	52	**11,709**	8,691
General reserve	53	**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 28 March 2013.

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

The notes on pages 161 to 280 form part of these financial statements.

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	19	**426,886**	365,318
Deposits with banks and non-bank financial institutions	20	**235,424**	379,964
Placements with banks and non-bank financial institutions	21	**129,052**	125,535
Trading financial assets	22	**12,209**	7,899
Positive fair value of derivatives	23	**2,665**	3,002
Financial assets held under resale agreements	24	**69,132**	162,261
Interest receivable	25	**12,534**	9,449
Loans and advances to customers	26	**1,541,748**	1,334,509
Available-for-sale financial assets	27	**181,862**	116,839
Held-to-maturity investments	28	**134,952**	108,720
Investment classified as receivables	29	**56,435**	—
Investment in subsidiaries	31	**9,986**	9,986
Fixed assets	32	**10,997**	9,619
Intangible assets	35	**339**	254
Deferred tax assets	36	**6,073**	2, 890
Other assets	37	**7,338**	5,743
Total assets		**2,837,632**	2,641,988
Liabilities			
Deposits from banks and non-bank financial institutions	39	**383,493**	540,810
Placements from banks and non-bank financial institutions	40	**15,923**	819
Negative fair value of derivatives	23	**2,677**	2,684
Financial assets sold under repurchase agreements	41	**11,241**	9,806
Deposits from customers	42	**2,148,582**	1,865,221
Accrued staff costs	43	**10,241**	8,595
Taxes payable	44	**4,495**	3,900
Interest payable	45	**20,988**	13,111
Provisions	46	**93**	36
Debt securities issued	47	**38,470**	18,500
Other liabilities	48	**4,363**	4,213
Total liabilities		**2,640,566**	2,467,695
Equity			
Share capital	49	**46,787**	46,787
Share premium and other reserve	50	**51,619**	51,619
Investment revaluation reserve	51	**(195)**	428
Surplus reserve	52	**11,709**	8,691
General reserve	53	**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	**Zhu Xiaohuang**	**Cao Guoqiang**	**Wang Kang**	**Company Stamp**
Chairman	*President*	*Vice President in charge of finance function*	*General Manager of Budget and Finance Department*	

The notes on pages 161 to 280 form part of these financial statements.

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	18	—	—	(3)	(399)	—	—	—	14	92	(296)
Total comprehensive income		—	—	(3)	(399)	—	—	31,032	14	445	31,089
(III) Profit appropriations											
1. Appropriations to surplus reserve	52	—	—	—	—	3,018	—	(3,018)	—	—	—
2. Appropriations to general reserve	53	—	—	—	—	—	14,501	(14,501)	—	—	—
3. Appropriations to shareholders	54	—	—	—	—	—	—	(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	18	—	—	4	846	—	—	—	(442)	(201)	207
Total comprehensive income		—	—	4	846	—	—	30,819	(442)	(176)	31,051
(III) Contributions by equity shareholders											
1. Rights issue		7,754	17,913	—	—	—	—	—	—	—	25,667
2. Non-controlling interests of a new subsidiary		—	—	—	—	—	—	—	—	98	98
(IV) Profit appropriations											
1. Appropriations to surplus reserve	52	—	—	—	—	3,073	—	(3,073)	—	—	—
2. Appropriations to general reserve	53	—	—	—	—	—	5,127	(5,127)	—	—	—
3. Appropriations to shareholders		—	—	—	—	—	—	(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

The notes on pages 161 to 280 form part of these financial statements.

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
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)

The notes on pages 161 to 280 form part of these financial statements.

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2012
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2012	2011
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	55	**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)

The notes on pages 161 to 280 form part of these financial statements.

(Expressed in millions of Renminbi unless otherwise stated)

1 Corporate information

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

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

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

As at 31 December 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.

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 RMB 1 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 Basis of preparation

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

The consolidated financial statements for the year ended 31 December 2012 comprise the Bank and its subsidiaries and the Group's interest in associates.

(a) Accounting year

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

2 Basis of preparation (Continued)

(b) Functional currency and presentation currency

The functional currency of the Bank is Renminbi. The functional currencies of overseas subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into Renminbi for the preparation of the consolidated financial statements according to Note 4(2) (b). The financial statements of the Group are presented in Renminbi and, unless otherwise stated, expressed in millions of Renminbi.

(c) Measurement basis

These financial statements have been prepared on the historical cost basis except:

— financial assets and financial liabilities at fair value through profit or loss (including trading assets and trading liabilities) (see Note 4(3))

— available-for-sale financial assets, except for those whose fair value can't be measured reliably (see Note 4(3))

— fair value hedged items(see Note 4(4))

— investment properties (see Note 4(10)).

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Judgments made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent period are discussed in Note 4(24). Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3 Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards("IFRSs") as issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain revised IFRSs, a number of amendments to and interpretations of IFRSs. Of these, the following developments are first effective for the current accounting period and relevant to the financial statements of the Group:

- Amendments to IFRS 7, Financial instruments: *Disclosures — Transfers of financial assets*

- Amendments to IAS 12, Income taxes — *Deferred tax: Recovery of underlying assets*

3 Statement of compliance (Continued)

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.

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.

4 Significant accounting policies and accounting estimates

(1) Consolidated financial statements

(a) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (Continued)

(1) Consolidated financial statements (Continued)

(b) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where 1) the aggregate of the fair value at the acquisition date of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds 2) the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where 1) is less than 2), the difference is recognised in profit or loss for the current period. The costs of the issuance of equity or debt securities as a part of the consideration paid for the acquisition are included as a part of initial recognition amount of the equity or debt securities. Other acquisition-related costs arising from the business combination are recognised as expenses in the periods in which the costs are incurred. The difference between the fair value and the carrying amount of the assets transferred is recognised in profit or loss. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date.

(c) Consolidated financial statements

The consolidated financial statements comprise the Bank and its subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its operating activities. In assessing control, potential voting rights, are taken into account by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated statement of financial position and the consolidated statement of comprehensive income, respectively, based on their carrying amounts, from the date that common control was established. Net profit earned by the acquiree prior to the date of acquisition is separately disclosed.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into consolidated financial statements from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

The portion of a subsidiary's equity that is not attributable to the Bank whether directly or indirectly through subsidiaries is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within shareholders' equity. The portion of net profits or losses and comprehensive income of subsidiaries for the period attributable to non-controlling interests is presented in the consolidated statement of comprehensive income below the "net profit" and "total comprehensive income" line item as "non-controlling interests".

4 Significant accounting policies and accounting estimates (Continued)

(1) Consolidated financial statements (Continued)

(c) Consolidated financial statements (Continued)

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

Where the Bank acquired a non-controlling interest from a subsidiary's non-controlling parties, the difference between the investment cost for acquiring the non-controlling interest and the corresponding reduction of non-controlling interest in the consolidated financial statements, or where the Bank disposed of part of its interest in a subsidiary without loss of control over the subsidiary, difference between the proceeds of the disposal and the share of the net identifiable assets of the subsidiary corresponding to the interest being disposed of, is adjusted to the capital reserve in the consolidated statement of financial position. If the credit balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the remaining equity investment is remeasured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognised as investment income for the current period when control is lost. The amount recognised in other comprehensive income in relation to the former subsidiary's equity investment is reclassified as investment income for the current period when control is lost.

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(d) Special purpose entities

The Group has established a number of Special Purpose Entities ("SPEs") for investment and wealth management product issuance purposes. The Group evaluates the substance of its relationship with the SPEs as well as the SPEs' risks and rewards to determine whether the Group controls the SPEs. The following circumstances, which may indicate a relationship in which the Group controls a SPE are taken into account: (i) in substance, the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operations; (ii) in substance, the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE; (iii) in substance, the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or (iv) in substance, the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities. Where the evaluation result indicates that control exists, the Group will consolidate the SPE.

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (Continued)

(2) Foreign currency translations

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into Renminbi by applying the spot exchange rates at the dates of the transaction. Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the reporting date. The resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity investments, which is recognised in other comprehensive income.

(b) Translation of financial statements denominated in foreign currency

The foreign currency financial statements are translated into Renminbi for the preparation of consolidated financial statements. The assets and liabilities in the foreign currency financial statements are translated into Renminbi at the spot exchange rates prevailing at the reporting date. The equity items, except for "retained earnings", are translated to Renminbi at the spot exchange rates at the dates on which such items arose. Income and expenses in the profit or loss are translated into Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions. The resulting exchange differences are presented as "exchange difference" in the consolidated statement of financial position within the shareholder's equity.

(3) Financial instruments

(a) Categorisation

The Group classifies financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: financial assets and financial liabilities at fair value through the profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities at fair value through the profit or loss

Financial assets and financial liabilities at fair value through the profit or loss include those classified as held for trading, and those designated by the Group upon recognition as at fair value through the profit or loss.

A financial asset or financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets and financial liabilities are designated at fair value through the profit or loss upon initial recognition when: (i) the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement bases of the financial assets or financial liabilities; or (iii) a contract contains one or more embedded derivatives, i.e. an entire hybrid (combined) contract, unless: (1) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the hybrid (combined) contract; or (2) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative is prohibited.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(a) Categorisation (Continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than: (i) those that the Group, upon initial recognition, designates as at fair value through the profit or loss or as available-for-sale; (ii) those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; (ii) those that the Group, upon initial recognition, designates as at fair value through the profit or loss or as available-for-sale; or (iii) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise balances with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, investment classified as receivables, as well as loans and advances to customers.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through the profit or loss, (ii) held-to-maturity investments or (iii) loans and receivables.

Other financial liabilities

Other financial liabilities are financial liabilities other than those designated as at fair value through the profit or loss, and mainly comprise borrowing from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and subordinated debts/bonds issued.

(b) Derivatives and embedded derivatives

Derivatives mainly include forward and swap contracts performed in foreign currency market and interest rate market. The Group uses derivatives to hedge its exposure on foreign exchange and interest rate risks. The Group adopts hedge accounting in accordance with Note 4(4) for derivatives designated as hedging instruments if the hedge is effective. Other derivatives are accounted for as trading financial assets or financial liabilities. Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as assets while the negative fair value is recognised as liabilities. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

Certain derivative is embedded into a non-derivative instrument (the host contract). The embedded derivatives are separated from the host contract and accounted for as a derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss. When the embedded derivative is separated, the host contract is accounted for in accordance with Note 4(3) (a).

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(c) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset have been retained, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of derecognition of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged/cancelled, or (ii) an agreement between the Group and an existing lender to exchange the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(d) Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not at fair value through the profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instruments. Transaction costs for financial instruments at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost under effective interest rate method, while other categories of financial instruments are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

A gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss.

A gain or loss on an available-for-sale financial asset is recognized directly in other comprehensive income, except for impairment losses and foreign exchange gains or losses resulted from monetary financial assets, until the financial asset is derecognized, at which time the cumulative gains or losses previously recognized in other comprehensive income are removed from other comprehensive income and recognized in profit or loss.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(d) Measurement (Continued)

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from other comprehensive income to the profit or loss.

For financial instrument carried at amortised cost, a gain or loss is recognized in profit or loss when the financial instrument is derecognized, impaired, or through the amortization process.

(e) Impairment

The Group assesses at the reporting date the carrying amount of a financial asset (other than those at fair value through profit or loss). If there is objective evidence that the financial asset is impaired, the Group will recognize the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired included the following events that occurred after the initial recognition of the asset and that the event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated:

— significant financial difficulty of the borrower or issuer;

— a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

— the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

— it becoming probable that the borrower will enter bankruptcy or other financial reorganizations;

— disappearance of an active market for that financial asset because of financial difficulties of the issuer;

— observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer;

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and

— other objective evidence indicating there is an impairment of a financial asset.

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(e) Impairment (Continued)

Loans and receivables and held-to-maturity investments

Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognized in profit or loss.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Homogeneous groups of loans not considered individually significant and individually assessed loans with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognized and recorded in profit or loss.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a flow rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

Individually assessed loans and receivables with no objective evidence of impairment are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar credit risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

Impairment losses recognized on a collective basis represent an interim step pending the identification of impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

Collective assessment covers those loans and receivables that were impaired at the reporting date but was not individually identified as such until some time in the future. As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of financial assets.

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(e) Impairment (Continued)

Impairment reversal and loan written-off

If, in a subsequent period, the amount of the impairment loss on loans and receivables and held-to-maturity investments decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal, had the impairment not been recognised. The amount of the reversal is recognised in profit or loss.

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. The renegotiated loans are classified as impaired loans and advances and assessed individually for impairment upon restructuring. Renegotiated loans are subject to ongoing monitoring. Should the renegotiated loans, after being verified, meet specific standards by the end of monitoring period, it is no longer considered to be impaired.

Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised directly in other comprehensive income is removed from other comprehensive income and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from other comprehensive income is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be treated in accordance with following principle: (i) the impairment loss on debt instruments classified as available-for-sale should be reversed, with the amount of the reversal recognised profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale should not be reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income; or (iii) the impairment loss of available-for-sale equity investments carried at cost should not be reversed. The impairment losses recognised in an interim period in respect of such financial assets are not reversed in a subsequent period. This is the case even if no loss or a smaller loss would have been recognised had the impairment been assessed only at the end of the year to which the interim period relates.

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (Continued)

(3) Financial instruments (Continued)

(f) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on quoted market prices without any deduction for transaction costs that may occur on sale or other disposal. The appropriate quoted price in an active market for a financial asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, etc, and represent prices of actual and regularly occurring market transactions on an arm's length basis.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include recent arm's length market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instrument and that techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(g) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(h) Financial assets held under resale and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions which the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions which the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale and repurchase agreements on the statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the sale and repurchase consideration, and that between the purchase and resale consideration, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expense respectively.

(4) Hedging

Hedge accounting is a method which recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item in the same accounting period(s).

Hedged items are the items that expose the Group to risks of changes in fair value and that are designated as being hedged.

A hedging instrument is a designated derivative whose changes in fair value are expected to offset changes in the fair value of the hedged item.

The hedge is assessed by the Group for effectiveness on an ongoing basis and determined to have been highly effective throughout the accounting periods for which the hedging relationship was designated.

4 Significant accounting policies and accounting estimates (Continued)

(4) Hedging (Continued)

The hedge is considered to be highly effective when it meets both the criteria as follows:

- the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value attributive to the hedged risk during the period for which the hedge is designated.

- the changes in fair value or cash flow must offset each other in the range of 80 percent to 125 percent.

Fair Value Hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The gain or loss from re-measuring the hedging instrument at fair value is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, the Group discontinues prospectively the hedge accounting treatments. If the hedged item is a financial instrument measured at amortised cost, any adjustment to the carrying amount of the hedged item is amortised to profit or loss from the adjustment date to the maturity date using the recalculated effective interest rate at the adjustment date.

(5) Investment in Subsidiaries

Initial Recognition

The initial cost of an investment obtained through a business combination involving entities under common control is the Group's share of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.

For an investment in subsidiary obtained through a business combination not involving enterprises under common control and achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date. Any amounts recognised in other comprehensive income relating to the previously-held equity interest in the acquiree, are reclassified to profit or loss as investment income when the equity investment is disposed of.

The initial cost of an investment obtained through a business combination involving entities not under common control, the initial investment cost represents the aggregate of the fair values of assets transferred, liabilities assumed, and equity securities issued by the Company, in exchange for control of the acquire.

The investment is recognised at the cost of capital injected into the subsidiary if it is set up by the Group.

4 Significant accounting policies and accounting estimates (Continued)

(5) Investment in Subsidiaries (continued)

Measurement and recognition of investment gains or losses

In the Company's financial statements, investments in subsidiaries are accounted for using the cost method.

The Group's proportion of dividends or profits declared to distribute by subsidiaries are recognized as current investment gain, except for the declared but not distributed dividends or profits included in the consideration paid for acquisition.

The investments are stated at cost less impairment losses (see Note 4(14)) in the balance sheet.

(6) Investment in associates

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associates for the year. The Group's interest in associate is included in the consolidated financial statements from the date that significant influence commences until the date that significant influence or ends.

Profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

The Group discontinues recognising its share of net losses of the associate after the carrying amount of investments in associate together with any long-term interests that in substance form part of the Group's net investment in the associate are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associate makes net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(7) Fixed asset

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction-in-progress, an item of property and equipment, represents property and equipment under construction and is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are stated at cost upon initial recognition. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises the construction materials, direct labor costs and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Subsequent to initial recognition, fixed assets are stated at cost less accumulated depreciation and impairment losses.

Where an item of fixed assets comprises major components having different useful lives, they are accounted for as separate items of fixed assets.

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (Continued)

(7) Fixed asset (Continued)

(b) Subsequent costs

The Group recognises in the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense when incurred.

(c) Depreciation

Depreciation is calculated to write off the cost, less residual value if applicable, of fixed assets and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. The estimated useful lives are as follows:

	Estimated useful lives
Premises	30 — 35 years
Computer equipment and others	3 — 10 years

No depreciation is provided in respect of construction in progress.

The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

(d) Impairment

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4 (14).

(e) Disposal and retirement

Gains or losses arising from the disposal or retirement of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of disposal or retirement.

(8) Land use rights

Land use rights are stated at cost less amortisation. Land use rights are amortised on a straight-line basis over the respective periods of grant.

Impairment loss on land use rights is accounted for in accordance with the accounting policies as set out in Note 4(14).

(9) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated net residual values (if any) of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment loss on intangible assets is accounted for in accordance with the accounting policies as set out in Note 4(14).

4 Significant accounting policies and accounting estimates (Continued)

(10) Investment properties

Investment properties are land and/or buildings which are owned and/or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use. Investment properties are stated in the statement of financial position at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

The Group makes estimation of the fair value of investment properties, based on market price and other related information from active real estate market where the property is located.

(11) Lease

Leases which transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

(a) Finance leases

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease payments and initial direct costs at the commencement of the lease term, is included in "loans and advances to customers" on statement of financial position as a lease receivable. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(3)(e).

(b) Operating leases

Where the Group leases out assets under operating leases, the assets are included in the statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 4(7) except where the asset is classified as an investment property. Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(14). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 4(18)(d).

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

4 Significant accounting policies and accounting estimates (Continued)

(12) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs impairment test on goodwill annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of the purchased goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(14).

(13) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets are included in the carrying value of repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses.

Impairment losses on initial classification and on subsequent remeasurement are recognised in the statement of comprehensive income.

(14) Allowances for impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

4 Significant accounting policies and accounting estimates (Continued)

(14) Allowances for impairment of non-financial assets (Continued)

(a) *Testing CGU with goodwill for impairment*

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) *Impairment loss*

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(c) *Reversing an impairment loss*

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(15) Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for service rendered by employees. Except for the termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or expenses in profit or loss. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values in statement of financial position.

4 Significant accounting policies and accounting estimates (Continued)

(15) Employee benefits (Continued)

(a) *Defined contribution retirement schemes*

Pursuant to the relevant laws and regulations in the PRC, The Group has joined a defined contribution retirement plan for the employees arranged by local government organisations of labour and social security. The Group is required to make contributions to a separate entity which could be the government or publicly administered retirement schemes at certain rates of the salaries, bonuses and certain allowances of its employees. The contributions are charged to the profit or loss for the current period on an accrual basis. A member of the schemes is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date, payable by local government organisations of labour and social security.

In addition to the statutory provision plan, the Bank's employees have joined its annuity scheme (the "scheme") which was established by the CITIC Group in accordance with policies regarding the state owned enterprise annuity policy. The Bank has made annuity contributions in proportion to its employee's gross wages which are expensed in profit or loss when the contributions are made.

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss as and when the contribution fall due.

(b) *Housing provident funds and other social insurance*

Apart from retirement benefits, in accordance with the related laws, regulations and policies of the PRC, the Group participates in required social insurance programmes, including housing provident funds, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance, etc. The Group makes contributions of housing provident funds and social insurance to government agencies in a certain percentage of salary and expensed in profit or loss.

(c) *Supplementary retirement benefits*

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine its present values. In calculating the Group's obligations, any cumulative unrecognised gains or losses is recognised in profit or loss.

(16) Provisions and contingent liabilities

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A possible obligation arising from past transactions or events whose existence can only be confirmed by the occurrence or non-occurrence of one or more future uncertain events; or a present obligation that arises from past transactions or events and it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4 Significant accounting policies and accounting estimates (Continued)

(17) Fiduciary activities

The Group acts in a fiduciary capacity as a custodian, trustee, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the financial statement as the risks and rewards of the assets reside with the customers.

Entrusted lending is the business where the Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") at the instruction of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(18) Income recognition

Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

(a) Interest income

Interest income arising from the use of entity assets by others is recognised in income statement based on the duration and the effective interest rate. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

(b) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as revenue on expiry.

(c) Dividend income

Dividend income from unlisted equity investment is recognised in profit or loss on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

4 Significant accounting policies and accounting estimates (Continued)

(18) Income recognition (Continued)

(d) Rental income from operating lease

Rental income received under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(e) Finance income from finance lease and hire purchase contract

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(19) Income tax

Current income tax is the expected tax payables on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payables in respect of previous periods. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences also arise from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

At the reporting date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and meet the additional conditions that deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

(20) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(21) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

4 Significant accounting policies and accounting estimates (Continued)

(22) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, jointly control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties are included but not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled, joint controlled or significantly influenced by the Bank's parents;

(d) an investor who has joint control or can exercise significant influence over the Group;

(e) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Group;

(f) an associate of the Group, including its subsidiaries;

(g) an jointly controlled entity of the Group, including its subsidiaries;

(h) principal individual investors of the Group, and close family members of such individuals;

(i) key management personnel of the Group and close family members of such individuals;

(j) key management personnel of the Group's parent and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family member of such individuals;

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(23) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments and etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements

4 Significant accounting policies and accounting estimates (Continued)

(24) Significant accounting estimates and judgements

(a) *Impairment losses on loans and advances, available-for-sale and held-to-maturity security investments*

The Group reviewed the portfolios of loans and advances, available-for-sale and held-to-maturity security investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan, available-for-sales or held-to-maturity security investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flow of that asset. For impairment loss for held-to-maturity security investments, the Group measures the impairment loss on the basis of the instrument's fair value using an observable market price as at the measurement date. The impairment loss for an available-for-sale debt security is the difference between the acquisition costs (net of any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in the profit or loss at the measurement date.

When loans and advances are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management review the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

(b) *Impairment of available-for-sale equity investments*

For available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group considers historical data of market volatility and historical share price of the specific equity investment as well as other factors, such as sector performance, and financial information regarding the investee.

