



**中国光大银行**  
CHINA EVERBRIGHT BANK

**China Everbright Bank Company Limited**

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

STOCK CODE : 6818



**2013 ANNUAL REPORT**

## Important Notice

The Board of Directors, Board of Supervisors and Directors, Supervisors and Senior Management of the Company hereby warrant the authenticity, accuracy and completeness of the contents of this report and there are no false representations, misleading statements or material omissions, and jointly and severally accept full responsibility for the information in this report.

In accordance with the profit distribution plan of the Company for the year, the Company will distribute a cash dividend of RMB1.72 (before tax) for every 10 shares to all shareholders, totaling RMB8,028,804,300. Please refer to the "Report of the Board of Directors" for details.

The 18th Meeting of the Sixth Session of the Board of Directors of the Company was held in Beijing on March 28, 2014, at which the 2013 Annual Report of the Company was considered and approved. 12 out of 14 eligible Directors attended the meeting. Mr. Wu Qing, Director and Mr. Zhou Daojiong, Independent Non-Executive Director did not attend the meeting in person due to other official duties. Mr. Luo Zhefu, Director and Mr. Zhang Xinze, Independent Non-Executive Director were authorized to attend the meeting and exercise the voting right on their behalf respectively.

The financial statements of the Company for the year 2013 were prepared in accordance with the PRC Accounting Standards and Accounting Regulations for Business Enterprises promulgated by the Ministry of Finance, and its supplementary regulations ("PRC GAAP") and the International Financial Reporting Standards ("IFRS") and were audited by KPMG Huazhen (Special General Partnership) and KPMG, respectively. Both auditors issued standard unqualified audit reports.

Forward-looking statements such as future plans of the Company mentioned in this report do not constitute actual commitments of the Company to the investors. Investors are cautioned against the investment risks.

In this report, "We/we", the "Company", "Bank", "our Company" "Whole Bank" and "China Everbright Bank" refer to China Everbright Bank Company Limited, and the "Group" refers to China Everbright Bank Company Limited and its subsidiaries.

Unless otherwise stated, all monetary sums stated in this annual report are expressed in Renminbi/RMB.

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## Definition and Glossary

**(I) In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:**

The Ministry of Finance	:	the Ministry of Finance of the People's Republic of China
Central Bank	:	People's Bank of China
CBRC	:	China Banking Regulatory Commission
CSRC	:	China Securities Regulatory Commission
CIC	:	China Investment Corporation
CHI	:	Central Huijin Investment Ltd.
Everbright Group	:	China Everbright (Group) Corporation
SSE	:	Shanghai Stock Exchange
HKSE	:	The Stock Exchange of Hong Kong Limited

**(II) The following glossary contains explanations of certain terms used in connection with business of the Company to facilitate the understanding of investors.**

“New Share Express” or “Xin Gu Tong” is a financial product exclusively designed for the customers to subscribe and purchase new shares on the premise of effective risk control.

“Sunshine E-Loan” is a pledge loan business. Through the online pledge of his/her collaterals including deposits (saved in home or foreign currency) or certificate treasury bonds, the customer can complete the electronic and networked loan procedures including application, approval, issuance and withdrawal, etc.

“Yaoyao E-Payment” is a mobile phone application platform independently designed and developed by the Bank to provide customers with a variety of convenient payment services. It has advantages such as payment diversity, wide coverage and no limitation in bank card categories.

## Significant Risk Warning

The Bank has disclosed herein the major risks involved in its operations and the proposed risk management measures in this report. Please refer to the “Management Discussion and Analysis” in the “Report of the Board of Directors” for details.

# Company Profile

## I. Basic Information

- (I) Registered Chinese Company Name: 中國光大銀行股份有限公司 (Abbreviation: 中國光大銀行 or 光大銀行)  
Registered English Company Name: CHINA EVERBRIGHT BANK COMPANY LIMITED  
(Abbreviation: CEB BANK)
- (II) Legal Representative: Tang Shuangning  
President: Zhao Huan
- (III) Secretary to the Board of Directors, Company Secretary: Lu Hong  
Assistant to Company Secretary: Lee Mei Yi  
Securities Matters Representative: Li Jiayan  
Contact Address: China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing  
Postcode: 100033  
Tel: 010-63636363  
Fax: 010-63636713  
E-mail: IR@cebbank.com  
Investor hotline: 010-63636388
- (IV) Registered Address: Beijing  
Office Address: China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing  
Postcode: 100033  
Website: www.cebbank.com  
E-mail: IR@cebbank.com
- (V) Branch and Principal Place of Business in Hong Kong: Room E, 40/F, Far East Finance Center, No. 16, Harcourt Road, Hong Kong
- (VI) Newspaper and Website Designated for Information Disclosure:  
Mainland China: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily  
Website designated by CSRC for publication of A share annual report:  
SSE's website: www.sse.com.cn  
Company's website: www.cebbank.com  
Website for publication of H share annual report:  
HKSE's website: www.hkex.com.hk  
Company's website: www.cebbank.com  
Copies of annual report are available at: Office of the Board of Directors of the Bank
- (VII) Stock exchanges for listing:  
A share: SSE  
Abbreviated name: Everbright Bank;  
Stock code: 601818  
H share: HKSE  
Abbreviated name: CEB BANK;  
Stock code: 6818

(VIII) Registration:

Initial registration date: June 18, 1992

Initial registration place: Beijing

Initial registration authority: Enterprise Registration Bureau of the State Administration for Industry & Commerce of the People's Republic of China

Date of change of registration: March 9, 2011

Change of registration place: China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing

Business license registration number for enterprise legal person: 100000000011748

Code of financial authority: B0007H111000001

Tax registration No: 110102100011743

Code of organization: 10001174-3

(IX) Changes of major business and substantial shareholders of the Company since its listing of A shares

There was no change in major business and substantial shareholders of the Company since listing of its A shares.

(X) Auditors

Domestic Auditors: KPMG Huazhen (Special General Partnership)

Office Address: 8/F, Office Tower E2, Oriental Plaza, Beijing;

Certified public accountants for signature: Jin Naiwen, Huang Aizhou

Overseas Auditors: KPMG

Office Address: 8/F, Prince's Building, No. 10, Charter Road, Central, Hong Kong

(XI) A Share Legal Advisor: Jun He Law Offices

H Share Legal Advisor: Herbert Smith Freehills LLP

(XII) A Share Depository: Shanghai Branch, China Securities Depository and Clearing Corporation Limited

Office address: 36/F, China Insurance Building, No. 166, Lujiazui East Road, Pudong New District, Shanghai

H Share Registrar: Computershare Hong Kong Investor Services Limited

Office address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong

(XIII) H Shares Compliance Advisor

China International Capital Corporation Hong Kong Securities Limited

Office address: 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

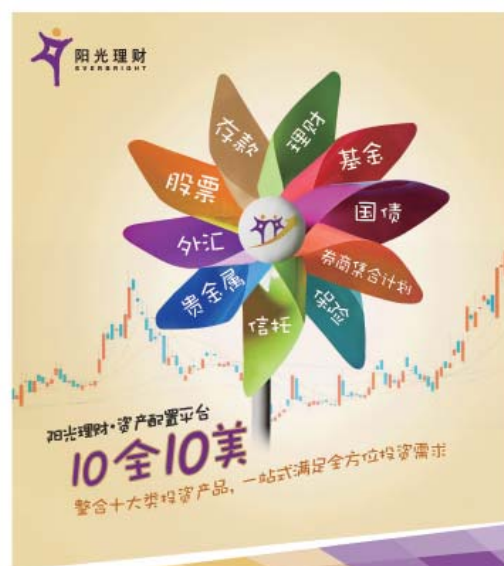
## Honors and Awards



1. In January 2013, 2012 Financial Industry Innovation and Development Forum & Annual Awards Ceremony jointly sponsored by JRJ.com and PBC School of Finance, Tsinghua University, was held in Beijing. The Bank won the Best Social Responsibility Award, the Best Brand Marketing Award, the Best Cash Management Bank Award and the Best Credit Card Brand Award.
2. As at the Fifth Gold Wealth Management Award Ceremony sponsored by Shanghai Securities News in January 2013, the Bank's "Sunshine Smart" was rated as 2012 China Best Wealth Management Brand, New Share Express was rated as Best RMB Financial Product, and "Water Cellar for Mothers • Love Credit Card" was rated as "Best Public Welfare Credit Card".
3. In January 2013, the Award Party of Celebrating the 20th Anniversary of China International Exhibition on Financial Banking Technology & Equipment was held by its organizing committee in Beijing, and the Bank won the Best Service Award.
4. In January 2013, the First Seminar on Electronic Payment Development mainly sponsored by xinhuanet.com and China Financial Certification Authority was held in Beijing. The Bank's E-banking won the "E-banking Payment Brand Most Trusted by Netizens" Award. In November, the prize-giving ceremony of 2012-2013 China Financial Excellence Award jointly organized by the Economic Observer and International Finance Research Center of Central University of Finance and Economics was held in Beijing. The Bank won the Annual Excellent E-banking Award. In December, the Bank won the Annual Best E-banking Award at the 2013 China E-Banking Annual Conference held by China Financial Certification Authority (CFCA) in Beijing.
5. In January 2013, the Bank won the 2012 Most Promising Bank Award at the 2012 Grand Ceremony for Financial Institutions Influencing China held by Tencent in Beijing.
6. In March 2013, the Ministry of Finance comprehensively evaluated the agent banks which opened the business of centralized collection and payment by the state treasury in 2012. The Bank's business of authorized payment of central finance and business of non-tax revenue collection won first place, with the direct payment business ranking second. The Bank had thus become the first agent bank with three "excellent" agent businesses since the comprehensive evaluation by the Ministry of Finance.
7. In the event of China Talent Development Fund Award held by Specialized Committee of Financial Talent of China Talent Research in April 2013, the Bank's "employee mentor system" won the China Financial Talents Development Innovation Award; in November, "employee mentor system" was rated as Best Talent Training Practice Case by CSTD China Training and Development Association.



8. As at the Gold Bull Wealth Management Forum & 2012 Gold Bull Financial Product Award Ceremony held by *China Securities Journal* in May 2013, the Bank won the Gold Bull Wealth Management Bank Award, and the Gold Bull Bank Financial Product Award with the “Sunshine Smart T Plan” series of products.
9. In May 2013, the Bank won the Excellent Board of Directors Award and the Most Innovative Board Secretary Award during the Ninth “Gold Prize of Round Table” of Chinese Boards of Listed Companies sponsored by the *Directors & Boards magazine*.
10. During the “Asia-Pacific Excellent Financial Retail Services Award” event organized by *The Asian Banker* in May 2013, the Bank won the 2013 China Best Wealth Management Product Award.
11. In June 2013, *21st Century Business Herald* released the results of the Sixth Golden Shell Award of China Asset Management. The Bank won the 2013 Most Promising Private Bank Award.
12. In June 2013, the Bank won the “2013 China Low-carbon Model” title at the 2013 China Low-carbon Model Enterprise Forum & Award Ceremony sponsored by *the Economic Observer* and Economic Observer Research Institute.
13. At the 2013 Banking Industry Development Forum & First Comprehensive Evaluation of Banks sponsored by Sina.com in July 2013, the Bank won the Innovative Private Bank Award.
14. In July 2013, 2012 Annual Report of the Bank won the Best Vision Award granted by the LACP (League of American Communications Professionals) after evaluating the annual reports of listed companies for 2012 thanks to its integration of traditional and modern design.
15. In August 2013, the Bank won the Outstanding Pension Contribution Award granted by the Specialized Committee of Pension Business of China Banking Industry.
16. In October 2013, the Award Ceremony of 2013 China Best Brand Building Cases jointly sponsored by *21st Century Business Herald* and the integrated brand consulting group Interbrand was held in Shanghai. “Yaoyao E-Payment” innovation brand of the Bank won the Excellence Award.
17. The Bank won the Outstanding Bank Card Contribution Award at the Meeting of Specialized Bank Card Committee of China Banking Association in November 2013.
18. As at the Award Ceremony of 2013 China Small and Micro Banking Forum & Ranking of Commercial Banks organized by *National Business Daily* in November 2013, the Bank’s small and micro banking business won the “Small and Micro Banking Vanguard Award”.
19. In November 2013, the Bank won the Best Cash Management Innovation Award and the Best Enterprise Annuity Service Award granted by the CFO magazine after selecting 2013 Chinese Banks Most Trusted by CFO.
20. In November 2013, the Bank was selected as one of 2013 Top 10 Commercial Banks Supporting the Development of SMEs in China at the 8th Annual Conference of Chinese SMEs organized by Chinese Association for Small & Medium Commercial Enterprises and the Organizing Committee for Annual Conference of Chinese SMEs.
21. In December 2013, the Bank won such titles as 2013 Most Respected Bank, 2013 China Best Retail Bank, 2013 China Best Financial Product – Most Stable Product under Sunshine Smart Management Plan of China Everbright Bank, and 2013 Most Innovative Credit Card at the Sixth Award Ceremony for Most Respected Banks organized by *Money Weekly*.
22. In December 2013, the Bank won the 2013 Asset Management Business Innovation Award at the 21st Century Asian Financial Annual Conference & Insurance Competitiveness Ranking Report Release Ceremony of Asian Banks 2013 sponsored by the *21st Century Business Herald*.
23. In December 2013, the Bank was rated as 2013 Most High-net-worth Private Bank at the Cicada Award ceremony held by *China Times*.
24. In December 2013, the Bank won the Award for Top 100 Demonstration Banks with Outstanding Contributions to Civilized and Standardized Services in 2013 granted by China Banking Association.



#### 阳光理财·资产配置平台

依托先进的金融理论模型，结合光大团队专业的投资建议，为您提供最稳健的资产配置策略，提供最佳理财规划建议，完善您的财富布局，规划您的美好人生。

产品库：囊括全球十大类投资产品，丰富资产配置品种，一站式满足您的投资需求。  
资产配置功能：把握市场变化，合理配置资产，调整投资组合，实现财富增值。

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**Tang  
Shuangning**  
Chairman

## Chairman's Message

For China Everbright Bank, 2013 was an extraordinary year, which I would like to elaborate with three V words.

The first V word is victory. It was represented by the progress in the Bank's size, quality, performance and innovation. In particular, the inauguration of the Bank's Hong Kong Branch in February, 2013 marked its first step towards internationalization, while the Bank's H-share listing in December, 2013, which was the last mega-sized IPO in Hong Kong of the year, enhanced the Bank's capital base. Proud of these two milestones in Hong Kong, the Bank would like to express its heartfelt thanks to all people who made it possible.

The second V word refers to a V-shaped reversal. The outset of 2013 witnessed the breakthrough in the restructuring of Everbright Group (the Bank's parent company) and the implementation of its new development strategy. In the mid of 2013 an unexpected incident triggered an acid test for the Bank's reputation and business. With calm and resolution, the Bank turned crisis into opportunities and finally got listed on the Hong Kong stock market with "speed of light" at the end of the year. This V-shaped reversal shall be attributed to the support and assistance of all parties involved and my gratitude is beyond words.

“ The first V word is victory. It was represented by the progress in the Bank’s size, quality, performance and innovation. In particular, the inauguration of the Bank’s Hong Kong Branch in February, 2013 marked its first step towards internationalization, while the Bank’s H-share listing in December, 2013, which was the last mega-sized IPO in Hong Kong of the year, enhanced the Bank’s capital base. Proud of these two milestones in Hong Kong, the Bank would like to express its heartfelt thanks to all people who made it possible. ”

The third V word is vision. Knowing that both opportunities and challenges are still ahead, the Bank is taking new strides. In 2014, by taking advantage of the restructuring of Everbright Group, the Bank will further improve its governance and seek balanced progress in innovation, growth, quality and performance, so as to deliver maximized value of the Bank to its shareholders and the society.

The three V words about the Bank are presented above and your kind attention is greatly appreciated

*Chairman*



**Zhao Huan**

President

## President's Message

In 2013, despite the complicated economic conditions, the Bank was committed to embedding its development strategy, through speeding up its structure adjusting, taking steps in business repositioning, and enhancing risk management effectiveness. Meanwhile, the Bank was determined to strengthen its capability in innovation, optimize its resource allocation and improve its operation efficiency. As a result, 2013 has seen a continuous and healthy business growth of the Bank.

As at the end of 2013, the Group recorded the total assets of RMB2,415.086 billion, up by 5.96% year on year, profit before tax of RMB34.421 billion with the net profit of RMB26.754 billion, up by 13.27% from 2012. Its capital adequacy ratio stood at 10.57%, and core tier-1 capital adequacy ratio at 9.11%. Its provision coverage ratio was 241.02%, with the provision-to-loan ratio at 2.07%. The Bank met its operation target of continued business growth, robust control of risks and stable liquidity.

In an effort to replenish its capital, the Bank successfully got listed on the Hong Kong Exchange on December 20, 2013, issuing a total of 6,244 million shares (including the exercise of Over-allotment Option in January 2014) and raising proceeds of HKD24.852 billion. The H share listing has significantly improved the Bank's capital strength, laying a solid foundation for its sustainable development in the future.

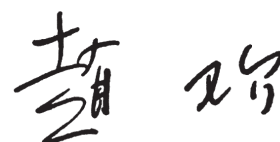
In 2013, the Bank focused on its retail banking business, small and micro financing business and E-banking business, marking new progress in its business transformation with higher fee-based income. In addition, the Bank promoted technological innovation, with the launching of the innovated service platforms such as funds collection, mobile phone

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payment, Yaoyao E-Payment and WeChat Banking. As a result, the Bank won a number of awards, such as the Most Innovative Bank of the Year, the Most Respected Bank, and the Best E-banking of the Year. The Bank further expanded its footprint with the establishment of Hong Kong Branch, its first branch outside of the China mainland, and Huai'an Village Bank, the second of its kind, with additional 8 tier-2 branches and 70 outlets. It emphasized risk prevention and mitigation and improved its internal control and governance system, leading to better risk management capabilities. As a responsible corporate citizen, the Bank followed through on its social responsibility activities such as the “Sunshine Service” and the “Water Cellar for Mothers”, which helped to raise its brand values.

In 2014, the Bank will continue to optimize its business structure and deepen the reform of business systems in order to increase the driving force for its organic growth. The Bank will also continue to strengthen its risk prevention and mitigation abilities to ensure its safe and stable operations, while it will enhance innovation and technology support for the making of the most innovative bank in China with a more meaningful development.

*President*



# Summary of Accounting Data and Financial Indicators

## I. Key financial data and indicators

	2013	2012	Change (%)	2011	2010	2009
<b>Operation performance (RMB million)</b>						
Net interest income	50,862	50,263	1.19	39,440	30,423	19,602
Net fee and commission income	14,952	9,479	57.74	6,973	4,709	3,157
Operating income	65,527	60,070	9.08	46,198	35,728	24,259
Operating expenses	(26,473)	(22,685)	16.70	(18,289)	(15,126)	(13,736)
Impairment losses on assets	(4,633)	(5,795)	-20.05	(3,698)	(3,491)	(2,360)
Profit before tax	34,421	31,590	8.96	24,211	17,111	10,492
Net profit	26,754	23,620	13.27	18,085	12,794	7,643
Net profit attributable to equity shareholders of the Bank	26,715	23,591	13.24	18,068	12,791	7,643
<b>Scale indicators (RMB million)</b>						
Net loans and advances to customers	1,142,138	997,331	14.52	868,782	760,555	632,151
Net investment	493,057	478,384	3.07	161,214	187,431	137,597
Total assets	2,415,086	2,279,295	5.96	1,733,346	1,483,950	1,197,696
Deposits from customers	1,605,278	1,426,941	12.50	1,225,278	1,063,180	807,703
Total liabilities	2,262,034	2,164,973	4.48	1,637,196	1,402,487	1,149,575
Equity attributable to equity shareholders of the Bank	152,839	114,178	33.86	96,035	81,365	48,106
Share capital	46,277	40,435	14.45	40,435	40,435	33,435
<b>Per share (in RMB)</b>						
Net asset per share	3.30	2.82	17.02	2.38	2.01	1.44
Basic and diluted earnings per share	0.66	0.58	13.51	0.45	0.36	0.26
<b>Profitability indicators (%)</b>						
Return on average total assets	1.14	1.18	-0.04 percentage point	1.12	0.95	0.75
Return on weighted average equity of shareholders	21.48	22.54	-1.06 percentage point	20.44	20.99	19.43
Net interest spread	1.96	2.34	-0.38 percentage point	2.30	2.06	1.87
Net interest margin	2.16	2.54	-0.38 percentage point	2.49	2.17	1.97
Proportion of fee and commission income in operation income	22.82	15.78	+7.04 percentage point	15.09	13.18	13.05
Cost-to-income ratio	31.84	30.19	+1.65 percentage point	32.12	35.53	39.69

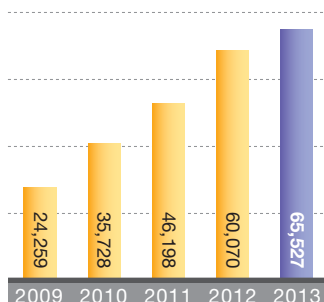
	2013	2012	Change (%)	2011	2010	2009
<b>Capital adequacy indicators (%)</b>						
Core capital adequacy ratio	9.63	8.00	+1.63 percentage point	7.89	8.15	6.84
Capital adequacy ratio	11.31	10.99	+0.32 percentage point	10.57	11.02	10.39
Proportion of total equity in total assets	6.34	5.02	+1.32 percentage point	5.55	5.49	4.02
<b>Asset quality indicators (%)</b>						
Non-performing loan ratio	0.86	0.74	+0.12 percentage point	0.64	0.75	1.25
Provision coverage ratio	241.02	339.63	-98.61 percentage point	367.00	313.38	193.99
Provision-to-loan ratio	2.07	2.53	-0.46 percentage point	2.36	2.34	2.43

Note: Capital adequacy was calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks (released by the CBRC on December 28, 2006).

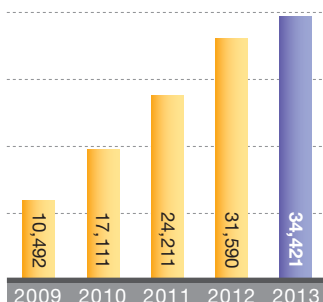
## Summary of Accounting Data and Financial Indicators

**Operating income**

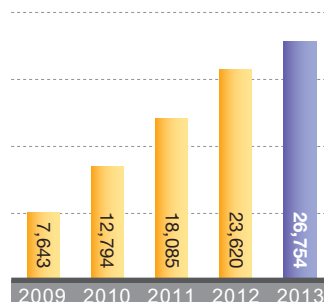
Unit: RMB million

**Profit before tax**

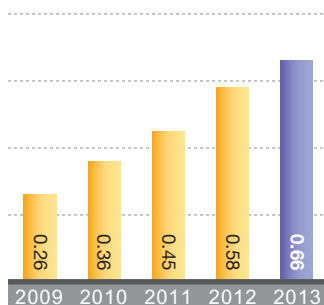
Unit: RMB million

**Net profit**

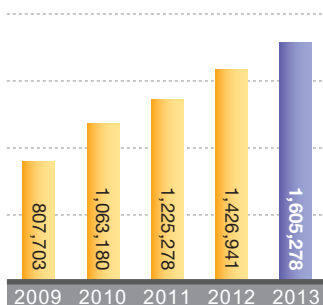
Unit: RMB million

**Basic and diluted earnings per share**

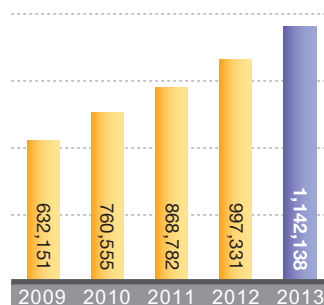
Unit: RMB

**Deposits from customers**

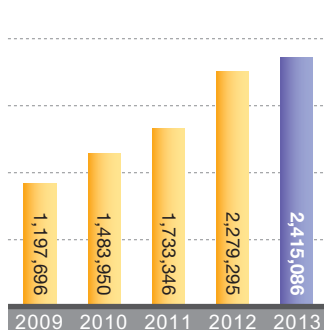
Unit: RMB million

**Net loans and advances to customers**

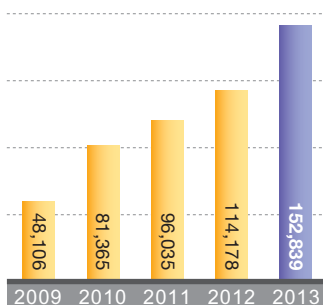
Unit: RMB million

**Total assets**

Unit: RMB million

**Equity attributable to equity shareholders of the Bank**

Unit: RMB million



## II. Supplementary Financial Indicators

Unit: %

Item	Standard value	December 31, 2013	December 31, 2012	December 31, 2011	
Liquidity ratio	Renminbi	≥25	33.12	51.25	37.67
	Foreign currency	≥25	59.65	45.88	70.94
Loan to deposit ratio	RMB	≤75	72.06	71.50	72.28
	Currencies converted into Renminbi	≤75	72.59	71.52	71.67
Loan exposure to single largest customer	≤10	3.70	4.39	5.58	
Loan exposure to top ten customers	≤50	18.92	23.73	31.34	

Note: The above indicators are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the corresponding period.



### III. Capital Composition under New Measures

Capital adequacy ratios calculated in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)* (released by the CBRC on June 7, 2012) are as follows:

Unit: RMB million, %

Item	December 31, 2013	
	Consolidated	Non-consolidated
1. Net capital base	175,351	173,178
1.1 Core tier-1 capital	153,037	152,090
1.2 Core tier-1 capital deductions	(1,920)	(2,742)
1.3 Net core tier-1 capital	151,117	149,348
1.4 Other tier-1 capitals	4	—
1.5 Other tier-1 capital deductions	—	—
1.6 Net tier-1 capital	151,121	149,348
1.7 Tier-2 capital	24,230	23,830
1.8 Tier-2 capital deductions	—	—
2. Credit risk weighted asset	1,546,021	1,530,287
3. Market risk weighted asset	5,749	5,749
4. Operational risk weighted asset	107,091	106,041
5. Total risk weighted assets	1,658,861	1,642,077
6. Core tier-1 capital adequacy ratio	9.11	9.10
7. Tier-1 capital adequacy ratio	9.11	9.10
8. Capital adequacy ratio	10.57	10.55

- Note:
- In accordance with the relevant provisions as stipulated in Articles 174 and 175 of the *Regulation Governing Capital of Commercial Banks (Provisional)*, hereinafter referred to as the “*Provisional Regulation*”), commercial banks, during the compliance transition period, should calculate and disclose the consolidated and non-consolidated capital adequacy ratios according to the *Regulation Governing Capital Adequacy of Commercial Banks* and the *Provisional Regulation*, and make clear relevant information disclosure contents. The above are relevant data and information of consolidated and non-consolidated capital adequacy ratios calculated in accordance with the *Provisional Regulation*.
  - All domestic and overseas branches, as well as invested financial institutions within the scope of consolidated management in accordance with the *Provisional Regulation*, should calculate the consolidated capital adequacy ratios. The invested financial institutions within the scope of consolidated management include Everbright Financial Leasing Co., Ltd., Shaoshan Everbright Village Bank Co., Ltd., and Jiangsu Huai’an Everbright Village Bank Co., Ltd.
  - Core tier-1 net capital = Core tier-1 capital — Core tier-1 capital deductions; Net tier-1 capital = Net core tier-1 capital + Other tier-1 capitals — Other tier-1 capital deductions; Total net capital = Net tier-1 capital + Tier-2 capital — Tier-2 capital deductions.
  - As at the end of the reporting period, the aggregate amount of risk exposure of the Bank’s credit risk asset portfolio after mitigation was RMB2,735,572 million.
  - Please refer to the website of the Bank for details of the capital composition.

# Report of the Board of Directors

## I. Management Discussion and Analysis

### (I) Review of Main Work during the Reporting Period

#### 1. Strengthened structural adjustment and promoted development of key businesses

The Bank continued to steadily develop the corporate businesses, persisted in modeled operation, expanded the supply chain finance, and enhanced the integrated service capability for major customers. We highlighted the development of retail business and enhanced the profitability of retail business. We adjusted the credit portfolio structure and gave priority to medium, small and micro businesses in our loan quota allocation. Moreover, the Bank vigorously developed the small and micro banking, attracted more small and micro business customers, and improved the overall contribution of small and micro business customers as well as actively developed E-banking business, and promoted development of online banking and mobile banking. We also optimized the income structure by developing the businesses regarding settlement, agency and transaction, and expanding the businesses of credit card, investment banking, wealth management, custody, and money market, etc., and thus achieved diversified incomes from fee-based business.

#### 2. Strengthened capital management and improved capital strength

The Bank strengthened capital management and supplement, studied and formulated the *2013–2016 Capital Plan* to increase capital supplement channels. In September 2013, CBRC approved the Bank to issue the Renminbi tier-2 capital bonds with principal of no more than RMB16.2 billion, which are included in tier-2 capitals in accordance with the relevant provisions. It has been submitted to the People's Bank of China for approval. In December, the Bank successfully achieved the listing of its H shares, raised proceeds of HKD24,852 million (approximately RMB19,452 million, including the exercise of over-allotment option in January 2014), resulting in an increase of capital adequacy ratio and core tier-1 capital adequacy ratio by about 1.1 percentage points. Capital adequacy ratio and core tier-1 capital adequacy ratio were 10.57% and 9.11% respectively.

#### 3. Strengthened risk prevention and control and ensured the stable development

The Bank strengthened assets and liabilities management, strengthened liquidity limit management and evaluation mechanism adjustment, prevented and controlled liquidity risks, and enhanced the liquidity risk management capability. We continuously improved the categorized risk management system for different industries, and improved management and control of credit for strong cycle industries, and prevented and controlled credit risks. We streamlined our internal rules and regulations, focus on the implementation of relevant rules and regulations and strengthened our training systems. In addition, we strengthened risk inspection and warning, conducted the safety operation inspection and business risk inspection, and prevented operational risks. We also gave full play to audit, compliance, discipline inspection and tour inspection functions, and improved the internal control system.

#### 4. Highlighted technology innovation and improved the innovation capability

The Bank actively promoted business innovation, and took the initiative to launch the pilot business application in the fields including the internet, mobile payment, big data, cloud computing and social media. We also developed the independent R&D capability, and first applied the big data technology in the banking industry, which effectively improved the data asset values. Moreover, the Bank optimized and launched the innovation service platforms for funding collection, mobile phone payment, Yaoyao E-Payment and WeChat Banking. We gave full play of the innovation committee and carried out "Golden Ideas" activities, in which a total of 1,365 innovative suggestions were received and 137 suggestions were adopted.

## 5. Reinforced basic construction to strongly support business development

The Bank optimized the allocation and evaluation of human resources, and gave priority to front-line and strategic key businesses. We also strengthened development of corporate culture, promoted implementation of “Sunshine Service Efficiency Enhancement Program”, and further launched the public welfare projects including “Water Cellar for Mothers” project. Moreover, we promoted brand building, and improved the ranking of brand values in 2013. In addition, the Bank accelerated the institutional construction, newly established one tier-1 branch, eight tier-2 branches and 70 outlets throughout the year, and strengthened integration of resources as well as promoted the internal integrated cross-selling.

### (II) Business Review

During the reporting period, domestic and international economic situation was still severe: major economies lacked the power of recovery; domestic financial reform was continuously deepened and among others, interest rate liberalization was accelerated, yet tight capital liquidity caused the rise of interest rates. More rigid policies were continuously launched for commercial banks to regulate their wealth management and interbank businesses. Credit risks were reported in industry and region with asset quality pressure obviously tending upward. Faced with those challenges, the Bank, by actively taking effective measures, implemented the strategies well and completed the preset operation tasks. We have achieved good operation performance and stable growth of asset scale. In addition, we continuously strengthened structural adjustment, achieved rapid growth of fee-based businesses and continuously enhanced the profitability. We keep the risks under control in general and the capital adequacy level has been significantly improved.

#### 1. Steady growth of business scale with strengthened structural adjustment

At the end of the reporting period, the total assets of the Group were RMB2,415,086 million, representing an increase of RMB135,791 million, or 5.96% as compared with the end of the previous year. The total liabilities were RMB2,262,034 million, representing an increase of RMB97,061 million or 4.48% as compared with the end of the previous year. Total customer deposits were RMB1,605,278 million, representing an increase of 12.50% or RMB178,337 million as compared with the end of the previous year. Total loans and advances were RMB1,166,310 million, representing an increase of RMB143,123 million or 13.99% as compared with the end of the previous year. Deposit-to-loan ratio was 72.59%, which was well controlled within the statutory limit.

#### 2. Continuous increase of operation income and optimization of income structure

During the reporting period, operation income of the Group was RMB65,527 million, representing an increase of RMB5,457 million or 9.08% as compared with the previous year. Actual Operating expenses were RMB26,473 million, representing an increase of RMB3,788 million or 16.70% as compared with the previous year. Profit before tax was RMB34,421 million, representing an increase of RMB2,831 million or 8.96% as compared with the previous year. Net profit was RMB26,754 million, representing an increase of RMB3,134 million or 13.27% as compared with the previous year.

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During the reporting period, net fee and commission income of the Group was RMB14,952 million, representing a year-on-year increase of RMB5,473 million or 57.74%, and becoming the main factor for the increase of net operating income. The proportion of net fee and commission income to net operating income reached 22.82%, representing a year-on-year increase of 7.04 percentage points. The income structure was optimized.

### 3. Stable asset quality and overall controllable risks

At the end of the reporting period, the Group's non-performing loans were RMB10,029 million, representing an increase of RMB2,416 million as compared with the end of the previous year. Non-performing loan ratio was 0.86%, up by 0.12 percentage points as compared with the end of the previous year. Credit provision coverage ratio was 241.02%, down by 98.61 percentage points as compared with the end of the previous year.

### 4. Successful listing of H shares and significant improvement in capital adequacy

At the end of the reporting period, the Group's capital adequacy ratio reached 10.57%, up by 0.90 percentage points as compared with that of June 30, 2013. Core tier-1 capital adequacy ratio and tier-1 capital adequacy ratio reached 9.11%, up by 1.34 percentage points as compared with that of June 30, 2013.



### (III) Income Statement Analysis

#### 1. Changes in items of Income Statement

Unit: RMB million

Item	2013	2012	Change
Net interest income	50,862	50,263	599
Net fee and commission income	14,952	9,479	5,473
Net trading gains/(losses)	(1,090)	(238)	(852)
Dividend income	3	3	—
Net gains/(losses) arising from investment securities	88	75	13
Net foreign exchange gains	367	208	159
Other operating income	345	280	65
Operating expenses	26,473	22,685	3,788
Impairment losses on assets	4,633	5,795	(1,162)
Profit before tax	34,421	31,590	2,831
Income tax	7,667	7,970	(303)
Net profit	26,754	23,620	3,134
Net profit attributable to Equity shareholders of the Bank	26,715	23,591	3,124

#### 2. Operating income

During the reporting period, operation income of the Group was RMB65,527 million, representing an increase of RMB5,457 million or 9.08% as compared with the previous year, mainly due to the increase of net fee and commission income. During the reporting period, the proportion of net fee and commission income was 22.82%, representing a year-on-year increase of 7.04 percentage points. The proportion of net interest income was 77.62%, down by 6.05 percentage points as compared with the previous year.

The following table sets out the composition of operating income of the Group in 2012 and 2013.

Unit: %

Item	2013	2012
Net interest income	77.62	83.67
Net fee and commission income	22.82	15.78
Other income	(0.44)	0.55
<b>Total net operating income</b>	<b>100</b>	<b>100</b>

## Report of the Board of Directors

### 3. Net interest income

During the reporting period, the Group's net interest income was RMB50,862 million, representing a year-on-year increase of RMB599 million or 1.19%, mainly attributable to the fact that the narrowed net interest margin partially offset the impact from business scale growth.

The Group's net interest spread was 1.96%, representing a year-on-year decrease of 38 basis points. Net interest margin was 2.16%, representing a year-on-year decrease of 38 basis points. The main reasons for such decreases are as follows: (i) the direct impact resulted from the decreased interest rates implemented by the Central Bank in the previous year; (ii) interest rate liberalization was accelerated, and deposit interest rates rose generally; and (iii) domestic financial market liquidity became tight and interbank liability costs went up.

Unit: RMB million, %

Item	2013			2012		
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost
<b>Interest-earning assets</b>						
Loans and advances	1,128,800	70,608	6.26	983,834	65,520	6.66
Investments	548,717	27,349	4.98	295,557	13,689	4.63
Deposits with the Central Bank	304,775	4,535	1.49	262,644	3,901	1.49
Placements and deposits with banks and other financial institutions	372,596	17,590	4.72	424,937	20,861	4.91
<b>Total interest-earning assets</b>	<b>2,354,888</b>	<b>120,082</b>	<b>5.1</b>	<b>1,966,972</b>	<b>103,971</b>	<b>5.29</b>
<b>Interest income</b>		<b>120,082</b>			<b>103,971</b>	
<b>Interest-bearing liabilities</b>						
Deposits from customers	1,497,953	37,617	2.51	1,283,275	31,750	2.47
Placements and deposits from banks and other financial institutions	655,386	29,508	4.5	504,747	20,309	4.02
Debt securities issued	47,849	2,095	4.38	42,576	1,953	4.59
<b>Total interest-bearing liabilities</b>	<b>2,201,188</b>	<b>69,220</b>	<b>3.14</b>	<b>1,830,598</b>	<b>54,012</b>	<b>2.95</b>
Fair value change of structured deposits		—			-304	
<b>Interest expense</b>		<b>69,220</b>			<b>53,708</b>	
<b>Net interest income</b>		<b>50,862</b>			<b>50,263</b>	
<b>Net interest spread</b>			<b>1.96</b>			<b>2.34</b>
<b>Net interest margin</b>			<b>2.16</b>			<b>2.54</b>

- Note: 1. Net interest spread is the difference between average yield of total interest-earning assets and average cost of total interest-bearing liabilities;  
2. Net interest margin is net interest income divided by the average balance of total interest-earning assets.

The following table sets out the breakdown of changes in interest income and interest expense of the Group due to changes in the business volume and the interest rate in 2013.

Unit: RMB million

Item	Volume	Interest rate	Changes in interest income or expense
Loans and advances	9,068	-3,980	5,088
Investments	12,618	1,042	13,660
Deposits with the Central Bank	627	7	634
Placements and deposits with banks and other financial institutions	-2,471	-800	-3,271
Interest-earning assets	19,781	-3,670	16,111
<b>Changes in interest income</b>	<b>16,111</b>		
Deposits from customers	5,391	476	5,867
Placements and deposits from banks and other financial institutions	6,782	2,417	9,199
Debt securities issued	231	-89	142
Interest-bearing liabilities	11,654	3,554	15,208
Fair value change of structured deposits			304
<b>Changes in interest expense</b>			<b>15,512</b>
<b>Net interest income</b>			<b>599</b>

#### 4. Interest income

During the reporting period, the Group's interest income was RMB120,082 million, representing a year-on-year increase of RMB16,111 million or 15.50%, mainly due to the interest income from loans and advances.

##### (1) Interest income from loans and advances

During the reporting period, the Group's interest income from loans and advances was RMB70,608 million, representing a year-on-year increase of RMB5,088 million or 7.77%, mainly due to (i) the steady growth of business with a larger volume of loans and advances, and (ii) the volume growth impact partially offset by the comprehensive reduction of interest rates.

## Report of the Board of Directors

The following table sets out the average balance, average yield and interest income of major types of loans and advances of the Group in 2013:

Unit: RMB million, %

Item	2013			2012		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	748,788	47,281	6.31	686,359	46,526	6.78
Retail loans	360,320	22,067	6.12	271,390	17,017	6.27
Discounted bills	19,692	1,260	6.40	26,085	1,977	7.58
Loans and advances	1,128,800	70,608	6.26	983,834	65,520	6.66

### (2) Interest income from investments

The Group's interest income from investments was RMB27,349 million, representing a year-on-year increase of RMB13,660 million or 99.79%.

### (3) Interest income from placements and deposits with banks and other financial institutions

The Group's interest income from placements and deposits with banks and other financial institutions was RMB17,590 million, representing a year-on-year decrease of RMB3,271 million or 15.68%.

## 5. Interest expense

The Group's interest expense was RMB69,220 million, representing a year-on-year increase of RMB15,512 million or 28.88%, mainly due to the increase of interest expense on deposits from customers.

### (1) Interest expense on deposits from customers

During the reporting period, interest expense on deposits from customers was RMB37,617 million, representing a year-on-year increase of RMB5,867 million or 18.48%, mainly due to (i) along with steady business development, deposits from customers increased as compared with the previous year; and (ii) impacted by the accelerated interest rate liberalization, the deposit interest rates floated upward, together with more time deposits and wealth management, which increased the deposit costs.



The following table sets out the average balance, average cost and interest expense for major types of deposits from customers of the Group in 2013:

Unit: RMB million, %

Item	2013			2012		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
Corporate deposits	1,171,533	29,155	2.49	1,036,762	25,885	2.50
Including: Demand deposits	418,500	2,931	0.70	403,535	3,043	0.75
Time deposits	753,033	26,224	3.48	633,227	22,842	3.61
Retail deposits	326,420	8,462	2.59	246,513	5,865	2.38
Including: Demand deposits	84,124	416	0.49	68,942	358	0.52
Time deposits	242,296	8,046	3.32	177,571	5,507	3.10
<b>Total deposits from customers</b>	<b>1,497,953</b>	<b>37,617</b>	<b>2.51</b>	<b>1,283,275</b>	<b>31,750</b>	<b>2.47</b>

- (2) Interest expense on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements

During the reporting period, the interest expense on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements of the Group was RMB29,508 million, representing a year-on-year increase of RMB9,199 million or 45.30%.

- (3) Interest expense on debt securities issued

The Group's interest expense on debt securities issued was RMB2,095 million, representing a year-on-year increase of RMB142 million or 7.27%.

## 6. Non-net interest income

During the reporting period, the Group's non-net interest income was RMB14,665 million, representing a year-on-year increase of RMB4,858 million or 49.54%. The following table sets out the major components of non-net interest income:

Unit: RMB million

Item	2013	2012
<b>Net fee and commission income</b>	14,952	9,479
Other income	(287)	328
<b>Total non-net interest income</b>	<b>14,665</b>	<b>9,807</b>

## Report of the Board of Directors

### 7. Net fee and commission income

During the reporting period, the Group' net fee and commission income was RMB14,952 million, representing a year-on-year increase of RMB5,473 million or 57.74%, mainly due to the significant increase of bank card service fees and wealth management service fees. Due to the increase of income from the credit card business, the bank card service fees represented a year-on-year increase of RMB3,724 million or 110.83%. Due to expansion of wealth management business, wealth management service fees represented a year-on-year increase of RMB738 million or 47.71%.

The aggregate amount of service fees from various agent businesses of the Bank (excluding the custody services) was RMB787 million. Among them, agent service fees from bank security and trust businesses amounted to RMB417 million, accounting for 52.99%; insurance agency service fees amounted to RMB123 million, accounting for 15.63%; agency service fees from precious metal business amounted to RMB101 million, accounting for 12.83%.

The following table sets out the major components of net fee and commission income of the Group:

Unit: RMB million

Item	2013	2012
<b>Fee and commission income</b>	15,762	9,994
Underwriting and advisory fees	1,885	1,594
Bank card service fees	7,084	3,360
Settlement and clearing fees	1,590	1,405
Wealth management service fees	2,285	1,547
Acceptance and guarantee fees	901	610
Agency service fees	787	651
Custody and other fiduciary business fees	804	558
Others	426	269
<b>Fee and commission expense</b>	(810)	(515)
<b>Net fee and commission income</b>	14,952	9,479

### 8. Other net income/(loss)

The Group's other net loss were RMB287 million, mainly due to the decrease of reevaluated values of derivatives.

The following table sets out the major components of other incomes.

Unit: RMB million

Item	2013	2012
Net trading (losses)/gains	(1,090)	(238)
Dividend income	3	3
Net gains/(losses) from investment securities	88	75
Net Foreign exchange gains	367	208
Other operating income	345	280
<b>Total</b>	(287)	328

## 9. Operating expenses

During the reporting period, the Group's operating expenses were RMB26,473 million, representing a year-on-year increase of RMB3,788 million or 16.70%. Cost-to-income ratio was 31.84%, representing a year-on-year increase of 1.65 percentage points. During the reporting period, staff costs which accounted for a large proportion of operating expenses, were RMB11,690 million, representing a year-on-year increase of RMB1,289 million or 12.39%, which was mainly due to the increase in the number of employees, branches and outlets. The number of employees represented a year-on-year increase of 13.52%.

The following table sets out the major components of operating expenses:

Unit: RMB million

Item	2013	2012
Staff costs	11,690	10,401
Premises and equipment expenses	3,366	2,807
Others	11,417	9,477
<b>Total</b>	<b>26,473</b>	<b>22,685</b>

## 10. Impairment losses on assets

During the reporting period, impairment losses on assets were RMB4,633 million, representing a year-on-year decrease of RMB1,162 million or 20.05%. The following table sets out the major components of impairment losses on assets:

Unit: RMB million

Item	2013	2012
Impairment losses on loans and advances	4,336	5,690
Impairment (release)/losses on held-to-maturity investments	(30)	30
Impairment losses on available-for-sale financial assets	4	—
Others	323	75
<b>Total impairment losses on assets</b>	<b>4,633</b>	<b>5,795</b>

## 11. Income tax

During the reporting period, income tax was RMB7,667 million, representing a year-on-year decrease of RMB303 million or 3.80%.

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### (IV) Balance Sheet Analysis

#### 1. Assets

At the end of the reporting period, the total assets of the Bank reached RMB2,415,086 million, representing an increase of RMB135,791 million or 5.96% as compared with the end of the previous year, mainly due to the increase in loans and advances, cash and deposits with Central Bank and deposits with banks and other financial institutions.

The following table sets out the composition of total assets of the Group at the end of the reporting period:

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage	Balance	Percentage
Total loans and advances	1,166,310		1,023,187	
Provision for impairment of loans	(24,172)		(25,856)	
Net loans and advances	1,142,138	47.29	997,331	43.76
Deposits with banks and other financial institutions	67,153	2.78	47,019	2.06
Cash and deposits with Central Bank	312,643	12.95	285,478	12.52
Investment in securities and other financial assets	494,927	20.49	480,061	21.06
Placements with banks and other financial institutions, and financial assets held under resale agreements	293,473	12.15	366,705	16.09
Interests receivable	13,074	0.54	10,140	0.44
Fixed assets	12,629	0.52	11,869	0.52
Goodwill	1,281	0.05	1,281	0.06
Deferred tax assets	4,015	0.17	2,454	0.11
Other assets	73,753	3.06	76,957	3.38
<b>Total assets</b>	<b>2,415,086</b>	<b>100</b>	<b>2,279,295</b>	<b>100</b>

#### (1) Loans and advances

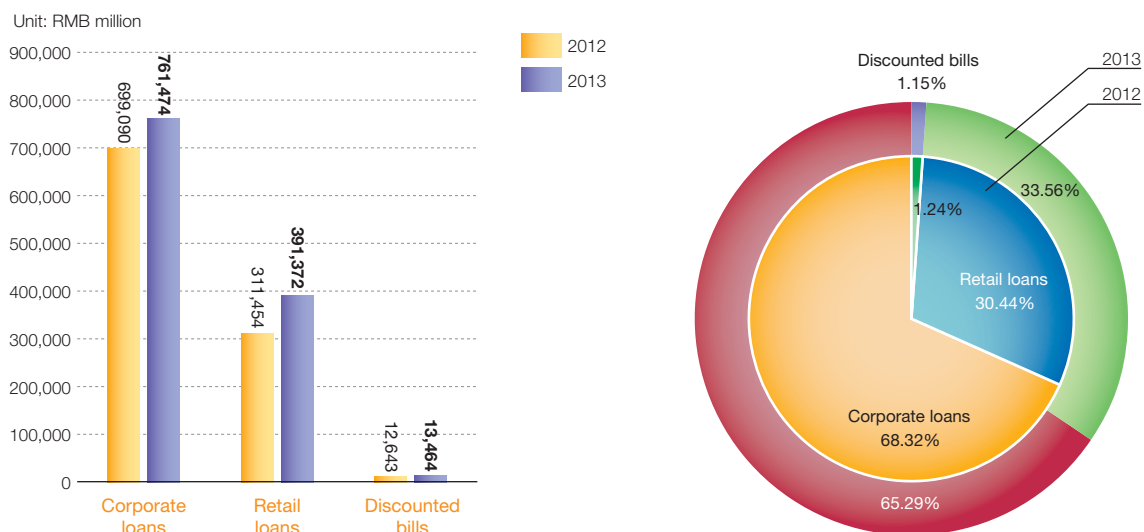
At the end of the reporting period, the Group' total loans and advances were RMB1,166,310 million, representing an increase of RMB143,123 million or 13.99%, as compared with the end of the previous year. Net loans and advances accounted for 47.29% of total assets, representing an increase of 3.53 percentage points, as compared with the end of the previous year, mainly due to the continuous increase in loans and the moderate decrease of interbank business volume. In the meantime, the loan structure was optimized significantly: the percentages of corporate loans and discounted bills decreased while that of the retail loans increased.

The following table sets out the major components of the Group's loans and advances:

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	accounting for	Balance	accounting for
Corporate loans	761,474	65.29	699,090	68.32
Retail loans	391,372	33.56	311,454	30.44
Discounted bills	13,464	1.15	12,643	1.24
<b>Total loans and advances</b>	<b>1,166,310</b>	<b>100</b>	<b>1,023,187</b>	<b>100</b>

### Major items of loans and advances to customers of the Group as at the end of the reporting period



## (2) Investments

At the end of the reporting period, the Group's investment in securities and other financial assets was RMB494,927 million, representing an increase of RMB14,866 million as compared with the end of the previous year, accounting for 20.49% of total assets, and representing a decrease of 0.57 percentage points, as compared with the end of the previous year.