(c) *Fair value of financial instruments*

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring market transactions on an arm's length basis.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

(Expressed in millions of Renminbi unless otherwise stated)

4 Significant accounting policies and accounting estimates (Continued)

(24) Significant accounting estimates and judgements (Continued)

(d) Classification of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments if the Group has the intention and ability to hold them until maturity. In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(e) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(f) Employee retirement benefit obligations

The Group has established liabilities in connection with supplementary retirement benefits. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. Actual results that differ from the assumptions are recognised the Group's profit and loss at the end of each reporting period. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's expense related to its employee retirement benefit obligations.

5 Taxation

The Group's main applicable taxes and tax rates are as follows:

Business tax

Business tax is charged at 5% on taxable income.

City construction tax

City construction tax is calculated at the range of 1% to 7% of business tax.

Education surcharge 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.

(Expressed in millions of Renminbi unless otherwise stated)

6 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 RMB 249 million for the year ended 31 December 2012 (2011: RMB 159 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 RMB 370 million (2011: RMB 188 million); interest expense includes interest expense arising from financial liabilities designated at fair value through profit and loss of RMB 41 million (2011: RMB 95 million).

(Expressed in millions of Renminbi unless otherwise stated)

7 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.

8 Net trading gain

	2012	2011
Trading profit:		
— debt securities	**200**	46
— foreign currencies	**1,458**	1,293
— derivatives	**675**	919
— investment funds	**—**	1
— financial instrument designated at fair value through profit and loss	**2**	1
Total	**2,335**	2,260

9 Net gain from investment securities

	2012	2011
Net (loss)/gain from sale of available-for-sale securities	**(41)**	252
Net revaluation gain/(loss) reclassified from other comprehensive income on disposal	**101**	(192)
Others	**16**	23
Total	**76**	83

10 Net hedging loss

	2012	2011
Net loss of fair value hedge	**—**	(1)

(Expressed in millions of Renminbi unless otherwise stated)

11 Operating expenses

	2012	2011
Staff costs		
— salaries and bonuses	**11,460**	8,924
— social insurance	**1,293**	994
— welfare expenses	**944**	753
— housing fund	**575**	498
— labor union expenses and employee education expenses	**480**	367
— housing allowance	**259**	229
— defined contribution retirement schemes	**238**	195
— supplementary retirement benefits	**—**	6
— others	**185**	328
Subtotal	**15,434**	12,294
Property and equipment expenses		
— rent and property management expenses	**2,100**	1,702
— depreciation	**1,008**	915
— amortisation expenses	**509**	425
— electronic equipment operating expenses	**394**	311
— maintenance	**419**	273
— others	**428**	361
Subtotal	**4,858**	3,987
Business tax and surcharges	**6,648**	5,343
Other general and administrative expenses		
— audit fees	**17**	16
— others	**8,022**	6,741
Subtotal	**8,039**	6,757
Total	**34,979**	28,381

12 Impairment losses on assets

	2012	2011
Impairment losses charged on/(reversed from)		
— placements with banks and non-bank financial institutions	**(5)**	—
— Loans and advances to customers	**12,804**	5,734
— Available-for-sale financial assets	**(10)**	148
— Held-to-maturity investments	**(6)**	33
— Off-balance sheet assets	**131**	1,222
— Repossessed assets	**1**	(62)
— Others	**189**	132
Total	**13,104**	7,207

(Expressed in millions of Renminbi unless otherwise stated)

13 Directors' and Supervisors' emoluments

The aggregate of the emoluments before individual income tax borne by the Bank in respect of the Directors and Supervisors who held office during the year is as follows:

	2012						
	Fees RMB'000	(note(vi)) Salaries RMB'000	(note(vi)) Discretionary bonus payable RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	(note(iv)) Other benefits in kind RMB'000	Total RMB'000
Executive directors							
Zhu Xiaohuang(note(i))	—	136.4	154.8	291.2	34.4	13.7	339.3
CaoTong(note(i))	—	600	1,288.1	1,888.1	163.4	71.7	2,123.2
Non-executive Directors							
Tian Guoli	—	—	—	—	—	—	—
Chen Xiaoxian(note(i))	—	675	216	891	211.5	192.5	1,295
Dou Jianzhong	—	—	—	—	—	—	—
Ju Weimin	—	—	—	—	—	—	—
Guo Ketong	—	—	—	—	—	—	—
Zhang Xiaowei(note(ii))	—	—	—	—	—	—	—
Gonzalo José Toranó Vallin (note(ii))	—	—	—	—	—	—	—
Angel Cano Fernandez	—	—	—	—	—	—	—
Independent non-executive Directors							
Xing Tiancai(note(ii))	241.7	—	—	241.7	—	—	241.7
Liu Shulan(note(ii))	50	—	—	50	—	—	50
Wu Xiaoqing(note(ii))	50	—	—	50	—	—	50
Wong Luen Cheung Andrew (note(ii))	50	—	—	50	—	—	50
Li Zheping	258.3	—	—	258.3	—	—	258.3
Supervisors/External Supervisors/ Employee supervisors							
Zhuang Yumin	250	—	—	250	—	—	250
Luo Xiaoyuan	250	—	—	250	—	—	250
Zheng Xuexue	—	—	—	—	—	—	—
Deng Yuewen	—	111.6	1,850	1,961.6	130.7	20.9	2,113.2
Li Gang	—	300	1,620.2	1,920.2	129	51.6	2,100.8
Former Directors and Supervisors resigned in 2012(note(iii))							
Zhao Xiaofan	—	—	—	—	—	—	—
Chan Hui Dor Lam	—	—	—	—	—	—	—
José Andrés Barreiro	—	—	—	—	—	—	—
Ai Hongde	34			34			34
Bai Chong En	208.3			208.3			208.3
Xie Rong	208.3			208.3			208.3
Wang Xiangfei	233.3			233.3			233.3
	1,833.9	1,823	5,129.1	8,786	669	350.4	9,805.4

(Expressed in millions of Renminbi unless otherwise stated)

13 Directors' and Supervisors' emoluments (Continued)

	2011						
	Fees RMB'000	Salaries RMB'000	Discretionary bonus payable RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	(note(iii)) Other benefits in kind RMB'000	Total RMB'000
Executive directors							
Chen Xiaoxian	—	900	3,816	4,716	208	38	4,962
Non-executive Directors							
Tian Guoli	—	—	—	—	—	—	—
Dou Jianzhong	—	—	—	—	—	—	—
Ju Weimin	—	—	—	—	—	—	—
Guo Ketong	—	—	—	—	—	—	—
Zhao Xiaofan (note(iii))	—	600	2,544	3,144	156	36	3,336
Chan Hui Dor Lam (note(iii))	—	—	—	—	—	—	—
José Andrés Barreiro (note(iii))	—	—	—	—	—	—	—
Ángel Cano Fernández	—	—	—	—	—	—	—
Independent non-executive Directors							
Bai Chong En	200	—	—	200	—	—	200
Ai Hongde	200	—	—	200	—	—	200
Xie Rong	200	—	—	200	—	—	200
Wang Xiangfei	200	—	—	200	—	—	200
Li Zheping	200	—	—	200	—	—	200
Supervisors/External Supervisors/ Employee supervisors							
Zhuang Yumin	180	—	—	180	—	—	180
Luo Xiaoyuan	180	—	—	180	—	—	180
Zheng Xuexue (note(ii))	—	—	—	—	—	—	—
Deng Yuewen	—	111	1,700	1,811	110	21	1,942
Li Gang	—	129	2,079	2,208	111	35	2,354
Former Directors and Supervisors resigned in 2011 (note(ii))							
Kong Dan	—	—	—	—	—	—	—
Chang Zhenming	—	—	—	—	—	—	—
Zhang Jijing	—	—	—	—	—	—	—
Wu Beiying	—	500	1,902	2,402	126	28	2,556
Wang Shuanlin	—	458	1,902	2,360	123	29	2,512
Lin Zhengyue	—	162	2,079	2,241	112	107	2,460
	1,360	2,860	16,022	20,242	946	294	21,482

Notes:

(i) Mr. Zhu Xiaohuang was appointed as president of the Bank in September 2012 and was appointed as executive director of the Bank in January 2013. Mr Cao Tong was appointed as the executive director of the Bank in February 2012. Mr Chen Xiaoxian resigned the position of president of the Bank in September 2012 and was appointed as vice-chairman of the Board at the same time, his emoluments given by the Bank in 2012 represented the remuneration for his serving as the Bank's executive director and president during the reporting period.

(ii) Mr. Zhang Xiaowei and Mr. Gonzalo Jose Torano Vallina were selected as non-executive directors in October 2012 and were inducted into the position in January 2013. Mr. Xing Tiancai was formally appointed as independent non-executive director in February 2012. Ms Liu Shulan and Ms Wu Xiaoqing were appointed as independent non-executive directors in October 2012. Mr. Wong Luen Cheung Andrew was appointed as independent non-executive director in November 2012.

(iii) Mr. Zhao Xiaofan and Mrs. Chan Hui Dor Lam resigned the position of non-executive director in August 2012. Mr. José Andrés Barreiro resigned the position of non-executive director in August 2012 and the resignation came into effect in January 2013. Mr. Ai Hongde resigned the position of independent non-executive director in February 2012. Mr. Bai Chongen and Mr. Xie Rong resigned the position of independent non-executive director in October 2012. Mr. Wang Xiangfei resigned the position as independent non-executive director in November 2012.

(iv) Other benefits-in-kind included the Bank's contributions to medical fund, housing provident fund and other social insurances, which are payable to labour and social securities authorities based on the lower of certain percentages of the salaries or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to a defined contribution retirement schemes set up by CITIC Group in accordance with the relevant government policies, and supplementary medical insurance scheme.

(v) None of the Directors and Supervisors received any inducements, or compensation for loss of office, or waived any emoluments during the years ended 31 December 2012 and 2011.

(vi) The aggregate remuneration before tax of the Bank's executive directors and senior management members (except for the secretary to the Board of Directors) is subject to confirmation. Those sums of remunerations pending confirmation will be disclosed separately after the amounts are confirmed.

(Expressed in millions of Renminbi unless otherwise stated)

14 Individuals with highest emoluments

For the year ended 31 December 2012, of the five individuals with the highest emoluments, none (2011: two) are Directors whose emoluments are disclosed in Note 13 above. The aggregate of the emoluments before individual income tax in respect of the other five (2011: three) highest paid individuals are as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other emoluments	**3,327.4**	1,908
Discretionary bonuses	**6,704.0**	7,649
Retirement scheme contributions	**773.8**	470
Total	**10,805.2**	10,027

The emoluments before individual income tax of the five (2011: three) individuals with the highest emoluments are within the following bands:

	2012	2011
RMB 2,000,001 — RMB 3,000,000	**5**	—
RMB 3,000,001 — RMB 3,500,000	—	3
RMB 3,500,001 — RMB 4,000,000	—	—

15 Loans to directors, supervisors and officers

Loans to the Directors, Supervisor and Officers (and their affiliates) of the Bank as defined under section 161B of the Hong Kong Companies Ordinance during the years ended 31 December 2012 and 2011 are as follows:

	2012	2011
Aggregate amount of relevant loans outstanding at year end	**21**	23

	2012	2011
Maximum aggregate amount of relevant loans outstanding during the year	**24**	26

(Expressed in millions of Renminbi unless otherwise stated)

16 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

(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.

17 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

(Expressed in millions of Renminbi unless otherwise stated)

18 Other comprehensive income

	2012	2011
Other comprehensive income of available-for-sale financial assets		
— Net changes in fair value recognised during the year	**(361)**	765
— Net amount transferred to profit or loss	**(101)**	340
Income tax relating to other comprehensive income of available-for-sale financial assets	**149**	(279)
Other comprehensive (loss)/income for available-for-sale financial assets, net of tax	**(313)**	826
Shares of other comprehensive income of associates	**5**	34
Income tax relating to shares of other comprehensive income of associates	**—**	(1)
Shares of other comprehensive income of associates, net of tax	**5**	33
Exchange differences on translation	**12**	(652)
Net other comprehensive (loss)/income during the year	**(296)**	207

19 Cash and balances with central banks

	The Group		The Bank	
	2012	2011	**2012**	2011
Cash	**6,667**	4,972	**6,486**	4,808
Balances with central banks				
— Statutory deposit reserve funds (note (i))	**356,243**	297,991	**355,379**	297,247
— Surplus deposit reserve funds (note (ii))	**62,223**	60,638	**61,987**	60,473
— Fiscal deposits	**3,034**	2,790	**3,034**	2,790
Total	**428,167**	366,391	**426,886**	365,318

Notes: (i) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at 31 December 2012, the statutory deposit reserve placed with the PBOC was calculated at 18% (2011:19%) of eligible Renminbi deposits for domestic branches of the Bank. The Bank was also required to deposit an amount equivalent to 5% (2011: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve.

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(ii) The surplus deposit reserve is maintained with the PBOC for the purposes of clearing.

(Expressed in millions of Renminbi unless otherwise stated)

20 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

		The Group		The Bank	
	Note	**2012**	2011	**2012**	2011
In Mainland China					
— Banks		**217,771**	370,377	**213,090**	338,266
— Non-bank financial institutions		**2,743**	126	**8,344**	32,617
Subtotal		**220,514**	370,503	**221,434**	370,883
Outside Mainland China					
— Banks		**14,539**	14,925	**13,990**	9,081
— Non-bank financial institutions		**1,538**	1,107	**—**	—
Subtotal		**16,077**	16,032	**13,990**	9,081
Gross balance		**236,591**	386,535	**235,424**	379,964
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**236,591**	386,535	**235,424**	379,964

(b) Analysed by remaining maturity

		The Group		The Bank	
	Note	**2012**	2011	**2012**	2011
Demand deposits		**45,739**	27,421	**43,472**	19,850
Time deposits with remaining maturity					
— within one month		**127,020**	284,783	**128,120**	284,783
— between one month and one year		**62,800**	74,331	**62,800**	75,331
— over one year		**1,032**	—	**1,032**	—
Subtotal		**190,852**	359,114	**191,952**	360,114
Gross balance		**236,591**	386,535	**235,424**	379,964
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**236,591**	386,535	**235,424**	379,964

(Expressed in millions of Renminbi unless otherwise stated)

21 Placements with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	The Group 2012	The Group 2011	The Bank 2012	The Bank 2011
In Mainland China					
— Banks		**125,503**	131,599	**109,151**	112,518
— Non-bank financial institutions		**19,125**	10,456	**19,125**	10,456
Subtotal		**144,628**	142,055	**128,276**	122,974
Outside Mainland China					
— Banks		**7,183**	8,957	**—**	1,663
— Non-bank financial institutions		**—**	—	**784**	906
Subtotal		**7,183**	8,957	**784**	2,569
Gross balance		**151,811**	151,012	**129,060**	125,543
Less: Allowances for impairment losses	38	**(8)**	(8)	**(8)**	(8)
Net balance		**151,803**	151,004	**129,052**	125,535

(b) Analysed by remaining maturity

	Note	The Group 2012	The Group 2011	The Bank 2012	The Bank 2011
Within one month		**48,721**	68,900	**38,884**	58,332
Between one month and one year		**103,015**	82,082	**90,132**	67,181
Over one year		**75**	30	**44**	30
Gross balance		**151,811**	151,012	**129,060**	125,543
Less: Allowances for impairment losses	38	**(8)**	(8)	**(8)**	(8)
Net balance		**151,803**	151,004	**129,052**	125,535

22 Trading financial assets

	Note	The Group 2012	The Group 2011	The Bank 2012	The Bank 2011
Held for trading purpose:					
— Debt trading financial assets	(i)	**12,209**	7,899	**12,209**	7,899
— Investment funds	(ii)	**2**	2	**—**	—
Financial assets designated at fair value through profit and loss	(iii)	**74**	289	**—**	—
Total		**12,285**	8,190	**12,209**	7,899

There was no significant limitation on the ability of the Group and the Bank to dispose of trading financial assets.

(Expressed in millions of Renminbi unless otherwise stated)

22 Trading financial assets (Continued)

(i) Debt trading financial assets were measured at fair value and were issued by:

	The Group		The Bank	
	2012	2011	**2012**	2011
In Mainland China				
— Government	**3,374**	325	**3,374**	325
— PBOC	**480**	1,726	**480**	1,726
— Policy banks	**735**	663	**735**	663
— Banks and non-bank financial institutions	**205**	389	**205**	389
— Corporate entities	**7,415**	4,796	**7,415**	4,796
Subtotal	**12,209**	7,899	**12,209**	7,899
Outside Mainland China				
— Government	**—**	—	**—**	—
— Banks and non-bank financial institutions	**—**	—	**—**	—
Subtotal	**—**	—	**—**	—
Total	**12,209**	7,899	**12,209**	7,899
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**—**	—	**—**	—
Unlisted	**12,209**	7,899	**12,209**	7,899
Total	**12,209**	7,899	**12,209**	7,899

(ii) Trading investment funds were measured at fair value and were issued by:

	The Group		The Bank	
	2012	2011	**2012**	2011
Outside Mainland China				
— Corporate entities	**2**	2	**—**	—
Subtotal	**2**	2	**—**	—
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**—**	—	**—**	—
Unlisted	**2**	2	**—**	—
Total	**2**	2	**—**	—

(Expressed in millions of Renminbi unless otherwise stated)

22 Trading financial assets (Continued)

(iii) Financial assets designated at fair value through profit and loss were issued by:

	The Group		The Bank	
	2012	2011	**2012**	2011
In Mainland China				
— Government	**10**	15	**—**	—
— Banks and non-bank financial institutions	**25**	158	**—**	—
— Corporate entities	**39**	101	**—**	—
Subtotal	**74**	274	**—**	—
Outside Mainland China				
— Banks and non-bank financial institutions	**—**	15	**—**	—
Subtotal	**—**	15	**—**	—
Total	**74**	289	**—**	—
Listed in Hong Kong	**—**	—	**—**	—
Listed outside Hong Kong	**—**	64	**—**	—
Unlisted	**74**	225	**—**	—
Total	**74**	289	**—**	—

23 Derivatives

Derivatives include forward and swap transactions undertaken by the Group in the foreign exchange and interest rate markets. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to produce risk management solutions to suit individual customer needs. These positions are actively managed through entering back to back deals with external parties to ensure the Group's net exposures remained are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage and hedge its own asset and liability portfolios and structural positions. Derivatives, except for derivatives which are designated as effective hedging instruments (Note 23(i)), are held for trading. The held for trading classification includes those derivatives used for sales and trading activities and those used for risk management purposes but which do not meet the qualifying criteria for hedge accounting.

The following tables provide an analysis of the notional amounts of derivatives and the corresponding fair values at the reporting date. The notional amounts of the derivatives indicate the volume of transactions outstanding at the reporting date; they do not represent amounts at risk.

	The Group					
	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

(Expressed in millions of Renminbi unless otherwise stated)

23 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.

(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.

(Expressed in millions of Renminbi unless otherwise stated)

24 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

		The Group		The Bank	
	Note	**2012**	2011	**2012**	2011
In Mainland China					
— PBOC		**—**	24,410	**—**	24,410
— Banks		**61,495**	123,321	**61,495**	123,321
— Non-bank financial institutions		**7,587**	14,300	**7,587**	14,300
— Corporate entities		**—**	—	**—**	—
Subtotal		**69,082**	162,031	**69,082**	162,031
Outside Mainland China					
— Banks		**—**	180	**—**	180
— Non-bank financial institutions		**—**	—	**50**	50
Subtotal		**—**	180	**50**	230
Gross balance		**69,082**	162,211	**69,132**	162,261
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**69,082**	162,211	**69,132**	162,261

(b) Analysed by types of collaterals

		The Group		The Bank	
	Note	**2012**	2011	**2012**	2011
Discounted bills		**44,707**	37,931	**44,707**	37,931
Securities		**15,128**	113,095	**15,178**	113,145
Others		**9,247**	11,185	**9,247**	11,185
Gross balance		**69,082**	162,211	**69,132**	162,261
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**69,082**	162,211	**69,132**	162,261

(Expressed in millions of Renminbi unless otherwise stated)

24 Financial assets held under resale agreements (Continued)

(c) Analysed by remaining maturity

	Note	The Group 2012	The Group 2011	The Bank 2012	The Bank 2011
Within one month		**44,414**	143,590	**44,414**	143,590
Between one month and one year		**22,742**	16,168	**22,792**	16,218
More than one year		**1,926**	2,453	**1,926**	2,453
Gross balance		**69,082**	162,211	**69,132**	162,261
Less: Allowances for impairment losses	38	**—**	—	**—**	—
Net balance		**69,082**	162,211	**69,132**	162,261

25 Interest receivable

	Note	The Group 2012	The Group 2011	The Bank 2012	The Bank 2011
Debt securities		**6,009**	3,515	**5,917**	3,411
Loans and advances to customers		**4,414**	3,566	**4,180**	3,287
Others		**2,859**	3,026	**2,679**	2,807
Gross balance		**13,282**	10,107	**12,776**	9,505
Less: Allowance for impairment losses	38	**(242)**	(56)	**(242)**	(56)
Net balance		**13,040**	10,051	**12,534**	9,449

26 Loans and advances to customers

(a) Analysed by nature

	Note	The Group 2012	The Group 2011	The Bank 2012	The Bank 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:	38				
— 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

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

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

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	

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

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

The Bank

	2012				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances (note (i))		Total	Gross impaired loans and advances as a % of gross total loans and advances
		for which allowances are collectively assessed	for which allowances are individually assessed		
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))		Total	Gross impaired loans and advances as a % of gross total loans and advances
		for which allowances are collectively assessed	for which allowances are individually assessed		
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	

(i) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

— individually, or

— collectively; that is the portfolios of homogeneous loans and advances.

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

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

(ii) As at 31 December 2012, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB 10,959 million (2011: RMB 7,664 million). The covered portion and uncovered portion of these loans and advances were RMB 3,052 million (2011: RMB 2,972 million) and RMB 7,907 million (2011: RMB 4,692 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 3,295 million (2011: RMB 3,353 million). The individual impairment allowances made against these loans and advances were RMB 6,699 million (2011: RMB 3,959 million).

As at 31 December 2012, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB 10,596 million (2011: RMB 7,110 million). The covered portion and uncovered portion of these loans and advances were RMB 2,850 million (2011: RMB 2,538 million) and RMB7,746 million (2011: RMB 4,572 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 3,014 million (2011: RMB 2,675 million). The individual impairment allowances made against these loans and advances were RMB 6,484 million (2011: RMB 3,800 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.

(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

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

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

The Group (Continued)

	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

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**

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

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

The Bank (Continued)

	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

(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**

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

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

The Group (Continued)

	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

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.

(Expressed in millions of Renminbi unless otherwise stated)

26 Loans and advances to customers (Continued)

(e) Lease payments receivables

Lease payments receivables transactions are made by the Group's subsidiary, CIFH, which include net investment in machines and equipment leased to customers under finance leases and hire purchase contracts having the characteristics of finance leases. These contracts usually run for an initial period of 5 to 20 years, with an option for acquiring the leased asset at nominal value. The total minimum lease payments receivable under finance leases and hire purchase contracts and their present values are as follows:

	The Group			
	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	

27 Available-for-sale financial assets

		The Group		The Bank	
	Note	2012	2011	2012	2011
Debt securities	(i)	192,196	126,875	181,411	111,357
Investment funds	(ii)	679	5,706	314	5,353
Certificates of deposit	(iii)	3,787	1,766	—	—
Equity investments	(iv)	187	171	137	129
Total		196,849	134,518	181,862	116,839

(Expressed in millions of Renminbi unless otherwise stated)

27 Available-for-sale financial assets (Continued)

(i) Debt securities issued by:

	Note	The Group 2012	The Group 2011	The Bank 2012	The Bank 2011
In Mainland China					
— Government		**30,114**	17,306	**29,606**	16,711
— PBOC		**6,325**	11,611	**6,325**	11,611
— Policy banks		**19,252**	14,415	**19,252**	14,415
— Banks and non-bank financial institutions		**49,510**	19,753	**48,884**	19,471
— Corporate entities		**76,387**	46,300	**76,355**	46,300
Subtotal		**181,588**	109,385	**180,422**	108,508
Outside Mainland China					
— Government		**4,982**	5,605	**193**	195
— Banks and non-bank financial institutions		**4,604**	9,573	**908**	2,813
— Corporate entities		**1,166**	2,615	**32**	—
Subtotal		**10,752**	17,793	**1,133**	3,008
Gross balance		**192,340**	127,178	**181,555**	111,516
Less: Allowance for impairment losses	38	**(144)**	(303)	**(144)**	(159)
Net balance		**192,196**	126,875	**181,411**	111,357
Listed in Hong Kong		**3,546**	3,706	**3,546**	3,706
Listed outside Hong Kong		**1,550**	1,114	**1,418**	973
Unlisted		**187,100**	122,055	**176,447**	106,678
Total		**192,196**	126,875	**181,411**	111,357

(ii) Investment funds issued by

	Note	The Group 2012	The Group 2011	The Bank 2012	The Bank 2011
Outside Mainland China					
— Banks and non-bank financial institutions		**684**	5,706	**314**	5,353
Gross balance		**684**	5,706	**314**	5,353
Less: Allowance for impairment losses	38	**(5)**	—	**—**	—
Net balance		**679**	5,706	**314**	5,353
Listed in Hong Kong		**—**	—	**—**	—
Listed outside Hong Kong		**—**	—	**—**	—
Unlisted		**679**	5,706	**314**	5,353
Total		**679**	5,706	**314**	5,353

(Expressed in millions of Renminbi unless otherwise stated)

27 Available-for-sale financial assets (Continued)

(iii) Certificates of deposit issued by

	The Group		The Bank	
	2012	2011	**2012**	2011
In Mainland China				
— Banks and non-bank financial institutions	**1,777**	467	—	—
Outside Mainland China				
— Banks and non-bank financial institutions	**2,010**	1,299	—	—
Total	**3,787**	1,766	—	—
Listed in Hong Kong	—	—	—	—
Listed outside Hong Kong	—	—	—	—
Unlisted	**3,787**	1,766	—	—
Total	**3,787**	1,766	—	—

(iv) Equity investments issued by

	The Group		The Bank	
	2012	2011	**2012**	2011
In Mainland China				
— Corporate entities	**118**	119	**114**	114
Outside Mainland China				
— Banks and non-bank financial institutions	**23**	15	**23**	15
— Corporate entities	**46**	37	—	—
Total	**187**	171	**137**	129
Listed in Hong Kong	**4**	5	—	—
Listed outside Hong Kong	**51**	35	**23**	15
Unlisted	**132**	131	**114**	114
Total	**187**	171	**137**	129

(Expressed in millions of Renminbi unless otherwise stated)

28 Held-to-maturity investments

Held-to-maturity investments are debt securities, issued by:

	Note	The Group 2012	The Group 2011	The Bank 2012	The Bank 2011
In Mainland China					
— Government		**35,251**	38,871	**35,251**	38,871
— PBOC		**4,728**	13,523	**4,728**	13,523
— Policy banks		**24,733**	24,631	**24,733**	24,631
— Banks and non-bank financial institutions		**48,683**	17,862	**48,683**	17,862
— Corporate entities		**20,793**	12,531	**20,793**	12,531
Subtotal		**134,188**	107,418	**134,188**	107,418
Outside Mainland China					
— Government		**28**	28	**28**	28
— Banks and non-bank financial institutions		**471**	664	**471**	979
— Public sector entities		**39**	75	**39**	75
— Corporate entities		**418**	420	**356**	357
Subtotal		**956**	1,187	**894**	1,439
Gross balance		**135,144**	108,605	**135,082**	108,857
Less: Allowance for impairment losses	38	**(130)**	(137)	**(130)**	(137)
Net balance		**135,014**	108,468	**134,952**	108,720
Listed in Hong Kong		**119**	119	**119**	119
Listed outside Hong Kong		**695**	544	**633**	796
Unlisted		**134,200**	107,805	**134,200**	107,805
Net balance		**135,014**	108,468	**134,952**	108,720
Fair value of held-to maturity investments		**133,390**	108,244	**133,324**	108,494
In which: Market value of listed securities		**848**	692	**782**	942

In 2012, the Group did not sell any held-to-maturity investments prior to their maturity dates (2011: RMB 4,064 million).

29 Investment classified as receivables

Investment classified as receivables are analysed by type of collaterals:

	Note	The Group 2012	The Group 2011	The Bank 2012	The Bank 2011
Trust investment plans		**26,880**	—	**26,880**	—
Investment management products managed by securities companies		**3,269**	—	**3,269**	—
Wealth Management Products issued by financial institutions		**4,030**	—	**4,030**	—
Corporate bonds		**15,370**	—	**15,370**	—
Others		**6,886**	—	**6,886**	—
Total		**56,435**	—	**56,435**	—
Less: Allowance for impairment losses	38	**—**	—	**—**	—
Net balance		**56,435**	—	**56,435**	—

(Expressed in millions of Renminbi unless otherwise stated)

30 Investment in associates

(a) The Group holds the investment in associates through CIFH. Details of the principal associates as at 31 December 2012 are as follows:

Name of company	Forms of business structure	Place of incorporation	Percentage of shares and voting right held by the Group	Principal activities	Nominal value of issued shares
CITIC Capital Holding Limited ("CCHL")	Incorporated	Hong Kong	21.39%	Investment holding	HKD 65 million
CITIC International Assets Management Limited ("CIAM")	Incorporated	Hong Kong	40%	Investment holding and assets management	HKD 2,218 million

(b) Financial information of the above associates is as follows:

Name of Enterprise	2012 Total assets	Total liabilities	Total net assets	Operating income	Net (loss)/profit
CCHL	**9,912**	**4,009**	**5,903**	**599**	**(355)**
CIAM	**2,400**	**124**	**2,276**	**127**	**58**

(c) Movement of the Group's investment in associates

	CCHL	CIAM	Total
Initial investment cost	**1,038**	**893**	**1,931**
As at 1 January 2012	**1,383**	**829**	**2,212**
Investment profit or loss and other comprehensive income recognised under equity method	**(100)**	**24**	**(76)**
Exchange difference	**(2)**	**—**	**(2)**
As at 31 December 2012	**1,281**	**853**	**2,134**

	CCHL	CIAM	Total
As at 1 January 2011	1,375	878	2,253
Investment income and other comprehensive income recognised under equity method	74	10	84
Dividend received	—	(18)	(18)
Exchange difference	(66)	(41)	(107)
As at 31 December 2011	1,383	829	2,212

(Expressed in millions of Renminbi unless otherwise stated)

31 Investment in subsidiaries

		The Bank	
	Note	31 December 2012	31 December 2011
Investment in subsidiaries			
— CIFH	(i)	**9,797**	9,797
— China Investment and Finance Limited ("CIFL")	(ii)	**87**	87
— Zhejiang Lin'an CITIC Rural Bank Corporation Limited ("Lin'an Rural Bank")	(iii)	**102**	102
Total		**9,986**	9,986

Major subsidiaries of the Group as at 31 December 2012 are as follows:

Name of company	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership held by subsidiaries of the Bank	The Group's effective interest
CIFH (note (i))	Hong Kong	HKD 7,459 million	Commercial banking and other financial services	70.32%	—	70.32%
CIFL (note (ii))	Hong Kong	HKD 25 million	Lending services	95%	5%	98.5%
Lin'an Rural Bank (note(iii))	Mainland China	RMB 200 million	Commercial banking	51%	—	51%

Note: (i) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope covers commercial banking and non-banking financial services. The Bank acquired 70.32% of CIFH's shares and voting right through business combination under common control on 23 October 2009. CITIC Bank International Limited ("CNCBI") is wholly owned by CIFH.

(ii) CIFL was founded in Hong Kong in 1984 with a registered capital of HKD 25 million. It also has a "Money Lending License" issued by the Hong Kong Company Registrar. Its business scope includes capital market investment, lending and a number of other related services. The Bank holds 95% of CIFL's shares and voting rights. The remaining 5% shares are held by CIFH, the Bank's subsidiary.

(iii) Lin'an Rural Bank was founded in Zhejiang Province of Mainland China, in 2011 with a registered capital of RMB 200 million. Its principal activities are commercial banking. The Bank holds 51% of Lin'an Rural Bank's shares and voting rights.

Apart from the above, the Bank has consolidated SPEs which are controlled by the Bank.

(Expressed in millions of Renminbi unless otherwise stated)

32 Fixed assets

The Group

	Premises (Note (ii))	**Construction in progress**	**Computer equipment and others**	**Total**
Cost or deemed cost:				
As at 1 January 2012	**8,917**	**892**	**4,891**	**14,700**
Additions	**1,022**	**446**	**966**	**2,434**
Disposals	**(6)**	**—**	**(130)**	**(136)**
Exchange difference	**(1)**	**—**	**2**	**1**
As at 31 December 2012	**9,932**	**1,338**	**5,729**	**16,999**
Accumulated depreciation:				
As at 1 January 2012	**(1,834)**	**—**	**(2,750)**	**(4,584)**
Depreciation charges	**(336)**	**—**	**(672)**	**(1,008)**
Disposals	**6**	**—**	**108**	**114**
Exchange difference	**—**	**—**	**(1)**	**(1)**
As at 31 December 2012	**(2,164)**	**—**	**(3,315)**	**(5,479)**
Net carrying value:				
As at 1 January 2012 (Note (i))	**7,083**	**892**	**2,141**	**10,116**
As at 31 December 2012 (Note (i))	**7,768**	**1,338**	**2,414**	**11,520**

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2011	8,847	701	4,246	13,794
Additions	122	193	823	1,138
Transfers from construction in progress	2	(2)	—	—
Disposals	(34)	—	(144)	(178)
Exchange difference	(20)	—	(34)	(54)
As at 31 December 2011	8,917	892	4,891	14,700
Accumulated depreciation:				
As at 1 January 2011	(1,528)	—	(2,292)	(3,820)
Depreciation charges	(318)	—	(597)	(915)
Disposals	7	—	114	121
Exchange difference	5	—	25	30
As at 31 December 2011	(1,834)	—	(2,750)	(4,584)
Net carrying value:				
As at 1 January 2011 (Note (i))	7,319	701	1,954	9,974
As at 31 December 2011 (Note (i))	7,083	892	2,141	10,116

(Expressed in millions of Renminbi unless otherwise stated)

32 Fixed assets (continued)

The Bank

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2012	**8,436**	**891**	**4,119**	**13,446**
Additions	**1,022**	**446**	**857**	**2,325**
Disposals	**(6)**	**—**	**(97)**	**(103)**
As at 31 December 2012	**9,452**	**1,337**	**4,879**	**15,668**
Accumulated depreciation:				
As at 1 January 2012	**(1,634)**	**—**	**(2,193)**	**(3,827)**
Depreciation charges	**(327)**	**—**	**(598)**	**(925)**
Disposals	**6**	**—**	**75**	**81**
As at 31 December 2012	**(1,955)**	**—**	**(2,716)**	**(4,671)**
Net carrying value:				
As at 1 January 2012(note (i))	**6,802**	**891**	**1,926**	**9,619**
As at 31 December 2012 (note (i))	**7,497**	**1,337**	**2,163**	**10,997**

	Premises (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2011	8,348	701	3,561	12,610
Additions	120	192	698	1,010
Transfers from construction in progress	2	(2)	—	—
Disposals	(34)	—	(140)	(174)
As at 31 December 2011	8,436	891	4,119	13,446
Accumulated depreciation:				
As at 1 January 2011	(1,333)	—	(1,769)	(3,102)
Depreciation charges	(308)	—	(534)	(842)
Disposals	7	—	110	117
As at 31 December 2011	(1,634)	—	(2,193)	(3,827)
Net carrying value:				
As at 1 January 2011 (note (i))	7,015	701	1,792	9,508
As at 31 December 2011 (note (i))	6,802	891	1,926	9,619

(Expressed in millions of Renminbi unless otherwise stated)

32 Fixed assets (continued)

Note:

(i) As at 31 December 2012, the net book value of the Group's premises for which the ownership registration procedures had not been completed was approximately RMB 1,045 million (2011: RMB 615 million). The Group anticipated that there would be no significant difficulties or costs in completing such procedures.

(ii) Analysed by remaining term of leases

The net carrying value of bank premises at the reporting date is analysed by the remaining terms of the leases as follows:

	The Group		The Bank	
	2012	2011	**2012**	2011
Long term leases (over 50 years), held in Hong Kong	**68**	69	**—**	—
Medium term leases (10-50 years), held in Hong Kong	**179**	187	**—**	—
Medium term leases (10-50 years), held in Mainland China	**7,497**	6,802	**7,497**	6,802
Permanent term lease, held in overseas	**24**	25		—
Total	**7,768**	7,083	**7,497**	6,802

33 Investment properties

	The Group		The Bank	
	2012	2011	**2012**	2011
Fair value as at 1 January	**272**	248	**—**	—
Addition:				
— Change in fair value	**62**	29	**—**	—
Exchange difference	**(1)**	(5)	**—**	—
Fair value as at 31 December	**333**	272	**—**	—

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties locate and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 31 December 2012.

All investment properties of the Group were revalued at 31 December 2012 by an independent firm of surveyors, Prudential Surveyors (Hong Kong) Limited, on an open market value basis. The revaluation surplus or deficit has been credited to the profit or charged to the loss respectively. Prudential Surveyors (Hong Kong) Limited has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

(Expressed in millions of Renminbi unless otherwise stated)

33 Investment properties (continued)

(a) Analysed by remaining term of leases

The net carrying value of investment properties at the reporting date is analysed by the remaining terms of the leases as follows:

	The Group		The Bank	
	2012	2011	**2012**	2011
Long term leases (over 50 years), held in Hong Kong	**12**	11	**—**	—
Medium term leases (10-50 years), held in Hong Kong	**292**	234	**—**	—
Medium term leases (10-50 years), held in Mainland China	**29**	27	**—**	—
Total	**333**	272	**—**	—

34 Goodwill

The Bank acquired 70.32% of CIFH's shares on 23 October 2009, which was accounted for as a business combination under common control and therefore no goodwill was recognised. The goodwill recognised in CIFH's financial statements arises from CIFH's business combination of subsidiaries under non-common control before the above business combination, and remains in the consolidated statement of financial position of the Group.

	The Group		The Bank	
	2012	2011	**2012**	2011
As at 1 January	**818**	857	**—**	—
Exchange difference	**(1)**	(39)	**—**	—
As at 31 December	**817**	818	**—**	—

Goodwill is allocated to the Group's identified cash-generating units (CGU) as follows:

	The Group		The Bank	
	2012	2011	**2012**	2011
Corporate Banking	**817**	818	**—**	—

The recoverable amount of the CGU was determined based on value-in-use calculations for purpose of impairment test. These calculations used cash flow projections based on financial budgets approved by management covering a maximum of five-year period. Subsequent to the cash flow projection period, cash flow for the first five years, the next five years and subsequent years is estimated at 8.5%, 3.5% and 3% (2011: at 9%, 4% and 3%) growth rate respectively, which does not exceed the long-term average growth rate for the business in which the CGU operates. Management determined the budgeted gross margin based on past performance and its expectation on market development. The pre-tax discount rate used was 11.7% (2011: 12.5%) which reflects specific risks relating to the relevant segment.

Based on the result of impairment test, no impairment losses on goodwill were recognized as at 31 December 2012 (2011: nil).

(Expressed in millions of Renminbi unless otherwise stated)

35 Intangible assets

The Group and the Bank

	Software	Others	Total
Cost			
As at 1 January 2012	486	28	514
Additions	158	13	171
As at 31 December 2012	644	41	685
Amortization			
As at 1 January 2012	(251)	(9)	(260)
Charge for the year	(85)	(1)	(86)
As at 31 December 2012	(336)	(10)	(346)
Net carrying value			
As at 1 January 2012	235	19	254
As at 31 December 2012	308	31	339

	Software	Others	Total
Cost			
As at 1 January 2011	392	14	406
Additions	94	14	108
As at 31 December 2011	486	28	514
Amortization			
As at 1 January 2011	(181)	(8)	(189)
Charge for the year	(70)	(1)	(71)
As at 31 December 2011	(251)	(9)	(260)
Net carrying value			
As at 1 January 2011	211	6	217
As at 31 December 2011	235	19	254

36 Deferred tax assets

(a) Analysed by nature

	The Group			
	2012		2011	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Impairment allowances	17,893	4,454	8,091	1,999
— Fair value adjustments	222	60	(639)	(182)
— Employee retirement benefits and salary payable	6,833	1,709	5,300	1,325
— Others	(548)	(132)	(702)	(171)
Total	24,400	6,091	12,050	2,971

(Expressed in millions of Renminbi unless otherwise stated)

36 Deferred tax assets (Continued)

(a) Analysed by nature (Continued)

	The Bank			
	2012		2011	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Impairment allowances	**17,686**	**4,421**	7,816	1,954
— Fair value adjustments	**275**	**69**	(904)	(226)
— Employee retirement benefits and salary payable	**6,830**	**1,708**	5,300	1,325
— Others	**(497)**	**(125)**	(652)	(163)
Total	**24,294**	**6,073**	11,560	2,890

(b) Movement of deferred tax assets

The Group

	Impairment allowances	**Fair value adjustment**	**Employee retirement benefits and salary payable**	**Others**	**Total deferred tax assets**
As at 1 January 2012	**1,999**	**(182)**	**1,325**	**(171)**	**2,971**
Recognized in profit or loss	**2,451**	**93**	**384**	**39**	**2,967**
Recognized in other comprehensive income	**—**	**149**	**—**	**—**	**149**
Exchange difference	**4**	**—**	**—**	**—**	**4**
As at 31 December 2012	**4,454**	**60**	**1,709**	**(132)**	**6,091**
As at 1 January 2011	1,275	136	1,103	51	2,565
Recognized in profit or loss	726	(36)	222	(222)	690
Recognized in other comprehensive income	—	(280)	—	—	(280)
Exchange difference	(2)	(2)	—	—	(4)
As at 31 December 2011	1,999	(182)	1,325	(171)	2,971

(Expressed in millions of Renminbi unless otherwise stated)

36 Deferred tax assets (Continued)

(b) Movement of deferred tax assets(Continued)

The Bank

	Impairment allowances	Fair value adjustment	Employee retirement benefits and salary payable	Others	Total deferred tax assets
As at 1 January 2012	**1,954**	**(226)**	**1,325**	**(163)**	**2,890**
Recognized in profit or loss	**2,467**	**87**	**383**	**38**	**2,975**
Recognized in other comprehensive income	**—**	**208**	**—**	**—**	**208**
As at 31 December 2012	**4,421**	**69**	**1,708**	**(125)**	**6,073**
As at 1 January 2011	1,225	95	1,103	50	2,473
Recognized in profit or loss	729	(28)	222	(213)	710
Recognized in other comprehensive income	—	(293)	—	—	(293)
As at 31 December 2011	1,954	(226)	1,325	(163)	2,890

Note:

(i) The Bank has no material unrecognised deferred tax assets or liabilities as at 31 December 2012(31 December 2011: nil).

(Expressed in millions of Renminbi unless otherwise stated)

37 Other assets

		The Group		The Bank	
	Note	**2012**	2011	**2012**	2011
Leasehold improvements		**1,021**	959	**1,021**	959
Repossessed assets	(i)	**277**	277	**277**	277
Land use rights		**627**	615	**627**	615
Prepaid rent		**512**	396	**508**	394
Prepaid income tax		**5**	2	**—**	—
Others	(ii)	**5,261**	4,159	**4,905**	3,498
Total		**7,703**	6,408	**7,338**	5,743

(i) Repossessed assets

		The Group		The Bank	
	Note	**2012**	2011	**2012**	2011
Premises		**421**	404	**421**	404
Others		**23**	34	**23**	34
Gross balance		**444**	438	**444**	438
Less: Allowance for impairment losses	38	**(167)**	(161)	**(167)**	(161)
Net balance		**277**	277	**277**	277

(ii) Others

		The Group		The Bank	
	Note	**2012**	2011	**2012**	2011
Gross balance		**5,908**	4,859	**5,551**	4,195
Less: Allowance for impairment losses	38	**(647)**	(700)	**(646)**	(697)
Net balance		**5,261**	4,159	**4,905**	3,498

(Expressed in millions of Renminbi unless otherwise stated)

38 Movements of allowances for impairment losses

The Group

	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	20	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	21	8	—	(5)	5	—	8
Financial assets held under resale agreements	24	—	—	—	—	—	—
Interest receivable	25	56	231	(31)	—	(14)	242
Loans and advances to customers	26	23,258	13,755	(951)	5	(742)	35,325
Available-for-sale financial assets	27	303	6	(16)	(144)	—	149
Held-to-maturity investments	28	137	—	(6)	(1)	—	130
Investment classified as receivables	29	—	—	—	—	—	—
Repossessed assets	37(i)	161	39	(38)	14	(9)	167
Other assets	37(ii)	700	22	(33)	2	(44)	647
Gross balance		24,623	14,053	(1,080)	(119)	(809)	36,668

	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	20	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	21	8	—	—	—	—	8
Financial assets held under resale agreements	24	—	—	—	—	—	—
Interest receivable	25	30	38	(7)	—	(5)	56
Loans and advances to customers	26	18,219	6,998	(1,264)	(12)	(683)	23,258
Available-for-sale financial assets	27	241	148	—	(75)	(11)	303
Held-to-maturity investments	28	109	33	—	(5)	—	137
Investment classified as receivables	29	—	—	—	—	—	—
Repossessed assets	37(i)	280	1	(63)	(25)	(32)	161
Other assets	37(ii)	620	114	(13)	(16)	(5)	700
Gross balance		19,507	7,332	(1,347)	(133)	(736)	24,623

(Expressed in millions of Renminbi unless otherwise stated)

38 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	20	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	21	8	—	(5)	5	—	8
Financial assets held under resale agreements	24	—	—	—	—	—	—
Interest receivable	25	56	231	(31)	—	(14)	242
Loans and advances to customers	26	22,818	13,643	(910)	(15)	(659)	34,877
Available-for-sale financial assets	27	159	—	(16)	1	—	144
Held-to-maturity investments	28	137	—	(6)	(1)	—	130
Investment classified as receivables	29	—	—	—	—	—	—
Repossessed assets	37(i)	161	39	(38)	14	(9)	167
Other assets	37(ii)	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	20	—	—	—	—	—	—
Placements with banks and non-bank financial institutions	21	8	—	—	—	—	8
Financial assets held under resale agreements	24	—	—	—	—	—	—
Interest receivable	25	30	38	(7)	—	(5)	56
Loans and advances to customers	26	17,660	6,897	(1,150)	(3)	(586)	22,818
Available-for-sale financial assets	27	213	—	—	(54)	—	159
Held-to-maturity investments	28	109	33	—	(5)	—	137
Investment classified as receivables	29	—	—	—	—	—	—
Repossessed assets	37(i)	229	1	(13)	(24)	(32)	161
Other assets	37(ii)	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. Details are disclosed in Notes 12.