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The following table sets out the major components of the Group' investment in securities and other financial assets:

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit of loss	12,490	2.52	29,453	6.14
Positive fair value of derivatives	1,870	0.38	1,677	0.35
Available-for-sale financial assets	111,849	22.60	91,801	19.12
Held-to-maturity investments	105,920	21.40	95,824	19.96
Debt securities classified as receivables	262,699	53.08	261,207	54.41
Equity investments	99	0.02	99	0.02
<b>Total investment in securities and other financial assets</b>	<b>494,927</b>	<b>100</b>	<b>480,061</b>	<b>100</b>

### (3) Types and amounts of financial bonds held

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	accounting for	Balance	accounting for
Financial assets at fair value through profit or loss	6,315	15.14	6,589	15.33
Available-for-sale financial assets	7,568	18.14	10,557	24.57
Held-to-maturity investments	27,831	66.72	25,824	60.10
<b>Total</b>	<b>41,714</b>	<b>100</b>	<b>42,970</b>	<b>100</b>

## (4) Top 10 financial bonds held

Unit: RMB million, %

Name of bonds	Nominal value	Current interest rate	Expiring date	Provision for impairment Losses
Bond 1	2,540	3.39	2015-7-9	—
Bond 2	2,412	One-year time deposit interest rate +0.72	2015-4-27	—
Bond 3	2,040	3.93	2015-4-23	—
Bond 4	1,460	5-day average of 3-month shibor +0.30	2016-6-16	—
Bond 5	1,160	4.23	2021-11-5	—
Bond 6	1,120	5-day average of 3-month shibor -0.20	2018-6-9	—
Bond 7	1,100	3.82	2014-4-24	—
Bond 8	1,050	4.04	2019-7-22	—
Bond 9	1,050	One-year time deposit interest rate +0.70	2019-9-23	—
Bond 10	1,040	3.42	2015-8-2	—

## (5) Goodwill

The Group's goodwill cost was RMB6,019 million. As at the end of the reporting period, the provision for impairment losses on goodwill was RMB4,738 million, and the carrying value of goodwill was RMB1,281 million, which was the same as that at the end of the previous year.

## Report of the Board of Directors

### 2. Liabilities

At the end of the reporting period, the Group's total liabilities reached RMB2,262,034 million, representing an increase of RMB97,061 million or 4.48% as compared with the end of the previous year, mainly due to the increase of deposits from customers.

The following table sets out the composition of the Group' total liabilities:

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage	Balance	Percentage
Deposits from customers	1,605,278	70.97	1,426,941	65.91
Deposits from banks and other financial institutions	438,604	19.39	527,561	24.37
Placements from banks and other financial institutions, and financial assets sold under repurchase agreements	113,981	5.04	97,490	4.50
Negative fair value of derivatives	2,465	0.11	1,861	0.09
Accrued staff costs	8,149	0.36	7,405	0.34
Taxes payable	2,605	0.12	3,174	0.15
Interests payable	20,949	0.93	18,414	0.85
Debt securities issued	42,247	1.87	52,700	2.43
Other liabilities	27,756	1.21	29,427	1.36
<b>Total liabilities</b>	<b>2,262,034</b>	<b>100</b>	<b>2,164,973</b>	<b>100</b>

Note: Deposits from customers include structured deposits measured at fair value as specified, same hereinafter.

At the end of the reporting period, the balance of the Group' deposits from customers reached RMB1,605,278 million, representing an increase of RMB178,337 million or 12.50%, as compared with the end of the previous year. The structure of deposits from customers was further optimized and the percentage of retail deposits increased slightly.

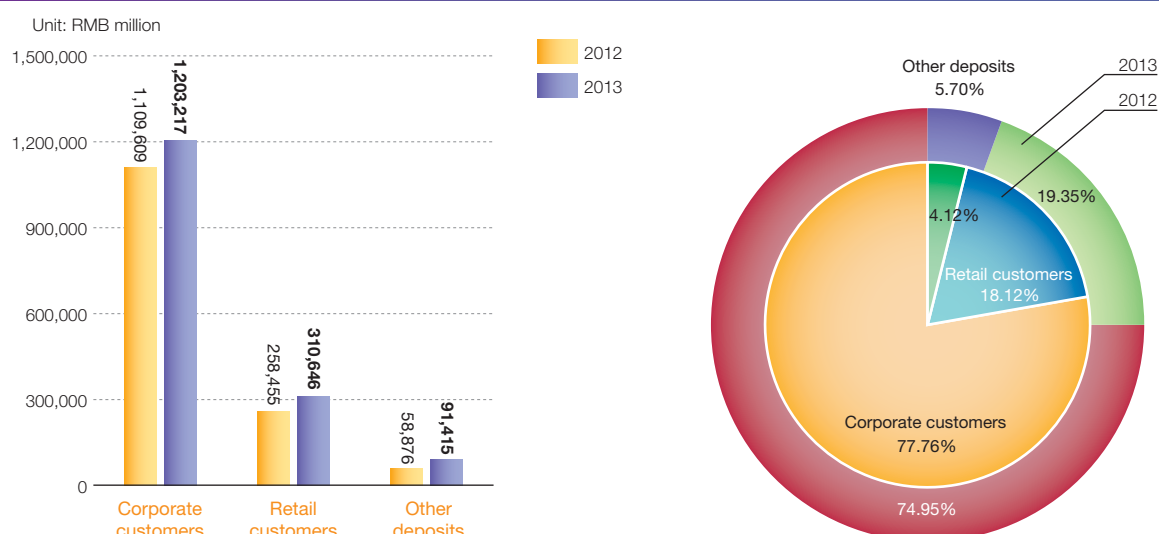


The following table sets out the composition of the Group' deposits from customers:

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage	Balance	Percentage
Corporate customers	1,203,217	74.95	1,109,609	77.76
Including: Demand deposits	434,902	27.09	440,058	30.84
Time deposits	768,315	47.86	669,551	46.92
Retail customers	310,646	19.35	258,455	18.12
Including: Demand deposits	104,140	6.49	102,562	7.19
Time deposits	206,506	12.86	155,894	10.93
Other deposits	91,415	5.70	58,876	4.12
<b>Total deposits from customers</b>	<b>1,605,278</b>	<b>100</b>	<b>1,426,941</b>	<b>100</b>

#### Composition of deposits from customers of the Group as at the end of the reporting period



### 3. Equity of shareholders

At the end of the reporting period, the equity attributable to equity shareholders of the Bank was RMB152,839 million, representing an increase of RMB38,661 million as compared with the end of the previous year. It was mainly due to (i) the increase of net profit attributable to equity shareholders of the Bank by RMB26,715 million; (ii) the increase of equity by RMB17,826 million (excluding the exercise of over-allotment option, after deducting listing expenses) due to the listing of the Company's H shares; and (iii) the decrease of equity by RMB2,345 million due to the distribution of dividend for 2012.

## Report of the Board of Directors

The following table sets out the composition of the equity attributable to equity shareholders of the Bank:

Unit: RMB million

Item	December 31, 2013	December 31, 2012
Share capital	46,277	40,435
Capital reserve	28,707	20,258
Surplus reserve	9,199	6,560
General reserve	29,861	28,063
Retained earnings	38,795	18,862
Total equity attributable to equity shareholders of the Bank	152,839	114,178
Non-controlling interests	213	144
<b>Total equity</b>	<b>153,052</b>	<b>114,322</b>

#### 4. Off-balance sheet items

The Group's off-balance sheet items are mainly credit commitments, including loan and credit card commitments, acceptances, letters of guarantee, letters of credit and guarantees. As at the end of the reporting period, the total amount of credit commitments was RMB752,538 million, representing an increase of RMB76,417 million as compared with the end of the previous year, mainly due to an increase of RMB62,411 million of acceptances and an increase of RMB15,358 million of letters of credit.

The following table sets out the composition of the Group's credit commitments:

Unit: RMB million

Item	December 31, 2013	December 31, 2012
Loan commitments	100,846	108,355
Acceptances	469,996	407,585
Letters of guarantee	51,974	45,417
Letters of credit	129,361	114,003
Guarantees	361	761
<b>Total</b>	<b>752,538</b>	<b>676,121</b>

#### (V) Cash Flow Analysis

Net cash flows used in operating activities by the Group was RMB697 million, representing an increase of RMB272,702 million as compared with the previous year, mainly due to the decrease in deposits from banks and other financial institutions and financial assets sold under the repurchase agreements.

Net cash flows used in investing activities by the Group was RMB22,720 million, representing a decrease of RMB298,311 million or 92.92% as compared with the previous year, which was mainly due to the decrease of held-to-maturity investments in cash.

Net cash flows used in financing activities by the Group was RMB2,634 million, representing a decrease of RMB27,768 million or 91.34% as compared with the previous year, which was mainly due to the issuances of financial bonds for special purpose loans to small and micro enterprises and subordinated bonds.

## (VI) Analysis of loan quality

### 1. Distribution of loans by industries

During the reporting period, the Bank adjusted the distribution of its loans by industries in order to support small and micro enterprises serving the real economy and increased the proportions of loans to manufacturing, wholesale and retail industries while reducing the size and proportion of loans to industries with excess production capacity.

The following table sets out the distribution of the Group's loans by industries:

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage	Balance	Percentage
Manufacturing	240,618	31.60	224,411	32.10
Wholesale and retail trade	162,310	21.32	129,590	18.54
Real estate	94,243	12.38	85,469	12.23
Transportation, storage and postal services	67,991	8.93	67,628	9.67
Construction	41,159	5.41	32,042	4.58
Leasing and commercial services	38,375	5.04	40,775	5.83
Mining	26,973	3.54	27,805	3.98
Water, environment and public utility	25,753	3.38	32,643	4.67
Production and supply of power, gas and water	19,498	2.56	23,125	3.31
Public administration and social organization	13,626	1.79	11,482	1.64
Others	30,928	4.05	24,120	3.45
<b>Subtotal of corporate loans and advances</b>	<b>761,474</b>	<b>100.00</b>	<b>699,090</b>	<b>100</b>
<b>Personal loans and advances</b>	<b>391,372</b>	<b>—</b>	<b>311,454</b>	<b>—</b>
<b>Discounted bills</b>	<b>13,464</b>	<b>—</b>	<b>12,643</b>	<b>—</b>
<b>Gross loans and advances to customers</b>	<b>1,166,310</b>	<b>—</b>	<b>1,023,187</b>	<b>—</b>

## Report of the Board of Directors

### 2. Distribution of loans by regions

The distribution of loans by regions remained stable with focuses on developed regions including Yangtze River Delta, Bohai Rim and Pearl River Delta.

The following table sets out the distribution of the Group's loans by regions:

Unit: RMB million, %

Region	December 31, 2013		December 31, 2012	
	Balance	accounting for	Balance	accounting for
Yangtze River Delta	250,463	21.47	243,573	23.81
Pearl River Delta	160,803	13.79	144,859	14.16
Bohai Rim	219,134	18.79	199,896	19.54
Central	174,989	15.00	152,891	14.94
Western	175,022	15.01	151,357	14.79
Northeastern	68,881	5.91	60,982	5.96
Hong Kong	12,269	1.05	—	—
Head Office	104,749	8.98	69,629	6.80
<b>Gross loans and advances to customers</b>	<b>1,166,310</b>	<b>100.00</b>	<b>1,023,187</b>	<b>100.00</b>

### 3. Types of loan guarantee and their proportions

The percentage of guaranteed loans, mortgage loans and pledge loans reached 69.11%, and the remaining unsecured loans mainly related to customers with relatively high credit rating.

The following table sets out the types of loan guarantee:

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage	Balance	Percentage
Unsecured loans	360,232	30.89	312,965	30.59
Guaranteed loans	265,632	22.78	268,050	26.20
Mortgage loans	433,976	37.21	355,951	34.78
Pledge loans	106,470	9.12	86,221	8.43
<b>Gross loans and advances to customers</b>	<b>1,166,310</b>	<b>100.00</b>	<b>1,023,187</b>	<b>100</b>

#### 4. Top 10 loan customers

Unit: RMB million, %

Name	Industry	December 31, 2013 Balance of loans	Proportion to total loans	Proportion to net capital
Borrower A	Transportation, storage and postal services	6,406	0.55	3.70
Borrower B	Public administration and social organization	4,795	0.41	2.77
Borrower C	Public administration and social organization	3,080	0.26	1.78
Borrower D	Leasing and commercial services	2,903	0.25	1.68
Borrower E	Wholesale and retail trade	2,810	0.24	1.62
Borrower F	Real estate	2,650	0.23	1.53
Borrower G	Transportation, storage and postal services	2,610	0.22	1.51
Borrower H	Real estate	2,550	0.22	1.47
Borrower I	Transportation, storage and postal services	2,500	0.22	1.44
Borrower J	Real estate	2,464	0.21	1.42
<b>Total amount</b>		<b>32,768</b>	<b>2.81</b>	<b>18.92</b>

Note: The proportion of the balance of loans to net capital is calculated according to the relevant requirements of the CBRC.

#### 5. Five-category loan classification

During the reporting period, the non-performing loans of the Group increased as affected by the economic downturn. As at the end of the reporting period, the balance of non-performing loans was RMB10,029 million, representing an increase of RMB2,416 million as compared with the end of the previous year. Non-performing loan ratio was 0.86%, up by 0.12 percentage points as compared with the end of the previous year.

## Report of the Board of Directors

The following table sets out the five-category loan classification of the Group:

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage	Balance	Percentage
Normal	1,140,392	97.78	1,001,284	97.86
Special attention	15,889	1.36	14,290	1.40
Substandard	5,768	0.50	3,431	0.33
Doubtful	2,496	0.21	1,975	0.19
Loss	1,765	0.15	2,207	0.22
Gross loans and advances to customers	1,166,310	100	1,023,187	100
Normal loans	1,156,281	99.14	1,015,574	99.26
Non-performing loans	10,029	0.86	7,613	0.74

### 6. Loan migration ratio

Please refer to “Summary of Accounting Data and Financial Indicators” for details.

### 7. Restructured loans and overdue loans

At the end of the reporting period, the balance of restructured loans of the Group was RMB109 million, representing a slight increase as compared with the previous year. The restructured loans overdue for more than 90 days was RMB15 million, representing a significant decrease as compared with the end of the previous year.

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage	Balance	Percentage
Restructured loans and advances	109	0.01	96	0.01
Less: Restructured loans and advances overdue for more than 90 days	15	0.00	94	0.01
Restructured loans and advances overdue for less than 90 days	94	0.01	2	0.00

### 8. Non-performing loans by business types

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage	Balance	Percentage
Corporate loans	7,717	76.95	6,013	78.98
Retail loans	2,312	23.05	1,600	21.02
Discounted bills	—	—	—	—
<b>Total amount of non-performing loans</b>	<b>10,029</b>	<b>100.00</b>	<b>7,613</b>	<b>100.00</b>

## 9. Distribution of non-performing loans by regions

Unit: RMB million, %

Region	December 31, 2013		December 31, 2012	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	3,435	34.25	3,018	39.64
Pearl River Delta	1,127	11.24	1,558	20.47
Bohai Rim	1,762	17.57	635	8.34
Central	1,236	12.32	775	10.18
Western	715	7.13	507	6.66
Northeastern	346	3.45	181	2.38
Hong Kong	—	—	—	—
Head Office	1,408	14.04	939	12.33
<b>Total amount of non-performing loans</b>	<b>10,029</b>	<b>100</b>	<b>7,613</b>	<b>100</b>

## 10. Distribution of non-performing loans by industries

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage	Balance	Percentage
Manufacturing	3,529	35.19	2,246	29.50
Wholesale and retail trade	3,113	31.04	1,983	26.05
Real estate	229	2.28	272	3.57
Transportation, storage and postal services	429	4.28	701	9.21
Leasing and commercial services	40	0.40	364	4.78
Water, environment and public facilities management	—	—	—	—
Construction	148	1.48	191	2.51
Mining	78	0.78	49	0.64
Production and supply of power, gas and water	—	—	40	0.53
Public administration and social organization	25	0.25	27	0.35
Others	126	1.25	140	1.84
<b>Total amount of corporate loans and advances</b>	<b>7,717</b>	<b>76.95</b>	<b>6,013</b>	<b>78.98</b>
Personal loans and advances	2,312	23.05	1,600	21.02
Discounted bills	—	—	—	—
<b>Total amount of non-performing loans</b>	<b>10,029</b>	<b>100.00</b>	<b>7,613</b>	<b>100.00</b>

Note: Other industries consist of agriculture, forestry, animal husbandry and fishery; accommodation and catering; financial services; scientific research, technical services and geological prospecting; resident services and other services; health, social security and social welfare; culture, sports and entertainment, etc.

## Report of the Board of Directors

### 11. Distribution of non-performing loans by guarantee types

Unit: RMB million, %

Item	December 31, 2013		December 31, 2012	
	Balance	Percentage	Balance	Percentage
Unsecured loans	2,317	23.10	1,160	15.24
Guaranteed loans	2,988	29.79	3,361	44.15
Mortgage loans	4,140	41.29	2,385	31.32
Pledge loans	584	5.82	707	9.29
<b>Total amount of non-performing loans</b>	<b>10,029</b>	<b>100</b>	<b>7,613</b>	<b>100</b>

### 12. Repossessed assets and provision for impairment losses

Unit: RMB million

Item	December 31, 2013	December 31, 2012
Cost of repossessed assets	335.25	152.07
Including: land, buildings and structures	334.35	150.79
Others	0.90	1.28
Less: provision for impairment losses	4.19	3.62
Net value of repossessed assets	331.06	148.45

### 13. Provision for loan impairment and write-offs

The Group's impairment losses on assets include provision for loans and advances to customers, placements with banks and other financial institutions, debt securities, interests receivable and other assets. The Group conducted impairment tests on carrying value of assets on the balance sheet date, and impairment losses would be recognized through profit or loss for the current period if there was objective evidence indicating that the assets were impaired.

The following table sets out the changes in the provision for impairment of loans of the Group:

Unit: RMB million

Item	2013	2012
Balance at the beginning of the year	25,856	21,043
Charge for the year	6,719	6,322
Release for the year	(2,383)	(632)
Recoveries	207	188
Unwinding of discount (note)	(367)	(156)
Write-offs during the year	(2,240)	(909)
Disposal in the current year	(3,620)	—
Balance at the end of the year	24,172	25,856

Note: It refers to cumulative interest income of impaired loans due to the subsequent increase of present value over time.



#### 14. Interests receivable and provision for bad debts

- (1) Change of on-balance sheet interests receivable

Unit: RMB million

Item	Balance at the beginning	Increase in the period	Decrease in the period	Balance at the end
On-balance sheet interests receivable	10,185	84,214	81,296	13,103

- (2) Bad debt provision for interests receivable

Unit: RMB million

Item	December 31, 2013	December 31, 2012	Increase
Balance of bad debt provision for interests receivable	29	45	-16

#### 15. Other receivables and provision for bad debts

- (1) Change of other receivables

Unit: RMB million

Item	2013	2012	Increase
Other receivables	2,627	1,963	664

- (2) Bad debt provision for other receivables

Unit: RMB million

Item	2013	2012	Increase
Balance of bad debt provision for other receivables	448	509	-61

## Report of the Board of Directors

### **16. Major measures for non-performing asset management and write-off policies of bad debts**

In 2013, facing serious overcapacity of some industries, and accumulative risks in the Yangtze River Delta and specific industries of photovoltaic and steel trade, the Bank adhered to the guiding thinking of “making efforts to reduce non-performing assets on the balance sheet, and achieve comprehensive expansion of business”. We made clear tasks of recovery and disposal, set forth supporting measures and focused on key projects and key branches. We also strengthened the disposal of non-performing and private assets, actively explored the agency repayment of liabilities and credit assignment, and introduced ways including recall of the third-party guarantee advances. As at the end of the reporting period, the Bank disposed various types of non-performing assets of RMB8,632 million, including recovered cash of RMB2,301 million and equity assignment of RMB3,911 million.

The disposal of non-performing assets with loss was conducted in accordance with the *Administrative Measures on Write-off of Bad Debts of China Everbright Bank*. Write-off documents for items meeting the write-off requirements were prepared in a timely manner and submitted for approval in strict compliance with the approval procedures. The Head Office could regularly review the write-off items declared by the branches. As at the end of the reporting period, the Bank accumulatively wrote off 64,272 bad debt loans, with the principal balance of RMB2,240 million. In accordance with the principle of “filing after account write-off”, the Bank will continue to recover the write-off items.

### **(VII) Analysis of capital adequacy ratio**

Capital adequacy ratio and core tier-1 capital adequacy ratio of the Group were calculated in accordance with the *Measures for Management of Capitals of Commercial Banks (for Trial Implementation)* issued by the CBRC in 2012. As at the end of the reporting period, capital adequacy ratio was 10.57%, representing an increase of 0.90 percentage points over that at the end of June 2013. Core tier-1 capital adequacy ratio and tier-1 capital adequacy ratio were 9.11%, representing an increase of 1.34 percentage points over that at the end of June 2013, mainly due to the continuous increase of profits and the supplement of core capitals by the listing of H shares of the Company.

Please refer to the “Summary of Accounting Data and Financial Indicators” for the details of capital composition.

## (VIII) Segment performance

The Group divided its business into different segments by business lines and geographical areas for management purpose. Fund lending between different business and regional segments will be conducted at an internal transfer price determined on the basis of market interest rate, and interest income and interest expenses among segments will be recognized.

The following table lists the operating performance of the Group's various business and regional segments.

For more details, please refer to the notes to the financial statements.

### 1. Performance by regions

Unit: RMB million

Item	2013		2012	
	Operating income	Total profit	Operating income	Total profit
Yangtze River Delta	11,600	2,896	11,982	5,632
Pearl River Delta	7,543	4,168	7,603	4,088
Bohai Rim	11,724	6,773	11,721	6,342
Central	8,574	4,521	8,259	4,000
Western	7,961	4,327	7,189	3,662
Northeastern	3,345	1,317	3,714	1,761
Head Office	14,713	10,462	9,602	6,105
Hong Kong	67	(43)	—	—
<b>Total</b>	<b>65,527</b>	<b>34,421</b>	<b>60,070</b>	<b>31,590</b>

### 2. Performance by business functions

Unit: RMB million

Item	2013		2012	
	Operating income	Total profit	Operating income	Total profit
Corporate banking business	40,686	22,273	40,510	22,154
Retail banking business	21,377	9,289	15,989	6,387
Treasury business	3,263	2,712	3,452	2,973
Other business	201	147	119	76
<b>Total</b>	<b>65,527</b>	<b>34,421</b>	<b>60,070</b>	<b>31,590</b>

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### (IX) Others

#### 1. Changes in major financial indicators and their reasons

Unit: RMB million, %

Item	December 31, 2013	December 31, 2012	Increase or decrease	Major reasons for change
Deposits with banks and other financial institutions	67,153	47,019	42.82	Enlargement of the size of deposits with banks based on changes in treasury position and market interest rate
Financial assets at fair value through profit or loss	12,490	29,453	-57.59	Initiative adjustment of the asset structure according to financial positions and market expectations, and moderately reduction the size of financial assets at fair value through profit or loss
Deferred tax assets	4,015	2,454	63.61	Increase of differences between the tax bases and carrying values of assets and liabilities
Placements from banks and other financial institutions	50,817	23,205	118.99	Increase of placements from banks and other financial institutions to meet liquidity management needs
Negative fair value of derivatives	2,465	1,861	32.46	Increase of derivative financial liabilities
Capital reserve	28,707	20,258	41.71	Premium issuance of H shares
Surplus reserve	9,199	6,560	40.23	Profit distribution, and appropriation to surplus reserve
Retained earnings	38,795	18,862	105.68	Increase of profits

Item	2013	2012	Increase or decrease	Major reasons for change
Net fee and commission income	14,952	9,479	57.74	Increase in fees from fee-based business such as credit card and wealth management
Net trading gains/(losses)	(1,090)	(238)	357.98	Decrease of reevaluation values of derivative products
Net foreign exchange gains	367	208	76.44	Changes in foreign exchange gains resulting from fluctuations in foreign currency exchange rates

#### 2. Overdue and outstanding debts

During the reporting period, the Bank did not incur any overdue and outstanding debts.

## (X) Performance of Business Lines

### 1. Corporate banking business

#### (1) Corporate Deposit and Lending

The Bank actively strengthened the customer base, further promoted development of supply chain finance business, developed more customers, and continued to extend the customer base to cover lower-end customers. The Bank strengthened product integration and innovation, vigorously developed the businesses for small and micro enterprises, optimized the business structure and improved its profitability significantly. As at the end of the reporting period, the Bank's corporate deposits amounted to RMB1,205,527 million (including those in other deposits), representing an increase of RMB92,599 million or 8.32% as compared with the end of the previous year. The Bank's corporate loans (excluding the discounted bills) were RMB761,474 million, representing an increase of RMB62,384 million or 8.92% as compared with the end of the previous year. The number of the small and micro enterprises credit customers with the balance reached 22,671, representing an increase of 5,124 as compared with the end of the previous year. The number of non-credit customers was 65,431, representing an increase of 6,388 as compared with the end of the previous year. Credit customers under the modeled account are 44% of small and micro enterprises customers.

#### (2) Investment banking business

The Bank provided customers with debt financing services, including short-term commercial paper, medium-term note, super-short-term commercial paper, private placement note and small and micro enterprises collection note. As at the end of the reporting period, the Bank served as a leading underwriter for non-financial corporate debt financing instruments of RMB187,510 million in aggregate, ranking third in the same type of joint-stock commercial banks. As a financial advisor, the Bank designed and provided financial solutions for financial derivatives, debt financing instruments and structured finance.

#### (3) Asset custody business

Geared to the Bank's strategy for development, the custody operation focused on marketing, product innovation, risk control and team building and continued to strengthen the customer base so that a rapid and stable growth was recorded in custody businesses for customer asset management of fund companies and security companies, for insurance fund property plan and bank wealth management. As at the end of the reporting period, the total amount of custody assets was RMB1,715.4 billion, representing an increase of 97% as compared with the end of the previous year. Custody fee income was RMB715 million, representing a 48% growth as compared with the end of the previous year.

## Report of the Board of Directors

### (4) Pension business

The Bank steadily improved its position in the annuity market, continuously strengthened the building of the “active welfare management platform”, and vigorously promoted the “Sunshine Pleasant Choice Plan”, “Happy Health Management Plan” and other flexible welfare products, as well as plans for trust-based deferred payment of remuneration and welfare including the “Enjoying Life” product. Integrating the financial services with the management of remuneration and welfare of enterprises and public institutions, the Bank has become a leading domestic provider of all-around financial services on the management of remuneration and welfare. As at the end of the reporting period, the Bank rendered pension services for 5,020 enterprises, representing an increase of 230 as compared with the end of the previous year. The Bank managed 884,000 personal accounts of enterprise annuity, representing an increase of 9.17%. The custodial annuity fund amounted to RMB26.5 billion, representing an increase of 21.46%.

### (5) Trade banking business

The Bank drew up the plan for development of trade banking business and supporting measures for resources, implemented the plan for promoting development of foreign currency businesses. We promoted development and innovation of key businesses such as international settlement, forfaiting, commodity financing and factoring, and enhanced the compliance of foreign exchange business. During the reporting period, the cumulative turnover amount of international business was equivalent to USD108.1 billion, representing a year-on-year increase of 45%. The accumulated net income from fee-based business was RMB2.09 billion, representing a year-on-year increase of 15.5%. As at the end of the reporting period, the trade financing balance was RMB136.8 billion, representing an increase of 4.5% as compared with the end of the previous year.

### (6) Small and micro banking business

The Company actively pushed ahead with its strategic transformation and set up small and micro banking business department in order to give more support to small and micro enterprises. In this respect, with the development idea “advance in stability, overall planning, innovation, optimization and integrated operation”, the system and mechanism were further improved and the products were enriched, thus services of small and micro banking business were enhanced. As at the end of the reporting period, the balance of small and micro banking business loans<sup>1</sup> amounted to RMB114.5 billion, representing a year-on-year increase of RMB51.2 billion or 80.72%. Small and micro banking business loans accounted for 9.82% of total loans of the Bank loans, representing an increase of 3.63 percentage points as compared with the end of the previous year. The number of small and micro business customers reached 926,000, representing an increase of 97% as compared with the end of last year.

Note: Small and micro loans during the reporting period refer to the loans to individual retail merchants and owners of small and micro enterprises. Statistics has taken into account the business assistance loans, commercial housing loans, operational property loans, small and micro equipment loans, and small and micro channel loans, not including the engineering machinery loans, commercial vehicle loans and non-commercial vehicle loans in the personal operation loans. The number of the small and micro business customers is calculated based on the same standard above.

## 2. Retail banking business

### (1) Personal deposit business

The Bank actively popularized the plan of making each outlet reach standards in specific business targets, organized integrated competition among retail business outlets across the Bank. We solidly developed the basic businesses including distribution agency service and third-party custody, improved the electronic platform of international travel financial service, developed more Sunshine Smart products, promoted construction of banks in communities, and provided quality services for retail customers. As at the end of the reporting period, personal deposit balance was RMB399,751 million (including those in other deposits), representing a year-on-year increase of RMB85,738 million or 27.3%. Daily average balance amounted to RMB326,420 million, representing an increase of RMB79,907 million or 32.41% as compared with the previous year.

### (2) Personal loan business

With the personal loan business concept of “vigorously developing the business for small and micro enterprises, stably managing personal loan business, increasing both scale and benefits, and improving both quality and customers”, the Bank persistently move ahead with strategic transformation and the structural adjustment in an all-round way. We made efforts on more earnings from the personal loan business, and achieved the conservation-oriented and intensive development through credit extension and revitalization of stock assets. Throughout the year, the Bank offered personal loans of RMB150.6 billion (excluding the credit card loans), and revitalized the low-yield stock assets of RMB6 billion. As at the end of the year, the personal loan balance amounted to RMB286,639 million.

### (3) Bank card business

#### A. Debit card business

The Bank has continuously innovated the debit card products and functions. We issued the “Enjoying Sunshine” debit card and launched the pension business. We actively developed the financial IC card business through expansion of industry applications, and issued the IC cards for social security, ETC, communities, schools and fitness centers, etc. As at the end of the reporting period, a total of 46.89 million debit cards were issued, representing an increase of 7.48 million debit cards as compared with the beginning of the 2013.



## Report of the Board of Directors

### *B. Credit card business*

The Bank achieved the risk control and balanced development of credit card business, and maintained the coordinate development among efficiency, quality and scale. As at the end of the reporting period, 5,434,000 new credit cards were issued with the total number of issued credit cards reaching 20,014,100. The total transaction volume during the reporting period was RMB584,620 million, representing a year-on-year increase of 90.62%. Balance of credit card overdraft was RMB104,733 million, up by 50.45% over the previous year. Overdue rate for bills past due over 180 days was 0.92%, representing a year-on-year increase of 0.24 percentage points. The operating income was RMB10,590 million. The Bank launched various innovative credit card products and services such as the Instant Loan Card, DIY Credit Card, and Smart Business Credit Card.

### **3. Treasury and interbank business**

#### (1) Treasury business

In response to the liberalization of interest rate and exchange rate, the Bank strengthened its treasury business to ensure sufficient liquidity and to improve the profitability of proprietary business. We optimized and adjusted the investment portfolio structure and achieved breakthroughs and satisfactory operating results in agent business. As at the end of the reporting period, RMB and foreign currency denominated assets reached RMB287,434 million, accounting for 11.9% of the Bank's total assets. Value of proprietary bond portfolio was RMB225,265 million, accounting for 41% of government bonds. Total turnover of RMB denominated bonds amounted to RMB12.2 trillion. The Bank ranked first among the joint-stock commercial banks according to the statistics of China Bond Information Net.

#### (2) Interbank business

In interbank business, the Bank gave priority to risk management and liquidity safety. We adjusted product structure, strengthened fine management, and maintained an appropriate scale of interbank business. As at the end of the reporting period, the interbank deposit, placement with banks and discounted notes were RMB438,604 million, RMB67,153 million, and RMB13,464 million respectively. The Bank also actively developed businesses with non-banking financial institutions, and continued to conduct a variety of business cooperation with securities companies, insurance companies, trust companies, financial leasing companies, asset management companies, auto finance companies and finance companies.

#### (3) Precious metal business

The Bank actively adjusted the business structure and innovated products, and achieved the stable and rapid development of the precious metal business. The Bank actively developed the gold leasing business, and enriched the in-kind precious metal product lines. We also improved the business system functions, obtained the gold import qualifications, and opened the gold consignment and gold leasing businesses. During the reporting period, the transactions concluded on behalf of Shanghai Gold Exchange amounted to RMB37.85 billion, involving 220,000 customers. The cross-border transaction volume reached approximately 45.6 tons, representing an increase of 551% as compared with the end of last year.



#### 4. Asset management business

In accordance with the idea of “overall asset management”, the Bank actively optimized the internal organizational structure, and established the independent asset management department responsible for asset management and wealth management business. The Bank continued innovation and capability building, launched new products of pension and wealth management, developed new sales channels, strengthened internal system construction and promoted transformation of wealth management business. During the reporting period, the businesses of wealth management and asset management developed well, and financial products valued RMB502.3 billion, ranking third among the same type joint-stock banks. The Bank accumulatively issued RMB5 trillion of financial products. In 2013, the Bank helped customers to realize incomes of RMB22,331 million from investment in financial products, ranking among the top three in the commercial banks for three consecutive quarters in terms of comprehensive wealth management capability. Throughout the year, return on fee-based business of wealth management was RMB2.3 billion, representing a year-on-year increase of 50%. Return on other investments was RMB1,063 million.

#### 5. E-banking business

Adhering to the principle of “technology leading, service innovation, and benefit first”, the Bank deepened the collaboration between electronic channels and physical outlets and focused on promoting development of mobile banking, online banking and open banking, remote banking, self-service banking and corporate e-banking, successively launched the E-banking businesses including “Sunshine e Payment” mobile phone payment business, Yaoyao E-Payment, WeChat Banking, and “Sunshine e Loan”, and achieved the doubled growth of customers, transactions and incomes. As at the end of the reporting period, the total number of electronic banking customers was 33.91 million, representing an increase of 112% over the previous year. The number of mobile phone banking customers was 10.58 million, and the number of private E-banking customers was 12.81 million. The total amount of the transactions completed through electronic channels was 1.05 billion, up by 51% over the previous years. Transactions completed through electronic channels amounted to RMB26 trillion, representing a year-on-year increase of 183%. The diversion rate of counter-based transactions was 89.4%, which was industry-leading.



## Report of the Board of Directors

### (XI) Information technology

The Bank continuously maintained the good and safe operation. There was no major security incident throughout the year.

The Bank focused on building open financial platforms, and integrated the multi-level financial products and services of the Bank and the internet companies, we integrated the financing instruments and products of corporate lines through the online supply chain finance platform, achieved the mobile payment access to three major operators, and actively built the small and micro banking platforms. In addition, the Bank further improved the capability of technology innovation and independent R&D, and steadily prepared for CMMI4 certification and popularized the R&D system for branches. We also completed the implementation of ISO2000 and Phase II construction of IT Service System, and improved the technology management level. In 2013, seven projects developed by the Bank including the counter customer service interaction platform “Safe Pad”, won the Technology Development Award granted by the People’s Bank of China which confirmed that the seven projects reached or maintained the leading position in the PRC, and another two projects were in an advanced position in the PRC.

### (XII) Human Resources Management

According to development strategy, annual operating targets and priorities, the Bank continuously optimized the allocation of human resources, improved the staffing management, and ensured the priority to key businesses and first-lines in allocation of human resources. We also actively adjusted the organizational structure of the Head Office and branches to meet the business development needs. The Bank highlighted the fine management, continuously made rules and improved systems, and continuously reinforced the foundation for human resources management and services. Moreover, we strengthened the awareness of operation and service, and effectively improved the efficiency of human resources management.

### (XIII) Investment Analysis

#### 1. Equity investment

(1) As at the end of the reporting period, the Bank’s equity investment balance was RMB923,719,800, representing an increase of RMB70 million or 8.19% as compared with the previous year due to the establishment of Jiangsu Huai’an Everbright Village Bank Co., Ltd this year.

(2) Holding of shares of other listed companies

Unit: share, %, RMB ten thousand

Stock Code	Stock name	Number of shares held	Shareholding proportion	Closing book value
V	Visa Inc	4,061	0.0027	108.19
000719	CCLM	700,954	0.016	814.51

Note: The shares held by the Bank in CCLM were pledged assets.

## (3) Holding of shares of unlisted financial enterprises

Unit: RMB ten thousand, ten thousand shares, %

Invested entity	Investment Amount	Number of Shares held	Shareholding Percentage		Closing Book value	Profit or Loss in the reporting period	Change in Owner's equity in the reporting period	Accounting Item	Source of Shares
			Beginning of the reporting period	End of the reporting period					
Everbright Financial Leasing Co., Ltd.	72,000	72,000	90	90	72,000	35,412.3	35,421.3	Equity investments	Initial stock
Shaoshan Everbright Village Bank Co., Ltd.	3,500	3,500	70	70	3,500	804.83	820.04	Equity investments	Initial stock
Jiangsu Huai'an Everbright Village Bank Co., Ltd.	7,000	7,000	70	70	7,000	88.51	—	Equity investments	Initial stock
China Unionpay Co., Ltd.	9,750	7,500	2.56	2.56	9,750	163,434	142,615	Equity investments	Investments

Note: Jiangsu Huai'an Everbright Village Bank Co., Ltd. was officially opened in May 2013. Please refer to the website of the Bank for details.

## (4) Trading of shares of other listed companies

The shares held by the Bank in Central China Land Media Co., Ltd. (Stock Code on Shenzhen Stock Exchange: 000719, Abbreviated name: CCLM) were pledged assets. The Bank held 1,000,058 shares of CCLM at the end of 2012 and sold 299,104 shares in October 2013. As at the end of reporting period, the Bank held 700,954 shares of CCLM. Save as disclosed above, the Bank had not conducted any trading of shares of listed companies.

**2. Use of proceeds during the reporting period**

On December 20, 2013, H shares of the Bank were listed on the HKSE, and proceeds of HKD24,852 million (equivalent to RMB19,452 million, including the exercise of over-allotment option in January 2014) were raised. After deduction of relevant listing expenses, all other net proceeds were used to replenish core capitals, improve the capital adequacy ratio and support business development.

**3. Major uses of non-raised funds**

The Bank did not conduct any major investment using non-raised fund.

**4. Analysis of subsidiaries**

## (1) Everbright Financial Leasing Co., Ltd.

Everbright Financial Leasing Co., Ltd. was established in May 2010 with a registered capital of RMB800 million. It is engaged in financial leasing business, and was registered in Wuhan, Hubei Province. In 2013, Everbright Financial Leasing Co., Ltd. persisted in specialized operation, provided customers with equipment financing and leasing services, and achieved good operating results. As at the end of the reporting period, its total assets, net assets and net profits were RMB19.9 billion, RMB1,617 million and RMB354 million, respectively.

## Report of the Board of Directors

### (2) Shaoshan Everbright Village Bank Co., Ltd.

Shaoshan Everbright Village Bank Co., Ltd. was established in September 2009 with a registered capital of RMB50 million. It is engaged in the provision of banking services such as deposits and loans. Its place of registration was Shaoshan, Hunan Province. In 2013, it maintained sound, regulated and rapid development. As at the end of the reporting period, its total assets, net assets, net profit, general deposits and loan balance were RMB584 million, RMB68 million, RMB8,048,300, RMB510 million and RMB229 million, respectively.

### (3) Jiangsu Huai'an Everbright Village Bank Co., Ltd.

Jiangsu Huai'an Everbright Village Bank Co., Ltd. was established in February 2013 with a registered capital of RMB100 million. It is engaged in commercial banking including deposits and loans, and was registered in Huai'an City, Jiangsu Province. In 2013, the Bank actively expanded business to serve the agriculture, farmer and rural areas. As at the end of the reporting period, its total assets, net assets, net profit, general deposits and loan balance were RMB520 million, RMB101 million, RMB890,000, RMB403 million and RMB299 million, respectively.

## (XIV) Special Purpose Entities Controlled by the Bank and Structured Products

1. There are no special purpose entities controlled by the Bank.
2. The structured entities whose equities are held by the Group but not carried in the consolidated financial statements mainly include financial products and special asset management plans. The structured entities mainly manage assets for third-party investors and charge the management fees, and finance through issue of investment products. The above equities held by the Group mainly include the directly held investment and charge of management fees, etc. Please refer to the notes to the financial statements for details.

## (XV) Risk Management

### 1. Credit Risk Management

During the reporting period, the Bank continued to adhere to the principle of serving the real economy with financial services, promoted adjustment of credit structure, and improved organizational structure of risk management and the credit risk management policies, while expediting the development and application of risk management technologies and strengthening post-disbursement management to improve the credit risk management level.

Credit policies were dynamically adjusted to facilitate the adjustment of credit structure. The Bank was committed to serving the real economy with financial services. It adjusted the credit policies timely in line with the trend of adjustment, transformation and upgrading of national economy structure. We vigorously developed the small enterprise business, small and micro business and retail business, gave greater support to people's livelihood, transformation and upgrading, and actively supported development of green economy, circular economy and low-carbon economy. We also strictly controlled the extension of loans to the overcapacity industries through the measures such as industry portfolio limits and list management and established the system for evaluating the implementation of credit investment policies on a quarterly basis.

The Bank improved the organizational structure of risk management, and strengthened credit extension management. The Bank set up the Credit Management Department which is responsible for monitoring credit risks across the Bank and reviewing the credit extension. The department pays three core functions namely data analysis and modeling at the portfolio level, credit extension management and risk alert at the business level, and control of key operational links at the process level. It highlights the systemic risk identification and follow-up disposal of significant early warning cases. The department continued to focus on monitoring the loans to local government financing platforms, real estate projects and industries with excess capacity, conducted risk inspection, and timely took measures. The Bank further strengthened credit extension management and monitoring of key links of credit business, to ensure health, safety, and stability of credit assets. The Bank standardized the construction of small and micro credit business risk teams, and allocated the personnel respectively responsible for review, approval or post-loan management of small and micro businesses, to ensure the match between risk management and business development.

The Bank improved the credit risk management policies, and optimized management procedures. The Bank revised the administrative measures for risk warning again, expanded the scope of management, improved the management mechanism, strengthened portfolio management, and further implemented the policy of comprehensive early warning, timely reporting, and rapid response. The Bank formulated the measures for voluntary exit of corporate credit customers and list-based customer management, established the management mechanism for customer access and voluntary exit, and strengthened dynamic management of credit customers. We also improved the all-course credit management, the process of reviewing and approving the corporate credit items with general risks, as well as approval efficiency. In addition, we strengthened re-inspection on credit approvals, and improved the quality of review and approval. It promoted the standardization of small and micro and retail products, built the “credit factory” for small and micro business, and strengthened the control in key elements and nodes.

The Bank promoted the development and application of risk management technologies, and further carried out the work of compliance with the New Basel Accord. We conducted the comprehensive upgrade and validation of risk model and comprehensively deepened application of various risk parameters in credit businesses under New Basel Accord. We also launched the risk data mart project, as well as the video recording system for credit files and risk alert system.

Please refer to the notes to the financial statements for the details about credit risk management.

## Report of the Board of Directors

### 2. Liquidity Risk Management

The Bank adhered to prudent and stable liquidity risk management policy and its liquidity remained stable and healthy. The major measures include: Liquidity risk management guidelines were formulated to provide more specific management measures of liquidity risk. With internal fund transfer pricing determined and adjusted in a reasonable and flexible manner, we delivered forward-looking liquidity guidance and unified coordinated liquidity management. The Bank strengthened the dynamic monitoring of market businesses such as wealth management and interbank products and monitored the liquidity risk exposure limit daily. Regular liquidity stress testing was conducted and preventive measures were adopted. We also set liquidity exposure limit prudently, kept track of the impacts of the revision to the monetary policy, the use of quantitative monetary measures, adjustments of reserve requirement and the implementation of differential deposit reserve policy by the People's Bank of China on market liquidity, and formulated plans of liquidity. The Bank reviewed the liquidity risk policies according to *Administrative Measures for Liquidity Risks of Commercial Banks* released by the CBRC, ensured the compliance with *BASEL III* in liquidity indicators, and paid attention to impacts of structure adjustments on assets and liabilities on liquidity indicators. Liquidity risks were reduced by adjusting on-balance sheet items such as diversified liabilities and the liquidity gap was filled up by derivative financial instruments such as currency swap.

Please refer to notes to the financial statements for further details of liquidity risk management of the Bank.

### 3. Market risk Management

During the reporting period, the Bank reviewed the market risk management policies and management measures for market trading business, optimized the structure of market risk exposure limit and reasonably set the exposure limit level according to market changes and business development. We implemented independent monitoring and regular reporting of market risks, strengthened research and analysis of market changes. The Bank also strengthened the initiative management of market risks, and conducted independent review and exposure limit management for risks on new products. The market risk assessment, monitoring and management abilities of the Bank were enhanced by establishing the market risk management system which supported pricing and risk measurement for various basic financial products and complex derivatives, and by preparing various statements on market risk asset calculation and market risk limit monitoring.

Please refer to the notes to the financial statements for further details of market risk management of the Bank.

#### **4. Operational risk Management**

During the reporting period, the Bank continuously improved the operational risk management framework and management system, and comprehensively consolidated the operational risk management foundation; strengthened management of key operational risks, organized safety inspections and business risk inspections, and prevented occurrence of major bank accidents. We also took the initiative to conduct operational risk warning, strictly prevented the moral risks of the employees in important positions, and ensured the timeliness and integrity of operational risk reports. Moreover, the Bank prepared the *Operational Risk Management Manual* for different levels of operation institutions and strengthened guidance of grassroots operation institutions in management of operational risks. We organized employees to participate in operational risk trainings and examinations, and strengthened qualification authentication of the employees at the operational risk positions.

Please refer to notes to the financial statements for further details of operational risk management of the Bank.

#### **5. Compliance Risk Management**

During the reporting period, the Bank established the external compliance database and external compliance element database through the internal control and compliance management project, and the system development will be completed and the online application will be achieved in 2014. We reviewed the rules and regulations, in which over 1,000 systems were reviewed. We also actively tracked changes in the external laws and regulations and brought into full play the advance guidance, compliance review and consulting functions of the Legal and Compliance Department. In addition, the Bank established the compliance manager management system based on lines and regions, monitored the internal control and compliance on a regular basis, and strengthened early warnings for daily internal control and compliance risks. We promoted audits and compliance assessments, and conducted 398 comprehensive audits and 198 special audits of the branches throughout the year. We also strengthened building the compliance managers team across the Bank, formulated the *Administrative Measures for Compliance Managers*, and increased the number of full-time compliance managers.

#### **6. Reputation Risk Management**

The Bank included the reputation risk management into the system for corporate governance and comprehensive risk management, established and improved the reputation risk management mechanism. We prevented reputation risks and responded to reputation cases actively and effectively, and minimized such negative impact on the Bank. During the reporting period, the Bank maintained a good reputation image by improving our management and service, optimizing the response process to public opinions, strengthening reputation risk prevention and response mechanism and actively responding to reputation crisis.

## Report of the Board of Directors

### 7. Anti-money Laundering Management

During the reporting period, the Bank revised and improved the internal control system and procedures for anti-money laundering, and improved the internal control mechanism. We collected and sorted the anti-money laundering warning signals, and strengthened management and guidance in anti-money laundering work across the Bank. We also strengthened system development, and improved the system functions and raised the automatic processing level. In addition, we analyzed different money laundering categories, developed data models and improved the capability and efficiency of anti-money laundering. We strengthened trainings and promotion in relation to anti-money laundering, and encouraged more employees to receive the anti-money laundering trainings.

### (XVI) Outlook of the Bank

#### 1. Competitive landscape and development trend of the industry

In 2013, national economy achieved a steady and rapid growth, the banking industry maintained the overall smooth operation, and asset scale expanded steadily, with increasingly fierce industry competition and homogeneous competition. The development of internet finance also impacts the banking industry. In 2014, domestic and international economic situation will be still complex, and the banking industry will face complicated environments. In order to adapt to the changes of internal and external environments, domestic banking industry will further deepen reforms, adjust the business structure, strengthen risk management, and promote differentiated development and featured operation.

#### 2. Development strategy of the Company

In 2013, the Bank officially implemented the *Overall Strategies for 2013–2016*, and upheld the guideline of “steady growth and connotative development”. On the basis of consolidating the advantages of traditional business, the Bank will focus on promoting development of businesses for small and micro enterprises, vigorously develop the E-banking business and build up new profit growth points.

#### 3. Operating targets, Potential risks and measures

Operating targets:

The operating targets of the Bank in 2014 are to achieve at least 17% growth of total assets, 12% growth of loans and 15% growth of general deposits.

Potential risks:

(1) More difficult to prevent and control and resolve risks

Due to the factors such as adjustment of economic structure and transformation of growth mode, we face increasing pressure of credit risk rebound. Meanwhile, with the accelerated reform on interest rate liberalization and due to the impact of rapid development of Internet finance we encounter more difficulties in liquidity risk management.



(2) Slower growth of profits

Due to the factors such as economic slowdown, narrowed interest rate spreads and more stringent supervision in banks' service fees, our profits will continue to increase slowly in 2014.

Measures:

- (1) Attach great importance to risk management. The Bank should strictly control customer access, understand the changes of credit customers, and establish a mechanism for dynamic exit of low-quality customers, we should also pay attention to the market changes in key areas and development of group customers, conduct the early warning, early disposal and early solution of potential risks, and try to put the increase of non-performing assets under control.
- (2) Attach great importance to liquidity management. The Bank should pay attention to deposit work, reinforce core liabilities, and guarantee the liquidity stability across the Bank, We should focus on development of settlement deposits and fiscal deposits, actively integrate financial products, build the credit channels, and drive up the growth of deposits derived from credit business.
- (3) Strengthen capital management. The Bank should establish the multi-channel external capital supplement mechanism, and optimize the structure of capital instruments. We should also improve returns on capitals, and conduct the endogenous capital supplement. In addition, we should strengthen monitoring and emergency management of capital adequacy ratio.
- (4) Strengthen internal coordination and integration of resources. The Bank should continue to strengthen cross-selling, and improve the customers' degree of adhesion and loyalty. We should also strengthen data analysis, find new product demands from existing customers through the data mining technology, and conduct the precision marketing according to different customers. Moreover, we should integrate internal and external financial product resources, establish the mechanism for cross-line and cross-sector cooperation, and strengthen innovation of products and service models.

#### **4. Capital demand plan**

The Bank will establish a unified and sound integrated capital management system, strengthen capital allocation, and improve the efficiency of capital utilization. We will continuously pay attention to risk adjusted return on capital and economic profit, strengthen capital constraints, and maintain reasonable growth of risk assets. We will further strengthen the endogenous capital supplement mechanism. In respect of financial sources, we will actively develop the capital-saving business, and support steady growth of risk assets by improving return on capital. We will also improve the mechanism for diversified and multi-channel external capital supplement, study and issue the qualified capital instruments including the preferred stocks and tier-2 capital bonds.

## Report of the Board of Directors

### II. Formulation and Implementation of Profit Distribution Policy

#### (I) Profit distribution policy

In accordance with the articles of association of the Bank (“Articles of Association”), the Bank may distribute cash dividend if the profit for the year and accumulated undistributed profit are positive. The profit to be distributed in cash per annum shall be no less than 10% of the distributable profit of the year.