(Expressed in millions of Renminbi unless otherwise stated)

39 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	2012	2011	**2012**	2011
In Mainland China				
— Banks	**237,241**	413,583	**238,751**	413,599
— Non-bank financial institutions	**124,620**	121,396	**124,615**	122,396
Subtotal	**361,861**	534,979	**363,366**	535,995
Outside Mainland China				
— Banks	**8,247**	567	**20,127**	4,815
Subtotal	**8,247**	567	**20,127**	4,815
Total	**370,108**	535,546	**383,493**	540,810

40 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	The Group		The Bank	
	2012	2011	**2012**	2011
In Mainland China				
— Banks	**14,460**	634	**13,915**	—
— Non-bank financial institutions	**730**	819	**730**	819
Subtotal	**15,190**	1,453	**14,645**	819
Outside Mainland China				
— Banks	**2,704**	3,223	**1,278**	—
Subtotal	**2,704**	3,223	**1,278**	—
Total	**17,894**	4,676	**15,923**	819

41 Financial assets sold under repurchase agreements

(a) Analysed by types and locations of counterparties

	The Group		The Bank	
	2012	2011	**2012**	2011
In Mainland China				
— PBOC	**6,491**	541	**6,491**	541
— Banks	**4,248**	—	**4,000**	—
— Non-bank financial institutions	**700**	8,800	**700**	8,800
Subtotal	**11,439**	9,341	**11,191**	9,341
Outside Mainland China				
— Banks	**293**	50	**50**	50
— Non-bank financial institutions	**—**	415	**—**	415
Subtotal	**293**	465	**50**	465
Total	**11,732**	9,806	**11,241**	9,806

(Expressed in millions of Renminbi unless otherwise stated)

41 Financial assets sold under repurchase agreements (Continued)

(b) Analysed by types of collaterals

	The Group		The Bank	
	2012	2011	**2012**	2011
Discounted bills	**731**	541	**731**	541
Debt securities	**11,001**	9,265	**10,510**	9,265
Total	**11,732**	9,806	**11,241**	9,806

42 Deposits from customers

Analysed by natures of deposits

	The Group		The Bank	
	2012	2011	**2012**	2011
Demand deposits				
— Corporate customers	**845,515**	782,261	**827,084**	765,593
— Personal customers	**102,120**	91,762	**86,953**	79,753
Subtotal	**947,635**	874,023	**914,037**	845,346
Time and call deposits				
— Corporate customers	**990,759**	835,035	**948,090**	787,775
— Personal customers	**310,311**	254,202	**280,019**	227,309
Subtotal	**1,301,070**	1,089,237	**1,228,109**	1,015,084
Outward remittance and remittance payables	**6,436**	4,791	**6,436**	4,791
Total	**2,255,141**	1,968,051	**2,148,582**	1,865,221

Deposits from customers included pledged deposits for:

	The Group		The Bank	
	2012	2011	**2012**	2011
Bank acceptances	**309,526**	231,807	**309,509**	231,602
Letters of credit	**32,012**	47,665	**31,897**	47,356
Guarantees	**14,516**	10,693	**14,179**	10,196
Others	**54,337**	52,774	**51,208**	47,758
Total	**410,391**	342,939	**406,793**	336,912

(Expressed in millions of Renminbi unless otherwise stated)

43 Accrued staff costs

The Group

	Note	2012 As at 1 January	2012 Accrual for the year	2012 Payment for the year	2012 As at 31 December
Salaries and bonuses		**8,282**	**11,460**	**(9,841)**	**9,901**
Social insurance	(i)	**21**	**1,293**	**(1,278)**	**36**
Welfare expenses		**—**	**944**	**(944)**	**—**
Housing fund		**20**	**575**	**(573)**	**22**
Labor union expenses and employee education expenses		**350**	**480**	**(384)**	**446**
Housing allowance		**28**	**259**	**(256)**	**31**
Defined contribution retirement schemes	(ii)	**3**	**238**	**(238)**	**3**
Supplementary retirement benefits	(iii)	**41**	**—**	**(6)**	**35**
Others		**116**	**185**	**(197)**	**104**
Total		**8,861**	**15,434**	**(13,717)**	**10,578**

	Note	2011 As at 1 January	2011 Accrual for the year	2011 Payment for the year	2011 As at 31 December
Salaries and bonuses		7,358	8,924	(8,000)	8,282
Social insurance	(i)	19	994	(992)	21
Welfare expenses		—	753	(753)	—
Housing fund		16	498	(494)	20
Labor union expenses and employee education expenses		272	367	(289)	350
Housing allowance		28	229	(229)	28
Defined contribution retirement schemes	(ii)	—	195	(192)	3
Supplementary retirement benefits	(iii)	39	6	(4)	41
Others		121	328	(333)	116
Total		7,853	12,294	(11,286)	8,861

(Expressed in millions of Renminbi unless otherwise stated)

43 Accrued staff costs (Continued)

The Bank

	Note	2012 As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		**8,020**	**10,594**	**(9.046)**	**9,568**
Social insurance	(i)	**21**	**1,277**	**(1,263)**	**35**
Welfare expenses		**—**	**935**	**(935)**	**—**
Housing fund		**20**	**570**	**(568)**	**22**
Labor union expenses and employee education expenses		**350**	**477**	**(383)**	**444**
Housing allowance		**28**	**256**	**(253)**	**31**
Defined contribution retirement schemes	(ii)	**3**	**232**	**(232)**	**3**
Supplementary retirement benefits	(iii)	**41**	**—**	**(6)**	**35**
Others		**112**	**110**	**(119)**	**103**
Total		**8,595**	**14,451**	**(12,805)**	**10,241**

	Note	2011 As at 1 January	Accrual for the year	Payment for the year	As at 31 December
Salaries and bonuses		7,127	8,108	(7,215)	8,020
Social insurance	(i)	19	987	(985)	21
Welfare expenses		—	747	(747)	—
Housing fund		16	494	(490)	20
Labor union expenses and employee education expenses		271	365	(286)	350
Housing allowance		28	227	(227)	28
Defined contribution retirement schemes	(ii)	—	191	(188)	3
Supplementary retirement benefits	(iii)	39	6	(4)	41
Others		118	259	(265)	112
Total		7,618	11,384	(10,407)	8,595

(i) Social insurance

Social insurance includes costs of statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labor and social security, the Group joins statutory retirement plan for the employees as set out by city and provincial governments. The Group is required to make contributions based on defined ratios of the salaries, bonuses and certain allowances of the employees to the statutory retirement plan under the administration of the government.

(ii) Defined contribution retirement schemes

In addition to the above statutory retirement plan, the Bank's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group. The Scheme is managed by the CITIC Group. The Bank has made annuity contributions at 4% of its employee's gross wages. In 2012, the Bank made annuity contribution amounting to RMB 232 million (2011: RMB 191 million).

The Group's employees based in Hong Kong join the Mandatory Provident Fund Scheme with certain contribution ratios pursuant to the relevant laws and regulations.

(Expressed in millions of Renminbi unless otherwise stated)

43 Accrued staff costs (Continued)

The Bank (Continued)

(iii) Supplementary retirement benefits

The Group pays supplementary retirement benefits for its qualified employees in Mainland China. Both current staff and retired staff join this supplementary retirement benefits. The balance at the reporting date represents the present value of un-contributed fund.

The Group's obligations in respect of the supplementary retirement benefits as at the reporting date based on the projected unit credit actuarial cost method were determined by qualified staff (a member of Society of Actuaries in America) of an external independent actuary: Tower Watson.

Save for the above schemes in 43(i) to 43(iii), the Group has no other material obligation for payment of retirement benefits beyond the contributions.

44 Taxes payable

	The Group		The Bank	
	2012	2011	**2012**	2011
Income tax	**2,542**	1,876	**2,492**	1,773
Business tax and surcharges	**2,002**	2,126	**1,997**	2,121
Others	**14**	13	**6**	6
Total	**4,558**	4,015	**4,495**	3,900

45 Interest payable

	The Group		The Bank	
	2012	2011	**2012**	2011
Deposits from customers	**17,458**	11,533	**17,193**	11,314
Debt securities issued	**1,036**	623	**1,006**	458
Others	**3,005**	1,443	**2,789**	1,339
Total	**21,499**	13,599	**20,988**	13,111

46 Provisions

The Group and the Bank

	2012	2011
Litigation provisions	**93**	36

Movement of provisions:

	2012	2011
As at 1 January	**36**	36
Charge for the year	**57**	—
As at 31 December	**93**	36

(Expressed in millions of Renminbi unless otherwise stated)

47 Debt securities issued

		The Group		The Bank	
	Note	**2012**	2011	**2012**	2011
Notes issued	(i)	**908**	322	**—**	—
Certificates of deposit issued	(ii)	**11,593**	8,576	**—**	—
Subordinated bonds issued:					
— by the Bank	(iii)	**38,470**	18,500	**38,470**	18,500
— by CIFH	(iv)	**5,431**	6,332	**—**	—
Total		**56,402**	33,730	**38,470**	18,500

(i) The notes were issued by CNCBI.

(ii) The certificates of deposit were issued by CNCBI.

(iii) The carrying value of the Bank's subordinated bonds issued as at 31 December represents:

	Note	**2012**	2011
Subordinated fixed rate bonds maturing:			
— in May 2020	(a)	**5,000**	5,000
— in June 2021	(b)	**2,000**	2,000
— in May 2025	(c)	**11,500**	11,500
— in June 2027	(d)	**19,970**	—
Total		**38,470**	18,500

(a) The interest rate per annum on the subordinated fixed rate bonds issued on 28 May 2010 is 4.00%. The Bank has an option to redeem the bonds on 28 May 2015. If they are not redeemed early, the interest rate of the bonds will remain 4.00% per annum for the next five years.

(b) The interest rate per annum on the subordinated fixed rate bonds issued on 22 June 2006 is 4.12%. The Bank has an option to redeem the bonds on 22 June 2016. If they are not redeemed early, the interest rate of the bonds will increase to 7.12% per annum for the next five years.

(c) The interest rate per annum on the subordinated fixed rate bonds issued on 28 May 2010 is 4.30%. The Bank has an option to redeem the bonds on 28 May 2020. If they are not redeemed early, the interest rate of the bonds will remain 4.30% per annum for the next five years.

(d) The interest rate per annum on the subordinated fixed rate bonds issued on 21 June 2012 is 5.15%. The Bank has an option to redeem the bonds on 21 June 2022. If they are not redeemed early, the interest rate of the bonds will remain 5.15% per annum for the next five years.

(Expressed in millions of Renminbi unless otherwise stated)

47 Debt securities issued (Continued)

(iv) The carrying value of CNCBI's subordinated bonds issued as at 31 December represents:

	Note	2012	2011
Perpetual subordinated fixed rate notes	(a)	**—**	1,582
Subordinated floating rate notes maturing in December 2017	(b)	**—**	1,261
Subordinated fixed rate notes maturing in June 2020	(c)	**3,560**	3,489
Subordinated fixed rate notes maturing in September 2017	(d)	**1,871**	—
Total		**5,431**	6,332

(a) On 31 May 2012, CNCBI exercised the call option and redeemed the subordinated notes at par value.

(b) On 12 December 2012, CNCBI exercised the call option and redeemed the subordinated notes at par value.

(c) Subordinated notes with an interest rate of 6.875% per annum and with face value of USD 500 million were issued on 24 June 2010 by CNCBI. The notes are listed on SGX-ST and mature on 24 June 2020.

(d) Subordinated notes with an interest rate of 3.875% per annum and with face value of USD 300 million were issued on 27 September 2012 by CNCBI. The notes will be mature on 28 September 2017.

48 Other liabilities

	The Group		The Bank	
	2012	2011	**2012**	2011
Settlement accounts	**808**	1,169	**705**	1,169
Dormant accounts	**207**	169	**207**	169
Payment and collection clearance accounts	**502**	444	**502**	444
Others	**3,919**	3,234	**2,949**	2,431
Total	**5,436**	5,016	**4,363**	4,213

49 Share capital

Structure of share capital

	The Group and the Bank	
	2012	2011
A-Share	**31,905**	31,905
H-Share	**14,882**	14,882
Total	**46,787**	46,787

(Expressed in millions of Renminbi unless otherwise stated)

49 Share capital (Continued)

Movement of share capital

	The Group and the Bank	
	2012	2011
As at 1 January	**46,787**	39,033
Rights Issue	**—**	7,754
— A-share	**—**	5,274
— H-share	**—**	2,480
As at 31 December	**46,787**	46,787

The Bank issued 5,274 million A-shares and 2,480 million H-shares with a par value of RMB 1 each in Rights Issue during 2011. KPMG Huazhen verified the share capital received and issued verification reports KPMG-A(2011)CR No.0013 and KPMG-A(2011)CR No.0017 on 7 July 2011 and 29 July 2011 respectively.

50 Share premium and other reserve

Structure of Reserve

		The Group		The Bank	
	Note	**2012**	2011	**2012**	2011
Share premium	(i)	**49,214**	49,214	**51,619**	51,619
Other reserve		**274**	277	**—**	—
Total		**49,488**	49,491	**51,619**	51,619

(i) Share premium arises from the issuance of share prices in excess of their par value.

Movements of share premium during the year were as follows:

	The Group		The Bank	
	2012	2011	**2012**	2011
As at 1 January	**49,214**	31,301	**51,619**	33,706
Gross proceeds upon Rights Issue	**—**	25,786	**—**	25,786
Less: Par value	**—**	(7,754)	**—**	(7,754)
Issuing costs	**—**	(119)	**—**	(119)
As at 31 December	**49,214**	49,214	**51,619**	51,619

51 Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised and is dealt with in accordance with the Group accounting policies.

	The Group		The Bank	
	2012	2011	**2012**	2011
As at 1 January	**214**	(632)	**428**	(451)
Changes in fair value of available-for-sale financial assets during the year	**(492)**	866	**(816)**	1,084
Net amount transferred to profit or loss	**(75)**	263	**(15)**	88
Less: Tax expense	**168**	(283)	**208**	(293)
As at 31 December	**(185)**	214	**(195)**	428

(Expressed in millions of Renminbi unless otherwise stated)

52 Surplus reserve

Movement of Surplus reserve

	The Group and the Bank	
	2012	2011
As at 1 January	**8,691**	5,618
Appropriations	**3,018**	3,073
As at 31 December	**11,709**	8,691

Under relevant PRC Laws, the Bank and the Bank's subsidiaries in Mainland China are required to appropriate 10% of its net profit, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders at the Annual General Meeting.

Subject to the approval of shareholders, statutory and discretionary surplus reserves may be used to make good prior year losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

53 General reserve

	The Group		The Bank	
	2012	2011	**2012**	2011
As at 1 January	**20,825**	15,698	**20,750**	15,650
Appropriations	**14,501**	5,127	**14,500**	5,100
As at 31 December	**35,326**	20,825	**35,250**	20,750

Pursuant to relevant MOF notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. Effective from 1 July 2012, the minimum general reserve balance should increase to 1.5% of the ending balance of gross risk-bearing assets with a transition period of five years. The Bank has complied with the above requirements as of 31 December 2012 while the Group's banking subsidiaries in Mainland China plan to comply with the above requirements during the transition period.

54 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 RMB 3,018 million to statutory surplus reserve fund and RMB 14,500 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.

(Expressed in millions of Renminbi unless otherwise stated)

54 Profit appropriations and retained earnings (Continued)

(b) In accordance with the resolution approved in the Annual General Meeting of the Bank on 30 May 2012, a total amount of approximately RMB 6,784 million (RMB 145 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 RMB 1.50 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 RMB 7,018 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 RMB 28 million contributed by the subsidiaries and attributable to the Bank (31 December 2011: RMB 18 million), of which RMB 10 million (2011: RMB 5 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.

55 Notes to consolidated cash flow statement

Cash and cash equivalents

The Group

	2012	2011
Cash	**6,667**	4,972
Cash equivalents		
Surplus deposit reserve funds	**62,223**	60,638
Deposits with banks and non-bank financial institutions due within three months when acquired	**210,481**	334,790
Placements with banks and non-bank financial institutions due within three months when acquired	**48,078**	66,868
Investment securities due within three months when acquired	**9,379**	11,815
Total of cash equivalents	**330,161**	474,111
Total	**336,828**	479,083

56 Commitments and contingent liabilities

(a) Credit commitments

Credit commitments take the form of loan commitments, credit card limits, financial guarantees and letters of credit.

Loan commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantee provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully advanced. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

(Expressed in millions of Renminbi unless otherwise stated)

56 Commitments and contingent liabilities (Continued)

(a) Credit commitments (Continued)

	The Group		The Bank	
	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

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

(Expressed in millions of Renminbi unless otherwise stated)

56 Commitments and contingent liabilities (Continued)

(d) Operating lease commitments

The Group leases certain properties and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. At 31 December, the Group's future minimum lease payments under non-cancellable operating leases were as follows:

	The Group		The Bank	
	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

(e) Outstanding litigations and disputes

As at 31 December 2012, the Group was the defendant in certain pending litigations with gross claims of RMB 227 million (2011: RMB 242 million). Based on the opinion of internal and external legal counsels of the Group, the Group made a provision of RMB 93 million (2011: RMB 36 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 (Note 46) for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities at the reporting date in accordance with its accounting policies.

(Expressed in millions of Renminbi unless otherwise stated)

57 Pledged assets

(a) Financial assets pledged as collaterals

The carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities at the reporting date are disclosed as below.

	The Group		The Bank	
	2012	2011	**2012**	2011
Discounted bills	**734**	606	**734**	606
Debt securities	**10,992**	10,961	**10,471**	10,961
Others	**69**	70	**—**	—
Total	**11,795**	11,637	**11,205**	11,567

(b) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2012 and 31 December 2011, the Group did not hold any collateral under resale agreements for which the Group was permitted to sell or repledge in the absence of default for the transactions.

58 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals. All entrusted loans are made under the instruction or at the direction of these entities or individuals and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group generally does not take on credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the instruction of the entrustor and receives fee income for the services provided.

Trust assets are not assets of the Group and are not recognised on the statement of financial position. Surplus funding is accounted for as deposits from customers. Income received and receivable for providing these services is included in the statement of comprehensive income as fee income.

At the reporting date, the entrusted assets and liabilities were as follows:

	The Group and the Bank	
	2012	2011
Entrusted loans	**179,072**	108,556
Entrusted funds	**179,072**	108,556

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers. The funds obtained from wealth management services are invested in investment products, including government bonds, PBOC bills, notes issued by policy banks, short-dated corporate notes, entrusted loans and corporate loans. The credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers who invest in these products. The Group only earns commission which represents the charges on customers in relation to the provision of custody, sales and management services. The income is recognised in the statement of comprehensive income as commission income.

(Expressed in millions of Renminbi unless otherwise stated)

58 Transactions on behalf of customers (Continued)

(b) Wealth management services (Continued)

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised on the statement of financial position. The funds obtained from wealth management services that have not yet been invested are recorded under deposits from customers.

At the reporting date, the assets and liabilities under wealth management services were as follows:

	The Group		The Bank	
	2012	2011	**2012**	2011
Investments under wealth management services	**255,294**	137,903	**181,004**	72,665
Funds from wealth management services	**255,294**	137,903	**181,004**	72,665

Amongst the above funds from wealth management service, RMB 54,908 million was entrusted to CITIC Trust Co., Ltd. ("CITIC Trust"), a wholly owned subsidiary of CITIC Group, as at 31 December 2012 (2011: RMB 24,747 million).

59 Segment reporting

The segment reporting is disclosed in accordance with the accounting policy set out in note 4 (23). Measurement of segment assets and liabilities, and segment income and expense is based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities do not include deferred tax assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the year to acquire 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.

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(a) Business segments (Continued)

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.

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.

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

(Expressed in millions of Renminbi unless otherwise stated)

59 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

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

(Expressed in millions of Renminbi unless otherwise stated)

59 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

	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

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(a) Business segments (Continued)

	31 December 2011					
	Corporate Banking	Personal Banking	Treasury Business	Overseas subsidiaries	Others and Unallocated	Total
Segment assets	1,460,870	310,607	848,186	135,347	5,688	2,760,698
Investment in associates	—	—	—	2,212	—	2,212
Deferred tax assets						2,971
Total asset						2,765,881
Segment liabilities	2,089,057	312,222	44,867	124,995	15,959	2,587,100
Deferred tax liabilities						—
Total liabilities						2,587,100
Off-balance sheet credit commitments	872,369	55,543	—	40,755	—	968,667

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 CITIC 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 CITIC 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;

— "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 branches of the Group are located: Shenyang, Changchun and Harbin;

— "Head Office" refers to the headquarter of the Bank, the Credit Card Center, the Auto Finance Center and the Private Banking Center; and

— "Hong Kong" includes all the operations of CIFL, CIFH and its subsidiaries.

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(b) Geographical segments (Continued)

	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

(Expressed in millions of Renminbi unless otherwise stated)

59 Segment reporting (Continued)

(b) Geographical segments (Continued)

	2011									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	14,761	7,077	11,342	7,231	7,265	1,961	13,959	1,510	—	65,106
Internal net interest income/(expense)	1,224	1,832	2,928	1,169	26	(83)	(7,131)	35	—	—
Net interest income	15,985	8,909	14,270	8,400	7,291	1,878	6,828	1,545	—	65,106
Net fee and commission income	1,815	976	1,711	1,019	755	209	1,858	494	—	8,837
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.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

— **Credit risk:** Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligations or commitments to the Group.

— **Market risk:** Market risk arises from unfavourable changes in market prices (interest rate, exchange rate, stock price or commodity price) that lead to a loss of on-balance-sheet or off-balance-sheet business in the Group.

— **Liquidity risk:** Liquidity risk arises when the Group, in meeting the customer's demand of liabilities due or the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.

— **Operational risk:** Operational risk arises from matters such as non-adherence to systems and procedures or from fraud resulting in financial or reputation loss.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

(a) Credit risk

This category includes credit and counterparty risks from loans and advances, issuer risks from the securities business, counterparty risks from trading activities, and country risks. The Group identifies and manages this risk through its target market definitions, credit approval process, post-disbursement monitoring and remedial management procedures. It arises primarily from credit business. In treasury business, credit risk represents impairment losses of asset value attributable to the Group resulting from lowering of ratings for issuers of debt securities.

Credit business

In addition to underwriting standards, the principal means of managing credit risk is the credit approval process. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction.

The Group undertakes ongoing credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The Risk Management Committee monitors overall portfolio risk as well as individual problem loans, both actual and potential, on a regular basis.

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans and advances are classified as non-impaired and impaired based on the different risk level. When one or more event demonstrates there is objective evidence of impairment and causes losses, corresponding loans and advances are considered to be classified as impaired. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The Group applies a series of criteria in determining the classification of loans. The loan classification criteria focuses on a number of factors, including (i) the borrower's ability to repay the loan; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the net realizable value of any collateral; and (v) the prospect for the support from any financially responsible guarantor. The Group also takes into account the length of time for which payments of principal and interest on a loan are overdue.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

The Group's retail credit policy and approval process are designed for the fact that there are high volumes of relatively homogeneous, small value transactions in each retail loan category. Because of the nature of retail banking, the credit policies are based primarily on the Group's strategy and statistical analyses of risks with respect to different products and types of customers. The Group monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers' application for loans.

Concentration of credit risk exists when changes in geographic, economic or industrial factors similarly affect the Group's counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instruments is diversified along industry, geographic and product sectors.

Treasury business

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical area. The system closely monitors the credit exposure on a real-time basis, regularly reviews its credit limit policies and adjusts the credit limits, taken into accounts various factors including market condition at the time.

(i) Maximum credit risk exposure

The maximum exposure to credit risk at the reporting date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	The Group		**The Bank**	
	2012	2011	**2012**	2011
Balances with central banks	**421,500**	361,419	**420,400**	360,510
Deposits with bank and non-bank financial institutions	**236,591**	386,535	**235,424**	379,964
Placements with banks and non-bank financial	**151,803**	151,004	**129,052**	125,535
Trading financial assets	**12,283**	8,188	**12,209**	7,899
Positive fair value of derivatives	**4,160**	4,683	**2,665**	3,002
Financial assets held under resale agreements	**69,082**	162,211	**69,132**	162,261
Interest receivable	**13,040**	10,051	**12,534**	9,449
Loans and advances to customers	**1,627,576**	1,410,779	**1,541,748**	1,334,509
Available-for-sale financial assets	**195,983**	128,641	**181,411**	111,357
Held-to-maturity investments	**135,014**	108,468	**134,952**	108,720
Investment classified as receivables	**56,435**	—	**56,435**	—
Other financial assets	**4,963**	3,811	**4,737**	3,286
Subtotal	**2,928,430**	2,735,790	**2,800,699**	2,606,492
Credit commitments	**1,117,527**	968,667	**1,067,730**	927,912
Maximum credit risk exposure	**4,045,957**	3,704,457	**3,868,429**	3,534,404

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments and certificates of deposit are as follows:

The Group

		2012			
	Note	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit
Impaired					
— Individually assessed					
Gross balance		10,959	30	—	374
Allowance for impairment		(6,699)	(8)	—	(274)
Net balance		4,260	22	—	100
— Collectively assessed					
Gross balance		1,296	—	—	—
Allowance for impairment		(983)	—	—	—
Net balance		313	—	—	—
Overdue but not impaired	(1)				
Gross balance		10,012	15	—	—
Within which					
— Less than 3 months		9,334	15	—	—
— 3 months to 1 year		678	—	—	—
— Over 1 year		—	—	—	—
Allowance for impairment		(623)	—	—	—
Net balance		9,389	15	—	—
Neither overdue nor impaired					
Gross balance		1,640,634	388,357	69,082	343,180
Allowance for impairment	(2)	(27,020)	—	—	—
Net balance		1,613,614	388,357	69,082	343,180
Net balance of total assets		1,627,576	388,394	69,082	343,280

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments and certificates of deposit are as follows: (Continued)

The Group (continued)

		2011			
	Note	Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit
Impaired					
— Individually assessed					
Gross balance		7,664	30	—	724
Allowance for impairment		(3,959)	(8)	—	(440)
Net balance		3,705	22	—	284
— Collectively assessed					
Gross balance		877	—	—	—
Allowance for impairment		(752)	—	—	—
Net balance		125	—	—	—
Overdue but not impaired	(1)				
Gross balance		4,815	—	—	—
Within which					
— Less than 3 months		4,551	—	—	—
— 3 months to 1 year		264	—	—	—
— Over 1 year		—	—	—	—
Allowance for impairment		(187)	—	—	—
Net balance		4,628	—	—	—
Neither overdue nor impaired					
Gross balance		1,420,681	537,517	162,211	245,013
Allowance for impairment	(2)	(18,360)	—	—	—
Net balance		1,402,321	537,517	162,211	245,013
Net balance of total assets		1,410,779	537,539	162,211	245,297

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments and certificates of deposit are as follows: (Continued)

The Bank

	Note	2012			
		Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit
Impaired					
— Individually assessed					
Gross balance		10,596	30	—	374
Allowance for impairment		(6,484)	(8)	—	(274)
Net balance		4,112	22	—	100
— Collectively assessed					
Gross balance		1,273	—	—	—
Allowance for impairment		(982)	—	—	—
Net balance		291	—	—	—
Overdue but not impaired	(1)				
Gross balance		9,621	15	—	—
Within which					
— Less than 3 months		8,943	15	—	—
— 3 months to 1 year		678	—	—	—
— Over 1 year		—	—	—	—
Allowance for impairment		(616)	—	—	—
Net balance		9,005	15	—	—
Neither overdue nor impaired					
Gross balance		1,555,135	364,439	69,132	328,472
Allowance for impairment	(2)	(26,795)	—	—	—
Net balance		1,528,340	364,439	69,132	328,472
Net balance of total assets		1,541,748	364,476	69,132	328,572

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments and certificates of deposit are as follows: (Continued)

The Bank (continued)

	Note	2011 Loans and advances to customers	Due from banks and non-bank financial institutions	Financial assets held under resale agreements	Debt securities investments and certificates of deposit
Impaired					
— Individually assessed					
Gross balance		7,110	30	—	405
Allowance for impairment		(3,800)	(8)	—	(296)
Net balance		3,310	22	—	109
— Collectively assessed					
Gross balance		863	—	—	—
Allowance for impairment		(752)	—	—	—
Net balance		111	—	—	—
Overdue but not impaired	(1)				
Gross balance		4,037	—	—	—
Within which					
— Less than 3 months		3,773	—	—	—
— 3 months to 1 year		264	—	—	—
— Over 1 year		—	—	—	—
Allowance for impairment		(182)	—	—	—
Net balance		3,855	—	—	—
Neither overdue nor impaired					
Gross balance		1,345,317	505,477	162,261	227,867
Allowance for impairment	(2)	(18,084)	—	—	—
Net balance		1,327,233	505,477	162,261	227,867
Net balance of total assets		1,334,509	505,499	162,261	227,976

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from banks and non-bank financial institutions, financial assets held under resale agreements and debt securities investments and certificates of deposit are as follows: (Continued)

Notes:

(1) Collaterals and other credit enhancements for overdue but not impaired loans and advances

As at 31 December 2012, the above loans and advances of the Group which were overdue but not impaired and which were subject to individual assessment were RMB 4,238 million (2011: RMB 673 million). The covered portion and uncovered portion of these loans and advances were RMB 2,316 million (2011: RMB 476 million) and RMB 1,922 million (2011: RMB 197 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 5,379 million (2011: RMB 1,584 million).

As at 31 December 2012, the above loans and advances of the Bank which were overdue but not impaired and which were subject to individual assessment were RMB 4,180 million (2011: RMB 218 million). The covered portion and uncovered portion of these loans and advances were RMB 2,302 million (2011: RMB 83 million) and RMB 1,878 million (2011: RMB 135 million) respectively. The fair value of collaterals held against these loans and advances amounted to RMB 5,329 million (2011: RMB 104 million).

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation.

(2) The balances represent collectively assessed allowances of impairment losses.

(iii) Loans and advances to customers analysed by economic sector concentrations:

	The Group					
	2012			2011		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	356,625	21.4	130,319	301,815	21.0	108,903
— Wholesale and retail	232,252	14.0	133,876	177,121	12.4	98,792
— Transportation, storage and postal services	135,952	8.2	57,499	125,457	8.8	46,507
— Real estate	133,927	8.1	115,547	122,111	8.5	103,983
— Construction	63,653	3.8	26,643	58,734	4.1	19,918
— Water, environment and public utility management	62,897	3.8	29,756	70,181	4.9	29,174
— Production and supply of electric power, gas and water	59,329	3.6	13,749	79,970	5.6	11,632
— Rental and business services	53,886	3.2	30,638	50,495	3.5	26,697
— Public management and social organizations	17,723	1.1	3,241	21,138	1.5	5,821
— Others	137,016	8.2	35,123	109,367	7.6	34,078
Subtotal	1,253,260	75.4	576,391	1,116,389	77.9	485,505
Personal loans	334,647	20.1	263,770	268,197	18.7	226,213
Discounted bills	74,994	4.5	—	49,451	3.4	—
Gross loans and advances to customers	1,662,901	100.0	840,161	1,434,037	100.0	711,718

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers analysed by economic sector concentrations: (Continued)

	The Bank					
	2012			2011		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Corporate loans						
— Manufacturing	352,782	22.4	128,206	295,684	21.8	105,263
— Wholesale and retail	220,334	14.0	122,093	171,650	12.6	94,427
— Transportation, storage and postal services	133,782	8.5	56,175	123,333	9.1	44,835
— Real estate	127,183	8.1	110,155	111,028	8.2	93,041
— Construction	63,403	4.0	26,513	58,535	4.3	19,823
— Water, environment and public utility management	62,897	4.0	29,756	70,181	5.2	29,174
— Production and supply of electric power, gas and water	59,017	3.7	13,661	79,584	5.9	11,541
— Rental and business services	53,710	3.4	30,547	50,376	3.7	26,677
— Public management and social organizations	17,723	1.1	3,241	21,063	1.6	5,821
— Others	97,584	6.2	30,476	76,694	5.6	25,318
Subtotal	1,188,415	75.4	550,823	1,058,128	78.0	455,920
Personal loans	320,044	20.3	249,660	253,867	18.7	212,483
Discounted bills	68,166	4.3	—	45,332	3.3	—
Gross loans and advances to customers	1,576,625	100.0	800,483	1,357,327	100.0	668,403

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers analysed by economic sector concentrations: (Continued)

Impaired loans and individual and collective impairment allowances in respect of economic sectors which constitute 10% or more of total loans and advances to customers are as follows:

The Group

	2012				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	4,272	2,686	5,563	3,530	(258)
Wholesale and retail	4,765	2,555	3,924	3,678	(170)

	2011				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	2,294	1,469	3,537	672	(446)
Wholesale and retail	1,393	889	2,080	948	(72)

The Bank

	2012				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed Impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	4,189	2,665	5,551	3,478	(226)
Wholesale and retail	4,740	2,546	3,905	3,655	(127)

	2011				
	Impaired loans and advances	Individually assessed impairment allowances	Collectively assessed Impairment allowances	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	2,216	1,449	3,515	725	(411)
Wholesale and retail	1,368	877	2,046	920	(28)

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers analysed by geographical sector risk concentrations:

The Group

	2012			2011		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	436,743	26.3	189,357	379,024	26.4	167,580
Yangtze River Delta	427,019	25,7	222,023	375,635	26.2	188,053
Pearl River Delta and West Strait	226,989	13.7	139,365	196,103	13.7	107,572
Central	223,232	13.4	111,818	187,201	13.1	90,712
Western	213,609	12.8	108,106	176,879	12.3	90,767
Northeastern	53,108	3.2	33,057	46,425	3.2	27,146
Outside Mainland China	82,201	4.9	36,435	72,770	5.1	39,888
Total	1,662,901	100.0	840,161	1,434,037	100.0	711,718

The Bank

	2012			2011		
	Gross balance	%	Loans and advances secured by collaterals	Gross balance	%	Loans and advances secured by collaterals
Bohai Rim (including Head Office)	435,620	27.6	188,455	378,142	27.9	166,831
Yangtze River Delta	424,908	27.0	220,460	373,731	27.5	186,321
Pearl River Delta and West Strait	226,148	14.3	138,587	194,949	14.4	106,626
Central	223,232	14.2	111,818	187,201	13.8	90,712
Western	213,609	13.5	108,106	176,879	13.0	90,767
Northeastern	53,108	3.4	33,057	46,425	3.4	27,146
Total	1,576,625	100.0	800,483	1,357,327	100.0	668,403

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers analysed by geographical sector risk concentrations: (Continued)

Impaired loans and individual and collective impairment allowances in respect of geographic sectors which constitute 10% or more of total advances to customers are as follows:

The Group

	2012 Impaired loans and advances	2012 Individually assessed impairment allowances	2012 Collectively assessed impairment allowances
Bohai Rim (including Head Office)	2,581	1,302	8,106
Yangtze River Delta	5,275	2,617	8,013
Pearl River Delta and West Strait	2,244	1,505	4,065
Central	625	265	4,012
Western	492	323	3,364

	2011 Impaired loans and advances	2011 Individually assessed impairment allowances	2011 Collectively assessed Impairment allowances
Bohai Rim (including Head Office)	2,208	1,269	5,670
Yangtze River Delta	2,191	987	5,455
Pearl River Delta and West Strait	2,125	865	2,574
Central	542	168	2,552
Western	493	302	2,163

The Bank

	2012 Impaired loans and advances	2012 Individually assessed impairment allowances	2012 Collectively assessed impairment allowances
Bohai Rim (including Head Office)	2,536	1,281	8,102
Yangtze River Delta	5,257	2,606	8,009
Pearl River Delta and West Strait	2,244	1,505	4,064
Central	625	265	4,012
Western	492	323	3,364

	2011 Impaired loans and advances	2011 Individually assessed impairment allowances	2011 Collectively assessed Impairment allowances
Bohai Rim (including Head Office)	2,208	1,269	5,670
Yangtze River Delta	2,169	976	5,454
Pearl River Delta and West Strait	2,079	865	2,574
Central	542	168	2,552
Western	493	302	2,163

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(a) Credit risk (Continued)

(v) Loans and advances to customers analysed by types of collaterals

	The Group		The Bank	
	2012	2011	**2012**	2011
Unsecured loans	**329,704**	329,615	**317,351**	318,333
Guaranteed loans	**418,042**	343,253	**390,625**	325,259
Secured loans				
— Tangible assets other than monetary assets	**630,393**	523,632	**595,688**	487,902
— Monetary assets	**209,768**	188,086	**204,795**	180,501
Subtotal	**1,587,907**	1,384,586	**1,508,459**	1,311,995
Discounted bills	**74,994**	49,451	**68,166**	45,332
Gross loans and advances to customers	**1,662,901**	1,434,037	**1,576,625**	1,357,327

(vi) Rescheduled loans and advances to customers

The Group

	2012		2011	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**4,775**	**0.29%**	3,184	0.22%
Less:				
— rescheduled loans and advances overdue more than 3 months	**2,474**	**0.15%**	1,748	0.12%
— rescheduled loans and advances overdue less than 3 months	**2,301**	**0.14%**	1,436	0.10%

The Bank

	2012		2011	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**4,056**	**0.26%**	2,413	0.18%
Less:				
— rescheduled loans and advances overdue more than 3 months	**2,312**	**0,15%**	1,716	0.13%
— rescheduled loans and advances overdue less than 3 months	**1,744**	**0.11%**	697	0.05%

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk

Market risk refers to risks that may cause a loss of on-balance-sheet and off-balance-sheet business for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has constructed a market risk management system that formulates procedures to identify, measure, supervise and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and quota management.

The Market Risk Committee is responsible for formulating the Group's market risk management policies and procedures and examining the access of product and risk exposure threshold of the Treasury and Capital Market Business. The Risk Management Department is responsible for the day-to-day management of market risks, including formulating procedures to identify, assess, measure and control market risks. The business departments are responsible for carrying out the various policies and procedures of market risk management and ensuring that risk levels are within the set limits.

The Group uses its sensitivity analysis, exposure and gap of interest rate re-pricing as the primary instruments to monitor market risk.

Interest rate risk and currency risk are major market risks that confront the Group.

Interest rate risk

The Group's interest rate exposures mainly comprise the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjusts the ratio of floating and fixed rate accounts, the loan re-pricing cycle, as well as optimises the term structure of its deposits according to the gap status.

The Group implements various methods, such as duration analysis, sensitivity analysis, stress testing and scenario simulation, to measure and monitor interest risk exposure; risk exposure limits, such as interest rate sensitivity, duration and risk exposure are set regularly, and the relevant implementation of these limits are also supervised, managed and reported on a regular basis.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The following tables indicate the effective interest rates for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities as at the end of the reporting period.

The Group

	Effective interest rate (note (i))	2012 Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.50%	428,167	6,667	421,500	—	—	—
Deposits with banks and non-bank financial institutions	3.97%	236,591	—	221,045	14,514	1,032	—
Placements with banks and non-bank financial institutions	4.64%	151,803	22	104,911	46,856	14	—
Financial assets held under resale agreements	4.29%	69,082	—	60,689	6,467	1,926	—
Investment classified as receivable	5.79%	56,435	—	14,490	34,625	7,320	—
Loans and advances to customers (note (ii))	6.69%	1,627,576	190	928,220	678,056	19,744	1,366
Investments (note (iii))	3.63%	346,282	3,131	60,239	95,504	120,340	67,068
Others		44,003	44,003	—	—	—	—
Total assets		2,959,939	54,013	1,811,094	876,022	150,376	68,434
Liabilities							
Deposits from banks and non-bank financial institutions	4.21%	370,108	1,169	298,852	70,087	—	—
Placements from banks and non-bank financial institutions	3.80%	17,894	—	14,471	2,693	730	—
Financial assets sold under repurchase agreements	4.03%	11,732	—	11,666	66	—	—
Deposits from customers	2.25%	2,255,141	15,092	1,588,779	464,699	184,422	2,149
Debts securities issued	3.82%	56,402	—	5,510	5,090	3,772	42,030
Others		45,576	45,576	—	—	—	—
Total liabilities		2,756,853	61,837	1,919,278	542,635	188,924	44,179
Asset-liability gap		203,086	(7,824)	(108,184)	333,387	(38,548)	24,255

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group (continued)

					2011		
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances\ with central bank	1.48%	366,391	4,972	361,419	—	—	—
Deposits with banks and non-bank financial institutions	3.66%	386,535	—	369,257	17,278	—	—
Placements with banks and non-bank financial institutions	4.33%	151,004	22	113,112	37,870	—	—
Financial assets held under resale agreements	4.85%	162,211	—	155,771	4,055	2,385	—
Loans and advances to customers (note (ii))	6.12%	1,410,779	180	1,081,119	324,266	3,947	1,267
Investments (note (iii))	3.21%	253,388	8,146	51,477	79,444	78,948	35,373
Others		35,573	35,573	—	—	—	—
Total assets		2,765,881	48,893	2,132,155	462,913	85,280	36,640
Liabilities							
Deposits from banks and non-bank financial institutions	3.73%	535,546	297	526,568	8,681	—	—
Placements from banks and non-bank financial institutions	4.25%	4,676	—	3,857	—	819	—
Financial assets sold under repurchase agreements	4.55%	9,806	—	9,650	156	—	—
Deposits from customers	1.84%	1,968,051	8,347	1,461,348	370,437	115,165	12,754
Debts securities issued	3.58%	33,730	—	6,186	4,267	1,446	21,831
Others		35,291	35,291	—	—	—	—
Total liabilities		2,587,100	43,935	2,007,609	383,541	117,430	34,585
Asset-liability gap		178,781	4,958	124,546	79,372	(32,150)	2,055

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank

	Effective interest rate (note (i))	2012 Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.50%	426,886	6,486	420,400	—	—	—
Deposits with banks and non-bank financial institutions	4.06%	235,424	—	219,878	14,514	1,032	—
Placements with banks and non-bank financial institutions	5.23%	129,052	22	83,813	45,203	14	—
Financial assets held under resale agreements	4.29%	69,132	—	60,739	6,467	1,926	—
Investment classified as receivables	5.79%	56,435	—	14,490	34,625	7,320	—
Loans and advances to customers (note (ii))	6.87%	1,541,748	—	851,944	669,018	19,427	1,359
Investments (note (iii))	3.70%	339,009	10,525	51,062	93,046	117,308	67,068
Others		39,946	39,946	—	—	—	—
Total assets		2,837,632	56,979	1,702,326	862,873	147,027	68,427
Liabilities							
Deposits from banks and non-bank financial institutions	4.22%	383,493	643	312,763	70,087	—	—
Placements from banks and non-bank financial institutions	5.39%	15,923	—	12,500	2,693	730	—
Financial assets sold under repurchase agreements	4.10%	11,241	—	11,175	66	—	—
Deposits from customers	2.29%	2,148,582	6,436	1,510,161	446,331	183,505	2,149
Debts securities issued	4.55%	38,470	—	—	—	—	38,470
Others		42,857	42,857	—	—	—	—
Total liabilities		2,640,566	49,936	1,846,599	519,177	184,235	40,619
Asset-liability gap		197,066	7,043	(144,273)	343,696	(37,208)	27,808

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank (continued)

					2011		
	Effective interest rate (note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.48%	365,318	4,808	360,510	—	—	—
Deposits with banks and non-bank financial institutions	4.21%	379,964	—	364,394	15,570	—	—
Placements with banks and non-bank financial institutions	5.09%	125,535	22	91,795	33,718	—	—
Financial assets held under resale agreements	4.85%	162,261	—	155,821	4,055	2,385	—
Loans and advances to customers (note (ii))	6.33%	1,334,509	—	1,017,165	312,962	3,121	1,261
Investments (note (iii))	3.29%	243,444	15,468	41,410	76,576	74,617	35,373
Others		30,957	30,957	—	—	—	—
Total assets		2,641,988	51,255	2,031,095	442,881	80,123	36,634
Liabilities							
Deposits from banks and non-bank financial institutions	3.78%	540,810	—	528,753	12,057	—	—
Placements from banks and non-bank financial institutions	5.69%	819	—	—	—	819	—
Financial assets sold under repurchase agreements	4.57%	9,806	—	9,650	156	—	—
Deposits from customers	1.90%	1,865,221	4,791	1,374,351	360,321	113,004	12,754
Debts securities issued	4.16%	18,500	—	—	—	—	18,500
Others		32,539	32,539	—	—	—	—
Total liabilities		2,467,695	37,330	1,912,754	372,534	113,823	31,254
Asset-liability gap		174,293	13,925	118,341	70,347	(33,700)	5,380

Notes:

(i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers at Group level, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB 13,530 million as at 31 December 2012 (2011: RMB 6,300 million). For loans and advances to customers at Bank level, the above "Less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB 13,054 million as at 31 December 2012 (as at 31 December 2011: RMB 5,152 million).