#### (II) Profit distribution plan for the year 2013

1. RMB2,639,034,800, or 10%, of the profit after tax in 2013 amounting to RMB26,390,348,100, to be appropriated to the statutory surplus reserve fund; (statistics of the Bank, excluding its subsidiaries)
2. RMB1,798,001,000 to be appropriated to the general reserve in 2013 in accordance with relevant requirements of the Ministry of Finance;
3. A cash dividend of RMB1.72 per 10 shares (before tax), amounting to an aggregate of RMB8,028,804,300, to be distributed to all existing shareholders. The Cash dividends will be denominated and declared in Renminbi, and distributed to shareholders of A shares in Renminbi, and distributed to shareholders of H shares in Hong Kong Dollars. The exchange rate for the calculation of actual distribution amount in Hong Kong Dollar is based on the average benchmark exchange rate of Renminbi against Hong Kong Dollar as published by the People’s Bank of China one week preceding the date of the general meeting of the shareholders of the Bank for the year 2013 (the “AGM”) (including the day of convening the meeting).

After the implementation of the above profit distribution plan, the undistributed profits of RMB13,924,508,000 in 2013 will be carried forward to the next year.

The Bank did not implement the capitalization of capital reserves in 2013.

The above profit distribution plan is subject to the approval at the AGM. The date of convening the AGM, the closure of register of members and details in relation to the distribution of the cash dividend will be set out in the circular to be published by the Company in due course.

In accordance with the *Enterprise Income Tax Law of the People's Republic of China* and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing the cash dividends. Any shares of the Company registered not under the name of an individual shareholder, including Hong Kong Securities Clearing Company Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. If shareholders of H shares intend to change their shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares of the Company as at the relevant record date.

In accordance with the *Individual Income Tax Law of the People's Republic of China (2011 Revision)*, its implementation regulations and SAT Notice [2011] No. 348 issued by the State Administration of Taxation ("SAT"), if the individual holders of the H shares who are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends with China under the relevant tax agreement, the Company should withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. Should the individual holders of the H Shares are residents of the countries which had an agreed tax rate of less than 10% with China under the relevant tax agreement, the Company shall withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual holders of the H Shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant shareholders submit the evidence required by the notice of the tax agreement to the share register of the Company at Computershare Hong Kong Investor Services Limited within the timeline set out in the notice to be published by the Company. The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of the H Shares are residents of the countries which had an agreed tax rate of over 10% but less than 20% with China under the tax agreement, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of the H Shares are residents of the countries which had an agreed tax rate of 20% with China, or which has not entered into any tax agreement with China, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

The profit distribution plan for the year 2013 of the Company did not make any adjustment or amendments to the existing cash dividend policy of the Company. The profit distribution plan complied with the Articles of Association, which contains clear and definite standards and proportion for dividend distribution and follows relevant decision-making procedures and mechanism. The Board of Directors and the Board of Supervisors discussed and considered the profit distribution plan and the Independent Non-Executive Directors performed their duties to safeguard the legitimate interests of minority shareholders.

## Report of the Board of Directors

### (III) Profit distribution and cash dividend for the last three years

In 2013, the Bank distributed a cash dividend of RMB1.72 per 10 shares (tax inclusive) to all shareholders and did not implement the capitalization of capital reserves. In 2012, the Bank distributed a cash dividend of RMB0.58 per 10 shares (tax inclusive) to all shareholders and did not implement the capitalization of capital reserves. In 2011, the Bank distributed a cash dividend of RMB1.33 per 10 shares (tax inclusive) to all shareholders and did not implement the capitalization of capital reserves.

Unit: RMB million, %

Item	2013	2012	2011
Cash dividend	8,028.80	2,345.22	5,377.83
Proportion to net profit attributable to equity shareholders of the Bank	30	10	30

### III. Corporate Social Responsibility

During the reporting period, the Bank's donations for charity and other purposes totaled up to RMB11,751,400.

Please refer to the websites of the SSE, HKSE (in the form of overseas regulatory announcement) and the Company for the social responsibility report it published.



# Significant Events

## **I. Principal Business Activities**

The Bank is engaged in banking and relevant financial services.

## **II. Reserve**

Please refer to the Consolidated Statement of Changes in Equity for details about reserve change of the Company.

## **III. Fixed Assets**

Please refer to the notes to the financial statements of the Company for details about the change in fixed assets of the Bank as at the end of the reporting period.

## **IV. Purchase, Sale or Repurchase of the Bank's Listed Securities**

During the reporting period, the Bank and its subsidiaries did not purchase, sell or repurchase any listed securities of the Bank.

## **V. Pre-emptive Right**

The Articles of Association has no provision on pre-emptive right, and shareholders of the Bank have not been granted any pre-emptive right.

## **VI. Retirement and Benefits**

Please refer to the notes to the financial statements for details about the retirement benefits provided by the Bank.

## **VII. Major Customers**

As at the end of the reporting period, operating income of the Top 5 major customers of the Bank accounted for no more than 30% of the Bank's total operating income, and the Bank's Directors and their connected person(s) did not hold any interest in the Top 5 major customers.

## **VIII. Material Litigation, Arbitration and Negative Media Reports**

During the reporting period, the Bank was not involved in any material litigation, arbitration or any event relating to negative media reports.

## **IX. Use of Capital by the Controlling Shareholders or Other Related Parties for Non-operating Purposes**

There was no capital of the Bank which was used by the controlling shareholders or other related parties for non-operating purposes.

## Significant Events

### **X. Matters Concerning Bankruptcy Reorganization**

During the reporting period, no bankruptcy reorganization took place in the Bank.

### **XI. Material Acquisitions, Sales or Disposals of Assets and Merger**

During the reporting period, the Bank was not involved in any material acquisitions, sales or disposals of assets or merger.

### **XII. Share Incentive Scheme**

The Bank has not implemented any share incentive scheme.

### **XIII. Connected Transactions of the Bank under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”)**

In accordance with the Hong Kong Listing Rules, the transactions between the Bank and its connected persons (See the definition in the Hong Kong Listing Rules) constitute connected transactions of the Bank. The Bank monitors and manages these connected transactions in accordance with the Hong Kong Listing Rules. During the reporting period, a series of connected transactions were entered into between the Bank and its connected persons in the ordinary course of business of the Bank. Pursuant to Chapter 14A of the Hong Kong Listing Rules, such connected transactions were exempted from reporting, annual review, announcement and independent shareholders' approval requirements.

### **XIV. Material Contracts and Their Performance**

#### **(I) Significant events in respect of holding in custody, contracting, leasing assets**

During the reporting period, the Company has not entered into any material contracts in relation to custody, contracting or leasing any assets of the Company or other companies.

#### **(II) Significant Guarantee**

The provision of external guarantee is one of the routine operations within the Bank's business scope, which has been approved by the People's Bank of China and CBRC. Attaching importance to the risk management of guarantee business, the Bank formulated specific business management measures and operating procedures, and effectively monitored and prevented the risks in guarantee business by on-site and off-site inspections. During the reporting period, such business operated normally and there was no material guarantees being entered into or subsisting which was required to be disclosed.

### (III) Explanatory Notes and independent opinion of Independent Directors concerning the provision of external guarantee by the Bank

In accordance with relevant regulations and requirements of the Notice Concerning Certain Issues on Regulating the Capital Flow between Listed Companies and Related Parties and Listed Companies' Provision of Guarantee to Other Parties (Zheng Jian Fa [2003] No. 56) of CSRC, the Independent Directors of the Bank reviewed external guaranties provided by the Bank on an open, fair and objective basis and issued their opinion as follows:

It was verified that the provision of external guarantee is one of the routine operations within the Bank's business scope which has been approved by the People's Bank of China and CBRC. As at the end of the reporting period, the Bank provided guarantee for RMB180 million payable interests of financial bonds of the Everbright Group, and the Everbright Group provided counter guarantee with its 50 million shares of a large-size securities company. Save as the abovementioned, other guarantee operations of the Bank totaled RMB52,155 million, representing a year-on-year increase of 13.4%.

Attaching importance to the risk management of guarantee business, the Bank formulated specific business management measures and operating procedures, and effectively monitored and prevented the risks in guarantee business by on-site and off-site inspections. During the reporting period, such business operated normally and no violation took place in the Bank.

Independent Directors of China Everbright Bank Company Limited  
Mr. Zhou Daojiong, Mr. Wang Wei, Mr. Zhang Xinze, Mr. Qiao Zhimin and Mr. Xie Rong

### (IV) Other material contracts

During the reporting period, the Bank had no other material contracts and all contracts regarding daily operation were properly performed.

## **XV. Important Undertakings of the Bank or Shareholders Holding More than 5% of Shares and Their Performance**

CHI, a substantial shareholder of the Bank, has undertaken that it will not engage or participate in any competing business with the Bank as long as it is deemed to be a controlling shareholder or de facto controller of the Bank. Notwithstanding the above undertaking, the subsidiaries of CHI (as a state-owned investment holding company established by the PRC government to invest in financial and banking industries) are not subject to the above undertaking. Such undertaking is valid for a permanent period and there had been no breach of such undertaking as at the end of the reporting period.

Please refer to the prospectus for public offering of H shares of the Company for details regarding the lock-up undertaking in relation to the H shares held by CHI and the Everbright Group Limited, the substantial shareholders of the Bank and other relevant undertakings. For more details, please see the websites of the HKSE and the Bank.

## Significant Events

The Bank had undertaken that no further shares or securities convertible into equity securities would be issued within 6 months from December 20, 2013 (being the listing date of the Company's H shares), nor would they become the subject of any similar agreement during the same period. Such undertaking is valid from December 20, 2013 to June 20, 2014. As of the end of the Reporting Period, there had been no breach of such undertaking.

For details about important undertakings of the Bank or shareholders holding more than 5% of shares and their performance, please refer to the Announcement on the *Fulfillment of Undertakings of de facto Controller, Shareholders, Related Parties, Buyers and Listed Company* (hereinafter referred to as the "Announcement"). The Announcement is published on the websites of the SSE, the HKSE (in the form of overseas regulatory announcement) and the Bank.

### XVI. Appointment and Resignation of Accounting Firm

#### (I) Appointment of auditors for auditing the annual financial statements

KMPG Huazhen (Special General Partnership) was appointed by the Bank as the domestic auditors for 2013. Jin Naiwen and Huang Aizhou were the authorized signatories for the audit report. KPMG was appointed as the overseas auditors for 2013. The auditing fee payable was RMB8.90 million (exclusive of reimbursement and value-added tax). These two firms had consecutively provided audit services to the Bank for nine years and one year, respectively.

#### (II) Appointment of Internal Control Auditors

KPMG Huazhen (Special General Partnership) was appointed as the auditors for reviewing the internal control of the Bank for 2013 and the auditing fee payable to KPMG Huazhen (Special General Partnership) was RMB1.00 million (inclusive of reimbursement and value-added tax).

### XVII. Investigation and Administrative Penalty by Regulatory Authorities

During the reporting period, none of the Bank, its Directors, Supervisors, Senior Management, shareholders holding more than 5% of its shares was subject to any investigation, administrative penalty or public censure by the CSRC, or public censure by any stock exchange, or any penalty imposed by any regulatory body which has significant impact on the Bank's operation.

### XIII. Other Significant Events

#### (II) Listing of H shares

During the reporting period, the Bank was fully committed to pushing forward the IPO of its H shares, which were successfully listed on the main board of HKSE on December 20, 2013. The offer price of H shares was HK\$3.98/share (RMB3.14/share). 5,842,000,000 H shares were initially issued with the proceeds amounting to HK\$23.251 billion. Immediately after the issuance of H shares, the total number of the shares of the Bank increased to 46,276,790,000. On January 12, 2014, the Bank exercised the over-allotment option, and issued additional 402,305,000 H shares. The Bank issued a total of 6,244,305,000 H shares during the IPO (inclusive of the exercise of over-allotment option). The total proceeds were HK\$24.852 billion. After the exercise of the over-allotment option, the total number of the shares of the Bank further increased to 46,679,095,000 shares.



## (II) Increase of shareholdings of CHI

On June 14, 2013, the Bank received a notice from CHI, a substantial shareholder of the Bank, indicating that it purchased 22,046,246 A shares of the Bank through the trading system of SSE on the same day and it planned to continue purchasing the Bank's shares in CHI's own name on the secondary market within the next six months (starting from June 14, 2013) (the "Share Increase"). The Share Increase finished on December 13, 2013 and up to that date, CHI had in aggregate purchased 100,855,999 A shares of the Bank from the secondary market. After the Share Increase, the total number of A shares of the Bank held by CHI increased to 19,659,191,852, representing 48.62% of the Bank's total shares.

## (III) Issuance of bonds

On December 16, 2013, the Bank convened the Third Extraordinary General Meeting for 2013, at which the shareholders considered and passed the *Proposal on Planning and Authorization Regarding Issuance of Financial Bonds*. For details, please refer to the websites of the SSE and the Bank. By at the end of the reporting period, this proposal has not been implemented by the Bank.

## XIX. Significant Events of Subsidiaries

During the reporting period, Everbright Financial Leasing Co., Ltd. had no material litigation or arbitration, acquisition or disposal of major assets, material related party transaction, major contract, judicial or administrative investigation or administrative penalty. It engaged KPMG Huazhen (Special General Partnership) to audit its financial statements for 2013. On January 23, 2014, the Bank convened the 16th Meeting of the Sixth Session of the Board of Directors, at which the Directors approved to invest a further RMB1.98 billion in Everbright Financial Leasing Co., Ltd.

During the reporting period, Shaoshan Everbright Village Bank Co., Ltd. had no material litigation or arbitration, acquisition or disposal of major assets, material related party transaction, major contract, judicial or administrative investigation or administrative penalty. It engaged Baker Tilly China Certified Public Accountants (天職會計師事務所) to audit its financial statements for 2013. On January 23, 2014, the Bank convened the 16th Meeting of the Sixth Session of the Board of Directors, at which the Directors approved to invest a further RMB70 million in Shaoshan Everbright Village Bank Co., Ltd.

During the reporting period, Jiangsu Huai'an Everbright Village Bank Co., Ltd. had no material litigation or arbitration, acquisition or disposal of major assets, material connected transaction, major contract, judicial or administrative investigation or administrative penalty. It engaged Huai'an Xinrui Public Accounting Firm (淮安新瑞會計師事務所) to audit its financial statements for 2013.

## XX. Review of Annual Results of the Company

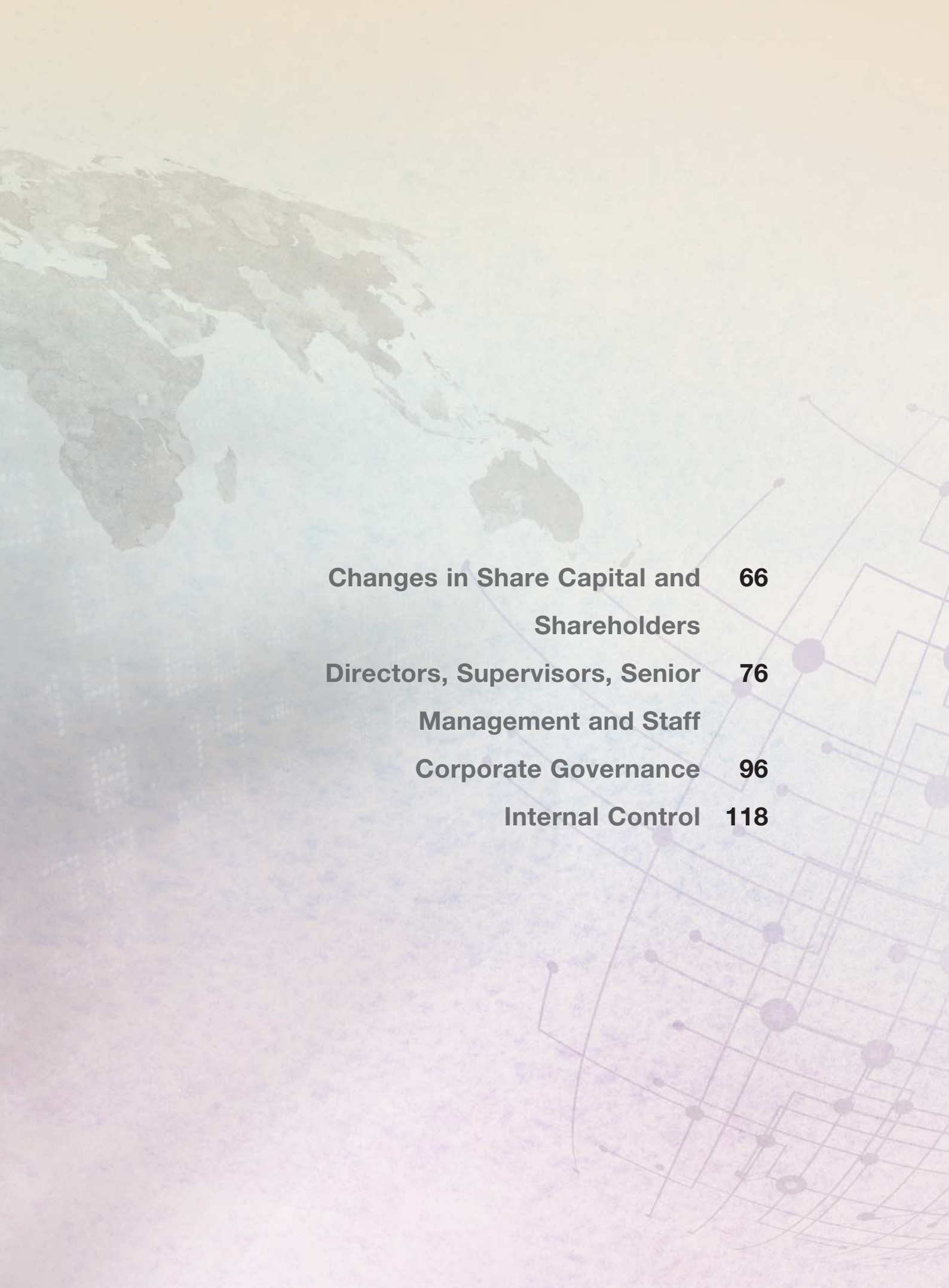
The Bank's external auditors KPMG Huazhen (Special General Partnership) and KPMG respectively audited the Company's financial statements for 2013, which were prepared according to PRC GAAP and IFRS, and issued the standard unqualified auditor's reports. The Bank's Audit Committee and the Board of Directors have reviewed the annual results and financial reports of the Bank for the year ended December 31, 2013.

## XXI. Publication of Annual Report

The Annual Report, in Chinese and English, prepared by the Bank in accordance with the IFRS and Hong Kong Listing Rules are available at the websites of the HKSE and the Bank. In case of any discrepancy, the Chinese version shall prevail.

The Annual Report in Chinese prepared by the Bank in accordance with PRC GAAP and the Rules on Preparation of Annual Reports is available at the websites of the SSE and the Bank.





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# Change in Share Capital and Shareholders

## I. Change in share capital

Unit: share, %

	Before change		Increase or decrease after change (+, -)			After change	
	Number	Percentage	New share issuance <sup>(1)</sup>	Others	Sub-total	Number	Percentage
I. Shares subject to trading moratorium							
1. Shares held by the State	20,033,124,811	49.54	–	-20,033,124,811	-20,033,124,811	–	–
2. Shares held by state-owned legal persons	1,466,875,189	3.63	–	-1,466,875,189	-1,466,875,189	–	–
3. Shares held by other domestic shareholders	–	–	–	–	–	–	–
Including: Shares held by domestic non state-owned legal persons	–	–	–	–	–	–	–
Shares held by domestic natural persons	–	–	–	–	–	–	–
4. Shares held by overseas shareholders	–	–	3,397,848,000	–	3,397,848,000	3,397,848,000	7.34
Including: Shares held by overseas legal persons	–	–	3,397,848,000	–	3,397,848,000	3,397,848,000	7.34
Shares held by overseas natural persons	–	–	–	–	–	–	–
II. Shares not subject to trading moratorium							
Renminbi ordinary shares	18,934,790,000	46.83	–	20,915,800,000	20,915,800,000	39,850,590,000	86.11
Domestic listed foreign shares	–	–	–	–	–	–	–
Overseas listed foreign shares	–	–	2,444,152,000	584,200,000	3,028,352,000	3,028,352,000	6.55
Others	–	–	–	–	–	–	–
<b>Total shares</b>	<b>40,434,790,000</b>	<b>100</b>	<b>5,842,000,000</b>	<b>–</b>	<b>5,842,000,000</b>	<b>46,276,790,000</b>	<b>100</b>

Note: On January 12, 2014, the Bank exercised the over-allotment option for the H shares, and issued 402,305,000 new H shares which are not included in the above table. Neither were such H shares included in total shares of the Bank as at the end of the reporting period.

## II. Securities Issuance and Listing

### (I) Securities issuance for the last three years

On December 20, 2013, the Bank was listed on the main board of HKSE. Please refer to the "Significant Events" for details.

In 2011–2012, the Bank did not issue any securities.

(II) Apart from the issuance of H Shares, the Bank had no change in the total number of shares, shareholding structure or assets and liabilities as a result of bonus issue, capitalization of the capital reserve, non-public offering of shares, exercise of warrants, adoption or exercise of share option scheme, mergers, conversion of convertible corporate bonds, capital reduction, listing of internal employee shares, bond issue, or for other reasons.

(III) The Bank had no employee shares.

### III. Number of Shareholders

Unit: Share

	A shares	H shares
Total number of shareholders as at the end of the reporting period	210,103	1,634
Total number of shareholders as at the fifth trading day prior to the disclosure of the A share annual report	229,078	1,344

### IV. Shareholding of Top 10 Shareholders

Unit: share, %

Name of shareholder	Nature	Change in the period <sup>(1)</sup>	Shareholding percentage	Shareholding Number		
				Shares not subject to trading moratorium	Shares subject to trading moratorium	Shares pledged or frozen
CHI	State-owned shares	-281,115,570	41.66	19,277,220,283		—
Hong Kong Securities Clearing Company Nominees Limited <sup>(2)</sup>	—	6,416,557,000	13.87	3,018,709,000	3,397,848,000	Unknown
China Everbright (Group) Corporation	State-owned legal person shares	-40,895,370	4.44	2,053,096,259		—
China Everbright Limited	Overseas legal person shares	-70,325,316	3.65	1,687,255,913		—
China Reinsurance (Group) Corporation <sup>(3)</sup>	State-owned legal person shares	-510,727,275	2.07	956,147,914		—
Shenergy (Group) Co., Ltd.	State-owned legal person shares	-15,278,863	1.66	767,054,571		—
China Power Finance Co., Ltd.	State-owned legal person shares	-162,807,732	1.38	637,080,083		—
Hongta Tobacco (Group) Co., Ltd.	State-owned legal person shares	-10,739,408	1.17	539,157,411		—
National Council for Social Security Fund <sup>(4)</sup>	State-owned shares	-10,616,399	1.15	532,981,887		—
Shanghai Chengtou Holding Co., Ltd.	State-owned legal person shares	-7,030,750	0.76	352,969,250		—

The connecting relationship or concerted actions among the above shareholders: China Reinsurance (Group) Corporation is a subsidiary of CHI; China Everbright Limited is a subsidiary of China Everbright Holdings Company Limited. Everbright Group and China Everbright Limited have the same Chairman, and some members of the Senior Management are overlapping. Save for these, the Bank is not aware of any connecting relationship or concerted action among the above shareholders.

## Change in Share Capital and Shareholders

- Note:
1. after taking into account the reduction of the state-owned shares as a result of the Company's H share IPO.
  2. Total H shares of the Bank held by the Hong Kong Securities Clearing Company Nominees Limited on behalf of institutions and personal investors as at the end of the reporting period. Same for the below.
  3. As at the end of the reporting period, China Reinsurance (Group) Corporation held 956,147,914 A shares of the Bank. In addition, it subscribed 1,041,260,000 H shares on December 20, 2013 when H shares of the Bank were listed. Same for the below.
  4. As at the end of the reporting period, National Council for Social Security Fund held 532,981,887 A shares of the Bank. In addition, 584,200,000 state-owned H shares of the Bank were transferred to it on December 20, 2013 when H shares of the Bank were listed. Same for the below.

### V. Confirmation on the Bank's compliance with requirement of sufficiency of public float under the Hong Kong Listing Rules

Base on publicly available information and the knowledge of the Directors, as at March 28, 2014, the Bank has maintained the minimum public float as required by the Hong Kong Listing Rules and the waiver granted by the HKSE upon the listing of H shares of the Bank.

### VI. Profile of substantial shareholders of the Bank

#### (I) CHI

##### 1. Basic information

Company name: Central Huijin Investment Ltd.

Date of establishment: December 2003

Business nature: wholly state-owned company

Legal Representative: Ding Xuedong

Registered capital: RMB828.209 billion

Paid-in capital: RMB828.209 billion

Place of registration: New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing

Business nature: equity investment in major state-owned financial enterprises in accordance with authorization by the State Council; Other relevant businesses approved by the State Council

Organization registration number: 71093296-1

##### 2. Operating results and financial position

As CHI cannot provide its audited financial statements for 2013 until the completion of auditing the financial statements of its investees, the following financial data are the audited data for 2012. As at December 31, 2012, the assets of CHI amounted to RMB2,363,604,890,600, liabilities amounted to RMB149,769,242,800, equity attributable to its owner(s) amounted to RMB2,213,835,647,800, and net profit amounted to RMB398,395,813,400. The net cash flows generated from operating activities, investing activities and financing activities for 2012 amounted to RMB39,391,118,400.

### 3. Development strategy

CHI is mandated to make equity investment in major state-owned financial enterprises in accordance with authorization by the State Council. It shall, to the extent to its capital contribution, exercise the rights and perform the obligations as an investor in major state-owned financial enterprises, on behalf of the State in light of the applicable laws to achieve the goal of preserving and increasing the value of state-owned financial assets. CHI does not conduct any other business or commercial activities, nor does it intervene in the day-to-day business operation of the major state-owned financial enterprises in which it has a controlling equity interest.

### 4. Equity held in listed companies

As at December 31, 2013, the shareholdings of CHI in other listed companies were as follows:

Company Name	Shareholding Percentage
Industrial and Commercial Bank of China Limited	35.33
Agricultural Bank of China Limited	40.28
Bank of China Limited	67.72
China Construction Bank Corporation	57.26
New China Life Insurance Company Limited	31.34

Unit: %

## (II) Everbright Group

### 1. Basic information

Company name: China Everbright (Group) Corporation

Date of establishment: November 1990

Business nature: publicly owned company

Legal Representative: Tang Shuangning

Registered capital: RMB1.1 billion (One Billion and One Hundred Million Only)

Place of registration: No. 25, Taipingqiao Avenue, Xicheng District, Beijing

Business mode: Investment and management.

Business scope: major business: investment in and management of companies engaged in banking, securities, insurance, fund management, trust investment and gold and silver transactions; sideline business: investment in and management of non-financial enterprises.

Organization registration number: 10206389-7

## Change in Share Capital and Shareholders

### 2. Operating results and financial position

As Everbright Group cannot provide its audited financial statements for 2013 until the completion of the audit of the financial statements of its investees, the following financial data are the audited data for 2012. As at December 31, 2012, the total assets of Everbright Group amounted to RMB70,493,779,600, the total liabilities amounted to RMB51,644,195,700, equity attributable to its owner(s) amounted to RMB18,849,583,900 and the total profit amounted to RMB2,100,689,900. The consolidated net cash flows amounted to RMB-305,092,300.

### 3. Development strategy

Pursuant to the *Development Plan of China Everbright Group (2011–2015)*, the strategic goal for the planning period is to develop Everbright Group into a first-class financial holding group up to international standards with Chinese characteristics, which is featured with strong capability, integrated operation, distinctive focus, capital adequacy, stringent internal control, rational management and advanced culture. Business positioning: on the basis of providing integrated financial services, form a strategic layout with prominence to major financial businesses, steady development of industry, unified pace in Hong Kong with China's mainland, and integration of financial industries. Objectives of the Group: promote the sharing of resources within the Group, optimize the Group's industrial layout, deepen internal linkage, explore the management modes and cooperation ways conducive to the display of the integrated financial advantages and the synergy of forces, push forward the transformation of China Everbright into a financial holding group, and explore ways for the reform of national financial system. Since the implementation of strategic planning three years ago, the Group has achieved remarkable results, enhanced the overall strength, and consummated the integrated financial functions, improved the degree of internationalization, and strengthened core competitiveness.

### 4. Shareholding in other listed companies

As at December 31, 2013, the shareholding of Everbright Group in other listed company was as follows:

Unit: %

Company Name	Shareholding Percentage
Everbright Securities Co., Ltd.	33.92



## VII. Shareholdings of Top 10 shareholders not subject to trading moratorium

Unit: share

Name of shareholder	Number of shares not subject to trading moratorium at the end of period	Class of shares
CHI	19,277,220,283	A share
Hong Kong Securities Clearing Company Nominees Limited	3,018,709,000	H share
Everbright Group	2,053,096,259	A share
China Everbright Limited	1,687,255,913	A share
China Reinsurance (Group) Corporation	956,147,914	A share
Shenergy (Group) Co., Ltd.	767,054,571	A share
China Power Finance Co., Ltd.	637,080,083	A share
Hongta Tobacco (Group) Co., Ltd.	539,157,411	A share
National Council for Social Security Fund	532,981,887	A share
Shanghai Chengtou Holding Co., Ltd.	352,969,250	A share
The connecting relationship or concerted actions among the above shareholders: China Reinsurance (Group) Corporation is a subsidiary of CHI; China Everbright Limited is a subsidiary of China Everbright Group Co., Ltd. Everbright Group and China Everbright Limited share the same Chairman and some Senior Management. Save for these, the Bank is not aware of any connecting relationship or concerted actions among the above shareholders.		
The connecting relationship or concerted actions between the above shareholders and top10 shareholders are same as above.		

## Change in Share Capital and Shareholders

**VIII. Table of Changes in Number of Shares subject to Trading Moratorium**

Unit: share

Name of shareholder	Shares subject to trading moratorium at the beginning of reporting period	Shares released from trading moratorium in the reporting period	Increased shares subject to trading moratorium during the reporting period	Total number of Shares subject to trading moratorium at the end of reporting period	Reason for trading moratorium	Expected date of release
Hong Kong Securities Clearing Company Nominees Limited	—	—	3,397,848,000	3,397,848,000	Lock-up period for H shares	2014.06.21

**IX. Number of shares held by top 10 shareholders with trading moratorium and the conditions of such trading moratorium**

Unit: share

Name of shareholders with shares subject to trading moratorium	Number of Shares subject to trading moratorium	Date of release	Number of Newly released shares	Conditions of Trading moratorium
CHI	19,558,335,853	2013.08.19	19,558,335,853	Lock-up period for A shares
China Reinsurance (Group) Corporation	1,466,875,189	2013.08.19	1,466,875,189	Lock-up period for A shares
National Council for Social Security Fund	474,788,958	2013.08.19	474,788,958	Lock-up period for A shares
Hong Kong Securities Clearing Company Nominees Limited	3,397,848,000	2014.06.21	3,397,848,000	Lock-up period for H shares

## X. Substantial shareholders' and other persons' interests or short positions in shares and underlying shares of the Company under Hong Kong laws and regulations

As at 31 December 2013, so far as was known to Directors and Supervisors of the Company, the following persons or corporations (other than Directors, Supervisors or Chief Executives of the Company) who had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Hong Kong Securities and Futures Ordinance ("HKSF") or as otherwise notified to the Company were as follows:

Name of substantial shareholder	Notes	Class of shares	Type of interest	Long/Short position	Number of shares	Percentage of the relevant shares in issue (%) <sup>11,12</sup>	Percentage of the total issued shares (%) <sup>11,12</sup>
China Shipping (Group) Company	1	H	Interest of controlled corporation	Long	1,558,412,000	24.25	3.36
China Shipping (Hong Kong) Holdings Co. Ltd.	1	H	Interest of controlled corporation	Long	1,558,412,000	24.25	3.36
Ocean Fortune Investment Limited	1	H	Beneficial owner	Long	1,558,412,000	24.25	3.36
CHI	2	H	Interest of controlled corporation	Long	1,041,260,000	16.20	2.25
China Reinsurance (Group) Corporation	2	H	Interest of controlled corporation	Long	1,041,260,000	16.20	2.25
China Life Reinsurance Company Ltd.	2	H	Beneficial owner	Long	1,041,260,000	16.20	2.25
UBS AG	3	H	Beneficial owner/Person having a security interest	Long	957,979,000	14.90	2.07
Morgan Stanley	4	H	Beneficial owner	Short	762,000,000	11.85	1.64
			Interest of controlled corporation/Interests held jointly with another person	Long	914,033,000	14.22	1.97
			Interests held jointly with another person	Short	762,000,000	11.85	1.64
China International Capital Corporation Limited	5	H	Interest of controlled corporation	Long	762,000,000	11.85	1.64
				Short	762,000,000	11.85	1.64
China International Capital Corporation (Hong Kong) Limited	5	H	Interest of controlled corporation	Long	762,000,000	11.85	1.64
				Short	762,000,000	11.85	1.64
China International Capital Corporation Hong Kong Securities Limited	5	H	Interests held jointly with another person	Long	762,000,000	11.85	1.64
				Short	762,000,000	11.85	1.64
National Council for Social Security Fund		H	Beneficial owner	Long	584,200,000	9.09	1.26
State Development & Investment Corporation	6	H	Interest of controlled corporation	Long	410,960,000	6.39	0.88
				Short	410,960,000	6.39	0.88
SDIC Capital Holdings Co., Ltd.	6	H	Interest of controlled corporation	Long	410,960,000	6.39	0.88
				Short	410,960,000	6.39	0.88
Haixia Capital Management Co., Ltd.	6	H	Interest of controlled corporation	Long	410,960,000	6.39	0.88
				Short	410,960,000	6.39	0.88
Haixia Industry Investment Fund (Fujian) Limited Partnership	6	H	Interest of controlled corporation	Long	410,960,000	6.39	0.88
				Short	410,960,000	6.39	0.88
Gatherrise Limited	6	H	Interest of controlled corporation	Long	410,960,000	6.39	0.88
				Short	410,960,000	6.39	0.88
Xinnuo Enterprise Co., Ltd.	6	H	Beneficial owner	Long	410,960,000	6.39	0.88
				Short	410,960,000	6.39	0.88
Jingwei Textile Machinery Co., Ltd.	7	H	Interest of controlled corporation	Long	389,603,000	6.06	0.84
Zhongrong International Trust Co., Ltd.	7	H	Beneficial owner	Long	389,603,000	6.06	0.84
Citigroup Inc.	8	H	Interest of controlled corporation	Long	343,768,000	5.34	0.74
				Short	171,884,000	2.67	0.37
CHI	9	A	Beneficial owner/Interest of controlled corporation	Long	20,233,368,197	50.77	43.72
Everbright Group	10	A	Beneficial owner/Interest of controlled corporation	Long	2,233,744,038	5.60	4.82

## Change in Share Capital and Shareholders

- Note:
1. Ocean Fortune Investment Limited had a long position in 1,558,412,000 H shares of the Company. As far as the Company is aware, Ocean Fortune Investment Limited was wholly-owned by China Shipping (Hong Kong) Holdings Co. Ltd., while China Shipping (Hong Kong) Holdings Co. Ltd. was wholly-owned by China Shipping (Group) Company. In accordance with the HKSF, China Shipping (Hong Kong) Holdings Co. Ltd. and China Shipping (Group) Company were deemed to have interests in 1,558,412,000 H shares held by Ocean Fortune Investment Limited.
  2. China Life Reinsurance Company Ltd. had a long position in 1,041,260,000 H shares of the Company. As far as the Company is aware, China Life Reinsurance Company Ltd. was wholly-owned by China Reinsurance (Group) Corporation, while 84.91% of the issued share capital of China Reinsurance (Group) Corporation was held by CHI. In accordance with the HKSF, China Reinsurance (Group) Corporation and CHI were deemed to have interests in 1,041,260,000 H shares held by China Life Reinsurance Company Ltd.
  3. UBS AG had a long position in 762,000,000 H shares, which involved physically settled derivatives (off exchange).
  4. Morgan Stanley was deemed to have a long position in 914,033,000 H shares of the Company and a short position in 762,000,000 H shares of the Company in total by virtue of its control over the following corporations:
    - (a) Morgan Stanley Asia Limited (Morgan Stanley's indirect subsidiary) had a long position in 762,000,000 H shares of the Company and a short position in 762,000,000 H shares of the Company.
    - (b) Morgan Stanley & Co. International plc (Morgan Stanley's indirect subsidiary) had a long position in 152,033,000 H shares of the Company.

In addition, the long position in 762,000,000 H shares involved physically settled derivatives (off exchange).
  5. China International Capital Corporation Hong Kong Securities Limited had a long position in 762,000,000 H shares of the Company and a short position in 762,000,000 H shares of the Company. Such shares involved physically settled derivatives (off exchange). As far as the Company is aware, China International Capital Corporation Hong Kong Securities Limited was wholly-owned by China International Capital Corporation (Hong Kong) Limited, while China International Capital Corporation (Hong Kong) Limited was wholly-owned by China International Capital Corporation Limited. In accordance with the HKSF, China International Capital Corporation (Hong Kong) Limited and China International Capital Corporation Limited were deemed to have interests in a long position in 762,000,000 H shares and a short position in 762,000,000 H shares of the Company held by China International Capital Corporation Hong Kong Securities Limited.
  6. Xinnuo Enterprise Co., Ltd. had a long position in 410,960,000 H shares and a short position in 410,960,000 H shares of the Company. The short position in 410,960,000 H shares involved cash settled derivatives (off exchange). As far as the Company is aware, Xinnuo Enterprise Co., Ltd. was wholly-owned by Gatherrise Limited, while Gatherrise Limited was wholly-owned by Haixia Industry Investment Fund (Fujian) Limited Partnership. 4.76% of the issued share capital of Haixia Industry Investment Fund (Fujian) Limited Partnership was held by Haixia Capital Management Co., Ltd., 40% of the issued share capital of Haixia Capital Management Co., Ltd. was held by SDIC Capital Holdings Co., Ltd., while SDIC Capital Holdings Co., Ltd. was a wholly-owned subsidiary of the State Development & Investment Corporation. In accordance with the HKSF, Gatherrise Limited, Haixia Industry Investment Fund (Fujian) Limited Partnership, Haixia Capital Management Co., Ltd. and SDIC Capital Holdings Co., Ltd. were deemed to have interests in a long position in 410,960,000 H shares and a short position in 410,960,000 H shares of the Company held by Xinnuo Enterprise Co., Ltd.
  7. Zhongrong International Trust Co., Ltd. had a long position in 389,603,000 H shares of the Company. As far as the Company is aware, 36.80% of the issued share capital of Zhongrong International Trust Co., Ltd. was held by Jingwei Textile Machinery Co., Ltd. In accordance with the HKSF, Jingwei Textile Machinery Co., Ltd. was deemed to have interests in a long position in 389,603,000 H shares held by Zhongrong International Trust Co., Ltd.
  8. Citigroup Inc. had a long position of 343,768,000 H shares and short position in 171,884,000 H shares of the Company through Citigroup Global Markets Hong Kong Limited (indirect wholly-owned subsidiary of Citigroup Inc.).
  9. CHI had a long position in 19,277,220,283 A shares of the Company, while China Reinsurance (Group) Corporation had a long position in 956,147,914 A shares of the Company. As 84.91% of the issued share capital of China Reinsurance (Group) Corporation was owned by CHI, CHI was deemed to have interests in a long position in 956,147,914 A shares of the Company held by China Reinsurance (Group) Corporation in accordance with the HKSF. Therefore, CHI was deemed to have interests in a long position in 20,233,368,197 A shares of the Company in total.
  10. Everbright Group had a long position in 2,053,096,259 A shares of the Company. Everbright Financial Holding Asset Management Co., Ltd. and Everbright Securities Co., Ltd. had a long position in 150,289,800 A shares and 30,357,979 A shares of the Company respectively. As Everbright Financial Holding Asset Management Co., Ltd. was wholly-owned by Everbright Group and 33.92% of the issued share capital of Everbright Securities Co., Ltd. was owned by Everbright Group. Everbright Group was deemed to have interests in long position in 180,647,779 A shares in total held by Everbright Financial Holding Asset Management Co., Ltd. and Everbright Securities Co., Ltd. in accordance with the HKSF. Therefore, Everbright Group was deemed to have interests in a long position of 2,233,744,038 A shares in total.

11. As at December 31, 2013, the total issued share capital of the Company was 46,276,790,000 shares, including 39,850,590,000 A shares and 6,426,200,000 H shares.
12. The percentage shareholdings are calculated by rounding to two decimal places.

Save as disclosed above, as at 31 December 2013, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the HKSF0, or which were recorded in the register required to be kept by the Company under Section 336 of the HKSF0.

## **XI. Interests or short positions of Directors, Supervisors and Chief Executives in shares, underlying shares and debentures of the Company under Hong Kong laws and regulations**

As at 31 December 2013, as far as the Directors and Supervisors of the Company are aware, none of the Directors, Supervisors nor the Chief Executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the HKSF0) which were required to be recorded in the register required to be kept under Section 352 of the HKSF0, or otherwise required to be notified by the Director or Supervisors to the Company and the HKSE pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* ("Model Code") set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

# Directors, Supervisors, Senior Management and Staff

## I. Profile of Directors, Supervisors and Senior Management

Name	Title	Gender	Age	Term of service	Total remuneration from the Bank during the reporting period (Pre-tax, RMB ten thousand)	Total remuneration from shareholder of the Bank during the reporting period (Pretax, RMB ten thousand)
Mr. Tang Shuangning	Chairman, Non-executive Director, Secretary of CPC Committee of the Bank	Male	59	2007.07-2015.11	—	49.50
Mr. Luo Zhefu	Vice Chairman, Non-executive Director	Male	60	2009.04-2015.11	—	44.55
Mr. Zhao Huan	Executive Director, President, Deputy Secretary of CPC Committee of the Bank	Male	50	—	—	—
Mr. Wu Qing	Executive Director, Deputy Secretary of CPC Committee of the Bank	Male	60	2003.01-2015.11	99.6	—
Mr. Wu Jian	Non-Executive Director	Male	43	2007.12-2015.11	—	78
Ms. Narentuya	Non-Executive Director	Female	58	2011.03-2015.11	—	75
Mr. Wu Gang	Non-Executive Director	Male	55	2011.03-2015.11	—	75
Ms. Wang Shumin	Non-Executive Director	Female	57	2011.12-2015.11	—	78
Mr. Wang Zhongxin	Non-Executive Director	Male	58	2012.06-2015.11	—	75
Mr. Wu Gaolian	Non-Executive Director	Male	61	2013.01-2015.11	—	74.4
Mr. Zhou Daojiong	Independent Non-Executive Director	Male	80	2013.01-2015.11	—	—
Mr. Zhang Xinze	Independent Non-Executive Director	Male	67	2011.11-2015.11	20.00	—
Mr. Qiao Zhimin	Independent Non-Executive Director	Male	61	2013.01-2015.11	20.00	—
Mr. Xie Rong	Independent Non-Executive Director	Male	61	2013.01-2015.11	20.00	—
Ms. FOK Oi Ling Catherine	Independent Non-Executive Director	Female	55	2014.01-2015.11	—	—
Mr. Cai Haoyi	Chairman of the Board of Supervisors	Male	59	2012.11-2015.11	100.19	—
Mr. Mu Huijun	Vice Chairman of the Board of Supervisors	Male	57	2009.11-2015.11	99.6	—
Mr. Chen Shuang	Equity Supervisor	Male	46	2007.12-2015.11	—	HK\$9,527,900
Mr. Wang Pingsheng	Equity Supervisor	Male	56	2012.11-2015.11	—	83.27
Ms. Zhang Chuanju	Equity Supervisor	Female	56	2009.11-2015.11	—	46.80
Mr. Wu Junhao	Equity Supervisor	Male	48	2009.11-2015.11	—	n.a
Mr. Yu Erniu	External Supervisor	Male	64	2012.11-2015.11	16.00	—
Mr. James Parks Stent	External Supervisor	Male	68	2013.01-2015.11	16.00	—
Ms. Chen Yu	Employee Supervisor	Female	48	2003.07-2015.11	194.22	—
Mr. Ye Donghai	Employee Supervisor	Male	50	2012.11-2015.11	193.10	—
Mr. Ma Ning	Employee Supervisor	Male	42	2012.11-2015.11	229.35	—
Mr. Shan Jianbao	Vice President, Member of CPC Committee of the Bank	Male	59	2000.01-	99.6	—
Ms. Li Jie	Vice President, Member of CPC Committee of the Bank	Female	55	2003.01-	99.6	—
Mr. Zhang Huayu	Vice President, Member of CPC Committee of the Bank	Male	55	2006.02-	99.6	—
Mr. Ma Teng	Vice President, Member of CPC Committee of the Bank	Male	55	2010.12-	99.6	—
Mr. Liu Jun	Vice President, Member of CPC Committee of the Bank	Male	41	2009.03-	99.6	—
Mr. Lu Hong	Vice President, Board Secretary, Member of CPC Committee of the Bank	Male	50	2009.03-	99.6	—
Mr. Qiu Huofa	Vice President, Member of CPC Committee of the Bank	Male	53	2012.12-	255.71	—
Mr. Wu Jian	Member of CPC Committee of the Bank, Secretary of Disciplinary Committee	Male	52	2014.01-	—	—
<b>Total remuneration received from the Bank</b>					1,861.37	

- Note:
1. The final remunerations of certain Directors, Supervisors, Senior Management of the Bank are pending confirmation and will be disclosed upon confirmation.
  2. On January 23, 2014, the Bank convened the 16th Meeting of Sixth Session of the Board of Directors, at which appointed Zhao Huan as President and nominated him as a candidate for Executive Director; In March 2014, the CBRC approved his appointment qualification as President. At the first extraordinary general meeting of shareholders for 2014 of the Company held on March 28, 2014, Mr. Zhao Huan was elected as Executive Director pending of the obtaining the approved of CBRC on his appointment qualification as an Executive Director. Same for the below.
  3. Remunerations of the six Non-Executive Directors in relation to their performance of the duties and responsibilities as Directors of the Company are received from CHI during the reporting period.
  4. In January 2014, the CBRC approved the appointment qualification of Ms. FOK Oi Ling Catherine as an Independent Director.
  5. In January 2014, the CPC Committee of Everbright Group appointed Mr. Wu Jian as a member of CPC of the Bank and Secretary of the Disciplinary Committee of the Bank (level of Executive Vice President).
  6. As at the end of the reporting period, none of the above Directors, Supervisors and Senior Management held any shares of the Bank.
  7. As at the end of the reporting period, the Bank had not implemented any share option scheme, and none of the Directors, Supervisors and Senior Management of the Bank held any share option of the Bank's shares or had been granted any restrictive shares.

## II. Directors, Supervisors and Senior Management Resigned during the Reporting Period

Name	Title	Gender	Age	Term	Total remuneration	Total remuneration
					from the Bank	from Shareholder
					during the	of the Bank
					reporting period	during the
					(Pre-tax,	reporting period
					RMB ten thousand)	(Pre-tax,
						RMB ten thousand)
Mr. Guo You	Executive Director, President, Deputy Secretary of CPC Committee	Male	56	2004.08-2014.01	81.6	—
Mr. Lin Li	Executive Vice President, Deputy Secretary of CPC Committee, Secretary of Disciplinary Committee	Male	45	2008.12-2014.01	99.6	—
Mr. Wang Wei	Independent Non-Executive Director	Male	55	2008.05-2014.01	20.00	—
<b>Total remuneration received from the Bank</b>					201.2	

- Note:
1. The final remunerations of Mr. Guo You and Mr. Lin Li are pending confirmation.
  2. As verified by the relevant department, the pre-tax remuneration of Mr. Guo Yao as the President was RMB1,636,800 in 2012.
  3. On January 23, 2014, due to change of job assignment, Mr. Guo You resigned as Director and President, and Mr. Lin Li resigned as Executive Vice President.

## III. Procedures for determine the remunerations of the Directors, Supervisors and Senior Management and remunerations actually paid

Remunerations of Directors and Senior Management are verified and paid in accordance with the rules of relevant authorities as well as the Articles of Association. Remuneration plan is submitted to the Remuneration Committee of the Board of Directors for approval before it is considered and finalized by the Board of Directors. The remuneration plan for Directors is subject to the approval of the shareholders' meeting.

## Directors, Supervisors, Senior Management and Staff

Remunerations of Supervisors are verified and paid in accordance with the rules of relevant authorities as well as the Articles of Association. Remuneration plan is subject to the approval of the shareholders' meeting after consideration and approval by the Board of Supervisors.

For the remunerations of Directors and Supervisors and Senior Management, please refer to the above table.

### IV. Positions Held by Directors, Supervisors and Senior Management in the Shareholders of the Bank

Name	Name of shareholder	Title	Term
Mr. Tang Shuangning	Everbright Group, China Everbright Limited	Chairman, Secretary of CPC Committee Chairman of the Board of Directors	Jun. 2007 to the present
Mr. Luo Zhefu	Everbright Group	General Manager, Executive Director, Member of CPC Committee	Dec. 2008 to the present
Mr. Zhao Huan	Everbright Group	Executive Director, Member of CPC Committee	As from Jan. 2014
Mr. Wu Jian	CHI	Designated Director, Director of Everbright Equity Management Department of Division II of Banking Department	Designated Director: Dec. 2007 to the present Director: Apr. 2012 to the present
Ms. Narentuya	CHI	Designated Director	Dec. 2010 to the present
Mr. Wu Gang	CHI	Designated Director	Dec. 2010 to the present
Ms. Wang Shumin	CHI	Designated Director	Dec. 2011 to the present
Mr. Wang Zhongxin	CHI	Designated Director	May 2012 to the present
Mr. Wu Gaolian	CHI	Designated Director	Nov. 2012 to the present
Mr. Chen Shuang	China Everbright Limited	Executive Director, Chief Executive Officer	Executive Director: Aug. 2004 to the present Chief Executive Officer: Mar. 2007 to the present
Mr. Wang Pingsheng	China Reinsurance (Group) Corporation	Vice Chairman, Member of CPC Committee	Vice Chairman: Aug. 2012 to the present Member of CPC Committee: Mar. 2008 to the present
Ms. Zhang Chuanju	China Power Finance Co., Ltd.	Deputy General Manager, Member of CPC Committee	Nov. 2005 to the present
Mr. Wu Junhao	Shenergy (Group) Co., Ltd.	Manager of Financial Management Department	Apr. 2011 to the present



## V. Resumes of the Directors, Supervisors and Senior Management

### (I) Directors

#### Mr. Tang Shuangning

He joined the Bank as Chairman of the Board of Directors in July 2007. Currently, he is also Chairman of Everbright Group, Chairman of China Everbright Group Limited, Chairman of China Everbright Holdings Company Limited, Chairman of China Everbright International Limited, member of the Board of Directors of Everbright Securities Co., Ltd. and member of the Board of Directors of Sun Life Everbright Life Insurance Co., Ltd. He was Deputy General Manager of Shenyang Branch of China Construction Bank ("CCB"), Deputy General Manager and General Manager of Shenyang Branch of People's Bank of China ("PBC") and Deputy Director General and Director General of Shenyang Branch of State Administration of Foreign Exchange. He served successively as Director-General of the Credit Management Department of PBC, Director-General of the Currency, Gold and Silver Bureau of PBC and Director-General of the First Banking Supervision Department of PBC. From April 2003 to June 2007, he was Vice Chairman of CBRC, and Vice President of the China Society for Finance and Banking and Advisor of the Investment Association of China. He is a graduate of Dongbei University of Finance and Economics and holds a Master's degree in investment and economics and is a senior economist. He is a member of the Eleventh National Committee of CPPCC, a deputy to the Eighteenth National Congress of the Communist Party of China ("CPC"), a member of the Twelfth National People's Congress and Vice Chairman of Agricultural Committee of the National People's Congress. He is awarded "Special Government Allowance" by the State Council of China.

#### Mr. Luo Zhefu

He became Vice Chairman of the Board of Directors of the Bank in April 2009. Currently he is Executive Director and General Manager of Everbright Group, Vice Chairman of the Board of Directors of Everbright Securities Co., Ltd. and member of the Board of Director of Sun Life Everbright Life Insurance Co., Ltd. He was Assistant Director-General of the Research Department of the Head Office of Agricultural Bank of China (ABC), Deputy Director-General of the Education Department of ABC, Deputy Director-General of the Capital Planning Department of ABC, General Manager of the Planning Department of ABC, General Manager of Shenzhen Branch, Hong Kong Branch and Beijing Branch of ABC. From November 2000 to December 2008, he was Executive Vice President and Executive Director of CCB. He is a graduate of the Commercial Economics Department of Jilin Finance and Trade College and holds a Master's degree in commercial economics from the Chinese Academy of Social Sciences and a certificate of senior economist. Mr. Luo is a member of the Twelfth National Committee of CPPCC.

#### Mr. Zhao Huan

He became a Deputy Secretary of CPC Committee of the Bank, Executive Director and President of the Bank in January 2014. Currently he is also a member of CPC Committee and an Executive Director of Everbright Group. From March 2001 to March 2011, he successively served as Deputy General Manager of Corporate Business Department of CCB, Deputy General Manager of Xiamen Branch, General Manager of Corporate Business Department and General Manager of Shanghai Branch. From March 2011 to January 2014, he served as Executive Vice President and a member of CPC Committee of CCB (since December 2010). In 1986, he graduated from Xi'an Jiaotong University and was majored in Management Engineering. He holds a certificate of senior economist.

## Directors, Supervisors, Senior Management and Staff

### Mr. Wu Qing

He joined the Bank as Executive Director and a Deputy Secretary of CPC Committee of the Bank in January 2003. He was Chairman of the Board of Supervisors and Executive Vice President of the Bank. From April 1984 to January 2003, he served successively as General Manager of Shanxi Branch of CCB, Deputy General Manager of Beijing Branch of CCB, General Manager of the Electronic Banking Department, Information Technology Department and Computing Center of CCB. He graduated from the Correspondence School of Renmin University of China and attended an MA program of commercial economics at the Chinese Academy of Social Sciences and the international finance course at the Peking University. He holds a certificate of senior economist.

### Mr. Wu Jian

He became a member of the Board of Directors of the Bank in December 2007. He is now working in CHI and he is concurrently a Director of Everbright Equity Management Department of Division II of Banking Department and Director of China Everbright Industrial (Group) Company Limited. He was Deputy Director of Risk Warning Department, Director of Risk Measurement and Assistant General Manager of the Risk Management Department of the Head Office of CCB, General Manager of the Risk & Policy Management Department of Shanghai Pudong Development Bank and Director of the Basel II Implementation Office. He is a graduate of the Postgraduate School of Chinese Academy of Social Sciences and holds a PhD degree in economics. He is a senior and postdoctoral researcher of the Financial Research Institute of PBC.

### Ms. Narentuya

She became a member of the Board of Directors of the Bank in December 2010. She is working in CHI. From December 1983 to October 2010, she successively served as Deputy Section Chief of the Industrial Enterprises Section of the Department of Finance of Inner Mongolia, Section Chief of the Central Enterprises Section in the Department of Finance of Inner Mongolia on behalf of the Ministry of Finance, Deputy Inspection Commissioner and Inspection Commissioner of Ministry of Finance to Inner Mongolia. She graduated from the Department of Finance of Tianjin University of Finance and Economics and majored in Finance. She holds a certificate of senior accountant and is a non-practicing member of the Chinese Institute of Certified Public Accountants.

### Mr. Wu Gang

He became a member of the Board of Directors of the Bank in December 2010. He is now working in CHI. From September 1994 to October 2010, he successively served as Deputy Section Chief in the Department of Foreign Exchange and Foreign Affairs of the Ministry of Finance, Deputy Section Chief and Section Chief of the Department of International Cooperation MOF, Section Chief and Deputy Director-General of the International Department of the Ministry of Finance, Deputy Director-General and Inspector (Director-general level) of the Department of Administration and Politics of the Ministry of Finance. He was a Second Secretary of the Permanent Mission of China to the United Nations. He graduated from the Department of Foreign Languages of Wuhan University and majored in English, and later obtained a Master's Degree in public administration from National University of Singapore.

### **Ms. Wang Shumin**

She became a member of the Board of Directors of the Bank in February 2012. She is currently working in CHI and is concurrently a member of the Board of Directors of CITIC Construction & Investment Securities Co., Ltd. She served as Deputy Section Chief and Section Chief in the Department of Treaty and Law of the Ministry of Finance from June 1986 to October 1991, Deputy Director-General of the Policy and Regulation Department of the State Administration of Foreign Exchange (“SAFE”) from November 1991 to May 1994, Deputy Director-General of the Balance of Payments Department of SAFE, Deputy Director-General and Inspector of the Supervision and Inspection Department of SAFE from June 1994 and August 2004. Ms. Wang served as spokesperson of SAFE. She was a member of the Board of Directors of CCB from September 2004 to June 2011. Currently, she is an arbitrator of China International Economic and Trade Arbitration Commission. She graduated from Zhongnan University of Economics and Law and majored in law. She holds a certificate of senior economist and is also a lawyer.

### **Mr. Wang Zhongxin**

He became a member of the Board of Directors of the Bank in June 2012. He is currently working in CHI. From 1986 to 1993, he successively served as Deputy Section Chief and Section Chief of Fiscal and Financial Department of Office of Finance and Trade in Shanxi and Assistant to Mayor of Datong, Shanxi. From August 1993 to May 2012, he served as Deputy Commissioner of Office of Commissioners to Taiyuan and Jinan of Audit Department, Deputy Head, Deputy Commissioner and Commissioner of Office of Commissioners to Chongqing of Audit Department, Section Chief of Social Insurance Audit Division of Audit Department, and Section Chief of Scientific Engineering Audit Division of Audit Department. He graduated from Shanxi University of Finance & Economics and majored in accounting. He holds a certificate of senior auditor.

### **Mr. Wu Gaolian**

He became a Director of the Bank in January 2013. He is now working in CHI. He served as a committee member of County Committee, Deputy County Magistrate and Deputy Managing County Magistrate of Fusong, Jilin from August 1985 to March 1992. He served as General Manager of Tonghua Branch, Jilin and Deputy General Manager of Jilin Branch of the People’s Insurance Company (The People’s Insurance (Property) Company of China, Ltd.) from March 1992 to December 1997. Mr. Wu also served as General Manager of Guangxi Branch of The People’s Insurance Company (The People’s Insurance (Property) Company of China, Ltd.) from December 1997 to December 2000 and General Manager of Liaoning Branch of the People’s Insurance Company from December 2000 to July 2003. From July 2003 to August 2008, he was appointed as a Vice President of the People’s Insurance Company (Group) of China (People’s Insurance Company of China Holdings Company). Mr. Wu served as Director and President of China Reinsurance (Group) Corporation from August 2008 to August 2012. He graduated from Graduate School of Chinese Academy of Social Science and majored in monetary and banking. He holds a Master’s degree and is a senior economist.

## Directors, Supervisors, Senior Management and Staff

### Mr. Zhou Daojiong

He became an Independent Non-Executive Director of the Bank in January 2013. He is working as Vice Chairman of China National Committee for Pacific Economic Cooperation Council (“PECC”), Chairman of Financial Market Development Committee of PECC, and concurrently an Independent Director of China International Fund Management Co., Ltd., Orient Securities Company Limited and Happy Life Insurance Co., Ltd. and Chairman of China Society of Urban Economy. Mr. Zhou served as President of CCB, Chairman of China Investment Bank and a member of CPC Committee of the Ministry of Finance from December 1984 to April 1994. He also has served as an Executive Vice Chairman of Securities Committee of State Council since October 1992. Mr. Zhou was appointed as a Vice President of China Development Bank from April 1994 to March 1995. He served as Chairman of CSRC from March 1995 to June 1997 and Special Inspector of State Council from March 1998 to August 2000. Mr. Zhou also served as Chairman of Supervisory Board of CCB from April 1994 to August 2000. Mr. Zhou graduated from Party School of the Central Committee of C.P.C and majored in national economics. He is a senior economist.

### Mr. Zhang Xinze

He became an Independent Non-Executive Director of the Bank in November 2011. He is concurrently an Independent Director of Fujian Hongbo Printing Co., Ltd, Independent Director of Zhangjiagang Rural Commercial Bank Ltd. and a Director of Lubin Shuwei Management & Consulting (Beijing) Co., Ltd. He was a Non-Executive Director of Bank of China. From March 1987 to August 2004, he had served as Chief of Price Survey, Chief of Economic Analysis, Deputy Director-General and Inspector of Survey and Statistics Department of PBC, Inspector of Credit Information System Bureau of the PBC, and Deputy Director General of Credit Information Center of the PBC. He graduated from Renmin University of China and majored in finance. Mr. Zhang is a research fellow.

### Mr. Qiao Zhimin

He became an Independent Non-Executive Director of the Bank in January 2013. He is an Independent Director of Wuhan Rural Commercial Bank. He had worked for the Bank of China (“BOC”) from February 1978 to July 1996 and served at various positions in BOC, including Deputy Division Director of the Finance and Accounting Department of the Head Office, Vice President of Luxemburg Branch and Deputy General Manager of the General Planning Department of the Head Office. Mr. Qiao had also worked for PBC from July 1996 to July 2003 and served at various positions, including Deputy Director General of the Accounting Department and Deputy Director General of the Regulatory Department I. He also served as Chief of Regulation Team (Director-General level) for ICBC. He was Director of the Finance and Accounting Department of CBRC from July 2003 to January 2007. Mr. Qiao was appointed as Vice Chairman of the 4th Session of the Supervisory Board and Chairman of the 5th Session of the Supervisory Board for China Minsheng Banking Corp., Ltd. from January 2007 to April 2012. Mr. Qiao graduated from Hunan College of Finance and Economics and majored in finance. He holds a Master’s degree and is a senior accountant.

### **Mr. Xie Rong**

He became an Independent Non-Executive Director of the Bank in January 2013. He is a Professor of Shanghai National Accounting Institute and an Independent Director of Tianjin Capital Environmental Protection Group Company Limited, Sinopharm Group Co., Ltd., Shanghai Baosight Software Co., Ltd. and Shenyin & Wanguo Securities Company Limited, a Director of SAIC Motor Corporation Limited and Shanghai Electric Group Company Ltd.. Mr. Xie was an Independent Director of China CITIC Bank. He served as Associate Professor, Professor, Doctorial Tutor and Deputy Head of Accounting Institute of Shanghai University of Finance and Economics from December 1985 to December 1997. He became a Partner of KPMG Huazhen Certified Public Accountants from December 1997 to October 2002 and a Deputy Dean of Shanghai National Accounting Institute from October 2002 to August 2012. During that period, Mr. Xie visited and conducted researches at the University of Warwick in the United Kingdom for one year and became a part-time Certified Accountant of Da Hua Certified Public Accountants Co. Ltd. and Price Waterhouse Da Hua Certified Public Accountants. He is a member of the Supervisory Committee for Postgraduate of Accounting of Academic Degrees Committee of the State Council, Executive Director of China Audit Society and Accounting Society of China, Vice Chairman of Shanghai Cost Research Association, and a member of Advisory Committee of Corporate Governance of Listed Companies of SSE. Mr. Xie graduated from Shanghai University of Finance and Economics and majored in accounting. He holds a Doctorial degree in economics and is a senior non-practicing certified public accountant. Mr. Xie is entitled to the “Special Government Allowance” by the State Council.

### **Ms. FOK Oi Ling Catherine**

She became an Independent Non-Executive Director of the Bank in January 2014. Currently she is Honorary President of Hong Kong Chamber of Commerce, Shanghai Branch, a member of the Economic Affairs Committee and the Finance and Economics Expert Group of Hong Kong Professionals and Senior Executives and a member of Hong Kong Women Professionals and Entrepreneurs Association. From 1981 to 2006, she successively served as Manager of International Trade Financing Department and Commercial Credit Department, Regional Director in charge of Industry and Commerce & Trade Financing business and retail business, Director of Retail Business Risk Management Department, and Director in charge of retail business wealth management and investment of the Hongkong and Shanghai Banking Corporation Limited (“HSBC”). From 2010 to 2012, she served as Director of HSBC in charge of business integration in the Asia Pacific Region, and Consultant of Bank of Communications of China (“BOCC”) in charge of retail business marketing management. She holds a Master’s degree in business administration from the Chinese University of Hong Kong. She owns the professional certification qualifications such as Membership of Hong Kong Institute of Bankers, and Certified Financial Management Planner.

## Directors, Supervisors, Senior Management and Staff

### (II) Supervisors

#### Mr. Cai Haoyi

He became a member of the Board of Supervisors of the Bank in November 2012 and was appointed as Chairman of the Board of Supervisors in January 2013. He had served at various positions for PBC from 1986 to 2007, including Deputy Director General of Postgraduate School of Financial Research Institute, Deputy Director General of Financial Research Institute, Deputy Director General of Research Department, and Secretary General of Monetary Policy Committee. Mr. Cai was appointed as a Non-Executive Director of BOC from 2007 to November 2012. He graduated from Department of Economics of Peking University and Postgraduate School of Financial Research Institute of the PBC. He holds a Bachelor's degree, Master's degree and Doctorate in economics and is a research fellow. He is a Postgraduate Tutor of PBC School of Finance, Tsinghua University, Doctoral Tutor of University of International Business and Economics and Postdoctoral Tutor of Financial Research Institute of the PBC. He is also a Director of China Society for Finance and Banking. Mr. Cai is entitled to the "Special Government Allowance by the State Council.

#### Mr. Mu Huijun

He became a member of the Board of Supervisors and Vice Chairman of the Board of Supervisors of the Bank in November 2009 (He had served as Acting Chairman of the Board of Supervisors from September 2010 to November 2012). He is Deputy Director of the Working Committee of the Labor Union Committee of the Bank, and Chairman of the Board of Supervisors of Everbright Financial Leasing Co. Ltd., Director of China Everbright Investment Management Corporation and Director of Shanghai Everbright Convention and Exhibition Centre Limited. He was Deputy General Manager of Yantai Branch of the PBC, Director for Administration and Director for Legislation in the Legal Affairs Department of the PBC, Director for General Administration in the Department of Supervisors of Central Financial Working Committee, full-time member of the Board of Supervisors of China Everbright Group Limited and the Board of Supervisors and Deputy Director of the Office of the Board of Supervisors of China Citic Group assigned by the State Council, and Director and General Manager of the Financial Management Department of Everbright Group. He graduated from Beijing College of Politics and Law and attended the on-job postgraduate course in the Party School of the Central Committee of the CPC in 2000.

#### Mr. Chen Shuang

He became a member of the Board of Supervisors in December 2007. He is an Executive Director and Chief Executive Officer of China Everbright Limited, Director and Deputy General Manager of China Everbright Holdings Company Limited, Director of Everbright Securities Co, Ltd, Independent Director of Noah Holdings Limited, Independent Non-Executive Director of China Nonferrous Metal Mining (Group) Co., Ltd. Mr. Chen is currently a non-official committee member of Financial Services Development Council in Hong Kong, Chairman of Chinese Financial Association of Hong Kong, a Vice Chairman of Chinese Securities Association of Hong Kong, and a Visiting Professor of East China University of Political Science and Law. He was Division Chief of Legal Affairs Department of Head Office of BOCC and Deputy General Manager of China Everbright Limited. He graduated from East China University of Political Science and Law and obtained a Master's degree in civil and commercial law and the certificate in law issued by the School of Professional and Continuing Education of Hong Kong University. He is a senior economist and a lawyer.

### Mr. Wang Pingsheng

He became a member of the Board of Supervisors of the Bank in November 2012. He is a member of the CPC Committee and Vice Chairman of China Reinsurance (Group) Corporation, Chairman of China Life Reinsurance Company Ltd. and Chairman of the Supervisory Board of China Continent Property & Casualty Insurance Company Ltd. He served as Deputy General Manager of Shenyang Branch of The People's Insurance (Property) Company of China, Ltd., Deputy Secretary of CPC Committee and President of Shenyang City Bank, Chairman and President of Shenyang City Commercial Bank, Secretary of CPC Committee and Director of Jinan Office of CIRC, Secretary of CPC Committee and Chairman of Shandong Bureau of CIRC, Vice President of China Reinsurance (Group) Corporation. Mr. Wang graduated from the Automatic Control Department of Northeastern University of Technology and majored in industrial automation. He obtained a Master's degree in international finance from International Economics Institute of Liaoning University. He is a senior economist.

### Ms. Zhang Chuanju

She became a member of the Board of Supervisors in November 2009. She is a Deputy General Manager of CPFC. She served as Director and Section Chief of the Financial Division of the Shandong Electric Power Service Company, Manager of the Financial Department of Shandong Luneng Energy Co., Ltd., Associate Chief Accountant and Chief Accountant of Shandong Luneng Development Group Corporation and Chief Accountant of Zhongneng Power Industry Fuel Company. She graduated from Beijing College of Power Economics. She is a senior accountant.

### Mr. Wu Junhao

He became a member of the Board of Supervisors in November 2009. He is Manager of the Financial Management Department of Shenergy Group Limited. He was an Executive Deputy General Manager of Shanghai New Resources Investment Consulting Company, Deputy General Manager of Shanghai Bailitong Investment Company, Deputy Director of Shanghai Shenergy Asset Management Co., Ltd., Deputy Director, Director and Senior Director of the Asset Management Department and Deputy (Acting) Director of Financial Management Department of Shenergy (Group) Co., Ltd. He graduated from East China Normal University and obtained a Master's degree in enterprise management at East China Normal University.

### Mr. Yu Erniu

He became an External Supervisor of the Bank in November 2012. He is also an Independent Director of the First-Trust Fund Management Co., Ltd. He served as a staff and Deputy Director-General and Director-General of the Department of Personnel and Education of the Ministry of Finance. Mr. Yu was appointed as a designated Director of Huijin to BOC, a member of the Board of Directors, Director of the Human Resource Department, Chief of the Organization Department of the CPC Committee and Chairman of the Labor Union of China Investment Co., Ltd. and Director of CEB. He is a graduate of economic management studies from the PLA Air Force Political College. He also obtained a Master's degree in economic laws from Capital University of Economics and Business.

## Directors, Supervisors, Senior Management and Staff

### Mr. James Parks Stent

He became an External Supervisor of the Bank in November 2012 and was previously appointed as Independent Director of the Bank and China Minsheng Banking Corp., Ltd., and Council member of Beijing Heritage Protection & Research Center. He was also CEO of China Ecological Tourism Company, advisor to International Water Resource Management Institute (IWMI), Director, Senior Vice President, Executive Vice President and Senior Executive Vice President of Bank of Asia Public Company Ltd, CEO of Rama Tower, Vice President of Crocker National Bank USA and Assistant Vice President of Citibank. He is a graduate of University of California, Berkeley and holds a Master's degree in public affairs of Woodrow Wilson School of Public and International Affairs of Princeton University.

### Ms. Chen Yu

She became a member of the Board of Supervisors in July 2003. She is General Manager of the Planning and Finance Department of the Bank and a Director of China Everbright Financial Leasing Co., Ltd. She was Deputy Division Chief and Division Chief of the Finance and Accounting Department of the Head Office, Assistant General Manager, General Manager of the Planning and Finance Department and Assistant Director of the Banking Department of the Head Office, Deputy General Manager of Beijing Branch, and Deputy (Acting) General Manager of the Planning and Finance Department of the Head Office of the Bank. She graduated from Capital University of Economics and Business.

### Mr. Ye Donghai

He became an Employee Supervisor in November 2012 and is General Manager of the Audit Department of the Bank. Mr. Ye served as a teacher of Beijing Management College for Geology Cadres and worked at various positions in Beijing Normal University, including section member of the Financial Department, Section Head and Deputy Head of the Planning Department. He also served at various positions in the Bank, including Assistant General Manager (Deputy General Manager level) of the Planning and Finance Department, Deputy (Acting) General Manager of the Finance and Accounting Department, Deputy General Manager of Tianjin Branch, and Deputy (Acting) General Manager and General Manager of the Audit Department. Mr. Ye graduated from Renmin University of China and holds a Master's degree in economics. He is a senior accountant.

### Mr. Ma Ning

He became an Employee Supervisor of the Bank in November 2012. He is a member of the CPC Committee, Deputy General Manager, and Chairman of the Labor Union of Beijing Branch of the Bank. He had served at various positions in the Bank, including Business Officer of the Finance and Accounting Department, Assistant to the Chief, Deputy Chief, Chief of Finance Management Division of Finance and Accounting Department, Assistant General Manager and Deputy General Manager of Finance and Accounting Department (currently the Planning and Finance Department), and Deputy General Manager of Beijing Branch. Mr. Ma graduated from Liaoning University and holds a Master's degree.



### (III) Senior Management

#### **Mr. Zhao Huan**

Please refer to his biographical details in “Directors” above.

#### **Mr. Wu Qing**

Please refer to his biographical details in “Directors” above.

#### **Mr. Shan Jianbao**

He became an Executive Vice President of the Bank in January 2000. He was a member of the Board of the Bank and Chief Representative of the South Africa Representative Office of the Bank. From October 1985 to December 1999, he had served as Deputy Business Manager at the London Branch of BOC, Deputy Chief and Chief of the International Trade Settlement Division of Henan Branch of BOC, Assistant General Manager and Deputy General Manager of Henan Branch of BOC and General Manager of the Settlement Business Department of BOC. He attended an on-job postgraduate program of financial studies at Hunan College of Finance and Economics. He is a senior economist.

#### **Ms. Li Jie**

She became an Executive Vice President of the Bank in August 2003, and she was General Manager of the Planning and Finance Department (the Finance and Accounting Department) of the Bank. From October 1988 to April 2001, she worked at different positions in BOCC, including Deputy Chief of the Planning Division of Jinan Branch of BOCC, Chief of the Finance and Accounting Division of Jinan Branch of BOCC, Deputy General Manager of Jinan Branch of BOCC, and Deputy General Manager and General Manager of Zhuhai Branch of BOCC. She worked in Huaiyin Office of Jinan Branch of Industrial and Commercial Bank of China (“ICBC”) and in Huaiyin Office of Jinan Branch of the People’s Insurance Company of China. From August 1983 to July 1986, she attended financial courses of the Open University of China. She is an accountant.

#### **Mr. Zhang Huayu**

He became an Executive Vice President of the Bank in March 2007. He was an Assistant President of the Bank and Head of the Banking Department of the Head Office. From November 1994 to February 2001, he worked at various positions of BOCC, including Division Chief for Credit Management in the Credit Approval Department of Zhengzhou Branch of BOCC, and Deputy General Manager and General Manager of Xi’an Branch of BOCC. He was Director of the General Office of Shangqiu Region Branch of the PBC in Henan Province, General Manager of Xiayi County Sub-Branch of the PBC in Shangqiu region and Director of the Urban Credit Union in Shangqiu region. He is a graduate of Hunan College of Finance and Economics and holds an MBA degree of University of California, USA and a Master’s degree in Economic Management of University of International Business and Economics. He is a senior economist.

## Directors, Supervisors, Senior Management and Staff

### Mr. Ma Teng

He has been an Executive Vice President of the Bank since December 2010. From November 2009 to December 2010, he acted as General Manager of Financial Management Department of Everbright Group. From March to November 2009, he acted as a member of CPC Committee of China Everbright Industrial (Group) Co., Ltd. From June 2005 to February 2009, he acted as the Deputy Secretary of CPC Committee, Director and Chief Executive Officer of China Bohai Bank. From July 1984 to June 2005, he worked in the ICBC, and served as General Manager of Peony Card Center, General Manager of Bank Card Department, General Manager of Hebei Branch, General Manager of Wuhan Branch and Deputy Director of General Office of the Headquarters. He graduated from Dongbei University of Finance and Economics, and obtained a Doctorate degree in political economics from Zhongnan University of Economics and Law. He is a senior economist.

### Mr. Liu Jun

He became an Executive Vice President of the Bank in December 2010 and also served as General Manager of the Shanghai Branch, Director of Sun Life Everbright Life Insurance and Chairman of the Expert Committee on Derivatives under the National Association of Financial Market Institutional Investors. He joined the Bank in 1993 and served as Foreign Exchange Trader in the International Business Department, Deputy Division Chief and Division Chief of the Financing Division and Correspondent Banking Division and Assistant General Manager. From December 2000 to September 2009, he was Chief Representative of the Hong Kong Representative Office of the Bank, Deputy (Acting) General Manager and General Manager of the Treasury Department, and General Manager of the Investment Banking Department of the Bank. He became an Assistant President of the Bank in September 2009. He is a graduate of Renmin University of China and holds an MBA degree from the Northeastern State University in Oklahoma, USA and a PhD degree in business administration of Hong Kong Polytechnic University. Currently, he is also a member of the Eleventh Committee of All-China Youth Federation, a member of the Fourth Committee of Youth Federation of the Central Government Departments, and a member of the Second Committee of All-China Financial Youth Federation. He is a senior economist.

### Mr. Lu Hong

He became an Executive Vice President of the Bank in December 2010. He joined the Bank in 1994 and served at various positions of the Bank, including Business Manager in the Securities Department, Division Chief in the Executive Office for the Board, Assistant General Manager of the Planning and Treasury Department, General Manager of the Planning and Finance Department of Beijing Branch of the Bank, Deputy General Manager and General Manager of the Planning and Finance Department (the Finance and Accounting Department) of the Bank, and Deputy General Manager of Financial Accounting Department of the Head Office. He became Secretary of the Board of the Bank (Assistant President level) in September 2009. He was an engineer in the Planning Institute of the Ministry of Railway and Business Manager in the Investment Banking Department of Huaxia Securities Co., Ltd. He is a graduate of Shanghai Railway Institute and holds a Master's degree in railway engineering and a PhD degree in applied economics of Xi'an Jiaotong University. He is a senior economist.

### Mr. Qiu Huofa

He became an Executive Vice President of the Bank in July 2013, and a member of the CPC Committee of the Bank in December 2012. He joined the Bank in 2001 and served at various positions, including Secretary of CPC Committee and General Manager of Guangzhou Branch, Secretary of the CPC Committee and Head of the Banking Department of the Head Office, and Secretary of the CPC Committee and General Manager of Beijing Branch. From 1987 to 2001, he worked for the Bank of Communications and served at various positions, including General Manager of Wuchang Sub-Branch of Wuhan Branch, member of the CPC Committee and Deputy General Manager of Wuhan Branch, and Secretary of the CPC Committee and General Manager of Changsha Branch. Mr. Qiu graduated from Zhongnan University of Economics and Law and majored in monetary and banking. He holds a Master's degree in finance. He is a Deputy to the 15th Session of National People's Congress of Xicheng District, Beijing. He is a senior economist.

### Mr. Wu Jian

In January 2014, he became a member of CPC Committee, and Secretary of Disciplinary Committee (Executive Vice President level) of the Bank. In December 1997, he joined the Bank, and successively served as Deputy General Manager (Acting) of Market Development Department of the Head Office, General Manager of Credit Card Business Department, Deputy General Manager of Nanjing Branch, General Manager of Private Banking Department, General Manager of R & D Department, General Manager of Strategic Management Department, General Manager of Shenyang Branch, General Manager of SME Business Department and General Manager of Human Resources Department. From October 1996 to December 1997, he acted as Director of Comprehensive Analysis Division of Balance of Payments Department of SAFE. From October 1995 to October 1996, he served as Section Chief of Foreign Capital Management Center of the State Council Leading Group Office of Poverty Alleviation and Development. From 1987 to 1995, he worked at the Laboratory of General Office of the NPC Standing Committee, and successively served as Vice Director of Economic Research Group (deputy Division Chief level) and Director (Division Chief level). In 1982, he graduated from Shanghai Jiaotong University and obtained a Bachelor's degree of Engineering. In 1987, he graduated from Renmin University of China, and obtained a Master's degree in economics. He has the title of Assistant Researcher.

## VI. Changes of Directors, Supervisors and Senior Management during the Reporting Period

### (I) Changes of Directors

1. The appointments of Mr. Wu Gaolian, Mr. Zhou Daojiong, Mr. Qiao Zhimin and Mr. Xie Rong as Directors became effective upon the approvals of their appointment qualifications by the CBRC in January 2013.
2. On October 9, 2013, the 12th Meeting of the Sixth Session of the Board of Directors was convened by the Bank, at which Mr. Wang Wei's resignation as Independent Non-Executive Director was approved. As the number of Independent Non-Executive Directors of the Bank would fall below the minimum number as required by applicable rules and regulations after his resignation, Mr. Wang Wei had continued to hold the office of Independent Non-Executive Director until the appointment qualification of the candidate for Independent Non-Executive Director was approved by the CBRC.

## Directors, Supervisors, Senior Management and Staff

3. The Bank convened the Second Extraordinary General Meeting for 2013 on October 25, 2013, where Ms. FOK Oi Ling Catherine was elected as Independent Non-Executive Director of the Bank. In January 2014, the CBRC approved her appointment qualification as Independent Director.
4. On January 23, 2014, Mr. Guo You resigned as Director of the Bank due to change of job assignment.
5. The Bank convened the 16th Meeting of Sixth Session of the Board of Directors on January 23, 2014, where Mr. Zhao Huan was nominated as the candidate for Executive Director. At the First Extraordinary General Meeting for 2014 held on March 28, 2014, Mr. Zhao Huan was elected as Executive Director, while his appointment qualification of Director is subject to the approval of the CBRC.

### (II) Changes of Supervisors

During the reporting period, there was no change in supervisors.

### (III) Changes of Senior Management

1. In July 2013, the appointment of Mr. Qiu Huofa as the Vice President of the Bank became effective upon the approval of the CBRC.
2. In August 2013, Mr. Wu Qing was removed from the position of Vice President of the Bank by the CPC Committee of the Everbright Group.
3. Mr. Guo You resigned as President of the Bank due to change of job assignment in January 2014.
4. On January 23, 2014, the Bank convened the 16th Meeting of Sixth Session of the Board of Directors, whereby Mr. Zhao Huan was appointed as President of the Bank. In March 2014, CBRC approved his appointment qualification as the President of the Bank.
5. Mr. Lin Li resigned as Executive Vice President due to change of job assignment in January 2014.
6. In January 2014, the CPC Committee of the Everbright Group appointed Mr. Wu Jian as a member of CPC Committee of the Bank and Secretary of Disciplinary Committee of the Bank (Executive Vice President level).

## **VII. Changes in Information relating to Directors and Supervisors during the Reporting Period**

1. Mr. Wu Qing, Executive Director of the Bank, ceased to be Executive Vice President of the Bank;
2. Mr. Xie Rong, Independent Non-Executive Director of the Bank, concurrently holds the post of Independent Director of Winteam Pharmaceutical Group Ltd., while ceasing to be a permanent member of Accounting Society of China;
3. Equity Supervisor Mr. Chen Shuang concurrently holds the post of Deputy General Manager of China Everbright Holdings Company Limited.

## **VIII. Directors' and Supervisors' Interests in Competing Business**

None of the Directors and Supervisors has interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Bank.

## **IX. Financial, Business and Kinship Relationships among Directors, Supervisors and Senior Management**

Except as disclosed in this report, the Bank is not aware of any financial, business or kinship relationships, or other material or relevant relationship, among Directors, Supervisors and Senior Management of the Bank.

## **X. Directors and Supervisors' Interests in Contracts and Service Contracts**

None of the Directors or Supervisors of the Company had a material interest in any material contracts to which the Company or any of its subsidiaries was a party during the reporting period. None of the Directors and Supervisors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (excluding statutory compensation).

## **XI. Changes of Core Technology Team and Key Technology Staff**

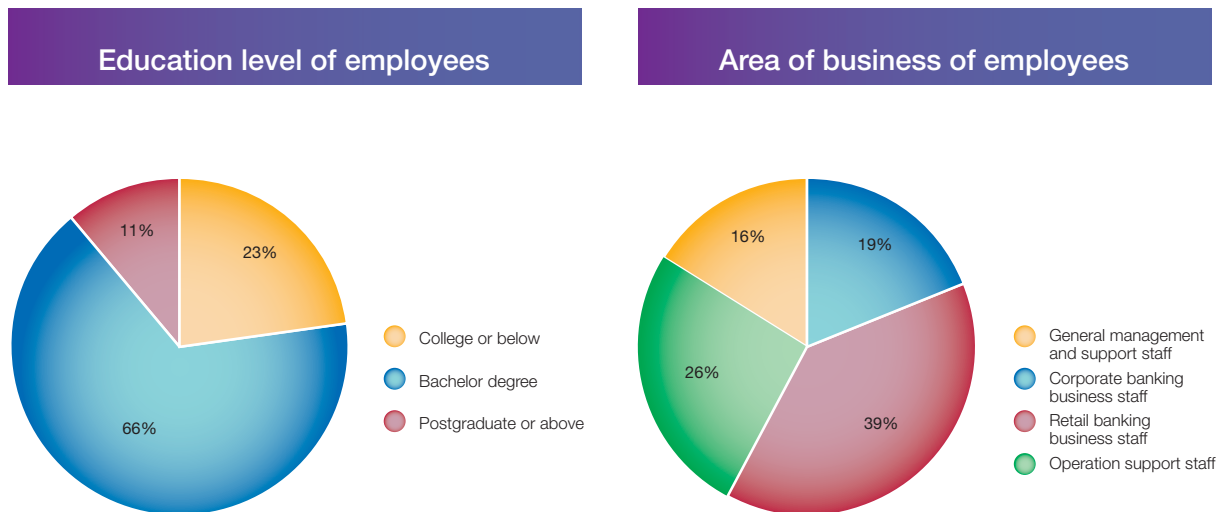
During the reporting period, the branches and the Head Office employed 20 new key management staff to serve as persons-in-charge of Departments or above, while 11 employees retired, resigned or left their office, resulting in a net increase of 9 employees.

## Directors, Supervisors, Senior Management and Staff

### XII. Employees

#### (I) General

As at the end of the reporting period, the Bank had 36,290 incumbent employees (exclusive of those of subsidiaries) and 393 retired employees. 28,030 incumbent employees hold the Bachelor degree or above, accounting for 77.24%, and 4,029 incumbent employees hold the Postgraduate degree or above, accounting for 11.10%. There were 6,909 staff in the corporate banking business sector, accounting for 19.04%; 14,147 staff in the retail banking business sector (including the credit card business and E-banking business), accounting for 38.98%; 9,600 operation support staff (including tellers), accounting for 26.45%; 5,634 staff in the general management and supporting, accounting for 15.52%.



#### (II) Remuneration policies for employees

In response to the competition in the market, the Bank has established a standardized remuneration system with focus on both of efficiency and fairness. The remuneration of employees comprises four components, namely, basic salary, position-based salary, performance-based bonus and benefits. On the basis of maintaining fairness, the Bank has given preferential treatment to frontline employees to attract and motivate the key and core personnel.

### (III) Training

The Bank regards talents as a crucial factor of core competitiveness, and strengthens training management and business talents through various ways in order to lay a solid foundation for long-term development. During the reporting period, 242,345 person-times received the training courses of various levels, with each one attending trainings for six days on average.

The Bank regards employee training as a core strategy, organized the training courses for general manager of branches, persons in charge of departments, divisions and office of the Head Office, general manager of tier-2 branches, senior executives and other management personnel at all levels, and has generally formed a system for ladder leadership training. The Bank focused on enhancing the competency of key personnel through various kinds of expertise and skill training, and adopted the qualification certification system for many key business positions so as to enhance the competency of employees. To assist new employees in adapting to their posts, the Bank adopted the career-mentoring system. To effectively improve the efficiency of training of new employees, the Bank adopted the standardized mentoring processes, contents and evaluation criteria, and conducted one-to-one mentoring programs.

The Bank continuously works on the establishment of an online distance education platform. Throughout the year, 410,000 visited the distance education platform, representing a year-on-year increase of 23%. 53,000 employees took 37 online examinations of various kinds. There were 473 online electronic courses, representing an increase of 65 courses as compared with last year.

### (IV) Employees of subsidiaries

Everbright Financial Leasing Co., Ltd. had 69 employees, including 15 administrative staff, 30 business staff and 24 supporting staff, with 96% of them holding a Bachelor's degree or above.

Shaoshan Everbright Village Bank Co., Ltd. had 23 employees, including 3 administrative staff, 16 business staff and 4 supporting staff, with 80% of them holding a Bachelor's degree or above.

Jiangsu Huai'an Everbright Village Bank Co., Ltd. had 38 employees, including 3 administrative staff, 27 business staff and 8 supporting staff, with 63% of them holding a Bachelor's degree or above.

## Directors, Supervisors, Senior Management and Staff

### XIII. Business outlets

In 2013, one tier-1 branch in Hong Kong, eight tier-2 branches in Jinzhou, Nanyang, Baotou, Huizhou, Yanbian, Nantong, Weifang and Yulin, and 70 outlets commenced operation. As at the end of the reporting period, the Bank had opened 853 branches outlets in 91 economically developed cities in 29 provinces, autonomous regions and municipalities across the country (including Hong Kong), including 37 tier-1 branches (including Hong Kong branch), 47 tier-2 branches and 769 outlets (including sub-branches in different cities, county-level sub-branches, sub-branches in the same city and banking department of branches).



Details of the Bank's employees and business outlets are as follows:

<b>Name of Branch</b>	<b>Number of Outlets</b>	<b>Number of employees</b>	<b>Total assets (RMB million)</b>
Head Office	1	6,100	946,681
Beijing Branch	60	2,479	372,118
Tianjin Branch	29	1,038	75,385
Shanghai Branch	51	1,804	169,738
Chongqing Branch	21	829	61,816
Shijiazhuang Branch	26	779	65,331
Taiyuan Branch	22	839	47,513
Huhhot Branch	10	403	20,439
Dalian Branch	19	635	27,159
Shenyang Branch	26	926	56,205
Changchun Branch	22	705	42,505
Heilongjiang Branch	33	986	36,566

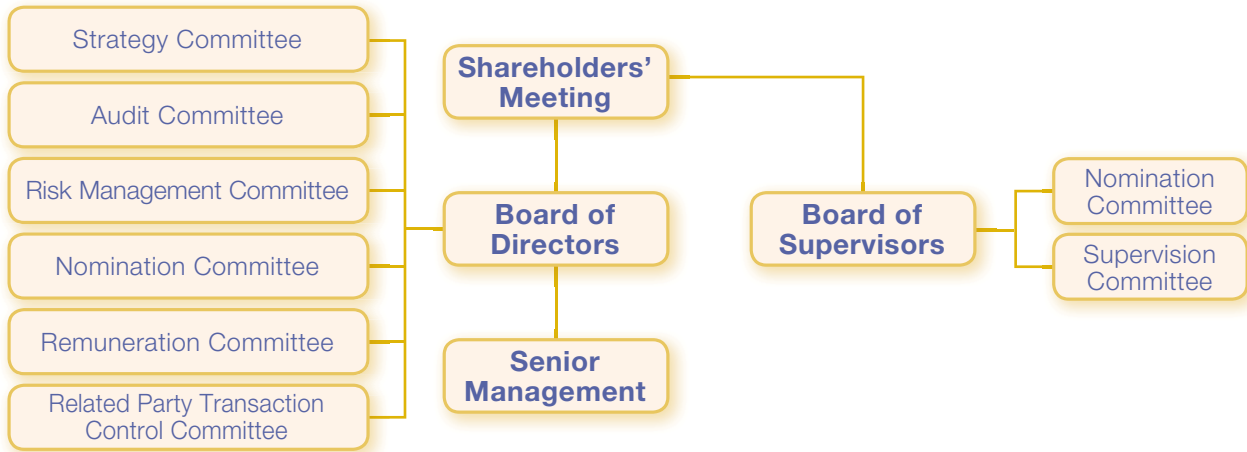


<b>Name of Branch</b>	<b>Number of Outlets</b>	<b>Number of employees</b>	<b>Total assets (RMB million)</b>
Nanjing Branch	27	1,019	90,772
Suzhou Branch	19	789	60,561
Wuxi Branch	5	243	31,253
Hangzhou Branch	31	1,231	63,216
Ningbo Branch	18	760	49,082
Hefei Branch	29	992	66,575
Fuzhou Branch	26	909	42,451
Xiamen Branch	11	392	31,348
Nanchang Branch	10	343	28,789
Jinan Branch	21	697	36,948
Qingdao Branch	22	752	49,242
Yantai Branch	11	391	16,895
Zhengzhou Branch	33	1,153	61,358
Wuhan Branch	25	868	45,366
Changsha Branch	34	908	54,353
Guangzhou Branch	59	2,083	107,619
Shenzhen Branch	39	1,280	98,904
Nanning Branch	21	695	37,625
Haikou Branch	18	597	33,225
Chengdu Branch	21	785	50,807
Kunming Branch	19	638	33,142
Xi'an Branch	26	809	54,599
Urumqi Branch	3	130	8,230
Guiyang Branch	3	130	17,118
Lanzhou Branch	2	105	4,636
Hong Kong Branch	1	68	18,608
Adjustment on consolidation			(715,360)
<b>Total</b>	<b>854</b>	<b>36,290</b>	<b>2,398,818</b>

- Note: 1. The employees of the Head Office included 3,180 dispatched staff in the Credit Card Center and 1,646 employees working as 95595 customer service representatives.
2. The number of outlets, employees and the total assets in the above table excluded that of the subsidiaries of the Bank.

# Corporate Governance

## I. Corporate Governance Structure



## II. Overview

Aiming at the best corporate governance practices in the A-share and H-share markets, the Company has been continuously improving its corporate governance. With the establishment of a sound corporate governance structure and a framework of procedures essential for a modern corporate system, it has taken steady steps for the implementation of good corporate governance. In 2013, the Company strictly complied with *the Company Law*, *the Securities Law*, *the Law on Commercial Banks*, *Code of the Corporate Governance for Listed Companies*, *the Guidance on the Corporate Governance of Commercial Banks*, *the Guidelines for the Due Diligence Performance of the Board of Commercial Banks*, *the Guidelines for the Board of Supervisors of Commercial Banks* and *the Hong Kong Listing Rules*. The Bank's corporate governance had no deviation from the Company Law and related requirements of the CSRC.

During the reporting period, the Company amended its Articles of Association (A+H Shares), *the Delegation of Power of the General Meeting of Shareholders to the Board of Directors*, *the Delegation of Power of the Board of Directors to the President*, in a move to improve its corporate governance. It also formulated the *Contingency Procedures for Information Disclosure through Direct Channels* to embrace the changes in regulatory provisions and requirements for information disclosure.

The Board of Directors of the Company exercised the functions set out in Code D.3.1 of Appendix 14 of the Hong Kong Listing Rules to review the Company's corporate governance policies and practices, to review the training and continuous professional development of the Directors and the Senior Management, to review the Company's policies and practices on compliance with legal and regulatory requirements, to review the Company's compliance with the *Model Code* and the compliance manual applicable to employees, to review the Company's compliance with the code provisions of Appendix 14 of the Hong Kong Listing Rules and the disclosure in the Corporate Governance section of this Annual Report.

Pursuant to the applicable laws and regulations, the Company published more than 50 regular reports and ad hoc announcements, ensuring the authenticity, accuracy, completeness, fairness and timeliness of information disclosure, safeguarding the legitimate rights and interests of the investors and parties concerned.

The Company won the Excellent Board of Directors Prize and the Most Innovative Board Secretary Prize in the Ninth Gold Round Table Award for Boards of Chinese Listed Companies sponsored by the *Directors & Boards* magazine. The Company's Annual Report 2012 won a gold prize in the 2012 Vision Awards Annual Report Competition by the LACP (League of American Communications Professionals), and was selected as the Top 50 Annual Reports in the Asia Pacific and the Top 50 Chinese Annual Reports. The Company's Annual Report 2012 also won a gold prize in the Second Annual Report Awards for Chinese Listed Companies sponsored by the *Investor Journal* and Hong Kong Management Association.

The Board of Directors of the Company has reviewed its work during the reporting period, solicited feedbacks from the Senior Management of the Company, and concluded that the Board of Directors of the Company has effectively performed their duties, and it has safeguarded the interests of the Company and its shareholders.

### III. General Meeting of Shareholders

#### (I) Details of the General Meetings of Shareholders convened

During the reporting period, the Company held one annual general meeting of shareholders and three extraordinary general meetings of shareholders in conformity with the procedures specified in the Articles of Association.

On March 29, 2013, the Company convened the first extraordinary general meeting of shareholders in 2013. By way of voting, the meeting considered and passed the following proposals including the *Proposal on Issuing and Listing H Shares of the Company*, the *Proposal on Converting the Company into a Joint Stock Company with Shares being Subscribed Overseas*, the *Proposal on Requiring the General Meeting of Shareholders to Approve the Resolution on the Listing of H Shares and the Validity Period of the Resolution*, the *Proposal on Requiring the General Meeting of Shareholders to Authorize the Board of Directors and the Authorized Persons by the Board to Deal with the Matters in relation to the Issuance and Listing of H Shares with Full Powers*, the *Proposal on the Use of Proceeds in the Company's Latest Fund Raising*, the *Proposal on the Plan of the Use of Proceeds Raised from the H Share Issuance*, and the *Proposal on the Amendment to the Company's Articles of Association (A+ H shares)*.

On May 17, 2013, the Company convened the annual general meeting of shareholders of 2012. By way of voting, the meeting considered and approved the *Report of the Board of Directors for 2012*, the *Report of the Board of Supervisors for 2012*, *Annual Report 2012*, the *Financial Budget for 2013*, the *Final Account for 2012*, the *Profit Distribution Plan for 2012*, the *Plan for Distribution of Accumulated Profits on the Finish Date for IPO of H Shares*, the *Proposal on Issuing Qualified Secondary Capital Tools*, the *Proposal on Evaluating the Audit Work of KPMG Huazhen in 2012 and Its Re-appointment for 2013*, the *Proposal on the Amendment to the Delegation of Power by the General Meeting of Shareholders to the Board of Directors (Trial)*.

## Corporate Governance

The Company convened the second extraordinary general meeting for 2013 on October 25, 2013. By way of voting, the meeting considered and passed the *Proposal on Electing Ms. FOK Oi Ling Catherine as the Independent Director of the Sixth Session of the Board of Directors*, the *Proposal on Determining Remuneration Standard for Directors in 2012* and the *Proposal on Determining Remuneration Standards for Supervisors for 2012*.

The Company convened the third extraordinary general meeting for 2013 on December 16, 2013. By way of voting, the meeting considered and passed the *Proposal on Construction of New Generation Master Data Center* and the *Proposal on Financial Bond Issuance Planning and Authorization*.

The resolutions of above meetings are published on the websites of the SSE and the Company.

### (II) Implementation of the resolutions of the General Meetings of Shareholders by the Board of Directors

According to the resolutions of the annual general meeting of shareholders for 2012, the Board of Directors earnestly implemented the financial budget for 2013, distributed dividends in accordance with the profit distribution plan, and re-appointed KPMG Huazhen (Special General Partnership) to undertake the external audit of the Company in 2013. According to the resolutions of the first extraordinary general meeting of shareholders for 2013, the Board of Directors actively promoted the H share listing and achieved the listing of the Company's shares on the HKSE on December 20, 2013 and timely applied for the appointment qualifications of the new independent directors as well as the revision of its Articles of Association (A+H) to the CBRC.

### (III) Attendance Record of Directors in the Shareholders' General Meeting

Name	Attendance	Attendance in person
Mr. Tang Shuangning	4	4
Mr. Luo Zhefu	4	4
Mr. Guo You	4	4
Mr. Wu Qing	4	4
Mr. Wu Jian	4	4
Ms. Narentuya	4	4
Mr. Wu Gang	4	4
Ms. Wang Shumin	4	4
Mr. Wang Zhongxin	4	4
Mr. Wu Gaolian	4	4
Mr. Zhou Daojiong	4	1
Mr. Wang Wei	4	0
Mr. Zhang Xinze	4	3
Mr. Qiao Zhimin	4	4
Mr. Xie Rong	4	2

## IV. Directors and Board of Directors

### (I) Board Composition

As the decision-making body of the Company, the Board of Directors is responsible for convening the general meetings of shareholders, reporting to it and implementing resolutions passed at the meeting. The Board of Directors shall also make strategies, operation plans and investment proposals and formulate various proposals on financial budget, final account, risk capital allocation, profit distribution and appointment of Senior Management. During the reporting period, the Board of Directors consisted of 15 directors, including 2 Executive Directors (Mr. Guo You and Mr. Wu Qing), 8 Non-Executive Directors (Mr. Tang Shuangning, Mr. Luo Zhefu, Mr. Wu Jian, Ms. Narentuya, Mr. Wu Gang, Ms. Wang Shumin, Mr. Wang Zhongxin and Mr. Wu Gaolian) and 5 Independent Non-Executive Directors (Mr. Zhou Daojiong, Mr. Wang Wei, Mr. Zhang Xinze, Mr. Qiao Zhimin and Mr. Xie Rong).