(iii) Investments include the trading financial assets, available-for-sale financial assets, held-to-maturity investments and investments in associates. At the bank level, it also includes the investments in subsidiaries.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis at 31 December 2012 and 31 December 2011.

	2012 Change in interest rates (in basis point)		2011 Change in interest rates (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/Increase in annualized net interest income (in millions of RMB)	**(1,419)**	**1,419**	(1,841)	1,841

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain simplified assumptions. The analysis measures only the impact of changes in the interest rates within one year, showing how annualized interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods (i.e., all the assets and liabilities that reprice or mature within three months reprice or mature immediately, and all the assets and liabilities that reprice or mature after three months but within one year reprice or mature immediately after three months), (ii) there is a parallel shift in the yield curve and in interest rates, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Currency risk

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance-sheet and off-balance sheet business of the bank. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial tools, mainly foreign exchange swaps, to manage its exposure.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The exposures at the reporting date were as follows:

The Group

	2012				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	420,643	6,984	380	160	428,167
Deposits with banks and non-bank financial institutions	186,644	44,655	2,053	3,239	236,591
Placements with banks and non-bank financial institutions	137,007	11,349	3,446	1	151,803
Financial assets held under resale agreements	69,082	—	—	—	69,082
Investment classified as receivables	54,549	1,886	—	—	56,435
Loans and advances to customers	1,479,690	101,044	43,448	3,394	1,627,576
Investments	321,358	12,168	10,725	2,031	346,282
Others	39,761	1,275	2,340	627	44,003
Total assets	2,708,734	179,361	62,392	9,452	2,959,939
Liabilities					
Deposits from banks and non-bank financial institutions	323,359	41,536	3,702	1,511	370,108
Placements from banks and non-bank financial institutions	12,778	4,353	20	743	17,894
Financial assets sold under repurchase agreements	11,439	293	—	—	11,732
Deposits from customers	2,053,129	117,472	60,292	24,248	2,255,141
Debts securities issued	42,763	6,358	5,418	1,863	56,402
Others	39,996	3,036	1,330	1,214	45,576
Total liabilities	2,483,464	173,048	70,762	29,579	2,756,853
Net on-balance sheet position	225,270	6,313	(8,370)	(20,127)	203,086
Credit commitments	1,004,173	84,770	20,705	7,879	1,117,527
Derivatives (note(i))	(29,252)	(7,699)	20,945	19,847	3,841

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group (continued)

			2011		
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	362,517	3,379	337	158	366,391
Deposits with banks and non-bank financial institutions	358,217	24,158	1,859	2,301	386,535
Placements with banks and non-bank financial institutions	133,096	13,950	3,929	29	151,004
Financial assets held under resale agreements	162,211	—	—	—	162,211
Loans and advances to customers	1,294,067	70,119	44,000	2,593	1,410,779
Investments	220,183	17,462	11,943	3,800	253,388
Others	29,939	2,780	2,563	291	35,573
Total assets	2,560,230	131,848	64,631	9,172	2,765,881
Liabilities					
Deposits from banks and non-bank financial institutions	527,889	5,289	410	1,958	535,546
Placements from banks and non-bank financial institutions	249	3,077	529	821	4,676
Financial assets sold under repurchase agreements	9,341	465	—	—	9,806
Deposits from customers	1,816,875	77,790	57,709	15,677	1,968,051
Debts securities issued	20,429	7,592	3,797	1,912	33,730
Others	30,382	2,693	1,365	851	35,291
Total liabilities	2,405,165	96,906	63,810	21,219	2,587,100
Net on-balance sheet position	155,065	34,942	821	(12,047)	178,781
Credit commitments	844,890	97,629	18,235	7,913	968,667
Derivatives (note(i))	6,409	(29,280)	11,228	11,779	136

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank

	2012				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	419,831	6,710	212	133	426,886
Deposits with banks and non-bank financial institutions	187,242	44,468	532	3,182	235,424
Placements with banks and non-bank financial institutions	126,422	2,605	25	—	129,052
Financial assets held under resale agreements	69,082	50	—	—	69,132
Investment classified as receivable	54,549	1,886	—	—	56,435
Loans and advances to customers	1,469,596	69,441	63	2,648	1,541,748
Investments	329,709	7,676	668	956	339,009
Others	37,739	1,695	5	507	39,946
Total assets	2,694,170	134,531	1,505	7,426	2,837,632
Liabilities					
Deposits from banks and non-bank financial institutions	336,932	41,467	3,584	1,510	383,493
Placements from banks and non-bank financial institutions	12,283	2,897	—	743	15,923
Financial assets sold under repurchase agreements	11,191	50	—	—	11,241
Deposits from customers	2,034,414	95,264	2,386	16,518	2,148,582
Debts securities issued	38,470	—	—	—	38,470
Others	39,663	2,155	99	940	42,857
Total liabilities	2,472,953	141,833	6,069	19,711	2,640,566
Net on-balance sheet position	221,217	(7,302)	(4,564)	(12,285)	197,066
Credit commitments	1,000,904	59,906	59	6,861	1,067,730
Derivatives (note(i))	(18,373)	6,152	4,209	11,964	3,952

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Bank (continued)

	2011				
	RMB	USD	HKD	Others	Total
Assets					
Cash and balances with central bank	361,721	3,274	183	140	365,318
Deposits with banks and non-bank financial institutions	353,019	23,997	736	2,212	379,964
Placements with banks and non-bank financial institutions	121,558	3,923	54	—	125,535
Financial assets held under resale agreements	162,211	50	—	—	162,261
Loans and advances to customers	1,290,513	41,868	23	2,105	1,334,509
Investments	228,607	13,035	642	1,160	243,444
Others	29,519	1,278	3	157	30,957
Total assets	2,547,148	87,425	1,641	5,774	2,641,988
Liabilities					
Deposits from banks and non-bank financial institutions	533,225	5,233	394	1,958	540,810
Placements from banks and non-bank financial institutions	—	—	—	819	819
Financial assets sold under repurchase agreements	9,341	465	—	—	9,806
Deposits from customers	1,796,754	58,643	2,591	7,233	1,865,221
Debts securities issued	18,500	—	—	—	18,500
Others	30,260	1,658	55	566	32,539
Total liabilities	2,388,080	65,999	3,040	10,576	2,467,695
Net on-balance sheet position	159,068	21,426	(1,399)	(4,802)	174,293
Credit commitments	844,113	76,580	312	6,907	927,912
Derivatives (note(i))	11,099	(16,700)	1,141	4,639	179

Note:

(i) The derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(b) Market risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and loss. The following table sets forth, as at 31 December 2012 and 31 December 2011, the results of the Group's foreign exchange rate sensitivity analysis on the assets and liabilities at the same date.

	2012 Change in foreign currency exchange rate (in basis point)		2011 Change in foreign currency exchange rate (in basis point)	
	(100)	**100**	(100)	100
(Decrease)/increase in annualized profit (in millions of RMB)	**(17)**	**17**	(28)	28

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rates against RMB, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net foreign exchange gain and loss resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk arises when the Group is unable to receive sufficient funds in a timely manner cost-effectively to meet the bank's customers deposit withdrawals due and expansion of the bank asset base. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities; customers may withdraw in advance, or concentrate their withdrawals.

The Group has implemented overall liquidity risk management on the entity level. The headquarters has the responsibility for developing the whole Group's liquidity risk policies, strategies, and implements centralised management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by holding liquid assets (including deposits at PBOC, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The Group regularly or irregularly stress tests its liquidity position.

In terms of measuring liquidity risk, the Group principally uses liquidity gap analysis. Different scenarios are applied to assess the impact on liquidity for proprietary trading and client businesses.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The following tables indicate the analysis by remaining maturity for the assets and liabilities as at the end of the reporting period.

The Group

	2012						
	Repayable on demand	Within three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	Total
Assets							
Cash and balances with central banks	68,890	—	—	—	—	359,277	428,167
Deposits with banks and non-bank financial institutions	45,739	175,306	14,514	1,032	—	—	236,591
Placements with banks and non-bank financial institutions	15	103,588	48,133	45	—	22	151,803
Financial assets held under resale agreements	—	60,689	6,467	1,926	—	—	69,082
Investment classified as receivables	—	14,490	34,625	7,320	—	—	56,435
Loans and advances to customers (note(ii))	6,334	354,102	725,780	270,407	263,325	7,628	1,627,576
Investments	389	28,538	71,501	161,729	81,300	2,825	346,282
Others	6,631	9,622	5,395	1,179	520	20,656	44,003
Total assets	127,998	746,335	906,415	443,638	345,145	390,408	2,959,939
Liabilities							
Deposits from banks and non-bank financial institutions	52,467	246,983	70,658	—	—	—	370,108
Placements from banks and non-bank financial institutions	321	13,565	3,278	730	—	—	17,894
Financial assets sold under repurchase agreements	—	11,666	66	—	—	—	11,732
Deposits from customers	1,135,792	469,344	463,224	184,632	2,149	—	2,255,141
Debts securities issued	—	3,644	5,744	4,984	42,030	—	56,402
Others	15,255	3,284	8,951	12,926	2,218	2,942	45,576
Total liabilities	1,203,835	748,486	551,921	203,272	46,397	2,942	2,756,853
(Short)/Long position	(1,075,837)	(2,151)	354,494	240,366	298,748	387,466	203,086

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Group (continued)

	2011						
	Repayable on demand	Within three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	Total
Assets							
Cash and balances with central banks	65,610	—	—	—	—	300,781	366,391
Deposits with banks and non-bank financial institutions	27,421	341,836	17,278	—	—	—	386,535
Placements with banks and non-bank financial institutions	—	108,922	42,060	—	—	22	151,004
Financial assets held under resale agreements	—	155,703	4,055	2,453	—	—	162,211
Loans and advances to customers (note(ii))	3,551	257,878	619,927	278,386	246,130	4,907	1,410,779
Investments	5,479	25,157	62,904	102,434	54,531	2,883	253,388
Others	7,018	6,792	3,812	1,481	494	15,976	35,573
Total assets	109,079	896,288	750,036	384,754	301,155	324,569	2,765,881
Liabilities							
Deposits from banks and non-bank financial institutions	56,558	469,311	9,677	—	—	—	535,546
Placements from banks and non-bank financial institutions	—	3,082	759	835	—	—	4,676
Financial assets sold under repurchase agreements	—	9,650	156	—	—	—	9,806
Deposits from customers	1,011,927	444,673	381,810	116,887	12,754	—	1,968,051
Debts securities issued	—	2,108	7,453	2,338	21,831	—	33,730
Others	16,973	4,541	5,617	4,766	1,023	2,371	35,291
Total liabilities	1,085,458	933,365	405,472	124,826	35,608	2,371	2,587,100
(Short)/Long position	(976,379)	(37,077)	344,564	259,928	265,547	322,198	178,781

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Bank

	2012						
	Repayable on demand	Within three months	Between three months and one year	Between one and five years	More than five years	Indefinite (note(i))	Total
Assets							
Cash and balances with central banks	68,473	—	—	—	—	358,413	426,886
Deposits with banks and non-bank financial institutions	43,472	176,406	14,514	1,032	—	—	235,424
Placements with banks and non-bank financial institutions	15	83,798	45,203	14	—	22	129,052
Financial assets held under resale agreements	—	60,739	6,467	1,926	—	—	69,132
Investment classified as receivables	—	14,490	34,625	7,320	—	—	56,435
Loans and advances to customers (note(ii))	5,942	333,232	699,619	249,409	246,080	7,466	1,541,748
Investments	389	21,765	67,618	158,142	80,872	10,223	339,009
Others	5,136	9,644	5,393	1,177	520	18,076	39,946
Total assets	123,427	700,074	873,439	419,020	327,472	394,200	2,837,632
Liabilities							
Deposits from banks and non-bank financial institutions	52,868	259,967	70,658	—	—	—	383,493
Placements from banks and non-bank financial institutions	—	12,169	3,024	730	—	—	15,923
Financial assets sold under repurchase agreements	—	11,175	66	—	—	—	11,241
Deposits from customers	1,102,193	414,404	446,331	183,505	2,149	—	2,148,582
Debts securities issued	—	—	—	—	38,470	—	38,470
Others	14,520	3,300	8,885	12,926	2,218	1,008	42,857
Total liabilities	1,169,581	701,015	528,964	197,161	42,837	1,008	2,640,566
(Short)/Long position	(1,046,154)	(941)	344,475	221,859	284,635	393,192	197,066

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Bank (continued)

	2011						
	Repayable on demand (note(i))	Within three months	Between three months and one year	Between one and five years	More than five years	Indefinite	Total
Assets							
Cash and balances with central banks	65,281	—	—	—	—	300,037	365,318
Deposits with banks and non-bank financial institutions	19,850	341,836	18,278	—	—	—	379,964
Placements with banks and non-bank financial institutions	—	90,177	35,336	—	—	22	125,535
Financial assets held under resale agreements	—	155,753	4,055	2,453	—	—	162,261
Loans and advances to customers (note(ii))	2,773	242,399	600,296	255,637	228,901	4,503	1,334,509
Investments	5,479	18,486	59,397	95,568	54,290	10,224	243,444
Others	5,335	6,791	3,845	1,484	494	13,008	30,957
Total assets	98,718	855,442	721,207	355,142	283,685	327,794	2,641,988
Liabilities							
Deposits from banks and non-bank financial institutions	58,479	470,274	12,057	—	—	—	540,810
Placements from banks and non-bank financial institutions	—	—	—	819	—	—	819
Financial assets sold under repurchase agreements	—	9,650	156	—	—	—	9,806
Deposits from customers	983,231	382,795	373,437	113,004	12,754	—	1,865,221
Debts securities issued	—	—	—	—	18,500	—	18,500
Others	15,626	4,425	5,651	4,769	1,023	1,045	32,539
Total liabilities	1,057,336	867,144	391,301	118,592	32,277	1,045	2,467,695
(Short)/Long position	(958,618)	(11,702)	329,906	236,550	251,408	326,749	174,293

Notes:

(i) For cash and balances with central banks, the indefinite period amount represents statutory deposit reserves and fiscal balances maintained with the PBOC. For placements with banks and non-bank financial institutions, loans and advances to customers and investments, the indefinite period amount represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

(ii) For loans and advances to customers, the indefinite period amount represents the balance being impaired or overdue for more than one month. The balances which are overdue within one month but not impaired are included in repayable on demand.

(iii) For financial assets at fair value through profit or loss, derivatives and available-for-sale financial assets, the remaining term to maturity does not represent the Group's intended holding period.

(Expressed in millions of Renminbi unless otherwise stated)

60 Financial risk management (Continued)

(d) Operational risk

Operational risk includes the risk of direct or indirect loss due to an event or action causing failure of technology, processes, infrastructure and personnel, and other risks having an operational impact.

The Group manages this risk through a control-based environment by establishing a framework of policies and procedures in order to identify, assess, control, manage and report risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. This has allowed the Group to identify and address the major operational risk inherent in all key products, activities, processes and systems. Key controls include:

— authorisation limits for various business activities to branches and functions are delegated after consideration of their respective business scope, risk management capabilities and credit approval procedures. Such authorities are revised on a timely basis to reflect changes in market conditions and business development and risk management needs;

— the use of the single legal responsibility framework and strict disciplinary measures in order to ensure accountability;

— systems and procedures to identify, control and report on the major risks: credit, market, liquidity and operational;

— promotion of a risk management culture throughout the organisation by building a team of risk management professionals, providing formal training and having an appraisal system in place, to raise the overall risk awareness among the Group's employees;

— cash management and account management are in compliance with the relevant regulations, and for improving training on anti-money laundering to ensure our staff are well-equipped with the necessary knowledge and basic skills;

— the review and approval by senior management of comprehensive financial and operating plans which are prepared by branches;

— the assessment of individual branches' financial performance against the comprehensive financial and operating plan; and

— the maintenance of contingent facilities (including backup systems and disaster recovery schemes) to support all major operations, especially back office operations, in the event of an unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain operational events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operation risk. Its management information system can record and store lost data and events of operation risk to further support operation risk control and self assessment, as well as monitor key risk indicators.

(Expressed in millions of Renminbi unless otherwise stated)

61 Capital Adequacy Ratio

Capital adequacy ratio management is the key part of the Bank's capital management. The Bank calculates and discloses capital adequacy ratios since 2004 in accordance with *Regulation Governing Capital Adequacy of Commercial Banks* issued by the CBRC in February 2004, which was amended by CBRC in July and November 2007, and other relevant guidelines. These guidelines may have significant differences with the relevant requirements in Hong Kong or other regions and countries. The capital of the Bank is analysed into core capital and supplementary capital. The core capital mainly includes paid-up share capital or ordinary shares, capital reserve, surplus reserve, retained earnings, and non-controlling interests, after the deduction of dividends declared after the reporting date, as well as deductions of 100% of goodwill and 50% of unconsolidated equity investments. Supplementary capital includes general provisions for loans and advances to customer, subordinated bonds issued and fair value change of financial assets.

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated debts/bonds issued included in the supplementary capital should not exceed 50% of the core capital. At the reporting date, the Group is fully compliant with the legal and regulatory requirements in this respect.

Capital adequacy ratio management is a core issue of capital management. The capital adequacy ratio reflects the Group's sound operations and risk management capability. The Group's capital adequacy ratio management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio.

The Group's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

The capital adequacy ratios of the Group as at 31 December 2012 and 2011 calculated based on the relevant regulations by in the PRC were as follows:

	2012	2011
Capital adequacy ratio (note(i))	**13.44%**	12.27%
Core capital adequacy ratio (note(ii))	**9.89%**	9.91%
Components of capital base		
Core capital:		
— Share capital	**46,787**	46,787
— Capital reserve, investment revaluation reserve and exchange difference	**47,183**	47,357
— Surplus reserve and general reserve	**47,035**	29,516
— Retained earnings (note(iii))	**50,333**	43,589
— Non-controlling interest	**4,730**	4,285
Total core capital	**196,068**	171,534
Supplementary capital:		
— General provision for loans	**27,643**	18,547
— Subordinated bonds issued	**43,901**	23,566
— Fair value change of financial assets	**—**	355
Total supplementary capital	**71,544**	42,468
Total capital base before deductions	**267,612**	214,002
Deductions:		
— Goodwill	**817**	818
— Unconsolidated equity investments	**2,206**	2,230
— Others	**1,148**	1,086
Total capital base after deductions	**263,441**	209,868
Core capital base after deductions	**193,982**	169,466
Risk weighted assets	**1,948,636**	1,702,165
Market risk capital	**942**	696

(Expressed in millions of Renminbi unless otherwise stated)

61 Capital Adequacy Ratio (Continued)

Note:

(i) Capital Adequacy Ratio ("CAR") equals to total capital base after deductions divided by the sum of risk weighted assets and 12.5 times of market risk capital.

(ii) Core capital adequacy ratio is calculated by dividing the core capital base after deductions by the sum of risk weighted assets and 12.5 times of market risk capital. The core capital base after deductions represents the net amount of core capital, which is after deduction of 100% of goodwill, 50% of unconsolidated equity investments, and other items.

(iii) The retained earnings are net of the cash dividend in respect of the year ended 31 December 2012 proposed by the Board of Directors which is subject to approval of the shareholders at the Annual General Meeting.

62 Fair value

(a) Financial assets

The Group's financial assets mainly include cash, amounts due from central bank, banks and other financial institutions, loans and advances to customers, investment classified as receivables and investments.

Amounts due from central banks, banks and other financial institutions, investment classified as receivables

Amounts due from central banks, banks and other financial institutions, investment classified as receivables are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Loans and advances to customers are repriced at market rates annually at least. Accordingly, their carrying values approximate the fair values.

Investments

Available-for-sale investments and trading debt securities are stated at fair value on the balance sheet. The carrying values and the fair values of held-to-maturity debt securities are presented in Note 28.

(b) Financial liabilities

The Group's financial liabilities mainly include amounts due to banks and other financial institutions, deposits from customers, certificate of deposit, other debt securities and subordinated bonds issued. The carrying values of financial liabilities approximated their fair values at the reporting date except as follows:

	The Group			
	Carrying values		Fair values	
	2012	2011	**2012**	2011
Certificate of deposit (not for trading purpose)	**11,593**	8,576	**11,621**	8,577
Other debt securities issued	**908**	322	**913**	322
Subordinated bonds issued	**43,901**	24,832	**42,007**	23,003

	The Bank			
	Carrying values		Fair values	
	2012	2011	**2012**	2011
Subordinated bonds issued	**38,470**	18,500	**36,422**	17,002

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments

The table below analyses financial instruments, measured at fair value in accordance with note 4(3)(f) by the level in the fair value hierarchy into which the fair value treatment is categorised:

	The Group			
	Level 1 (Note(i))	**Level 2 (Note(i))**	**Level 3 (Note(ii)~(iii))**	**Total**
As at 31 December 2012				
Assets				
Trading financial assets	**10**	**12,234**	**41**	**12,285**
Positive fair value of derivatives	**13**	**4,063**	**84**	**4,160**
Available-for-sale financial assets	**13,258**	**183,078**	**399**	**196,735**
Total	**13,281**	**199,375**	**524**	**213,180**
Liabilities				
Negative fair value of derivatives	**—**	**(3,295)**	**(117)**	**(3,412)**
Total	**—**	**(3,295)**	**(117)**	**(3,412)**

	The Group			
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)~(iii))	Total
As at 31 December 2011				
Assets				
Trading financial assets	113	8,037	40	8,190
Positive fair value of derivatives	12	4,639	32	4,683
Available-for-sale financial assets	15,178	118,836	390	134,404
Total	15,303	131,512	462	147,277
Liabilities				
Negative fair value of derivatives	—	(3,691)	(73)	(3,764)
Total	—	(3,691)	(73)	(3,764)

	The Bank			
	Level 1 (Note(i))	**Level 2 (Note(i))**	**Level 3 (Note(ii)~(iii))**	**Total**
As at 31 December 2012				
Assets				
Trading financial assets	**—**	**12,209**	**—**	**12,209**
Positive fair value of derivatives	**—**	**2,581**	**84**	**2,665**
Available-for-sale financial assets	**6,148**	**175,586**	**14**	**181,748**
Total	**6,148**	**190,376**	**98**	**196,622**
Liabilities				
Negative fair value of derivatives	**—**	**(2,560)**	**(117)**	**(2,677)**
Total	**—**	**(2,560)**	**(117)**	**(2,677)**

	The Bank			
	Level 1 (Note(i))	Level 2 (Note(i))	Level 3 (Note(ii)~(iii))	Total
As at 31 December 2011				
Assets				
Trading financial assets	—	7,899	—	7,899
Positive fair value of derivatives	—	2,970	32	3,002
Available-for-sale financial assets	6,081	110,629	15	116,725
Total	6,081	121,498	47	127,626
Liabilities				
Negative fair value of derivatives	—	(2,611)	(73)	(2,684)
Total	—	(2,611)	(73)	(2,684)

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments (Continued)

(i) During the current year, there were no significant transfer between Level 1 and Level 2 of the fair value hierarchy.