The Company has paid special attention to the diversity of the members of the Board of Directors. According to relevant policies of the Company, the Nomination Committee of the Board of Directors is responsible for regularly assessing the structure, the number of directors of the Board and the personal skills, knowledge and experience of the directors. It shall also make suggestions on the adjustment to the members of the Board of Directors in line with the Company's strategy implementation. Among the fifteen directors of the Company, two Directors were female during the reporting period (and there are currently three female Directors after the joining of Ms. FOK Oi Ling Catherine, who is a Hong Kong resident); nine Directors have the postgraduate (or above) education background, including three doctors; two Executive Directors have been engaged in the operation and management of commercial banks for long time, and possess rich professional experience; all Non-Executive Directors held important posts in their own entities, thereby acquiring rich management experience; the Independent Non-Executive Directors are senior experts in the aspects of banking, financing, accounting and auditing, so that they can provide professional advices in different areas for the Company.

For the details of the Directors' biographies of the Company, please refer to "Directors, Supervisors and Senior Management and Employees".

### (II) Functions of the Board of Directors

- (i) to convene the Shareholders' General Meetings and report its work to the Shareholders' General Meetings;
- (ii) to implement the resolutions passed at the Shareholders' General Meetings;
- (iii) to determine the Company's business plans and investment proposals;
- (iv) to formulate the Company's proposals on annual financial budgets, financial statements and risk-based capital allocation and to decide on major changes in and adjustments to their implementation;
- (v) to formulate the Company's profit distribution proposals and loss make-up proposals;

## Corporate Governance

- (vi) to formulate proposals on the increase or reduction of the Company's registered capital, the issuing of bonds or other securities and the listing;
- (vii) to draw up plans for material acquisitions and repurchases by the Company;
- (viii) to formulate proposals for the merger, division or dissolution or change of form of the Company;
- (ix) to formulate the related party transaction management system, to consider and approve the major related party transactions other than those required to be approved by the Shareholders' General Meetings in accordance with laws, administrative regulations, department rules and the rules of the securities regulatory authorities of the jurisdiction where the shares of the Company are listed, and to report to the Shareholders' General Meetings on the implementation of the related party transaction management system and the related party transactions;
- (x) to consider and approve the Company's development plans in the middle- and long-term and to set the capital adequacy ratio objective;
- (xi) to consider and approve matters within the scope authorized by the Shareholders' General Meeting, such as investment, asset acquisitions and disposals, asset pledge and guarantees;
- (xii) to decide on the establishment of the Company's internal management departments and the Company-wide operation and management system reform plans;
- (xiii) to appoint or remove the Company's president and Secretary to the Board of Directors; and to appoint or remove the Company's Senior Management personnel, including Executive Vice President, the person in charge of finance and Assistant President, and other persons required, in the opinion of the Board of Directors, to be appointed or removed by the Board of Directors according to the nomination of the president, and to determine their remunerations, rewards and punishments;
- (xiv) to decide on the Company's basic management systems, which principally relate to human resources, financial matters and remuneration, and its policies on risk management and internal control;
- (xv) to formulate the amendment plans for the Articles of Association;
- (xvi) to establish the Company's information disclosure system, to manage the information disclosure matters of the Company, and to assume ultimate responsibility for the completeness and accurateness of the Company's accounting and financial reporting system;
- (xvii) to monitor the performance of duties by senior management personnel and ensure their effective performance of duties;
- (xviii) to hear the President's work report and inspect the President's work;

- (xix) to propose at the Shareholders' General Meeting to appoint or replace the accounting firm which undertakes auditing work for the Company;
- (xx) to consider the regulatory opinions of the CBRC on the Company and the rectification measures by the Company;
- (xxi) to assess and improve the Company's corporate governance on a regular basis; and
- (xxii) to exercise other duties and powers conferred by laws, regulations, department rules, regulatory documents, the Articles of Association and the Shareholders' General Meeting.

Please refer to the Articles of Association for the detailed duties and powers of the Board of Directors.

### (III) Board Meetings and Resolutions

During the reporting period, the Board of Directors held 14 meetings, including 7 on-site meetings and 7 meetings by written resolutions. The Board of Directors reviewed a total of 64 proposals and considered 20 reports, playing an effective role in scientific decision-making.

The Board of Directors of the Company continued to enhance the strategic management, conducted a thorough analysis based on the overall strategy of the previous planning and prepared the *Overall Strategy for 2013–2016*, laying a solid foundation for the sustainable development of the Company; paid close attention to the strategic transformation and urged the management to enhance structural adjustment; continuously improved the capital management system to tamp the capital foundation and facilitated the successful listing of the Company's H shares at the HKSE; carried out relevant work in compliance with the Basel II; made the technical development plan for risk management and enhanced off-balance sheet asset risk management; conducted internal control and compliance management implementation projects and effectively assumed internal control responsibilities; and carried out information disclosure work by strictly following the regulatory provisions.

The resolutions of all Board Meetings of the Company are published on the websites of the SSE and the Company.

## Corporate Governance

### (IV) Attendance records of Directors at board meetings

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Tang Shuangning	14	14	0	0
Mr. Luo Zhefu	14	12	2	0
Mr. Guo You	14	14	0	0
Mr. Wu Qing	14	13	1	0
Mr. Wu Jian	14	14	0	0
Ms. Narentuya	14	14	0	0
Mr. Wu Gang	14	14	0	0
Ms. Wang Shumin	14	14	0	0
Mr. Wang Zhongxin	14	14	0	0
Mr. Wu Gaolian	13	13	0	0
Mr. Zhou Daojiong	13	10	3	0
Mr. Wang Wei	14	10	4	0
Mr. Zhang Xinze	14	14	0	0
Mr. Qiao Zhimin	13	13	0	0
Mr. Xie Rong	13	12	1	0

Remarks: Mr. Wu Gaolian, Mr. Zhou Daojiong, Mr. Qiao Zhimin and Mr. Xie Rong took office formally after their appointment qualifications were approved by the CBRC in January 2013.

### (V) Appointment, re-election and resignation of Directors

In accordance with the Articles of Association, Directors shall be elected and replaced at the general meeting of shareholders, and the term of office for Directors (including Non-Executive Directors) is three years starting from the date when the appointment qualifications are approved by the CBRC. Directors can be re-elected and reappointed when the term of office has expired and the term of office of the re-elected and re-appointed directors commences from the date when such re-election and re-appointments are approved at the general meeting of shareholders.

The term of office for the Independent Non-Executive Directors is the same as that of other directors. The term of office for the Independent Non-Executive Directors shall conform to applicable laws and provisions of regulatory authorities.

The Articles of Association stipulates the procedures for appointing, re-electing and removing directors. The Nomination Committee of the Board of Directors preliminarily reviews the qualification and conditions of each Director candidate and submits a proposal to the Board of Directors, which will examine and accept (if think fit) the proposal for relevant candidates and further submit it to the general meeting of shareholders for approval.



## (VI) Board Statement on the Financial Statements

The Senior Management has provided sufficient explanation and information for the Board of Directors to make judgments in respect to the submitted financial statements and other data for approval. The directors shall be obliged to prepare the financial statements which truly reveal the business performance of the Company as at the end of December 31, 2013. To the best knowledge of the Directors, there are no major uncertain matters or situation with potentially serious influence on the sustainable operation of the Company.

## V. Chairman and Chief Executive

According to the provisions of the Hong Kong Listing Rules, the roles and work of the Chairman of the Board and the President are performed by different individuals, and their respective responsibilities are clearly defined and divided. Mr. Tang Shuangning is the Chairman of the Board of Directors of the Company and he is responsible for convening the meetings of the Board of Directors, ensuring that all Directors attending the Board Meeting are properly briefed on issues to be reviewed or reported, managing the operation of the Board of Directors, making sure that all key and appropriate issues are discussed by the Board of Directors in a constructive and timely manner. Mr. Guo You as President during the reporting period was responsible for the operation and management of the Company, the implementation of the Board resolutions, and the execution of the Company's strategies and business plans. On January 23, 2014, Mr. Guo You tendered his resignation as President and Mr. Zhao Huan was appointed as President.

## VI. Performance of Independent Non-executive Directors

### (I) Independence of Independent Non-executive Directors

The five Independent Non-Executive Directors of the Company are not involved in the factors influencing the independence mentioned in Rule 3.13 of the Hong Kong Listing Rules. The Company has received the letter of annual confirmation about the independence issued by each Independent Non-Executive Director according to Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all Independent Non-Executive Directors have complied with the independence requirements under the *Hong Kong Listing Rules*.

### (II) Attendance Record of Independent Non-executive Directors at board meetings

See the details in Section (IV) of this chapter.

### (III) Attendance Record of Independent Non-executive Directors at shareholders' meetings

See the details in Section (III) of this chapter.

### (IV) Independent Non-executive Directors' Objections to the Related Matters of the Company

During the reporting period, none of the Independent Non-Executive Directors of the Company had raised any objections to the proposals of the Board of Directors and other non-board-related proposals.

## Corporate Governance

### (V) Performance of Independent Non-executive Directors

The Company has five Independent Non-Executive Directors, accounting for one third of the Board members. The Chairmen of the Nomination Committee, the Remuneration Committee, the Related Party Transaction Control Committee and the Audit Committee are all Independent Non-Executive Directors. During the reporting period, the Independent Non-Executive Directors expressed their independent opinions on all major issues, including remuneration of Directors and Senior Management, appointment and removals of Directors and Senior Management, profit distribution plans and H-share listing proposal in accordance with the Articles of Association. In all Board Committees, each of the Independent Non-Executive Directors offered professional opinions and suggestions on issues under discussion in a constructive manner. During the period the Board of Directors was not in session, the Independent Non-Executive Directors actively communicated with other Directors, Supervisors, Senior Management and external auditors, etc. to keep abreast of the situation in respects of strategy implementation, business development, risk management and internal control and to obtain necessary information for decision-making. Certain Independent Non-Executive Directors also provided comments and suggestions on the construction of community banking, e-banking and corporate culture. The management actively adopted the suggestions from the Independent Non-Executive Directors, and these suggestions have played a positive role in the aspects such as defining strategic direction of the Company, improving management level and directing the business development, etc.

## VII. Performance of Board Committees

The Board of Directors has set up the Strategy Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Remuneration Committee, and the Related Party Transaction Control Committee. During the reporting period, the Board Committees held 26 meetings including 4 meetings of the Strategy Committee, 10 meetings of the Audit Committee, 5 meetings of the Risk Management Committee, 3 meetings of the Nomination Committee, 2 meetings of the Remuneration Committee, and 2 meetings of the Related Party Transaction Control Committee. During such meetings, 48 proposals were reviewed and 30 reports were considered. The Board Committees fully studied and discussed various material issues in the Company's operation in accordance with their division of responsibilities to provide professional support for the Board of Directors to make scientific decisions.

### (I) Strategy Committee

The Strategy Committee chaired by Non-Executive Director Mr. Luo Zhefu, consists of 9 directors with members including Executive Directors Mr. Guo You, Mr. Wu Qing, and Non-Executive Directors Ms. Narentuya, Mr. Wu Gang, Ms. Wang Shumin, Mr. Wang Zhongxin as well as Independent Non-Executive Directors Mr. Zhou Daojiong and Mr. Wang Wei.

Primary duties and responsibilities of the Strategy Committee include reviewing and discussing plans on capital management and replenishment, annual operating plans and major investment programs, and conducting researches and making suggestions on the Company's business objectives and medium-term and long-term development strategies.

During the reporting period, the Strategy Committee reviewed and passed the Company's Overall Strategy for 2013–2016, Operating Plans and Financial Budget Plans for 2013, the Proposal on Issuing and Listing H Shares of the Company, the Proposal on Planning the Construction Scale of New Generation Back-up Data Center and Research and Development Office, the Proposal on the Construction of New Generation Master Data Center, and heard the Report on Technology Sub-Strategy and Independent Research and Development Plan for 2013–2016, and the Report on Community Banking Progress.

During the reporting period, the Strategy Committee convened four meetings, reviewed five proposals and considered two reports. Details about the attendance of the relevant Committee members are as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Luo Zhefu	4	2	2	0
Mr. Guo You	4	4	0	0
Mr. Wu Qing	4	4	0	0
Ms. Narentuya	4	4	0	0
Mr. Wu Gang	4	4	0	0
Ms. Wang Shumin	4	4	0	0
Mr. Wang Zhongxin	4	4	0	0
Mr. Zhou Daojiong	4	3	1	0
Mr. Wang Wei	4	2	2	0

## (II) Audit Committee

The Audit Committee is chaired by an Independent Non-Executive Director and the majority of the members of the Audit Committee are Independent Non-Executive Directors. The members include Independent Non-Executive Directors Mr. Xie Rong (Chairman), Mr. Zhang Xinze, Mr. Qiao Zhimin and Non-Executive Directors Mr. Wu Jian and Ms. Narentuya.

Primary duties and responsibilities of the Audit Committee include examining the Company's internal control system and monitoring the implementation; inspecting and monitoring the Company's internal audit system; guiding the work of internal audit departments; commenting on the appointment of external auditors; guiding and monitoring the work of external auditors; and being responsible for the Company's annual audit.

During the reporting period, the Audit Committee considered the annual audit reports, interim audit reports, regular reports such as quarterly report on the implementation of agreed procedures on the A share market, financial audit report or review report on the H share market, internal control reports and other important matters including the re-appointment of auditors; considered summaries and plans for internal audit, *Management Proposal for 2012* and report on rectifications; reviewed and discussed the reports on refinancing, credit card asset quality, internal audit organizational structure and personnel allocation, etc. The Committee invited KPMG Huazhen (Special General Partnership) to make a presentation on changes of IFRS and changes in the regulations of the banking industry and the implementation.

## Corporate Governance

In accordance with the requirements of the *Annual Report Procedures of the Audit Committee of the Board of Directors*, the Company's Audit Committee has been earnestly responsible for the Company's annual audit. The Audit Committee, in October 2013, convened the 10th meeting of the Audit Committee of the Sixth Session of the Board of Directors and heard the report on the financial audit arrangements for 2013 by the auditors; in January 2014, the Audit Committee held the 12th meeting of the Audit Committee of the Sixth Session of the Board of Directors and heard the report on the financial audit progress by the auditors and communicated on major audit issues; in March 2014, the Audit Committee held the 13th meeting of the Audit Committee of the Sixth Session of the Board of Directors and reviewed the Company's financial statements provided by the auditors, and were of the view that the financial statement truly, accurately and completely reflected the Company's overall situation and formed a resolution which were later submitted to the Board of Directors for consideration.

During the reporting period, the Audit Committee convened a total of ten meetings (6 on-site meetings, 4 meetings by written resolutions), reviewed 19 proposals and heard 10 reports. Details about the attendance of the relevant committee members are as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Xie Rong	10	9	1	0
Mr. Wu Jian	10	10	0	0
Ms. Narentuya	10	10	0	0
Mr. Zhang Xinze	10	10	0	0
Mr. Qiao Zhimin	10	9	1	0

### (III) Risk Management Committee

One Non-Executive Director chaired the Risk Management Committee, with members including Executive Director Mr. Guo You, Non-Executive Directors Mr. Wu Jian (Chairman), Mr. Wang Zhongxin and Mr. Wu Gaolian and Independent Non-Executive Director Mr. Qiao Zhimin.

Primary duties and responsibilities of the Risk Management Committee of the Board of Directors include: reviewing the risk management strategy of the Company and the acceptable overall risk level; supervising the risk control of the Senior Management in credit, market, liquidity, operation, IT and market reputation and so on; evaluating the basic risk management system and management mechanism of the Company; reviewing and determining the capital adequacy ratio management objective; reviewing and supervising the implementation of the capital planning; making suggestions on the capital adequacy ratio information disclosure; other matters authorized by the Board of Directors.

During the reporting period, the Risk Management Committee of the Board of Directors, within the scope of authorization, focused on and reviewed the following matters: the compliance work in relation to the Implementation of *Basel II*; the regular risk management reports by the Senior Management; the report on management of risk limits; the credit policies and a review of the implementation of the policies; technical development planning for risk management; steel trade credit exposure and risk mitigation; risk management of off-balance sheet asset business; and the integrated supporting platforms for lending to small and micro enterprises, etc. In accordance with the authorities delegated, the Risk Management Committee of the Board of Directors submitted annual risk management report, risk tolerance proposal and capital adequacy ratio implementation plan and other proposals.

During the reporting period, the Risk Management Committee of the Board of Directors convened five meetings, considered 14 proposals and reviewed 16 work reports. The attendance of relevant committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Wu Jian	5	5	0	0
Mr. Guo You	5	5	0	0
Mr. Wang Zhongxin	5	5	0	0
Mr. Wu Gaolian	5	5	0	0
Mr. Qiao Zhimin	5	5	0	0

#### (IV) Nomination Committee

All members of the Nomination Committee are Independent Non-Executive Directors, including Mr. Zhou Daojiong (Chairman), Mr. Wang Wei, Mr. Zhang Xinze, Mr. Qiao Zhimin and Mr. Xie Rong.

Primary duties and responsibilities of the Nomination Committee include: building the talent pool of qualified alternate Directors and members of the Senior Management; drafting the procedures and standard for selection of the Directors and Senior Management, preliminarily reviewing the job qualifications and conditions of candidates, and offering suggestions to the Board of Directors; offering the suggestions of the composition of other Board Committees for the Board's approval in accordance with the nomination of the Chairman of the Board of Directors and taking into account the specialty and willingness of the directors as well as the actual needs of the Board of Directors; evaluating the board structure, number of board members and composition (including skills, knowledge and experience) each year and offering suggestions on the adjustment to be made to the members of the Board of Directors for collaboration with the Company strategy; evaluating the training and professional development of the directors and Senior Management.

## Corporate Governance

During the reporting period, the Nomination Committee looked for Independent Non-Executive Director candidates who are residents in Hong Kong in order to meet certain requirements under the Hong Kong Listing Rules; reviewed the independence of candidates according to regulatory provisions, and studied the plans for adjusting Board Committees; according to work needs, considered matters in relation to adjustment to the members of the Senior Management and reviewed relevant job qualifications and offered suggestions to the Board of Directors.

During the reporting period, the Nomination Committee held three meetings in total (including 1 on-site meeting and 2 meetings by written resolutions) and considered 4 proposals. The attendance of relevant committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Zhou Daojiong	3	3	0	0
Mr. Wang Wei	3	2	1	0
Mr. Zhang Xinze	3	3	0	0
Mr. Qiao Zhimin	3	3	0	0
Mr. Xie Rong	3	3	0	0

### (V) Remuneration Committee

The Remuneration Committee is chaired by an Independent Non-Executive Director and the majority of the members of the Remuneration Committee are Independent Non-Executive Directors. The members including Independent Non-Executive Directors (Chairman) Mr. Qiao Zhimin, Mr. Zhou Daojiong, Mr. Wang Wei, Mr. Zhang Xinze and Mr. Xie Rong, and Non-Executive Directors Mr. Tang Shuangning, Mr. Wu Gang, Ms. Wang Shumin and Mr. Wu Gaolian.

Primary duties and responsibilities of the Remuneration Committee include: drafting the remuneration management rules for the Directors and Senior Management, offering the same to the Board of Directors for approval and supervising its implementation; reviewing the duty performance of Directors and Senior Management and proposing advice on the examination and evaluation relating to them to the Board of Directors; offering suggestions on the remuneration plan for Directors and Senior Management and submitting the same to the Board of Directors for approval; reviewing the basic systems with respect to salary and benefits of the Company, offering the same to the Board of Directors for approval and supervising its implementation, etc.

During the reporting period, the Remuneration Committee, in accordance with *Measures on Duty Performance Evaluation for Directors (Trial for Implementation)* conducted self assessment of the Board of Directors from the perspectives of working hours, work specifications and work quality, which provided references to the Board of Supervisors for their assessing the duty performance of the Board of Directors; organized and carried out the work of reviewing and assessing the performance of Senior Management in 2013; proposed remuneration advice and submitted the same to the Board of Directors in accordance with the assessment conclusion; and prepared the 2013 proposal on remuneration of directors and submitted same to the general meeting of shareholders for approval after the consideration of the Board of Directors.

During the reporting period, the Remuneration Committee held two meetings in total and considered 4 proposals. The attendance of relevant committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Qiao Zhimin	2	2	0	0
Mr. Tang Shuangning	2	2	0	0
Mr. Wu Gang	2	2	0	0
Ms. Wang Shumin	2	2	0	0
Mr. Wu Gaolian	2	2	0	0
Mr. Zhou Daojiong	2	2	0	0
Mr. Wang Wei	2	1	1	0
Mr. Zhang Xinze	2	2	0	0
Mr. Xie Rong	2	2	0	0

## (VI) Related Party Transaction Control Committee

The Related Party Transaction Control Committee is chaired by an Independent Non-Executive Director and the majority of its members are Independent Non-Executive Directors. Its members include Independent Non-executive Directors Mr. Wang Wei (Chairman), Mr. Zhang Xinze, Mr. Qiao Zhimin and Mr. Xie Rong and Executive Director Mr. Wu Qing.

Primary duties and responsibilities of the Related Party Transaction Control Committee include: filing the common related party transactions; reviewing the major related party transactions and submitting the same to the Board of Directors for consideration; providing detailed reports to the Board of Directors on the overall status, risk level and structural distribution of the related party transactions throughout the year; preparing the related party transactions management measures and submitting the same to the Board of Directors for implementation after approvals are obtained; being responsible for identifying the related parties of the Company, reporting the same to the Board of Directors and the Board of Supervisors, and announcing the identities of such related parties to the relevant staff of the Company.

## Corporate Governance

During the reporting period, the Related Party Transaction Control Committee passed the 2012 Report on Related Party Transactions, the Request for Adjusting the Secretary of the Related Party Transaction Committee and the Suggestions on Further Strengthening Management of Related Natural Persons. The 2012 Report on Related Party Transactions was submitted to the 5th Meeting of the Sixth Session of the Board of Directors and 2012 general meeting of shareholders for documentary review. The committee filed nine common related party transactions reported by the management, successively issued two lists of updated related legal persons and confirmed the information of the related natural persons of the first principals and immediate relatives of the branches.

During the reporting period, the Related Party Transaction Committee convened two meetings, considered 3 topics and reviewed 2 reports. The attendance of relevant committee members is as follows:

Name	Attendance	Attendance in person	Attendance by proxy	Absence
Mr. Wang Wei	2	0	2	0
Mr. Wu Qing	2	2	0	0
Mr. Zhang Xinze	2	2	0	0
Mr. Qiao Zhimin	2	2	0	0
Mr. Xie Rong	2	1	1	0

### VIII. Supervisors and the Board of Supervisors

During the reporting period, the Board of Supervisors has been continuously improving the supervision method and prudently formed the supervision and evaluation opinions on the Board of Directors, Senior Management and their members in order to facilitate their effective duty performance; conducted targeted financial supervision around the preparation and implementation of important financial decisions of the Bank; further enhanced the supervision on risk management and internal control and promoted the compliant and steady operation of the Bank; and presented comments and suggestions on material business management issues of the Bank for the decision-making reference by the Board of Directors and Senior Management.

#### (I) Composition of the Board of Supervisors

The Board of Supervisors consists of 11 members, including 5 Equity Supervisors, 4 Employee Supervisors and 2 External Supervisors. The members of the Board of Supervisors all have rich experience in banking, finance and business management. The personnel structure is proper, with sufficient expertise and independence, and such structure ensures the effective functioning of the Board of Supervisors.

The Board of Supervisors has set up the Nomination Committee and the Supervision Committee.



## (II) Ways of Performing the Supervision Duties

The Board of Supervisors held regular meetings, participated in and attended the General Meeting of Shareholders as nonvoting delegates, meetings of the Board of Directors and all Special Committees, attended all meetings of the Senior Management as nonvoting delegates, reviewed a variety categories of business management reports, reviewed the work reports of all lines and branches, conducted the collective or individual survey in branches, and sent supervision suggestions and minutes of meeting to the Board of Directors and Senior Management. In the above-mentioned forms, the Board of Supervisors supervised the Board of Directors and Senior Management in duty performance, financial management, risk management and internal control management.

## (III) Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors, in accordance with the relevant provisions in its *Articles of Association* and the rules of procedure, convened 6 meetings of the Board of Supervisors, including 5 on-site meetings and 1 meeting by written resolutions, and considered 13 proposals and reviewed 11 reports, including regular bank reports, reports on evaluation of the duty performance of the Board of Directors and Senior Management, reports of internal control and self-assessment and profit distribution proposals, and formed clear opinions on relevant proposals. The resolutions of its Board of Supervisors during the reporting period are published on the websites of SSE and the Company.

During the reporting period, the Company convened 4 General Meetings of Shareholders and convened 14 meetings of the Board of Directors. The Board of Supervisors attended all General Meetings of Shareholders and all meetings of the Board of Directors as non-voting delegates and supervised the compliance and legality of the meetings of Board of Shareholders and Board of Directors, the voting procedures and the attendance, speeches and voting of the directors.

## (IV) Operation of Special Committees of the Board of Supervisors

### 1. Nomination Committee

The Nomination Committee consists of 5 members with its Chairman being an External Supervisor. Its members include Mr. Yu Erniu (Chairman), Mr. Cai Haoyi, Mr. Chen Shuang, Mr. Zhang Chuanju and Mr. Ma Ning.

Primary duties and responsibilities of the Nomination Committee: giving suggestions on the size and composition of the Board of Supervisors to the Board of Supervisors; drafted the procedure and criteria for selection of Supervisors and submit the same for the Board of Supervisor's consideration; and preliminarily reviewing the job qualifications and conditions of the Supervisors and giving suggestions.

During the reporting period, the Company didn't convene any meeting of the Nomination Committee of the Board of Supervisors.

## Corporate Governance

### 2. Supervision Committee

The Supervision Committee, chaired by an External Supervisor, consists of 6 members including Mr. James Parks Stent (Chair), Mr. Mu Huijun, Mr. Wang Pingsheng, Mr. Wu Junhao, Ms. Chen Yu and Mr. Ye Donghai.

Primary duties and responsibilities of the Supervision Committee: making the plan for supervising the duty performance of Directors, Senior Management and being responsible for implementation after such plan is approved by the Board of Supervisors; conducting the departure appraisal of directors and reporting the same to the Board of Directors after such appraisal is approved by the Board of Supervisors; drawing the plan for supervising the Company in operation and decision-making, risk management and internal control, and being responsible for implementation after such plan is approved by the Board of Supervisors; making the plan for supervising the financial activities of the Company, and being responsible for implementation after such plan is approved by the Board of Supervisors; understanding the situation of preparing the regular reports of the Board of Directors and relevant material adjustments and reporting the same to the Board of Supervisors; communicating with relevant Special Committees of the Board of Directors, relevant departments of the Company and intermediaries, and giving supervision suggestions to the external auditors engaged by the Company.

During the reporting period, the Supervision Committee of the Board of Supervisors convened 4 meetings and considered 6 proposals, mainly including the opinions on supervision in duty performance of the Board of Directors and Senior Management, annual reports and annual internal control evaluation reports.

### (V) Performance of the Board of Supervisors

The Board of Supervisors had no objection to the supervision matters during the reporting period.

## IX. Securities Transactions by Directors, Supervisors and Relevant Employees

The Company has adopted a code of practice in relation to the securities transactions by its Directors and Supervisors as set out in the *Model Code*. All Directors and Supervisors confirmed that they have always complied with the *Model Code* for the year ended December 31, 2013. The Company also adopted guidelines with respect to the purchase and sale of the Company's securities by relevant employees and the guideline is no less exacting than the *Model Code*. It had not come to the attention of the Company that any employee was in violation of the guidelines during the reporting period.

## X. Auditors' Remuneration

Please refer to "Significant Events" for details.

## XI. Training of Directors and Supervisors

The Board of Directors of the Company paid continuous attention to training, organized directors and Senior Management to take part in relevant business trainings so as to improve their duty performance capabilities. During the reporting period, some directors participated in 2013 Qualification Training Course for Independent Directors organized by SSE and the special training course of "Interpretation of the Macro Economy of China with the Holding of the Third Plenary Session" sponsored by Beijing Securities Regulatory Bureau. The Company also invited its A-shares legal counsels and the experts of Regulatory Department II of the CBRC to have lectures, interpreting *the Explanation of Laws and Regulations on Insider Trading and Prompts for Preventing the High Risks of Directors and Supervisors* as well as *the Guidelines on Corporate Governance of Commercial Banks*. The Board of Supervisors organized the Supervisors to participate in many relevant training courses with regard to *the Guidelines on Corporate Governance of Commercial Banks and the Guideline for the Boards of Supervisors of Commercial Banks* and participated in the trainings held by Beijing Securities Regulatory Bureau together with some Directors. The Chairman of the Board of Supervisors of the Company also attended the work symposiums of Boards of Supervisors of banks whose equities were controlled and held by CIC.

It has been a short period of time since the Company was listed on the HKSE on December 20, 2013. Therefore, relevant trainings with respect to the capital market laws and regulations of Hong Kong and the responsibilities and obligations of companies listed in Hong Kong were not arranged for the Directors and Supervisors of the Company from the listing date to the end of reporting period. In January 2014, the Company invited its Hong Kong legal advisor to provide the Directors and Supervisors with the training on responsibilities and obligations of directors of companies listed in Hong Kong. The Company will ensure full compliance with Code A.6.5 of Appendix 14 of the Hong Kong Listing Rules in 2014.

## XII. Senior Management

The Senior Management of the Company consists of one President and nine Executive Vice Presidents (including one Executive Vice President who resigned in August 2013). The Senior Management is responsible for the operation and management of the Company; implementing the resolutions of the Board of Directors, the strategic plan, operation plan and investment plan approved by the Board of Directors; and preparing the internal plan for establishment of management bodies and basic management system of the Company, and making specific rules.

During the reporting period, the Senior Management, in accordance with the development strategy of the Company, carried out all operation and management work actively and effectively, earnestly implemented the operating plan and financial budget determined by the Board of Directors, comprehensively attained the development targets established at the beginning of year and ensured the steady growth of business and continuous increase of profits.

## Corporate Governance

### **XIII. Evaluation Mechanism and Incentive System of Senior Management**

In accordance with the relevant provisions of the *Provisional Measures for Performance Assessment of Senior Management Personnel*, the Remuneration Committee of the Board of Directors established the implementation plan for performance assessment of Senior Management. In accordance with the overall operation of the Company and in consideration of the duty performance of the Senior Management, it was studied by the relevant board committee and then reported to the Board of Directors for consideration, in order to determine the performance evaluation grade of each Senior Management personnel and prepare the remuneration plan accordingly.

### **XIV. Registration and Management of Information Insiders**

The Company strictly followed the *System for Management of Insider Information and Insiders*, registered the insider information and kept the important matters confidential. During the period of issuing and listing H shares, relevant personnel carefully filled in the *Memorandum on the Progress of Significant Events*. After issuing and listing of its H shares, relevant rules and provisions of HKSFCA such as HKSFCA's *Guidelines on Disclosure of Inside Information* were duly complied with in a timely manner, in order to protect the investors' equal right to be informed and maintain the equality of information disclosure.

### **XV. Business, Personnel, Asset, Organization and Financial Independence of the Bank from Substantial Shareholders**

The substantial shareholders were independent from the business, personnel, asset, organization and financial affairs of the Bank, ensuring its operational independence.

### **XVI. There is no competition with other banks due to partial change of ownership, industrial nature, national policies or acquisition and merger.**

### **XVII. Implementation of Information Disclosure**

The Company strictly complied with the relevant regulatory provisions and performed the relevant information disclosure obligations. During the reporting period, it released annual report, quarterly reports and interim report on schedule. 45 temporary announcements were issued timely and announcements in relation to preliminary information of annual results, subordinated debt redemption and approval of secondary capital debts were issued voluntarily as well. Announcements in relation to H shares listing were issued in the form of "Special Reminder" to update the investors of A shares the issuance process of H shares. The Company implemented the working plan of SSE about improving the level of listed companies in information disclosure electronic submission, actively participated in system test, formulated the *Contingency Procedures for Information Disclosure through Direct Channels* and established clear working procedures, error correction and accountability mechanisms. The Bank maintained the network platform of "Shanghai Stock Exchange E-Interaction", answered the questions of online investors.

## **XVIII. Investor Relationship**

The Company strictly abided by relevant provisions of domestic and overseas laws and regulations as well as the requirements of the regulatory authorities, managed investors' relationship through various ways and continuously improved the communication between the Company and its investors. The Company held press conferences for financial results and investor meetings, through which communications with 196 person-times from 68 investment banks and investment organizations at home and abroad were made. The Bank met investors and investment bank managers and analysts for 207 person-times and answered investors' inquiry calls and replied to emails over 530 times. The Bank also paid close attention to the development of the domestic and international capital markets, the performance of banks at home and abroad, and the researches of domestic and foreign institutional investors. As soon as it was listed on the HKSE on December 20, 2013, the Company launched an English website for investor relationship in order to update the overseas investors about the latest information of the Company which enhanced the communication with them.

During the reporting period, the Company won the prizes from the regulatory authorities and financial and economic media, such as the Most Respected Leader of Listed Companies, ICSA Company Secretary Award and Best Investor Service Award and so on.

In accordance with the requirements of the regulatory authorities and the actual situation of the Bank, the Articles of Association was revised at the 4th Meeting of the Sixth Session of the Board of Directors of the Company on March 12, 2013, with the amendments covering profit distribution, change of the Company's registered address, etc. The amendments were considered and passed on the 2013 first extraordinary general meeting of shareholders on March 29, 2013, and later approved by the CBRC. Please refer to the Company's announcement for details.

## **XIX. Company Secretary and Assistant to Company Secretary under the Hong Kong Listing Rules**

Mr. Lu Hong (Board Secretary of the Company) is appointed as the Company Secretary under the Hong Kong Listing Rules and Ms. Lee Mei Yi (Tricor Services Limited) is appointed as the Assistant to Company Secretary under the *Hong Kong Listing Rules*. The main interior contact person of the Company is Mr. Lu Hong. During the reporting period, due to the fact that the Company was listed on the HKSE at the end of the year 2013 (i.e., December 20, 2013), which is only a short period of time before the end of the reporting period, Mr. Lu Hong participated in relevant professional training for less than 15 hours during the year 2013. Ms. Lee Mei Yi had participated in relevant professional training for no less than 15 hours during the year 2013.

## Corporate Governance

### XX. Shareholders' Rights

- (I) Upon the request of shareholders separately or jointly holding more than 10% of the voting shares, the Company should convene an extraordinary general meeting within two months.
- (II) Shareholders separately or jointly holding more than 3% shares of the Company can put forward a temporary proposal to the Board of Directors 10 days before the general meeting of shareholders; and the Board of Directors should issue supplementary notices within two days after receiving the temporary proposal and submit the temporary proposal to the general meeting of shareholders for consideration.
- (III) Upon the request of shareholders separately or jointly holding more than 10% of the Company's shares, the Chairman of Board of Directors of the Company should convene and preside over a temporary board meeting within 10 days.
- (IV) Shareholders of ordinary shares of the Bank shall have the following rights:
  - 1. Collecting dividends and other forms of benefits distributed on the basis of the number of shares held by them;
  - 2. Attending or entrusting proxy to attend meetings of shareholders and exercise the voting rights;
  - 3. Supervising business operation of the Bank and putting forward suggestions or inquiries accordingly;
  - 4. Transferring shares in accordance with laws, regulations, rules, regulatory documents, relevant regulations of the securities regulatory authority of the jurisdiction where shares of the Bank are listed as well as the Articles of Association;
  - 5. Obtain relevant information according to the Articles of Association, including the Company's financial and accounting report; status of share capital of the Bank; minutes of shareholders' general meeting, resolutions of meetings of Board of Directors and resolutions of meetings of the Board of Supervisors etc.
  - 6. Participating in the distribution of the Bank's remaining property in proportion to the number of shares held by the shareholders when the Bank is terminated or liquidated.

Please refer to the Articles of Association for details about shareholders' rights.

As to the contact details for shareholders to communicate and inquire with the Board, please refer to "Company Profile" of this report.

## **XXI.Statement of Compliance with Banking Industry (Disclosure) Rules**

The Company has prepared 2013 Annual Financial Statements on H Shares in accordance with the *Banking Industry (Disclosure) Rules* issued by Hong Kong Monetary Authority.

## **XXII.Compliance with the Corporate Governance Code under the Hong Kong Listing Rules**

Since its listing on HKSE, the Company has applied the principles as stipulated in Appendix 14 of the Hong Kong Listing Rules (the Corporate Governance Code) and has fully complied with all code provisions in the Corporate Governance Code during the reporting period, except for the deviations and reasons disclosed in Section XI “Training of Directors and Supervisors” and Section XIX “Company Secretary and Assistant to Company Secretary under the Hong Kong Listing Rules” of this chapter.

# Internal Control

## I. Statement of the Board of Directors regarding the responsibility of internal control and the establishment of internal control system

### (I) Statement of the Board of Directors regarding the responsibility of internal control

In accordance with the standardized provisions on internal control system, the Board of Directors of the Bank shall be responsible for establishing a sound and effective internal control system, evaluating its effectiveness and truthfully disclosing the internal control evaluation report. The Board of Supervisors shall supervise on the establishment and implementation of internal control system by the Board of Directors. Senior Management is responsible for coordinating and managing the daily operation of internal control system of the Bank.

The objectives of the internal control system are: 1. Ensuring the compliance with applicable domestic laws and regulations, rules and regulations of regulatory authorities, and internal rules and regulations of the Bank; 2. Improving the operational efficiency and output and ensuring the comprehensive implementation and the full realization of development strategy and operational objectives of the Bank; 3. ensuring the asset security and the effectiveness of risk management system; 4. ensuring the timeliness, authenticity and completeness of business records, financial information and other management information. Due to the inherent limitations of the internal control, it can only provide reasonable guarantee to realization of the aforesaid objectives.

### (II) Basis of the Internal Control for Financial Reporting

As for external basis, it refers to the applicable domestic laws, regulations and regulatory requirements including the Company Law, the Securities Law, the Law on Commercial Banks, the Accounting Law, the Guidelines on Articles of Association of Listed Companies, the Accounting Standards for Enterprises: Basic Standards, Internal Control Norms for Enterprises and related guidelines. Internal system for internal control on financial reporting constitute the internal basis, including the general requirements on the internal control over financial reporting as stated in the Articles of Association, and other internal control systems further established in accordance with the Articles of Association and other business management system such as the Manual on Management of Business of Planning and Finance.

### (III) The Establishment of Internal Control System of the Bank

The internal control system of the Bank is primarily based on the Articles of Association and is divided into three tiers including the general system (Internal Control Management System), the specific system (specific rules on internal control) and the evaluation system. The system covers seven major business lines such as corporate banking business, retail banking business, treasury, risk, business support, corporate governance and management supporting and auditing, and covers various aspects including the management of front-line businesses, intermediate and back-office risk control, supervision and evaluation. In 2013, the Bank reviewed the systems, formulated a number of new rules and regulations and revised, improved and compiled existing rules and regulations for effective implementation of them across the Bank. By implementing internal control rules and compliance management consulting, identifying the applicable external regulatory rules, establishing database for the external compliance and external compliance risk factors, the Bank further revised and improved the internal control management manual, internal control evaluation manual and the risk control matrix, whereby the ability of internal control management has been enhanced.



## II. Self-assessment report on internal control by the Bank

Based on the results of review of the internal control related to financial reporting, it is believed that the Bank, as at the reference date for the *self-assessment report on internal control (December 31, 2013)*, had no material defects in internal control system related to financial reporting, and had maintained the effective internal control over financial reporting in accordance with the internal control rules and systems in all material aspects.

Based on the results of review of internal control not related to financial reporting, it is believed that the Bank, as at the reference date for *Self-assessment report on internal control (December 31, 2013)*, had no material defects in internal control not related to financial reporting.

From the reference date of self-assessment report on internal control to the date of releasing of the self-assessment report on internal control, there was no factor which may affect the evaluation of effectiveness of the internal control system.

The full text of 2013 Self-assessment Report on Internal Control of the Bank has been published on the websites of the SSE, the HKSE (In the form of Overseas Regulatory Announcement) and the Bank.

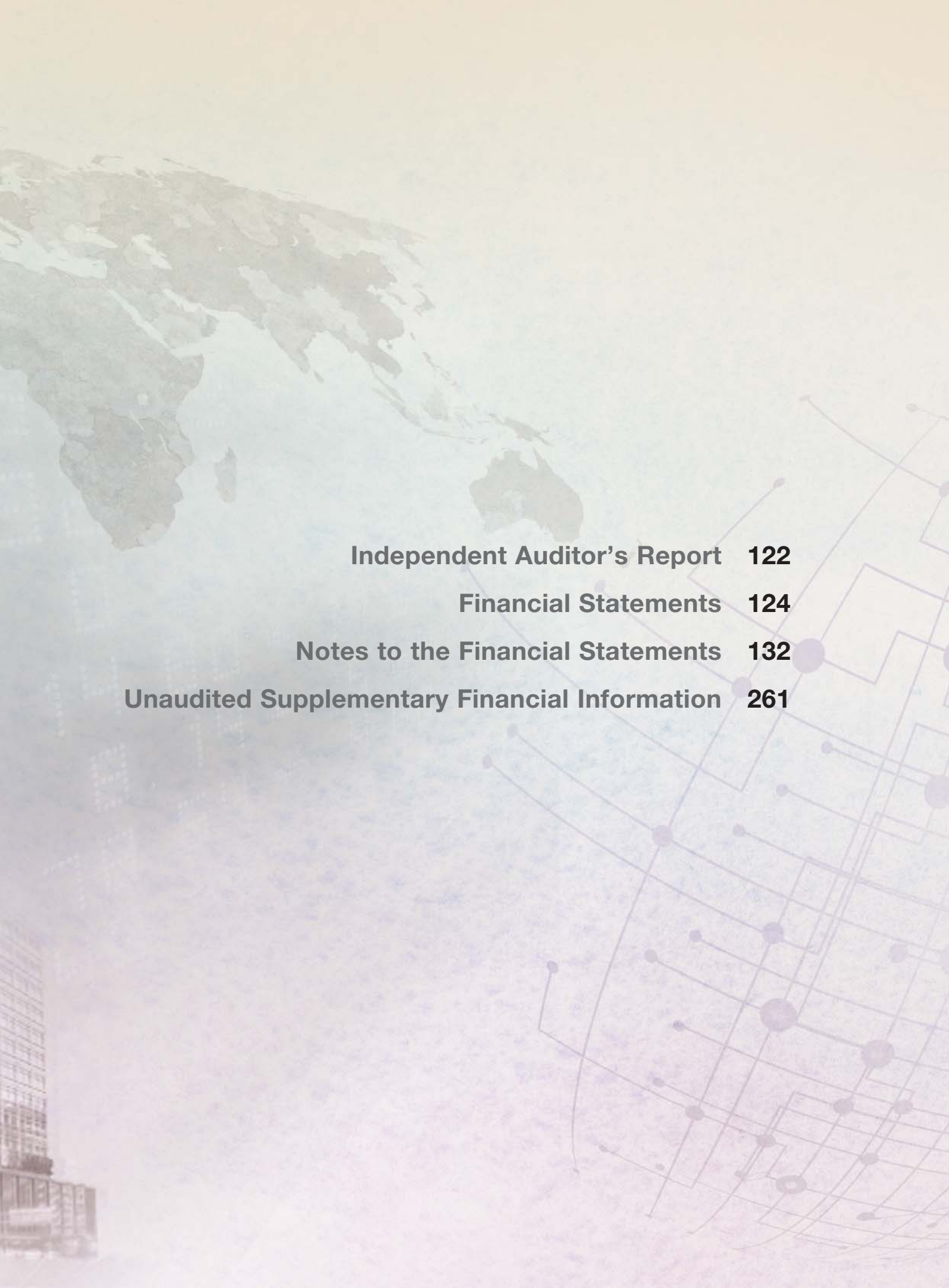
## III. Auditor's Report on the Internal Control of the Bank

KPMG Huazhen (Special General Partnership) has audited the internal control system of the Bank and issued an audit opinion that, as at December 31, 2013, the Bank has maintained an effective internal control on its financial reporting in all material aspects in accordance with the Basic Standards for Internal Control System of Enterprises and relevant regulations. The full text of the audit opinion has been published on the websites of the SSE, the HKSE (In the form of Overseas Regulatory Announcement) and the Bank.

## IV. Establishment and implementation of the accountability system for material errors in annual reports

The Bank formulated and issued the Accountability System for Material Errors of Information Disclosure in Annual Reports stipulating various aspects including the definition of material error of disclosures in its annual reports, relevant rectification and accountability measures. During the reporting period, no material error was found in the annual report of the Bank.





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<b>Notes to the Financial Statements</b>	<b>132</b>
<b>Unaudited Supplementary Financial Information</b>	<b>261</b>

# Independent Auditor's Report



## **Independent auditor's report to the shareholders of China Everbright Bank Company 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 Everbright Bank Company Limited (the Bank) and its subsidiaries (together "the Group") set out on pages 124 to 260, which comprise the consolidated and Bank statements of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Directors' responsibility for the 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 financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 2013, 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.

### **KPMG**

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

28 March 2014

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2013  
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2013	2012
Interest income		120,082	103,971
Interest expense		(69,220)	(53,708)
<b>Net interest income</b>	4	50,862	50,263
Fee and commission income		15,762	9,994
Fee and commission expense		(810)	(515)
<b>Net fee and commission income</b>	5	14,952	9,479
Net trading (losses)/gains	6	(1,090)	(238)
Dividend income		3	3
Net gains arising from investment securities	7	88	75
Foreign exchange gains		367	208
Other operating income		345	280
<b>Operating income</b>		65,527	60,070
<b>Operating expenses</b>	8	(26,473)	(22,685)
<b>Operating profit before impairment</b>		39,054	37,385
Impairment losses on assets	11	(4,633)	(5,795)
<b>Profit before tax</b>		34,421	31,590
Income tax	12	(7,667)	(7,970)
<b>Net profit</b>		26,754	23,620
<b>Other comprehensive income for year</b>			
<b>(after tax and reclassification adjustments):</b>			
Items that may be reclassified subsequently to profit or loss:			
— Available-for-sale financial assets:			
net movement in fair value recognised in			
the Capital Reserve			
		(3,591)	(70)
Items that will not be reclassified to profit or loss:			
— Remeasurement of defined benefit plan			
		56	—
<b>Other comprehensive income net of tax</b>		(3,535)	(70)
<b>Total comprehensive income</b>		23,219	23,550
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		26,715	23,591
Non-controlling interests		39	29
		26,754	23,620
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		23,180	23,521
Non-controlling interests		39	29
		23,219	23,550
Basic and diluted earnings per share (in RMB)	13	0.66	0.58

The notes on pages 132 to 260 form part of these financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2013  
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	31 December 2013	31 December 2012
<b>Assets</b>			
Cash and deposits with the central bank	14	312,643	285,478
Deposits with banks and other financial institutions	15	67,153	47,019
Placements with banks and other financial institutions	16	124,291	135,979
Financial assets at fair value through profit or loss	17	12,490	29,453
Positive fair value of derivatives	18	1,870	1,677
Financial assets held under resale agreements	19	169,182	230,726
Interests receivable	20	13,074	10,140
Loans and advances to customers	21	1,142,138	997,331
Available-for-sale financial assets	22	111,948	91,900
Held-to-maturity investments	23	105,920	95,824
Debt securities classified as receivables	24	262,699	261,207
Fixed assets	26	12,629	11,869
Goodwill	27	1,281	1,281
Deferred tax assets	28	4,015	2,454
Other assets	29	73,753	76,957
<b>Total assets</b>		<b>2,415,086</b>	<b>2,279,295</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Deposits from banks and other financial institutions	31	438,604	527,561
Placements from banks and other financial institutions	32	50,817	23,205
Negative fair value of derivatives	18	2,465	1,861
Financial assets sold under repurchase agreements	33	63,164	74,285
Deposits from customers	34	1,605,278	1,426,941
Accrued staff costs	35	8,149	7,405
Taxes payable	36	2,605	3,174
Interests payable	37	20,949	18,414
Debts securities issued	38	42,247	52,700
Other liabilities	39	27,756	29,427
<b>Total liabilities</b>		<b>2,262,034</b>	<b>2,164,973</b>

The notes on pages 132 to 260 form part of these financial statements.

## Consolidated Statement of Financial Position

As at 31 December 2013

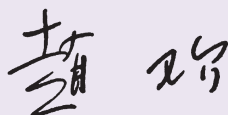
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	31 December 2013	31 December 2012
<b>Equity</b>			
Share capital	40	46,277	40,435
Capital reserve	41	28,707	20,258
Surplus reserve	42	9,199	6,560
General reserve	42	29,861	28,063
Retained earnings	43	38,795	18,862
<b>Total equity attributable to equity shareholders of the Bank</b>		152,839	114,178
Non-controlling interests		213	144
<b>Total equity</b>		153,052	114,322
<b>Total liabilities and equity</b>		2,415,086	2,279,295

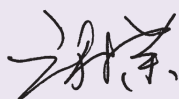
Approved and authorised for issue by the board of directors on 28 March 2014.



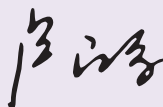
Tang Shuangning  
Chairman of the Board of  
Directors,  
Non-executive Director



Zhao Huan  
President



Xie Rong  
Independent Non-executive  
Director



Lu Hong  
Board Secretary

The notes on pages 132 to 260 form part of these financial statements.



# Statement of Financial Position

As at 31 December 2013  
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	31 December 2013	31 December 2012
<b>Assets</b>			
Cash and deposits with the central bank	14	312,494	285,418
Deposits with banks and other financial institutions	15	66,746	46,918
Placements with banks and other financial institutions	16	124,773	135,979
Financial assets at fair value through profit or loss	17	12,490	29,453
Positive fair value of derivatives	18	1,870	1,677
Financial assets held under resale agreements	19	169,182	230,726
Interests receivable	20	12,955	10,050
Loans and advances to customers	21	1,141,622	997,178
Available-for-sale financial assets	22	111,948	91,900
Held-to-maturity investments	23	105,920	95,824
Debt securities classified as receivables	24	262,699	261,207
Investments in subsidiaries	25	825	755
Fixed assets	26	12,615	11,854
Goodwill	27	1,281	1,281
Deferred tax assets	28	3,955	2,430
Other assets	29	57,443	64,518
<b>Total assets</b>		<b>2,398,818</b>	<b>2,267,168</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Deposits from banks and other financial institutions	31	442,034	528,677
Placements from banks and other financial institutions	32	35,867	13,115
Negative fair value of derivatives	18	2,465	1,861
Financial assets sold under repurchase agreements	33	63,151	74,285
Deposits from customers	34	1,604,365	1,426,533
Accrued staff costs	35	8,105	7,381
Taxes payable	36	2,578	3,134
Interests payable	37	20,779	18,329
Debts securities issued	38	42,247	52,700
Other liabilities	39	25,137	27,399
<b>Total liabilities</b>		<b>2,246,728</b>	<b>2,153,414</b>

The notes on pages 132 to 260 form part of these financial statements.