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

The Group

	Assets				Liabilities		
	Trading financial assets	Positive fair value of derivatives	Available-for-sale financial assets	Total	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	Total
As at 1 January 2012	40	32	390	462	—	(73)	(73)
Total gains or losses:							
— In profit or loss	1	61	—	62	—	(42)	(42)
— In other comprehensive income	—	—	12	12	—	—	—
Settlements	—	(9)	(3)	(12)	—	(2)	(2)
Exchange effect	—	—	—	—	—	—	—
As at 31 December 2012	41	84	399	524	—	(117)	(117)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (Note(iii))	1	61	—	62	—	(51)	(51)

	Assets				Liabilities		
	Trading financial assets	Positive fair value of derivatives	Available-for-sale financial assets	Total	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	Total
As at 1 January 2011	41	150	412	603	—	(184)	(184)
Total gains or losses:							
— In profit or loss	3	(113)	7	(103)	—	120	120
— In other comprehensive income	—	—	29	29	—	—	—
Settlements	(2)	(5)	(57)	(64)	—	(9)	(9)
Exchange effect	(2)	—	(1)	(3)	—	—	—
As at 31 December 2011	40	32	390	462	—	(73)	(73)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (Note(iii))	3	(14)	7	(4)	—	36	36

(Expressed in millions of Renminbi unless otherwise stated)

62 Fair value (Continued)

(c) Valuation of financial instruments (Continued)

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy: (continued)

The Bank

	Assets				Liabilities		
	Trading financial assets	Positive fair value of derivatives	Available-for-sale financial assets	Total	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	Total
As at 1 January 2012	—	32	15	47	—	(73)	(73)
Total gains or losses:							
— In profit or loss	—	61	—	61	—	(42)	(42)
— In other comprehensive income	—	—	2	2	—	—	—
Settlements	—	(9)	(3)	(12)	—	(2)	(2)
As at 31 December 2012	—	84	14	98	—	(117)	(117)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (Note(iii))	—	61	—	61	—	(51)	(51)

	Assets				Liabilities		
	Trading financial assets	Positive fair value of derivatives	Available-for-sale financial assets	Total	Financial liabilities designated at fair value through profit and loss	Negative fair value of derivatives	Total
As at 1 January 2011	—	150	60	210	—	(184)	(184)
Total gains or losses:							
— In profit or loss	—	(113)	7	(106)	—	120	120
Settlements	—	(5)	(52)	(57)	—	(9)	(9)
As at 31 December 2011	—	32	15	47	—	(73)	(73)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period (Note(iii))	—	(14)	7	(7)	—	36	36

(iii) In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain/(loss), net gain/(loss) arising from investment securities and impairment losses in the statement of comprehensive income.

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties

(a) Relationship of related parties

(1) Related parties of the Group include CITIC Group and its fellow entities, subsidiaries, joint ventures and associates of the Group as well as BBVA, which is a strategic investor of the Group.

(2) CITIC Group, the major shareholder of the Group, is a state-owned company established in Beijing in 1979. CITIC Group's core business covers financial services, industrial investments and business services in Mainland China and Overseas.

(3) According to the relevant requirements on information disclosures of listed companies issued by CSRC, all parties that hold more than 5% of a listed company's shares should be recognized as related parties of the company. BBVA is a multinational financial services company registered in Spain. BBVA is mainly engaged in retail banking, asset management, private banking and wholesale banking operations. BBVA held 15% of the Bank's share as of 31 December 2012 (2011: 15%) and therefore BBVA is recognised as a related party of the Group with significant influence.

(4) Besides the subsidiaries of the Bank mentioned in Note 31, CITIC Group is also a related party of the Bank that has control relations.

(b) Related party transactions

During the relevant years, the Group entered into transactions with related parties in the ordinary course of its banking business including lending, investment, deposit and off-balance sheet transactions. The banking transactions were priced at the relevant market rates prevailing at the time of each transaction. Transactions during the relevant years and the corresponding balances outstanding at the reporting dates are as follows:

	2012			
	Ultimate holding company and fellow entities	**BBVA**	**Associates**	**Subsidiaries Note (i)**
Profit and loss				
Interest income	**457**	**31**	**2**	**24**
Fee and commission income	**133**	**—**	**—**	**—**
Interest expense	**(1,203)**	**(124)**	**(2)**	**(369)**
Net trading (loss)/gain	**(17)**	**139**	**(22)**	**2**
Other service fees	**(305)**	**—**	**(2)**	**(86)**

	2011			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
Interest income	364	49	1	16
Fee and commission income	209	—	—	—
Interest expense	(1,748)	(128)	(2)	(51)
Net trading gain	49	74	32	1
Other service fees	(425)	(3)	—	(44)

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (Continued)

(b) Related party transactions (Continued)

	2012			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
Assets				
Gross loans and advances to customers	7,045	88	24	—
Less: individually assessed allowances for impairment loss	—	—	—	—
collectively assessed allowances for impairment loss	(68)	(1)	—	—
Loans and advances to customers (net)	6,977	87	24	—
Gross amount of deposits and placements with banks and non-bank financial institutions	30	2	—	1,121
Less: Allowances for impairment losses	(8)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	22	2	—	1,121
Investments	708	—	2,134	9,986
Financial assets held under resale agreements	—	—	—	50
Other assets	50	357	—	2
Liabilities				
Deposits from customers	39,960	—	705	18
Deposits and placements from banks and non-bank financial institutions	18,431	378	—	13,579
Debts securities issued	61	1,780	—	—
Financial assets sold under repurchase agreements	700	—	—	—
Other liabilities	76	145	—	2
Off-balance sheet items				
Guarantees and letters of credit	433	—	2	—
Acceptances	773	—	—	—
Guarantees received	35	—	—	291
Nominal amount of derivatives	4,325	21,412	—	63

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (Continued)

(b) Related party transactions (Continued)

	2011			
	Ultimate holding company and fellow entities	BBVA	Associates	Subsidiaries Note (i)
Assets				
Gross loans and advances to customers	5,350	186	162	—
Less: individually assessed allowances for impairment loss	—	—	—	—
collectively assessed allowances for impairment loss	(77)	(2)	—	—
Loans and advances to customers (net)	5,273	184	162	—
Gross amount of deposits and placements with banks and non-bank financial institutions	5,606	503	—	2,124
Less: Allowances for impairment losses	(8)	—	—	—
Deposits and placement with banks and non-bank financial institutions (net)	5,598	503	—	2,124
Investments	751	743	2,212	11,562
Financial assets held under resale agreements	—	—	—	50
Other assets	133	258	—	3
Liabilities				
Deposits from customers	21,954	410	854	209
Deposits and placements from banks and non-bank financial institutions	20,534	—	—	5,342
Debts securities issued	2,624	2,249	—	—
Financial assets sold under repurchase agreements	8,000	—	—	—
Other liabilities	178	189	—	38
Off-balance sheet items				
Guarantees and letters of credit	818	2,664	—	—
Acceptances	471	—	—	—
Guarantees received	55	32	—	290
Nominal amount of derivatives	6,465	22,318	—	63

Notes:

(i) The related party transactions between the Bank and the subsidiaries and among the subsidiaries are eliminated on consolidation.

(Expressed in millions of Renminbi unless otherwise stated)

63 Related parties (Continued)

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group enters into banking transactions with key management personnel and their close family members and those companies controlled or significantly influenced by them in the normal course of business. Other than those disclosed as below, there are no material transactions and balances between the Group and these individuals or those companies controlled or significantly influenced by them.

The aggregate amount of relevant loans outstanding as at 31 December 2012 to directors, supervisors and executive officers amounted to RMB 20.72 million (as at 31 December 2011: RMB 22.86 million).

The aggregate of the compensations in respect of directors and supervisors is disclosed in Note 13. The executive officers' compensations during the years are as follows:

	2012 **RMB'000**	2011 RMB'000
Salaries and other emoluments	**5,349.5**	4,614
Discretionary bonuses	**10,394.0**	19,998
Contributions to defined contribution retirement schemes	**1,247.7**	1,216
	16,991.2	25,828

(d) Contributions to defined contribution retirement schemes and supplementary retirement benefits

The Group has established a supplementary defined contribution plan for its qualified employees. The plan is administered by CITIC Group. The Group pays supplementary retirement benefits for its qualified employees in Mainland China (Note 43(iii)).

(e) Transactions with other state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations ("state-owned entities").

Transactions with other state-owned entities include but are not limited to the following:

- lending and deposit taking;
- taking and placing of inter-bank balances;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by other state-owned entities;
- purchase, sale and leases of property and other assets; and
- rendering and receiving of utilities and other services.

63 Related parties (Continued)

(e) Transactions with other state-owned entities in the PRC (Continued)

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

64 Ultimate parent

The Bank's controlling shareholder, CITIC Group has restructured its corporate structure with the establishment of a wholly-owned subsidiary, CITIC Limited on 27 December 2011, and the subsequent transfer of a majority of its assets into CITIC Limited (the "Restructuring"). Upon completion of the Restructuring, the shares of the Bank will be held by CITIC Limited which will in turn be wholly-owned by CITIC Group. Up to February 2013, the relevant regulatory approval for the change of the Bank's controlling shareholder has been obtained and the registration has been finished.

65 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2012

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements.

- Amendments to IFRS 7, *Financial instruments: Disclosures,* " Offsetting financial assets and financial liabilities"
- Amendments to IAS 32, *Financial instruments: Presentation* "Offsetting financial assets and financial liabilities"
- Amendments to IAS 1, *Presentation of financial statements;* "Presentation of items of other comprehensive income";
- IFRS 9 *Financial instruments*
- IFRS 10 *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Revised IAS 19, *Employee benefits*
- IAS 27 (2011), *Separate financial statements*
- IAS 28 (2011), *Investments in associates and joint ventures*
- Annual Improvements to IFRSs 2009 — 2011 Cycle

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and also covers the related requirements set out in SIC 12 Consolidation — Special Purpose Entities. IFRS 10 sets out new requirements and guidance on the principle of control, which will require management to exercise judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent. The Group is currently assessing the impact of this standard on its financial position or performance.

(Expressed in millions of Renminbi unless otherwise stated)

65 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2012 (Continued)

Besides the IFRS 10, the Group is in the process of making assessment of what the impact of other developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for IFRS 9, Financial instruments, which may have an impact on the Group's results and financial position. The Group has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impact on the Group's results and financial position has not been quantified.

66 Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

67 Events after the reporting date

Up to the date of this report, the Group had no material events that require disclosure in or adjustments of these financial statements after the reporting date.

(Expressed in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the audited financial statements, and is included herein for information purposes only.

1 Difference between the financial statements prepared in accordance with IFRSs and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation (the "Bank") prepares consolidated financial statements, which includes the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2012 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the net profit for the year ended 31 December 2012 or total equity as at 31 December 2012 between the Group's consolidated financial statements prepared in accordance with IFRSs and that prepared in accordance with PRC GAAP respectively.

2 Liquidity ratios

	31 December 2012	31 December 2011
RMB current assets to RMB current liabilities	**48.85%**	58.97%
Foreign currency current assets to foreign currency current liabilities	**86.48%**	96.55%

The above liquidity ratios were calculated based on the financial statements under PRC GAAP with reference to the revised formula issued by the China Banking Regulatory Commission (the "CBRC") in 2006.

3 Currency concentrations

	31 December 2011			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**179,361**	**62,392**	**9,452**	**251,205**
Spot liabilities	**(173,048)**	**(70,762)**	**(29,579)**	**(273,389)**
Forward purchases	**226,954**	**28,569**	**50,316**	**305,839**
Forward sales	**(227,130)**	**(7,694)**	**(30,600)**	**(265,424)**
Options	**(7,523)**	**70**	**131**	**(7,322)**
Net (short)/long position	**(1,386)**	**12,575**	**(280)**	**10,909**

	31 December 2011			
	US Dollars	HK Dollars	Others	Total
Spot assets	131,848	64,631	9,172	205,651
Spot liabilities	(96,906)	(63,810)	(21,219)	(181,935)
Forward purchases	167,992	21,317	33,557	222,866
Forward sales	(197,183)	(10,089)	(21,783)	(229,055)
Options	(89)	—	5	(84)
Net long/(short) position	5,662	12,049	(268)	17,443

(Expressed in millions of Renminbi unless otherwise stated)

4 Cross-border claims

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

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

Cross-border claims include loans and advances, balances and placements with banks and other financial institutions, holding of trade bills and certificates of deposit and investment securities.

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

	31 December 2012			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**20,008**	**167**	**9,685**	**29,860**
— of which attributed to Hong Kong	**11,569**	**67**	**4,895**	**16,531**
Europe	**3,187**	**52**	**662**	**3,901**
North and South America	**18,055**	**203**	**1,482**	**19,740**
Total	**41,250**	**422**	**11,829**	**53,501**

	31 December 2011			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	11,970	172	10,840	22,982
— of which attributed to Hong Kong	3,711	68	5,426	9,205
Europe	16,469	2	2,267	18,738
North and South America	8,233	235	1,618	10,086
Total	36,672	409	14,725	51,806

(Expressed in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical sectors

	31 December 2012 Gross loans and advances	Loans and Advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	**436,743**	**2,155**	**2,581**
Yangtze River Delta	**427,019**	**3,565**	**5,275**
Pearl River Delta and West Strait	**226,989**	**2,374**	**2,244**
Central	**223,232**	**547**	**625**
Western	**213,609**	**376**	**492**
Northeastern	**53,108**	**485**	**715**
Outside Mainland China	**82,201**	**280**	**323**
Total	**1,662,901**	**9,782**	**12,255**

	31 December 2011 Gross loans and advances	Loans and Advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	379,024	2,206	2,208
Yangtze River Delta	375,635	1,250	2,191
Pearl River Delta and West Strait	196,103	1,189	2,125
Central	187,201	265	542
Western	176,879	251	493
Northeastern	46,425	150	481
Outside Mainland China	72,770	290	501
Total	1,434,037	5,601	8,541

Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and has been identified:

— individually; or

— collectively: that is portfolios of homogeneous loans and advances.

(Expressed in millions of Renminbi unless otherwise stated)

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(i) Gross overdue amounts due from banks and other financial institutions

	31 December 2012	31 December 2011
Gross amounts due from banks and other financial institutions which have been overdue	**45**	30
As a percentage of total gross amounts due from banks and other financial institutions	**0.01%**	0.01%

(ii) Gross amounts of overdue loans and advances to customers

	31 December 2012	31 December 2011
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	**2,991**	528
— between 6 and 12 months	**2,401**	552
— over 12 months	**4,390**	4,521
Total	**9,782**	5,601
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.18%**	0.04%
— between 6 and 12 months	**0.14%**	0.04%
— over 12 months	**0.26%**	0.31%
Total	**0.58%**	0.39%

— The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

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

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

— As at 31 December 2012, the loans and advances to customers of RMB 8,133 million (2011: 4,551 million) and RMB 1,649 million (2011: 1,050 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans were RMB 1,963 million (2011: 964 million) and RMB 6,170 million (2011: 3,587 million) respectively. The fair value of collaterals held against these individually assessed loans and advances was RMB 2,243 million (2011: 1,182 million). The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realization experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB 5,043 million (2011: 3,374 million).

7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 31 December 2012, over 90% of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the financial statements.

Reference for Shareholders

Information on Shares

Listing

On 27 April 2007, the Bank was simultaneously listed on SSE and SEHK.

Ordinary Shares

The number of issued and outstanding shares of the Bank is 46,787,327,034, including 31,905,164,057 A-shares and 14,882,162,977 H-shares.

Dividends

The Board of Directors proposes to distribute final cash dividend of RMB1.50 (pre-tax) for every 10 shares, which is subject to the approval by shareholders at the 2012 Annual General Meeting.

Stock Code and Stock Name

A-share	
SSE	601998 CNCB
Reuters	601998.SS
Bloomberg	601998 CH
H-share	
SEHK	0998 CITIC Bank
Reuters	998.HK
Bloomberg	998 HK

Shareholders' Inquiry

If shareholders have any inquiry about the shares they hold, such as share transfer, "street name" shares, address change and loss of share certificate, please post mails to the following addresses:

A-share
China Securities Depository and Clearing Corporation Limited Shanghai Branch
China Insurance Building, No. 166 Lu Jia Zui East Road, Pudong New District,
Shanghai
Tel: +86-21-68870142

H-share
Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre, No. 183 Queen's Road East, Wan Chai,
Hong Kong
Tel: +852-2865 8555
Fax: +852-2865 0990
E-mail: hkinfo@computershare.com.hk

Credit Rating

Ratings by Moody's Investors Service: Baa2 for long-term deposits, P-2 for short-term deposits, D for financial strength; and stable for prospect.

Ratings by Fitch ratings: BBB for issuer long-term default rating, b+ for survival rating, 2 for support rating and stable for prospect.

Index Constituent Stock

A-share Index of SSE
SSE 180 Index
SSE Composite Index
SSE Corporate Governance Index
New SSE Composite
Index Shanghai-Shenzhen 300 Index
SZSE 100 INDEX
China Securities Index 100 Index
China Securities Index 800 Index

Investors' Inquiry

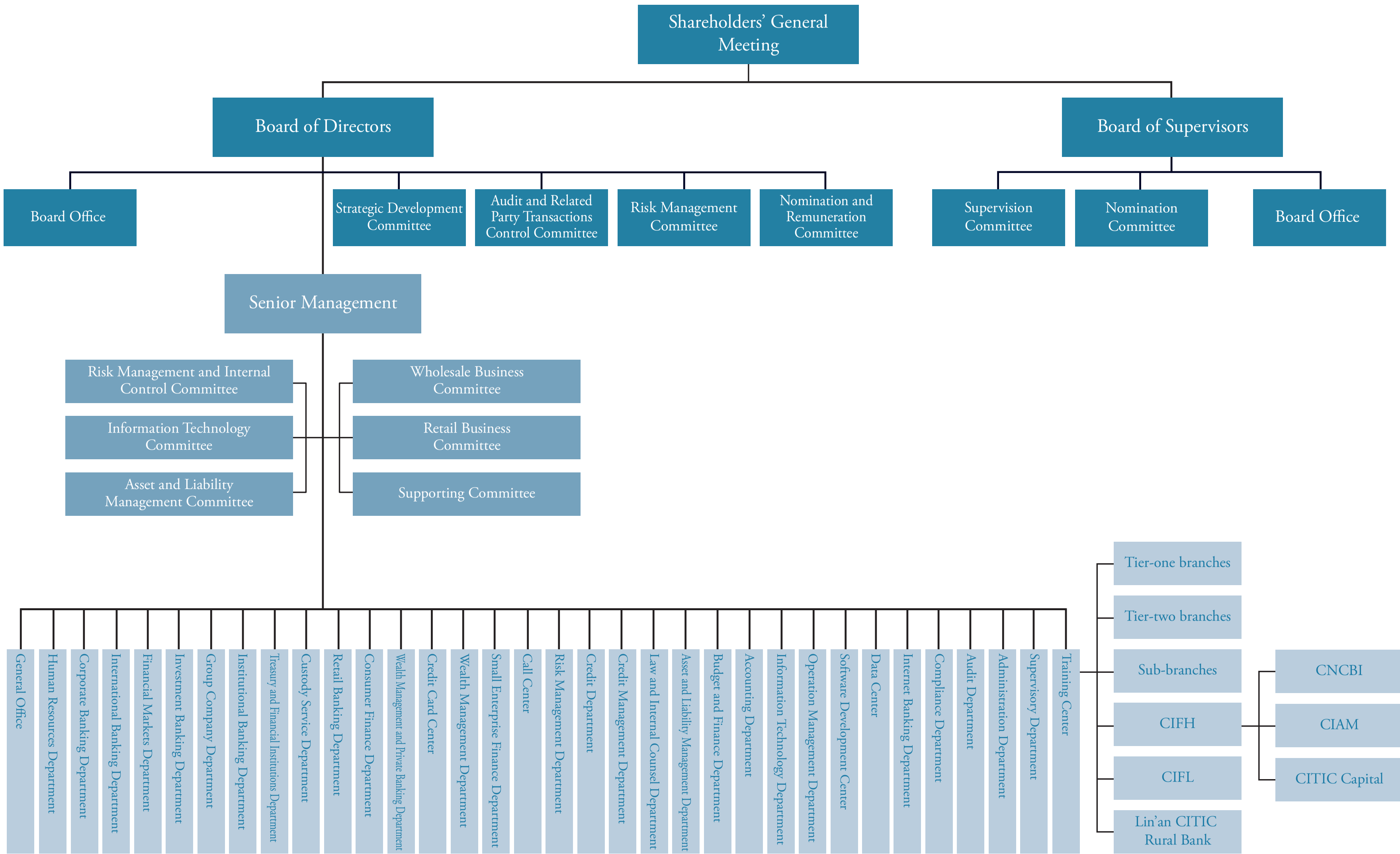
For any inquiry, H-share investors may contact:
Investor Relations Team of China CITIC Bank Corporation Limited
Address: Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing
Tel: +86-10-65558000
Fax: +86-10-65550809
E-mail: ir_cncb@citicbank.com

Other Information

This annual report is available in both the Chinese and English languages. To obtain copies of the annual report prepared in accordance with the international financial reporting standards, please write to Computershare Hong Kong Investor Services Limited, the Bank's H-share Registrar. For copies of the annual report prepared in accordance with the PRC accounting standards, please visit places of business of the Bank. This annual report is also available (in both Chinese and English) on the following websites: bank.ecitic.com, www.sse.com.cn, and www.hkexnews.hk.

Should you have any queries about how to obtain copies of this annual report or how to access the annual report on the Bank's website, please call the Bank's hotline at +86-10-65558000 or +852-28628555.

Corporate Structure



List of Domestic and Overseas Affiliates

As at the end of the reporting period, the Bank had 885 branch outlets and entities in 102 large and medium-sized cities in China (excluding Hong Kong SAR), consisting of 36 tier-one branches (directly managed by the Head Office), 60 tier-two branches and 789 sub-branches; as well as one domestic subsidiary and two overseas subsidiaries.