## Statement of Financial Position

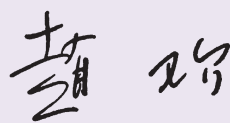
As at 31 December 2013  
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	31 December 2013	31 December 2012
<b>Equity</b>			
Share capital	40	46,277	40,435
Capital reserve	41	28,707	20,258
Surplus reserve	42	9,199	6,560
General reserve	42	29,861	28,063
Retained earnings	43	38,046	18,438
<b>Total equity</b>		<b>152,090</b>	<b>113,754</b>
<b>Total liabilities and equity</b>		<b>2,398,818</b>	<b>2,267,168</b>

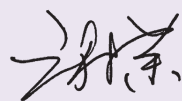
Approved and authorised for issue by the board of directors on 28 March 2014.



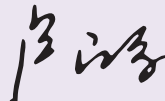
Tang Shuangning  
Chairman of the Board of  
Directors,  
Non-executive Director



Zhao Huan  
President



Xie Rong  
Independent Non-executive  
Director



Lu Hong  
Board Secretary

The notes on pages 132 to 260 form part of these financial statements.

# Consolidated statement of Changes in Equity

for the year ended 31 December 2013  
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank					Sub-total	Non-controlling interests	Total
		Share Capital	Capital reserve	Surplus reserve	General reserve	Retained earnings			
Balance at 1 January 2013		40,435	20,258	6,560	28,063	18,862	114,178	144	114,322
Changes in equity for the year:									
Total comprehensive income		—	(3,535)	—	—	26,715	23,180	39	23,219
Changes in share capital:									
— Issue of H-shares	40, 41	5,842	11,984	—	—	—	17,826	—	17,826
— Non-controlling interests of new subsidiaries		—	—	—	—	—	—	30	30
Appropriation of profit:	42, 43								
— Appropriation to surplus reserve		—	—	2,639	—	(2,639)	—	—	—
— Appropriation to general reserve		—	—	—	1,798	(1,798)	—	—	—
— Cash dividends		—	—	—	—	(2,345)	(2,345)	—	(2,345)
Balance at 31 December 2013		46,277	28,707	9,199	29,861	38,795	152,839	213	153,052
Balance at 1 January 2012		40,435	20,328	4,226	13,877	17,169	96,035	115	96,150
Changes in equity for the year:									
Total comprehensive income		—	(70)	—	—	23,591	23,521	29	23,550
Appropriation of profit:	42, 43								
— Appropriation to surplus reserve		—	—	2,334	—	(2,334)	—	—	—
— Appropriation to general reserve		—	—	—	14,186	(14,186)	—	—	—
— Cash dividends		—	—	—	—	(5,378)	(5,378)	—	(5,378)
Balance at 31 December 2012		40,435	20,258	6,560	28,063	18,862	114,178	144	114,322

The notes on pages 132 to 260 form part of these financial statements.

# Consolidated Cash Flow Statement

for the year ended 31 December 2013  
(Expressed in millions of Renminbi, unless otherwise stated)

	2013	2012
<b>Cash flows from operating activities</b>		
Net profit	26,754	23,620
<i>Adjustments for:</i>		
Impairment losses on assets	4,633	5,795
Depreciation and amortisation	1,634	1,394
Unwinding of discount	(367)	(156)
Dividend income	(3)	(3)
Unrealised foreign exchange losses	101	20
Net gains on disposal of investment securities	(88)	(75)
Net losses on disposal of trading securities	566	439
Revaluation losses/(gains) on financial instruments at fair value through profit or loss	524	(201)
Interest expense on debt securities issued	2,095	1,953
Net losses/(gains) on disposal of fixed assets	6	(8)
Income tax	7,667	7,970
	43,522	40,748
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank, banks and other financial institutions	(61,520)	(37,475)
Net decrease/(increase) in placements with banks and other financial institutions	4,828	(34,083)
Net increase in loans and advances to customers	(149,561)	(134,003)
Net decrease/(increase) in financial assets held under resale agreements	62,298	(23,764)
Net decrease/(increase) in other operating assets	530	(22,120)
	(143,425)	(251,445)
<i>Changes in operating liabilities</i>		
Net (decrease)/increase in deposits from banks and other financial institutions	(88,957)	256,934
Net increase/(decrease) in placements from banks and other financial institutions	27,612	(4,157)
Net (decrease)/increase in financial assets sold under repurchase agreements	(11,343)	33,798
Net increase in deposits from customers	178,337	201,663
Income tax paid	(8,700)	(8,242)
Net increase in other operating liabilities	2,257	2,706
	99,206	482,702
<b>Net cash flows (used in)/from operating activities</b>	<b>(697)</b>	<b>272,005</b>

The notes on pages 132 to 260 form part of these financial statements.

	Note	2013	2012
<b>Cash flows from investing activities</b>			
Proceeds from disposal and redemption of investments		246,551	326,171
Dividends received		3	3
Proceeds from disposal of fixed assets and other assets		18	50
Payments on acquisition of investments		(266,667)	(644,507)
Payments on acquisition of fixed assets, intangible assets and other assets		(2,625)	(2,748)
<b>Net cash flows used in investing activities</b>		<b>(22,720)</b>	<b>(321,031)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares		17,826	—
Capital contribution by non-controlling interests		30	—
Proceeds from issue of new debt securities		2,547	36,700
Cash paid on debts securities redeemed		(13,000)	—
Interest paid on debts securities issued		(2,423)	(770)
Dividends paid		(2,346)	(5,528)
<b>Net cash flows from financing activities</b>		<b>2,634</b>	<b>30,402</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		(309)	(108)
<b>Net decrease in cash and cash equivalents</b>	46(a)	<b>(21,092)</b>	<b>(18,732)</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>137,913</b>	<b>156,645</b>
<b>Cash and cash equivalents as at 31 December</b>	46(b)	<b>116,821</b>	<b>137,913</b>
Interest received		116,345	99,565
Interest paid (excluding interest expense on debts securities issued)		(64,041)	(47,270)

The notes on pages 132 to 260 form part of these financial statements.

# Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 1 Background information

China Everbright Bank Company Limited (the “Bank”) commenced its operations in Beijing, the People’s Republic of China (“the PRC”) on 18 August 1992. The A-shares and H-shares of the Bank were listed on the Shanghai Stock Exchange in August 2010 and The Stock Exchange of Hong Kong Limited in December 2013 respectively.

The principal activities of the Bank and its subsidiaries (Note 25) (collectively the “Group”) are the provision of corporate and retail deposits, loans and advances, settlement, treasury business and other financial services as approved by the China Banking Regulatory Commission (the “CBRC”). The Bank mainly operated in mainland China, which, for the purpose of the report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC and Taiwan.

The Bank has branches in 28 provinces, autonomous regions, municipalities in mainland China and Hong Kong as at 31 December 2013.

## 2 Significant accounting policies

### (1) Statement of compliance and basis of preparation

The financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and related interpretations, issued by the International Accounting Standards Board (the “IASB”), as well as with the disclosure requirements of the Hong Kong Companies Ordinance. The 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.

As a financial institution incorporated in the PRC and listed on the Shanghai Stock Exchange, the Group also prepared its consolidated financial statements for the reporting period in accordance with the “Accounting Standards for Business Enterprises-Basic Standard” issued by the Ministry of Finance of the People’s Republic of China (the “MOF”), as well as additional specific accounting standards, the Application Guide and Interpretations of Accounting Standards and other relevant regulations (collectively known as the “PRC GAAP”). There is no difference in the net profit for the reporting period or total equity as at the end of the reporting period between the Group’s consolidated financial statements prepared under IFRS and those prepared under PRC GAAP.

## 2 Significant accounting policies (continued)

### (1) Statement of compliance and basis of preparation (continued)

For the purpose of preparing the financial statements, the Group has adopted all the new and revised IFRSs in issue which are relevant to the Group for the reporting period, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 31 December 2013 are set out below:

		<b>Effective for accounting period beginning on or after</b>
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities	1 January 2014
Amendments to IAS 32	Financial instruments: Presentation- Offsetting the financial assets and financial liabilities	1 January 2014
IFRS 9	Financial Instruments	To be determined (no earlier than January 1, 2017)

Further information about those changes that are expected to affect the Group is as follows:

#### **Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities**

The amendments give relief from consolidation to those parents which meet certain criteria and also introduce new disclosure requirements for investment entities. The Group is currently assessing the impact of the amendments on its financial position and performance.

#### **IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amendments)**

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Group is currently assessing the impact of the amendments on its financial position and performance.

#### **IFRS 9 Financial Instruments**

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces new requirements for hedge accounting. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.

# Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (continued)

### (1) Statement of compliance and basis of preparation (continued)

#### **IFRS 9 Financial Instruments** (continued)

The Group has started the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

The financial statements are presented in RMB, rounded to the nearest million, which is the functional currency of the Group.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgements on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 2(24).

The measurement basis used in the preparation of the financial statements is historical cost, with the exception of financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(5).

### (2) Basis of consolidation

The financial statements comprise financial statements of the Bank and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights are considered. The financial statements of subsidiaries are included in financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised profit arising from intra-group transactions, are eliminated in full 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.



## 2 Significant accounting policies (continued)

### (2) Basis of consolidation (continued)

Non-controlling interests is presented separately in the consolidated statements of financial position within equity as well as in the consolidated statements of comprehensive income within net profit and total comprehensive income. Where losses attributable to the non-controlling interests of a subsidiary exceed the non-controlling interests in the equity of the subsidiary, the excess, and any further losses attributable to the non-controlling interests, are allocated against the equity attributable to the Group.

In the Bank's statements of financial position, investments in subsidiaries are stated at cost less provision for impairment losses.

### (3) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value 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 exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognised in capital reserve.

### (4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central banks, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

### (5) Financial instruments

#### (i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognised in the statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (5) Financial instruments (continued)

##### (i) Recognition and measurement of financial assets and liabilities (continued)

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

Financial assets and financial liabilities are categorised as follows:

- ***Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading).***

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

- the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;
- the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivatives from the financial instrument is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transactions costs that may occur on sale, and changes therein are recognised in profit or loss.

## 2 Significant accounting policies (continued)

### (5) Financial instruments (continued)

#### (i) Recognition and measurement of financial assets and liabilities (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

- (a) those that the Group, upon initial recognition, designates at fair value through profit or loss or as available-for-sale; or
- (b) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are stated at amortised cost using the effective interest method.

- **Loans and receivables**

Loans and receivables are non-derivative financial assets held by the Group with fixed or determinable recoverable amounts that are not quoted in an active market, other than

- (a) those that the Group intends to sell immediately or in the near-term, which will be classified as held for trading;
- (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or
- (c) 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 loans and advances to customers, debt securities classified as receivables, deposits and placements with banks and other financial institutions and financial assets held under resale agreements. Subsequent to initial recognition, loans and receivables are stated at amortised cost using the effective interest method.

# Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (continued)

### (5) Financial instruments (continued)

#### (i) Recognition and measurement of financial assets and liabilities (continued)

- **Available-for-sale financial assets**

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets which do not fall into any of the above categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, without any deduction for transaction costs that may occur on sale and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, are recognised directly in other comprehensive income. Investments in available-for-sale equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment losses, if any. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to the profit or loss.

- **Other financial liabilities**

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

#### (ii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

## 2 Significant accounting policies (continued)

### (5) Financial instruments (continued)

#### (ii) Impairment of financial assets (continued)

Objective evidence includes the following loss event:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of financial difficulties;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

- **Loans and receivables**

The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

#### *Individual assessment*

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. The impairment losses are recognised in profit or loss.

It may not be possible to identify a single, discrete event that caused the impairment but it may be possible to identify impairment through the combined effect of several events.

Cash flows relating to short-term loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value 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.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (5) Financial instruments (continued)

##### (ii) Impairment of financial assets (continued)

- **Loans and receivables** (continued)

*Collective assessment*

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

*Homogeneous groups of loans not considered individually significant*

For homogeneous groups of loans that are not considered individually significant, the Group adopts a flow rate methodology to collectively assess impairment losses. 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 and judgement based on management's historical experience.

*Individually assessed loans with no objective evidence of impairment on an individual basis*

Loans which are individually significant and therefore have been individually assessed but for which no objective evidence of impairment can be identified, either due to the absence of any loss events or due to an inability to measure reliably the impact of loss events on future cash flows, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This assessment covers those loans and advances that were impaired at the end of the reporting period but which will not be individually identified as such until some time in the future.

## 2 Significant accounting policies (continued)

### (5) Financial instruments (continued)

#### (ii) Impairment of financial assets (continued)

- **Loans and receivables** (continued)

*Individually assessed loans with no objective evidence of impairment on an individual basis (continued)*

The collective impairment loss is assessed after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics;
- the emergence period between a loss occurring and that loss being identified; and
- the current economic and credit environments and the judgement on inherent loss based on management's 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.

As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a portfolio, those assets are removed from the portfolio of financial assets. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provision for impairment losses.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. 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.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (5) Financial instruments (continued)

##### (ii) Impairment of financial assets (continued)

- **Loans and receivables** (continued)

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

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan meets specific conditions, it is no longer considered as impaired.

- **Held-to-maturity investments**

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. 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.



## 2 Significant accounting policies (continued)

### (5) Financial instruments (continued)

#### (ii) Impairment of financial assets (continued)

- **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 in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost net of any principal repayment and amortisation and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, after an impairment loss has been recognised on available-for-sale debt instruments, the fair value of the assets increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an equity instrument classified as available-for-sale is not reversed through profit or loss but recognised directly in other comprehensive income.

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.

#### (iii) Fair value measurement principles

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (5) Financial instruments (continued)

##### (iii) Fair value measurement principles (continued)

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

##### (iv) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

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 and relevant liability to the extent of its continuing involvement in the financial asset.

## 2 Significant accounting policies (continued)

### (5) Financial instruments (continued)

#### (iv) Derecognition of financial assets and financial liabilities (continued)

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace 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 derecognised financial liability and the consideration paid is recognised in profit or loss.

#### (v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements 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.

### (6) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

### (7) Investment in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(2).

In the Bank's financial statements, investments in subsidiaries are accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognised at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (Note 2(14)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (8) Investment property

Investment property is a property held either for earning rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(14)). Investment property is depreciated using the straight-line method over its estimated useful life after taking into account its estimated residual value.

	<b>Estimated useful life</b>	<b>Estimated rate of residual value</b>	<b>Depreciation rate</b>
Premises	30–35 years	3%	2.8%–3.2%

#### (9) Fixed assets and construction in progress

Fixed assets are assets held by the Group for operation and administration purposes with useful lives over one year.

Fixed assets are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(14)). Construction in progress is stated in the statements of financial position at cost less impairment loss (Note 2(14)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of fixed assets and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to fixed assets when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of fixed assets have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

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

## 2 Significant accounting policies (continued)

### (9) Fixed assets and construction in progress (continued)

Fixed assets are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of fixed assets are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	30–35 years	3%	2.8%–3.2%
Electronic equipment	3–5 years	3%–5%	19.0%–32.3%
Others	5–10 years	3%–5%	9.5%–19.4%

Useful lives, residual values and depreciation methods are reviewed at least each year-end.

### (10) Lease

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

#### (a) Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

#### (b) Assets leased-out under finance lease

The Group recognises the sum of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable, and recognises unguaranteed residual value at the same time.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the end of the reporting period, finance lease receivables, net of unearned finance income, are presented as finance lease receivables in the statements of financial position.

The Group accounted for impairment losses on finance lease receivables in accordance with the accounting policies as set out Note 2(5)(ii).

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (10) Lease (continued)

##### (b) Assets leased-out under finance lease (continued)

The unguaranteed residual values are reviewed at least at each year end. Any excess of the carrying amount of the unguaranteed residual values over their estimated recoverable amounts is recognised as impairment loss. If there is an indication that there has been a change in the factors used to determine the provision for impairment losses and as a result the estimated recoverable amount of the unguaranteed residual values is greater than its carrying amount, the impairment loss recognised in prior periods is reversed. Reversals of impairment losses are recognised in profit or loss.

#### (11) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment loss (Note 2(14)). The cost of intangible assets less residual value and impairment loss is amortised on the straight-line method over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Asset category	Estimated useful lives
Computer software	5 years
Others	5–10 years

#### (12) Goodwill

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control. Goodwill is not amortised and is stated at cost less accumulated impairment loss (Note 2(14)). On disposal of the related cash-generating unit ("CGU") or group of CGUs, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

#### (13) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The initial cost of repossessed assets is measured at the lower of the net carrying amount of loans and advances and the fair value of the assets less costs to sell on the acquisition date. Repossessed assets are not depreciated or amortised. The impairment losses of initial measurement and subsequent revaluation are charged to the profit or loss.

## 2 Significant accounting policies (continued)

### (14) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- intangible assets
- goodwill
- investment property measured using a cost model
- investment in subsidiaries

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill at no later than each year-end, irrespective of whether there is any indication of impairment or not. Goodwill is allocated to the CGU, or group of CGUs, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (14) Provision for impairment losses on non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. A provision for an impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

An impairment loss in respect of goodwill is not reversed. 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 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.

#### (15) Employee benefits

Employee benefits are all forms of considerations given and other relevant expenditures incurred in exchange for services rendered by employees. Except for 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 the expenses in profit or loss.

##### (i) Retirement benefits

###### ***Social pension schemes***

Pursuant to the relevant laws and regulations in the PRC, the Group has the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.



## 2 Significant accounting policies (continued)

### (15) Employee benefits (continued)

#### (i) Retirement benefits (continued)

##### ***Annuity plan***

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

##### ***Supplementary retirement benefits***

The Group pays supplementary retirement benefits to its eligible employees. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating, the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. In calculating the Group's obligations, any actuarial gains and losses are recognised in other comprehensive income immediately in the same financial year.

Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

#### (ii) Housing fund and other social insurances

In addition to the retirement benefits, the Group has joined defined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances mentioned above at the applicable rates based on the amounts stipulated by the relevant government organisations. The contributions are charged to profit or loss on an accrual basis.

### (16) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised in other comprehensive income, in which case they are recognised in other comprehensive income.

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the period, and any adjustment to tax payable in respect of previous periods.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (16) Income tax (continued)

At the end of the reporting period, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the end of the reporting period, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the end of the reporting period, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which either intend to settle the current tax liabilities and assets on a net basis, or to simultaneously realise the assets and settle the liabilities in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 2 Significant accounting policies (continued)

### (17) Financial guarantees, provisions and contingent liabilities

#### (i) Financial guarantees

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (“holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in other liabilities. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statements of financial position as stated in Note 2(17)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

#### (ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

### (18) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

# Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 2 Significant accounting policies (continued)

### (19) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in an increase in shareholder's equity, other than an increase relating to contributions from shareholders. Income is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the income and costs can be measured reliably and the following respective conditions are met:

#### (i) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the reporting 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 asset. 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, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired 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.

#### (ii) 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 making a loan, the fee is recognised as fee and commission income upon its expiry.

#### (iii) Other income

Other income is recognised on an accrual basis.

## 2 Significant accounting policies (continued)

### (20) Expenses recognition

#### (i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

#### (ii) Other expenses

Other expenses are recognised on an accrual basis.

### (21) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes to the financial statements.

### (22) Related parties

If a Group has the power 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 or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Bank include, but are not limited to:

- (a) the Bank's parent
- (b) the Bank's subsidiaries
- (c) enterprises that are controlled by the Bank's parent
- (d) investors that have joint control or 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) joint ventures of the Group, including subsidiaries of joint ventures
- (g) associates of the Group
- (h) principal individual investors and close family members of such individuals

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (22) Related parties (continued)

- (i) key management personnel of the Group and close family members of such individuals
- (j) key management personnel of the Bank's parent
- (k) close family members of key management personnel of the Bank's parent
- (l) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals; and
- (m) 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) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Any segments which do not comply with the reporting of segments by division of quantities are reported at consolidation level.

#### (24) Significant accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

##### (i) Impairment losses on loans and receivables, available-for-sale financial assets and held-to-maturity investments

The Group reviews portfolios of loans and receivables, available-for-sale financial assets and held-to-maturity investments periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for personal loans, available-for-sale financial assets and held-to-maturity investments. It also includes observable data indicating adverse changes in the repayment status of the debtors, or change in national or local economic conditions that causes the default in payment.

## 2 Significant accounting policies (continued)

### (24) Significant accounting estimates and judgements (continued)

#### (i) Impairment losses on loans and receivables, available-for-sale-financial assets, held-to-maturity investments (continued)

The impairment loss for loans, advances, and held-to-maturity investments that is individually assessed for impairment is the net decrease in the estimated discounted future cash flow of the assets. When the financial assets are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the financial assets. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgement based on management's historical experience. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

The objective evidence of impairment for available-for-sale investments includes significant or continual decline in fair value of investment. When deciding whether there is significant or continual decline in fair value, the Group will consider the historical fluctuation records of market and debtors' credit condition, financial position and performance of related industry.

#### (ii) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. The Group has established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure the valuation result reflects the actual market conditions. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

#### (iii) The classification of the 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 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.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (24) Significant accounting estimates and judgements (continued)

##### (iv) 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 legislation. 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.

##### (v) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

##### (vi) Depreciation and amortisation

Investment properties, fixed assets and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.



## 2 Significant accounting policies (continued)

### (24) Significant accounting estimates and judgements (continued)

#### (vii) Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 2(2) indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 44.

### (25) Change in accounting policies

The IASB has issued the following revised IFRSs (including International Accounting Standards ("IASs")) and amendments to standards that are effective in 2013 and relevant to the Group's operation.

Amendments to IAS 1	<i>Presentation of financial statements — Presentation of items of other comprehensive income</i>
Amendments to IFRS 7	<i>Disclosures — Offsetting financial assets and financial liabilities</i>
IFRS 10	<i>Consolidated financial statements</i>
IFRS 12	<i>Disclosure of interests in other entities</i>
IFRS 13	<i>Fair value measurement</i>
IAS 19	<i>Employee Benefits (2011)</i>

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Significant accounting policies (continued)

#### (25) Change in accounting policies (continued)

The principal effects of adopting these new and amended IFRSs are as follows:

#### **Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income**

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of the consolidated statement of comprehensive income and other comprehensive income in these financial statements has been modified accordingly.

#### **Amendments to IFRS7, Disclosures – Offsetting financial assets and financial Liabilities**

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. The adoption does not have any material impact on the financial position and the financial result of the Group.

#### **IFRS 10, Consolidated financial statements**

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. In addition, it introduces the judgment of substantive rights and the concept of principal and agent, as well as amend the consideration of potential voting rights. As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not have any material impact on the financial position and the financial result of the Group.

#### **IFRS 12, Disclosure of interests in other entities**

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 29 and 44.

## 2 Significant accounting policies (continued)

### (25) Change in accounting policies (continued)

#### **IFRS 13, Fair value measurement**

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and nonfinancial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 50. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

#### **IAS 19, Employee Benefits (2011)**

The ISAB has issued numerous amendments to IAS 19. These range from fundamental changes to simple clarifications and re-wording. The Group will record remeasurement of defined benefit plan as other comprehensive income and add new disclosure after the adoption of this standard.

## 3 Taxes

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

### (a) Business tax

Business tax is charged at 5% on taxable income.

### (b) City construction tax

City construction tax is calculated as 1%–7% of business tax.

### (c) Education surcharge

Education surcharge is calculated as 3% of business tax.

### (d) Income tax

The income tax is calculated on taxable income. The statutory income tax rate is 25%.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 4 Net interest income

	Note	2013	2012
<b>Interest income arising from</b>			
Deposits with the central bank		4,535	3,901
Deposits with banks and other financial institutions		1,587	1,943
Placements with banks and other financial institutions		6,076	5,781
Loans and advances to customers	4(a)		
– Corporate loans and advances		47,281	46,526
– Personal loans and advances		22,067	17,017
– Discounted bills		879	1,318
Financial assets held under resale agreements		9,927	13,137
Investments in debt securities		27,349	13,689
Re-discounted bills		381	659
Sub-total		120,082	103,971
<b>Interest expenses arising from</b>			
Deposits from banks and other financial institutions		26,032	16,890
Placements from banks and other financial institutions		1,243	1,522
Deposits from customers			
– Corporate customers		28,130	25,166
– Individual customers		4,958	3,890
– Structured deposits from corporate customers		1,025	635
– Structured deposits from individual customers		3,504	1,755
Financial assets sold under repurchase agreements		2,233	1,897
Debts securities issued	4(b)	2,095	1,953
Sub-total		69,220	53,708
<b>Net interest income</b>		<b>50,862</b>	<b>50,263</b>

Note:

(a) The interest income arising from impaired financial assets for the year ended 31 December 2013 amounted to RMB367 million (2012: RMB156 million).

(b) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debts securities issued.

## 5 Net fee and commission income

	2013	2012
<b>Fee and commission income</b>		
Bank card service fees	7,084	3,360
Wealth management service fees	2,285	1,547
Underwriting and advisory fees	1,885	1,594
Settlement and clearing fees	1,590	1,405
Acceptance and guarantee fees	901	610
Custody and other fiduciary business fees	804	558
Agency services fees	787	651
Others	426	269
Sub-total	15,762	9,994
<b>Fee and commission expense</b>		
Bank card transaction fees	630	388
Settlement and clearing fees	73	53
Others	107	74
Sub-total	810	515
<b>Net fee and commission income</b>	<b>14,952</b>	<b>9,479</b>

## 6 Net trading (losses)/gains

	Note	2013	2012
Trading financial instruments			
— Debt securities		(794)	(556)
— Derivatives		(411)	616
Sub-total		(1,205)	60
Financial instruments designated at fair value through profit or loss	6(a)	115	(298)
<b>Total</b>		<b>(1,090)</b>	<b>(238)</b>

(a) The net change in fair value of the structured deposits is disclosed in interest expense (Note 4), including the net losses in fair value of the structured deposits from corporate customers and individual customers of RMB380 million and RMB808 million respectively. (2012: RMB84 million and RMB220 million respectively).

## 7 Net gains arising from investment securities

	2013	2012
Net gains on disposal of available-for-sale financial assets	105	124
Net revaluation losses reclassified from other comprehensive income on disposal	(57)	(109)
Net (losses)/gains on disposal of held-to-maturity investments	(2)	2
Net gains on disposal of debt securities classified as receivables	42	58
<b>Total</b>	<b>88</b>	<b>75</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 8 Operating expenses

	Note	2013	2012
Staff costs			
– Salaries and bonuses		9,092	8,294
– Staff welfares		234	203
– Pension and annuity		958	713
– Housing allowances		465	377
– Supplementary retirement benefits		33	46
– Others		908	768
Sub-total		11,690	10,401
Premises and equipment expenses			
– Depreciation of fixed assets		1,161	997
– Amortisation of intangible assets		173	138
– Amortisation of long-term assets		300	259
– Rental and property management expenses		1,732	1,413
Sub-total		3,366	2,807
Business tax and surcharges		5,607	4,551
Other general and administrative expenses	8(a)	5,810	4,926
<b>Total</b>		<b>26,473</b>	<b>22,685</b>

Note:

(a) Auditors' remuneration for the year ended 31 December 2013 was RMB8.90 million (2012: RMB8.90 million).

## 9 Directors' and supervisors' emoluments

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting period are as follows:

	Note	2013							
		Discretionary bonus				Sub-total	Contributions to social pension schemes	Other welfares	Total
		Fees	Salaries	Paid	Payable				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Executive directors</b>									
Guo You	(i)	—	573	—	—	573	36	207	816
Wu Qing	(ii)	—	579	155	—	734	36	226	996
<b>Non-executive directors</b>									
Tang Shuangning		—	—	—	—	—	—	—	—
Luo Zhefu		—	—	—	—	—	—	—	—
Wu Jian		—	—	—	—	—	—	—	—
Narentuya		—	—	—	—	—	—	—	—
Wu Gang		—	—	—	—	—	—	—	—
Wang Shumin		—	—	—	—	—	—	—	—
Wang Zhongxin		—	—	—	—	—	—	—	—
Wu Gaolian		—	—	—	—	—	—	—	—
<b>Independent non-executive directors</b>									
Zhou Daojiong		—	—	—	—	—	—	—	—
Fok Oi Ling	(iii)	—	—	—	—	—	—	—	—
Zhang Xinze		200	—	—	—	200	—	—	200
Qiao Zhimin		200	—	—	—	200	—	—	200
Xie Rong		200	—	—	—	200	—	—	200
<b>Supervisors</b>									
Cai Haoyi	(ii)	—	585	152	—	737	36	229	1,002
Mu Huijun	(ii)	—	579	159	—	738	36	222	996
Chen Shuang		—	—	—	—	—	—	—	—
Wang Pingsheng		—	—	—	—	—	—	—	—
Zhang Chuanju		—	—	—	—	—	—	—	—
Wu Junhao		—	—	—	—	—	—	—	—
Yu Erniu		160	—	—	—	160	—	—	160
James Parks Stent		160	—	—	—	160	—	—	160
Chen Yu		—	663	1,169	—	1,832	36	74	1,942
Ye Donghai		—	687	1,134	—	1,821	36	74	1,931
Ma Ning		—	899	1,285	—	2,184	36	74	2,294
<b>Former independent non-executive director</b>									
Wang Wei		200	—	—	—	200	—	—	200
		1,120	4,565	4,054	—	9,739	252	1,106	11,097

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**9 Directors' and supervisors' emoluments** (continued)

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting period are as follows: (continued)

	Note	2012							Total RMB'000
		Fees RMB'000	Salaries RMB'000	Discretionary bonus		Sub-total RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	
				Paid RMB'000	Payable RMB'000				
<b>Executive directors</b>									
Guo You	(iv)	—	447	474	474	1,395	33	209	1,637
Wu Qing	(iv)	—	925	340	—	1,265	33	189	1,487
<b>Non-executive directors</b>									
Tang Shuangning		—	—	—	—	—	—	—	—
Luo Zhefu		—	—	—	—	—	—	—	—
Wu Jian		—	—	—	—	—	—	—	—
Narentuya		—	—	—	—	—	—	—	—
Wu Gang		—	—	—	—	—	—	—	—
Wang Shumin		—	—	—	—	—	—	—	—
Wang Zhongxin	(v)	—	—	—	—	—	—	—	—
Wu Gaolian	(v)	—	—	—	—	—	—	—	—
<b>Independent non-executive directors</b>									
Zhou Daojiong	(v)	—	—	—	—	—	—	—	—
Wang Wei		200	—	—	—	200	—	—	200
Zhang Xinze		200	—	—	—	200	—	—	200
Qiao Zhimin	(v)	—	—	—	—	—	—	—	—
Xie Rong	(v)	—	—	—	—	—	—	—	—
<b>Supervisors</b>									
Cai Haoyi	(iv)/(v)	—	78	26	—	104	3	17	124
Mu Huijun	(iv)	—	925	308	—	1,233	33	189	1,455
Chen Shuang		—	—	—	—	—	—	—	—
Wang Pingsheng	(v)	—	—	—	—	—	—	—	—
Zhang Chuanju		—	—	—	—	—	—	—	—
Wu Junhao		—	—	—	—	—	—	—	—
Yu Erniu	(v)	27	—	—	—	27	—	—	27
James Parks Stent	(v)	—	—	—	—	—	—	—	—
Chen Yu		—	662	1,103	—	1,765	33	69	1,867
Ye Donghai	(v)	—	114	177	—	291	6	12	309
Ma Ning	(v)	—	137	236	—	373	6	12	391
<b>Former non-executive director</b>									
Wang Xia	(v)	—	—	—	—	—	—	—	—
Yu Erniu	(v)	—	—	—	—	—	—	—	—



## 9 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting period are as follows: (continued)

	Note	2012 (continued)							
		Fees RMB'000	Salaries RMB'000	Discretionary bonus		Sub-total RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
				Paid RMB'000	Payable RMB'000				
<b>Former independent non-executive director</b>									
James Parks Stent	(v)	200	—	—	—	200	—	—	200
Chung Shui Ming	(v)	200	—	—	—	200	—	—	200
Cai Hongbin	(v)	200	—	—	—	200	—	—	200
<b>Former supervisors</b>									
Pang Jiyong	(v)	—	—	—	—	—	—	—	—
Xia Bin	(v)	147	—	—	—	147	—	—	147
Wang Huanbang	(v)	160	—	—	—	160	—	—	160
Yang Bingbing	(v)	—	514	959	—	1,473	27	56	1,556
Li Wei	(v)	—	238	442	—	680	27	50	757
		1,334	4,040	4,065	474	9,913	201	803	10,917

Note:

- (i) The emolument of Mr. Guo You for the year ended 31 December 2012 was restated according to the actual payment approved by the PRC relevant authorities. On 23 January 2014, Mr. Guo You resigned from the positions as an executive director and President of the Bank and this had been approved by the board meeting held on the same day. The Board nominated Mr. Zhao Huan as the candidate for the position of an executive director and President of the Bank, his appointment was subject to the approval of the Bank's shareholder and CBRC.
- (ii) The total compensation package for the directors and supervisors for the year ended 31 December 2013 is subject to the approval of the relevant regulatory authorities in PRC. The amount of the compensation not provided for is not expected to have significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2013.
- (iii) At the shareholders' general meeting of the Bank held on 25 October 2013, the Bank appointed Ms. Fok Oi Ling as the independent non-executive director of Bank. The appointment has been approved by the CBRC. The term of Ms. Fok's appointment took effect from 28 January 2014 until the expiry of the term of the sixth session of the board of directors of the Bank.
- (iv) The above directors' and supervisors' emoluments for the year ended 31 December 2012 were restated in accordance with the actual amounts subsequently approved by the PRC relevant authorities.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 9 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting period are as follows: (continued)

Note: (continued)

(v) Mrs. Wang Xia ceased to serve as a non-executive director of the Bank on 4 May 2012.

The Bank's Fifth General Meeting held on 15 May 2012 elected Mr. Wang Zhongxin as non-executive director of the Bank.

The Bank's First Meeting of The Second Workers Congress held on 5 November 2012 elected Mr. Ye Donghai and Mr. Ma Ning as supervisors of the Bank; Mr. Yang Bingbing and Mr. Li Wei were no longer act as supervisors of the Bank.

The Bank's 2012 first Extraordinary General Meeting held on 19 November 2012 elected Mr. Wu Gaolian as non-executive director of the Bank; Mr. Zhou Daojiong, Mr. Qiao Zhimin and Mr. Xie Rong as independent non-executive directors of the Bank; Mr. Yu Erniu as supervisor of the Bank, he thus ceased to serve as non-executive director of the Bank; Mr. James Parks Stent as supervisor of the Bank, he thus ceased to serve as an independent non-executive director of the Bank; Mr. Chung Shui Ming and Cai Hongbin are no longer independent non-executive directors of the Bank; Mr. Cai Haoyi and Mr. Wang Pingsheng as supervisors of the Bank; Mr. Pang Jiying, Mr. Xia Bin and Mr. Wang Huanbang were no longer supervisors of the Bank;

The above persons' compensation are calculated on the basis of their actual time working as the Directors or Supervisors of the Bank in 2012.

### 10 Individuals with highest emoluments

	2013 RMB'000	2012 RMB'000
Salaries and other emoluments	2,580	1,963
Discretionary bonuses	18,878	23,534
Contributions to pension schemes	191	159
Others	318	281
<b>Total</b>	<b>21,967</b>	<b>25,937</b>

None of the five individuals with the highest emoluments are directors or supervisors. The number of these individuals whose emoluments before individual income tax are within the following bands is set out below:

	2013	2012
RMB3,000,001-3,500,000	1	—
RMB3,500,001-4,000,000	1	1
RMB4,000,001-4,500,000	2	1
RMB5,000,001-5,500,000	—	1
RMB5,500,001-6,000,000	—	1
RMB6,000,001-6,500,000	1	—
RMB6,500,001-7,000,000	—	1

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the reporting period.

## 11 Impairment losses on assets

	2013	2012
Loans and advances to customers	4,336	5,690
Held-to-maturity investments	(30)	30
Available-for-sale financial assets	4	—
Others	323	75
<b>Total</b>	<b>4,633</b>	<b>5,795</b>

## 12 Income tax

### (a) Income tax:

	Note	2013	2012
Current tax		8,316	8,512
Deferred tax	28(b)	(363)	(574)
Adjustments for prior year		(286)	32
<b>Total</b>		<b>7,667</b>	<b>7,970</b>

### (b) Reconciliations between income tax and accounting profit are as follows:

	2013	2012
Profit before tax	34,421	31,590
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	8,606	7,898
Non-deductible expenses		
— Staff costs	28	22
— Impairment losses on assets	(118)	385
— Others	200	181
	110	588
Non-taxable income		
— Interest income from the PRC government bonds	(762)	(548)
— Others	(1)	—
Sub-total	7,953	7,938
Adjustments for prior year	(286)	32
Income tax	7,667	7,970

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 13 Basic and diluted earnings per share

	Note	2013	2012
Weighted average number of ordinary shares (in millions)	13(a)	40,611	40,435
Net profit attributable to equity shareholders of the Bank		26,715	23,591
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.66	0.58

There is no difference between basic and diluted earnings per share as there was no potentially dilutive shares outstanding during the period.

#### (a) Weighted average number of ordinary shares (in millions)

	2013	2012
Number of ordinary shares as at 1 January	40,435	40,435
Newly added weighted average number of ordinary shares	176	—
Weighted average number of ordinary shares	40,611	40,435

The Bank issued 5,842 million shares at HKD3.98 per share in its initial public offering on the The Stock Exchange of Hong Kong Limited in December 2013, accordingly the share capital of the Bank increased from RMB40,434.79 million to RMB46,276.79 million, the total number of shares in issue increased from 40,434.79 million to 46,276.79 million (Note 40).

## 14 Cash and deposits with the central bank

	Note	The Group		The Bank	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
Cash on hand		7,708	6,873	7,700	6,869
Deposits with the central bank					
– Statutory deposit reserves	14(a)	280,171	250,350	280,048	250,300
– Surplus deposit reserves	14(b)	19,691	24,130	19,673	24,124
– Fiscal deposits		5,073	4,125	5,073	4,125
Sub-total		304,935	278,605	304,794	278,549
<b>Total</b>		<b>312,643</b>	<b>285,478</b>	<b>312,494</b>	<b>285,418</b>

- (a) The Group places statutory deposit reserves with the People's Bank of China (the "PBOC") in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2013	31 December 2012
Reserve ratio for RMB deposits	18.0%	18.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

## 15 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Deposits in mainland China				
– Banks	49,851	43,428	49,444	43,327
– Other financial institutions	124	116	124	116
Sub-total	49,975	43,544	49,568	43,443
Deposits outside mainland China				
– Banks	17,205	3,505	17,205	3,505
Sub-total	17,205	3,505	17,205	3,505
<b>Total</b>	<b>67,180</b>	<b>47,049</b>	<b>66,773</b>	<b>46,948</b>
Less: Provision for impairment losses	(27)	(30)	(27)	(30)
Net balances	67,153	47,019	66,746	46,918

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 16 Placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Deposits in mainland China				
– Banks	104,145	109,527	104,627	109,527
– Other financial institutions	16,226	26,460	16,226	26,460
Sub-total	120,371	135,987	120,853	135,987
Deposits outside mainland China				
– Banks	3,922	–	3,922	–
Sub-total	3,922	–	3,922	–
<b>Total</b>	124,293	135,987	124,775	135,987
Less: Provision for impairment losses	(2)	(8)	(2)	(8)
Net balances	124,291	135,979	124,773	135,979

As at 31 December 2013, the placements with banks and other financial institutions including a short term funding provided to the Group's non-principal guaranteed wealth management products amounted to RMB18.00 billion. These transactions are priced on normal commercial terms and conditions.

## 17 Financial assets at fair value through profit or loss

## The Group and the Bank

	Note	31 December 2013	31 December 2012
Debt securities held for trading	17(a)	12,256	29,084
Financial assets designated at fair value through profit or loss	17(b)	234	369
<b>Total</b>		12,490	29,453

## (a) Debt securities held for trading

## The Group and the Bank

	Note	31 December 2013	31 December 2012
Issued by the following governments or institutions			
In mainland China			
– Government		430	138
– The PBOC		–	100
– Banks and other financial institutions		6,315	6,589
– Other institutions	(i)	5,511	22,257
<b>Total</b>	(ii)	12,256	29,084
Unlisted		12,256	29,084
<b>Total</b>		12,256	29,084

## 17 Financial assets at fair value through profit or loss (continued)

### (a) Debt securities held for trading (continued)

Note:

(i) Debt securities issued by other institutions in mainland China mainly represented debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.

(ii) No investments were subject to material restrictions on realisation.

(b) Financial assets designated at fair value through profit or loss represented fixed interest rate personal mortgage loans. The Group used interest rate swap to manage the associated interest rate risk. As at 31 December 2013, the contractual amount of these mortgage loans was RMB248 million (31 December 2012: RMB362 million). The changes in fair value during the period and the accumulated changes attributable to credit risk were immaterial.

## 18 Derivatives

Derivative financial instruments include forward and swap contracts undertaken by the Group in foreign currency and interest rate markets. The Group acts as an intermediary between a wide range of customers for structuring deals to provide risk management solutions to meet customer needs. These positions are actively managed through entering into back-to-back deals with external parties to ensure the Group's net exposures are within acceptable risk level. The Group also uses derivative financial instruments in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and the corresponding fair values at the end of the reporting period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the reporting period, they do not represent amounts at risk.

### (a) Analysed by nature of contract

#### The Group and the Bank

	31 December 2013		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swap	73,792	955	(895)
Currency derivatives			
– Foreign exchange forward	19,411	164	(205)
– Foreign exchange swap	132,704	751	(1,365)
<b>Total</b>	<b>225,907</b>	<b>1,870</b>	<b>(2,465)</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**18 Derivatives** (continued)

## (a) Analysed by nature of contract (continued)

**The Group and the Bank**

	31 December 2012		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swap	128,086	944	(1,065)
Currency derivatives			
– Foreign exchange forward	17,067	122	(173)
– Foreign exchange swap	127,329	611	(623)
Credit derivatives			
– Credit default swap	200	–	–
<b>Total</b>	<b>272,682</b>	<b>1,677</b>	<b>(1,861)</b>

## (b) Analysed by credit risk-weighted amounts

**The Group and the Bank**

	31 December 2013
Counterparty default risk-weighted assets	
– Interest rate derivatives	313
– Currency derivatives	1,005
Credit value adjustment	1,485
<b>Total</b>	<b>2,803</b>

- (i) The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions, which are calculated with reference to the guidelines issued by the CBRC in 2012.
- (ii) As at 31 December 2012, the Group calculated the credit risk weighted assets for derivatives in accordance with “Regulations Governing Capital Adequacy of Commercial Banks” and other relevant requirements promulgated by the CBRC, which were abolished on 1 January 2013. The relevant figures are as follows:

	31 December 2012
Interest rate derivatives	695
Currency derivatives	642
Credit derivatives	10
<b>Total</b>	<b>1,347</b>



## 19 Financial assets held under resale agreements

### (a) Analysed by type and location of counterparty

#### The Group and the Bank

	31 December 2013	31 December 2012
In mainland China		
– Banks	160,075	212,755
– Other financial institutions	9,079	17,942
– Other enterprises	28	29
<b>Total</b>	169,182	230,726
Net balances	169,182	230,726

### (b) Analysed by type of security held

#### The Group and the Bank

	31 December 2013	31 December 2012
Bonds		
– Government bonds	12,324	2,818
– Other debt securities	23,645	43,678
– Others	28	29
Sub-total	35,997	46,525
Bank acceptances	119,638	184,001
Others	13,547	200
<b>Total</b>	169,182	230,726
Net balances	169,182	230,726

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 20 Interests receivable

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Interests receivable from investments	7,773	5,521	7,773	5,521
Interests receivable from loans and advances to customers	3,679	3,148	3,678	3,148
Interests receivable from deposits and placements with banks and other financial institutions	1,446	1,325	1,446	1,325
Other interests receivable	205	191	87	101
<b>Total</b>	<b>13,103</b>	<b>10,185</b>	<b>12,984</b>	<b>10,095</b>
Less: Provision for impairment losses	(29)	(45)	(29)	(45)
Net balances	13,074	10,140	12,955	10,050

## 21 Loans and advances to customers

## (a) Analysed by nature

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Corporate loans and advances	761,474	699,090	761,095	698,974
Personal loans and advances				
– Residential and commercial mortgage loans	176,979	154,550	176,934	154,528
– Credit cards	104,733	69,611	104,733	69,611
– Micro-enterprise equipment loans	29,911	41,756	29,911	41,756
– Others	79,749	45,537	79,670	45,516
Sub-total	391,372	311,454	391,248	311,411
Discounted bills	13,464	12,643	13,438	12,643
<b>Gross loans and advances to customers</b>	<b>1,166,310</b>	<b>1,023,187</b>	<b>1,165,781</b>	<b>1,023,028</b>
Less: Provision for impairment losses				
– Individually assessed	(3,357)	(3,487)	(3,357)	(3,487)
– Collectively assessed	(20,815)	(22,369)	(20,802)	(22,363)
<b>Total provision for impairment losses</b>	<b>(24,172)</b>	<b>(25,856)</b>	<b>(24,159)</b>	<b>(25,850)</b>
Net loans and advances to customers	1,142,138	997,331	1,141,622	997,178

Part of the above loans and advances to customers was pledged for repurchase agreements, see Note 30(a).

## 21 Loans and advances to customers (continued)

### (b) Analysed by economic sector

#### The Group

	31 December 2013		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	240,618	20.63%	52,075
Wholesale and retail trade	162,310	13.92%	54,569
Real estate	94,243	8.08%	80,563
Transportation, storage and postal services	67,991	5.83%	20,058
Construction	41,159	3.53%	10,232
Leasing and commercial services	38,375	3.29%	12,307
Mining	26,973	2.31%	3,953
Water, environment and public utility management	25,753	2.21%	8,437
Others	64,052	5.49%	21,919
Sub-total of corporate loans and advances	761,474	65.29%	264,113
Personal loans and advances	391,372	33.56%	263,949
Discounted bills	13,464	1.15%	12,384
<b>Gross loans and advances to customers</b>	<b>1,166,310</b>	<b>100.00%</b>	<b>540,446</b>
Less: Provision for impairment losses			
— Individually assessed	(3,357)		
— Collectively assessed	(20,815)		
<b>Total provision for impairment losses</b>	<b>(24,172)</b>		
Net loans and advances to customers	1,142,138		

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (continued)

## (b) Analysed by economic sector (continued)

**The Group**

	31 December 2012		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	224,411	21.93%	28,216
Wholesale and retail trade	129,590	12.67%	32,605
Real estate	85,469	8.35%	75,433
Transportation, storage and postal services	67,628	6.61%	20,494
Leasing and commercial services	40,775	3.99%	14,104
Water, environment and public utility management	32,643	3.19%	10,183
Construction	32,042	3.12%	4,906
Mining	27,805	2.72%	3,095
Others	58,727	5.74%	14,025
Sub-total of corporate loans and advances	699,090	68.32%	203,061
Personal loans and advances	311,454	30.44%	227,334
Discounted bills	12,643	1.24%	11,777
<b>Gross loans and advances to customers</b>	<b>1,023,187</b>	<b>100.00%</b>	<b>442,172</b>
Less: Provision for impairment losses			
— Individually assessed	(3,487)		
— Collectively assessed	(22,369)		
<b>Total provision for impairment losses</b>	<b>(25,856)</b>		
Net loans and advances to customers	997,331		

## 21 Loans and advances to customers (continued)

### (b) Analysed by economic sector (continued)

#### The Bank

	31 December 2013		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	240,442	20.62%	52,019
Wholesale and retail trade	162,289	13.92%	54,548
Real estate	94,243	8.09%	80,563
Transportation, storage and postal services	67,991	5.83%	20,058
Construction	41,116	3.53%	10,218
Leasing and commercial services	38,375	3.29%	12,307
Mining	26,973	2.31%	3,953
Water, environment and public utility management	25,713	2.21%	8,404
Others	63,953	5.49%	21,861
Sub-total of corporate loans and advances	761,095	65.29%	263,931
Personal loans and advances	391,248	33.56%	263,867
Discounted bills	13,438	1.15%	12,358
<b>Gross loans and advances to customers</b>	<b>1,165,781</b>	<b>100.00%</b>	<b>540,156</b>
Less: Provision for impairment losses			
— Individually assessed	(3,357)		
— Collectively assessed	(20,802)		
<b>Total provision for impairment losses</b>	<b>(24,159)</b>		
Net loans and advances to customers	1,141,622		

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (continued)

## (b) Analysed by economic sector (continued)

**The Bank**

	31 December 2012		
	Amount	Percentage	Loans and advances secured by collaterals
Manufacturing	224,386	21.93%	28,191
Wholesale and retail trade	129,590	12.67%	32,605
Real estate	85,469	8.35%	75,433
Transportation, storage and postal services	67,628	6.61%	20,494
Leasing and commercial services	40,770	3.99%	14,099
Water, environment and public utility management	32,633	3.19%	10,178
Construction	32,017	3.13%	4,881
Mining	27,805	2.72%	3,095
Others	58,676	5.73%	13,983
Sub-total of corporate loans and advances	698,974	68.32%	202,959
Personal loans and advances	311,411	30.44%	227,299
Discounted bills	12,643	1.24%	11,777
<b>Gross loans and advances to customers</b>	<b>1,023,028</b>	<b>100.00%</b>	<b>442,035</b>
Less: Provision for impairment losses			
— Individually assessed	(3,487)		
— Collectively assessed	(22,363)		
<b>Total provision for impairment losses</b>	<b>(25,850)</b>		
Net loans and advances to customers	997,178		

## 21 Loans and advances to customers (continued)

### (b) Analysed by economic sector (continued)

As at the end of the reporting period and during the period, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each economic sector which constitute 10% or more of gross loans and advances to customers are as follows:

#### The Group

	31 December 2013				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the period
Manufacturing	3,529	(1,350)	(4,980)	(273)	471
Wholesale and retail trade	3,113	(1,376)	(3,163)	(3,399)	429

#### The Bank

	31 December 2013				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the period
Manufacturing	3,529	(1,350)	(4,976)	(270)	471
Wholesale and retail trade	3,113	(1,376)	(3,162)	(3,398)	429

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (continued)

## (b) Analysed by economic sector (continued)

**The Group**

	31 December 2012				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the period
Manufacturing	2,246	(1,128)	(5,975)	(2,086)	296
Wholesale and retail trade	1,983	(868)	(3,536)	(1,972)	173

**The Bank**

	31 December 2012				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the period
Manufacturing	2,246	(1,128)	(5,974)	(2,085)	296
Wholesale and retail trade	1,983	(868)	(3,536)	(1,972)	173



## 21 Loans and advances to customers (continued)

### (c) Analysed by type of collateral

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Unsecured loans	360,232	312,965	360,229	312,962
Guaranteed loans	265,632	268,050	265,396	268,031
Secured loans				
– By tangible assets other than monetary assets	433,976	355,951	433,712	355,816
– By monetary assets	106,470	86,221	106,444	86,219
<b>Gross loans and advances to customers</b>	<b>1,166,310</b>	<b>1,023,187</b>	<b>1,165,781</b>	<b>1,023,028</b>
Less: Provision for impairment losses				
– Individually assessed	(3,357)	(3,487)	(3,357)	(3,487)
– Collectively assessed	(20,815)	(22,369)	(20,802)	(22,363)
<b>Total provision for impairment losses</b>	<b>(24,172)</b>	<b>(25,856)</b>	<b>(24,159)</b>	<b>(25,850)</b>
Net loans and advances to customers	1,142,138	997,331	1,141,622	997,178

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

#### The Group and the Bank

	31 December 2013				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	3,679	2,051	107	29	5,866
Guaranteed loans	1,816	1,502	647	316	4,281
Secured loans					
– By tangible assets other than monetary assets	7,161	1,746	981	560	10,448
– By monetary assets	393	303	193	71	960
<b>Total</b>	<b>13,049</b>	<b>5,602</b>	<b>1,928</b>	<b>976</b>	<b>21,555</b>
As a percentage of gross loans and advances to customers	1.12%	0.48%	0.17%	0.08%	1.85%

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 21 Loans and advances to customers (continued)

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

##### The Group and the Bank

	31 December 2012				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	2,432	946	83	97	3,558
Guaranteed loans	1,652	1,885	193	961	4,691
Secured loans					
– By tangible assets other than monetary assets	5,697	668	331	1,157	7,853
– By monetary assets	219	56	12	579	866
<b>Total</b>	10,000	3,555	619	2,794	16,968
As a percentage of gross loans and advances to customers	0.98%	0.35%	0.06%	0.27%	1.66%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

## 21 Loans and advances to customers (continued)

### (e) Loans and advances and provision for impairment losses

#### The Group

	31 December 2013				
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances		Total	Gross impaired loans and advances as a percentage of gross loans and advances
		for which provision are collectively assessed	for which provision are individually assessed		
Gross loans and advances to customers	1,156,281	2,312	7,717	1,166,310	0.86%
Less: Provision for impairment losses	(19,252)	(1,563)	(3,357)	(24,172)	
Net loans and advances to customers	1,137,029	749	4,360	1,142,138	

#### The Group

	31 December 2012				
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances		Total	Gross impaired loans and advances as a percentage of gross loans and advances
		for which provision are collectively assessed	for which provision are individually assessed		
Gross loans and advances to Customers	1,015,574	1,600	6,013	1,023,187	0.74%
Less: Provision for impairment losses	(21,237)	(1,132)	(3,487)	(25,856)	
Net loans and advances to Customers	994,337	468	2,526	997,331	

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (continued)

## (e) Loans and advances and provision for impairment losses (continued)

**The Bank**

	31 December 2013				Gross impaired loans and advances as a percentage of gross loans and advances
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances		Total	
		for which provision are collectively assessed	for which provision are individually assessed		
Gross loans and advances to customers	1,155,752	2,312	7,717	1,165,781	0.86%
Less: Provision for impairment losses	(19,239)	(1,563)	(3,357)	(24,159)	
Net loans and advances to Customers	1,136,513	749	4,360	1,141,622	

**The Bank**

	31 December 2012				Gross impaired loans and advances as a percentage of gross loans and advances
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances		Total	
		for which provision are collectively assessed	for which provision are individually assessed		
Gross loans and advances to Customers	1,015,415	1,600	6,013	1,023,028	0.74%
Less: Provision for impairment losses	(21,231)	(1,132)	(3,487)	(25,850)	
Net loans and advances to Customers	994,184	468	2,526	997,178	

## 21 Loans and advances to customers (continued)

### (e) Loans and advances and provision for impairment losses (continued)

Note:

(i) Loans and advances collectively assessed for impairment include those which are graded normal or special-mention.

(ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the following methods:

- Individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
- Collectively, representing portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

(iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 49(a).

### (f) Movements of provision for impairment losses

#### The Group

	2013			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		
		which are collectively assessed	which are individually assessed	
As at 1 January	(21,237)	(1,132)	(3,487)	(25,856)
Charge for the year	—	(1,476)	(5,243)	(6,719)
Release for the year	1,985	—	398	2,383
Recoveries	—	(167)	(40)	(207)
Unwinding of discount	—	—	367	367
Disposal	—	—	3,620	3,620
Write-offs	—	1,212	1,028	2,240
As at 31 December	(19,252)	(1,563)	(3,357)	(24,172)

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (continued)

## (f) Movements of provision for impairment losses (continued)

**The Group**

	2012			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		
		which are collectively assessed	which are individually assessed	
As at 1 January	(16,509)	(711)	(3,823)	(21,043)
Charge for the year	(4,728)	(722)	(872)	(6,322)
Release for the year	—	—	632	632
Recoveries	—	(92)	(96)	(188)
Unwinding of discount	—	—	156	156
Write-offs	—	393	516	909
As at 31 December	(21,237)	(1,132)	(3,487)	(25,856)

**The Bank**

	2013			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		
		which are collectively assessed	which are individually assessed	
As at 1 January	(21,231)	(1,132)	(3,487)	(25,850)
Charge for the period	—	(1,476)	(5,243)	(6,719)
Release for the period	1,992	—	398	2,390
Recoveries	—	(167)	(40)	(207)
Unwinding of discount	—	—	367	367
Disposal	—	—	3,620	3,620
Write-offs	—	1,212	1,028	2,240
As at 31 December	(19,239)	(1,563)	(3,357)	(24,159)

## 21 Loans and advances to customers (continued)

### (f) Movements of provision for impairment losses (continued)

#### The Bank

	2012			Total
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances		
		which are collectively assessed	which are individually assessed	
As at 1 January	(16,505)	(711)	(3,823)	(21,039)
Charge for the year	(4,726)	(722)	(872)	(6,320)
Release for the year	—	—	632	632
Recoveries	—	(92)	(96)	(188)
Unwinding of discount	—	—	156	156
Write-offs	—	393	516	909
As at 31 December	(21,231)	(1,132)	(3,487)	(25,850)

### (g) Analysed by geographical sector

#### The Group

	31 December 2013		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	250,463	21.47%	136,564
Bohai Rim	219,134	18.79%	88,631
Western	175,022	15.01%	98,822
Central	174,989	15.00%	80,078
Pearl River Delta	160,803	13.79%	90,493
Northeastern	68,881	5.91%	39,659
Overseas	12,269	1.05%	6,198
Head Office	104,749	8.98%	—
<b>Gross loans and advances to customers</b>	<b>1,166,310</b>	<b>100.00%</b>	<b>540,445</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (continued)

## (g) Analysed by geographical sector (continued)

**The Group**

	31 December 2012		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	243,573	23.81%	121,711
Bohai Rim	199,896	19.54%	81,820
Central	152,891	14.94%	60,736
Western	151,357	14.79%	77,017
Pearl River Delta	144,859	14.16%	68,471
Northeastern	60,982	5.96%	32,417
Head Office	69,629	6.80%	—
<b>Gross loans and advances to customers</b>	<b>1,023,187</b>	<b>100.00%</b>	<b>442,172</b>

**The Bank**

	31 December 2013		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	250,163	21.46%	136,473
Bohai Rim	219,134	18.80%	88,631
Western	175,022	15.01%	98,822
Central	174,760	14.99%	79,880
Pearl River Delta	160,803	13.79%	90,493
Northeastern	68,881	5.91%	39,659
Overseas	12,269	1.05%	6,198
Head Office	104,749	8.99%	—
<b>Gross loans and advances to customers</b>	<b>1,165,781</b>	<b>100.00%</b>	<b>540,156</b>



## 21 Loans and advances to customers (continued)

### (g) Analysed by geographical sector (continued)

#### The Bank

	31 December 2012		
	Loan balance	Percentage	Loans and advances secured by collaterals
Yangtze River Delta	243,573	23.81%	121,711
Bohai Rim	199,896	19.54%	81,820
Central	152,732	14.93%	60,599
Western	151,357	14.80%	77,017
Pearl River Delta	144,859	14.16%	68,471
Northeastern	60,982	5.96%	32,417
Head Office	69,629	6.80%	—
<b>Gross loans and advances to customers</b>	<b>1,023,028</b>	<b>100.00%</b>	<b>442,035</b>

As at the end of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers are as follows:

#### The Group

	31 December 2013		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	3,435	(1,212)	(4,956)
Bohai Rim	1,762	(775)	(3,739)
Central	1,236	(436)	(3,006)
Pearl River Delta	1,127	(453)	(3,035)
Western	715	(349)	(3,018)

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (continued)

## (g) Analysed by geographical sector (continued)

**The Group**

	31 December 2012		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	3,018	(1,020)	(5,627)
Pearl River Delta	1,558	(1,197)	(3,244)
Central	775	(388)	(3,453)
Bohai Rim	635	(454)	(4,380)
Western	507	(274)	(3,078)

**The Bank**

	31 December 2013		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	3,435	(1,212)	(4,952)
Bohai Rim	1,762	(775)	(3,739)
Central	1,236	(436)	(2,997)
Pearl River Delta	1,127	(453)	(3,035)
Western	715	(349)	(3,018)

**The Bank**

	31 December 2012		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Yangtze River Delta	3,018	(1,020)	(5,627)
Pearl River Delta	1,558	(1,197)	(3,244)
Central	775	(388)	(3,447)
Bohai Rim	635	(454)	(4,380)
Western	507	(274)	(3,078)

The definitions of the regional distributions are set out in Note 48(b).

## 21 Loans and advances to customers (continued)

### (h) Rescheduled loans and advances to customers

#### The Group and the Bank

	31 December 2013	31 December 2012
Rescheduled loans and advances to customers	109	96
Less: Rescheduled loans and advances to customers overdue more than 90 days	(15)	(94)
Rescheduled loans and advances to customers overdue not more than 90 days	94	2

### (i) Fair value of collaterals

The collateral includes land, buildings, equipment, and etc. The fair value of collateral was estimated by the Group based on the latest available external valuations adjusted by taking into account the current realisation experience as well as the market situation.

As at 31 December 2013, the loans and advances of the Group and the Bank for which the provision for impairment losses were individually assessed amounted to RMB7,717 million (31 December 2012: RMB6,013 million). The covered portion of these loans and advances were RMB2,177 million (31 December 2012: RMB734 million). The fair value of collaterals held against these loans and advances amounted to RMB2,177 million (31 December 2012: RMB746 million).

As at 31 December 2013, the gross amount of loans and advances of the Group and the Bank, which were overdue but not impaired and were subject to individual assessment, was RMB3,561 million (31 December 2012: RMB1,675 million). The covered portion of these loans and advances were RMB1,931 million (31 December 2012: RMB599 million). The fair value of collaterals held against these loans and advances amounted to RMB3,077 million (31 December 2012: RMB1,268 million).

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 22 Available-for-sale financial assets

#### The Group and the Bank

	Note	31 December 2013	31 December 2012
Available-for-sale debt investments	22(a)	111,849	91,801
Available-for-sale equity investments	22(b)	99	99
<b>Total</b>		<b>111,948</b>	<b>91,900</b>
Listed		1,064	724
– of which in Hong Kong		643	187
Unlisted		110,884	91,176
<b>Total</b>		<b>111,948</b>	<b>91,900</b>

#### (a) Available-for-sale debt investments

All available-for-sale debt investments were stated at fair value and issued by the following governments and institutions:

#### The Group and the Bank

	Note	31 December 2013	31 December 2012
In mainland China			
– Government		36,522	42,370
– Banks and other financial institutions		6,794	9,947
– Other institutions	(i)	67,497	38,761
Sub-total		110,813	91,078
Outside mainland China			
– Banks and other financial institutions		774	610
– Other institutions		262	113
Sub-total		1,036	723
<b>Total</b>	(ii)	<b>111,849</b>	<b>91,801</b>

Note:

(i) Debt securities issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.

(ii) As at the end of the reporting period, part of the available-for-sale financial assets were pledged for repurchase agreements and time deposits (see Note 30(a)). No other investments were subject to material restrictions on the realisation.

## 22 Available-for-sale financial assets (continued)

### (b) Available-for-sale equity investments

#### The Group and the Bank

	2013	2012
Cost of investments		
As at 1 January and 31 December	100	100
Less: Provision for impairment losses	(1)	(1)
Net balances	99	99

## 23 Held-to-maturity investments

### Analysed by type and location of issuer

#### The Group and the Bank

	Note	31 December 2013	31 December 2012
In mainland China			
— Government		53,931	45,771
— Banks and other financial institutions		27,481	25,593
— Other institutions	23(a)	23,786	24,495
Sub-total		105,198	95,859
Outside mainland China			
— Banks and other financial institutions		373	253
— Other institutions		607	—
Sub-total		980	253
<b>Total</b>	23(b)	106,178	96,112
Less: Provision for impairment losses		(258)	(288)
Net balances		105,920	95,824
Listed		1,097	461
— of which in Hong Kong		1,039	402
Unlisted		104,823	95,363
Net balances		105,920	95,824
Fair value		101,804	96,064

#### Note:

- (a) Debt securities issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in mainland China.
- (b) As at the end of the reporting period, part of the held-to-maturity investments were pledged as securities for certain transactions (see Note 30(a)).
- (c) The Group disposed of the held-to-maturity debt investments with a notional amount of RMB1,557 million prior to their maturity dates for the year ended 31 December 2013 (2012: RMB130 million), which account for 1.62% (2012: 0.15%) of the portfolio before the disposal.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 24 Debt securities classified as receivables

#### The Group and the Bank

	Note	31 December 2013	31 December 2012
Wealth management products issued by other financial institution	24(a)	37,746	97,513
Beneficial interest transfer plans	24(b)/(c)	224,953	163,694
<b>Total</b>		<b>262,699</b>	<b>261,207</b>
Carrying amount		262,699	261,207

Note:

- (a) Wealth management products issued by other financial institutions are fixed-term products.
- (b) Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, insurance companies and asset management companies.
- (c) As at the end of the reporting period, part of investments in the beneficial interest transfer plans held by the Bank were under forward sale contracts with other financial institutions in mainland China, the notional amount of which was RMB134,715 million (31 December 2012: RMB120,188 million). The fair values of the above mentioned investments approximate to their carrying amount.

### 25 Investments in subsidiaries

#### The Bank

	Note	31 December 2013	31 December 2012
Shaoshan Everbright Village Bank Co., Ltd.	25(a)	35	35
Everbright Financial Leasing Co., Ltd.	25(b)	720	720
Jiangsu Huai'an Everbright Village Bank Co., Ltd.	25(c)	70	—
<b>Total</b>		<b>825</b>	<b>755</b>

Note:

- (a) Shaoshan Everbright Village Bank Co., Ltd. ("Shaoshan Everbright") was incorporated on 24 September 2009 in Shaoshan city of Hunan Province, with registered capital of RMB50 million. The principal activities of Shaoshan Everbright are the provision of corporate and retail banking services. The Bank holds 70% of equity interest and voting rights of Shaoshan Everbright.
- (b) Everbright Financial Leasing Co., Ltd. ("Everbright Financial Leasing") was incorporated on 19 May 2010 in Wuhan city of Hubei Province, with registered capital of RMB800 million. The principal activities of Everbright Financial Leasing are the provision of leasing services. The Bank holds 90% of equity interest and voting rights of Everbright Financial Leasing.
- (c) Jiangsu Huai'an Everbright Village Bank Co., Ltd. ("Huai'an Everbright") was incorporated on 1 February 2013 in Huai'an city of Jiangsu Province, with registered capital of RMB100 million. The principal activities of Huai'an Everbright are the provision of corporate and retail banking services. The Bank holds 70% of equity interest and voting rights of Huai'an Everbright.

## 26 Fixed assets

### The Group

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
<b>Cost</b>						
As at 1 January 2013	9,219	445	1,129	3,552	2,245	16,590
Additions	124	—	506	796	520	1,946
Transfers in/(out) of construction in progress	212	—	(227)	4	11	—
Transfers in/(out) of investment properties	30	(30)	—	—	—	—
Transfer out to others	—	—	—	—	(8)	(8)
Disposals	—	—	—	(168)	(39)	(207)
As at 31 December 2013	9,585	415	1,408	4,184	2,729	18,321
<b>Accumulated depreciation</b>						
As at 1 January 2013	(1,657)	(121)	—	(2,067)	(717)	(4,562)
Charge for the year	(277)	(12)	—	(518)	(354)	(1,161)
Transfers (in)/out of investment properties	(1)	1	—	—	—	—
Disposals	—	—	—	155	35	190
As at 31 December 2013	(1,935)	(132)	—	(2,430)	(1,036)	(5,533)
<b>Provision for impairment</b>						
As at 1 January 2013	(128)	(31)	—	—	—	(159)
As at 31 December 2013	(128)	(31)	—	—	—	(159)
<b>Net book value</b>						
As at 31 December 2013	7,522	252	1,408	1,754	1,693	12,629

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**26 Fixed assets** (continued)**The Group**

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
<b>Cost</b>						
As at 1 January 2012	8,418	435	951	3,144	1,763	14,711
Additions	281	—	784	559	451	2,075
Transfers in/(out) of construction in progress	514	16	(606)	7	69	—
Transfers in/(out) of investment properties	6	(6)	—	—	—	—
Disposals	—	—	—	(158)	(38)	(196)
As at 31 December 2012	9,219	445	1,129	3,552	2,245	16,590
<b>Accumulated depreciation</b>						
As at 1 January 2012	(1,281)	(116)	—	(1,820)	(525)	(3,742)
Charge for the year	(368)	(13)	—	(392)	(224)	(997)
Transfers (in)/out of investment properties	(8)	8	—	—	—	—
Disposals	—	—	—	145	32	177
As at 31 December 2012	(1,657)	(121)	—	(2,067)	(717)	(4,562)
<b>Provision for impairment</b>						
As at 1 January 2012	(135)	(24)	—	—	—	(159)
Transfers out/(in)	7	(7)	—	—	—	—
As at 31 December 2012	(128)	(31)	—	—	—	(159)
<b>Net book value</b>						
As at 31 December 2012	7,434	293	1,129	1,485	1,528	11,869



## 26 Fixed assets (continued)

### The Bank

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
<b>Cost</b>						
As at 1 January 2013	9,207	445	1,129	3,546	2,245	16,572
Additions	124	—	506	795	520	1,945
Transfers in/(out) of construction in progress	212	—	(227)	4	11	—
Transfers in/(out) of investment properties	30	(30)	—	—	—	—
Transfer out to others	—	—	—	—	(8)	(8)
Disposals	—	—	—	(168)	(39)	(207)
As at 31 December 2013	9,573	415	1,408	4,177	2,729	18,302
<b>Accumulated depreciation</b>						
As at 1 January 2013	(1,657)	(121)	—	(2,064)	(717)	(4,559)
Charge for the year	(276)	(12)	—	(517)	(354)	(1,159)
Transfers (in)/out of investment properties	(1)	1	—	—	—	—
Disposals	—	—	—	155	35	190
As at 31 December 2013	(1,934)	(132)	—	(2,426)	(1,036)	(5,528)
<b>Provision for impairment</b>						
As at 1 January 2013	(128)	(31)	—	—	—	(159)
As at 31 December 2013	(128)	(31)	—	—	—	(159)
<b>Net book value</b>						
As at 31 December 2013	7,511	252	1,408	1,751	1,693	12,615

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**26 Fixed assets** (continued)**The Bank**

	Premises	Investment properties	Construction in progress	Electronic equipment	Others	Total
<b>Cost</b>						
As at 1 January 2012	8,406	435	951	3,139	1,763	14,694
Additions	281	—	784	558	451	2,074
Transfers in/(out) of construction in progress	514	16	(606)	7	69	—
Transfers in/(out) of investment properties	6	(6)	—	—	—	—
Disposals	—	—	—	(158)	(38)	(196)
As at 31 December 2012	9,207	445	1,129	3,546	2,245	16,572
<b>Accumulated depreciation</b>						
As at 1 January 2012	(1,281)	(116)	—	(1,818)	(525)	(3,740)
Charge for the year	(368)	(13)	—	(391)	(224)	(996)
Transfers (in)/out of investment properties	(8)	8	—	—	—	—
Disposals	—	—	—	145	32	177
As at 31 December 2012	(1,657)	(121)	—	(2,064)	(717)	(4,559)
<b>Provision for impairment</b>						
As at 1 January 2012	(135)	(24)	—	—	—	(159)
Transfers out/(in)	7	(7)	—	—	—	—
As at 31 December 2012	(128)	(31)	—	—	—	(159)
<b>Net book value</b>						
As at 31 December 2012	7,422	293	1,129	1,482	1,528	11,854

As at 31 December 2013, title deeds were not yet finalised for the premises with a carrying amount of RMB170 million (31 December 2012: RMB82 million). Management of the Group expected that there would be no significant cost in obtaining the title deeds.

## 26 Fixed assets (continued)

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the leases as follows:

### The Group

	31 December 2013	31 December 2012
Held in mainland China		
— Long term leases (over 50 years)	119	171
— Medium term leases (10–50 years)	7,391	7,243
— Short term leases (less than 10 years)	12	20
<b>Total</b>	<b>7,522</b>	<b>7,434</b>

### The Bank

	31 December 2013	31 December 2012
Held in mainland China		
— Long term leases (over 50 years)	119	171
— Medium term leases (10–50 years)	7,380	7,231
— Short term leases (less than 10 years)	12	20
<b>Total</b>	<b>7,511</b>	<b>7,422</b>

The net book values of investment properties at the end of the reporting period are analysed by the remaining terms of the leases is as follows:

### The Group and the Bank

	31 December 2013	31 December 2012
Held in mainland China		
— Long term leases (over 50 years)	—	3
— Medium term leases (10–50 years)	252	290
<b>Total</b>	<b>252</b>	<b>293</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 27 Goodwill

#### The Group and the Bank

	31 December 2013	31 December 2012
Cost	6,019	6,019
Less: Provision for impairment losses	(4,738)	(4,738)
Net balances	1,281	1,281

As approved by the PBOC, the Bank and China Development Bank (“CDB”) jointly signed an “Agreement between China Development Bank and China Everbright Bank for the transfer of assets, liabilities and banking premises of China Investment Bank” (the “Agreement”) on 18 March 1999. According to the Agreement, CDB transferred the assets, liabilities, equity and 137 outlets of 29 branches of the former China Investment Bank (“CIB”) to the Bank. The Agreement became effective on 18 March 1999. The Bank assessed the fair value of the transferred assets and liabilities, and recognised the excess of the purchase cost over the sum of the fair value of the net assets transferred and deferred tax assets as goodwill.

The goodwill is subject to annual impairment testing. The Bank makes provision for impairment if necessary. The Bank calculates the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management covering a five-year period. The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment testing, no additional impairment losses on goodwill were recognised for the year.

### 28 Deferred tax assets and liabilities

#### (a) Analysed by nature

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Deferred tax assets	4,015	2,454	3,955	2,430
Deferred tax liabilities	—	—	—	—
Net balances	4,015	2,454	3,955	2,430

## 28 Deferred tax assets and liabilities (continued)

### (b) Movements of deferred tax

#### The Group

	Provision for impairment losses Note(i)	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments Note(ii)	Net balance of deferred tax assets
1 January 2013	1,001	1,232	221	2,454
Recognised in profit or loss	70	162	131	363
Recognised in other comprehensive income	—	—	1,198	1,198
31 December 2013	1,071	1,394	1,550	4,015

#### The Group

	Provision for impairment losses Note(i)	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments Note(ii)	Net balance of deferred tax assets
1 January 2012	661	948	248	1,857
Recognised in profit or loss	340	284	(50)	574
Recognised in other comprehensive income	—	—	23	23
31 December 2012	1,001	1,232	221	2,454

#### The Bank

	Provision for impairment losses Note(i)	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments Note(ii)	Net balance of deferred tax assets
1 January 2013	983	1,226	221	2,430
Recognised in profit or loss	39	157	131	327
Recognised in other comprehensive income	—	—	1,198	1,198
31 December 2013	1,022	1,383	1,550	3,955

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**28 Deferred tax assets and liabilities** (continued)

## (b) Movements of deferred tax (continued)

**The Bank**

	Provision for impairment losses Note(i)	Staff cost payable	Net losses/ (gains) from fair value changes of financial instruments Note(ii)	Net balance of deferred tax assets
1 January 2012	652	945	248	1,845
Recognised in profit or loss	331	281	(50)	562
Recognised in other comprehensive income	—	—	23	23
31 December 2012	983	1,226	221	2,430

Note:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses were determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains on fair value changes of financial instruments are subject to tax when realised.
- (iii) Unrecognised deferred tax assets

As at 31 December 2013, the Group has not recognised deferred tax assets of RMB2,046 million (31 December 2012: 2,276 RMB million) for provision of impairment losses amounting to RMB8,182 million (31 December 2012: RMB9,103 million). This was mainly because it was uncertain whether the losses from write-offs of the impaired assets could be approved by the relevant tax authorities in the foreseeable future.

## 29 Other assets

	Note	The Group		The Bank	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
Assets from wealth management business	29(a)	51,274	60,874	51,274	60,874
Financial lease receivables		15,336	11,644	—	—
Other receivables		2,179	1,454	2,179	1,454
Precious metal		1,370	52	1,370	52
Fixed assets purchase prepayment		1,301	1,031	331	241
Long-term deferred expense		1,199	1,094	1,198	1,093
Intangible assets		639	532	636	528
Repossessed assets		331	148	331	148
Land use rights		124	128	124	128
<b>Total</b>		<b>73,753</b>	<b>76,957</b>	<b>57,443</b>	<b>64,518</b>

### (a) Assets from wealth management business

The assets held for wealth management business represent the trust investments purchased by the Group, acting as an agent for wealth management investors, and using the funds collected from investors. The credit risk, interest risk, liquidity risk and investment risk of the underlying trust investments are assumed by the investors who purchase the wealth management products. However, the Group has certain risk exposures in respect of those wealth management assets for which the amounts and maturities do not exactly match the underlying trust funds. Accordingly, the Group accounts for such wealth management assets under other assets and the corresponding trust funds under other liabilities (see Note 39(a)).

## 30 Pledged assets

### (a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities include discounted bills and debt securities. They are mainly pledged for repurchase agreements, time deposits and swap transactions. The carrying amount of the financial assets pledged as securities as at 31 December 2013 is RMB73,102 million (31 December 2012: RMB97,798 million).

### (b) Collaterals received

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at the end of the reporting period, the Group did not hold any resale agreement that collaterals were permitted to be sold or repledged in the absence of the counterparty's default on the agreements.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**31 Deposits from banks and other financial institutions**

Analysed by type and location of counterparty

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Deposits in mainland China				
– Banks	281,199	399,049	281,397	399,194
– Other financial institutions	140,176	121,102	143,408	122,073
Sub-total	421,375	520,151	424,805	521,267
Deposits outside mainland China				
– Banks	17,229	7,410	17,229	7,410
Sub-total	17,229	7,410	17,229	7,410
<b>Total</b>	<b>438,604</b>	<b>527,561</b>	<b>442,034</b>	<b>528,677</b>

**32 Placements from banks and other financial institutions**

Analysed by type and location of counterparty

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Placements in mainland China				
– Banks	40,567	20,040	25,617	9,950
– Other financial institutions	265	–	265	–
Sub-total	40,832	20,040	25,882	9,950
Placements outside mainland China				
– Banks	9,985	3,165	9,985	3,165
Sub-total	9,985	3,165	9,985	3,165
<b>Total</b>	<b>50,817</b>	<b>23,205</b>	<b>35,867</b>	<b>13,115</b>

**33 Financial assets sold under repurchase agreements**

(a) Analysed by type and location of counterparty

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
In mainland China				
– Banks	63,161	74,221	63,148	74,221
– Other financial institutions	3	3	3	3
– Other enterprises	–	61	–	61
<b>Total</b>	<b>63,164</b>	<b>74,285</b>	<b>63,151</b>	<b>74,285</b>



### 33 Financial assets sold under repurchase agreements (continued)

(b) Analysed by collateral

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Bank acceptances	4,926	36,621	4,913	36,621
Securities	58,238	37,664	58,238	37,664
<b>Total</b>	<b>63,164</b>	<b>74,285</b>	<b>63,151</b>	<b>74,285</b>

### 34 Deposits from customers

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
<b>At amortised cost</b>				
Demand deposits				
— Corporate customers	394,437	397,626	394,122	397,417
— Individual customers	103,148	101,745	103,062	101,717
Sub-total	497,585	499,371	497,184	499,134
Time deposits				
— Corporate customers	511,327	476,737	511,153	476,654
— Individual customers	126,347	127,378	126,158	127,290
Sub-total	637,674	604,115	637,311	603,944
Pledged deposits				
— Acceptances	207,803	184,085	207,654	184,085
— Letters of credit	23,180	20,134	23,180	20,134
— Letters of guarantees	11,326	8,902	11,326	8,902
— Others	10,021	8,841	10,021	8,841
Sub-total	252,330	221,962	252,181	221,962
Other deposits	91,415	58,876	91,415	58,876
<b>Total deposits from customers at amortised cost</b>	<b>1,479,004</b>	<b>1,384,324</b>	<b>1,478,091</b>	<b>1,383,916</b>
<b>At fair value</b>				
Structured deposits				
— Corporate customers	47,356	14,103	47,356	14,103
— Individual customers	78,918	28,514	78,918	28,514
<b>Total deposits from customers at fair value</b>	<b>126,274</b>	<b>42,617</b>	<b>126,274</b>	<b>42,617</b>
<b>Total</b>	<b>1,605,278</b>	<b>1,426,941</b>	<b>1,604,365</b>	<b>1,426,533</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 35 Accrued staff costs

	Note	The Group		The Bank	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
Salary and welfare payable		7,835	7,087	7,791	7,064
Pension payable	35(a)	68	37	68	36
Supplementary retirement benefits payable	35(b)	246	281	246	281
<b>Total</b>		<b>8,149</b>	<b>7,405</b>	<b>8,105</b>	<b>7,381</b>

#### (a) Pension scheme

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labour and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' gross wages in prior year, which are expensed to profit or loss when the contributions are made.

#### (b) Supplementary retirement benefits ("SRB")

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the SRB were assessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Towers Watson Management Consulting (Shenzhen) Co., Ltd.

(i) The balances of SRB of the Group are as follows:

	31 December 2013	31 December 2012
Present value of SRB obligation	246	281

### 35 Accrued staff costs (continued)

#### (b) Supplementary retirement benefits ("SRB") (continued)

(ii) Movements of SRB of the Group are as follows:

	2013	2012
As at 1 January	281	318
Current service cost	21	21
Interest cost	12	12
Remeasurement of defined benefit plan	(56)	—
Actuarial losses	—	14
Payments made	(12)	(84)
As at 31 December	246	281

Interest cost was recognised in staff costs, see Note 8.

(iii) Principal actuarial assumptions of the Group are as follow:

	31 December 2013	31 December 2012
Discount rate	5.00%	4.30%
Medical cost trend rate	6.00%	6.00%
Average expected future lifetime	19.98	20.89

(iv) Sensitivity analysis:

	31 December 2013	
	Increase	Decrease
Discount rate (1% movement)	(42)	59
Medical cost trend rate (1% movement)	47	(34)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

Except as mentioned in Note (a) and Note (b) above, the Group has no significant responsibilities to pay any other retirement benefits to retired employees.

### 36 Taxes payable

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Business tax and surcharges payable	1,601	1,493	1,599	1,491
Income tax payable	898	1,568	856	1,531
Others	106	113	123	112
<b>Total</b>	<b>2,605</b>	<b>3,174</b>	<b>2,578</b>	<b>3,134</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 37 Interests payable

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Deposits from customers	17,565	13,906	17,558	13,903
Debt securities issued	1,235	1,563	1,235	1,563
Others	2,149	2,945	1,986	2,863
<b>Total</b>	<b>20,949</b>	<b>18,414</b>	<b>20,779</b>	<b>18,329</b>

## 38 Debt securities issued

## The Group and the Bank

	Note	31 December 2013	31 December 2012
Subordinated debts issued	38(a)	9,700	22,700
Financial bonds issued	38(b)	30,000	30,000
Certificates of deposits issued	38(c)	2,547	—
<b>Total</b>		<b>42,247</b>	<b>52,700</b>

## (a) Subordinated debts issued

## The Group and the Bank

	Note	31 December 2013	31 December 2012
Subordinated fixed rate debts maturing in April 2018	(i)	—	3,500
Subordinated floating rate debts maturing in April 2018	(ii)	—	2,500
Subordinated fixed rate debts maturing in June 2018	(iii)	—	2,000
Subordinated fixed rate debts maturing in December 2018	(iv)	—	5,000
Subordinated fixed rate debts maturing in March 2019	(v)	3,000	3,000
Subordinated fixed rate debts maturing in June 2027	(vi)	6,700	6,700
<b>Total</b>		<b>9,700</b>	<b>22,700</b>

Note:

- (i) Fixed rate subordinated debts of RMB3.5 billion with a term of ten years was issued on 25 April 2008. The coupon rate for the first five years is 5.85%. The group redeemed the debts on April 28, 2013.
- (ii) Floating rate subordinated debts of RMB2.5 billion with a term of ten years was issued on 25 April 2008. The subordinated debts bear interest at a floating rate based on the PBOC's one-year time deposits rate plus a margin of 1.66%. The group redeemed the debts on April 28, 2013.
- (iii) Fixed rate subordinated debts of RMB2 billion with a term of ten years was issued on 27 June 2008. The coupon rate for the first five years is 5.92%. The group redeemed the debts on June 30, 2013.
- (iv) Fixed rate subordinated debts of RMB5 billion with a term of ten years was issued on 15 December 2008. The coupon rate for the first five years is 4.05%. The group redeemed the debts on December 17, 2013.
- (v) Fixed rate subordinated debts of RMB3 billion with a term of ten years was issued on 13 March 2009. The coupon rate for the first five years is 3.75%. The group redeemed the debts on 17 March 2014.
- (vi) Fixed rate subordinated debts of RMB6.7 billion with a term of fifteen years was issued on 7 June 2012. The coupon rate is 5.25%. The Group has an option to redeem the debts on 8 June 2022 at the nominal amount.
- (vii) As at 31 December 2013, the fair value of the total subordinated debt securities issued amounts to RMB8,821 million (31 December 2012: RMB22,486 million).

## 38 Debt securities issued (continued)

### (b) Financial bonds issued

#### The Group and the Bank

	Note	31 December 2013	31 December 2012
Financial fixed rate bonds maturing in March 2017	(i)	20,000	20,000
Financial floating rate bonds maturing in March 2017	(ii)	10,000	10,000
<b>Total</b>		<b>30,000</b>	<b>30,000</b>

Note:

- (i) Fixed rate financial bonds of RMB20 billion with a term of five years was issued on 28 March 2012. The coupon rate is 4.20%.
- (ii) Floating rate financial bonds of RMB10 billion with a term of five years was issued on 28 March 2012. The bonds bear interest at a floating rate based on the PBOC's one-year time deposits rate plus a margin of 0.95%.
- (iii) As at 31 December 2013, the fair value of the total financial bond securities issued amounts to RMB28,385 million (31 December 2012: RMB29,337 million).

### (c) Certificates of deposits issued

As at 31 December 2013, the certificates of deposits were issued by the Bank's Hong Kong branch and measured by amortized cost. The fair value of the certificates of deposits issued mentioned above approximate to their carrying amount.

## 39 Other liabilities

	Note	The Group		The Bank	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
Wealth management fund payables	39(a)	19,196	23,442	19,196	23,442
Finance leases payable		2,299	1,784	—	—
Deferred income		2,384	1,424	2,384	1,424
Payment and collection clearance accounts		1,314	854	1,314	854
Dormant accounts		295	338	295	338
Dividend payable		27	28	27	28
Provisions		326	17	326	17
Others		1,915	1,540	1,595	1,296
<b>Total</b>		<b>27,756</b>	<b>29,427</b>	<b>25,137</b>	<b>27,399</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 39 Other liabilities (continued)

#### (a) Wealth management fund payables

The amounts and maturities of the wealth management assets do not exactly match the underlying trust funds. Accordingly, the Group accounts for such wealth management assets under other assets (Note 29(a)) and the corresponding trust funds under other liabilities.

#### (b) Provisions

As at 31 December 2013, the accruals of litigation losses estimated by the Group based on the status of outstanding litigation cases and the probability of losses amounted to RMB17 million (31 December 2012: RMB17 million).

### 40 Share capital

The Bank's shareholding structure as at the end of the reporting period is as follows:

	2013 Amount	2012 Amount
Ordinary shares listed in Mainland China (A share)	39,851	40,435
Ordinary shares listed in Hong Kong (H share)	6,426	—
<b>Total</b>	<b>46,277</b>	<b>40,435</b>

The Bank issued 5,842 million H-shares at an offering price of HKD3.98 per share on 20 December 2013 (the "H-share offering"). The total fund raised amounted to RMB18,203 million. After deducting the offering expenses of RMB377 million, RMB5,842 million and RMB11,984 million were credited to share capital and share premium under capital reserve respectively.

Immediately following the H-share offering, 584 million A-shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

All the above H-shares have been listed on the Stock Exchange of Hong Kong Limited since 20 December 2013.

The H-shares rank pari passu in all respects with the existing A-shares including the right to receive all dividends and distributions declared or made.

## 41 Capital reserve

### The Group and the Bank

	31 December 2013	31 December 2012
Fair value changes on available-for-sale financial assets	(3,886)	(295)
Share premium	32,537	20,553
Remeasurement of defined benefit plan	56	—
<b>Total</b>	<b>28,707</b>	<b>20,258</b>

## 42 Surplus reserve and general reserve

### (a) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund. The Bank is required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

### (b) General reserve

Prior to 1 July 2012, the Bank pursuant to relevant regulations issued by the MOF is required to set aside a general reserve through appropriations of profit after tax according to a certain provision ratio of the ending balance of gross risk-bearing assets to cover potential losses against their assets. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets.

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Bank is required, in principle, to set aside a general reserve not lower than 1.5% of the ending balance of its gross risk-bearing assets.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 43 Appropriation of profits

(a) In accordance with the resolution of the Bank's board of directors meeting on 28 March 2014, the proposed profit appropriations for the year ended 31 December 2013 are as follows:

- Appropriate RMB2,639 million (10% of the net profit of the bank) to surplus reserve;
- Appropriate RMB1,798 million to general reserve; and
- Declare cash dividends to all shareholders of RMB8,029 million representing RMB1.72 per 10 shares before tax.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

(b) At the Annual General Meeting of shareholders held on 17 May 2013, the shareholders approved the following profit appropriations for the year ended 31 December 2012:

- Appropriated RMB2,334 million (10% of the net profit of the bank) to surplus reserve;
- Appropriated RMB7,248 million to general reserve; and
- Declared cash dividend to all shareholders of RMB2,345 million representing RMB0.58 per 10 shares before tax.

The shareholders approved the appropriation to general reserve of RMB6,938 million during the Extraordinary General Meeting held on 19 November 2012.

As a result of the above profit appropriation, the total amount of appropriation to general reserve was RMB14,186 million.

### 44 Involvement with unconsolidated structured entities

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include entities set up for wealth management products issued by other financial institutions and beneficial interest transfer plans ("Asset management plans"). The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.



#### 44 Involvement with unconsolidated structured entities (continued)

##### (a) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in unconsolidated structured entities as at 31 December 2013:

###### The Group

	31 December 2013	
	Carrying amount	Maximum exposure
Asset management plans	211,549	211,549

The following table sets out an analysis of the line items in the statement of financial position in which assets are recognised relating to the Group's interests in unconsolidated structured entities as at 31 December 2013:

###### The Group

	31 December 2013
	Debt securities classified as receivables
Asset management plans	211,549

The maximum exposure to loss in asset management plans is its amortised cost at the reporting date.

##### (b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2013, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at 31 December 2013, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, is RMB266.682 billion.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 44 Involvement with unconsolidated structured entities (continued)

#### (c) Unconsolidated structure entities sponsored by the Group during the year which the Group does not have an interest in as at 31 December 2013

During the year of 2013, the amount of fee and commission income received from the above mentioned structured entities by the Group amounted to RMB389 million.

The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2013 but matured before 31 December 2013 amounted to RMB369.784 billion.

### 45 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier one capital, other core tier one capital and tier two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading global banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio. The required information is filed with the CBRC by the Group and the Bank semi-annually and quarterly.

On 1 January 2013, the Group started computing its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations promulgated by the CBRC. As at 31 December 2012, the Group computed its capital adequacy ratios in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and other relevant regulations promulgated by the CBRC.

## 45 Capital management (continued)

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with “Regulation Governing Capital of Commercial Banks (provisional)”. For systemically important banks, each bank is required to maintain the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of at least 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their respective local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets for over-the-counter (OTC) derivatives are the summation of default risk-weighted assets and credit value adjustment (CVA). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group’s statutory financial statements prepared in accordance with PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 45 Capital management (continued)

The Group calculates the capital adequacy ratios in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” and relevant requirements promulgated by the CBRC.

#### The Group

	31 December 2013
<b>Total core tier-one capital</b>	153,037
Share capital	46,277
Qualifying portion of capital reserve	28,707
Surplus reserve	9,199
General reserve	29,861
Retained earnings	38,795
Qualifying portions of non-controlling interests	198
<b>Core tier-one capital deductions</b>	(1,920)
Goodwill	(1,281)
Other intangible assets other than land use right	(639)
<b>Net core tier-one capital</b>	151,117
<b>Other tier one capital</b>	4
<b>Net tier-one capital</b>	151,121
<b>Tier two capital</b>	24,230
Qualifying portions of tier-two capital instruments issued and share premium	9,700
Surplus provision for loan impairment	14,505
Qualifying portions of non-controlling interests	25
<b>Net capital base</b>	175,351
<b>Total risk weighted assets</b>	1,658,861
<b>Core tier one capital adequacy ratio</b>	9.11%
<b>Tier one capital adequacy ratio</b>	9.11%
<b>Capital adequacy ratio</b>	10.57%

- (1) The Group calculates the capital adequacy ratios as at 31 December 2012 in accordance with “Regulations Governing Capital Adequacy of Commercial Banks” and relevant requirements promulgated by the CBRC.

	31 December 2013
Core capital adequacy ratio	8.00%
Capital adequacy ratio	10.99%

## 46 Notes to consolidated cash flow statements

### (a) Net (decrease)/increase in cash and cash equivalents

	31 December 2013	31 December 2012
Cash and cash equivalents as at 31 December	116,821	137,913
Less: Cash and cash equivalents as at 1 January	137,913	156,645
Net decrease in cash and cash equivalents	(21,092)	(18,732)

### (b) Cash and cash equivalents

	31 December 2013	31 December 2012
Cash on hand	7,708	6,873
Deposits with the central bank	19,691	24,130
Deposits with banks and other financial institutions	31,979	42,600
Placements with banks and other financial institutions	57,443	64,310
<b>Total</b>	<b>116,821</b>	<b>137,913</b>

## 47 Related party relationships and transactions

### (a) China Investment Corporation

Approved by the State Council of the PRC, China Investment Corporation (“CIC”) was established on 29 September 2007 with a registered capital of USD200 billion. Huijin is a wholly owned subsidiary of CIC and exercises its rights and obligations as an investor on behalf of CIC.

### (b) Huijin and its affiliates

Huijin was incorporated as a wholly state-owned investment company on 16 December 2003. It was registered in Beijing with a registered capital of RMB828,209 million. Apart from equity investments as authorised by the State Council of the PRC, it does not engage in any other commercial operations.

The Group’s transactions with Huijin and its affiliates mainly include deposit taking, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts, financial bonds and certificates of deposits which are bearer bonds tradable in the secondary market. Accordingly, the Group has no information in respect of the amount of the debts held by these banks and other financial institutions as at the end of the reporting period.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 47 Related party relationships and transactions (continued)

#### (b) Huijin and its affiliates (continued)

The Group's material transactions and balances with Huijin and its affiliates during the reporting period are summarised as follows:

	31 December 2013	31 December 2012
Interest income	2,715	2,278
Interest expense	(7,223)	(5,516)

	31 December 2013	31 December 2012
Deposits with banks and other financial institutions	15,530	22,096
Placements with banks and other financial institutions	21,235	20,927
Financial assets held for trading	5,372	6,016
Financial assets held under resale agreements	2,431	9,640
Interest receivable	1,611	881
Loans and advances to customers	1,215	1,448
Available-for-sale financial assets	5,750	8,688
Held-to-maturity investments	21,611	20,430
Debt securities classified as receivables	38,728	29,978
Other assets	1,737	1,971
Deposits from banks and other financial institutions	107,395	431,095
Placements from banks and other financial institutions	8,766	6,404
Financial assets sold under repurchase agreements	21,527	33,060
Deposits from customers	18,654	15,051
Interest payable	1,051	1,646
Other liabilities	396	4,250

RMB93 million was paid to Huijin's affiliates as underwriting commission for the H share offering by the year ended 31 December 2013.

#### (c) China Everbright (Group)

The transactions and balances with China Everbright (Group) and its affiliates are summarised in Note 47(d)(ii).

## 47 Related party relationships and transactions (continued)

### (d) Transactions between the Group and other related parties

#### (i) Other related parties information

Other related parties having transactions with the Group:

Related party	Relationship with the Group
Affiliated companies	
– China Everbright Group Co.,Ltd.	Same chairman of the board of directors with China Everbright (Group)
– China Everbright Limited	Shareholder, affiliate of China Everbright Holdings
– Everbright Securities Co., Ltd. (“Everbright Securities”)	Affiliate of China Everbright (Group)
– Everbright Pramerica Fund Management Co., Ltd.	Affiliate of China Everbright (Group)
– Everbright Futures Co., Ltd.	Affiliate of China Everbright (Group)
– Dacheng Fund Management Co., Ltd.	Affiliate of China Everbright (Group)
– Shanghai Everbright Convention and Exhibition Centre Limited	Affiliate of China Everbright (Group)
– China Everbright Investment Management Corporation	Affiliate of China Everbright (Group)
– Everbright International Hotel and Property Management Company Limited	Affiliate of China Everbright (Group)
– Everbright Real Estate Co., Ltd.	Affiliate of China Everbright (Group)
– China Everbright International Trust and Investment Company Limited	Affiliate of China Everbright (Group)
– China Everbright Travel, Inc	Affiliate of China Everbright (Group)
– China Everbright Petroleum Exploitation & Investment Co., Ltd.	Affiliate of China Everbright (Group)
– Everbright Financial Holding Asset Management Co., Ltd.	Affiliate of China Everbright (Group)
– Sun Life Everbright Asset Management Co., Ltd.	Affiliate of China Everbright (Group)
– Sun Life Everbright Life Insurance Co., Ltd.	Affiliate of China Everbright (Group)
– Everbright Fortune Investment Co., Ltd.	Affiliate of China Everbright (Group)
– Everbright Capital Investment Management Co., Ltd.	Affiliate of China Everbright (Group)
– Everbright Securities Financial Holdings Limited	Affiliate of China Everbright (Group)

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 47 Related party relationships and transactions (continued)

#### (d) Transactions between the Group and other related parties (continued)

##### (i) Other related parties information (continued)

Other related parties having transactions with the Group: (continued)

Related party	Relationship with the Group
Other related parties	
– China M&A Group	Common key management
– First-trust Fund Management Co., Ltd.	Common key management
– Lifan Industry (Group) Co., Ltd.	Common key management
– Shanghai Chengtou Holding Co., Ltd.	Common key management
– Fujian Hongbo Printing Co., Ltd.	Common key management
– Lubin Shuwei Management consulting (Beijing) Co., Ltd.	Common key management
– China Economic-Value-Added for Practical Use Association	Common key management
– China Everbright International Ltd.	Common key management
– China UnionPay Co., Ltd.	Common key management
– China Power Finance Co., Ltd.	Common key management
– Orient Securities Company Limited	Common key management
– Happy Life Insurance Co., Ltd.	Common key management
– Tianjin Capital Environmental Protection Group Company Limited	Common key management
– Sinopharm Group Co., Ltd.	Common key management
– Shanghai Baosight Software Co., Ltd.	Common key management
– SAIC Motor Corporation, Ltd.	Common key management
– Shanghai Electric Group Company Limited	Common key management
– Winteam Pharmaceutical Group Limited.	Common key management
– Shanghai ICY New Energy Venture Capital Co., Ltd.	Common key management
– Chengdu Xinshen Venture Capital Co., Ltd.	Common key management
– Shanghai Jiulian Group Co., Ltd.	Common key management
– China Pacific Insurance (group) Co., Ltd.	Common key management
– China Pacific Property Insurance Co., Ltd.	Common key management
– China Pacific Life Insurance Co., Ltd.	Common key management
– TMB Bank Public Company Limited	Common key management
– Noah Holdings Limited	Common key management
– China Nonferrous Mining Corporation Limited	Common key management
– Shenzhen Zhongshan Investment Co., Ltd.	Common key management
– Shenzhen Hengyuan Investment and Development Co., Ltd.	Common key management
– China International Fund Management Co., Ltd.	Common key management



## 47 Related party relationships and transactions (continued)

### (d) Transactions between the Group and other related parties (continued)

#### (ii) Related party transactions

The Group's material transactions and balances with China Everbright (Group) and the above related parties during the reporting period are summarised as follows:

	China Everbright (Group) (Note 47(c))	China Everbright Limited	Affiliated Companies	Others	Total
Transactions with related parties for the year ended 31 December 2013:					
Interest income	—	—	15	188	203
Interest expense	(1)	—	(215)	(868)	(1,084)
Operating and administrative expense	—	(1)	(8)	(18)	(27)
Balances with related parties as at 31 December 2013:					
Financial assets held under resale agreements	—	—	—	205	205
Loans and advances to customers	—	—	222	166	388
Held-to-maturity investments	—	—	—	900	900
Interest receivable	—	—	—	21	21
Other assets	—	—	4,912	—	4,912
	—	—	5,134	1,292	6,426
Deposits from banks and other financial institutions	—	—	4,303	346	4,649
Deposits from customers	—	1	8,420	18,296	26,717
Interest payable	1	1	24	411	437
Other liabilities	—	—	570	—	570
	1	2	13,317	19,053	32,373
Significant off-balance sheet items with related parties as at 31 December 2013:					
Guarantee granted (Note)	180	—	—	—	180

RMB35 million was paid to China Everbright (Group)'s affiliates as underwriting commission for the H share offering by the year ended 31 December 2013.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 47 Related party relationships and transactions (continued)

#### (d) Transactions between the Group and other related parties (continued)

##### (ii) Related party transactions (continued)

The Group's material transactions and balances with China Everbright (Group) and the above related parties during the reporting period are summarised as follows: (continued)

	China Everbright (Group) (Note 47(c))	China Everbright Limited	Affiliated Companies	Others	Total
Transactions with related parties for the year ended 31 December 2012:					
Interest income	—	—	—	62	62
Interest expense	—	—	(198)	(46)	(244)
Operating and administrative expense	—	—	(6)	(8)	(14)
Balances with related parties as at 31 December 2012:					
Financial assets held under resale agreements	—	—	485	—	485
Loans and advances to customers	—	—	—	98	98
Interest receivable	—	—	—	1	1
Available-for-sale financial assets	—	—	—	1,403	1,403
Other assets	—	—	6,632	—	6,632
	—	—	7,117	1,502	8,619
Deposits from banks and other financial institutions	—	—	7,707	65	7,772
Deposits from customers	10	1	1,266	874	2,151
Interest payable	—	—	22	9	31
Other liabilities	9	—	—	—	9
	19	1	8,995	948	9,963
Significant off-balance sheet items with related parties as at 31 December 2012:					
Guarantee granted (Note)	180	—	—	—	180

Note: As at 31 December 2013, the Bank has guarantee obligations relating to the China Everbright (Group)'s outstanding interest obligation of RMB180 million due to one of the state-owned commercial banks.