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
1	Beijing	1	Head Office	Address: Block C, Fuhua Mansion, No. 8 Chaoyangmen Beidajie, Dongcheng District, Beijing Postal Code: 100027 Website: http://www.ecitic.com SWIFT BIC: CIBKCNBJ	Tel: 010-65558888 Fax: 010-65550801 Hotline: 95558
		57	Beijing branch	Address: Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing Postal Code: 100140	Tel: 010-66211769 Fax: 010-66211770
2	Tianjin	30	Tianjin Branch	Address: No. 14, Nanjing Road, Hexi District, Tianjin Postal Code: 300042	Tel: 022-23028880 Fax: 022-23028800
3	Hebei Province	37			
	Shijiazhuang	23	Shijiazhuang Branch	Address: No. 209, Xinhua East Road, Shijiazhuang, Hebei Province Postal Code: 050000	Tel: 0311-87884438 Fax: 0311-87884436
	Tangshan	9	Tangshan Branch	Address: No. 46, Xinhua West Road, Tangshan, Hebei Province Postal Code: 063000	Tel: 0315-3738508 Fax: 0315-3738522
	Baoding	3	Baoding Branch	Address: No. 733, Yuhua West Road, Baoding Postal Code: 071000	Tel: 0312-2081598 Fax: 0312-5881160
	Handan	2	Handan Branch	Address: No. 183, Lianfang East Road, Handan Postal Code: 056004	Tel: 0310-7050655 Fax: 0310-7050655
4	Liaoning Province	62			
	Shenyang	20	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	Tel: 024-31510456 Fax: 024-31510234
	Dalian	22	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116001	Tel: 0411-82821868 Fax: 0411-82804126
	Anshan	8	Anshan Branch	Address: No. 35, Wuyi Road, Tiedong District, Anshan, Liaoning Province Postal Code: 114001	Tel: 0412-2211988 Fax: 0412-2230815
	Fushun	5	Fushun Branch	Address: No. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province Postal Code: 113001	Tel: 0413-3886701 Fax: 0413-3886711
	Huludao	6	Huludao Branch	Address: No. 50, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province Postal Code: 125001	Tel: 0429-2808185 Fax: 0429-2800885
	Yingkou	1	Yingkou Branch	Address: No. 8, Yinggang Road, Bayu District, Liaoning Province Postal Code: 115007	Tel: 0417-8208988 Fax: 0417-8208989

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
5	Shanghai	40	Shanghai Branch	Address: Aurora Plaza, No. 99. Fucheng Road, Pudong New District, Shanghai Postal Code: 200120	Tel: 021-58771111 Fax: 021-58776606
6	Jiangsu Province	88			
	Nanjing	20	Nanjing Branch	Address: No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	Tel: 025-83799181 Fax: 025-83799000
	Suzhou	22	Suzhou Branch	Address: No. 258, Zhuhui Road, Suzhou, Jiangsu Province Postal Code: 215006	Tel: 0512-65190307 Fax: 0512-65198570
	Wuxi	17	Wuxi Branch	Address: No. 112, Renmin Road, Wuxi, Jiangsu Province Postal Code: 214031	Tel: 0510-82707177 Fax: 0510-82709166
	Changzhou	9	Changzhou Branch	Address: Boai Plaza, No. 72, Boai Road, Changzhou, Jiangsu Province Postal Code: 213003	Tel: 0519-88108833 Fax: 0519-88107020
	Yangzhou	8	Yangzhou Branch	Address: No. 171, Weiyang Road, Yangzhou, Jiangsu Province Postal Code: 225300	Tel: 0514-87890717 Fax: 0514-87890531
	Taizhou	6 1	Taizhou Branch	Address: No. 15, Gulou Road, Taizhou Postal Code: 225300	Tel: 0523-86399111 Fax: 0523-86399120
	Nantong	4	Nantong Branch	Address: Nantong Tower, No. 20, Central Renmin Road, Nantong, Jiangsu Province Postal Code: 226001	Tel: 0513-81120909 Fax: 0513-81120900
	Zhenjiang	2	Zhenjiang Branch	Address: No. 11, Changjiang Road, Zhenjiang, Jiangsu Province Postal Code: 212001	Tel: 0511-89886201 Fax: 0511-89886200
7	Zhejiang Province	85			
	Hangzhou	26	Hangzhou Branch	Address: No. 88, Yan'an Road, Hangzhou, Zhejiang Province Postal Code: 310002	Tel: 0571-87032888 Fax: 0571-87089180
	Ningbo	19	Ningbo Branch	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	Tel: 0574-87733065 Fax: 0574-87973742
	Wenzhou	10	Wenzhou Branch	Address: Building 2, North Quarter, Nature City Garden Phase II, Shifu Road, Wenzhou Postal Code: 325000	Tel: 0577-88858466 Fax: 0577-88858575
	Jiaxing	9	Jiaxing Branch	Address: No. 639, East Zhongshan Road, Jiaxing, Zhejiang Province Postal Code: 314000	Tel: 0573-82097693 Fax: 0573-82093454
	Shaoxing	9	Shaoxing Branch	Address: No. 289, West Renmin Road, Shaoxing, Zhejiang Province Postal Code: 312000	Tel: 0575-85227222 Fax: 0575-85110428
	Taizhou	5	Taizhou Branch	Address: No. 489, Shifu Avenue, Taizhou, Zhejiang Province Postal Code: 318000	Tel: 0576-81889666 Fax: 0576-88819916
	Lishui	2	Lishui Branch	Address: No.1, Zijin Road, Lishui, Zhejiang Province Postal Code: 323000	Tel: 0578-2082977 Fax: 0578-2082985
	Yiwu	5	Yiwu Branch	Address: No. 100, Huangyuan Road, Yiwu, Zhejiang Province Postal Code: 322000	Tel: 0579-85378838 Fax: 0579-85378817

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
8	Anhui Province	23			
	Hefei	15	Hefei Branch	Address: No. 78, Huizhou Avenue, Hefei, Anhui Province Postal Code: 230001	Tel: 0551-2622426 Fax: 0551-2625750
	Wuhu	3	Wuhu Branch	Address: X1-X4, West Jing Street, No. 8, Jinghu Road, Wuhu Postal Code: 241000	Tel: 0553-3888685 Fax: 0553-3888685
	Anqing	1	Anqing Branch	Address: No. 101, Zhongxing Road, Anqing, Anhui Province Postal Code: 246005	Tel: 0556-5280606 Fax: 0556-5280605
	Bengbu	2	Bengbu Branch	Address: No. 859, Caifu Plaza, Tushan East Road, Bengbu, Anhui Province Postal Code: 233000	Tel: 0552-2087000 Fax: 0522-2087000
	Chuzhou	1	Chuzhou Branch	Address: No.79 West Langya Road, Chuzhou City, Anhui Province Postal Code: 239000	Tel: 0550-3529558 Fax: 0550-3529559
	Maonshan	1	Maonshan Branch	Address: No.1177 Central Huxi Road, Maonshan City, Anhui Province Postal Code: 243000	Tel: 0555-2773228 Fax: 0555-2773217
9	Fujian Province	44			
	Fuzhou	18	Fuzhou Branch	Address: No. 99, Hudong Road, Fuzhou Postal Code: 350001	Tel: 0591-87538066 Fax: 0591-87537066
	Xiamen	13	Xiamen Branch	Address: CITIC Bank Building (Huijing City), No. 81, West Hubin Road, Xiamen, Fujian Province Postal Code: 361001	Tel: 0592-2995685 Fax: 0592-2389037
	Quanzhou	7	Quanzhou Branch	Address: Building of the People's Bank of China, Fengze Street, Quanzhou, Fujian Province Postal Code: 362000	Tel: 0595-22148687 Fax: 0595-22148222
	Putian	3	Putian Branch	Address: 1/F & 2/F, Phoenix Building, No. 81, Licheng Avenue, Chengxiang District, Putian, Fujian Province Postal Code: 351100	Tel: 0594-2853280 Fax: 0594-2853260
	Zhangzhou	2	Zhangzhou Branch	Address: 1/F -4/F, Yiqun Building, West Shengli Road, Zhangzhou Postal Code: 363000	Tel: 0596-2995568 Fax: 0596-2995207
	Longyan	1	Longyan Branch	Address: No. 153, Fushan International Center, Denggao West Road, Xinluo District, Longyan, Fujian Province Postal Code: 364000	Tel: 0597-2956510 Fax: 0597-2956500
10	Shandong Province	68			
	Jinan	14	Jinan Branch	Address: CITIC Plaza, No. 150, Leyuan Street, Jinan, Shandong Province Postal Code: 250011	Tel: 0531-86911315 Fax: 0531-86929194
	Qingdao	22	Qingdao Branch	Address: No. 22, Mid Hong Kong Road, Qingdao, Shandong Province Postal Code: 266071	Tel: 0532-85022889 Fax: 0532-85022888
	Zibo	7	Zibo Branch	Address: No. 109, Xincun West Road, Zhangdian District, Zibo, Shandong Province Postal Code: 2210138	Tel: 0533-3169875 Fax: 0533-2210138
	Yantai	6	Yantai Branch	Address: No. 207, Shengli Road, Zhifu District, Yantai, Shandong Province Postal Code: 264001	Tel: 0535-6611030 Fax: 0535-6611032
	Weihai	8	Weihai Branch	Address: No. 2, North Qingdao Road, Weihai, Shandong Province Postal Code: 264200	Tel: 0631-5336802 Fax: 0631-5314076
	Jining	5	Jining Branch	Address: No. 28, Gongxiao Road, Jining, Shandong Province Postal Code: 272000	Tel: 0537-2338888 Fax: 0537-2338888
	Weifang	2	Weifang Branch	Address: No. 246 East Shengli Street, Kuiwen District, Weifang, Shandong Province Postal Code: 261041	Tel: 0536-8056002 Fax: 0536-8056002
	Dongying	3	Dongying Branch	Address: No. 128, Fuqian Avenue, Dongcheng, Dongying, Shandong Province Postal Code: 257091	Tel: 0546-7922255 Fax: 0546-8198666
	Linyi	1	Linyi Branch	Address: No.138 Linyi Road, Linyi Economic Development Zone, Shandong Province Postal Code: 276034	Tel: 0539-8722768 Fax: 0539-8722765

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
11	Henan Province	34			
	Zhengzhou	22	Zhengzhou Branch	Address: No. 26, North Jingsan Road, Zhengzhou, Henan Province Postal Code: 450018	Tel: 0371-55588888 Fax: 0371-55588555
	Luoyang	5	Luoyang Branch	Address: No. 2, Nanchang Road, Jianxi District, Luoyang, Henan Province Postal Code: 454000	Tel: 0391-8768282 Fax: 0391-8789969
	Jiaozuo	2	Jiaozuo Branch	Address: No. 1736, Tanan Road, Jiaozuo, Henan Province Postal Code: 471000	Tel: 0379-64682858 Fax: 0379-64682875
	Nanyang	2	Nanyang Branch	Address: Intersection of Meixi Road & Zhongzhou Road, Nanyang, Henan Province Postal Code: 473000	Tel: 0377-61628299 Fax: 0377-61628299
	Anyang	2	Anyang Branch	Address: Anyang Workers' Cultural Palace, No. 30, Jiefang Avenue, Anyang, Henan Province Postal Code: 455000	Tel: 0372-5998026 Fax: 0377-5998086
	Pingdingshan	1	Pingdingshan Branch	Address: F/1-2, Phase II of Pingan Yi Yuan, Middle Miners' Road, Pingdingshan City, Henan Province Postal Code: 467000	Tel: 0375-2195558 Fax: 0375-2195574
12	Hubei Province	28			
	Wuhan	24	Wuhan Branch	Address: No. 747, Hankou Construction Avenue, Wuhan, Hubei Province Postal Code: 430015	Tel: 027-85355111 Fax: 027-85355222
	Xiangfan	3	Xiangfan Branch	Address: No. 1, Paopu Street, South People's Square, Xiangfan, Hubei Province Postal Code: 441000	Tel: 0710-3454199 Fax: 0710-3454166
	Yichang	1	Yichang Branch	Address: No. 2 Meianchangdi Office Wing, Floor 1 & 2, Xilinyi Road, Xilin District, Yichang, Hubei Province Postal Code: 443000	Tel: 0717-6495558 Fax: 0717-6433689
13	Hunan Province	24			
	Changsha	23	Changsha Branch	Address: No. 456, Wuyi Street, Changsha, Hunan Province Postal Code: 410011	Tel: 0731-84582177 Fax: 0731-84582179
	Hengyang	1	Hengyang Branch	Address: No. 38, Jiefangdadao, Huaxin Development Zone, Hengyang, Hunan Province Postal Code: 421001	Tel: 0734-8669859 Fax: 0734-8669899

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
14	Guangdong Province	97			
	Guangzhou	28	Guangzhou Branch	Address: CITIC Plaza, No. 233, North Tianhe Road, Guangzhou, Guangdong Province Postal Code: 510613	Tel: 020-87521188 Fax: 020-87520668
	Foshan	7	Foshan Branch	Address: No. 140, Central Fenjiang Road, Foshan, Guangdong Province Postal Code: 528000	Tel: 0757-83989999 Fax: 0757-83309903
	Shenzhen	29	Shenzhen Branch	Address: 5/F–7/F, CITIC Tower, CITIC Plaza, No. 1093, Mid Shennan Road, Shenzhen, Guangdong Province Postal Code: 518031	Tel: 0755-25942568 Fax: 0755-25942028
	Dongguan	24	Dongguan Branch	Address: Nanfeng Center, No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province Postal Code: 523070	Tel: 0769-22667888 Fax: 0769-22667999
	Jiangmen	3	Jiangmen Branch	Address: 1/F–2/F, Gladden Hotel, No. 188 Fazhan Avenue, Beixin District, Jiangmen, Guangdong Province Postal Code: 529000	Tel: 0750-3939016 Fax: 0750-3939029
	Huizhou	2	Huizhou Branch	Address: 1/F & 5/F, Dalong Building (Phase II), No. 2 Wenhua 1st Road, Jiangbei, Huizhou, Guangdong Province Postal Code: 516000	Tel: 0752-2898837 Fax: 0752-2898851
	Zhuhai	1	Zhuhang Branch	Address: No. 1, Guanhaimingju Floor 1 &2, Jidajingshan Road, Xiangzhou District, Zhuhai, Guangdong Province Postal Code: 519015	Tel: 0756-3292936 Fax: 0756-3292956
	Zhongshan	2	Zhongshan Branch	Address: No. 82, Dixing Plaza 2, Zhongshansi Road, Zhongshan, Guangdong Province Postal Code: 528400	Tel: 0760-88668318 Fax: 0760-88668315
	Zhaoqing	1	Zhaoqing Branch	Address: No.06, 07 & 08, F/1, Integrated Building for Self Use, No. 9 Hengyuhai Bay, Xinghu Avenue, Zhaoqing City, Guangdong Province Postal Code: 526040	Tel: 0758-2312888 Fax: 0758-2109113
15	Chongqing	20	Chongqing Branch	Address: Block B, Chongqing International Trade Center, No. 56, Qingnian Road, Yuzhong District, Chongqing Postal Code: 400010	Tel: 023-63107677 Fax: 023-63107527
16	Sichuan Province	29			
	Chengdu	29	Chengdu Branch	Address: Huaneng Building Annex, No. 47, 4th Section, South Renmin Road, Wuhou District, Chengdu, Sichuan Province Postal Code: 610041	Tel: 028-85258888 Fax: 028-85258898
17	Yunnan Province	24			
	Kunming	20	Kunming Branch	Address: Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province Postal Code: 650021	Tel: 0871-3648666 Fax: 0871-3648667
	Qujing	2	Qujing Branch	Address: 1/F-2F, Block B, Jinsui Phase III, No. 310, West Nanning Road, Qilin District, Qujing, Yunnan Province Postal Code: 655000	Tel: 0874-3119536 Fax: 0874-3115696
	Dali	3	Dali Branch	Address: 1/F, Meideng Hotel, No. 116, Cangshan Road, Economic Development Zone, Dali, Yunnan Province Postal Code: 671000	Tel: 0872-2323278 Fax: 0872-2323278

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
18	Guizhou Province	3			
	Guiyang	3	Guiyang Branch	Address: Fuzhong International Plaza, No. 126, Xinhua Road, Guiyang, Guizhou Province Postal Code: 550002	Tel: 0851-5587009 Fax: 0851-5587377
19	Gansu Province	7			
	Lanzhou	7	Lanzhou Branch	Address: No. 638, West Donggang Road, Lanzhou, Gansu Province Postal Code: 730000	Tel: 0931-8890600 Fax: 0931-8890699
20	Shaanxi Province	23			
	Xi'an	20	Xi'an Branch	Address: CITIC Tower, No. 89, North Chang'an Road, Xi'an, Shaanxi Province Postal Code: 710061	Tel: 029-87820018 Fax: 029-87817025
	Baoji	1	Baoji Branch	Address: No 50, Caifu Plaza B, Gaoxindadao, Baoji, Shaanxi Province Postal Code: 721013	Tel: 0917-3158818 Fax: 0917-3158807
	Weinan	1	Weinan Branch	Address: Xinda Plaza, Shijimingzhu Plaza, Chaoyangdajie, Weinan, Shaanxi Province Postal code: 714000	Tel: 0913-2089610 Fax: 0913-2089606
	Yulin	1	Yulin Branch	Address: Yulin Office Building for Pension Procedures, Changxing Road, Yulin Economic Development Zone, Shaanxi Province Postal code: 719000	Tel: 0912-8193815 Fax: 0912-8160016
21	Shanxi Province	11			
	Taiyuan	10	Taiyuan Branch	Address: Block A, Princes' Palace Commercial Building, No. 9, Fuxi Street, Taiyuan, Shanxi Province Postal Code: 030002	Tel: 0351-3377040 Fax: 0351-3377000
	Datong	1	Datong Branch	Address: 1/F-3/F, 19-21 Podium Building, Yu Hua Di Jing, Intersection of Yuhe West Road & Pingcheng East Street, Datong, Shanxi Province Postal Code: 037008	Tel: 0352-2513800 Fax: 0352-2513779
22	Jiangxi Province	9			
	Nanchang	8	Nanchang Branch	Address: Tower A, No. 16, Hengmao Guoji Huacheng, No. 333, South Square Road, Nanchang Postal Code: 330003	Tel: 0791-6660109 Fax: 0791-6660107
	Pingxiang	1	Pingxiang Branch	Address: Yun Yuan Building, No.16, East Jianshe Road, Pingxiang, Jiangxi Province Postal Code: 337000	Tel: 0799-6890078 Fax: 0799-6890005
23	Inner Mongolia Autonomous Region	10			
	Hohhot	6	Hohhot Branch	Address: No. 68, Xinhua Avenue, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010020	Tel: 0471-6664933 Fax: 0471-6664933
	Baotou	2	Baotou Branch	Address: No. 64, Youyi Avenue, Rare-Earth Hi-Tech Industrial Development Zone, Baotou, Inner Mongolia Autonomous Region Postal Code: 014030	Tel: 0472-5338909 Fax: 0472-5338929
	Erdos	2	Erdos Branch	Address: CITIC Bank Tower, North Tianjiao Road, Dongsheng District, Erdos, Inner Mongolia Autonomous Region Postal Code: 017000	Tel: 0477-8188000 Fax: 0477-8188002

Serial Number	Administrative Region	Number of Branches	Major Branches/Offices	Address	Telephone and Fax
24	Guangxi Zhuang Autonomous Region	11			
	Nanning	8	Nanning Branch	Address: No. 36-1, Shuangyong Road, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	Tel: 0771-5569881 Fax: 0771-5569889
	Liuzhou	2	Liuzhou Branch	Address: No. 7, South Side of Guizhong Avenue, Liuzhou, Guangxi Zhuang Autonomous Region Postal Code: 545026	Tel: 0772-2083625 Fax: 0772-2083622
	Qinzhou	1	Qinzhou Branch	Address: No. 10, Xingfuyuan Shidaimingcheng, South Building Floor 1 to 3, Yongfu West Road, Qinzhou, Guangxi Postal Code: 535000	Tel: 0777-2366139 Fax: 0777-3253388
25	Heilongjiang Province	7			
	Harbin	7	Harbin Branch	Address: No. 233, Hongqi Avenue, Xiangfang District, Harbin, Heilongjiang Province Postal Code: 150090	Tel: 0451-55558112 Fax: 0451-53995558
26	Jilin Province	8			
	Changchun	8	Changchun Branch	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130041	Tel: 0431-81910011 Fax: 0431-81910123
27	Xinjiang Uighur Autonomous Region	5			
	Urumqi	5	Urumqi Branch	Address: CITIC Bank Tower, No.165, North Xinhua Road, Urumqi Postal Code: 830002	Tel: 0991-2365966 Fax: 0991-2365888
28	Hainan Province	1			
	Haikou	1	Haikou Branch	Address: F/1-3, Banshan Hua Yuan, No.1 Middle Jinmao Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	Tel: 0898-68578310 Fax: 0898-68578364
29	Hong Kong Special Administrative Region	2			
		1	China Investment and Finance Limited	Address: Room 2106, 21/F, Tower 2, Lippo Centre, No. 89, Queensway, Hong Kong	Tel: +852-25212353 Fax: +852-28017399
		1	CITIC International Financial Holdings Limited	Address: Room 2701-9, 27/F, CITIC Tower 1 Tim Mei Avenue, Central, Hong Kong	Tel: +852-36073000 Fax: +852-25253303
30	Zhejiang Province Lin'an	1	Zhejiang Lin'an CITIC Rural Bank	Address: No. 777, Shijing Street, Jincheng Road, Lin'an, Zhejiang Province Postal Code: 311300	Tel: 0571-61109006 Fax: 0571-61106889

Definition

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Bank/Company/China CITIC Bank/CITIC Bank/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 (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.

In this report, geographical regions, as defined for description about business breakdown and loan distribution by location, are as follows:

"Yangtze River Delta" refers to the following areas where tier-1 branches of the Bank are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an CITIC Rural Bank;

"Pearl River Delta and West Strait" refers to the following areas where tier-1 branches of the Bank are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen and Haikou;

"Bohai Rim" refers to the following areas where tier-1 branches of the Bank are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and Tangshan;

"Central" region refers to the following areas where tier-1 branches of the Bank are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

"Western" region refers to the following areas where tier-1 branches of the Bank are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang and Lanzhou;

"Northeastern" region refers to the following areas where tier-1 branches of the Bank are located: Shenyang, Changchun and Harbin;

"Head Office" refers to the headquarter of the Bank, the Credit Card Center, the Auto Finance Center and the Private Banking Center; and

"Hong Kong" includes all the operations of CIFL, CIFH and their respective subsidiaries.

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