## 47 Related party relationships and transactions (continued)

### (e) Transactions with other PRC state-owned entities

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 organisations (“state-owned entities”). Transactions with other state-owned entities include but are not limited to: 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.

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’s pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether or not the customers are state-owned entities. Having considered the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

### (f) Key management personnel

	31 December 2013 RMB’000	31 December 2012 RMB’000
Remuneration	20,776	17,509
Retirement benefits	978	823
— Basic social pension insurance	539	465

### (g) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	31 December 2013 RMB’000	31 December 2012 RMB’000
Aggregate amount of relevant loans outstanding as at the year end	8,055	7,537
Maximum aggregate amount of relevant loans outstanding during the year	17,873	14,122

# Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 48 Segment reporting

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

### Corporate banking

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

### Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services, remittance services, and securities agency services.

### Treasury business

This segment covers the Group's treasury operations. The treasury business enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities, derivatives and foreign currency trading for its own accounts. The treasury segment also covers customer-driven derivatives and foreign currency trading, as well as management of the Group's overall liquidity position, including the issuance of subordinated debts.

### Others

These represent equity investments and related income.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

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

## 48 Segment reporting (continued)

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. 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 cost incurred to acquire fixed assets, intangible assets and other long-term assets.

### (a) Segment results, assets and liabilities

#### The Group

	Year ended 31 December 2013				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	22,641	15,992	12,229	—	50,862
Internal net interest income/(expense)	12,706	(4,428)	(8,278)	—	—
Net interest income	35,347	11,564	3,951	—	50,862
Net fee and commission income	4,965	9,885	102	—	14,952
Net trading losses	—	(172)	(918)	—	(1,090)
Dividend income	—	—	—	3	3
Net gains arising from investment securities	42	—	46	—	88
Foreign exchange gains	234	52	81	—	367
Other operating income	98	48	1	198	345
Operating income	40,686	21,377	3,263	201	65,527
Operating expenses	(15,837)	(10,005)	(577)	(54)	(26,473)
Operating profit before impairment	24,849	11,372	2,686	147	39,054
Impairment losses on assets	(2,576)	(2,083)	26	—	(4,633)
Profit before tax	22,273	9,289	2,712	147	34,421
Segment assets	1,568,595	505,438	335,658	99	2,409,790
Segment liabilities	1,711,960	422,881	127,111	55	2,262,007
Other segment information					
— Depreciation and amortisation	(965)	(651)	(18)	—	(1,634)
— Capital expenditure	1,557	1,049	28	—	2,634

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 48 Segment reporting (continued)

## (a) Segment results, assets and liabilities (continued)

**The Group**

	Year ended 31 December 2012				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income	25,586	12,686	11,991	—	50,263
Internal net interest income/(expense)	10,536	(2,115)	(8,421)	—	—
Net interest income	36,122	10,571	3,570	—	50,263
Net fee and commission income	3,928	5,419	132	—	9,479
Net trading losses	—	(86)	(152)	—	(238)
Dividend income	—	—	—	3	3
Net gains arising from investment securities	58	—	17	—	75
Foreign exchange gains/(losses)	281	42	(115)	—	208
Other operating income	121	43	—	116	280
Operating income	40,510	15,989	3,452	119	60,070
Operating expenses	(13,925)	(8,268)	(449)	(43)	(22,685)
Operating profit before impairment	26,585	7,721	3,003	76	37,385
Impairment losses on assets	(4,431)	(1,334)	(30)	—	(5,795)
Profit before tax	22,154	6,387	2,973	76	31,590
Segment assets	1,510,900	387,495	377,067	98	2,275,560
Segment liabilities	1,736,394	325,080	103,467	4	2,164,945
Other segment information					
— Depreciation and amortisation	(837)	(549)	(8)	—	(1,394)
— Capital expenditure	1,651	1,083	16	—	2,750

## 48 Segment reporting (continued)

### (a) Segment results, assets and liabilities (continued)

Reconciliation between segment assets, liabilities and total assets and total liabilities:

	Note	31 December 2013	31 December 2012
Segment assets		2,409,790	2,275,560
Goodwill	27	1,281	1,281
Deferred tax assets	28	4,015	2,454
<b>Total assets</b>		<b>2,415,086</b>	<b>2,279,295</b>
Segment liabilities		2,262,007	2,164,945
Dividend payables	39	27	28
<b>Total liabilities</b>		<b>2,262,034</b>	<b>2,164,973</b>

### (b) Geographical information

The Group operates principally in mainland China with branches located in 28 provinces, autonomous regions and municipalities directly under the central government, with subsidiaries located in Wuhan city of Hubei Province, Shaoshan city of Hunan Province and Huai'an city of Jiangsu Province.

Non-current assets include fixed assets, land use rights and intangible assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the branches which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Yangtze River Delta” refers to the following areas serviced by subsidiary and branches of the Bank: Huai’an Everbright, Shanghai, Nanjing, Hangzhou, Suzhou, Ningbo and Wuxi;
- “Pearl River Delta” refers to the following areas serviced by branches of the Bank: Guangzhou, Shenzhen, Fuzhou, Xiamen and Haikou;
- “Bohai Rim” refers to the following areas serviced by branches of the Bank: Beijing, Tianjin, Shijiazhuang, Jinan, Qingdao and Yantai;
- “Central” refers to the following areas serviced by subsidiaries and branches of the Bank: Everbright Financial Leasing and Shaoshan Everbright, Zhengzhou, Taiyuan, Changsha, Wuhan, Hefei and Nanchang;
- “Western” refers to the following areas serviced by branches of the Bank: Xi’an, Chengdu, Chongqing, Kunming, Nanning, Hohhot, Urumchi; Guiyang and Lanzhou;

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 48 Segment reporting (continued)

#### (b) Geographical information (continued)

- “Northeastern” refers to the following areas serviced by branches of the Bank: Heilongjiang, Changchun, Shenyang and Dalian;
- “Hong Kong” refers to the Hong Kong Special Administrative Region serviced by branch of the Bank; and
- “Head Office” refers to the headquarter of the Group.

	Operating Income								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Hong Kong	Total
2013	11,600	11,724	14,713	8,574	7,543	7,961	3,345	67	65,527
2012	11,982	11,721	9,602	8,259	7,603	7,189	3,714	—	60,070

	Non-current Asset (i)								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Hong Kong	Total
31 December 2013	3,037	912	4,941	1,173	1,230	1,095	988	26	13,402
31 December 2012	3,143	877	4,531	1,064	952	963	999	—	12,529

(i) Including fixed assets and intangible assets.

### 49 Risk Management

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group’s exposure to each of the above risks and their sources, and the Group’s objectives, policies and procedures for measuring and managing these risks.

The Group’s risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.



## 49 Risk Management (continued)

### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

#### **Credit business**

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The responsible department for credit risk management include the Risk Management Department, Credit Approval Department, Special Assets Resolution Department and Legal and Compliance Department, and the Group deployed Credit Officer to Retail Banking Department of Head office, the business line of medium-sized and small enterprises, credit card business, treasury business and the first tier branches. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front line departments such as the Corporate Banking Department and the Retail Banking Department carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place dynamic monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks. The Group has further enhanced the parallel operating mechanism. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 49 Risk Management (continued)

#### (a) Credit risk (continued)

##### **Credit business** (continued)

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collaterals and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process in accordance with its standardised loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

##### **Treasury Business**

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic and real-time basis, and credit limits are reviewed and revised regularly.

#### (i) **Maximum credit risk exposure**

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets, including derivative financial instruments. The maximum exposure to credit risk in respect of these off-balance sheet items as at the end of the reporting period is disclosed in Note 52(a).

## 49 Risk Management (continued)

### (a) Credit risk (continued)

#### (ii) Financial assets analysed by credit quality are summarised as follows:

##### The Group

	31 December 2013				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments <sup>(1)</sup>	Others <sup>(2)</sup>
<b>Impaired</b>					
Individually assessed					
Gross amount	7,717	16	—	2	1,492
Provision for impairment losses	(3,357)	(16)	—	(2)	(215)
Sub-total	4,360	—	—	—	1,277
Collectively assessed					
Gross amount	2,312	—	—	—	363
Provision for impairment losses	(1,563)	—	—	—	(31)
Sub-total	749	—	—	—	332
<b>Overdue but not impaired</b>					
Gross amount					
— Less than 3 months (inclusive)	12,316	—	—	—	—
Gross amount	12,316	—	—	—	—
Provision for impairment losses	(1,163)	—	—	—	—
Sub-total	11,153	—	—	—	—
<b>Neither overdue nor impaired</b>					
Gross amount	1,143,965	191,457	169,182	493,327	84,069
Provision for impairment losses	(18,089)	(13)	—	(270)	(644)
Sub-total	1,125,876	191,444	169,182	493,057	83,425
<b>Total</b>	<b>1,142,138</b>	<b>191,444</b>	<b>169,182</b>	<b>493,057</b>	<b>85,034</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 49 Risk Management (continued)

## (a) Credit risk (continued)

(ii) **Financial assets analysed by credit quality are summarised as follows:** (continued)**The Group**

	31 December 2012				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Investments (*)	Others (**)
<b>Impaired</b>					
Individually assessed					
Gross amount	6,013	16	—	2	1,166
Provision for impairment losses	(3,487)	(16)	—	(2)	(85)
Sub-total	2,526	—	—	—	1,081
Collectively assessed					
Gross amount	1,600	—	—	—	222
Provision for impairment losses	(1,132)	—	—	—	(29)
Sub-total	468	—	—	—	193
<b>Overdue but not impaired</b>					
Gross amount					
— Less than 3 months (inclusive)	9,424	—	—	—	—
Gross amount	9,424	—	—	—	—
Provision for impairment losses	(797)	—	—	—	—
Sub-total	8,627	—	—	—	—
<b>Neither overdue nor impaired</b>					
Gross amount	1,006,150	183,020	230,726	478,680	86,321
Provision for impairment losses	(20,440)	(22)	—	(296)	(775)
Sub-total	985,710	182,998	230,726	478,384	85,546
<b>Total</b>	<b>997,331</b>	<b>182,998</b>	<b>230,726</b>	<b>478,384</b>	<b>86,820</b>

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

\*\* Others comprise positive fair value of derivatives, interests receivable, assets from wealth management business recorded in other assets, and other receivables.

## 49 Risk Management (continued)

### (a) Credit risk (continued)

#### (iii) Credit rating

The distribution according to the credit quality of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

#### The Group

	31 December 2013	31 December 2012
Carrying value		
<i>Individually assessed and impaired</i>		
Gross amount	16	16
Provision for impairment losses	(16)	(16)
Sub-total	—	—
<i>Neither overdue nor impaired</i>		
— grade A to AAA	225,615	177,557
— grade B to BBB	23,602	13,531
— unrated	111,409	222,636
Sub-total	360,626	413,724
<b>Total</b>	<b>360,626</b>	<b>413,724</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 49 Risk Management (continued)

## (a) Credit risk (continued)

## (iii) Credit rating (continued)

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to Bloomberg Composite, or the major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

**The Group**

	31 December 2013	31 December 2012
Carrying value		
<i>Individually assessed and impaired</i>		
Gross amount	1	1
Provision for impairment losses	(1)	(1)
Sub-total	—	—
Neither overdue nor impaired		
<i>Bloomberg Composite</i>		
— grade AAA	42	—
— grade AA- to AA+	677	18
— grade A- to A+	1,241	1,172
— grade lower than A-	482	121
Sub-total	2,442	1,311
<i>Other agency ratings</i>		
— grade AAA	60,200	71,962
— grade AA- to AA+	41,102	19,632
— grade A- to A+	99,128	120,604
— grade lower than A-	2,378	3,200
— unrated	24,775	—
Sub-total	227,583	215,398
<b>Total</b>	<b>230,025</b>	<b>216,709</b>

## 49 Risk Management (continued)

### (b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures as well as the market risk tolerance level recommended by senior management. The Group is primarily exposed to market risk in its treasury business. The Treasury Department is responsible for the Group's investments and proprietary trading business. The Planning and Finance Department is responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis. The Market Risk Management Division in the Treasury Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the main tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, stress testing and effective duration analysis are the main tools used by the Group to measure and monitor the market risk of its non-trading businesses.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 49 Risk Management (continued)

#### (b) Market risk (continued)

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

#### **Interest rate risk**

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

#### ***Repricing risk***

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Planning and Finance Department of the Group is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

#### ***Trading interest rate risk***

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.



## 49 Risk Management (continued)

### (b) Market risk (continued)

#### Interest rate risk (continued)

- (i) The following tables indicate the effective interest rates for the reporting period and the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

#### The Group

	31 December 2013						
	Effective interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>							
Cash and deposits with the central bank	1.49%	312,643	15,929	296,714	—	—	—
Deposits with banks and other financial institutions	3.40%	67,153	—	65,146	2,007	—	—
Placements with banks and other financial institutions	4.79%	124,291	—	57,444	61,253	5,594	—
Financial assets held under resale agreements	4.98%	169,182	—	149,983	19,199	—	—
Loans and advances to customers (Note (ii))	6.26%	1,142,138	—	743,882	372,231	22,667	3,358
Investments (Note (iii))	4.98%	493,057	159	35,236	151,929	227,050	78,683
Others	—	106,622	37,172	33,528	17,792	18,130	—
<b>Total assets</b>	<b>5.10%</b>	<b>2,415,086</b>	<b>53,260</b>	<b>1,381,933</b>	<b>624,411</b>	<b>273,441</b>	<b>82,041</b>
<b>Liabilities</b>							
Deposits from banks and other financial institutions	4.74%	438,604	—	435,125	3,479	—	—
Placements from banks and other financial institutions	2.47%	50,817	21	36,976	13,820	—	—
Financial assets sold under repurchase agreements	4.00%	63,164	3	56,257	6,904	—	—
Deposits from customers	2.51%	1,605,278	2,673	1,035,635	360,563	203,898	2,509
Debt securities issued	4.38%	42,247	—	—	5,547	30,000	6,700
Others	—	61,924	40,263	19,115	1,571	975	—
<b>Total liabilities</b>	<b>3.14%</b>	<b>2,262,034</b>	<b>42,960</b>	<b>1,583,108</b>	<b>391,884</b>	<b>234,873</b>	<b>9,209</b>
<b>Asset-liability gap</b>	<b>1.96%</b>	<b>153,052</b>	<b>10,300</b>	<b>(201,175)</b>	<b>232,527</b>	<b>38,568</b>	<b>72,832</b>

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 49 Risk Management (continued)

## (b) Market risk (continued)

## Interest rate risk (continued)

- (i) The following tables indicate the effective interest rates for the reporting period and the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier: (continued)

## The Group

	31 December 2012						
	Effective interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>							
Cash and deposits with the central bank	1.49%	285,478	13,537	271,941	—	—	—
Deposits with banks and other financial institutions	3.55%	47,019	69	44,250	2,700	—	—
Placements with banks and other financial institutions	5.17%	135,979	—	64,897	58,333	12,749	—
Financial assets held under resale agreements	5.08%	230,726	—	192,952	37,745	29	—
Loans and advances to customers (Note (ii))	6.66%	997,331	—	651,238	322,451	21,082	2,560
Investments (Note (iii))	4.63%	478,384	191	25,699	137,528	155,797	159,169
Others	—	104,378	29,391	18,695	14,122	42,170	—
<b>Total assets</b>	<b>5.29%</b>	<b>2,279,295</b>	<b>43,188</b>	<b>1,269,672</b>	<b>572,879</b>	<b>231,827</b>	<b>161,729</b>
<b>Liabilities</b>							
Deposits from banks and other financial institutions	4.19%	527,561	—	512,481	15,080	—	—
Placements from banks and other financial institutions	3.00%	23,205	18	16,831	6,206	150	—
Financial assets sold under repurchase agreements	3.72%	74,285	4	73,795	486	—	—
Deposits from customers	2.47%	1,426,941	3,867	931,816	322,079	167,750	1,429
Debt securities issued	4.59%	52,700	—	—	18,000	28,000	6,700
Others	—	60,281	34,978	20,701	4,602	—	—
<b>Total liabilities</b>	<b>2.95%</b>	<b>2,164,973</b>	<b>38,867</b>	<b>1,555,624</b>	<b>366,453</b>	<b>195,900</b>	<b>8,129</b>
<b>Asset-liability gap</b>	<b>2.34%</b>	<b>114,322</b>	<b>4,321</b>	<b>(285,952)</b>	<b>206,426</b>	<b>35,927</b>	<b>153,600</b>

## Note:

- (i) *Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.*
- (ii) *For loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB15,689 million as at 31 December 2013 (31 December 2012: RMB11,582 million). Overdue amounts represent loans for which the principal or interest is overdue one day or more.*
- (iii) *Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.*

## 49 Risk Management (continued)

### (b) Market risk (continued)

#### Interest rate risk (continued)

##### (ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 31 December 2013, assuming other variables remain unchanged, an increase in estimated interest rate of one hundred basis points will cause the Group's net profit to decrease by RMB2,483 million (31 December 2012: RMB3,333 million), and equity to decrease by RMB5,253 million (31 December 2012: RMB5,978 million); a decrease in estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB2,488 million (31 December 2012: RMB3,351 million), and equity to increase by RMB5,428 million (31 December 2012: RMB6,190 million).

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of the reporting period apply to all derivative and non-derivative financial instruments of the Group;
- At the end of the reporting period, an interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 49 Risk Management (continued)

## (b) Market risk (continued)

**Foreign currency risk**

The Group's foreign currency risk mainly arises from the foreign currency portfolio within the treasury's proprietary investments, and other foreign currency exposures. The Group manages foreign currency risk by spot and forward foreign exchange transactions, swap transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

**The Group**

	31 December 2013			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	308,533	3,558	552	312,643
Deposits with banks and other financial institutions	48,978	16,322	1,853	67,153
Placements with banks and other financial institutions	119,547	2,398	2,346	124,291
Financial assets held under resale agreements	169,154	—	28	169,182
Loans and advances to customers	1,086,469	52,816	2,853	1,142,138
Investments (Note (i))	490,615	2,317	125	493,057
Others	97,555	392	8,675	106,622
<b>Total assets</b>	<b>2,320,851</b>	<b>77,803</b>	<b>16,432</b>	<b>2,415,086</b>
<b>Liabilities</b>				
Deposits from banks and other financial institutions	436,488	2,093	23	438,604
Placements from banks and other financial institutions	29,402	20,676	739	50,817
Financial assets sold under repurchase agreements	63,164	—	—	63,164
Deposits from customers	1,538,031	58,043	9,204	1,605,278
Debt securities issued	40,551	1,271	425	42,247
Others	54,285	7,639	—	61,924
<b>Total liabilities</b>	<b>2,161,921</b>	<b>89,722</b>	<b>10,391</b>	<b>2,262,034</b>
<b>Net position</b>	<b>158,930</b>	<b>(11,919)</b>	<b>6,041</b>	<b>153,052</b>
Off-balance sheet credit commitments	718,701	41,819	2,968	763,488
Derivative financial instruments (Note (ii))	(31,277)	21,862	8,490	(925)

## 49 Risk Management (continued)

### (b) Market risk (continued)

#### Foreign currency risk (continued)

##### The Group

	31 December 2012			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	282,402	2,596	480	285,478
Deposits with banks and other financial institutions	41,447	3,772	1,800	47,019
Placements with banks and other financial institutions	133,985	1,532	462	135,979
Financial assets held under resale agreements	230,697	—	29	230,726
Loans and advances to customers	961,798	34,875	658	997,331
Investments (Note (i))	476,906	1,354	124	478,384
Others	103,706	96	576	104,378
<b>Total assets</b>	<b>2,230,941</b>	<b>44,225</b>	<b>4,129</b>	<b>2,279,295</b>
<b>Liabilities</b>				
Deposits from banks and other financial institutions	526,245	1,296	20	527,561
Placements from banks and other financial institutions	12,819	9,688	698	23,205
Financial assets sold under repurchase agreements	74,285	—	—	74,285
Deposits from customers	1,375,598	41,891	9,452	1,426,941
Debt securities issued	52,700	—	—	52,700
Others	58,204	1,117	960	60,281
<b>Total liabilities</b>	<b>2,099,851</b>	<b>53,992</b>	<b>11,130</b>	<b>2,164,973</b>
<b>Net position</b>	<b>131,090</b>	<b>(9,767)</b>	<b>(7,001)</b>	<b>114,322</b>
Off-balance sheet credit commitments	640,053	32,075	3,993	676,121
Derivative financial instruments (Note (ii))	957	(1,311)	167	(187)

Note:

(i) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

(ii) Derivative financial instruments reflect the net notional amounts of derivatives.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 49 Risk Management (continued)

#### (b) Market risk (continued)

##### Foreign currency risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 31 December 2013, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would increase both the Group's net profit and equity by RMB30 million (31 December 2012: decrease by RMB22 million); a depreciation of one hundred basis points in the US dollar against the RMB would decrease both the Group's net profit and equity by RMB30 million (31 December 2012: increase by RMB22 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and HK dollars change in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;
- The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the assumptions adopted, actual changes in the Group's net profit or loss and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

## 49 Risk management (continued)

### (c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC, chaired by the President of the Bank, is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximisation and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Planning and Finance Department is responsible for executing liquidity risk management policies. It is also responsible for identifying, measuring, monitoring and managing medium- and long-term working capital on a regular basis, and for formulating liquidity management strategies. The Treasury Department is responsible for monitoring working capital on a daily basis and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies outlined above. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

## 49 Risk management (continued)

## (c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

## The Group

	31 December 2013							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Asset</b>								
Cash and deposits with the central bank	285,244	27,399	—	—	—	—	—	312,643
Deposit with banks and other financial institutions	—	17,647	13,217	23,855	5,807	6,627	—	67,153
Placement with banks and other financial institutions	—	—	32,944	24,500	61,253	5,594	—	124,291
Financial asset held under resale agreements	—	—	66,831	83,152	19,199	—	—	169,182
Loans and advances to customers	10,841	105,621	68,032	122,312	419,768	226,560	189,004	1,142,138
Investments <sup>(1)</sup>	99	—	4,211	23,616	146,801	237,363	80,967	493,057
Others	21,588	31	5,254	22,022	28,150	29,509	68	106,622
<b>Total assets</b>	<b>317,772</b>	<b>150,698</b>	<b>190,489</b>	<b>299,457</b>	<b>680,978</b>	<b>505,653</b>	<b>270,039</b>	<b>2,415,086</b>
<b>Liabilities</b>								
Deposits from banks and other financial institutions	—	92,554	172,259	74,867	91,034	7,890	—	438,604
Placements from banks and other financial institutions	—	21	24,995	11,981	13,820	—	—	50,817
Financial assets sold under repurchase agreements	—	3	3,523	52,734	6,904	—	—	63,164
Deposit from customers	—	630,456	187,239	194,660	360,563	229,351	3,009	1,605,278
Debt securities issued	—	—	—	3,000	2,547	30,000	6,700	42,247
Others	—	9,207	22,552	12,658	9,256	8,100	151	61,924
<b>Total liabilities</b>	<b>—</b>	<b>732,241</b>	<b>410,568</b>	<b>349,900</b>	<b>484,124</b>	<b>275,341</b>	<b>9,860</b>	<b>2,262,034</b>
Long/(Short) position	317,772	(581,543)	(220,079)	(50,443)	196,854	230,312	260,179	153,052
Notional amount of derivative financial instruments	—	—	55,588	38,945	79,310	49,857	2,207	225,907



## 49 Risk management (continued)

### (c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:  
(continued)

#### The Group

	31 December 2012							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Asset</b>								
Cash and deposits with the central bank	254,475	31,003	—	—	—	—	—	285,478
Deposit with banks and other financial institutions	—	13,689	24,265	6,365	2,700	—	—	47,019
Placement with banks and other financial institutions	—	—	32,214	32,683	58,333	12,749	—	135,979
Financial asset held under resale agreements	—	—	87,770	105,182	37,745	29	—	230,726
Loans and advances to customers	7,200	70,580	56,381	109,970	378,872	208,460	165,868	997,331
Investments <sup>(1)</sup>	99	—	2,985	13,494	131,573	165,966	164,267	478,384
Others	17,558	47	2,339	10,625	19,380	54,100	329	104,378
<b>Total assets</b>	<b>279,332</b>	<b>115,319</b>	<b>205,954</b>	<b>278,319</b>	<b>628,603</b>	<b>441,304</b>	<b>330,464</b>	<b>2,279,295</b>
<b>Liabilities</b>								
Deposits from banks and other financial institutions	—	76,226	199,606	190,018	58,411	3,300	—	527,561
Placements from banks and other financial institutions	—	18	11,881	4,950	6,206	150	—	23,205
Financial assets sold under repurchase agreements	—	4	45,623	28,172	486	—	—	74,285
Deposit from customers	—	601,497	168,422	165,564	300,926	189,103	1,429	1,426,941
Debt securities issued	—	—	—	—	13,000	33,000	6,700	52,700
Others	—	6,691	30,367	7,025	11,905	3,823	470	60,281
<b>Total liabilities</b>	<b>—</b>	<b>684,436</b>	<b>455,899</b>	<b>395,729</b>	<b>390,934</b>	<b>229,376</b>	<b>8,599</b>	<b>2,164,973</b>
Long/(Short) position	279,332	(569,117)	(249,945)	(117,410)	237,669	211,928	321,865	114,322
Notional amount of derivative financial instruments	—	—	55,562	49,820	105,060	58,800	3,440	272,682

\* Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 49 Risk management (continued)

#### (c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities, loan commitments and credit card commitments at the end of the reporting period:

#### The Group

	31 December 2013							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Deposits from banks and other financial institutions	438,604	447,004	92,608	173,367	76,138	95,996	8,895	—
Placements from banks and other financial institutions	50,817	51,620	21	25,039	12,102	14,458	—	—
under repurchase agreements	63,164	64,294	3	3,654	53,411	7,226	—	—
Deposits from customers	1,605,278	1,656,286	630,859	187,681	195,777	382,786	255,291	3,892
Debt securities issued	42,247	50,465	—	—	4,347	2,899	35,112	8,107
Other financial liabilities	38,510	38,925	8,599	18,141	9,460	1,650	1,075	—
<b>Total non-derivative financial liabilities</b>	<b>2,238,620</b>	<b>2,308,594</b>	<b>732,090</b>	<b>407,882</b>	<b>351,235</b>	<b>505,015</b>	<b>300,373</b>	<b>11,999</b>
Loan card commitments and credit card commitments		111,796	90,547	3,390	5,372	8,055	3,142	1,290

#### The Group

	31 December 2012							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Deposits from banks and other financial institutions	527,561	533,496	76,264	201,044	192,731	59,776	3,681	—
Placements from banks and other financial institutions	23,205	23,601	18	11,945	5,033	6,439	166	—
Financial assets sold under repurchase agreements	74,285	78,524	4	46,261	31,710	549	—	—
Deposits from customers	1,426,941	1,462,168	601,567	168,722	166,622	306,322	217,356	1,579
Debt securities issued	52,700	63,523	—	—	—	15,404	39,660	8,459
Other financial liabilities	40,006	40,296	6,195	26,288	3,061	4,752	—	—
<b>Total non-derivative financial liabilities</b>	<b>2,144,698</b>	<b>2,201,608</b>	<b>684,048</b>	<b>454,260</b>	<b>399,157</b>	<b>393,242</b>	<b>260,863</b>	<b>10,038</b>
Loan card commitments and credit card commitments		108,355	85,155	3,166	6,831	8,265	3,871	1,067

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

## 49 Risk management (continued)

### (d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- A set of standard operational procedures covering all products and services, which is practical, traceable and can be re-performed, investigated and remedied;
- A series of operational risk management tools, including Risk Control Self-Assessment (RCSA), Key Risk Index (KRI), Loss Event Collection and IT system monitoring;
- An operational risk management culture, the core values of the culture is that effective risk management could create value. It is supported with a team of operational risk management professionals across all branches, businesses and functions;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 50 Fair value

#### (a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

##### (i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. The fair values of unlisted equity investments are estimated using the applicable price/earning ratios of comparable listed companies, after adjustment for the specific circumstances of the issuers.

##### (ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

##### (iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

##### (iv) Derivative financial instruments

The fair values of foreign currency forward and swap contracts is determined by the difference between the present value of the forward price and the contractual price at the end of the reporting period, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Reuters' quoted price.

## 50 Fair value (continued)

### (b) Fair value measurement

#### (i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers and debt securities classified as receivables are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Available-for-sale investments and held for trading investments are stated at fair value. The carrying amount and fair value of held-to-maturity investments and debt securities classified as receivables are disclosed in Note 23, 24.

#### (ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, financial liabilities at fair value through profit or loss, deposits from customers and subordinated debts issued.

Financial liabilities at fair value through profit or loss are stated at fair value in the statements of financial position. The carrying amount and fair value of debts securities issued are disclosed in Note 38. The carrying amounts of other financial liabilities approximate their fair values.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 50 Fair value (continued)

#### (c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes bonds and a majority of OTC derivative contracts. Input parameters like ChinaBond interbank yield curves or LIBOR yield curves are sourced from ChinaBond, Bloomberg and Shanghai Clearing House.

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes complicated derivative contracts and structured deposits with one or more than one significant unobservable component.

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

## 50 Fair value (continued)

### (c) Fair value hierarchy (continued)

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

#### The Group and the Bank

	31 December 2013			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss</i>				
Held for trading				
– debt instruments	–	12,256	–	12,256
Financial assets designated at fair value through profit or loss	–	–	234	234
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	–	915	–	915
– interest rate derivatives	–	879	76	955
<i>Available-for-sale financial assets</i>				
– debt instruments	–	111,849	–	111,849
<b>Total</b>	–	125,899	310	126,209
<b>Liabilities</b>				
<i>Deposits from customers</i>				
Structured deposits designated at fair value through profit or loss	–	–	126,274	126,274
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	–	1,570	–	1,570
– interest rate derivatives	–	809	86	895
– credit derivatives	–	–	–	–
<b>Total</b>	–	2,379	126,360	128,739

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

**50 Fair value** (continued)

## (c) Fair value hierarchy (continued)

**The Group and the Bank**

	31 December 2012			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss</i>				
Held for trading				
– debt instruments	–	29,084	–	29,084
<i>Financial assets designated at fair value through profit or loss</i>				
<i>Positive fair value of derivatives</i>				
– foreign currency derivatives	–	733	–	733
– interest rate derivatives	–	470	474	944
<i>Available-for-sale financial assets</i>				
– debt instruments	–	91,801	–	91,801
<b>Total</b>	–	122,088	843	122,931
<b>Liabilities</b>				
<i>Deposits from customers</i>				
Structured deposits designated at fair value through profit or loss	–	–	42,617	42,617
<i>Negative fair value of derivatives</i>				
– foreign currency derivatives	–	796	–	796
– interest rate derivatives	–	496	569	1,065
<b>Total</b>	–	1,292	43,186	44,478

During the years ended 31 December 2013 and 31 December 2012, there were no significant transfers between instruments in Level 1 and Level 2.



## 50 Fair value (continued)

### (c) Fair value hierarchy (continued)

The movement during the year ended 31 December 2013 in the balance of Level 3 fair value measurements is as follows:

#### The Group and the Bank

	Financial assets Designated at fair Value through Profit or loss	Derivative Financial Assets	Total	Non-derivative Financial Liabilities	Derivative Financial Liabilities	Total
1 January 2013	369	474	843	(42,617)	(569)	(43,186)
Total gains or losses:						
In profit or loss for the current year	(20)	(339)	(359)	(1,053)	449	(604)
Purchases	3	3	6	(124,509)	—	(124,509)
Settlements	(118)	(62)	(180)	41,905	34	41,939
31 December 2013	234	76	310	(126,274)	(86)	(126,360)
<b>Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the reporting year</b>	(19)	(336)	(355)	(1,748)	449	(1,299)

The movement during the year ended 31 December 2012 in the balance of Level 3 fair value measurements is as follows:

#### The Group and the Bank

	Financial assets Designated at fair Value through Profit or loss	Derivative Financial Assets	Available- for-sale Financial Assets	Total	Non- derivative Financial Liabilities	Derivative Financial Liabilities	Total
1 January 2012	557	959	60	1,576	(46,478)	(1,262)	(47,740)
Total gains or losses:							
In profit or loss for the current year	(10)	(448)	3	(455)	(288)	602	314
Purchases	16	54	—	70	(41,727)	(7)	(41,734)
Settlements	(194)	(91)	(63)	(348)	45,876	98	45,974
31 December 2012	369	474	—	843	(42,617)	(569)	(43,186)
<b>Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the reporting year</b>	(6)	(394)	—	(400)	(729)	595	(134)

During the years ended 31 December 2013 and 2012, there were no significant transfers into or out of Level 3.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 50 Fair value (continued)

#### (d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 31 December 2013, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

### 51 Entrusted lending business

The Group provides entrusted lending business services to government agencies, corporations and individuals. All entrusted loans are funded by entrusted funds from these entities and individuals. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustors and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position.

#### The Group and the Bank

	31 December 2013	31 December 2012
Entrusted loans	61,690	41,822
Entrusted funds	61,690	41,822

## 52 Commitments and contingent liabilities

### (a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card limits, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertaking's 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 Group and the Bank

	31 December 2013	31 December 2012
Loan commitments		
– Original contractual maturity within one year	9,994	8,249
– Original contractual maturity more than one year (inclusive)	27,721	38,267
Credit card commitments	63,131	61,839
Sub-total	100,846	108,355
Acceptances	469,996	407,585
Letters of guarantees	51,974	45,417
Letters of credit	129,361	114,003
Guarantees	361	761
<b>Total</b>	<b>752,538</b>	<b>676,121</b>

The Group may be exposed to credit risk in all the above credit businesses. Group management periodically assesses the credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

### (b) Credit risk-weighted amount

#### The Group and the Bank

	31 December 2013
Credit risk-weighted amount of credit commitments	319,225

- (i) The credit risk weighted amount represent to the amount calculated with reference to the guidelines issued by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights ranged from 0% to 150% for credit commitments.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 52 Commitments and contingent liabilities (continued)

#### (b) Credit risk-weighted amount (continued)

- (ii) On 31 December 2012, the credit risk weighted amount was RMB298,095 million which was calculated in accordance with “Regulations Governing Capital Adequacy of Commercial Banks” (the regulations) and other relevant regulations promulgated by the CBRC. The regulations were abolished on 1 January 2013.

#### (c) Operating lease commitments

As at the end of the reporting period, the Group’s future minimum lease payments under non-cancellable operating leases for properties are as follows:

	The Group		The Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Within one year (inclusive)	1,712	1,297	1,712	1,293
After one year but within two years (inclusive)	1,571	1,109	1,571	1,109
After two years but within three years (inclusive)	1,510	1,056	1,510	1,056
After three years but within five years (inclusive)	2,776	1,777	2,776	1,777
After five years	3,126	2,009	3,126	2,009
<b>Total</b>	<b>10,695</b>	<b>7,248</b>	<b>10,695</b>	<b>7,244</b>

#### (d) Capital commitments

As at the balance sheet dates, the Group’s and Bank’s authorised capital commitments are as follows:

	31 December 2013	31 December 2012
Contracted for		
– Purchase of property and equipment	1,194	1,561
Approved but not contracted for		
– Purchase of property and equipment	614	667
<b>Total</b>	<b>1,808</b>	<b>2,228</b>

## 52 Commitments and contingent liabilities (continued)

### (e) Underwriting and redemption commitments

The Group and the Bank has unexpired commitments for underwriting bonds as follows:

	31 December 2013	31 December 2012
Underwriting commitments	—	2,010

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

The Group's redemption commitments are as follows:

	31 December 2013	31 December 2012
Redemption commitments	8,245	8,349

### (f) Forward assets purchase and sale commitments

The Group and the Bank has unexpired forward purchase and sale commitments as follows:

#### The Group and the Bank

	31 December 2013	31 December 2012
Forward assets purchase and sale commitments	3,850	3,750

### (g) Outstanding litigations and disputes

As at 31 December 2013, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB402 million (31 December 2012: RMB363 million). Provisions (Note 39(b)) have been made for the estimated losses of such litigation based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

## Notes to the Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

### 53 Subsequent Events

- (a) On 15 January 2014, The Bank partially exercised the over-allotment option and issued 402,305,000 H shares with a nominal value of RMB1.00 at HKD3.98 per share. The additional fund raised amount to RMB1,248 million.
- (b) On 17 March 2014, The Bank redeemed fixed rate subordinated debts of RMB3 billion with an original term of ten years issued on 13 March 2009 at the nominal amount.
- (c) The profit appropriation of the Bank was proposed in accordance with the resolution of the Bank's board of directors meeting as disclosed in Note 43.

### 54 Comparative figures

Certain comparative figures have been adjusted to conform with changes in presentations in current year.

### 55 Immediate and ultimate parent

The immediate and ultimate parents of the Group are Huijin and CIC.

# Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

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

## 1 Liquidity ratios

	As at 31 December 2013	Average for the year ended 31 December 2013	As at 31 December 2012	Average for the year ended 31 December 2012
RMB current assets to RMB current liabilities	33.12%	29.52%	51.25%	42.62%
Foreign currency current assets to foreign currency current liabilities	59.65%	43.82%	45.88%	41.54%

The above liquidity ratios were calculated in accordance with the formulas promulgated by the China Banking Regulatory Commission (the “CBRC”).

## 2 Currency concentrations

	31 December 2013			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	77,803	12,186	4,246	94,235
Spot liabilities	(89,722)	(5,863)	(4,528)	(100,113)
Forward purchases	85,971	6,209	3,481	95,661
Forward sales	(64,327)	(219)	(982)	(65,528)
Net long position	9,725	12,313	2,217	24,255
Net structural position	11	15	—	26

	31 December 2012			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	44,365	1,131	2,998	48,494
Spot liabilities	(53,992)	(3,298)	(7,832)	(65,122)
Forward purchases	72,962	2,938	9,184	85,084
Forward sales	(74,273)	(2,938)	(9,017)	(86,228)
Net short position	(10,938)	(2,167)	(4,667)	(17,772)
Net structural position	11	—	—	11

The net structural position of the Group includes the structural positions, denominated in foreign currency, of the Bank’s Hong Kong branch. Structural assets mainly include fixed assets.

## Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

### 3 Cross-border claims

The group is principally engaged in business operations within mainland China. All claims to third parties outside mainland China are considered cross-border claims.

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

Cross-border claims include loans and advances to customers, deposits and placements with banks and other finance institutions, and holdings of trade bills, 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.

“Others” includes transactions with sovereign counterparties.

	31 December 2013			
	Banks and other finance institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	5,081	—	3,982	9,063
— of which attributed to Hong Kong	4,772	—	3,222	7,994
Europe	1,101	—	1,546	2,647
North and South America	1,608	—	322	1,930
	7,790	—	5,850	13,640

	31 December 2012			
	Banks and other finance institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	683	—	1,419	2,102
— of which attributed to Hong Kong	399	—	910	1,309
Europe	1,133	—	809	1,942
North and South America	2,633	—	104	2,737
	4,449	—	2,332	6,781



#### 4 Overdue loans and advances by geographical segments

	31 December 2013	31 December 2012
Yangtze River Delta	3,314	2,702
Head Office	1,408	939
Central	1,038	667
Bohai Rim	988	606
Pearl River Delta	984	1,439
Western	527	444
Northeastern	247	171
<b>Total</b>	<b>8,506</b>	<b>6,968</b>

#### 5 Gross amount of overdue loans and advances

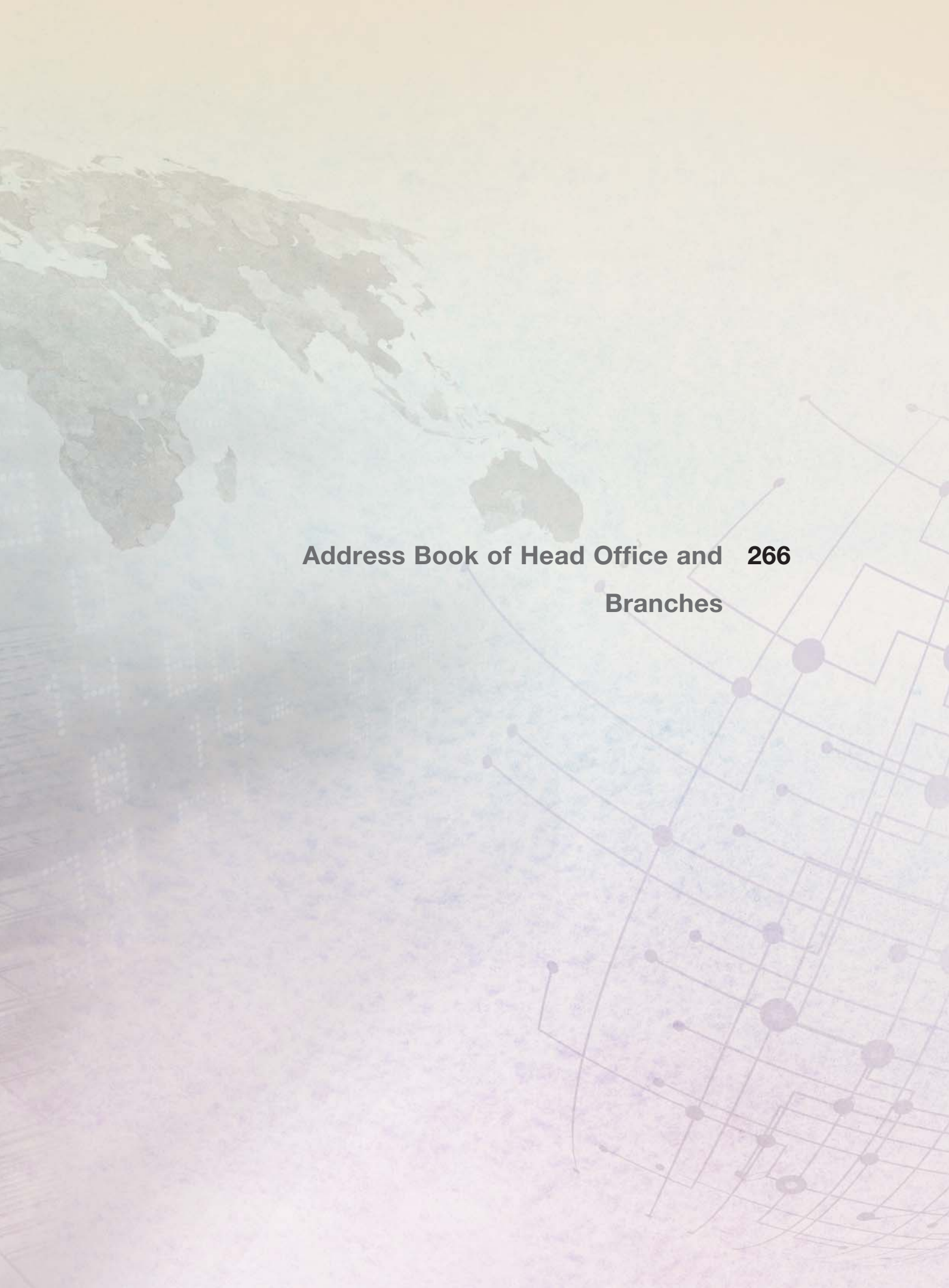
	31 December 2013	31 December 2012
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	2,166	1,190
– between 6 months and 1 year (inclusive)	3,436	2,365
– over 1 year	2,904	3,413
<b>Total</b>	<b>8,506</b>	<b>6,968</b>
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.19%	0.12%
– between 6 months and 1 year (inclusive)	0.29%	0.23%
– over 1 year	0.25%	0.33%
<b>Total</b>	<b>0.73%</b>	<b>0.68%</b>

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

#### 6 Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. As at 31 December 2013, substantial amounts of the Group's exposures arose from businesses with mainland China entities or individuals.





**Address Book of Head Office and 266  
Branches**

# Address Book of Head Office and Branches

Name	Address	P.C.	Tel.	Fax
Head office	Everbright Center, No. 25, Taipingqiao Avenue, Xicheng District, Beijing	100033	010-63636363	010-63639066
Beijing Branch	No. 1, Xuanwumen Neidajie, Xicheng District, Beijing	100031	010-66567699	010-66567411
Tianjin Branch	Annex Building of Zhonglian Building, No. 83, Qufu Ave., Heping District, Tianjin City	300041	022-23308501	022-23300229
Shanghai Branch	China Everbright Bank Building, No. 1118, Shiji Ave., Pudong New District, Shanghai City	200120	021-63606360	021-23050088
Chongqing Branch	No. 168, Minzu Road, Yuzhong District, Chongqing City	400010	023-63792773	023-63792764
Shijiazhuang Branch	No. 56, Yuhua East Road, Shijiazhuang City	050000	0311-88628882	0311-88628883
Taiyuan Branch	No. 21, Fuxi Street, Xinghualing District, Taiyuan City	030002	0351-3533633	0351-3533655
Huhhot Branch	No. 78, Xinhua Dongjie, Huhhot, Inner Mongolia Autonomous Region	010020	0471-5666125	0471-4955800
Dalian Branch	Hongfu Building, No. 45, Shanghai Road, Zhongshan District, Dalian City	116001	0411-82650538	0411-82646647
Shenyang Branch	No. 156, Hepingbei Street, Heping District, Shenyang City	110003	024-83255555	024-23283218
Changchun Branch	No. 2677, Jiefang Road, Chaoyang District, Changchun City	130061	0431-8400080	0431-88400121
Heilongjiang Branch	No. 278, Dongdazhi Street, Nangang District, Harbin City	150001	0451-53618775	0451-53618775
Nanjing Branch	No. 120, Hanzhong Road, Gulou District, Nanjing City	210029	025-84787610	025-84712699
Suzhou Branch	No. 188, Xinghai Street, Industrial Park District, Suzhou City	215021	0512-68662988	0512-68668766
Wuxi Branch	No. 1, Renmin Zhonglu, Wuxi City	214023	0510-81802528	0510-81802535
Hangzhou Branch	Zheshang Times Building, No. 1, Miduqiao Road, Gongshu District, Hangzhou City	310006	0571-87895358	0571-87895367
Ningbo Branch	No. 1 Building, Hengfu Plaza, No. 828, Fuming Road, Jiangdong District, Ningbo City	315040	0574-87300888	0574-87317230
Hefei Branch	No. 200, Changjiang Xilu, Hefei City	230001	0551-5101888	0551-5101726

Name	Address	P.C.	Tel.	Fax
Fuzhou Branch	No. 148, Beihuan Zhonglu, Gulou District, Fuzhou City	350003	0591-87837378	0591-87835838
Xiamen Branch	1-4F, China Everbright Bank Building, No. 81, Hubin Nanlu, Siming District, Xiamen City	361004	0592-2221666	0592-2237788
Nanchang Branch	No. 399, Guangchang Nanlu, Nanchang City	330006	0791-6662030	0791-6665448
Jinan Branch	No. 85, Jingqi Road, Shizhong District, Jinan City	250001	0531-86155965	0531-86155800
Qingdao Branch	No. 69, Hongkong Xilu, Shinan District, Qingdao City	266071	0532-83893801	0532-83893800
Yantai Branch	No. 111, Nandajie, Zhifu District, Yantai City	264000	0535-6658506	0535-6261796
Zhengzhou Branch	No. 18, Nongye Road, Jinshui District, Zhengzhou City	450008	0371-65766000	0371-65766000
Wuhan Branch	No. 143-144, Yanjiang Ave., Jiangan District, Wuhan City	430014	027-82796303	027-82801976
Changsha Branch	No. 142, Furong Zhonglu, Tianxin District, Changsha City	410015	0731-85363527	0731-85523677
Guangzhou Branch	21F, China Everbright Bank Building, No. 685, Tianhe Beilu, Tianhe District, Guangzhou City	510635	020-38730066	020-38730049
Shenzhen Branch	No. 18, Zizhu Qidao, Zhuzilin Silu, Futian District, Shenzhen City	518040	0755-83053388	0755-83242955
Nanning Branch	Oriental Mahatton Plaza, No. 52-1, Jinhu Road, Qingxiu District, Nanning City	530021	0771-5568106	0771-5568100
Haikou Branch	Ground Floor, World Trade Center D/E, Shimao Donglu, Jinmao District, Haikou City	570125	0898-68539999	0898-68520711
Chengdu Branch	No. 79, Dacisi Road, Jinjiang District, Chengdu City	610017	028-86665566	028-86720299
Kunming Branch	No. 28, Renmin Zhonglu, Wuhua District, Kunming City	650021	0871-3111068	0871-3111078
Xi'an Branch	No. 33, Hongguang Street, Lianhu District, Xi'an City	710002	029-87236013	023-87236010
Urumqi Branch	No. 165, Nanhu Donglu, Urumqi City	830063	0991-6765678	0991-6765678
Guiyang Branch	No. 69, Yan'an Middle Road, Yunyan District, Guiyang City	550001	0851-5914438	0851-5911499
Lanzhou Branch	No. 589, Donggang West Road, Chengguan District, Lanzhou City	730030	0931-8786033	0931-8786033
Hong Kong Branch	30/F., Far East Finance Center, No. 16, Harcourt Road, Hong Kong		00852-31239888	00852-21432188







**中国光大银行**  
CHINA EVERBRIGHT BANK

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